



ECIIA – EUROSAI Working Group

A joint strategic cooperation report

OCTOBER 2023

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Introduction

Objective of the publication

“As a result of this collaboration, we decided to examine and analyse the relationships and degree of cooperation that currently exist between Internal Audit and SAIs in various countries in Europe with a view to identifying good practices, potential benefits and also possible obstacles and risks. To do this, a survey was designed as two questionnaires – one which was sent to all ECIIA member countries and the other to all EUROSAI members.”

The European Organisation of Supreme Audit Institutions (EUROSAI) and the European Confederation of Internal Audit Institutes (ECIIA) are working together to promote good governance, accountability, and audit across the European public sector. This current cooperation focuses on the way supreme audit institutions (SAIs) and Internal Auditors can work together to promote mutual understanding, optimise total audit effectiveness and consequently provide a better service to public sector stakeholders. It builds on a previous joint study conducted in 2014.

As a result of this collaboration, we decided to examine and analyse the relationships and degree of cooperation that currently exist between Internal Audit and SAIs in various countries in Europe with a view to identifying good practices, potential benefits and also possible obstacles and risks. To do this, a survey was designed as two questionnaires – one which was sent to all ECIIA member countries and the other to all EUROSAI members.

We were able to build on our survey results by obtaining further feedback at the ECIIA European Conference held in October 2022 in a co-led discussion between EUROSAI and ECIIA and at a webinar held earlier this year, as well as through a network of contacts across the European public sector and European supreme audit institutions.

This paper sets out our findings, draws conclusions from our analysis and makes recommendations for the way forward.

Annex 1 presents examples of some of the practices that SAIs provided on their cooperation and collaboration with Internal Audit. In the other appendices we have a comprehensive summary of the questionnaires and replies from ECIIA respondents (**Annex 2**) and EUROSAI respondents (**Annex 3**).

Background

Setting out the roles of Internal Audit and SAIs in the European public sector

“Internal Audit and Supreme audit institutions each have an important role in improving a country’s accountability for sound and effective public financial management.”



Before reviewing the results of our research, it is worth setting out the roles of Internal Audit and SAIs in the European public sector.

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organisation accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance.

The Internal Audit function is widespread in the European public sector, with some countries holding a high degree of maturity and others moving in this direction.

The ECIIA is the consolidated voice of the Internal Audit profession in Europe, representing 34 national institutes of Internal Auditing.

The Supreme Audit Institutions' (SAI) task is to oversee government use of public funds. SAIs are public bodies responsible for a country's accountability, therefore in each country there is only one SAI. SAIs are independent bodies, tasked with providing an external, objective view.

EUROSAI is a regional organization of International Organisation of Supreme Audit Institutions (INTOSAI) uniting 51 SAIs in the European area and promotes professional cooperation among members to encourage the exchange of information and documentation, and to advance the study of public sector audit. EUROSAI works in accordance with the principles of good governance and effective communication.

The scope of the work of SAIs is to focus primarily on auditing financial statements and operations of public sector entities and has the mandate of reporting to legislative bodies (e.g. parliament or other designated authorities). In contrast, Internal Auditors cover areas within the organisation (financial controls, operational processes and information systems, risk management and others) and report to those charged with governance within their organisation.

SAIs are established by law and thus possess legal mandates and autonomous authority and ensure independence and objectivity. Besides, all SAIs should align with international standards and procedures issued by International Organisation of Supreme Audit Institutions (INTOSAI). Within this aspect, several SAIs have the practice of developing internal rules for effective use of work of Internal Auditors, also incorporating these standards (e.g. ISA 610).

Section 3 of the Lima Declaration makes a distinction of the roles between internal and external auditors.

Although SAIs and Internal Auditors have differing and clearly defined roles, they both share a common goal of improving governance in the public sector by contributing to the transparency in the use of public resources and to the relevant accountability.

Section 3 of the Lima Declaration

Internal audit services are established within government departments and institutions, whereas external audit services are not part of the organisational structure of the institutions to be audited. Supreme Audit Institutions are external audit services.

Internal audit services necessarily are subordinate to the head of the department within which they have been established. Nevertheless, they shall be functionally and organisationally independent as far as possible within their respective constitutional framework.

As the external auditor, the Supreme Audit Institution has the task of examining the effectiveness of internal audit. If internal audit is judged to be effective, efforts shall be made, without prejudice to the right of the Supreme Audit Institution to carry out an overall audit, to achieve the most appropriate division or assignment of tasks and cooperation between the Supreme Audit Institution and internal audit.

Survey content and participation

Modes and areas of coordination and cooperation, the benefits and risks, and good practices.



There was a high response rate from both Internal Auditors and Supreme Audit Institutions.



The objective of our survey was to analyse the cooperation and relationship between Internal Audit departments and Supreme Audit Institutions in each country. In both questionnaires, the topics covered were modes and areas of coordination and cooperation, the benefits and risks, and good practices.

