

Cooperation of The Government Financial Controller's function and Internal Audit with National Audit Office

Conference of Public Sector Internal Auditors of the Republic of Slovenia,
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Agenda

- National Audit Office of Finland and Government Financial Controller's Function
- The Public Sector and the Internal Control Environment
- Forms of cooperation:
 - Between the Government Financial Controller's function and the National Audit Office
 - With the Internal Audit

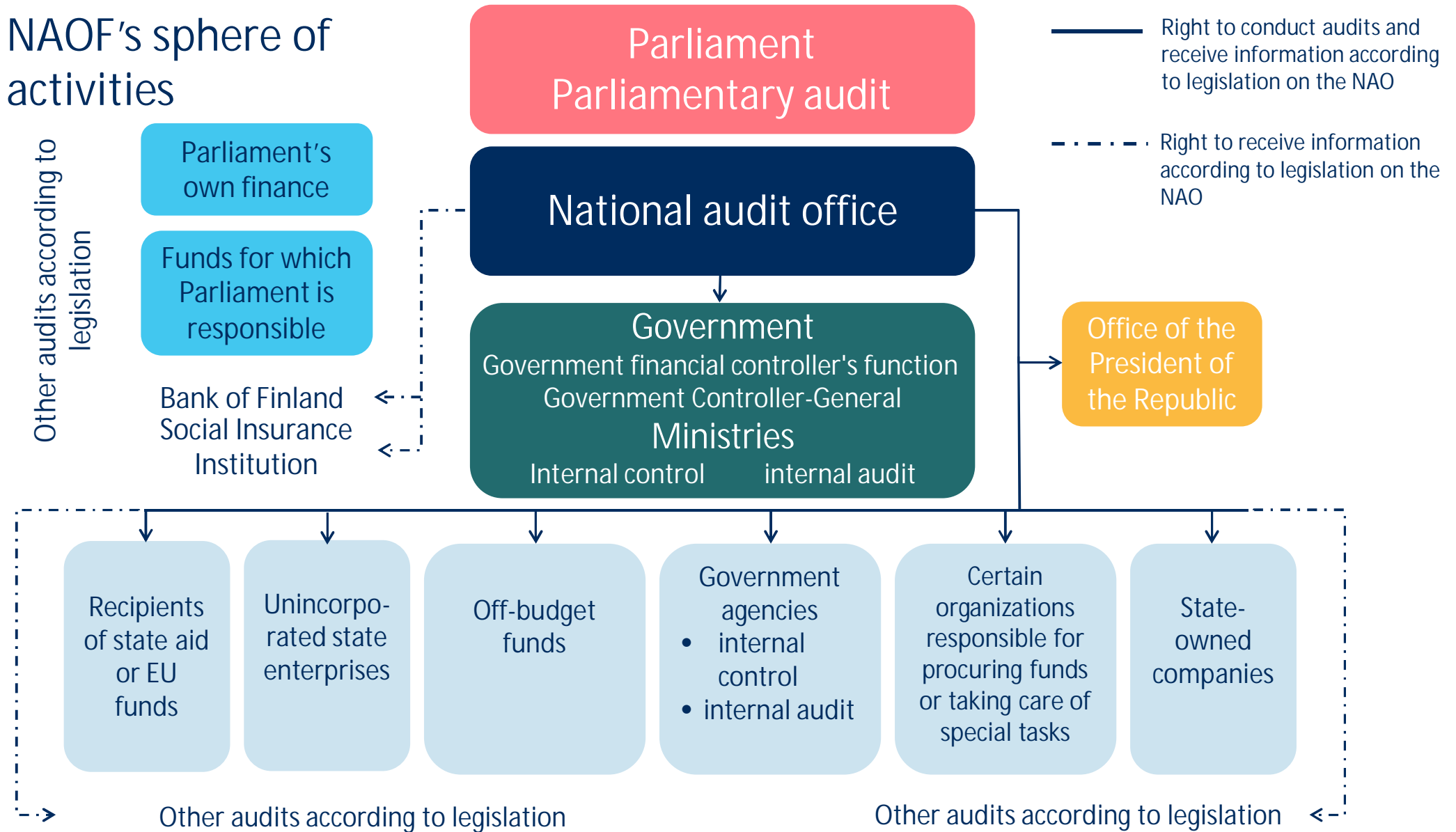
National Audit Office of Finland

- Supreme Audit Institution (SAI)
- Audits, monitors and oversees
 - External auditing
 - Oversees election campaign and political party funding
 - Fiscal policy monitoring and evaluation
- Constitutional independence (based on the Constitution of Finland)
 - Operates in affiliation with Parliament
 - Independent audit and evaluation tasks
 - Auditor General plans audits independently and reports to Parliament's plenary session
 - Tasks are set in legislation

