



Internal Audit in Central Government

- ▶ A review of internal audit practices in central government organisations (2017)
- 



Topics



- The importance of internal audit
- Assessment model
- Next steps



The importance of internal audit

- Key requirement for good governance
- Objective assurance on areas of risk
- Ability to add value to the organisation
- Internal audit a key support for external audit and public accountability

Stakeholders own words

Internal audit are seen as problem solvers in the organisation, they carry authority, and have the personalities to communicate well.

Preventative maintenance.

Offers a degree of comfort to a busy accounting officer.

Probably seen as a necessary evil by many staff but valued by senior management.

Important to do the basics before doing the advanced audit topics.

Internal audit is not a place where one would expect innovation, however their reports often spark innovation.



Assessment model

- International standards for the Professional Practice of Internal Auditing
- Corporate governance frameworks/codes
- OCAG experience of auditing central government

● = requirement being applied in 7 - 9 of the bodies

● = requirement being applied in 3 - 6 of the bodies

● = requirement being applied in 2 - none of the bodies.



1. Being properly empowered

Key good practice requirements

Application in bodies examined

Written charter or terms of reference



Charter containing key items



Charter reviewed periodically and approved at the appropriate level



Internal audit's role if any, in protected disclosures and/or fraud prevention should be explicitly stated in the charter in order not to compromise their primary assurance role



Service level agreement in place for shared service units



2. Being Independent and Objective

Key good practice requirements

Application in bodies examined

Head of internal audit has direct access to the accounting officer



Head of internal audit is free of operational responsibility that might cause conflict



Internal audit has a system for identifying (and recording) conflicts of interest



3. Being sufficiently resourced and skilled

Key good practice requirements

Application in bodies examined

Internal audit should have sufficient resources to carry out the internal audit work plan



Internal audit staff should be appropriately trained (IIA qualified / qualified accountants / other appropriate training)



Head of internal audit should be appropriately skilled for the role



Head of internal audit and internal audit staff should participate in training and development and networking events



Head of internal audit should be able to identify, scope, procure and manage specialist resources, where necessary



4. Providing appropriate assurance

Key good practice requirements

Application in bodies examined

Internal audit work plan should be risk based and informed by an up to date risk register



Internal audit work plan should incorporate the organisation's full range of business, including emerging risk areas and civil service reform issues



Internal audit work plan should be agreed in advance with the accounting officer and audit committee



Internal audit reports should identify the overall opinion, judgement or conclusions reached



Head of internal audit and audit committee should provide formal assurance to the accounting officer on the system of internal financial control



5. Assessing performance and quality

Key good practice requirements

Application in bodies examined

Performance indicators should clearly show costs, efficiency and value to the organisation including the assurance provided



Internal audit should adopt the Department of Public Expenditure and Reform internal audit standards



Internal audit should have a quality assurance and improvement programme including the required internal and external assessments



Internal audit should provide a report annually to audit committee and accounting officer



Internal audit should track and regularly follow up on recommendations and report on implementation progress



Internal audit should conduct a post completion reviews of audits to identify any lessons learned





Conclusions



- General satisfaction by stakeholders
- Good practice more important than delivery model.
- Areas for improvement are different for each department
- ICT, organisational culture, strategic matters and risk analysis should form an increasing part of the work of IA
- Very small units lack resilience
- Qualifications and ongoing upskilling are crucial.



Recommendations

- More work required to assess performance and quality
- Formal management of conflicts of interest
- Quantify audit universe and the resources required to audit that universe
- Specialist ICT resource(s) where required