The countries that participated in the survey are shown below:

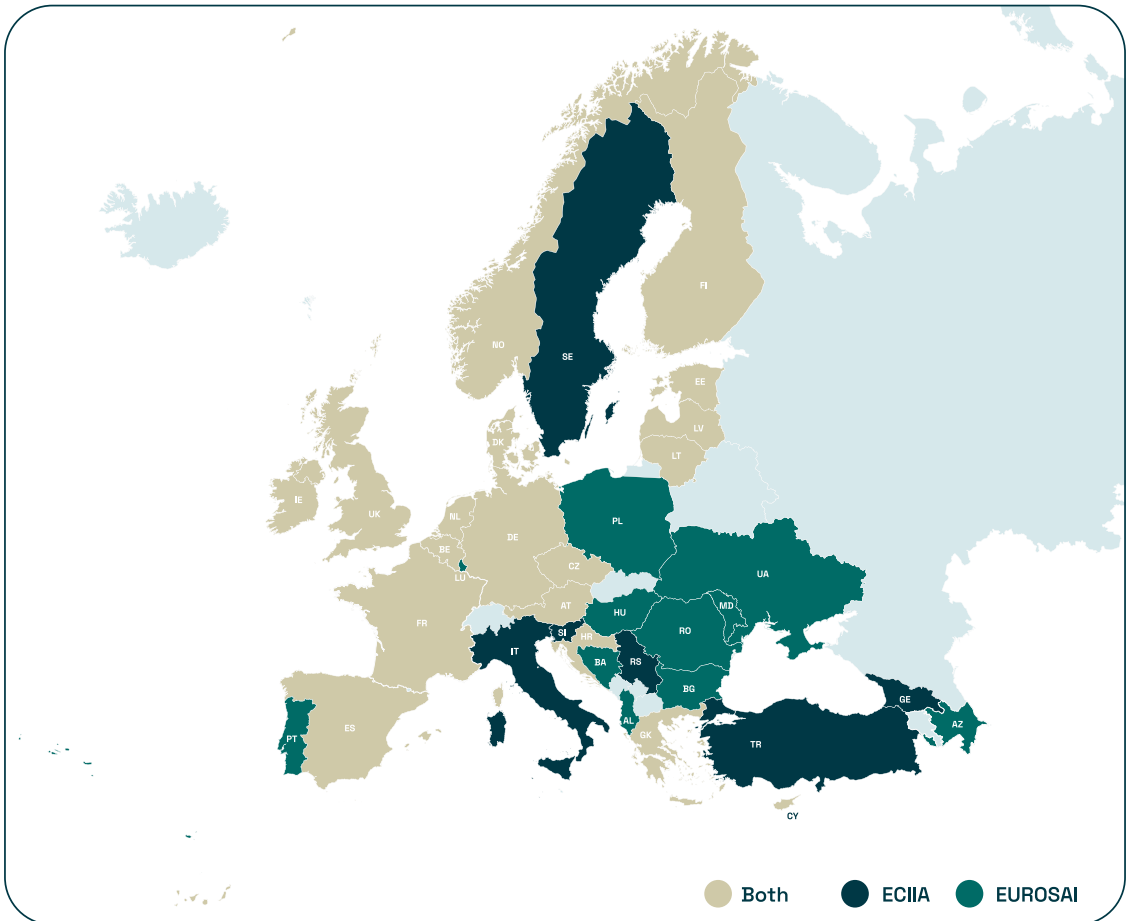


FIGURE 1 – 28 SAIs and the European Court of Auditors participated in the survey from the SAI community and 130 participants in 24 countries responded with their views from the Internal Audit community.

In the ECIIA there are contact people in each country who coordinate survey responses, analyse the situation in each country and spread awareness of the activities. In terms of the Internal Auditor respondents, feedback was received from ministries, agencies and public entities, as shown below:

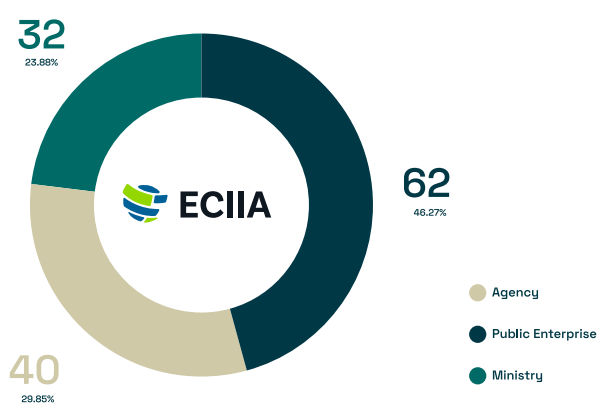


FIGURE 2 – Distribution of feedback received according to its provenance

Research Findings

Display and analysis of the survey results

“Comparing the percentage of survey respondents indicating that Internal Audit work was used by SAIs from the replies in 2014, we can say the relationship is improving.”



29 responding SAIs indicated that there are Internal Auditors in the entities audited by the SAIs in a centralized or decentralized mode – 18 countries indicated the presence of Internal Auditor services in municipalities, while 11 also mentioned Internal Audit services on the federal level. Differences appear in the cooperation modes and forms, which have developed in line with elements, such as differences in legal framework, established practices and approaches. In order to identify the most effective cooperation mode, SAIs note that they make these decisions based on their roles within audited entity in terms of independence and objectivity, legal mandate, work scope, reporting.

Of the 24 countries responding to the ECIIA questionnaire, 13 said that they have contact with SAIs.

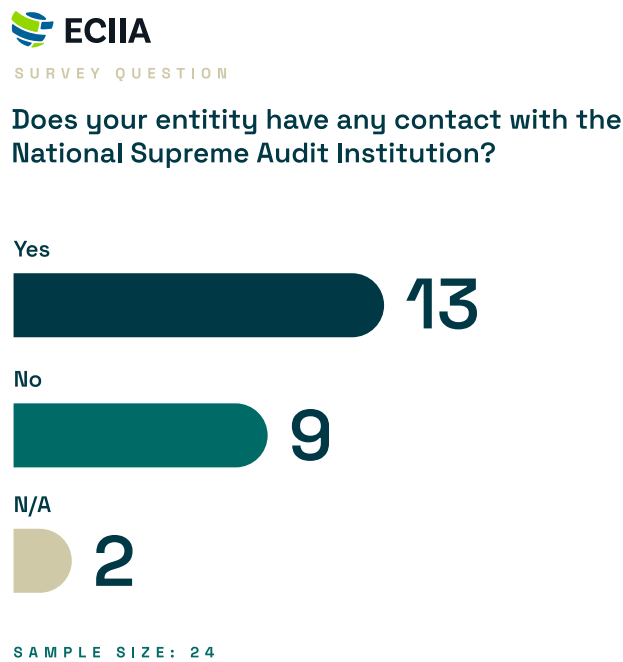


FIGURE 3 — When asked if their entity has any contact with the National Supreme Audit Institution, 13 countries have reported contact with SAI. In 8 of them the organisations are audited by SAIs.

