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# The audit of Euronext Growth entities in Norway: Insight from Experienced Auditors

*A qualitative study on auditing on Euronext Growth Oslo according to the Norwegian auditing law and (EU) no. 537/2014*

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Master thesis in Accounting and Auditing

**NORWEGIAN SCHOOL OF ECONOMICS**

This thesis is written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible – through the approval of this thesis – for the theories and methods used, or results and conclusions drawn in this work.

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Norwegian School of Economics

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## Abstract

In 2022 the Norwegian Financial Supervisory Authority published a thematic report that looked at how the audit of companies on Euronext Growth takes place, and which regulatory requirements Oslo Stock Exchange has that also should be implemented to Euronext Growth. These implementations relate to a lower materiality on Euronext Growth, full IFRS review if the entity uses IFRS as accounting language, and the use of an assignment controller in the auditing. Through semi-structured interviews with Norwegian auditors who are industry-specialized, this thesis aims to see whether the requirements from the thematic report have been implemented, how the audit is carried out and whether the audit of companies on Euronext Growth should be identical to the auditing on Euronext Growth.

This master thesis examines how companies listed on Euronext Growth are audited in Norway, with a focus on internal audit policies and practices. The study includes interviews with experienced auditors from the Big 4 companies who have conducted audits for clients listed on Euronext Growth. We found that the audit companies have implemented the requirements highlighted in the thematic report and that companies on Euronext Growth are considered public interest entities internally, but some of the auditors see no preliminary desire to audit entities on Euronext Growth as if they were listed on Oslo Stock Exchange, which means audit as public interest entities, as of today. There is still uncertainty around the financial reporting on Euronext Growth, on the basis that this is a multilateral trading facility, and both the users and the entities on Euronext Growth are often inexperienced. This is considered in the audit through the determination of materiality, which for Euronext Growth companies is determined the same as for entities on Oslo Stock Exchange, which implies a lower materiality than for unlisted entities.

Opinions are divided regarding conducting audits on a formal PIE basis, with some partners reluctant due to the intended low-cost trading platform with less regulation and rules. Overall, from the study, it seems that audit firms in Norway have implemented all the improvements suggested by the Norwegian Financial Supervisory Authority's thematic report.

**Keywords:** *Euronext Growth, Auditing, Norwegian Financial Supervisory Authority, Public Interest Entities (PIE), Key Audit Matter (KAM), Materiality, Assignment Controller*

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## Abbreviations and definitions

In the overview below is an overview abbreviations and short definition that is used in this master's thesis:

Big 4 / Big four	The four larges audit firms, KPMG, EY, PwC, and Deloitte
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
IAS	International Accounting Standards
ISA	International Standard on Auditing
EY	The audit firm Ernst & Young
PwC	The audit firm PricewaterhouseCoopers
Oslo Stock Exchange	Oslo Børs
GRS	“God regnskapsskikk”, translated to Good Accounting Practice
NGAAP	“Norsk god regnskapsskikk”, traslated to Norwegian Good Accounting Practice
MRR	Master's in accounting and auditing, abbreviated as MRR in Norwegian

# 1. Introduction

## 1.1 Background, purpose and problems

Conducting an audit in Norway is regulated by the Norwegian Auditor's Act (Auditor's Act, 2020) in combination with International Standards on Auditing (ISAs). As a practicing auditor, you are obliged to follow the ISAs, and these also ensure that the independent auditor's tasks and duties are regulated. It follows from ISA 200<sup>1</sup> that the purpose of an audit is to "increase the intended user's confidence in the financial statements", and by this, the auditor is responsible to ensure that the financial statements are essentially prepared in accordance with the applicable laws and regulations. If an entity is listed and traded on Oslo Stock Exchange, the auditor is obligated to follow the regulations from (EU) no, 537/2014 in accordance with § 12-1 in the Norwegian Auditor's Act. And if a company on Euronext Growth is to be considered a formal PIE, this regulation will apply to all the audits of Euronext Growth companies. However, as of the writing of this thesis, entities on Euronext Growth are not considered a formal PIE in accordance with the Auditor's Act but may appear so to the users to the trading platform and financial statement.

In Norway we can roughly divide the companies into three groups, where one group are traded on Oslo Stock Exchange, one on Euronext Growth, and the last group contains all non-listed entities. And the three groups consensually have different requirements for how the audit should be carried out, reporting and which legal requirements that will apply during the audit. In this thesis the focus will be on the entities listed on Euronext Growth are audited, based on the Norwegian Financial Supervisory Authority's thematic report from 2022 (Finanstilsynet, 2022b). According to the report, three of the auditing companies implement some of the same regulations that is being used on Oslo Stock Exchange (Haugan & Møgster, 2022), and our purpose with this master's thesis is to study which of the rules they implement in their internal guidelines, and how this effects the auditing, listing and

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<sup>1</sup> ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing



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comparison to companies on Euronext Growth, and whether there should be the same regulations on Euronext Growth as on Oslo Stock Exchange.

Although we in Norway roughly can divide the companies into three groups, there are still some common requirements that must be followed regardless of whether the entity is listed or not. And these requirements are the auditor's independence cf. Auditor's Act § 8-1, materiality cf. ISA 320<sup>2</sup> and professional judgement cf. ISA 200.

In this master's thesis, the focus is on Euronext Growth, and the audit of companies listed on this low-threshold platform. Euronext Growth Oslo were established by Oslo Stock Exchange in January 2016, under the name Merkur Market, but changed name in 2020 due to Euronext's acquisition of Oslo Stock Exchange in 2019 (Gram, 2023). Euronext Growth Oslo is a multilateral trading facility, which means that the entities are only subject to some of the rules of the Norwegian Securities Trading Act (Verdipapirhandelloven). Even though they are not subject to all the rules, the rules on insider trading will still fully apply, which contributes to Euronext Growth being a marketplace investor can trust (Abrahamsen & Sveen, 2022). Both Euronext Growth and Oslo Stock Exchange have the same market monitoring system, and the Norwegian Financial Supervisory Authority regularly carries out a general supervision of the securities market in Norway, which also includes inspection of Euronext Growth. The supervisory report published in January 2022 investigated the how the auditing companies Mazars AS, PricewaterhouseCoopers AS, BDO AS and KPMG AS, audited the Euronext Growth listed companies Aker Horizons ASA, Flyr AS, Play Magnus AS, Huddly AS and GNP Energy AS.

The master thesis' underlying objectives are to examine, among other things, to study which of the rules they implement in their internal guidelines, and how this effects the auditing, listing and comparison to companies on Euronext Growth, and whether there should be the same regulations on Euronext Growth as on Oslo Stock Exchange. We have used a qualitative research method, and conducted semi-structured interviews with industry-

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<sup>2</sup> ISA 320 Materiality in Planning and Performing an Audit

specialized Norwegian auditors, all of whom have around 20 years of experience from the auditing industry, to answer the following master's thesis issues:

1. How do audit firms assess whether a client is a PIE or a non-PIE?
2. Why the audit of companies that are – or about to be – admitted to trading on Euronext Growth should be carried out as if they were PIE?

And through these interviews, it can appear that the audit companies in Norway have implemented the changes proposed by the Norwegian Financial Supervisory Authority. In addition, the interviews also found that opinions regarding conducting audits on a formal PIE basis were divided, with some partners reluctant due to the intended low-cost trading platform with less regulation and rules.

## 1.2 Delimitations

Since this master thesis investigates listing on Euronext Growth Oslo, and there will also be comparison to listed companies on Oslo Stock Exchange, the *listing* term in the thesis will refer to companies listed on Euronext Growth Oslo, and when it concerns listings on Oslo Stock Exchange, this will be specified. *Unlisted* companies concern all entities in Norway which is neither on Euronext Growth Oslo nor Oslo Stock Exchange. Furthermore, there may be references to Euronext Growth without specifying that this is the Oslo market, but unless anything else is specified, Euronext Growth applies to Euronext Growth Oslo.

Due to the circumstances in the supervisory report obtained from the Norwegian Financial Supervisory Authority, and that this is a Norwegian government agency, our data will concern Norwegian companies and Norwegian audit firms, and the Norwegian Auditors Act. Due to this our conclusion will not be applicable for all companies listed on Euronext Growth.

There is also worth to mention that this master thesis is prepared over several months, which may have an affection of the results, our data acquisition, and our conclusion. There is no guaranty that the same number of companies are listed on Euronext Growth Oslo when this thesis is published, and therefore there may be differences in our theory and methodology compared to how it is when this thesis is published. Because of this, all data acquisition will be found in appendix and will also include the date for when the data were obtained. The

thematic report investigated five companies' admission to Euronext Growth, and there are only one of these that are still listed as this thesis is being produced. However, our focus with this thesis is to understand how the audit was performed at the actual time, which is 2019 and 2020, further, this thesis will not revolve around these five companies, but the four audit companies.

### 1.3 The structure of the master's thesis

The thesis chapter 1 contains an introduction where we shortly present our theme, issues, purpose, and motivation for this thesis. Further, in chapter 2 describes the theoretical framework and previous research on the theme, and some of the key terms in auditing are defined. Additionally, the supervision report from the Norwegian Supervisory Authority is reviewed, and this part contains background and the purpose for the report and an analysis of auditing on Euronext Growth. In chapter 3 our methods for data acquisition will be presented, through semi-structured interviews and sampling. Further, in chapter 4 will our results be presented and analysed. And in chapter 5, the conclusion of the thesis will be presented as well as a proposal for further research on the same or similar topic.

## 2. Theoretical framework

In this chapter we will establish the theoretical framework for the thesis. There will follow a description of the theoretical background, and previous research on equivalent theme, if there are any. The thematic report also raises different issues for each company, and we will see on both similarities and differences, which is the background for the key terms in the thesis. The chapter will contain a definition of these key terms, but not all the key terms are presented in the thematic report, but there are still important terms to gain a basic understanding of how the audit in Norway should be carried out according to current legislation, e.g., independence, which is an important requirement for each type of auditor (Eilifsen et al., 2013).

### 2.1 Laws and regulations

Conducting an audit in Norway is subject to regulatory requirements under both the Auditors Act and the ISAs, as well as (EU) no. 537/2014 if the company is listed on Oslo Stock Exchange. The delimitation of the master's thesis means that the data acquisition only deals with Norwegian companies on Euronext Growth, and consequently the focus will be based on the Norwegian Auditors Act and standards referred to therein. The Norwegian Auditor's Act mentions, among other things, what makes the auditor independent in his work, the purpose of the audit and the auditor's duty of confidentiality and duty to provide information.

According to the Norwegian Auditor's Act § 9-4 (Auditor's Act, 2020), the auditor must carry out a statutory audit in accordance with good auditing practice. Good auditing practice will usually be established because the industry is relying on International Standards on Auditing, abbreviated as ISA (NOU 2017:15, 2017), and the International Standards in Auditing are in other words also the framework for auditing, in accordance with applicable legislation. Based on this, both the Auditor's Act and the Audit Standards will be used as theoretical framework for this thesis, in combination with The EEA Agreement Annex XXII (EU) no. 537/2014, which is the framework for auditing public interest entities, according to Auditor's Act chapter twelve. Public interest entities are listed companies on Oslo Stock Exchange or equivalent, banks and insurance companies, and the definition are not reciprocated for entities listed on Euronext Growth as of today, because Euronext Growth is a multilateral trading facility that

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does not meet the requirements to be normal trading facility such as Oslo Stock Exchange, and a definition multilateral trading facility is defined in chapter 2.5.

