



Central Government Audit Service  
*Ministry of Finance*



# Internal Audit Strategic Planning

## Best Practices from The Netherlands

Hans van der Wielen

Ministry of Finance, The Netherlands

Annual Conference for Internal Auditors - CHU Croatia

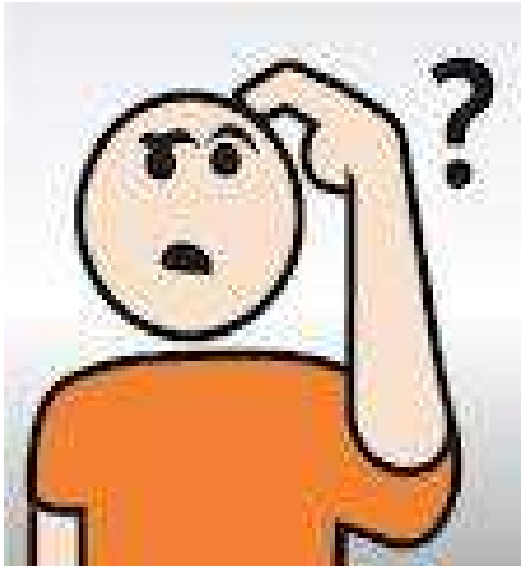


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Don't hesitate to ask questions!



## Role and Task of CGAS (1/2)

- Central Government Audit Services (CGAS) performs the internal audit function at Dutch State level
- CGAS audits the ministries (including agencies, inspectorates, etc.) at State level, no local government bodies
- Role and task are described in Government Accounting Act
- Three lines of defence (internal), Court of Audit (external)
- Decentralised internal audit departments (e.g. agencies)



## Role and Task of CGAS (2/2)

- Financial and compliance audits (annual audit opinion)
- Audits on demand (reports for management)
- Audits for the European Union





## Annual Planning Process (1/2)

- Summer and autumn: discussions and meetings with management of ministries to identify risks and corresponding audit needs for next year
- Based on our available resources, we make a proposal for the ministry Audit Committee to set priorities
- November or December: the Audit Committee approves the ministry audit plan
- Audit plan is written for highest level of management



## Annual Planning Process (2/2)

- At the same time, we prepare an overall audit plan regarding all the ministries
- In the overall audit plan we identify risks and topics for the State as a whole (leading to publications)
- The overall audit plan is discussed in December by the body of highest management representatives of all ministries





## Risk Analysis (1/5)

- Highest level of risk analysis: identifying risks at organisation level, resulting in setting priorities in the audit plan
- We describe the audits in the audit plan in general headings
- This gives flexibility to adapt to actual needs during the year, creates opportunities for lower management to fill in the details and contributes to develop a multi-annual perspective
- Linkage with audits performed by decentralised internal audit departments and audits performed by the Court of Audit





## Risk Analysis (2/5)

➤ Examples:

- information security
- purchase and procurement procedures
- feasibility or progress of budget cuts
- treasury function
- new established shared service organisations
- integrity
- pressure resulting from rules and regulations
- continuity during transition and transformation processes





## Risk Analysis (3/5)

### ➤ Examples (continued):

- bench marks
- governance/control of linked processes (chain management)
- legislative procedures
- viability and maintainability of rules and regulations
- sustainability
- control risk self assessments (risk awareness)
- behaviour and culture (soft controls, unwritten rules)
- policy evaluation



## Risk Analysis (4/5)

- Lower level of risk analysis: identifying operational risks at process level, to be able to plan and perform audits
- Procedures are described in CGAS Audit Manual





## Risk Analysis (5/5)

- Examples why internal procedures fail to be effective:
  - complexity of rules and regulations
  - lack of competences of executive staff
  - substantial organisational changes
  - IT systems that are out of date or just new
  - third party data that cannot be scrutinised
  - transactions that are beyond normal routine
  - risk that payments are paid to non-rightful claimants
  - risk that registration is not correct, complete or in time





## Using the Work of Other Internal Auditors (1/2)

- If relevant, the internal auditor can rely on the work done by another internal audit function
- Assess the other auditor's organisational independence, proficiency and objectives
- Determine whether the other auditor's work is adequate for the purpose of the audit (scope, nature, timing, extent)



## Using the Work of Other Internal Auditors (2/2)

- Key: communication: planning, assessing risks, evaluating findings
- Other possibility: joint audit





## Reporting Findings and Recommendations

- Escalation model, depending on the seriousness of the item and the follow up given by first level management
- Discussion in Audit Committee focuses on headlines: what is important in the perspective of the highest level of management?
- Sharing best practices between ministries





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Thank you  
for your attention

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