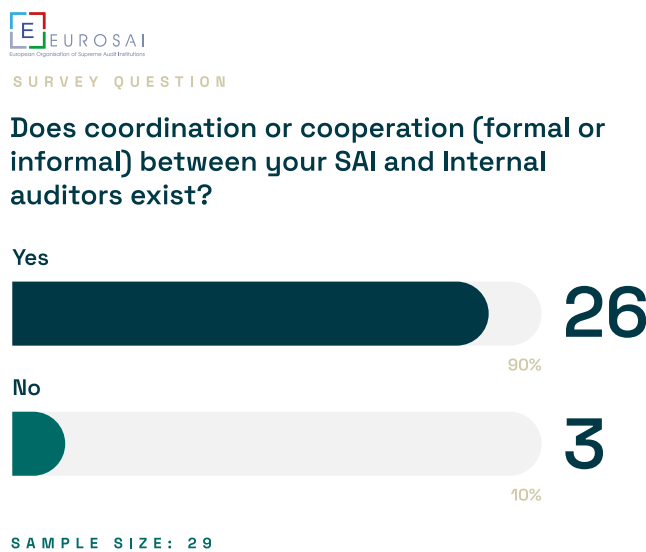


FIGURE 4 — The majority of participants (26 SAIs) have indicated that they have cooperation or coordination with Internal Auditors.

The SAIs are key players in the management and oversight of public funds. Their activities aim at establishing whether public resources are being spent legally, correctly, efficiently, and in compliance with the public interest. Therefore, interaction between the SAIs as the external auditors and the entity's Internal Audit can provide mutual benefits, including **enhancing the formation of common understanding about the auditing process, helping to understand the operations of the audited entity, contributing to awareness-raising on the importance of internal control and cooperate in addressing deficiencies**, as well as **obtaining information for the risk assessment** etc. Interactions are based on the objectives of mutually reinforcing audit capacities and can ensure better and more efficient use of audit resources and result in correlative assurance on the key auditing matters.

In the survey of EUROSAI members, all responding SAIs indicated that the Internal Audits take place **in all or some of the entities audited by the SAIs** in a centralized or decentralized setup. There are also instances of Internal Auditors being placed in the SAI itself. Internal Auditors may be located:

- at the national/federal level of government either in ministries and/or agencies and/or public enterprises, in municipalities, in provinces;
- in entities such as state-owned enterprises, public universities, autonomous public and semi-public organizations and independent authorities;
- Directorate General IAS (Internal Audit service) of the European Commission which cover the EU agencies, other EU institutions (e.g. EU parliament and Council).

A really important question for Internal Auditors is whether SAI uses the work of its Internal Audit department for its audits. **Only 40% of Internal Auditors answered in the affirmative.** We believe that by promoting best practices, sharing knowledge and getting to know each other better, this percentage can be significantly improved. The percentage of countries where IA/ SAIs collaborate is also very relevant. **Only 55% of the respondents of Internal Auditors answered in the affirmative.** (Details in [Annex 2](#))

From the information gathered in the EUROSAI questionnaire, **results show that the maturity level of interaction between SAIs and IA and the extent to which the SAIs organizational status and relevant procedures and policies support the cooperation and coordination vary from SAI to SAI.** An overwhelming majority of the responding SAIs note that there is some kind of cooperation and coordination (formal or informal) between their institution and the IA in their country.

There are many examples of the ways in which SAIs coordinate and cooperate with the IAs. A number of these are provided from supreme audit institutions in Finland, the Netherlands and the United Kingdom in [Annex 1](#).

The good news is that, in the study carried out in collaboration with ECIIA and EUROSAI in 2014, the percentage that indicated IA work was used by SAIs was merely 38%, so **we can objectively say that, step by step, this relationship is improving.**

Comparing Results

Review and comparison of the results of the ECIIA and EUROSAT surveys

“ It is very important to review the results of the two questionnaires and compare them in order to see both points of view.



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In the case of collaboration and the use of Internal Audit working papers, the percentages are very different from the internal and external auditor's perspective.