## 2.2 Thematic report 2022

The thematic report was published by the Norwegian Financial Supervisory Authority in 2022, and the report is based on that there has been a sharp increase in the number of listed companies admitted to trading on Euronext Growth, and the transaction volumes ahead of admission to trading increased sharply at the same time. Through the report, the Norwegian Financial Supervisory Authority carried out thematic supervision at Oslo Stock Exchange, as well as for the securities firms and audit firms that have been involved in the processes (Finanstilsynet, 2022b). Based on the scope on this master's thesis, it will only be the audit companies that will be examined in the following.

### 2.2.1 Background

The Norwegian Financial Supervisory Authority is an independent authority, where the primarily job is to ensure financial stability and order in the Norwegian markets. Through supervision of both auditing firms and other financial institutions, they increase trust for users of the market by ensuring that both financial agreements and services are followed up according to purpose (Finanstilsynet, 2022a).

The supervision primarily does an inspection on Oslo Stock Exchange, and their routines for admission to Euronext Growth, and they found that Oslo Stock Exchange must take more measures in the admission process. The conclusion of the report is also that the Norwegian Financial Supervisory Authority has taken note of the measures Oslo Stock Exchange will take to ensure that the compliance function will have a closer follow-up of the admission for Euronext Growth (Haugan & Møgster, 2022). Since this thesis focus around the auditing on the companies listed, we will not do any further discussion on the admission requirements, or analyse the primarily inspection to Oslo Stock Exchange, but focus on the reports that were sent to the four audit companies.

The report on thematic supervision is a part of the general supervision of the securities market in Norway, and the Norwegian Financial Supervisory Authority contributed a supervision

which took a closer look at admission processes and securities transactions related to selected companies admitted to trading on EuroNext Growth in 2020 – 2021 (Haugan & Møgster, 2022). There were five companies the thematic report did inspection of, as mentioned in the thesis introduction, and the four auditing firms that were included in the supervision were KPMG AS, PwC AS, Mazars AS and BDO AS, where the two first companies are a part of the “Big 4” auditing firms. Three of the companies has implemented several changes after the supervisory, such as the determination of materiality limits must follow the same rules as public interest entities, where the materiality limits are set lower. The reports raised different issues for each audit companies, and the table below summarize up similarities and differences in the report for each audit company, including among other things, shortly what the inspection applied to, the audit execution, whether the Norwegian Financial Supervision did any significant finds, the audit of revenues and whether the audit companies did implement changes after the inspection were finished. Information is obtained from the specific companies’ thematic reports, KPMG AS (Grini & Peters, 2021b), PwC AS (Grini & Pettersen, 2021) BDO AS (Grini & Peters, 2021a) and Mazars AS (Grini & Peters, 2021c).

	<b>KPMG AS</b>	<b>PwC AS</b>	<b>BDO AS</b>	<b>Mazars AS</b>
<b>What the inspection applies to</b>	Audit of the interim financial statements as of July 2020 conducted in accordance with IFRS, that were used as appendix for application	Audit of a company’s consolidated accounts for 2019, that was including as the basis for application	Audit of annual accounts for 2019 and 2020, and the auditor’s additional delivery of simplified auditor control during the period	Audit of annual accounts for 2019 and simplified auditor control of the interim per September 2020
<b>Significant notes</b>	The auditor has not obtained sufficient and	No significant notes	Certain deficiencies, but no impact for	Several serious weaknesses in the auditing of

	appropriate evidence for completeness of income		the auditor's conclusion	the annual accounts for 2019 and 2020
<b>Implemented changes as of 2020, according to the thematic report</b>				
<b>Materiality same as public interest entities</b>	Implemented	Implemented	Implemented	Not implemented
<b>Involvement of assignment controller</b>	Implemented	Implemented	Implemented	
<b>IFRS-review</b>	Implemented	Implemented	Implemented	

*Table 1: Summarized Results from the Thematic Report*

The Norwegian Financial Supervisory Authority also highlights the auditor's communication with the board of directors or managers, that are set out in ISA 260<sup>3</sup>. Both this standard and Chapter 12 in the Auditors Act have extended communication requirements for companies listed on Oslo Stock Exchange. The thematic report finds that none of the audit firms have communicated directly with persons who have the overall responsibility for the audited companies' governance and control, which can both be the board of the directors or the audit committee (Finanstilsynet, 2022b). Since companies listed on Euronext Growth are not subject to the strong regulations for public interest entity, the Norwegian Financial Supervisory Authority has no objections to the audit firms for not communicate according to ISA 260 and Chapter 12. Further, the Norwegian Financial Supervisory Authority highlights a second standard, which is ISA 230<sup>4</sup>, regarding audit documentation, which also follows from § 9-9 in

<sup>3</sup> ISA 260 Communication with Those Charged with Governance

<sup>4</sup> ISA 230 Audit Documentation

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the Auditors Act. And out of the four audit entities inspected in the thematic report, there are only one company which has not acted contrary to ISA 230, and that is PwC.

### 2.2.2 ISA 230

As mentioned, ISA 230 concerns audit documentation, and this also follows from § 9-9 in the Auditors Act. For both BDO AS and Mazars AS the thematic report highlights pt. 14 and pt. 15, and for the latter pt. 10 is also highlighted, and for what concerns KPMG the thematic report highlights pt. 8. In other words, the thematic report highlights various defects for the three companies, although there are still some similarities where ISA 230 has not been fully followed. Below is a short summary of what the standard says regarding the shortcomings highlighted in the thematic report (International Auditing and Assurance Standards Board, 2009c).

8. The auditor must prepare audit documentation in such a way that an experienced auditor who has not previously been associated with the audit assignment understands the following: (Cf. pt. A2-A5, A16-A17)
  - (a) the type, timing, and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements, (Cf. pt. A6-A7)
  - (b) the results of audit procedures carried out and audit evidence obtained, and
  - (c) significant matters discovered during the audit, the conclusions thereon, and significant professional judgements made in arriving at those conclusions (Cf. pt. A8-A11)
10. The auditor must document discussions of material matters with the management, those with overall responsibility for management and control, and others, including the nature of material matters that were discussed, and when and with who the discussion took place (Cf. pt. A14)
14. The auditor must compile the audit documentation in an engagement archive and complete the administrative process for compiling the final engagement archive within a reasonable time after the date of the audit report (Cf. pt. A21-A22)
15. After the compilation of the final engagement archive has been completed, the auditor must not delete or remove audit documentation of any kind before the stipulated retention period has expired (Cf. pt. A23)

*Figure 1: Extract from IAS 260 and the violated paragraphs, cf. thematic report*

All the four missing points are under the signature requirement in the standard, which means that the audit companies have not followed the requirements that are obligated regarding audit documentation when performing the audit. The auditors' objective in accordance with ISA 230, is to prepare a sufficient and appropriate basis for the audit report and evidence that the



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audit was planned and performed in accordance with the ISAs and applicable statutory and regulatory requirements cf. ISA 230 pt. 5. The purpose of audit documentation that meets the requirements in ISA 230, provides evidence for the auditor's basis for a conclusion about the achievement of the auditor's overall objectives, and evidence to statutory and regulatory requirements in the same way as pt. 5, cf. ISA 230 pt. 2. This means that if the audit companies do not meet the requirements, this may affect the auditor's conclusion, and the auditor may be at risk of not having enough evidence about the achievement of the audit or evidence that the audit were performed in accordance with ISA 230. Even though three companies have not fully complied with ISA 230, the Norwegian Financial Supervisory Authority have nevertheless concluded overall that the inspection can be terminated for all the entities except Mazars AS. The report highlights that this is not comprehensive for the audit, and therefore not necessary when companies on Euronext Growth are audited as of today, but this will be applied if an audit on Euronext Growth is to be carried out the same way as on Oslo Stock Exchange. Although violations of clauses in ISA 230 are highlighted in the report, the thesis will not have any further discussion about this because it is not applicable and it was not brought up explicitly through the semi-structured interviews, but it is still important to be aware that there may be requirements regarding the auditor's documentation on Euronext Growth.

### **2.2.3 The report's conclusion**

Even though the report highlights some deficiencies in the four entities, the inspection has ended for three of the four entities. For BDO AS, KPMG AS and PwC AS, the Norwegian Supervisory Authority concludes based on the review of the audit performance for significant and risky accounting items for the annual accounts 2019 and 2020, that the supervisory case can be closed. For Mazars AS the report has revealed several serious weaknesses in the auditing of the annual accounts for 2019 and 2020. The company itself states that they have taken note of the report's comments and criticism, and they confirm that measures have either been or will be implemented to ensure satisfactory quality in the audit execution and that the relevant regulations will be followed in future audits. Unfortunately, there is not possible to know whether they have or have not taken measures after the thematic report were published, due to duty of confidentiality in the Norwegian Supervisory Authority and that they cannot comment on individual cases. But since our thesis is more about the general audit of companies

on Euronext Growth, we do not see this exactly as a problem, and we shall emphasize the Norwegian Financial Supervisory Authority's conclusion on our research as little as possible.

## 2.3 Key terms

### 2.3.1 Independence

As mentioned in the introduction, the auditor's independence will be applicable regardless during and audit, and it is important that the auditor is independent throughout the audit assignment. The requirement of independence arises from the need to establish the auditor as both an objective and trustworthy arbiter of the fair presentation of financial statements (Falk et al., 1999). There is a requirement when auditing companies that the auditor must be independent from the auditee throughout the assignment period, cf. Auditor's Act § 8-1. What lies in being independent, does not follow directly from the wording, but Kjelløkken et al. (2021) states that independence must be maintained throughout the assignment period, and independence must be required both in the period covered by the accounts to be audited and in the period in which the audit is carried out.

A further distinction is made between actual and apparent independence. Where actual independence means that the auditor is independence, and thus also makes an objective assessment of the accounts. Apparent independence is that the auditor appears independent to others, where questions for independence are raised for outsiders, and trust in the audited accounts is weakened.

### 2.3.2 Materiality

The thematic report emphasizes that the materiality of audits at Euronext Growth must be set at the same level as for Oslo Stock Exchange, which corresponds to a lower materiality limit than for companies that are not listed at all. To determine materiality may be problematic since it requires professional judgement about the importance and effect of both the financial reporting and disclosure choices on the decisions of the users of an entity's financial statements. The auditor's materiality judgement will affect both the amount of work that needs to be done by the auditor, and the disclosures made in the financial statements (McKee & Eilifsen, 2000).

