

# Public Internal Audit

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# Public Internal Audit (PIA)

- PIA or
  - On its Own?
  - Isolated?
  - Scope:
    - Financial
    - Systems-based
    - Performance/IT
- PIFC (EU-model)
  - (comprehensive)
    1. Managerial Accountability
    2. Independent Internal Audit
    3. Central Harmonisation



# Public Internal Audit

- Experience with PIA in framework of PIFC:
- - Be the owner of the project (you guide the process, not others (consultants-outsiders));
  - Do not isolate PIA development from wider framework of Internal Control (PIFC);
  - Do not follow supply-driven proposals, have a strategy aiming at achieving international standards;
  - Be aware of the long term duration of the project (conceptualisation, legislation, organisation, implementation and training)



# Public Internal Audit

## Prerequisites:

- Do not embark on the mission without support of the highest management levels; crucial!
- Do not develop PIA without benchmarking your present systems against int'l standards (draft a strategy);
- Do not work in isolation; create a wide platform for discussion and development and get stakeholders involved;



# Public Internal Audit

## Audit and Control:

- Do not let internal control and internal audit get mixed up; management is responsible for internal control and auditor assesses the IC systems;
- Do not let internal audit and inspection get mixed up; auditor assesses and recommends; inspection investigates and co-operates with the judicial authorities, eventually punishes (fraud and irregularities);
- Make management responsible for drafting the audit trail



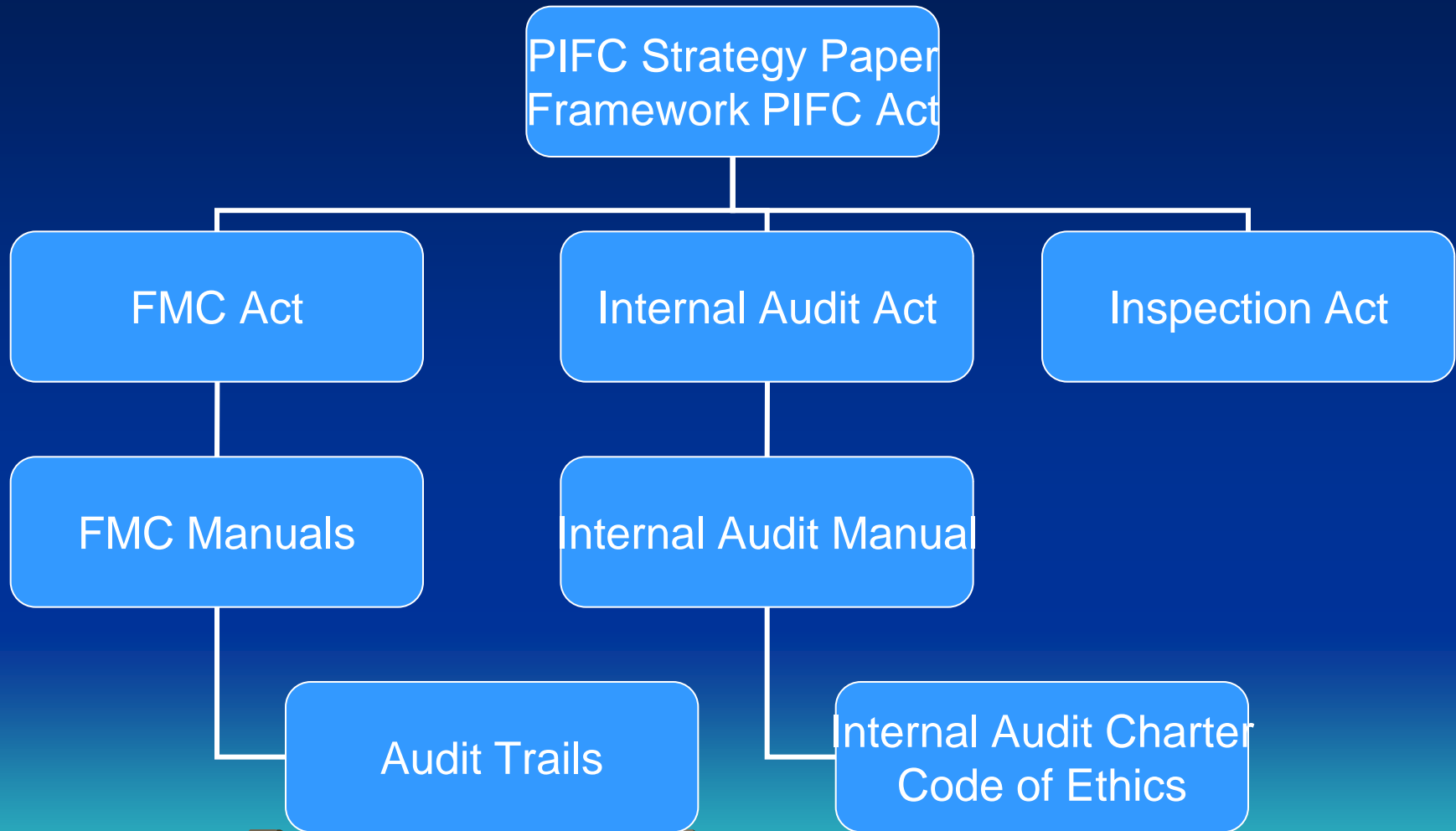
# Public Internal Audit

## – On Internal Audit legislation:

- Make IA law connected to IC law, make a comprehensive cluster of laws: presentation; accessibility (see next slide for recommended structure under PIFC);
- Make sure you have stakeholders on your side (management, SAI, Ministry of Interior for civil service Act)
- Provide for adequate links to budget act, accounting act, procurement act, fight against fraud, etc.)
- Do not hurry or push-through legislation;



# PIFC: legislation/regulation



# Public Internal Audit

## – On the Status of Internal Audit in a ministry:

- Responsible to highest management level (Internal Audit Unit and CHU for Internal Audit):
  - Internal Audit Charter for relation with management
  - Nomination, transfer, dismissal in co-op with CHU (MoF)
  - Adequate resources and salaries
- Ensure freedom to perform audit
  - Strategic audit plan and annual audit plans based on objective risk assessment;
  - Endorsement, not approval by management;
  - Do not allow ad hoc audits to become hindrance of your audit plans;
- Free reporting of Audit findings:
  - Adequate contradictory procedures;
  - Adequate follow-up procedures;
  - Audit reports to management and to CHU
    - Central register of material audit findings



# Public Internal Audit

## On Training of auditors:

- Not only training of auditors, also training of managers and financial officers;
- Prepare for comprehensive curriculum for internal auditors (start for classical financial audits and enlarge for systems-based audits; in later stage for the more complicated performance audit);
- Prepare for Certification procedures to create a coherent public internal audit profession (Code of Ethics);
- Do not allow internal auditors to work in isolation, create a brotherhood;

