



Evolution of Internal Auditing in the Public Sector

*Thomas J. Warga, CIA
Chairman of IIA
May 3, 2006*

Internal Auditing in the Public Sector

- Tied to government accountability
- UK Accountability Framework- '70s
- USA states accountability- 80s
- Europe 90-'s
 - OECD and EC
- South Africa
- Taiwan

EC and OECD

- Modernization of Government for Central and Eastern Europe
- Central Harmonization Unit for legal and institutional framework
- Requires strong public sector internal auditing

Public Sector Governance

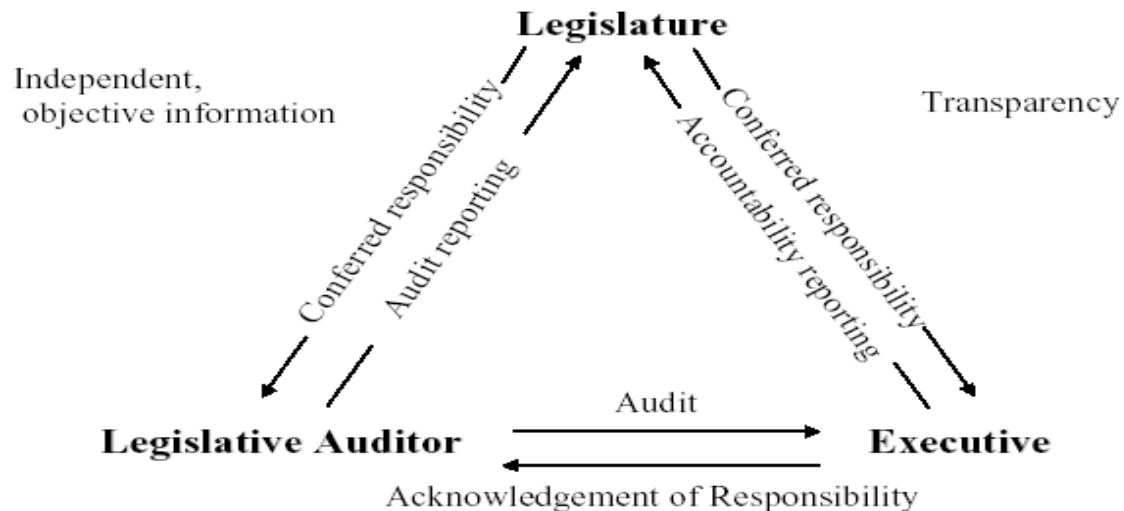
- Policies and procedures to direct activities
- Provides reasonable assurance objectives are met
- Ensures credibility and equity of services
- Reduces risk of public corruption

Public Sector Governance Principles

- Openness
 - Complete, accurate and clear information to stakeholders
 - Allows for scrutiny of decision making process
- Integrity
 - Honesty and objectivity for services and public funds
 - Requires effective control framework
 - Personal and professional standards
- Accountability
 - Quality of financial and performance reporting
 - Clear understanding of responsibilities

Public Sector Governance Model

EXAMPLE OF OVERALL ACCOUNTABILITY PROCESS IN THE PUBLIC SECTOR



Modern Control Framework

- Financial
 - Shift from preventive to detective controls
 - Responsibility with management
 - Need for better internal controls
 - Need for better monitor – internal auditing
- Performance
 - Quality Improvement Process
 - Responsiveness to stakeholders
 - Need for performance audits

Public Sector Internal Control Reporting

- UK
 - Statement on Internal Controls
 - Accounting Officer signs statement
 - Internal Auditor opinion supports Accounting Officer
- New York State
 - 1987 NYS Internal Control Act
 - Establish effective internal control systems
 - 1999 NYS Internal Control Act revised
 - State Comptroller issue standards to agencies
 - 2004 Model Governance for NYS Public Authorities
 - Annual certification of effectiveness of internal controls

How Can the IIA help Public Sector Internal Audit ?