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Auditor's responsibility to apply materiality in planning and performing an audit follows from ISA 320<sup>5</sup>, and in accordance with Auditor's Act § 9-1, the purpose of the audit is to meet the applicable legal requirements, and that the financial statement do not contain significant misinformation. Further, materiality refers to the amount or the set of amounts the financial statements could be misstated without affecting the judgement of a reasonable person (Eilifsen et al., 2013), and the auditor's determination of materiality is subject to professional judgement and is also influenced by the auditor's perception of the financial information the user of the financial statement needs ref. ISA 320 point 4. When performing the audit, the auditor's overall objective is to obtain reasonable assurance as to whether the account does not contain significant misinformation, regardless of whether it is due to fraud or error ref. ISA 320 point A1.

Materiality is used by the auditor both when planning the audit, and when the audit is carried out, and both when evaluating the impact of identified misinformation on the audit, and when the auditor is drawing up a conclusion in the audit report, cf. ISA 320 point 5. When the audit is being planned, the auditor makes discretionary assessments of the size of misinformation that will be considered material. These discretionary assessments provide a basis for: cf. ISA 320 point 6.

- (a) Determine the type, timing, and extent of risk assessment actions;
- (b) Identify and assess the risk of material misstatement: and
- (c) Determine the type, timing, and scope of further audit actions

According to the thematic report, the materiality limits for public interest entities are set lower than the materiality limits for not public interest entities. And the table below summarizes up the most common quantitative benchmarks for establishing overall materiality for not public interest entities (Eilifsen et al., 2013). The overall materiality is the maximum amount the auditor believes the financial statements could be misstated, and still not affect either the decision or the users (Eilifsen et al., 2013).

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<sup>5</sup> ISA 320 Materiality in Planning and Performing an Audit

Benchmark	Relevant Percentages
Profit (loss) before tax	3 – 10
Total assets	0,25 – 2
Total revenues	0,5 – 5
Net assets	3 – 5
Total equity	1 – 5

*Table 2: Quantitative Benchmarks for Overall Materiality*

It is also worth noting that materiality can be divided into two, the overall materiality, which is presented in the table above, and performance materiality. The purpose of performance materiality is to establish a scope for the individual account balances or disclosures for the audit procedures (Eilifsen et al., 2013), and the performance materiality usually is set between 50 to 75 per cent of overall materiality.

As mentioned, determining materiality implies that professional judgement is being used. A percentage of the benchmark is often used as a starting point to determine materiality for the financial statement. There are still some qualitative factors that may influence the identification of an appropriate reference. The qualitative factors may be incorrect information in previous years, high risk of fraud, possible breach of loan terms, small amounts that may cause the unit to not achieve the expected results or changes in business environment ref. ISA 320, point A4. And this is also the factors the auditor considering when setting materiality limits for public interest entities, and the limit is set lower for public interest entities than for non-public interest entities, in other words, the materiality is set low in the intervals presented in the table above.

### **2.3.3 Professional Judgement**

Professional judgement has come into attention of both researchers, professors and auditors all over the world (Oana, 2014), and as mentioned under 2.3.2, professional judgement is important also to be able to determine the materiality. Professional judgement is essential to

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be able to properly conduct the audit. IAS 1<sup>6</sup> requires that the financial statement must give a “fair presentation”. However, the auditing standards explicitly require the auditor to exercise professional judgement. Besides this, there is no reason to believe that there are any overall differences in how the companies and the auditors in principle view the professional judgement, but the practice can be very different. Which means that the auditors do not necessarily come to the same conclusion, or choose the same “path” that lays the foundation for the audit report (Mamelund, 2021).

The auditor must use his or her professional judgement when the relevant assessments are made. In accordance with ISA 200 pt. 13 (k), the auditor’s professional judgement is defined as “the application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about all courses of action that are appropriate in the circumstances of the audit engagement”. This means that the auditor, will be based on the knowledge and experience, carries out the audit actions the auditor believes cover the identified risks that exist, even if the underlying methodology is the same for the entire audit company.

As mentioned from the definition in ISA 200, professional judgement consists of cognitive, technical, theoretical and cultural factors, and by applying these factors in a correct and consistent manner, the auditor will be able to obtain the information that meets the users’ needs (Chis & Sorana, 2015).

For a discretionary assessment to be considered an assessment based on professional judgement, there is required that it is professionally based, thoroughly assessed and that there is good documentation. There must be both an accounting and audit professional grounding, and the auditor who provides professional judgement must have relevant competence and experience. There is also the case that the assessment should initially be objective, but in many areas there will still be difficult to achieve an objective assessment (Mamelund, 2008).

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<sup>6</sup> IAS 1 Presentation of Financial Statements

### 2.3.4 IFRS

For all Norwegian companies, the option to report their financial statements in accordance with the accounting language IFRS, which is an international set of standards. The requirements under IFRS are more extensive than for GRS, and there are both positive and negative sides if a company voluntarily implements IFRS as its accounting language.

IFRS was introduced in 2005, and this meant that the preparation of Stock Exchange listed entities became more complex, both in the application of the rules for recognition and measurement, and it entailed a greater scope and more complexity to the disclosures (Bernhoft et al., 2018). IFRS stands for International Financial Reporting Standards, and they are international accounting standards published by the International Accounting Standards Board (IASB). It is mainly listed companies on Stock Exchange that are obligated to prepare consolidated financial statements in accordance with IFRS, and companies that are not listed on the Stock Exchange, but have listed debt securities on Stock Exchange, are also obliged (Jensen, 2022). Some Norwegian accountants who are covered by Regulation (Securities Trading Act). No. 16016/2004 Article 4 can also prepare their financial statement in accordance with IFRS ref. the Accounting Act § 3-9 (Accounting Act, 1998).

As a simplification of the full IFRS, a new Norwegian accounting language was prepared, called simplified IFRS, and this simplified accounting language were implemented in 2008. This is a special Norwegian accounting language, established in law by the Accounting Act, and the standard is a voluntary alternative to GRS<sup>7</sup> or full IFRS, and the standard follows from a Norwegian regulation (Regulation on simplified application of international standards, 2022). It is extremely important that this standard is not confused with IFRS for Small and Medium-sized Entities, IFRS for SMEs, which is a standard that does not exist for Norwegian financial statements (Moen, 2020, April). Which accounting language an entity can use follows from the Accounting Act, and the requirements are differentiated so small entities have simplified rules, but they can choose more advance accounting language (Dib, 2022, May 6th).

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<sup>7</sup> «God norsk regnskapsskikk», translated to Good Accounting Practice

	<b>Stock exchange listed entities</b>	<b>Other entities</b>	<b>Small entities</b>	<b>Non-profit organizations</b>
<b>Financial statement</b>	IFRS	IFRS	IFRS	IFRS
	Simplified IFRS	Simplified IFRS	Simplified IFRS	Simplified IFRS
	GRS	GRS	GRS for small entities	GRS for non-profit organizations
<b>Consolidated accounts</b>	IFRS	IFRS	IFRS	IFRS
		Simplified IFRS	Simplified IFRS	Simplified IFRS
		GRS	GRS for small entities	GRS for non-profit organizations

*Table 3: Accounting Language for Financial Statement and Consolidated Accounts*

The table above shows which accounting language both the entity can choose for their financial statement, and which accounting language the consolidated accounts are required to have. This shows the freedom of choice, especially for the Euronext Growth entities since they per definition is not considered as a Stock Exchange listed entity, and they fall under the category “other entities”. There are either no requirements for which accounting language the entities should use when listed on Euronext Growth, but the Norwegian Financial Supervision Authority has given certain guidelines to the entities on which elements that must comply with IFRS, i.e., IFRS Review.

### *IFRS Review*

When a financial statement or the consolidated accounts are made in accordance with IFRS, this also means that the accounts must be reviewed according to the same set of standards. For audit purposes, review means that the auditor must form an opinion as to whether the accounts have, in all essentials, been prepared in accordance with current framework for financial

reporting, and the auditor must draw a conclusion whether or not he has obtained satisfactory assurance that the accounts do not contain significant misinformation cf. ISA 700<sup>8</sup>, and that the rules and framework for the audit and the financial statement have been followed. A review can be performed when the auditor has obtained enough audit evidence, the evidence is assessed against the relevant framework and laws and regulations cf. ISA 700 point 48.

### **2.3.5 Assignment controller**

As a starting point, an assignment control needs be done when auditing all listed entities on Stock Exchange, as well as the audits that require assignment control according to the audit company's own criteria. The purpose of having an assignment control is to ensure the quality of the audit and an objective assessment of the conclusions that are drawn (Stenvold & Degerstrøm, 2020). These criteria must at least include the companies that are listed on Stock Exchange (regular market), and those entities that the Norwegian Financial Supervisory Authority has decided an assignment control for (Bjerketveit, 2019). Further, if an audit assignment is not carried out in accordance with the requirements of the Auditors Act, this is considered a significant risk in the audit company. But the risk is reduced through the law's requirements for internal quality control, cf. Auditors Act § 13-1. This legal provision is complemented by ISQC<sup>9</sup> 1, which is the International Standard for Quality Control, set by the industry (Stenvold & Degerstrøm, 2020).

All public interest entities must have assignment control, and the requirement is not only applicable for Oslo Stock Exchange listed entities cf. ISQC 1 pt. 35 and pt. 38. For the definition of a public interest entities, see chapter 2.1 and the definition presented in this section. This means that this requirement from IFAC is not applicable to entities on Euronext Growth, but the Norwegian Financial Supervisory Authority will also have this requirement for Euronext Growth entities, cf. the thematic report.

It is each company itself that must draw up guidelines for the appointment of an assignment controller, and these guidelines should describe the appointment of assignment controller, and

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<sup>8</sup> ISA 700 Forming an Opinion and Reporting on Financial Statements

<sup>9</sup> International Standard on Quality Control issued by IFAC (International Federation of Accountants)



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the competence, capacity, and objectivity of the assignment controller. Further the audit companies must ensure that the routine ensures that the assignment controller's objectivity is safeguarded (Stenvold & Degerstrøm, 2020). But the assignment controller has also a responsibility to assess their own capacity, objectivity, and competence, and must take care of their independent responsibility for controls being satisfactorily documented cf. ISA 220<sup>10</sup> pt. 15 and pt. 15. It is also particularly important that the audit companies ensure that the auditor does not control his own audit assignment as an assignment controller, and this ensures that the assignment controller has the necessary objectivity.

## 2.4 (EU) no. 537/2014

In accordance with § 12-1 in the Auditors Act, the auditors have special duties when auditing entities of public interest, and the auditors are obligated to follow the EEA Agreement Annex XXI (EU) no. 537/2014, further referred to as (EU) no. 537/2014, which applies as law (European Parliament and Council Regulation, 2014). This regulation mainly applies to public interest entities and will not be fully applicable to entities listed on Euronext Growth, but there are still some direct links to the thematic report issued by the Norwegian Financial Supervisory Authority, and therefore, it is also worth noting in this thesis.

(EU) no. 537/2014 deals with, among other things, issues around audit fees cf. Article 4, prohibitions on providing services other than auditing cf. Article 5, preparation for statutory audits cf. article 6, and assessment of threats to independence and irregularities cf. Article 7. However, what applies when auditing entities on Euronext Growth, even though they are not to be considered public interest entities, is Article 8, which deals with assignment control and assignment controller. As mentioned under chapter 2.2, the Norwegian Financial Supervisory Authority states that when performing an audit on entities on Euronext Growth, the auditing company needs to point out an assignment controller for the audit. A fully definition and description regarding assignment controller follows from chapter 2.4.4.