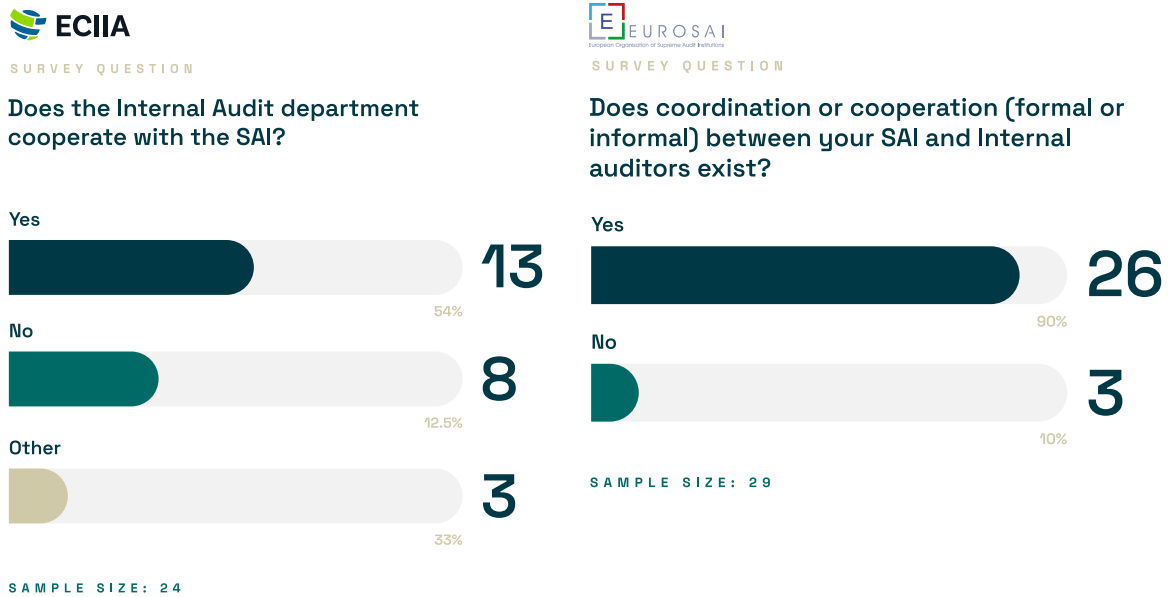


FIGURE 5 — Comparison between the ECIIA and EUROSAI surveys on the topic of Internal Audit cooperation with the SAI.

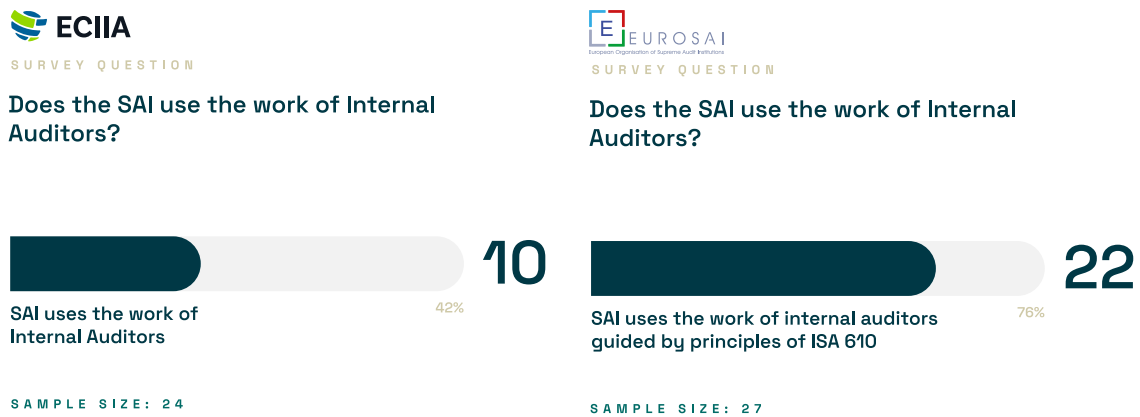


FIGURE 6 — Comparison between the ECIIA and EUROSAI surveys on the topic of the use of the work of Internal Auditors.

Perhaps we are looking at the same situation with two different perspectives.

This is something we need to **analyse and reflect on**: perhaps a lack of communication, feedback, detailed explanation of the work that would lead to a dialogue, and knowledge of its use are issues that we need to put on the table.

To assist in reflection upon the different views, it might be useful to **delve into the auditing standards and SAIs internal rules in terms of collaboration with IAs.**

SAIs perform their duties in compliance with the International Standards of Supreme Audit Institutions (ISSAI). International auditing standards define the main principles for effective coordination and cooperation and the use of each other’s work. ISSAI 100 Fundamental Principles of Public Sector Auditing invites SAIs to use the work of Internal Auditors in line with the SAI’s mandate and the applicable legislation. The International Standard on Auditing (ISA) 610 Using the Work of Internal Auditors defines two approaches for doing so: 1) using work that Internal Auditors have already completed, and 2) obtaining the direct assistance of Internal Auditors.

As part of the survey, **we sought to identify whether SAIs’ interaction with Internal Auditors is based on ISSAI and/or other binding rules or standards.** Most of the responding SAIs indicate that they rely on international auditing standards, including ISA 610 Using the Work of Internal Auditors, when cooperating with IA. Some examples are presented in **Annex 1** from Ireland, Latvia and the United Kingdom. There are also SAIs that have national auditing standards, for example, adaption of ISA 610/ ISSAI 2610 or translation of ISA 610. In addition, SAIs’ internal rules, such as auditing manuals, standards, guidelines, procedures or checklists, may also serve to develop and maintain cooperation and coordination between the external and Internal Audit institutions.



FIGURE 7 – EUROSAI survey on the basis for the mode of coordination and cooperation considering the auditing standards and the SAIs internal rules.

From the examples given in the EUROSAl survey, **cooperation and coordination is defined in the various SAls' internal rules.** Several SAls have internal financial audit manuals, audit manuals or guidance which define the use of work of other/ Internal Auditors, for example, during different auditing stages. Among other internal documents there are professional standards, sometimes code of ethics/ ethical standards can include prerequisites or limitations for cooperation.

Modes for cooperation and coordination

Between SAI and Internal Audit

“ It is also important to highlight the value of cross-training between organisations, which can foster better knowledge of one another, use common methodologies and thus, when working together, make it much simpler and more collaborative. ”

If we analyse the type of collaboration that could help to improve this relationship, we can focus on **six key elements** which, as we can see, have different ratings depending on the Internal or External Auditor approach, with information sharing and regular meetings being the most important.

