

The Role of Internal Audit in Government

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Objectives of the Session

- ▶ The role of internal audit in improving governance in the public sector
- ▶ Why managers should care about internal audit
- ▶ The role of internal auditors in the public sector
- ▶ Some advice on developing an effective public sector internal audit function

Governance in the Public Sector

In a well functioning public sector framework:

- ▶ Government sets policies
- ▶ Ministers ensure that resources allocated to each ministry are properly used to meet the government's objectives
- ▶ Ministers delegate the responsibility for managing the ministries to CAOs
- ▶ CAOs implement control systems to manage risks, money and performance

Effective internal audit activities contribute to the creation of good governance in the public sector

Governance in the Public Sector

Standards of Behavior		
<ul style="list-style-type: none"> ● Leadership ● Codes of conduct ➢ Probity and Propriety ➢ Objectivity, Integrity and Honesty ➢ Relationships 		
Organizational Structures and Processes	Control	External Reporting
<ul style="list-style-type: none"> ● Statutory accountability ● Accountability for public money ● Communication with stakeholders ● Roles and responsibilities ➢ Balance of power and authority ➢ Governing body ➢ Chairperson ➢ Non-executive governing body ➢ Executive management ➢ Remuneration policy 	<ul style="list-style-type: none"> ● Risk management ● Internal audit ● Audit committees ● Internal control ● Budgeting ● Financial management ● Staff training 	<ul style="list-style-type: none"> ● Annual reporting ● Use of appropriate accounting Standards ● Performance measures ● External audit

Why should public sector managers care about internal audit?

- ▶ A well functioning internal audit function is a critical element of good governance in the public sector
- ▶ It gives Ministers, Permanent Secretaries and Managers another set of eyes and helps them be successful
- ▶ Taxpayers will get better value for their money
- ▶ Corruption will be reduced and everyone will have a better standard of living
- ▶ People will have more trust in government

Why should public sector managers care about internal audit (cont.)?

Assurance and advice...

- ▶ Ministers, mayors, directors need **assurance** that the systems are working to manage risk, money and performance.
- ▶ CAOs need to be sure that the systems are working properly, and where they are not, they need **advice** on how they should be improved

How do internal auditors serve management?

- ▶ To assist the heads of organizations in the annual reporting on the state of internal control in their organizations
- ▶ Recommending improvements in activities and controls to management
- ▶ Identifying and assessing risk in the organization
- ▶ Preparing reports for senior management
- ▶ Advising management in the decision-making process
- ▶ Reviewing for the future – not for the past
- ▶ Helping managers manage as an advisor.

Preparing Government for Internal Audit – Some Advice

- ▶ Understand why a change in the control system is necessary
- ▶ A broad discussion of the reform at the highest level is needed
- ▶ Political will and support for the changes in the control model are needed

Some advice ...

- ▶ Trained leaders, familiar with the international standards and best practices, are needed
- ▶ Managers should have good understanding of internal control and their accountability
- ▶ The time line for changes should be carefully planned

More advice ...

- ▶ Keep parts of old system that work, and replace the parts that don't
- ▶ Include training for managers as well as the internal auditors
- ▶ Look for support from other like-minded stakeholders (SAI, professional organizations and donors)

Thank you for your attention!

Questions?