National Audit Office of Finland

- Secures Parliament's authority
- Ensures implementation of the state's principles
- Promotes willingness to pay tax
- Promotes Finnish democracy
- Creates prerequisites for reforming public administration

NAOF's sphere of activities



NAOF's resources

150

Number of
employees

15

M€/annum

Government Financial Controller's Function

An independent supervisory unit

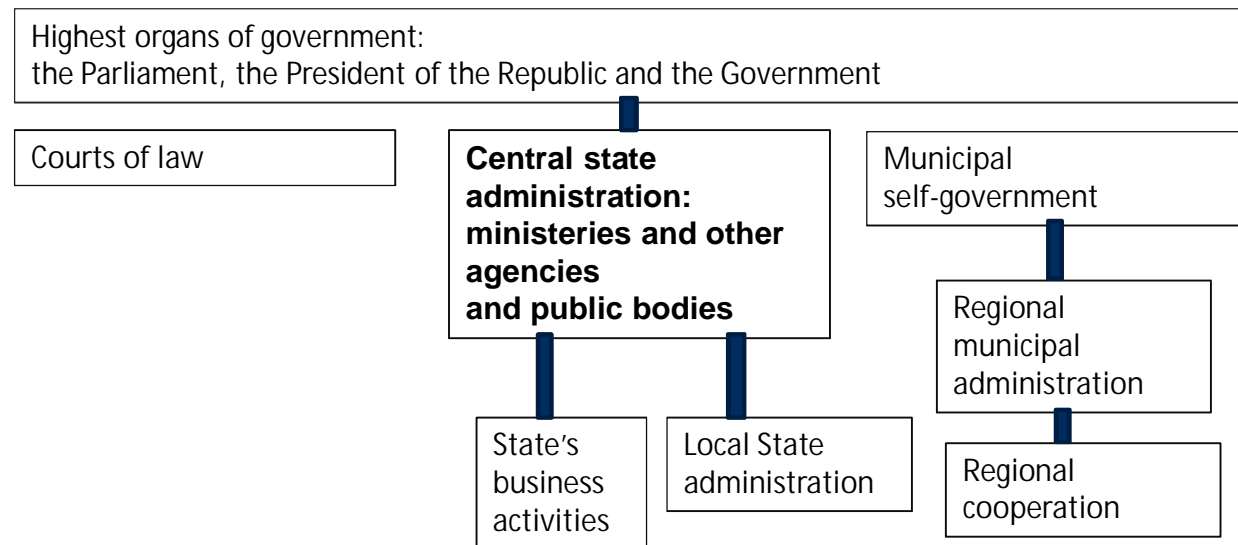
- Government annual report to the parliament: quality of the reporting on central government finances and operations
- EU related duties
 - AFCOS/ OLAF coordination, Working Party on Combating Fraud, ECA
 - Audit Authority for structural funds in programming period 2014-2020
- Internal Audit (administrative)
 - Chair and secretary:
 1. Advisory Board for Internal Control and Risk Management
 2. Internal Audit Committee

Structural Fund Programmes in Finland 2014-2020

- Programme for Sustainable Growth and Jobs 2014-2020 (ERDF + ESF)
- SME Initiative (financial instrument)
- Fund for European Aid to the Most deprived (FEAD)
- 7 European Territorial Cooperation (Interreg) Programmes
- 3 ENI CBC programmes with Russia

Public Internal Control Environment

Public Sector in Finland – the main institutions



Ministry of Finance - Broad administrative brand

Based on effectiveness, quality of services, productivity and development of expertise.

