

INTERNAL AUDIT DEVELOPMENT IN THE GOVERNMENT OF LITHUANIA

**PEM-PAL WORKSHOP FOR INTERNAL AUDIT
OFFICIALS**

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Historical Perspective

- **1993-1997** – partly centralized inspection type function;
- **1998-2001** – reforms in public administration, budgeting and strategic planning; action plans for Internal Control, introduction of the Internal Audit (IA) system;
- **2001-2002** – IA function, Policy paper for Public Internal Financial Control (PIFC), action plans, various PIFC legislation;
- **2003** – consolidation and harmonization of the PIFC framework by the new Internal Control and Internal Audit Law and new secondary legislation and tertiary regulations.

Internal Audit System (IAS) – Now

- Decentralized system of Internal Audit;
- ~ 550 internal auditors in ~ 200 IA units;
- All public sector covered (~ 2100 budgetary institutions) including all (60) municipalities;
- More than 8 years of experience in IA;
- ~ 2500 internal audits per year (~ 50% performance audits);
- Professional links with the IIA, Audit Committee and Supreme Audit Institution (SAI) ensured;
- Adequate support and confidence of the top management.

THE STEPS TOWARDS IAS

- The Law on Internal Control and Internal Audit;
- Commission for Coordination of Functioning of Internal Audit System in the Public Sector;
- Central Harmonization Unit (CHU) - Financial Control Methodology Department of the Ministry of Finance (3 units; ~ 15 staff members);
- Strategy for recruiting and retaining right people;
- Continuous training facilities and coordination;
- Communication and agreements with the IIA, the Commission, the SAI.

THE STEPS TOWARDS IAS - 2

- Networking (workshops, help-desk, consultative visits, group meetings, electronic forum);
- Reporting to the Government and Parliament;
- International (IIA) standards and the best EU practice considered;
- Quality assessment of IA;
- Ensuring adequate staffing and sufficient resources based on the Audit Needs Assessment;
- Adequate legislative and guidance tools (incl. IA Code of Ethics) for internal audit and internal control.

Important Aspects to Highlight

- Recruiting and retaining right personnel;
- Co-ordination between IA and SAI;
- Development of the awareness of senior management (incl. issues on independence of IA)
- Ensuring responsibility and support of senior management for IA and internal control;
- Proper continuous IA training system;
- Monitoring and reporting the progress of the IA system;
- Avoiding an inspection type of attitude; towards – add value approach.