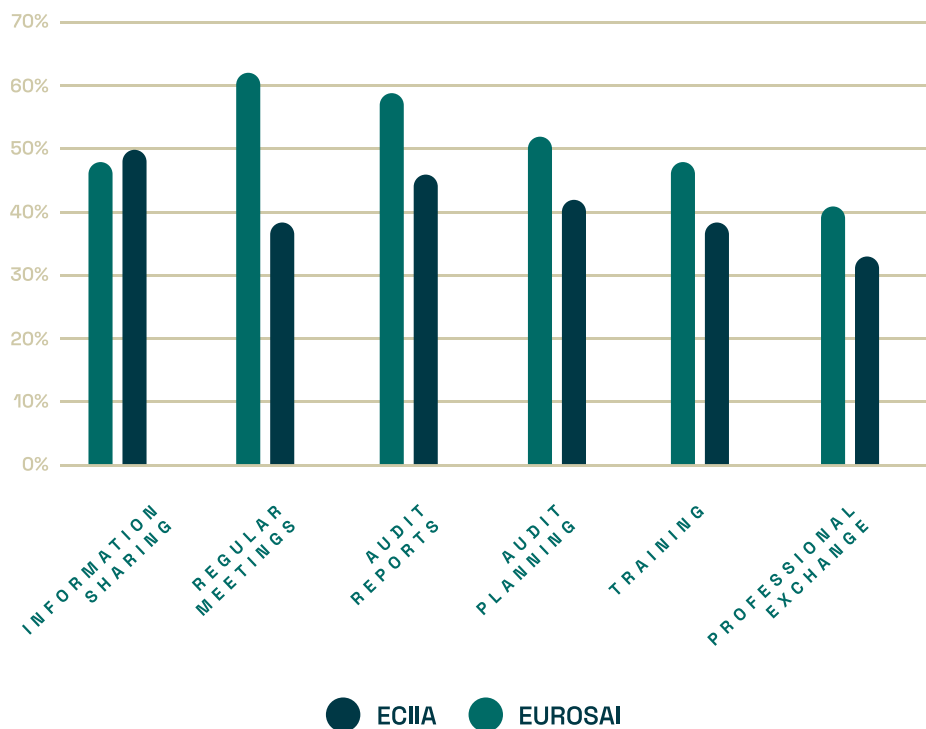


FIGURE 8 — The six key elements that can enhance the cooperation and coordination between SAI and IA according to ECIIA and EUROSAI survey responses.

It is also important to highlight the value of **cross-training between organisations**, which can foster better knowledge of one another, use common methodologies and thus, when working together, **make it much simpler and more collaborative**.

According to the EUROSAI questionnaire results, the bases for the mode of coordination and cooperation between SAIs and IA also vary. Some specific examples from Bosnia and Herzegovina, the Czech Republic, Ireland and Lithuania are reflected in **Annex 1**, nonetheless **a majority of SAIs have more than one basis for coordination and cooperation**. The most widespread are informal, internal rules, national legislation, formal agreement or protocol.



SURVEY QUESTION

What is the basis for the mode of coordination and cooperation?

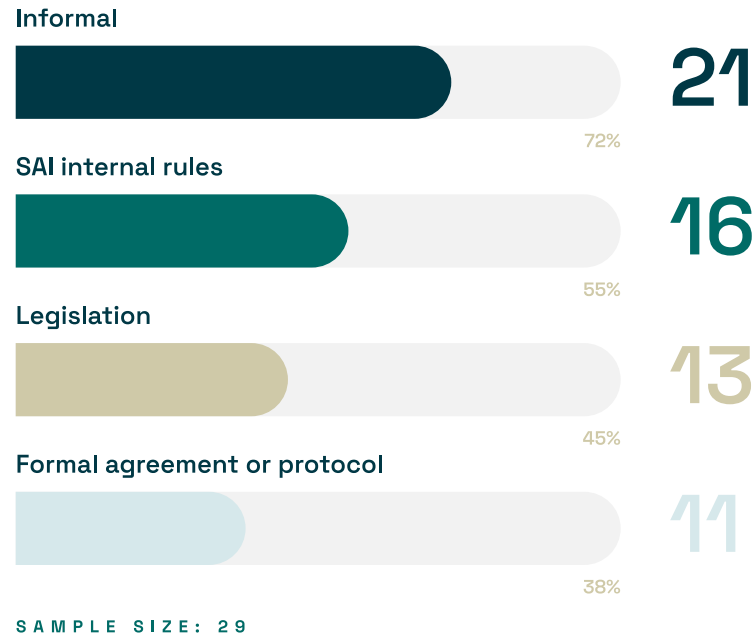


FIGURE 9 — The most used basis for cooperation and coordination between IA and SAI according to the EUROSAI survey data.

Although the objectives of Internal and External Audits are different, cooperation between them is useful as it provides a **better and more comprehensive overview of**, for example, **certain audit procedures, methodologies, audit documentation**, etc.

The chart on the following page summarises the modes of cooperation that emerged as the most relevant in the respondent SAIs. Examples of regular cooperation and communication are shared by Austria and Greece, as well as formal forms of cooperation from Albania, Bulgaria and Romania are provided in [Annex 1](#).



FIGURE 10 — Summary of the modes of cooperation of most relevance for the SAIs that participated in the EUROSAI survey.

Benefits and risks

of coordination and collaboration
between SAIs and IAs

“ A very large majority of responding SAIs who noted that they cooperate with Internal Auditors, also noted that they have experienced benefits from this interaction. ”

A very large majority of responding SAIs, i.e., 26 of 29 SAIs, who noted that they cooperate with Internal Auditors, also noted that they have experienced benefits from this interaction.

Benefits

The main benefits of cooperation and coordination with Internal Audit as cited by SAIs in the survey, were related to the following principles included in *INTOSAI P-12 The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*:

Principle 6: Communicating effectively with stakeholders; and

Principle 8: Capacity building through promoting learning and knowledge sharing.