15,9

Billion €
budget



20 000

employers, most of them
working in Tax Administration
and Customs

11 Agencies

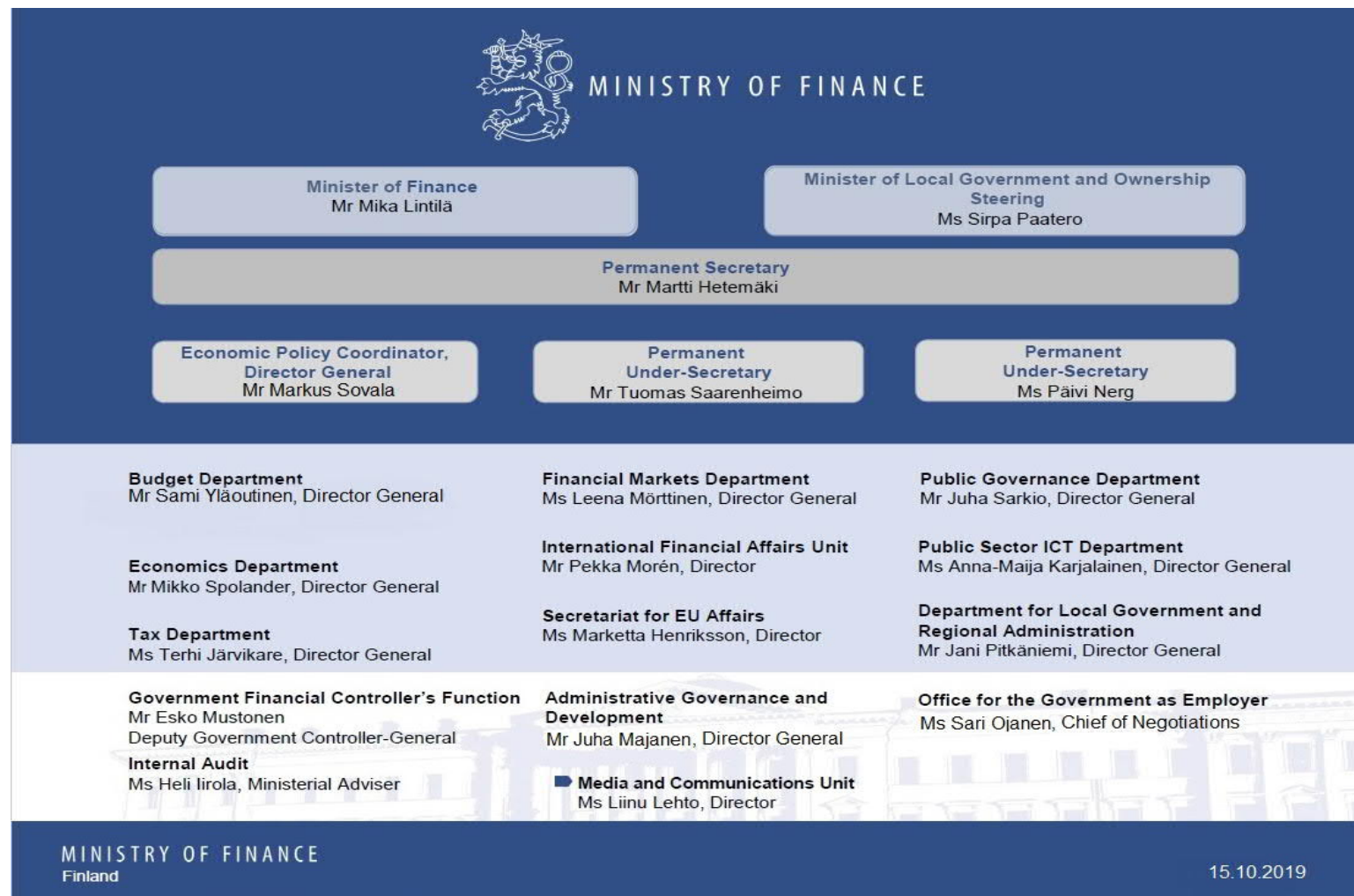
3 Companies

1 Public utility

2 Boards and Funds



Ministry of Finance - organization



Public Internal Control Environment

State Budget Act (423/1988):

- State budget
- Organization of financial management and accounting
- State asset and debt management
- Guidance and control of state financial management and internal control
- Miscellaneous provisions

Public Internal Control Environment

State Budget Decree (1243/1992):

- Preparation and structure of the State budget
- Operational and financial planning
- Implementation of the budget
- Government transactions
- Accounting
- Performance and management accounting and other monitoring systems
- Final accounts
- Internal control
- Miscellaneous provisions

Cooperation between the Government Financial Controller's function and the National Audit Office

Cooperation with the Government Financial Controller's function – NAOF's Advisory Board

- The Advisory Board is composed of representatives of key partners and experts on financial administration and fiscal matters
 - Representative from Government Financial Controller's function
- Tasks (based on the Act on the National Audit Office):
 - Aims to advance the cooperation between the NAOF and its stakeholder groups
 - Monitors the efficiency of the NAOF's audit operations and service capacity
 - Monitors from the perspective of various partners

Cooperation with the Government Financial Controller's function – NAOF's Advisory Board

- The Advisory Board is appointed for a maximum term of three years
 - The composition of the NAOF's Advisory Board for 2019–2021 was set in September
- Some topics of the meetings in 2019:
 - NAOF's Audit Plan
 - NAOF's Annual Report to Parliament (2018)
 - NAOF's Compliance and Performance Audit Reports
 - Digitalisation in the public sector processes for starting business activities
 - State as a promoter of cleantech acquisitions

Cooperation with the Government Financial Controller's function – Informal meetings and discussions

- Regular informal meetings between managements
- Meetings with the Audit Authority Unit:
 - The content and coordination of audits
 - The risks identified in managing EU-funds