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<sup>10</sup> ISA 220 Quality Control for an Audit of Financial Statements

As mentioned, this regulation applies to listed companies on Oslo Stock Exchange, but it will apply if entities on Euronext Growth were audited as full-fledged PIE. If the Norwegian Supervisory Authority, through its thematic report, had concluded that entities on Euronext Growth should be treated as PIEs, all sections of the regulation would come into force, and there would consequently be significant more regulatory requirements also on Euronext Growth, at the same time as the cost of the auditor's services would consequently increase because more work is now required to carry out the audit.

## 2.5 Euronext Growth Oslo

Euronext Growth Oslo is a multilateral trading facility, while Oslo Stock Exchange is a regulated market. A multilateral trading facility is defined by the Securities Trading Act (Securities Trading Act, 2007)), as “as a multilateral system that facilitates the linking in the system of several third parties’ buying and selling interests in financial instrument in accordance with objective trading rules, so that binding trading can be entered”. When trading on Euronext Growth, this takes place in the same way as for the Oslo Stock Exchange, nevertheless, these two have quite different characteristics. This applies accounting language, the time frame for admission process, market value requirements and more. For the sake of simplicity, this is compared in the table below, based on information provided by Bernhoft (Bernhoft, 2021), Thommessen (Abrahamsen & Sveen, 2022) and Euronext's rules (Oslo Børs, 2022).

	<b>Euronext Growth Oslo</b>	<b>Oslo Stock Exchange</b>
<b>Marketplace</b>	Multilateral trading facility	Regulated market
<b>Time frame for admission process</b>	1-2 weeks	4-8 weeks
<b>Accounting language</b>	Norwegian GAAP, IFRS or another recognized standard	IFRS
<b>Market value requirements</b>	No requirements	300 MNOK

<b>Minimum price per share</b>	<b>0 NOK</b>	<b>10 NOK</b>
<b>Minimum number of shareholders</b>	30	500
<b>Minimum number of shares distributed to the public</b>	15 %	25 %

*Table 4: Comparison of Euronext Growth Oslo and Oslo Stock Exchange*

As shown in the table, there is a several elements that makes Euronext Growth Oslo more attractive for small and medium-sized companies, since the requirements are lower and not as extensive on Euronext Growth compared to Oslo Stock Exchange. The short time frame for admission process is a result of, among other things, that the requirements for admission documents and due diligence are less extensive than when listing on Oslo Stock Exchange. There are also fewer requirements to the minimum number of stakeholders and shares distributed to the public, which also will make Euronext Growth Oslo a choice to prefer for small entities, and it is easier for a small company to meet the low requirements for Euronext Growth Oslo compared to Oslo Stock Exchange.

Even though the companies listed on Euronext Growth can choose which accounting language they want to provide their financial statements and financial information, the most common accounting language is the Norwegian GAAP, both fully and for small entities. This makes the comparison between companies on Euronext Growth and Oslo Stock Exchange challenging, since the Norwegian GAAP for example does not require fair value, and there are also less requirements to disclosure in the financial statement for companies using Norwegian GAAP compared to IFRS. There will be further analysis according to accounting language in chapter 4.

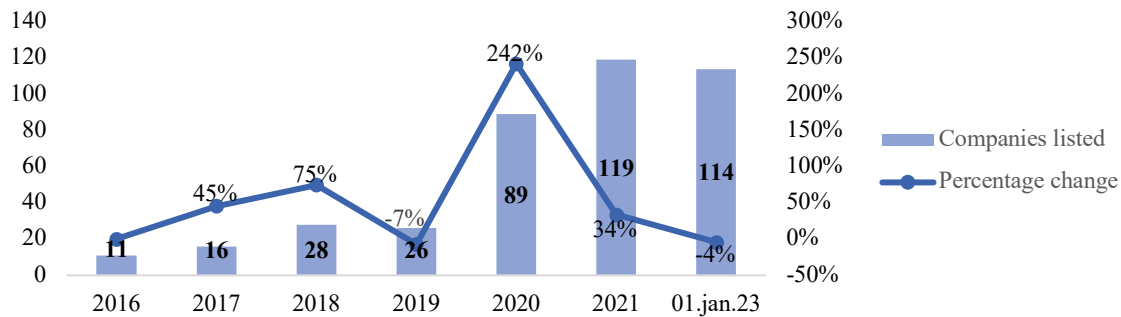


Figure 2: Euronext Growth Oslo listing, 2006-2023

The attractiveness to Euronext Growth has been seen in the market in the previous years. Both 2020 and 2021 were years with a record number of listings, due to the global pandemic and the ripple effects, and 2022 was a more “normal” year. The figure below shows how many companies that were listed on Euronext Growth at the end of the year, and there is a big increase in listed companies from 2019 to 2020, and this figure presents all companies listed, not only the Norwegian ones. The data used to illustrate the change is obtained in January, from AksjeNorge (AksjeNorge, 2022) and Thommessen (Abrahamsen & Sveen, 2022), and as mentioned in our section for delimitations, the listings may be different when this thesis is published, and there might be entities in this chart that already are unlisted from Euronext Growth Oslo and listed on Oslo Stock Exchange.

### **3. Methodology**

In terms of methodology, Saunders, Lewis, and Thornhill (Saunders et al., 2009) states that the research questions will influence the choice of research strategy. The research design will be the broader plan for how we will answer the research questions. The design will be broken into more detailed objectives and the sources from which we will collect our data.

In this chapter, we will present the main research strategies including choice of design, methodology and conduction of the interviews. We will further present how these choices were applied in our research project to answer the research questions within this master thesis. In the end, we will present the data collection, determination of the population and sample and a discussion of constraints with the quality of the data.

#### **3.1 Research design**

The main purpose of this master thesis is to research and to gain a further understanding of how companies listed or in the process of being listed on Euronext Growth is audited within the applicable frameworks of the International Standards on Auditing (ISAs) and the Norwegian Auditors Act. The second purpose is to try to understand why several audit firms has received negative and/or improvement points from the Financial Supervisory Authority of Norway.

For our approach, we will be using an inductive approach, as we want to develop a theoretical understanding of the subject of audits performed over entities listed at Euronext Growth. With an inductive approach, we will seek to understand the nature of the audits over entities listed at Euronext Growth, and why several audit firms have received negative and/or improvements from the Norwegian Financial Supervisory Authority. We will further collect relevant and analyze such data using this approach. An analysis of the results will contribute to formulating a theory for our research questions. Lastly, “research using an inductive approach is likely to be particularly concerned with the context in which alternative explanations take place. Therefore, the study of a small sample of subjects might be more appropriate than a large number as with the deductive approach.” (Saunders et al., 2009).

Based on the purposes and approach presented above, we determined that an exploratory study-design would be the most appropriate design for our research questions. According to Saunders et al. (p. 171), an exploratory study is a valuable method to understand “what is happening”, gain new insights and especially useful to clarify our understanding of a problem or area.

## 3.2 Research method

To achieve the goal of the master thesis, we will take advantage of a qualitative research method and try to find answers to the following questions:

1. How do audit firms assess whether a client is a PIE or a non-PIE?
2. Why the audit of companies that are – or about to be – admitted to trading on Euronext Growth should be carried out as if they were PIE?

A qualitative research method is used when the purpose of the research is to capture opinions and experiences which inherently are not able to be quantified or measured using numerical data. A qualitative research method is used to collect data which can be characterized as a phenomenon (Dalland, 2007). The purpose of a qualitative research method is intended to give a deeper understanding and insight into a phenomenon without using numerical values or statistical methods. This is exemplified by Johannessen, Christoffersen and Tufte (Johannessen et al., 2011) which describes the qualitative method as the speech of text as the empiricism is based on an analysis of text, sound and pictures compared to numerical and measurable data.

We have chosen a qualitative research method as we assess it to be the most appropriate method for our research questions. To rationalize our decision, we utilize the work of Mehmetoglu (Mehmetoglu, 2004) and his reasoning for qualitative research. First, qualitative research often starts with questions of *how* or *what*, which indicates that the most interesting part of the research question is to understand what is happening in each situation. Second, Mehmetoglu (Mehmetoglu, 2004) points out that qualitative research is best suited for areas which have been subject to few or non-prior research. The basis for this is that qualitative research is more suited for developing new theories. This makes sense as quantitative research

is dependent upon existing theories which hypothesis is made and based on (Mehmetoglu, 2004). Lastly, a qualitative approach highlights the fact that the researcher(s) role as an *active learner* which can transfer and forward the informants (e.g., interviewee) to the reader of the paper/master thesis in contrast to an “expert” who forces his views and opinions on the informants.

We acknowledge that by choosing a qualitative method, our research process will be circular compared to a quantitative approach where the process would be more linear. This can be a drawback of the qualitative method as the research questions could be subject to change over the course of our research project. However, as Methmetoglu (2004, p. 21) points out, a qualitative research approach is best when the researcher(s) are well equipped with time and resources which can address the potential drawback of working in a circular process and potential needing to re-visit the research questions.

A study performed by Bryman (Bryman, 2006) suggests that on the qualitative side, semi-structured interviews are the dominant approach. This is further supported by Johannessen, Christoffersen and Tufte (2011) where his findings also suggest that interviews are the most common way to collect qualitative data.

The main findings and research as part of our master thesis have been conducted in Bergen with interviews mainly being held on digital platforms such as Microsoft Teams and Zoom. Our collection of data was targeted towards experienced auditors within various audit firm’s professional departments. The specific candidates ended up with being five.

### 3.3 Research strategy

A research strategy is a tool the researcher(s) uses to investigate a research question. This is important as it is intended to guide the researcher through the whole research process in a structured way (Mehmetoglu, 2004). He divides research strategy into 3 different strategies:

- Empirically based theory (grounded theory),
- Ethnography and,
- Case study

In our research, we have adapted the grounded theory to shed further light over our research questions. Mehmetoglu (2004) defines grounded theory as a methodology which purpose is to develop theories, based on data which is gathered and analyzed in a systematic way. The most important aspect of the empirically based theory is that it should be able to explain the phenomenon which is being studied. Since one of the main characteristics of the empirically based theory is the theory development in its core purpose. This considered, we draw the conclusion that the empirically based theory is appropriate for research areas where there is little or no prior research. Through our literature review, the research project as a whole and discussion with fellow students we have not found research projects with the same or similar research questions which strengthens our decision of research strategy.

We will utilize semi-structured interviews for the main collection of data. As mentioned above in sub-chapter 3.2, semi-structured interviews are one of the most dominant ways to collect qualitative data (Johannessen et al., 2011). In our assessment of methods to use, we have utilized the work of Johannessen, Christoffersen and Tufte (2011) which points out that one advantage with semi-structured interviews is that they allow for freedom for both the interviewer and the interviewee to elaborate without much restriction on subjects and areas which in return also gives allow for the possibility of further reflections around the same subjects and areas from the respondent. This is because semi-structured interviews allow for flexibility in terms of the order of questions. The interviewee is allowed to return to previous questions and add additional details as they see fit.

