

Audit regulations for funds granted by the Nordic parliaments to the Nordic Council and the Nordic Council of Ministers

Article 1 Object and scope of regulations

The object of these regulations is to ensure a satisfactory and uniform audit of funds granted by the Nordic parliaments to the Nordic Council and the Nordic Council of Ministers. The audit also comprises funds granted by these bodies to pan-Nordic institutions, projects and other activities. The audit must also comprise an assessment and a review to establish if these funds are used in compliance with the objectives established for the pan-Nordic activities, see Article 4. The regulations apply when the audit of the aforesaid funds is carried out by a national audit office. When the audit is carried out by another auditor, the same regulations apply with the adaptations and supplementary instructions stipulated by the national audit office.

Article 2 Definitions

The national audit office (the audit office) comprises Rigsrevisionen, Denmark; Riksrevisjonen, Norway; Ríkisendurskoðun, Iceland; Statens Revisionsverk, Finland; Riksrevisionen, Sweden; Landsgrannskoðanin, Färöarna and Ålands landskapsregering. Institution is a term describing a permanent pan-Nordic body, financed via the budget of the Nordic Council of Ministers and managed by an executive committee or the like, which is appointed by and accountable to the Nordic Council of Ministers. An institution has bylaws laid down by the Council of Ministers. The Council of Ministers also determines which Nordic bodies that are designated as institutions. Projects are generally temporary Nordic activities. Normally, a project manager, who is responsible for completion of the project and is associated with an executive agency, will be accountable to the Council of Ministers in terms of administration and finances.

Article 3 Auditing standards

The audit must be carried out in accordance with INTOSAI's International Standards of Supreme Audit Institutions - ISSAI.

Article 4 Scope of audit

The overall task for the audit office is to ensure that the financial regulations and stipulations of the Nordic Council and the Nordic Council of Ministers are observed, that the activities and objectives are carried out according to the budget and in compliance with the intentions of the Nordic Council, the Nordic Council of Ministers and the national parliaments.

The audit is carried out based on the specific legal basis and objects of the individual institution.

The audit must be planned and conducted to enable the auditor to meet the following objectives:

- to assess whether the entity has established business procedures and internal controls that ensure that the transactions covered by the financial reporting are in compliance with grants, legislation and other regulations as well as with agreements concluded.
- to express an opinion on whether the entity's financial statements for the year in question provide a fair presentation, i.e. without material misstatement, and have been prepared in accordance with the financial regulations and stipulations of the Nordic Council and the Nordic Council of Ministers.
- to determine whether the framework fixed for the public financing is complied with. Based on an assessment of materiality and risk, the auditor must every year determine any other subjects to be included in the compliance audit, including whether conditions and terms of the funding have been complied with.

- Over a number of years, the auditor assesses whether the entity is taking due financial considerations in defined areas, including whether the objects of the institution or project are being realised. The subjects are selected based on an assessment of risk and materiality, and the object of the audit is to promote good and effective administration.
- The audit must follow up on previous comments and observations. Based on a concrete assessment, the audit may be expanded to cover also audits with special purposes beyond the annual audit like, for instance, performance audit.

Article 5 Authority responsible for audit

The authority responsible for the audit is the national audit office of the country in which the institution, entity or executive agency has its head office. If the audit office finds it appropriate, a private authorised/public registered auditor may be commissioned to audit the financial statements of an institution. In such cases, the annual audit must be carried out in accordance with these audit regulations supplemented with instructions that have been stipulated or approved by the audit office.

The audit office may also audit projects where executive agencies are authorities or similar bodies that are generally audited by the audit office.

In such cases, the audit is performed as part of the ordinary annual audit of the executive agency.

Projects of other executive agencies are audited by their own auditor as part of the normal audit of such executive agencies. If another authority than the audit office audits a project, the audit office must be notified hereof. In such cases, the audit must be carried out in accordance with instructions stipulated or approved by the audit office.

Every year, the Council of Ministers must provide Rigsrevisionen with an updated list of funds granted and paid to institutions and projects in the respective countries. Rigsrevisionen will forward this list to the national audit offices.

Article 6 Reporting format and deadlines

A completed annual audit of an institution, projects etc. or of another Nordic body must be reported on by means of an auditor's opinion and an auditor's report by 15 May of the year following the financial year, if required supplemented with reports or comments in another format. If an audit of an executive agency gives rise to substantial comments or remarks concerning projects, this must be reported as well.

