



NAJWYŻSZA IZBA KONTROLI

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

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INTOSAI GOV 9100

Five interrelated components of internal control:

- ❑ Control environment
- ❑ Risk assessment
- ❑ Control activities
- ❑ Information and communication
- ❑ Monitoring

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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?)

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Communication should be:

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

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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

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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

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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

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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*

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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)

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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)

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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)

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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

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Thank you

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