Ministerie van Financiën

THE INTERNAL AUDIT SYSTEM IN THE NETHERLANDS

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Definition of Internal Audit

Institute of Internal Auditors (IIA):

- An independent and objective **assurance** and **consulting** activity
- To add value and improve an organization's operations
- It helps an organization accomplish its objectives
- By bringing a systematic, disciplined approach
- To evaluate and improve the effectiveness
- Of risk management, control and governance processes

Audit organisations in NL

Government level:

1. Supreme Audit Institution (SAI)
2. Central Government Audit Services (ADR)
3. Internal audit services executional bodies

Local level:

1. Municipal Audit Offices
2. Municipal internal audit services

Legislation on audit (I)

General Accounting Law

- Role, tasks and authorities of SAI

- 3 Tasks of ADR:
    - investigation of financial compliance
    - investigation of non-financial information
    - other investigations on request

Legislation (II)

Municipality Law:

- Council responsible for investigation of yearly municipal account
- Investigation by internal audit service or external audit organisation (KPMG, E&Y, etc.)

- In addition every municipality must have an independent audit office or an audit office function (internal, external or mixed composition)
- Tasks: investigation of compliance, efficiency and effectivity (at least 1 report in 2 years)

Tasks and roles

SAI:

- judgment on financial compliance for Parliament
- investigations on effectivity and efficiency of government policy

ADR:

- statement on financial compliance for every minister
- services on demand by governmental management

History of the ADR

1. Every ministry has its own accountancy directorate with single task: financial compliance
2. Single emphasis on accountancy changes into broader audit function (2000)
3. Coöperation between audit directorates first informal, later formalised in legislation
4. Forming of clusters of audit directorates (2008)
5. Coalition agreement 2010: forming of one governmental audit directorate
6. Formalisation in 2012 by 'big bang'

Structure of the ADR

- For every line ministry there is an audit cluster
- Formation at the start according to the former audit directorate (after 3 years some changes)
- For some ministries there are 2, 3 or even 4 clusters
- There are 4 horizontal clusters (AU, EU, IT, OA) and 2 supporting clusters (operations and KIK)
- In total there are 26 clusters
- Clusters contain 20 – 25 auditors on average
- Every cluster has a clustermanager
- The board consists of 1 general director and 5 directors
- Every director manages several clusters

Structure (II)

- Every cluster has financial, IT and operational auditors (and some have also other disciplines)
- For every audit discipline there is a commission to protect and promote proficiency on that discipline (FA, ITA, OA)
- SG of Ministry of Finance is owner of the ADR
- Board of SG's is principal of the ADR

Legal task ADR

Process

- Audit planning starts in May
- Thorough coordination between ADR and SAI about the audit planning
- Actual work starts mainly after the summer
- Main point of the work is in January-March
- Statement and report are to be delivered by 15th April

Legal task (II)

Developments:

- Harmonisation by using visuals (risk based)
- From fact finding to system-orientated
- More/better use of IT and operational auditors
- Prepared by client
- Interim closure of financial administrations
- Quarterly reports to audit committees
- Presentation of overall good practices and points of improvement to Board of SG's

Consulting service ADR

- Three main issues in requests from clients:

  1. Governance (including supervision and chain management)

  2. IT projects

  3. Organizational change

- Connection with legal task

- Creating specialisms (change management, human behavior)

- Findings and conclusions exclusively for the client/principal