The purpose of using semi-structured interviews is to obtain the interviewee's experience, thoughts and opinions around the research questions being asked. In our master thesis, we concentrated the questions around Euronext Growth, the thematical inspection carried out by the Norwegian Financial Supervisory Authority and chapter 1 and 12 of the Auditor Act.

## 3.4 Data Collection

### 3.4.1 Population and Sample

The choice of sampling techniques is dependent upon the research questions and the objectives. Research question(s) which requires the researcher to estimate statistically the



characteristics of a population from a sample requires probability sampling. However, research questions and objectives which do not need such generalizations can make use of non-probability sampling (Saunders et al., 2009). In our research questions we seek to understand the differences between the audits of a PIE and a non-PIE and how the recent listings in the period of 2020-2021 on Euronext Growth impacted these differences. Hence, we do not want to make a generalization of how all audits are carried out, but we try to seek an understanding of the specific events around Euronext Growth which lead to the subsequent thematic inspection from the Norwegian Financial Supervisory Authority which in return has caused several audit firms to implement changes to their guidelines for companies admitted to trading on the Euronext Growth trading venue (Haugan & Møgster, 2022).

Based on the above, we decided to use a non-probability sampling technique. An important aspect of non-probability sampling is the lack of rules. Instead of strict sampling rules, we focused on establishing a logical relationship between the purpose of our research question and the sample technique. A key question in determining the sampling technique was to ask what we needed to find out from the available resources we had. Saunders, Lewis, and Thornhill (2009) argue that this is particularly relevant when you are intending to collect qualitative data using interviews. This fits our strategy well as we intend to perform and collect data using semi-structured interviews.

Throughout the process of sampling, we decided that the most appropriate candidates for interview were auditors working in the professional departments within the audit firms. This is because these individuals are charged with the oversight and review of the internal audit guidelines for how the auditors within the firm shall carry out their audits. They usually have long experience within the audit industry. All considered, we deem these the most relevant candidates for our research questions.

Based on the industry and its participants, we started with the “Big 4” as a starting point for our population. The “Big 4” is a reference to the 4 largest global audit firms which includes KPMG, PwC, Deloitte, and EY. These 4 audit firms make up approx. 65% of the listed entities on Euronext Growth (cf. figure 3). In addition, BDO and Mazars in combination holds 11% of the listed entities (cf. figure 3) and these firms was chosen and included in the thematic inspection from the Norwegian Financial Supervisory Authority which gives them strong

relevance for our research question. With these participants, we have covered approximately 76% of the listed entities on Euronext Growth.

Based on these 6 audit firms we compiled a list with five auditors working in the professional departments. We performed pilot-interviews with our supervisor with the purpose on practising and narrowing down the interview questions. As we were open for digital meetings via Microsoft Teams or equivalents, our list of candidates was not limited to specific areas within Norway. We made a list with twenty auditors we wanted to talk to and were able to get an agreed interview with five of these auditors.

### **3.4.2 Reliability, validity and transferability**

As a part of the research, the results obtained must be quality tested by looking at both the reliability and validity of the findings. Reliability concerns whether the results obtained through the research methods can be trusted, and validity deals with the validity of the results, and aims to show the extent to which the chosen methods are suitable for collecting the data that is relevant to the chosen problem (Grønmo, 2014). There is also distinction between internal and external validity, where the internal validity asks whether the study investigates what it is meant to, and the external validity asks in what contexts the findings of the study can be applied (Malterud, 2001).

The reliability is mainly revolved around the information gathered within the interviews. Our subjects are all well experiences auditors which work in the largest and most recognizable audit firms in the world which we consider as reliable based on their experience, employer, and position within the firm. As part of the coding and data analytics in chapter 3.5 we sort the relevant and irrelevant information and makes sure the references to the Auditor Act or similar legal references are correct as part of the transcription process which further strengthens the reliability of our data collected.

In terms of transferability, one of the goals of the master thesis is to build an understanding of how entities listed on Euronext Growth is audited and thus we aim to build this and transfer this knowledge from the thesis to the reader in a manageable –and understandable way as there is little to no previous literature on this topic.

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### **3.4.3 Conduction of the interviews**

The interviews and the preparations started with a walkthrough of the interview guide with the supervisor to ensure a natural flow and that the appropriate questions were being asked. We further conducted a pilot interview with a Senior Associate at KPMG who had 5+ years of experience as an auditor within the firm. This was useful to get an understanding of how audits in general were operationalized and how the various ISAs are being implemented and addressed in the normal course of an audit. Based on the walkthrough and pilot interview we continued with the main interviews with the auditors as selected in chapter 3.4.1.

In total we conducted 5 semi-structured interviews over the course of the Spring of 2023. The participants were auditors and previous auditors working in the professional departments of the big 4 audit firms in Norway. Common for all participants was 20 years and more of experience working as or within one or more of the big 4 audit firms in Norway. For further information about the participants, refer to chapter 4.2.

The interviews were held over Microsoft Teams with video and audio settings turned on to reduce travel and emissions constraints. The meetings were recorded to transcribe the interviews for data analysis after all interviews were performed. All participants had received the interview guide (see appendix B for the full interview guide) in advance.

During the interviews, the order of the questions as set out in the interview guide was held with a few exceptions. However, all the questions were being touched upon and addressed in all the interviews. As pointed out above, the strength of a semi-structured interview is the ability to ask follow-up questions and add additional questions as we saw fit throughout the interviews which we took advantage of during some of the interview where the auditors were able to further explain or give a deeper understanding of the various subjects discussed in the interviews.

### **3.4.4 Quality assurance and privacy**

All interviews were performed by the authors of this master thesis, Charlotte, and Johannes, and only them to secure the quality of the collected data during the interviews. The interviews were performed using Microsoft Teams with an in-build recording functionality which allowed us to transcribe the interviews afterwards. Prior to transcribing the interviews, the text

was sent to the relevant interviewee to further secure the accuracy of the data by highlighting certain topics we discussed, correcting if necessary and giving additional comments.

There is no information which can be tied directly to the individuals being interviewed such as name, education, firm at which the work is being performed or numbers of years in the industry. The information included presented in this master thesis is shared anonymously as agreed with the participants and only the information relevant to our research question. This is to ensure compliance with each of the participants' privacy.

### 3.5 Coding and dataanalysis

All the interviews were transcribed based on the recordings from the interviews. As the entire meetings were recorded, we performed an initial screening which mainly consisted of scrubbing away small-talk and practical discussions to make the datasets from each interview more relevant and reduce noise from irrelevant talking points.

We sorted the relevant transcribed text into columns related to each of the questions in the interview guide to be able to compare the different answers to the same questions from the auditors. We also made separate and additional columns for follow-up questions and other open questions which were not tied directly to the pre-defined questions in further order to compare the different answers to the pre-defined questions.

For analyzing purposes, the data from the interviews was sorted after the thematical inspection report published by the Norwegian Financial Supervisory Authority on January 2022 to structure the results in the next chapter accordingly. Questions not related to the thematical inspection were clearly marked and sorted at the end for easier overview of the data.

We were able to use functionalities such as searching for certain key words or phrases (Ctrl + F) which was a key part of analyzing the data and ensuring that we had captured all the relevant data for the research questions asked.

We are aware of the drawbacks and possibility of relevant data being lost or sorted into the wrong questions as the scrubbing process involves professional judgement from the interviewers and transcribers, but this is a balance we as the researchers was forced to do to

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analyze the collected data. The issue was addressed by having the complete recording of the interviews available and using the playback functionalities if needed.

## 4. Results

In this chapter we will first present results from both Euronext Growth, regarding accounting language and the listed entities accounting firm. We will also present the results we obtained from the informants who participated in the semi-structured interview. The informants' answers are held anonymous, and it is important to be aware that they are expressing their own opinion, and not the auditing company they work for.

### 4.1 Dataanalysis

Our data acquisition is obtained through Euronext Growth's list over listed entities (Euronext Live Markets, 2022), and for simplicity reasons we excluded entities that are not Norwegian. According to our data acquisition, we found that there are only about 21 entities who are using IFRS as an accounting language on Euronext Growth, and even fewer are using simplified IFRS, only 3 companies. Over 50 percent of the entities listed are using the Norwegian Accounting Act (NGAAP). The data was obtained mid-January, which can result in some differences to how it is when this thesis is being published, as stated under chapter 1.1. The accounting language data were obtained through Euronext Growth Oslo's own page, and the annual reports published here, which also make the data acquisition uncomplete due to difficulties with obtaining the information, and therefore there are five companies marked as "N/A" (not available). Full dataset is available in appendix A.

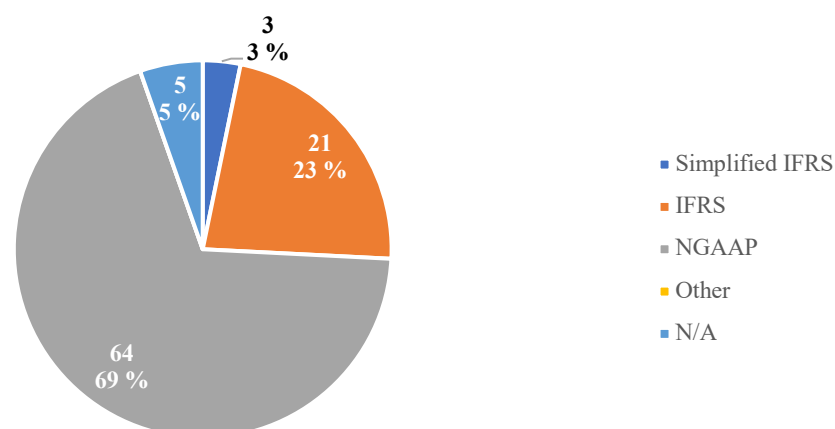
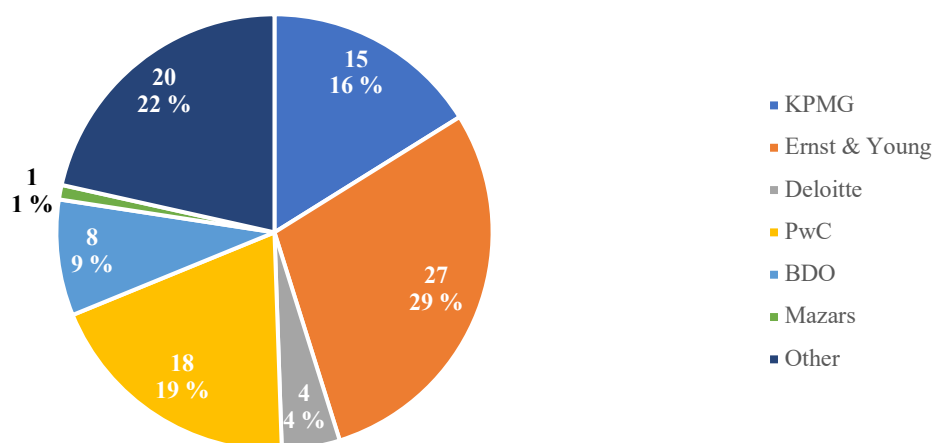


Figure 3: Accounting language

According to the figure above there is no doubts that mostly all entities choose to report after NGAAP, which makes the comparison towards Oslo Stock Exchange's benchmark, OSEBX, for entities in the same industry complicated, because they do not necessarily report after the same accounting language. All entities on Oslo Stock Exchange are obligated to report after IFRS, and these standards are more comprehensive and stricter than the NGAAP rules.

