



COOPERATION BETWEEN EXTERNAL AND INTERNAL AUDIT

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CONTENTS

- CARS and internal audit at the budget users
- CARS and internal control of public finance (internal audit included)
 - CARS Strategy from 2007 to 2013



CHARACTERISTICS of PUBLIC SECTOR AUDITING

- Audit subject
 - less important are accounting statements; the stress is on regularity and performance
- Organisation
 - external auditor is the CARS; internal auditors are many – the MF and Budget Supervision Office
- Purpose
 - to improve operations of the public sector



COOPERATION

- Training
- Exchange of experience
 - audit programmes (statement on PIFC)
- Meeting of experts
 - agreement on professional issues
 - Statement on the EU funds



USING THE WORK OF INTERNAL AUDITORS

- When assessing risks or financial burden of the auditees
 - Annual work programme of the CARS
 - Detailed audit programme
- Using the audit findings of the internal auditors when carrying out audits of the CARS
 - in future



ISA 610

- organisation
(prescribed – directly subordinated to the head of unit)
- work area
- expertise
- due care



DIFFICULTIES

- Not enough internal auditors
- How to use audit findings of the internal auditors



CURRENT EXPERIENCE

- Promoting the development of the internal audit in the public sector
 - Assessment of the internal audit service at ministries and recommendations (Accounting Act 2002)
 - Statement on the assessment of the internal control of public finance



INTERNAL AUDIT AS INTERNAL CONTROL OF PUBLIC FINANCE

- 3 elements of PIFC (article 99.a of Public Finance Act)
 1. Financial management
 2. Internal control
 3. Internal audit



CARS and INTERNAL AUDIT PURPOSE

- to improve better management of public sector
 - Regularity
 - Performance
 - Reporting
- to assure the implementation of the objectives



CARS and PIFC AUDIT PROCESS

- **PLANNING**
 - control environment and preliminary assessment of the internal control system
 - decision on systemic audit or detailed substantive procedures
- **IMPLEMENTATION**
- **REPORTING**



CARS and PIFC ASSESSMENT OF THE CURRENT SITUATION

- Legal basis – outcome of the pre-accession negotiations
 - Responsibility of the managers for internal control and internal audit
 - Obligation to set up the internal audit
- Lack of awareness of the managers
- Lack of skills
- ‘Tone at the top’ not appropriate



CARS and PIFC STRATEGY

- CARS Strategy from 2007 to 2013
- Common approach to the internal control assessment is not enough
- To promote the development of the PIFC system in the RS
 - support of public sector reforms
 - cooperation with the internal auditors and Budget Supervision Office



CARS and PIFC STRATEGY

- Public finance reforms influenced the users of public funds that were audited. Those reforms brought about the need to strengthen the internal control and set up the internal audit services. The audited budget users must prepare the statement on the assessment of the internal control of the public finance developed by the Budget Supervision Office of the RS. Such reforms are key for strengthening the regularity and performance of the public sector therefore the CARS supports them.



CARS and PIFC STRATEGY

- The CARS has an important role on the area of public finance reform mainly by counselling to the users of public funds. The awareness on internal control advantages is not always evident at the users of public funds, therefore the CARS stresses their meaning and promotes the implementation of the reforms.



CARS and PIFC STRATEGY

- The CARS plans to set up the project group on reforms therefore CARS shall organise training on risk management and internal control. Awareness of the public funds users referred to risk management and internal control must be promoted. The project group shall develop work plans and other materials for all interested parties.



CARS and PIFC STRATEGY

- When the internal control system became firmly incorporated in the services of the audited users of public funds, it could influence the audit approach. If the internal controls are strong, we can rely on them and the audit approach can be changed (from the one that is based on substantive procedures to the one that is based on risk assessments). That is the development that was presented to CARS during the cooperation with other SAI of the European Union, i.e. the Great Britain and Denmark.



OBJECTIVES OF CARS – on the area of PIFC

- to improve awareness
- to improve skills
- counselling
- activities related to audit implementation
- activities related to system
- altering the audit approach – long-term