IIA Global Headquarters

Orlando, Florida , USA



Background of IIA

- Established in 1941
- Membership
 - 2001 – 75,000
 - 2006 – 120,000
 - 52% outside of North America
- Affiliates
 - 246 chapters and affiliates
 - 90 countries

Mission of IIA

- Acknowledged global leader for the profession of internal auditing for :
 - Standards
 - Professional guidance
 - Certification
 - Education
 - Research

As Internal Auditors, We Promise:

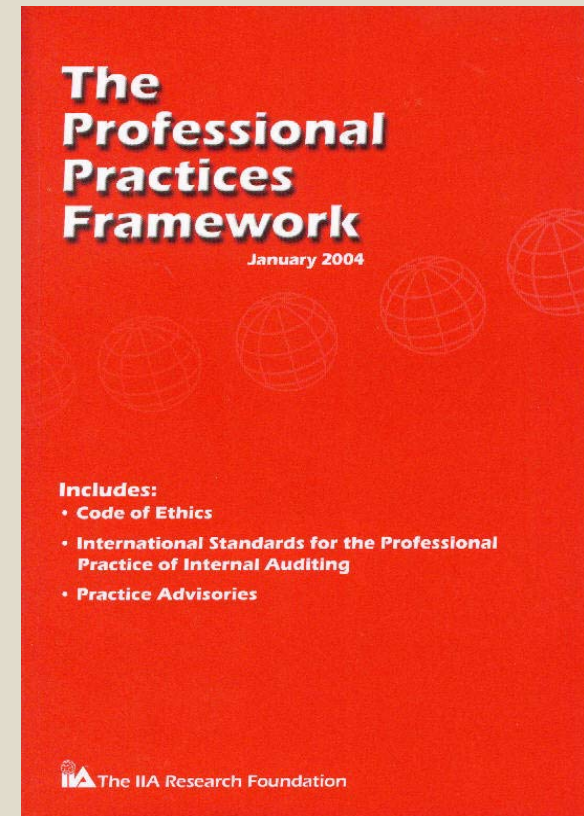
- To help management and the board meet their objectives
- To be independent
- To provide objective assurance
- To be systematic and disciplined
- To add value to our organizations
- To improve the effectiveness of:
 - Risk management.
 - Internal controls.
 - Governance.

Focus of Internal Auditing

- Internal Controls
- Governance
 - Participation
 - Evaluation
- Risk Management
- Compliance with laws and policy
- Financial reporting
- Efficient and effective operations
- Safe guarding of assets

The Foundation of Our Promise

- Professional Practices Framework (PPF)
 - Code of Ethics
 - *Standards*
 - Practice Advisories
 - Development and practice aids
- Certifications
- Research and education



Professional Code of Ethics

Four Core Principles

- Integrity
- Objectivity
- Confidentiality
- Competency

International Standards for the Professional Practice of Internal Auditing

- Attribute Standards
 - Purpose, Authority, and Responsibility
 - Independence and Objectivity
 - Due Professional Care
 - Quality Assurance and Improvement
- Performance Standards
 - Scope of work
 - Managing the Internal Audit Activity
 - Engagement: Planning, performance and reporting

Professional Guidance

- Guidance Planning
 - Professional Issues Committee
 - Practice Advisories
 - Emerging issues
- Guidance topics under review
 - Governance
 - ERM
 - Technology
 - Sustainable Development
 - Ethics
 - Fraud: prevention, detection and corruption

IIA Certification Program

- **CIA** -Certified Internal Auditor
Specialty Certifications
- **CGAP** –Certified Government Auditing Professional
- **CCSA** –Certification in Control Self-Assessment
- **CFSA** –Certified Financial Services Auditor

Certified Government Auditing Professional Exam

- Designed for public sector IA practitioners
- Tests knowledge of public sector auditing
 - Fund accounting
 - Grants
 - Legislative oversight
 - Privacy (confidentiality rights)
 - Performance measurement
- Emphasizes accountability to the public and improving government services

Advocacy

- Global voice for our profession
 - Clear, consistent, coordinated message
 - Global recognition and endorsement
- Messages based on
 - Strength of our promise
 - Strength of our professionalism
 - Strength of our numbers

Service to Members

The IIA serves its members with:

- Best practices information
- Timely guidance on emerging issues
- Leading-edge educational materials
- Certification testing around the world
- Quality professional training
- Global research from IIARF

Globalization

The IIA works worldwide through:

- Core affiliation agreements
- Collaboration with affiliates
- Affiliate chief staff officers
- Global product distribution
- Capacity planning
- Periodic committee self-assessments

Questions and Answers