Thus, 22 SAIs noted that this cooperation strengthens their mutual ability to promote good governance and accountability practices and enhance management understanding of the importance of internal control.

These benefits are also related to the INTOSAI P-12 principles 8 on ensuring appropriate transparency and accountability of SAIs whereby SAIs are tasked to “manage their operations economically, efficiently, effectively(...)”. 20 SAIs agreed that cooperation can help to reduce the likelihood of unnecessary duplication of audit work (economy) and can produce more effective audits based on:



FIGURE 11 — Four main basis on which cooperation can enhance the effectiveness of audit work according to the EUROSAI survey participants.

In accordance with the respondents from the Internal Auditor questionnaire, the main benefit of increased collaboration is improved efficiency through:

- **Avoidance of unnecessary duplication of audit work**
- **Promotion of best practices**
- **Shared knowledge**
- **Better understanding of risk**

Given that internal and external audit units have limited resources, financed by public money, **realisation of these benefits is essential** and can be achieved by better understanding each other’s roles, activities and standards and by sharing knowledge, ideas and experiences.

Potential Risks

The main risks identified in the cooperation from the perspective of Internal Auditors are:

- **Misinterpretation of findings by using the work of others**
- **Use of different professional standards: IPPF/ ISSAIs**

In terms of potential risks, of the SAIs that cooperate with IA, there were 19 respondent SAIs that reported potential risks in the implementation of coordination and cooperation with Internal Auditors. Of the different risks mentioned in the survey, the risks most often cited (by between 9 and 14 SAIs) were the following:



FIGURE 12 — Potential risks identified by survey participants relating to the implementation of coordination and cooperation practices with Internal Auditors.

In the responses on the risks, it appears the nature of SAIs as external audit services and the difference with Internal Auditors which are “established within government departments and institutions” as highlighted in the Lima Declaration is one of the aspects which SAIs consider in their work with Internal Auditors.

Managing Risk

The way in which these risks can be managed to foster the relationship and co-operation between Internal and External Audit may be:

- **Cooperation and good communication during the audit**
- **Meetings and discussions to avoid misinterpretation of findings**
- **Common documents or approaches in the Public Sector**

The respondent SAIs included information on approaches taken to mitigate the risks. These mitigation measures included:

- Training of IAs;
- Consultations, dialogues, discussions with IAs;
- Annual meetings to discuss risks related to the SAI to assure their understanding of the organization’s risk and control the environment and design of upcoming audits;
- Clear reports made by IA to reduce misinterpretation of conclusions;
- Written agreements, letter or protocols signed between IA and EA which provide clear understanding of the roles;
- Internal procedures of SAIs;
- Multi-tier review process of work to reduce risk to independence and objectivity;
- Confirmation of compliance with ethical standards signed off by all as part of each engagement.

Conclusion

Key takeaways from the survey data

“The benefits of collaboration between Public Sector Internal Audit units and SAIs are significant whilst the commensurate risks are known, acceptable and can be mitigated.”

The benefits of collaboration between Public Sector Internal Audit units and SAIs are significant whilst the commensurate risks are known, acceptable and can be mitigated. SAIs have presented many useful examples of collaboration with Internal Auditors which can provide information for other SAIs wishing to explore this further. Our research has identified some very useful information on the current situation in Europe, which can help us to foster better collaboration between SAIs and IA.

How can we promote this collaboration?

Some methods of improving future collaboration were highlighted by attendees at the 2022 ECIIA Conference, following a joint presentation by representatives of ECIIA and EUROSAI. These ideas will be taken into account by the Internal Audit units and the SAIs.



How would you promote this collaboration?

51 RESPONSES 37 PARTICIPANTS



Annex 01

Information provided by SAIs on their
collaboration and cooperation with IAs

“ This Annex provides information on examples of practises shared by Supreme Audit Institutions on their collaboration with Internal Auditors. ”

Cooperation practises of SAIs with IA

SAI Finland's practice on cooperation with Internal Auditors:

In 2017, the National Audit Office of Finland (NAOF) conducted an audit on the state of internal control and risk management. The audit included a comprehensive review of the organisation of internal control in government agencies and institutions. As part of the audit, we examined Internal Audit as a whole to form a situational picture. According to the audit findings, the Internal Audit of central government agencies and institutions is, as a rule, appropriately organised and operates in a cost-effective and professional manner.

In recent years, central government processes have been strongly concentrated in the Finnish Government Shared Services Centre for Finance and HR. Audits should be more process-oriented, cross-administrative and cross-organisational. This has complicated the work of the Internal Auditors of agencies and institutions, as they mainly audit the agency in which they work. Based on the audit, we recommended that the Internal Audit targeted at the overall management process of central government finances should be strengthened by, for example, providing the Ministry of Finance or the State Treasury with resources for this task and for the development of internal control.

The methodology applied by the National Audit Office and Internal Audit is largely the same, which provides a good basis for cooperation. We understand each other's work and methods. The common audit methods include, for example, substantive procedures and tests of control.

In Finland, the National Audit Office and Internal Auditors cooperate in relation to top-level steering in separate bodies. The cooperation is continuous and effective. The bodies have implemented, for example, common internal control and risk management guidelines and tools for the central government.

In the current situation, it is even more important than before that the NAOF and the Internal Auditors of the central government cooperate and exchange information with each other. The NAOF has an extensive audit right as regards common cross-sectoral processes in the central government, and we also audit these processes comprehensively. In practice, a key part of the cooperation between the different parties has for a long time been broad sharing of audit reports. In addition, Internal Auditors have always been our close partner in the planning and implementation of the NAOF's audits.

More information on the audit can be found [here](#).

