Internal Audit Challenges

Conference on "Public Internal Control systems in the EU Member States"
Brussels, 27/28 February 2012
DG Budget

Jean-Pierre Garitte, CIA, CCSA, CISA, CFE, RFA
Internal Audit Clients

1. Senior administrative authority versus political authority
2. Business unit managers: clients or victims
3. Cabinet of Ministers / Government versus Parliament
4. Supreme Audit Institution: client or competitor
5. Taxpayer / Citizen
Impact of internal audit on decision-making process

1. Objectives of internal audit: assurance versus consulting services
2. Relationship with other assurance providers: the 3 LoD model
3. Value of recommendations: directive or optional
4. Player or observer in the governance process
Three lines of defense model

1st Line of Defense
- Monitoring Controls
- Process and System Controls

2nd Line of Defense
- Financial Control
- Fraud Investigation
- Risk Management
- Internal Control
- Inspection
- Compliance

3rd Line of Defense
- Internal Audit

Board / Audit Committee
Senior Management

Supreme Audit Institution
Parliament

JPG Consulting
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Focus and quality of Internal Audit

1. Appropriate scope: easy to audit versus need to audit

2. Sourcing: career auditors versus career step for managers

3. Centralized or decentralized function: impact on qualified skills

4. Quality assurance program: review or improvement driven
Audit Committees in the public sector

1. Reporting line(s)
2. Composition based on skills or political representation
3. Oversight of internal audit versus three lines of defense
4. Challenger or contributor to “declaration of assurance”
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