

Working session on Internal Audit Quality Assurance

Internal Audit Quality Assurance in Poland

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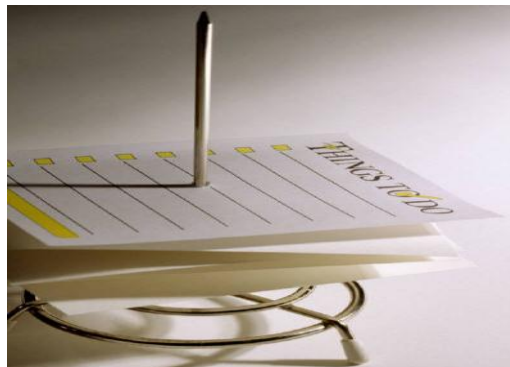


Monika Kos, CGAP, Civil Service Officer

- Head of International Cooperation Section, the Central Harmonization Unit, Ministry of Finance, Poland
- Since 2003 involved in implementation and development of PIFC in public entities in Poland,
- Leader of PIFC projects for the Polish public administration,
- Junior project leader in the CARD project „Development of Public Internal Financial Control II” in Albania, project with the UK National Audit Office,
- The expert in twinning projects in Romania, Albania, Malta,
- Involved as the expert in events organized by the EC, SIGMA, the World Bank, the Polish Ministry of Foreigner Affairs in: Belgium, Slovenia, Turkey, Ukraine.

Scope of the presentation

- Introduction to internal audit system in Poland
- Why Internal Audit Quality Assurance (IAQ)?
- Internal Audit Quality Assurance Program (IAQAP)
- Who evaluate IAQ in public entities?
- Peer review carried out by the CHU
- Other tools delivered by the CHU



Introduction to internal audit system

- **Internal audit** was introduced to the public sector in Poland as the important element of financial control system in accordance to the public finance act in 2002.
- The current legislation (the Act of 27 August 2009 on Public Finance) replaced the financial control by the **internal control system** (based on COSO model).
- Internal audit in public entities in Poland is **decentralized** (1811).

Introduction - the internal audit structure

	Obligation of internal audit function				Number of PFSO obliged to report to the MoF on internal audit activities
	against the PFA	according to the threshold regulation	up to decision of head of PFSO (minister or the Prime Minister)	Total number of PFSO	
Number of PFSO, including:	69	1398	344	1811	767
— government sector	69	381	185	635	635
— local government sector	-	1017	27	1044	-
— local government organizational units	-	-	132	132	132

Introduction – key roles in IA system

- **Ministry of Finance** (the CHU) – develop and disseminate the law regulations, standards and guidelines, assess of internal audit quality (government sector).
- **Head of public entity** (according to the law) – ensure functioning of independent internal audit.
- **Audit Committees** (established in all (18) ministries) - support internal audit function.
- **Head of Internal Audit** – follow the law provisions and internal audit standards (**since 30 June 2006 - the IIA Standards**), including development and maintaining a quality assurance and improvement program

Why Internal Audit Quality Assurance?

Quality – ensuring expected results
– crossing clients' expectations



Why Internal Audit Quality Assurance?

Standard 2000 *Managing the IA Activity*

Standard 1300 *Quality Assurance and Improvement Program:*

- to assess **compliance** the IA function with the IA Definition, the IIA standards and the Code of Ethics as well as **efficiency and effectiveness** of IA activities,
- to identify **opportunities for improvement**,
- to ensure the head of entity the **high quality** internal audit function (trust, communication, add value for the entity).

„Confirms with the International Standards for the Professional Practice of Internal Auditing”.

Internal Audit Quality Assurance Program

- **IAQP** – scope and objectives, responsibilities, planning, assessment, reporting, monitoring;
- **Internal assessment:**
 - monitoring,
 - self-assessment or other qualified person from the entity;
- **External assessment:**
 - self-assessment with independent validation,
 - independent external assessment,
 - peer review.



Who evaluate IAQ in public entities?

A qualified reviewer or review team, with no conflict of interest.

- Big 4,
- Individual reviewer or review teams,
- Auditors from another similar entity (cross-assessment),
- the CHU,
- Who else?

Treasury Control?

SAI?

EU auditors?

The CHU IAQ assessment

- 2003 – 2006 assessment of financial control and internal audit (about 40 entities per year).
- 2007 – 2011 assessment of internal audit **efficiency and effectiveness** (less than 20 per year).
- **Peer review** on the spot (5 days – 2 authorized employees):
 - is not internal audit, is concentrated on internal audit products and its possible influence on the organization,
 - objective is to develop an IA function by showing the weaknesses and better solutions,
 - is carried out in professional and objective manner,
 - is based on annual plan and authorizations approved by the Minister of Finance.

Scope of the CHU peer review

The peer review covered **5 elements**:

- Organization and management,
- Planning,
- Reporting,
- Assurance engagements,
- Consulting activities.



Scope of the CHU peer review

Organization and management:

- Organization and independence of IA
- Internal audit charter and other internal regulations,
- Professional development,
- Internal audit methodology (the book of procedures, manuals),
- **Internal Audit Quality Assurance Program,**
- Management of IA.

Internal Audit Quality Assurance Program

L.P	KEY PROCESSES	ASSESSMENT CRITERIA	INDICATOR	IMPORTANCE	SCORE/ASSESSMENT	
5	Internal Audit Quality Assurance Program	The IAQAP is developed and describes as follow:			1,00	"++"
		- Principles of ongoing monitoring of the performance of IA activities;	YES - 1, NO - 0	0,10	0,60-0,90	"+"
		- Principles of periodic reviews performed through self-assessment or by other persons within the organization;	YES - 1, NO - 0	0,10	below 0,60	"_"
		- Principles of external assessment IA function conducted by qualified, independent reviewer or review team;	YES - 1, NO – 0	0,10		
		Following elements of the IAQP are in place:				
		- Ongoing monitoring of IA activities;	YES - 1, NO – 0	0,20		
		- Periodic assessment throuhg self-assessment or by other persons;	YES - 1, NO – 0	0,20		
		- Results of the IAQA are used to improve the IA funciton;	YES - 1, NO – 0	0,20		
		IA activities are confirmed with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.	YES - 1, NO – 0	0,10		
		SUMA			1,00	

Summary of the CHU peer review

The grading scale of the assessment:

- ++ the scope where all key and expected solutions are in place.
- + the scope, where some activities should be taken to improve the process
- the scope, where is lack of any solutions or implemented solutions are not sufficient


Summary of the CHU peer review

Organization and management (the example):

- Organization and independence of IA +
- Internal audit charter and other internal regulations +
- Professional development ++
- Internal audit methodology -
- Internal Audit Quality Assurance Program -
- Management of IA ++

New approach of the CHU peer review

The CHU peer review since 2012 :

- has the objectives to gather information on effectiveness, efficiency and usefulness of internal audit in chosen entities,
- assess the IAQ by evaluation of chosen process on the basis of the IA products/results,
- collects the information by post (e-mail), very rare visits on the spot,
- an attempt to find the best way of use the limited staff resources (over 600 entities/ 3  2 employees,
- will use the results to improve the IA system by developing a better solutions for identified weaknesses.

Other tools delivered by the CHU

- Guidelines for internal audit self-assessment in public finance sector entities,
- Methodology of the CHU peer review (the old),
- Guidelines for the IAQAP,
- Internal Audit Capability Model in public sector (based on the IIA),
- Benchmarking report,
- Good practice examples.

All published on the MoF website

Thank you for your attention

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