As mentioned in the introduction, the Norwegian Financial Supervisory Authority published their supervisory report in January 2022, and we also wanted to see how many of the entities listed on Euronext Growth Oslo, were audited by the four auditing companies they had supervisory against. We found that there were 14 different auditing companies who are responsible for the auditing on the Norwegian companies on Euronext Growth, but we did not filter out whether the auditing office is based in Norway or another country. In other words, for example will "KPMG" obtain all KPMG offices, and not only auditing done by the Oslo office, which means that a Norwegian company can be audited by an international auditing office. This is done to make the data acquisition, the comparison to Oslo Stock Exchange and the semi-structured interviews less complex. In the figure below we also present Ernst & Young (EY) and Deloitte individually, and this is because these two in combination with KPMG and PwC constitute "The Big Four" in accounting.



*Figure 4: Accounting firms on Euronext Growth Oslo*

From the figure above, we can see that Ernst & Young are the auditing company which carries out the most audits on Euronext Growth, followed by PwC and KPMG. The four companies

the Norwegian Financial Supervision Authority had thematic supervision against, are as mentioned KPMG, PwC, BDO and Mazars, and these four are responsible for 42 audits on Norwegian companies on Euronext Growth and constitutes about 45 % of the audits on Euronext Growth.

## 4.2 Background of the informants

### 4.2.1 Current position and years of experience

To get to know the respondents better and who they are, they were initially asked questions about their current position, the number of years they have worked in auditing, their educational background and which company they are an auditor for. All five respondents currently work as partners in a Big 4 company, and all five have at least 20 years' experience in auditing. In addition to this, one of the respondents has worked as an auditor in one of the smaller audit companies in Norway, another respondent has worked in several Big 4 auditing companies earlier, and one respondent has previously worked in the Norwegian Financial Supervisory. In addition, one of the partners is also the leader for the audit business in a regional office, and two of the respondents are a part of the company's audit professional department. Respondent E is not a practicing auditor and works towards accounting and reporting and works as a leader for the company's audit professional department, which is the same department respondent B is a part of.

### 4.2.2 Educational background

The informants were asked to state their educational background, and most of the informants explained that they have a broad educational background, and as seen under chapter 4.2.1, they all have many years of experience with auditing. All the five respondents have economics education with extension in auditing (MRR<sup>11</sup>) from Norwegian School of Economics. In addition, all the respondents are civil economists and state-authorized auditors. The table

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<sup>11</sup> Masters in accounting and auditing, abbreviated as MRR in Norwegian



below summarize shortly the respondent's current and earlier position, education, their auditing portfolio, and years' experience with auditing.

		Respondents				
Parameter		A	B	C	D	E
Current position	Partner	x	x	x		x
	Leader			x		x
	Part of the professional department		x		x	
<hr/>						
Education	Civil economist	x	x	x	x	x
	State-authorized auditor	x	x	x	x	x
<hr/>						
Portfolio	Stock Exchange entities			x		x
	Euronext Growth entities	x		x		x
	Non-listed entities	x		x		x
<hr/>						
Employer	Current position	Big 4	Big 4	Big 4	Big 4	Big 4

	Previous position		Norwegian Financial Authority		Two other audit companies	One other audit company
Years of experience	In auditing	20	20	23-24	20	23

*Table 5: The informant's background*

As seen from the table above, the respondents have a lot in common, but the further questions shows that there are differences between the auditor's professional judgement, even with the same educational background, position in the company and approximately the same number of years of experience.

### 4.3 Assessment of PIE status for audit clients

We asked the interviewees how they would assess or help other auditors assess whether an existing or new client should be considered a PIE or a non-PIE. We know that entities listed on Euronext Growth does not meet the formal definition of a PIE in Norway from 2.4

Partner A responded by pointing out that there are several definitions of a PIE. He mentioned EU PIE, IESBA PIE as well as the definition in the Norwegian auditor act §1-2.

Partner B responded by mainly pointing to the Norwegian auditor act §1-2 as well as making a note that companies listed on Euronext Growth was considered PIE in accordance with internal audit policies within the firm. This was because of the users of the entity's financial statements and therefore the level of precision the audit required.

Partner C responded by pointing out the first and foremost the internal audit guidelines within his firm stated which entities should be considered PIE or not. He continued to elaborate that all entities which are listed (including listed on MTFs) are in general always considered PIE. In additions entities within distinct industries such as banks and insurance companies are also considered PIE in accordance with the Norwegian auditor act §1-2.

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Partner D responded by pointing out that there are mainly 2 things which are important to remember when assessing the status of an entity. First is the formal definition of PIE which can be different within the various EU states. This formal definition is important because entities listed on Euronext Growth do not meet this formal definition. The second important point is that most, if not all, of the big 4 accounting firms probably have internal guidelines which state that entities listed on Euronext Growth should be considered PIE.

Partner E responded by pointing out that the assessment is mainly made from the definition set out in the Norwegian Auditor Act §1-2 which is listed entities subject to regulatory oversight by the Norwegian Financial Supervisory Authority which also includes banks and insurance companies. In addition, there could be entities who should be considered PIE which falls outside of the 3 buckets. These are entities with a high public profile and/or an entity with an extraordinary public interest.

Common for all respondents are the definition of PIE as set out in the Norwegian auditor act §1-2. In addition, we note that 3/5 heavily emphasized the internal audit guidelines when making the assessment which in all 3 cases defined Euronext Growth entities as PIE. Further, 2 partners pointed out that PIE could be defined differently in different EU states. Lastly, 1 partner made a point which was unique from the other answers that there were some entities who didn't necessarily fall within the 3 groups in the Norwegian Auditor Act §1-2 but still should be considered PIE based on their public profile and the interest the public had in their operations and activities.

The answers given by the respondents share the answers given by the Norwegian Auditor Act §1-2 as well as the IESBA rules for PIEs. We have not identified any laws who prohibits audit firms from making internal guidelines to assess non-PIE as PIE which is ultimately taking a more comprehensive approach rather than what the law requires from the auditors. It is therefore interesting to see the level most of the respondent applies to the audits of Euronext Growth entities. Lastly, two of the respondents points out that different EU states could have different definitions of PIE which is less applicable for our research questions as the goal of the master thesis is to shed light on the audit of companies listed on Euronext Growth, a Norwegian multilateral trading facility with mainly Norwegian companies listed as of February 3<sup>rd</sup> (see appendix A).

## 4.4 Determination of materiality

After establishing an understanding of how the assessment of the status (PIE or non-PIE) for audit clients was determined we continued the interview by focusing on the materiality as all audits are required to determine one as part of their risk assessment. Materiality is one of three improvement points from the Norwegian Financial Supervisory Authority in their thematical inspection and based on that we divided the subject into 2 questions, one broader where we asked which main factors impacted the determination of materiality when auditing Euronext Growth companies in addition to a question where we asked if they found it to be generally appropriate to reduce the materiality for a company listed on Euronext Growth versus if the same company had not been listed on Euronext Growth.

### 4.4.1 Main factors when assessing materiality

To the first question regarding which main factors that the individuals emphasized mostly when determining the materiality for entities listed on Euronext Growth the different partners listed up both qualitative factors as well as quantitative factors to be considered:

Quantitative factors mentioned:

- Result before taxes
- Total Assets
- Total Revenues
- Equity Ratio
- P/E ratio

Qualitative factors mentioned:

- Users
- Ownership factors
- Business environment
- State of the company; steady state or growth

We did not identify any conflicting answers across the respondents, but a similarity in the answers was that the quantitative factors was based on internal audit guidelines within the

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audit firms which stated which quantitative factors should be considered the preferred benchmark to use. However, one partner told us that the preferred benchmark was possible to deviate from in rare cases (e.g., volatility in the benchmark, negative values etc.). The qualitative factors were subject to more professional judgement when the partner decided the appropriate % to apply to the chosen benchmark. We also note that during the interview it was the users (including existing and potential investors), as well as the state of the company which was mostly emphasized by the interviewed partners.

#### **4.4.2 Necessary to reduce materiality for PIE clients?**

Lastly, we asked whether the respondents would find it appropriate to reduce the materiality threshold for entities listed on Euronext growth compared to entities not listed on Euronext Growth or other trading platforms (e.g., Oslo Børs etc.). The assumptions for the question were two companies which were similar internally and externally with the one exception that one was listed on Euronext Growth.

In short, 4 out of 5 partners responded with a clear yes. They elaborated that they would be very surprised if the one listed didn't have a lower materiality based on the facts that an entity listed on Euronext Growth. More surprising was that two partners pointed out that the answer would depend on the facts in the scenario we proposed. One pointed out that there are many very different entities listed on Euronext Growth ranging from complex and large businesses to small and less-complex business which would have a far lower risk associated with the financial statements and therefore could be argued that a lower materiality wasn't needed based on the one fact that they were listed on Euronext Growth.

Another interesting response was a partner who argued that if the companies indeed were completely similar both externally and internally then the risk would be the same and thus leading to the same materiality for the same set of users. The partners also questioned whether the assumptions of two companies with the exact same set of characteristics would be possible when one was listed on Euronext Growth and the latter was not, which we agreed was a valid point to point out.

We found the answers to both the questions regarding materiality to be in alignment with the theoretical requirements from ISA 320 as well as our understanding of materiality from

chapter 2.3.2. In addition, we note that the presentation of the practical methods for calculating materiality is in line with the methods presented by Eilifsen, Messier Jr., Glover and Prawitt (2013).

## 4.5 Change of accounting language

In order to get a better understanding regarding accounting language on Euronext Growth, and how any change of this affects the audit and changes the audit plan, we asked the respondents how they would address if the entity audited decided to change their accounting language from NGAAP to IFRS, either fully (adopted by EU) or simplified (adopted by the Norwegian Ministry of Finance).

According to respondent C, there is an ongoing trend around changing accounting language for the current financial year, 2023, where entities on Euronext Growth some of the entities are changing from NGAAP to IFRS. But the process is not without risks, neither for the audit company nor the audited company. Both respondent C and respondent B highlight that there is a significant risk when changing accounting language. This involves both the risk of the change itself, but also risks linked to accounting principles, changes to routines and procedures and higher costs when changing. In addition, it requires more from the audit team and the entity, in terms of having the right expertise and having the right processes required to implement the change.

Respondents A, D and E emphasize that it is important for auditors to take a step back and apply checklists both for formal matters and checklists aimed explicitly towards IFRS accounts. In accordance with respondent B, auditors often underestimate how comprehensive an IFRS financial statement is, and all the respondents' states that the auditor can benefit from consulting with the professional department and implementing a team member with IFRS accreditation to ensure that the financial statements are not presented incompletely according to IFRS. They also highlight the importance of talking to the audited entity about the change, and what differences that are expected to see when the change is implemented, regarding

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leasing<sup>12</sup>, financial instruments<sup>13</sup> or other elements of the accounts that are not treated separately in accordance with NGAAP. This will form a good foundation for the financial statement in accordance with IFRS for the next few years.

