

TABLE 1: MAIN FEATURES OF INTERNAL AUDIT, SAI AND FINANCIAL INSPECTION INSTITUTIONS AND FUNCTIONS

Element/question	Internal Audit	Supreme Audit Institution	Financial Inspection
Powers derive from:	Head of organization and the Audit Committee if it exists	Parliament or Judicial law	Ministry of Finance or Prime Minister
Reports to:	Head of organization and the Audit Committee if it exists	Parliament or the public through publication of decisions	Minister of Finance, Prime Minister or Government Council/Cabinet of Ministers
Must be independent of:	Line management in Ministries	Government	Head of the organization controlled
Can rely on the work of others?	Yes	Yes	No
Can issue penalties/fines?	No	Possibly, if it is a judicial institution	Yes
Do international standards exist?	Yes (IIA)	Yes INTOSAI (ISSAI)	No
Do standards govern work?	Yes, if internal audit is mandated to follow standards.	Yes, if SAI law requires SAI to follow standards	No
Provides opinion on financial statements	No	Yes, if carrying out external audit	No
Examines financial transactions?	Yes	Yes	Yes
Submits annual report to Parliament?	No	Yes, if carrying out external audit. If not carrying out external audit, it may provide a report on the outcome of financial inspection work.	Not usually
Conducts ex ante reviews of systems and processes?	Yes	No	No
Risk-based planning	Yes	Yes (usually)	Possibly
Scope of examination	All areas of the public sector organization's work	If carrying out external audit work is required to provide an opinion on the financial statements. If not carrying out	All financial transactions and finance-related processes

		external audit, conducts cyclical review of all financial transactions and finance-related processes. Policy implementation is reviewed during selected performance audits.	
Coverage	Based on internal audit strategy and risks	If carrying out external audit, issues annual audit opinion on financial statements. If not carrying out external audits, the coverage is usually cyclical with the aim to review all budget holders over a number of years. Cyclical performance audit	Cyclical with the aim to review all budget holders over a number of years.
Approach	Systems based audit	When carrying out external audits: <ul style="list-style-type: none"> • Financial Audit • Regularity Audit • Performance Audit. If not carrying out external audit: <ul style="list-style-type: none"> • Review of compliance with regulations 	Review of compliance with regulations
Purpose of any review of internal controls	To provide assurance to management on the effectiveness of controls	When carrying out external audit, the SAI may determine whether controls are operating effectively to reduce direct substantive testing.	To identify areas of non-compliance and violations of regulations

		If not carrying out external audit, the SAI may review controls to identify areas of non-compliance and violations of regulations.	
Role in relation to fraud and corruption	May identify areas of possible fraud and corruption from audit work. May also carry out audits in areas of high risk of fraud and corruption.	May identify areas of possible fraud and corruption from other work.	Inspection may be planned to examine areas of high risk of fraud and corruption. May identify areas of possible fraud and corruption from other controls work
Results of work	Assurance Recommendations for action by management	When carrying out external audit, provides audit opinions (qualified and unqualified) and other reports to Parliament. When not carrying out external audit – corrections and sanctions	Corrections and sanctions