Reporting on internal control on the basis of the International Standards of Supreme Audit Institutions

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International Standards of Supreme Audit Institutions

- INTOSAI GOV 9100 – Guidelines for Internal Control Standards for the Public Sector

- INTOSAI GOV 9110 – Guidance for Reporting on the Effectiveness of Internal Controls: SAI Experiences in Implementing and Evaluating Internal Controls
INTOSAI GOV 9100

- Issued in 1992, updated in 2004
- Defines a recommended framework for internal control in the public sector and provides a basis against which internal control can be evaluated

Five interrelated components of internal control:
- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring
INTOSAI GOV 9100

Information and communication are essential to realising all internal control objectives

- The quality of information affects the management’s ability to make appropriate decisions
- Communication should occur in all directions, flow down, across, and up the organisation, throughout all components and the entire structure

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Information should be:

- Appropriate (is the needed information there?)
- Timely (is there when required?)
- Current (is the latest available?)
- Accurate (is it correct?)
- Accessible (can it be obtained easily by the relevant parties?)
Communication should be:

- Clear
- Effective (inside the entity and with external parties)
- Based on information

The role of communication:

- Raise awareness about the importance and relevance of effective internal control
- Communicate the entity's risk appetite and risk tolerances
- Make personnel aware of their roles and responsibilities in effecting and supporting the components of internal control
Role of monitoring of the internal control system:
- Ensure that internal control remains tuned to the changed objectives, environment, resources and risks
- Ensure that audit findings and recommendations are adequately and promptly resolved
- Assess whether, in pursuit of the entity’s mission, the general objectives set out in the definition of internal control are being achieved
- Ensure that internal control continues to be applied at all levels and across the entity, and that internal control achieves the desired results

Types of monitoring (1)
- Ongoing monitoring:
  - built into the normal, recurring operating activities of an entity
  - includes regular management and supervisory activities, and other actions personnel take in performing their duties
  - cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems
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Types of monitoring (2)

- Separate evaluations
  - the scope and frequency depend on an assessment of risks and the effectiveness of ongoing monitoring procedures
  - cover the evaluation of the effectiveness of the internal control system and ensure that internal control achieves the desired results based on predefined methods and procedures

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Types of monitoring (3)

- Combination of ongoing monitoring and separate evaluation – used to help ensure that internal control maintains its effectiveness over time
INTOSAI GOV 9110

Provides an overview of the responses from 12 countries on their experience in developing, maintaining and evaluating internal control structures based on *Guidelines for Internal Control Standards for the Public Sector*.

INTOSAI GOV 9110 indicates:

- effectiveness in implementing of general standards
- achievement of control objectives through detailed standards
- critical elements required to build effective internal control structures (i.a. self-assessments, internal audits, supreme auditor’s responsibility)
INTOSAI GOV 9110

Self-assessments

INTOSAI member countries concentrate on preventing internal control breakdowns before they occur by:

- evaluation of internal control systems (e.g. South Africa, Egypt)
- obliging managers to periodically undertake self-evaluations of internal control operations (e.g. New Zealand, United States, Bolivia)

INTOSAI GOV 9110

Internal audits

INTOSAI member countries find the role of internal auditors a critical part of an organization’s internal control structure (e.g. Bolivia, Egypt, Netherlands, United Kingdom)
INTOSAI GOV 9110

Supreme Auditor's responsibility

INTOSAI member countries underline the key role of Supreme Auditors in:
- establishing internal control standards
- creating a solid internal control framework
- working with internal auditors
- evaluating internal controls as an integral part of both their financial and performance audits

Thank you