



National Audit Office of Finland

More Effective Financial Audits with ACL Technology



“ACL has equipped us to conduct far more effective and comprehensive audits. We’ve enjoyed significant productivity gains and more streamlined audit processes.”

Pentti Mykkänen, Director for Financial Audit

CHALLENGES

- » Multiple government agencies and business units to audit
- » Controls for effective financial management
- » Large data volumes

SOLUTION

- » ACL Audit Analytics

KEY BENEFITS

- » Greater productivity and data coverage
- » Ability to pinpoint high-risk areas
- » Streamlined, clearly structured audit procedures

INDUSTRY

- » Government

REGION

- » EMEA

The National Audit Office (NAO) of Finland is an independent external audit arm of the Parliament of Finland. The NAO is constitutionally mandated to audit the government’s financial management and budget compliance. Since 1998, the NAO has been using ACL Audit Analytic technology to institute standardized data testing for the many government accounts, agencies and companies it regularly audits. ACL’s flexible solution has facilitated greater data coverage – ensuring that auditors can quickly identify high-risk areas for further investigation.

Customer Profile

The NAO is an independent expert body that works in connection with Parliament to audit the legality and effectiveness of the state’s financial management and compliance with the state budget. The Auditor General, who is elected by Parliament for a term of six years, directs the National Audit Office, which is comprised of the Financial and Performance Audit units, the Corporate Services unit, and Executive Management Support. The Office has approximately 150 employees and headquarters in Helsinki, with branches in Turku and Oulu. Revenues and expenditures subjected to NAO audits every year, comprise approximately 25% of Finland’s annual GDP.

Challenges

The NAO’s audit mandate covers the government (including the President of the Republic), government ministries and agencies under central government; extra-budgetary government funds; unincorporated state enterprises and state-owned companies. The audit mandate also extends to credit institutions managing central government payment traffic and fund transfers between Finland and the European Union.

As a public sector body, the NAO strives to ensure compliance with the central government budget and regulations concerning financial management, while ensuring that a true and fair view is reported on government finances and performance. The NAO also audits the policy effectiveness and operational performance of the government activities financed from the central government resources and enhances good governance and principles of sound financial management. Therefore, the Office needed to create homogenous procedures for testing data from all government offices and agencies, and be able to access data in a variety of formats. In addition, each auditor was required to learn how to use the analytic technology in an independent, effective and skilled manner.

Solution

The NAO chose ACL Audit Analytics and implemented a strategy to ensure that all financial auditors used *ACL* in their audit activities.

Today, NAO auditors use ACL Audit Analytics at least weekly or monthly for all financial audits, while the performance audit unit uses *ACL* on an as-needed basis. Auditors receive transaction-level information from every administrative unit in the Finnish central government sector at the end of each audit year, but they also request data whenever necessary to audit day-to-day accounting. The auditor then checks the accuracy and validity of the data for further testing.

The Finnish State Treasury directs agency and institutional accounting by issuing regulations and instructions, and is also responsible for the state's central accounting, so each accounting office sends data to the Treasury on a monthly basis. The NAO uses this central accounting information to compare transaction-level data received from government agencies with the Treasury's summary-level data. ACL analytics enable auditors to quickly test individual accounts and budget lines with multi-annual expenditure rules and to verify the accuracy and transparency of index corrections. The NAO also uses ACL Audit Analytics to test payroll, accounts payable data and supplier transactions for anomalies and high-risk areas that require deeper investigation.

Results

The National Audit Office of Finland relies on ACL Technology to:

- Report annual findings to the Finnish Parliament quickly and effectively
- Leverage technology for tailored testing procedures
- Successfully automate the review of processes such as income and expenditure statements
- Develop a risk-based audit system that allows the NAO to focus their limited resources on areas of greatest concern

Using what the team calls "ABC Analysis," auditors plan financial unit audits by classifying government agencies and departments into categories and allocating resources accordingly. For single audits, the team developed a risk analysis system based primarily on *ACL*, which identifies potential problems and helps auditors to focus time and resources on the most vulnerable elements.

With *ACL*, the NAO has enjoyed significant productivity increases and streamlined its audit procedures. The team uses *ACL* to test internal controls and identify potential gaps for deeper, more focused investigation. The NAO has also applied ACL's flexible audit technology to simulate agency data, such as balance sheets, income and expenditure statements, which can then be compared with actual data from the same agencies.

In the past, the NAO yearly report was completed manually and consumed significant time, money and human resources. Now, using *ACL*, auditors can complete the task faster, using fewer resources, allowing team members to focus on higher risk areas for better results.

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