The auditor's opinion and the auditor's report on the activities of the Nordic Council must be issued to the Nordic Council. The auditor's opinion and the auditor's report on the activities of the Council of Ministers must be issued to the Nordic Council of Ministers and the Nordic Council. Auditor's opinions and auditor's reports must be submitted before 1 July in the year following the financial year, after a consultation period. A copy of the auditor's report and other reports must be submitted as follows:

- Insofar as the audit of the activities of the Council of Ministers is concerned, to the relevant ministers and the other Nordic audit offices.
- Insofar as the audit of the Nordic Council is concerned, to the Nordic audit offices.
- Insofar as the audit of Nordic bodies, institutions and projects is concerned, to Rigsrevisionen and to the secretariat of the Council of Ministers.
- If the audit of the Nordic bodies and institutions is carried out by a private auditor, a copy of the reporting must also be submitted to the audit office of the country of domicile.
- If the audit has resulted in substantial comments to a project, a copy of the reporting must also be submitted to the audit office of the country of domicile.

If material matters appear during the ongoing audit, such matters must be reported on in a separate report. Special-purpose audits are always reported on separately.

Every year, before 15 May, each audit office submits a summary to Rigsrevisionen of the audit of the Nordic funds in the preceding year. Rigsrevisionen decides whether the comments in these summaries are to form part of the annual audit report on the activities of the Nordic Council of Ministers.

Article 7 Contents of report

The auditor's opinion must include the following information:

- to whom the auditor's opinion is issued
- which organisation it concerns
- an identification of the financial statements presented, including financial period, and a reference to the rules according to which the financial statements are presented
- information about the management's responsibility for the financial statements
- information about the auditor's responsibility for the financial statements
- information about the accounting principles applied
- any qualifications
- an opinion based on the audit carried out
- any emphasis of matter paragraphs
- date and signature

Article 8 Entry into force

The regulations were adopted at the meeting of the Nordic auditors general on 15 August 2013.

The regulations enter into force immediately upon adoption at the meeting of the Nordic auditors general on 15 August 2013 with effect for the 2013 financial year.

Comments on the regulations

The audit regulations were originally determined by the heads of the Nordic audit offices on 16 October 1998.

On 12 August 2003, the heads of the Nordic audit offices amended Article 2, first sentence, to the effect that Landsgrannskodanin, the Faroe Islands and Landskapsstyrelsen, Åland were also to be defined as national audit offices.

Re Article 1 Object and scope of regulations

The Nordic Council and the Nordic Council of Ministers are financed by the five Nordic countries. Subject to approval by the national parliaments, the Nordic Council and the Nordic Council of Ministers determine the annual budget for their activities. In addition to the central bodies, the activities comprise approx. 20 Nordic institutions and approx. 600 Nordic projects. The budgetary framework of the Nordic Council of Ministers is almost DKK 1 billion (2012 prices). The Nordic Council determines its budget based on the contributions received from the Nordic parliaments. The budgetary framework is more than DKK 30 million (2012 prices). The Nordic Culture Fund is audited by Rigsrevisionen under a separate scheme.

The audit regulations are used for the audit of all activities funded with the budget funds of the Nordic Council and the Nordic Council of Ministers, irrespective of whether the audit is carried out by an audit office or a private auditor. If the audit is carried out by a private auditor, the audit must be carried out in accordance with instructions prepared by the audit office.

Re Article 2 Definitions

A secretariat (or the like) assists the executive committee of the institution and manages ongoing activities. The secretariat is managed by a director, head of department or the like. The director (manager) is appointed by the Nordic Council of Ministers. The activities of the institution and its relation to the Nordic Council of Ministers is regulated by a performance contract and instructions stipulated by the Nordic Council of Ministers. The financial regulations of the Nordic Council of Ministers apply to all institutions.

Projects comprise subsidy schemes, sectoral projects, cross-sectoral projects and project activities within the budgetary framework of the sectors. They are covered by the relevant parts of the financial regulations of the Nordic Council of Ministers.

The secretariat of the Nordic Council of Ministers may conclude agreements with a public authority, private organisation or person to the effect that such authority, organisation or person acts as an administrative executive agency for a given project in the country in which the project activities or parts thereof are carried out. In such cases, the Nordic Council of Ministers will conclude a contract with the executive agency in which the rights and obligations of the executive agency are defined.

The executive agency shall, among other things, be responsible for reporting, payment of salaries and invoices and for ensuring that the necessary information is disclosed to the tax authorities. For every project, the executive agency must submit a report to the secretariat and ensure that the financial statements for the project are audited in accordance with the audit regulations.

Re Article 3 Auditing standards

The Nordic audit offices have implemented INTOSAI's ISSAIs into their national standards and guidelines, and the audit office therefore conducts its audit of funds granted by the Nordic parliaments to the Nordic Council and the Nordic Council of Ministers in compliance herewith.