All the respondents agree that, in isolation, the risk will increase when a change in the accounting language is carried out, and the five respondents see it as necessary to engage an IFRS accredited partner or a professional with good IFRS knowledge, so the implementation is carried out in the best possible way. Nevertheless, as can be seen in the paragraphs above, it is emphasized in slightly different ways, where some of the respondents focus more on the team composition and the risk surrounding a team without IFRS competence and how this will affect the audit, while others highlight the risk around the figures and information in the financial statement, as well as the preparation of the financial statement. And these differences show how the auditor's professional judgement can affect the audit plan, even if the audit methodology and background to the respondents is roughly the same.

As mentioned in chapter 2.2, it follows from the thematic report published by the Norwegian Financial Authority, that if a company listed on Euronext Growth is to use IFRS as their accounting language, there is also a requirement for the audit companies to carry out an IFRS review. This can be done, among other things, through IFRS-specific checklists, and based on the respondent's answers, this is something that must be implemented and used by the auditors if the audited company changes its accounting language from NGAAP to IFRS. In other words, the desired implementation of IFRS review when entities apply IFRS as an accounting language, which follows from the Norwegian Financial Supervisory Authority's report, can be seen to be used by the audit companies.

## 4.6 Involvement of an assignment controller

Since the thematic report published by the Norwegian Financial Authority, highlights a desire to have an assignment controller when auditing entities on Euronext Growth, we asked our

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<sup>12</sup> IFRS 16 Leasing

<sup>13</sup> IFRS 9 Financial Instruments

respondents whether they personally believe that involvement of an assignment controller is necessary for entities listed on Euronext Growth.

Of the five respondents we interviewed, there was an agreement among four of these that an assignment controller was necessary, while the last respondent believed that a specific assessment should be made for each audited entity and each individual audit team. If the team usually works with companies on Euronext Growth and the regulations there, it may not be as necessary to have an assignment controller as if the team has no experience with Euronext Growth and the applicable legal requirements here.

Respondent B, C and E again highlights risk as a justification for why there should be an assignment controller, and respondent E also highlights the complexity and the fact that there is less regulation of financial reporting on Euronext Growth compared to e.g., Oslo Stock Exchange. Furthermore, respondent D believes that there should be more than one assignment controller when auditing entities on Euronext Growth as well, for extra security. Having an assignment controller provides an additional quality link within the audit company, which ensures that the audit is good and makes the financial statement comprehensible to the users, who, in accordance with respondent B, are often more inexperienced.

Furthermore, it is worth mentioning that both respondent B and D are a part of the audit company's professional department, which means that their answer regarding assignment controller is not unexpected. But their answers regarding assignment controller are supported by the three other respondents, who believed that an assignment controller is necessary. Where two, respondents C and E, thought it was necessary anyway, while respondent A sees the necessity for an assignment controller after an individual assessment of the audit team and the company being audited. This also underpins that the audit companies themselves see the necessity of an assignment controller at Euronext Growth, and that the requirement for an assignment controller from the Norwegian Financial Supervisory Authority's report is followed up by the audit companies.



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## 4.7 Apply complete set of PIE standards for Euronext Growth entities?

As a final question we went with a broad question where we wanted to give the respondents a chance to share any thoughts or insights on the way forward for auditing entities listed on Euronext Growth. We asked them if they believed that the overall audit would become better, in terms of providing reasonable assurance, if all Euronext Growth companies were audited with a complete set of PIE standards applied to the audits.

The answers to this question were more divided than the first 5 with each partner taking a slightly different approach to the question as presented below.

Partner A believed not. The most important thing the auditors can do while auditing Euronext Growth entities is to do a thorough risk assessment. He highlights the fact that the average company listed on Euronext Growth is usually a lot less complex compared to the average listed entity on Oslo Børs. By treating these less-complex entities as large complex entities you can end up with a lot of additional testing as well as requirements to use the most comprehensive audit tools available within the audit firm which can be a mismatch between the actual risk within the client's financial statements and the methodology applied to form an audit opinion about the same financial statements. He elaborated that the mismatch is mainly that the methodology can lead to documenting and addressing non-existing risks which was exemplified by bringing in IT specialist for standardized, off-the-shelf ERP systems and testing these extensively which can give little relevant audit evidence. An additional argument for not applying a complete set of PIE standards to the audits of Euronext Growth entities is the possible pressure on fees and workload. A comprehensive set of audit standards and requirements together with complex audit tools which forces the audit team to address many additional questions which may be less relevant can significantly increase the workload and task the audit team must perform which can be difficult to justify to the client in fee discussion. This will create an unhealthy pressure on the fee available for the engagement and thus can lead to overall less audit quality. Partner A proposes using a well experienced audit team which knows the ISA-s very well and uses the risk-based approach to tailor the audit to the reasonable risks for the clients in question.

Partner B on the other hand, believed the audits would indeed become better if the entities on Euronext Growth were treated as complete PIE within the audits and refers to the thematic inspection carried out by the Norwegian Financial Supervisory Authority with improvements points to the audit firms subject to the inspection. Partner B highlights the users as the main reason for applying for PIE standards. When an entity goes from a concentrated ownership structure with possibly a few individuals/numbers of shareholders to a listing on Euronext Growth the distance between the information in the financial statements and the users increases. This increasing distance needs to be accounted for in the audit. Examples are old owners who are now a minority and therefore can more frequently get involved in related party transactions which require attention, procedures, and further audit work by the auditors to address properly.

Partner C also agrees with partner B that applying PIE standards is the right direction for audits of Euronext Growth entities. During the interview we followed up by inquiring regarding the fee and workload discussion partner A presented. However, partner B did not think that the fee should be a significant part of the assessment for how the entities should be audited. He highlighted the fact that an auditor per the Norwegian Auditor Act §9-1 clearly states that an auditor is the “representative of the general public” (allmennhetens tillitsperson, English translation by the Norwegian Financial Supervisory Authority) and as the entities now are subject to a broader and larger set of users (existing and potential investors e.g.) this is even more important that audit quality is kept at a high level in order to increase and keep the confidence from the public for acting in this assigned role.

Partner D answered with a cost-benefit analysis of the question. The society and market participants will benefit from a high-quality audit and can be an argument in favor of using all PIE standards as well as the personal risk and the reputational risk for the audit firm can be argued is decreased by using PIE standards. The cost side of it is the fact that the Euronext Growth multi-platform was intended to be a low-cost trading platform and a costly audit contradicts this intention. An extra safety measure is being forced upon the companies and investors who perhaps have chosen Euronext Growth over Oslo Børs due to the level of costs associated with the two different platforms.

Lastly, partner E also shared the concerns with partner A and pointed out that if the audit became to driven by checklist and formalities that needs to go into the audit files because of the methodology applied the risk increases for loosing focus on the important parts of the financial statements. He elaborated further by talking about the fact that professional judgement and a risk-based approach is more important than strict compliance work in performing a high-quality audit.

Overall, 2 out of 5 believed the audit would become better in terms of providing reasonable assurance while the same number of partners (2 out of 5) answered more dismissive to the question. 1 partner made a cost-benefit analysis providing a more balanced view of the question.

#### **4.7.1 Key Audit Matters (KAM) in the audit opinion**

A returning topic in question 6 was the question of whether the audit opinion should include a Key Audit Matter (KAM) section as required for all formal PIEs per the EU Statutory Audit Regulation (EU 537/2014) article 10. The question was often brought up when discussing the distinction between an internal PIE audit policy within the audit firm and the external requirements for auditing PIE entities and the consequences thereof.

2 partners argued that it wasn't recommended due to time and resources required to write and prepare key audit matters for the typical entities on Euronext Growth (less complex and smaller compared to a lot of formal PIEs). One partner proposed a solution containing using thresholds for having KAM as a requirement, e.g., revenues, sum assets and/or number of employees to account for the fact that the size varies a lot on Euronext Growth and that the smallest ones probably would benefit less from a KAM in the audit opinion vs. larger entities. Another partner made two arguments in favor of using KAM for Euronext Growth companies; the users of the financial statements can see what the auditor does and what he has been thinking throughout the audit and being required to include a KAM in the audit opinion can work disciplinary for the auditor in his audit work.

## 5. Conclusions

In this master thesis, we have researched how companies listed on Euronext Growth are audited in Norway by conducting interviews with experienced auditors within the Big 4 companies who themselves have conducted several audits of clients listed at Euronext Growth. We have linked the questions to the thematical inspection carried out by the Norwegian Financial Supervisory Authority published January 2022 as the report concluded with 3 changes to internal audit policies to be implemented within the firms subject to the inspection.

We found that all the respondents had a clear and theoretical view of what was to be considered a PIE, both in terms of formal definitions and informal definitions. Key finding is that most audit firms had internal guidelines which stated that Euronext Growth clients was to be treated as PIE in terms of audit work with one important exception of including a Key Audit Matter (KAM) section in the audit opinion.

Regarding materiality, our analysis shows that the majority of partners interviewed is of the opinion that materiality should be lower for entities listed on Euronext Growth vs. entities who are not listed. The main and most common argument was the users and their need for a lower threshold and a more comprehensive audit due to the distance between the users and the information within the financial statements as well as the public profile and public interest a listing on Euronext Growth prompts.

All the respondent agreed that there is an inherent risk associated with changing the accounting language (NGAAP, IFRS etc.) and the Norwegian Financial Supervisory Authority's report from January 2022 states that an IFRS review shall be conducted for financial statements prepared in accordance with IFRS. Based on our interviews, the operationalization of this is to engage IFRS accredited partners or specific team members as well as using specific checklist design to address and the comprehensive disclosure requirements associated with IFRS.

Further, we inquired regarding assignment controller (i.e., a designated person assigned to ensure that the specific engagement meets the appropriate audit quality necessary for the engagement). There was consensus regarding the need for such a controller, but one partner deviated slightly by making the point that it should not be an absolute requirement but decided

on a case-to-case basis. Based on this we conclude that the audit firms interviewed has applied the improvement point regarding an assignment controller for entities listed on Euronext Growth from the thematical inspection carried out by the Norwegian Financial Supervisory Authority in January 2022.

Lastly, without a formal rule, law, or report (such as the report published by the Norwegian Financial Supervisory Authority published in January 2022) we found that only 2 of 5 partners believed the audits would become better, in terms of providing reasonable assurance, if the audits were conducted on a formal PIE basis. The remaining 3 partners were more reluctant of this approach based on the intentions of the trading platform itself (intended to be a low-cost trading platform with less regulations and rules). In addition, a full PIE approach would require a Key Audit Matter section in the audit opinion, 2 of the partners did not see the value in a KAM for the entities listed on Euronext Growth while 1 partner proposed KAM as a requirement only for the largest companies listed there. Last partner was for using KAM but was also against using a full PIE approach on the audit work for the entities on Euronext Growth.