Cooperation with the National Audit Office – Advisory Board for Internal Control and Risk Management and Internal Audit Committee

Permanent organs:

- Advisory Board for Internal Control and Risk Management
 - National Audit Office has a Permanent member in Advisory Board for Internal control and risk management
 - Developing internal controls and risk management in public sector f.ex. enquiry concerning the state of risk management in public sector
- Internal Audit Committee
 - Developing internal audit in public sector and informing members of current topics

Internal Audits in the 12 Ministries

Ministry of Finance	Ministry for Foreign Affairs	Ministry of Social Affairs and Health	Ministry of Economic Affairs and Employment	Ministry of Justice	Ministry of Education and Culture
Internal audit function	Internal audit unit	Internal audit function.	Internal audit unit	Internal audit function	Internal audit function
1 auditor Ms Heli Iirola	9 auditors Ms Outi Holopainen	1 auditor Ms Niina Sipiläinen	3 auditors Mr Juha Pekka Niemi	1 auditor Ms Kaisa Sistonen	1 auditor Ms Sari Korpimies
Prime Minister's Office	Ministry of Defence	Ministry of Transport and Communications	Ministry of the Interior	Ministry of Agriculture and Forestry	Ministry of the Environment
Internal audit function	Service provider, BDO	Service provider, BDO	Internal audit unit	Internal audit unit	Internal audit unit
1 auditor Mr Mikko Helkiö	Focal point at the Ministry Mr Tuomas Hyvärinen	Focal point at the Ministry Mr Pasi Ovaska	4 auditors Mr Jyrki Pennanen	6 auditors Ms Sari Anttila	1,5 auditors Mr Jorma Partanen

Cooperation with the Internal Audit

Cooperation with the Internal Audit – ISA 610 Using the work of internal auditors

- The NAOF's Audit Manuals are based on the ISSAI (and ISA) standards
- ISA 610 Using the work of internal auditors
 - The external auditor shall determine whether to use specific work of the internal auditors and whether that work is adequate for purposes of the audit
 - The external auditor shall evaluate the objectivity and technical competence of the internal audit function, whether the work of the internal auditors is carried out with professional care, and whether there is effective communication between the internal auditors and the external auditor

Cooperation with the Internal Audit – ISA 610 Using the work of internal auditors

- The external auditor shall consider nature and scope of work performed by the internal auditors, assessed risks of material misstatement and degree of subjectivity involved in the evaluation of the audit evidence gathered by the internal auditors
- The external auditor shall evaluate:
 - The work was performed by internal auditors having adequate technical training and proficiency, the work was properly supervised, reviewed and documented, adequate audit evidence has been obtained, conclusions reached are appropriate, any exceptions or unusual matters disclosed by the internal auditors are properly resolved

NAOF Audit Manual, General Part:

The National Audit Office may use the findings produced by internal audits in its work. The National Audit Office must verify that the information is reliable and that the internal audit procedures have been in accordance with the principles of good administration.

Financial Audit Manual:

The auditor should strive to create the necessary conditions for the audited entity to implement arrangements that support and benefit the audit, as well as for the audited entity's internal audit function to be able to avoid unnecessary overlapping audits. The auditor may use work done by the internal audit function. If the auditor decides to use work done by the internal audit function, they must include in the documentation of the audit their conclusions on the sufficiency of the work done by the internal audit function and a description of the audit procedures that the auditor used when assessing the applicability of the work of the internal auditor for the audit.

"A customer-oriented approach, communication and trust form the foundation for cooperation between internal and external auditor"

Cooperation with the Internal Audit

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Case Government ICT Centre and Finnish Defence Forces

- Regular contacts & sharing of information
- Information on current news and updates from the organisation to the external auditor
- Internal auditor's help in obtaining information
- Sharing of internal audit reports (and working papers)
- Interpretation of cases and guidelines
- Discussions about audit plans
- Cooperation in fieldwork phases

Cooperation in Internal Audit with the National Audit Office – Ministry of Finance

- MoF's internal audit function is established in April 2018. Part of Government Financial Controller's Function
- One internal auditor, Ministerial Adviser
- Reporting to Permanent Secretary (annual audit plan, once a month discussions about audit issues and current topics at the Ministry)
- Documentation: Internal audit charter, Procedure description, Reporting template, annual audit plan template, annual report template

Cooperation in Internal Audit with the National Audit Office – Ministry of Finance

- Regular meetings between the auditor and internal audit
 - Topics: audits in the Ministry, other current topics
- Internal Audit reports are forwarded to National Audit Office
- National Audit Office supervises internal audit function and evaluates its professionalism and the relevance of audits

Cooperation experiencies

- Cooperation works well
- Reliable partner
- Always possible to ask a second opinion
- Support for internal audits's recommendations

Thank you,

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