The ISSAIs include general auditing guidelines that amplify the fundamental audit principles. ISSAIs 1000-1999 on financial audit describe how the International Standards on Auditing (ISA) should be applied in public-sector auditing, while ISSAIs 3000-3999 provide guidance on performance audit and ISSAIs 4000-4999 concern compliance audit. The requirements on the auditor's work depend on the task. Consequently, the international principles provide the basis for the specific task that the auditor is required to perform.

Re Article 4 Scope of audit

The auditor must check that financial statements as well as project statements are complete, that transactions are entered in the right financial period and reflected correctly in the financial statements and that the financial statements provide a fair presentation of the financial aspects of the entity's activities. The audit should be based on an assessment and test of the entity's business procedures and internal controls, see management's responsibility for establishing and implementing such procedures and controls in the entity. In addition, the audit includes reviews of the entity's valuation of high-risk assets and liabilities, and any estimates of individual items made by management. The auditor must assess whether the objects of the institution or project are being realised, which may involve whether the entity's management has considered the principles of economy and productivity. Considering the internal definitions of the sub-elements of the performance audit of the individual countries, audit procedures aimed at efficiency will be covered by special-purpose audits that do not form part of the annual audit.

The activities to be considered in the audit are determined based on an assessment of materiality and risk. Based on this assessment of materiality and risk, the scope of the year's audit is determined, including audit of projects. This means that not all projects are audited every year. The audit could, for instance, comprise an audit of the financial management and achievement of objectives according to budgets, performance contracts etc. The audit may include an assessment of whether the management of the audited institution has demonstrated appropriate abilities to run the entity properly within the applicable framework. Other reviews may address how the entity works as a whole and how its internal tasks are being solved.

The auditor must assess whether the activities of the institution are carried out in accordance with the current legislation applicable to the entity, and whether there are any relations to other legislation that might be of importance to the entity's activities now and in the immediate future.

The purpose of the audit is not to provide advice on specific areas, but to make concrete recommendations on possible improvements to the management.

Re Article 5 Authority responsible for audit

The audit office is generally responsible for the audit of allocated government funds. This also applies to funds granted by the Nordic parliaments to the Nordic Council and the Nordic Council of Ministers as well as the Nordic Council of Minister's allocation to the various institutions or projects.

The audit office will only be able to carry out the audit in a satisfactory way if it receives information about the funds granted and paid.

Thus, the overall auditing responsibility lies with the audit office. This applies also when the audit of an institution etc. is carried out by a private auditor. Therefore, the private auditor must carry out the audit in compliance with the inter-Nordic audit regulations, and the audit office will prepare audit instructions for the private auditor from which this, among other things, will appear. A set of draft instructions is included as Appendix 1 to these regulations.

Re Article 6 Reporting format and deadlines

Not later than 15 May, must the audit offices submit summaries of the results of the preceding year's audit of institutions, projects etc. to Rigsrevisionen for use in its annual report to the Nordic Council and the Nordic Council of Ministers on the audit of the activities of the Nordic Council of Ministers.

Special-purpose audits are reported on in separate reports to the institutions, projects etc. when the results are available. Reports on special-purpose audits for institutions, projects etc. are also submitted to the Nordic Council of Ministers and to Rigsrevisionen for use in its annual report.

Re Article 7 Contents of report

The auditor's opinion is the auditors' way of communicating their assessment of the financial statements presented to the management and other readers of the financial statements.

An unqualified auditor's opinion or an opinion without emphasis of matter paragraphs is issued when the audit office/auditor has obtained reasonable assurance that the financial statements are free from material misstatement and there are no reasons to qualify the opinion or include any emphasis of matter paragraphs.. If the opinion is qualified or includes emphasis of matter paragraphs, the reasons for such must be clearly stated.

Minor comments and deficiencies are noted in a separate Management letter, auditor's report or a similar document. The audit office/auditor determines whether the distribution of such documents is in compliance with the applicable practice in the country of domicile.

The auditor audits and reports on the audit in accordance with INTOSAI's International Standards of Supreme Audit Institutions - the ISSAIs. An example of an unqualified Danish auditor's opinion on the financial statements of a Nordic institution is enclosed (Appendix 2). The auditors of the individual countries draw up the auditor's opinion in accordance with practice in the individual country. The auditor's opinion concerning other relevant organisational forms and projects is prepared in a similar way, and reports on special-purpose audits are prepared in accordance with the applicable practice in the country of domicile.

Re Article 8 Entry into force

These regulations will be applicable to the audit of the financial statements and annual report for 2013 and onwards. The inter-Nordic audit schemes that were adopted on 5 June 1978, and the Guidelines for audit of pan-Nordic institutions, projects etc. that were determined and put into force on 26 July 1979, have previously ceased to be applicable.