Good practice: cooperation SAI and Internal Audit in the Netherlands

In the Netherlands each minister has the responsibility to attain assurance about the reliability and regularity of the financial statements before these are presented to Parliament. The internal certification of the financial statements on behalf of the ministers is assigned to the Internal Auditor (the CGAS: the Central Government Audit Service), whilst the SAI (the NCA: the Netherlands Court of Audit) remains the external auditor, assigned with the task of certification of the financial statements in the interest of the external stakeholders like the Parliament. To minimize double audit work the Government Accounting Act requires both auditors to work professionally close together and that the NCA should, as much as is possible, use the work (the full scope financial audit) of the CGAS.

In this context NCA and CGAS have build a fruitful cooperation with respect for each other's role, independence and standards:

- Understanding each others' interests, roles, working methods and decisions is crucial. Just like the safeguarding of the confidentiality of discussions on each other's work and like maintaining high respect for each other's organization in all communications.
- When designing and writing its manual for the financial audit the CGAS invited the NCA for feedback and contributions. This helped to build understanding and trust.
- Cooperation in the audit engagements is performed during all stages of the audit. It is important for both involved engagement teams to have exchange of views as early as possible, especially for the risk analysis and the audit responses to those risks. This enables changes within the current audit cycle and helps to prevent discussions in the reporting stage.
- Direct access to the electronic audit files, regular and ad hoc meetings of the involved auditors at CGAS and NCA help to speed up the work and to detect and solve potential disagreements. Nevertheless, it remains possible that in the end the NCA and the CGAS can come to different opinions in individual cases, due to differences in the professional considerations, and is a consequence of the professional independence of both organisations.
- For the NCA it is important that the work of the CGAS provides the audit evidence needed for the NCA and that the NCA is enabled to perform the procedures as required by ISSAI 2610 in an efficient way. The NCA communicates twice a year, by formal letter, its conclusions regarding the appropriateness of the work of the Internal Audit for the use by the NCA.
- For the CGAS it is important that the progress of its work is not obstructed by the review procedures of the NCA.

- One of the best practices on cooperation at engagement level is to have mutual consults of the both engagement teams and both audit methodology departments for identified cases of high complexity. These mutual meetings lead to professional growth at both organisations.

One of the best practises on cooperation at management level is the continuous mutual monitoring of, and open communication on, the progress and the results of all the financial audit engagements, hence to safeguard the good coordination of the audits and to collectively gain insight in the expected outcomes of the audits of both organizations.

SAI UK's practice: cooperation with Internal Auditors



UK NAO regularly liaise with Internal Auditors on common topics of interest relevant to both financial audit and performance audit.

The UK NAO has built in mandatory check points for liaison with Internal Audit as part of the financial audit process. This largely takes place at the risk assessment stage of the audit where the auditor is required to meet with the Internal Auditor to discuss Internal Audit's workplan for the year and fraud risk. However, our conversations generally go beyond this and cover several topics of mutual interest, for example how the findings of Internal Audit may input on future decisions surrounding our Performance audit programme and vice versa.

Alongside this, we encourage teams on our larger audit to have regular on-going dialogue with their Internal Audit counterparts. These discussions would provide high-level summaries of on-going work, risk assessments and areas that may be of interest. This helps to directly inform our financial audit risk assessment and also helps inform our Performance audit work. In addition to this direct one to one dialogue, our engagement teams also attend meetings of the audited entity's audit and risk committees where Internal Audit present the findings of their work and answer questions in relation to it from committee members. This too helps to inform our risk assessment process.

The UK Treasury has established the Government Internal Audit Agency (GIAA) which provides Internal Audit services to most but not all, UK government bodies. We have regular liaison with the GIAA both in relation to individual bodies as discussed above and centrally. Our central liaison with GIAA largely covers helping us to understand GIAA's governance processes and methodologies and also to work on joint projects where appropriate to do so (for example presentations to Parliament or audit committees).

Engagement at the planning stage is important to ensure co-ordination and co-operation in the development of audit plans. In our experience, this is most relevant both to the timing and coverage of Internal Audit work. Where Internal Audit are aware that a significant risk has been raised within an external audit, they will therefore not provide coverage over that area.

Examples pertaining to direct assistance of Internal Auditors

SAI Ireland's practice: obtaining the direct assistance of Internal Auditors.

Occasionally, SAI Ireland may request international auditors to carry out audit work on their behalf, however, this would be under the Office of the Comptroller & Auditor General (OC&AG) supervision and to SAI's documentation standards, for example, review of investment holdings and valuations for significant state entity.

SAI Latvia's practice: obtaining the direct assistance of Internal Auditors.

SAI Latvia has used the direct assistance of Internal Auditors in the audit of the consolidated annual financial statement of the state and local governments, as the audit involves many public sector institutions and would benefit from the cooperation of their Internal Auditors. Moreover, the audit provided an opportunity to engage Internal Auditors across institutions in discussions about the audit's progress and the best ways to address the challenges that arose.

Over the course of this audit, SAI Latvia divided up the responsibilities with the Internal Auditors, whereas:

SAI Latvia:

- developed an understanding of the audited area,
- performed a risk assessment,
- elaborated an audit approach,
- managed the methodologies used,
- ensured quality control, and
- summarized the results of the work of Internal Auditors in the audit report.

Internal Auditors:

- performed audit procedures,
- prepared reports describing their results, and
- provided recommendations to address identified deficiencies.



SAI UK's practice: obtaining the direct assistance of Internal Auditors

UK auditing standards, specifically ISA (UK) 610, prohibits the use of Internal Auditors for providing direct assistance in the conduct of an audit. Because of this, the scope for collaboration on a financial audit is extremely limited and generally only extends to the NAO audit teams doing the following:

- Discussion with Internal Audit around any risks of fraud and irregularity.
- Work to understand the scope/ remit of the Internal Audit function as part of the entity's system of internal control.
- Reviewing the outputs of any Internal Audit work to inform the scope/ risk assessment on our audits.