Overall, we found that all the improvements point from the thematical inspection in January 2022 are most likely implemented and followed by the large audit firms in Norway which we interviewed. The most common approach is to treat the entities listed on Euronext Growth as PIEs internally even if they do not meet the formal definition of a PIE. This approach is mainly rooted to reduce the personal and reputational risk a non-PIE audit could prove for entities with such a high public profile as well as the view that with that high profile it makes sense risk wise to treat them as formal PIEs which in return is supported by the Norwegian Financial Supervisory Authority's report from January 2022 on the thematical inspection of auditing of Euronext Growth entities.

## 5.1 Suggestion for further research

During the interviews and the research period the interviewees presented a few important topics and issues evolving companies listed on Euronext Growth and the different users around them.

This includes how professional judgement influences the audit plan and how professional judgement can lead to different approaches for the same audit client between two auditors. Other topics such as whether the audit firms can increase their fees from applying a “PIE-methodology” to non-PIE audit clients was also discussed with no definite conclusion as it falls outside the scope of the research question for our master thesis.

Another topic that was discussed during the interviews was whether applying an PIE methodology for non-PIE audit clients could result in an extra pressure on the audit team to perform more work in the same amount of time and with the same amount of resources.

One partner discussed the research question from the users point of view as our master thesis mainly focuses on the auditors. This is interesting as the thematical inspection from the Norwegian Financial Supervisory Authority includes a section of the investment firms and how they have handles a number of important aspect of the listing such as due dilligence, information to potential investors, handling conflicts of interests etc.

Further research on these topics and suggestions could prove an interesting continuance on our work in order to understand the process of auditing Euronext Growth entities as well as other entities who share characteristics with PIE entities but ultimatley, falls outside the formal definitions of a PIE. As Euronext Growth is a relatively new trading platform in Norway, further research could be both academicly exciting and educational with a study that focused on the benefits of using KAM’s in the audit opinion which is per our understanding is one of the main differences between a PIE-audit and a non-PIE audit for the users of the financial statements.

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## Appendix

### Appendix A: Data

Table 1: Listings on Euronext Growth Oslo as of February 3<sup>rd</sup>

Name	Company code	Accounting language	Market value as of January 26 <sup>th</sup>	Accounting firm
AASEN SPAREBANK	NO	Simplified IFRS	195,463 million	KPMG
ANDFJORD SALMON	NO	NGAAP	1,601 billion	EY
ARCTIC BIOSCIENCE	NO	NGAAP	275,57 million	Contabile AS
ARCTIC FISH HOLDIN	NO	NGAAP	3,347 billion	KPMG
ARGEØ	NO	NGAAP	126,084 million	RSM
AURORA EIENDOM	NO	IFRS	2,502 billion	BDO
AWILCO DRILLING	NO	IFRS	134,061 million	EY
AYFIE GROUP	NO	NGAAP	60,333 million	EY
BALTIC SEA PROP	NO	NGAAP	334,412 million	EY
BERGEN CARBON SOL	NO	NGAAP	350,87 million	KPMG
BIOFISH HOLDING	NO	NGAAP	18,224 million	EY
BLACK SEA PROPERTY	NO	NGAAP	33,251 million	Flattum & Co
BW IDEOL	NO	IFRS	212,381 million	KPMG
CAMBI	NO	NGAAP	880,405 million	RSM
CANOPY HOLDINGS	NO	NGAAP	46,109 million	EY
CIRCA GROUP	NO	Simplified IFRS	683,833 million	BDO
CO2 CAPSOL	NO	NGAAP	630,623 million	RSM
CSAM HEALTH GROUP	NO	NA	878,017 million	PwC
CYVIZ	NO	NGAAP	483,21 million	PwC
DEEP VALUE DRILLER	NO	NGAAP	1,391 billion	EY
DESERT CONTROL	NO	IFRS	579,505 million	EY
DOLPHIN DRILLING	NO	NA	1,529 billion	KPMG
ECIT AS B-AKSJER	NO	NA	2,47 billion	EY
ELEKTROIMPORTØREN	NO	IFRS	938,826 million	EY
ENERGEIA	NO	NGAAP	282,11 million	RSM
EXACT THERAPEUTICS	NO	IFRS	353,967 million	EY
FLYR	NO	IFRS	140,982 million	PwC
GIGANTE SALMON	NO	NGAAP	831,782 million	PwC
GNP ENERGY	NO	NGAAP	18,18 million	KPMG
GOLDEN ENERGY OFF	NO	IFRS	725,95 million	PwC
GREEN MINERALS	NO	NGAAP	98,325 million	RSM
GRONG SPAREBANK	NO	NA	627,651 million	KPMG
HARMONYCHAIN	NO	NGAAP	140,292 million	RSM
HAV GROUP	NO	NGAAP	295,75 million	PwC

HAVILA KYSTRUTEN	NO	IFRS	783,825 million	PwC
HEXAGON PURUS	NO	IFRS	6,695 billion	EY
HORISONT ENERGI	NO	NGAAP	869,597 million	PwC
HUDDLESTOCK FINTEC	NO	NGAAP	322,275 million	PwC
HUDDLY	NO	NGAAP	793,924 million	Mazars
HYNION	NO	NGAAP	64,614 million	Plus Revisjon
HYNION WR	NO	NA	2,094 million	NA
HYON	NO	NGAAP	36,952 million	EY
ICE FISH FARM	NO	NGAAP	2,554 billion	EY
ICELANDIC SALMON	NO	NGAAP	4,675 billion	EY
INDUCT	NO	NGAAP	107,437 million	BDT Viken
ININ GROUP	NO	NGAAP	269,165 million	PwC
INSTABANK	NO	IFRS	563,828 million	KPMG
INTEGRATED WIND SO	NO	NGAAP	970,299 million	EY
KRAFT BANK	NO	IFRS	369,6 million	RSM
KYOTO GROUP	NO	NGAAP	213,284 million	EY
LEA BANK	NO	Simplified IFRS	783,383 million	PwC
LIFECARE	NO	NGAAP	241,625 million	RSM
LUMI GRUPPEN	NO	NGAAP	378,225 million	PwC
LYTIX BIOPHARMA	NO	NGAAP	300,512 million	EY
M VEST WATER	NO	NGAAP	291,708 million	KPMG
MINTRA HOLDING	NO	IFRS	1,041 billion	EY
MÅSØVAL	NO	NGAAP	4,288 billion	BDO
NIDAROS SPAREBANK	NO	NGAAP	127,529 million	KPMG
NORAM DRILLING	NO	NGAAP	2,667 billion	KPMG
NORCOD	NO	NGAAP	1,153 billion	Deloitte
NORDHEALTH A-AKSJE	NO	NGAAP	953,546 million	KPMG
NORDIC HALIBUT	NO	NGAAP	641,723 million	PwC
NORDIC TECHNOLOGY	NO	NGAAP	503,537 million	KPMG
NORDIC UNMANNED	NO	NGAAP	261,577 million	KPMG
NORSE ATLANTIC	NO	IFRS	500,785 million	RSM
NORSK SOLAR	NO	NGAAP	246,742 million	Deloitte
NORSK TITANIUM	NO	NGAAP	742,99 million	EY
NORTEL	NO	NGAAP	428,713 million	PwC
NORWEGIAN BLOCK EX	NO	IFRS	114,652 million	Moore DA
OCEAN GEOLOOP	NO	NGAAP	1,17 billion	RSM
OCEAN SUN	NO	NGAAP	301,857 million	EY
OTOVO	NO	NGAAP	2,588 billion	BDO
PATIENTSKY GROUP	NO	NGAAP	295,51 million	EY
PROXIMAR SEAFOOD	NO	NGAAP	195,755 million	Deloitte
QUANTAFUEL	NO	IFRS	1,065 billion	RSM
QUESTBACK GROUP	NO	NGAAP	54,044 million	PwC
RECREATE	NO	NGAAP	297,212 million	EY

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ROMERIKE SPAREBK	NO	IFRS	351,697 million	PwC
ROMSDAL SPAREBANK	NO	NGAAP	259,34 million	BDO
SEAWAY 7	NO	NGAAP	4,855 billion	EY
SKANDIA GREENPOWER	NO	NGAAP	37,863 million	Deloitte
SMARTOPTICS GROUP	NO	NGAAP	1,926 billion	PwC
SOFTOX SOLUTIONS	NO	NGAAP	304,08 million	Berge Lundal
SPARBNK 68 GR NORD	NO	IFRS	505,77 million	PwC
STANDARD SUPPLY	NO	NGAAP	868,61 million	BDO
STATT TORSK	NO	IFRS	346,896 million	EY
SUNNDAL SPAREBANK	NO	IFRS	267,607 million	KPMG
TECO 2030	NO	NGAAP	1,778 billion	EY
TYSNES SPAREBANK	NO	IFRS	215,169 million	RSM
VOW GREEN METALS	NO	NGAAP	429,59 million	EY
WESTERN BULK CHART	NO	NGAAP	1,382 billion	RSM
XPLORA TECHNOLOGIE	NO	NGAAP	470,72 million	BDO
ZWIPE	NO	NGAAP	183,44 million	BDO

## **Appendix B: Interview guide**

**Interviewer:** Johannes Guddal and Charlotte Ludvigsen, master's students at NHH

**Method:** Semi-structured interview with individuals

**Duration and anonymity:** xxx time. Respondents are kept anonymous.

**The shape of the interview:** Meetings in person or via Microsoft Teams/Zoom. Interviews are recorded for transcription. The interview is divided into two parts. The first part is a simple introduction with position, background, experience etc. and other characteristics of the interviewee. The last part is concentrated around the research question and topic of the master thesis. We have 5 questions related to the performance of audits of entities listed on Euronext Growth whereas some are open and broad, and others can be answered more briefly and in short.

**The thesis theme:** Auditing companies listed on Euronext Growth, with a focus on the difference between PIE and non-PIE.

### **Research question:**

1. How does audit firms assess whether a client is a PIE or a non-PIE?
2. Why the audit of companies that are – or about to be – admitted to trading on Euronext Growth should be carried out as if they were PIE?

### **The interview questions**

#### **Introduction:**

1. What is your position in the audit company and how many years of experience do you have with auditing?
2. Which educational background do you have?
3. Do you work in one of the four entities mentioned by the Norwegian Financial Supervisory Authority in the thematic report, or other?

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**Auditing entities listed on Euronext Growth:**

1. How do you assess whether a client is a PIE or a non-PIE?
2. Which main factors have an impact on determination of materiality when auditing Euronext Growth entities?
3. In general, would you find it appropriate to set the materiality threshold lower for an entity listed on Euronext Growth vs. If the same entity had not been listed on Euronext Growth?
4. If a client has historically prepared their financial statements in accordance with NGAAP but decides to change to IFRS (simplified or as adopted by EU), how would you typically address this in the audit plan?
5. Do you believe involvement of a quality controller (assignment controller) is necessary for entities listed on Euronext Growth?
6. Do you think the overall audit in the company would become better, in terms of providing reasonable assurance, if all Euronext Growth companies also were audited as the ones on Oslo Stock Exchange (PIEs)?