Draft instructions

Draft audit office instructions for private auditors employed to audit institutions and projects that receive funds from the Nordic Council of Ministers.

1. The audit is carried out by an authorised (state-authorised) or approved (registered) auditor.
2. The audit is carried out in accordance with the inter-Nordic audit regulations.

The audit must provide reasonable assurance that the financial statements of [insert name of institution or project] provide a fair presentation of the financial aspects of the activities of [insert name of institution or project]. Furthermore, the auditor must carry out a critical review of the financial transactions.

3. [name of institution or project] must provide the auditor with all relevant information necessary to assess the financial statements and ensure that the auditor receives the information and assistance deemed necessary by the auditor to carry out the audit.

4. The auditor issues an auditor's opinion to the board/management of [name of institution or project]. A copy is submitted to the audit office, Rigsrevisionen and the secretariat of the Nordic Council of Ministers.

5. In the Faroe Islands and in Denmark, the auditor must submit an audit report to the board/management of [name of institution or project] in addition to the auditor's opinion, with a copy to the audit office, Rigsrevisionen and the secretariat of the Nordic Council of Ministers. This report must include information about the audit performed and any significant audit matters. It is particularly important that the auditor's review of the internal controls of [name of institution or project] is described in the report. Furthermore, the auditor must state whether [name of institution or project] has used the funds granted by the Nordic Council of Ministers in accordance with the conditions and terms prescribed. In the other Nordic countries, the auditor reports on the above-mentioned matters and aspects in a Management letter or a similar document.

6. The audit office must have access to the auditor's working documents. In addition, the audit office may carry out special reviews of matters relating to [name of institution or project] concerning current or previous financial periods. Information obtained in this connection may lead to reassessment of specific matters mentioned in the auditor's opinion.

Date and signatures

Draft auditor's opinion

An example of a Danish unqualified auditor's opinion - without emphasis of matter paragraphs - on the financial statements of a Nordic institution.

AUDITOR'S OPINION

To the executive committee of AA

We have audited the financial statements of [name of institution or project] for the financial year 1 January to 31 December 20xx, comprising the management's statement, (management's report, if relevant), (accounting policies, if relevant), income statement, balance sheet, (cash flow statement, if relevant) and notes. The financial statements are presented according to the financial regulations of the Nordic Council of Ministers and the stipulations prepared by the Nordic Council of Ministers.

With this auditor's opinion, we consider the audit of the financial statements for 20xx to be completed. However, the audit office may take up questions concerning this and previous financial years for further review. New information obtained in this connection may lead to reassessment of specific matters mentioned in this auditor's opinion.

Management's responsibility for the financial statements

Management is responsible for preparing and presenting financial statements that provide a fair presentation in accordance with the financial regulations of the Nordic Council of Ministers and the stipulations prepared by the Nordic Council of Ministers. This responsibility comprises the design, implementation and maintenance of internal controls relevant to preparing and presenting financial statements that provide a fair presentation without material misstatement, whether due to fraud or error, and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. In addition, management is responsible for ensuring that the transactions covered by the financial statements are in accordance with legislation and other regulations as well as with agreements concluded and general practice.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the inter-Nordic audit regulations and generally accepted public auditing standards pursuant to the Danish Auditor General's Act. This requires that we, through our audit, obtain reasonable assurance verifies that the financial statements are correct, i.e. without material misstatement, and that the transactions covered by the financial reporting are in compliance with legislation and other regulations, and with agreements concluded and general practice.

An audit includes procedures to obtain audit evidence pertaining to the amounts and disclosures of the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risk of material misstatement in the financial statements, whether due to fraud or error. In making the risk assessment, the auditor considers internal controls relevant to the preparation and fair presentation of the financial statements by the Nordic Council of Ministers with a view to designing audit procedures that are appropriate in the circumstances, but not with the purpose of expressing an opinion on the efficiency of the internal controls of the Nordic Council of Ministers. An audit also includes evaluating the appropriateness of the accounting policies applied by management and the reasonableness of the accounting estimates made as well as evaluating the overall presentation of the financial statements. Moreover, the audit includes evaluating whether the business

procedures and internal controls established support the consistency of the transactions included in the financial statements with the legislation and other regulations as well as agreements concluded and general practice.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the financial statements provide a fair presentation of [name of institution's or project's] assets, liabilities and financial position as at 31 December 20xx, and of the results of [name of institution's or project's] activities for the financial year 1 January to 31 December 20xx, in accordance with the financial regulations of the Nordic Council of Ministers and the stipulations prepared by the Nordic Council of Ministers. It is also our opinion that business procedures and internal controls have been established that support the consistency of the transactions included in the financial statements with the legislation and other regulations as well as agreements concluded and general practice.

[place, date, month 20xx]

The audit office/The auditor

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