Aside from this, the extent of collaboration is largely informal and discussing areas of mutual interest rather than joint collaborations, as these are prohibited under UK auditing and ethical standards. The rationale for this prohibition is two-fold: a self-review threat under the FRC Ethical Standard, as Internal Audit forms part of the management function and secondly Internal Audit outputs are generally provided specifically to management as part of their monitoring in the system of internal control whilst our reports form part of the external accountability framework and are undertaken on behalf of Parliament.

Modes of coordination and cooperation

SAI Bosnia and Herzegovina's illustration of informal mode of cooperation with Internal Auditors

When planning the financial audit and assessing the overall risk at the institutional (auditee) level, SAI's auditors take into account whether the auditee's Internal Audit unit has been established or not. If the Internal Audit unit has not been established at all or is not fully staffed, the SAI reports on this in the auditee's financial audit report, sometimes as part of the auditor's opinion – in an emphasis of matter paragraph.

Financial auditors regularly communicate with Internal Auditors during interim and final audits. This communication is carried out informally as it is not strictly regulated. The usual practice is to conduct an interview with Internal Auditors during which SAI auditors discuss planned and performed Internal Audits, how topics for Internal Audit are selected, problems Internal Auditors face in their work, level of implementation of IA recommendations, management's support to IA function, etc. During the financial audit, SAI auditors and auditees' Internal Auditors share information on individual audit processes and discuss various matters in order to prevent possible different conclusions on a given topic. Financial auditors have insight into all Internal Audit reports, including follow-up reports, and all SAI's reports are publicly available so Internal Auditors may consult external audit reports as they



see fit. The SAI tries to encourage Internal Auditors to select high risk topics tackling long-term problems the SAI already identified in its reports, as Internal Auditors are able to take a more in-depth look at the relevant segments of auditee's operations. In practice, Internal Auditors use SAI's audit findings in Internal Audit risk assessment and planning phase.

Apart from Internal Audit being a relevant input and actor in the SAI's financial audit processes, Internal Audit reports are also extensively used in the SAI performance audit topic selection procedure.

The SAI also communicates with Internal Auditors when planning and organizing joint training events in order to address the topics that are relevant and value adding.

The web-site of the SAI

SAI Czech Republic's illustration of the basis for the mode of coordination and cooperation

Cooperation between SAO and ČIIA is long-term based on both formal and informal levels. The basic aspects of the cooperation relate to the enhancement of mutual relations, the transmission of up-to-date information, the use of knowledge, the exchange of experience and the promotion of effective adult responsibility among the top management of both institutions, as well as between SAO employees, members and clients of ČIIA.

This cooperation is assessed by both parties as of high quality and beneficial. It allows us to be more efficient and improves our ability to better focus on issues related to long-term values in society. At the same time, this cooperation affects the provision of more accessible independent insight into areas such as auditing, financial and risk management, operational management, cybersecurity, digitalisation, ESG, GDPR and the fight against corruption.

The six pillars of mutual cooperation comprise:

- Cooperation and interconnection: approval of the president of the SAO on the cooperation of the ČIIA and the SAO on the level of professional lectures and active participation in the meetings of the Public Administration Section. The Director of the Internal Audit Department of the SAO is a contact person and a member of the ČIIA board.
- Joint conferences: The 9th meeting will take place in autumn 2023. During the implementation of the conferences there is a meeting of the president of the SAO and the president of ČIIA. The conferences are held in cooperation with the Ministry of Finance of the Czech Republic, the Public Audit Oversight Board and the Chamber of Auditors of the Czech Republic.
- Mutual methodological support: support for educational activities and workshops to disseminate information to gain expertise, share methodologies and practice.



- Individual cooperation: implementation of individually agreed forms of cooperation and joint presentations.



- Publications: the Director of the Internal Audit Department of the SAO is a member of the Editorial Board of the Internal Audit Magazine. Representatives of the SAO regularly publish in the quarterly ČIIA magazine Internal Auditor.



- Cooperation with academia: mutual cooperation in terms of professional practice or internships of students and academic staff of universities focused on teaching the subject of Internal Audit. An example of this act is the cooperation agreement with the University of Pardubice.

SAI Ireland's illustration of informal mode of cooperation with Internal Auditors

SAI's primary mode of cooperation is informal. Generally, SAI would meet with the Internal Auditors of audit clients (particularly the larger clients) on an annual basis to discuss the risks facing the organisation and what the Internal Auditors plan is for the year.

As part of every audit we would review Internal Audit reports for the year to understand the reports' findings and potential impacts. We would also ascertain if actions to correct these findings have been implemented.

SAI Lithuania's illustration of the basis for the mode of coordination and cooperation

Based on Law on Internal Control and Internal Audit, the head of an Internal Audit service must submit to the National Audit Office a copy of the annual operational plan of the Internal Audit service within ten working days after the approval of the plan by the head of the public legal person concerned. Each year by 1 March, the head of an Internal Audit service must produce and submit to the National Audit Office an annual report on the activities of the Internal Audit service.

When conducting an audit, public auditors have the right/possibility to use the work results of the Internal Auditors if proper Internal Audits have been conducted for the audit and if it is assessed that the work of the Internal Auditors is reliable.

In a financial audit, the use of the work of Internal Auditors is regulated by the International Standards on Auditing and the methodological Financial Audit Manual of the National Audit Office. It is regulated, that during the planning of the audit, getting acquainted with the Internal Audit function, the auditor evaluates it as part of the internal control system of the audited entity, i.e., whether Internal Audit services:

- subordination, work organization, and accountability create conditions for the proper functioning of the Internal Audit function.

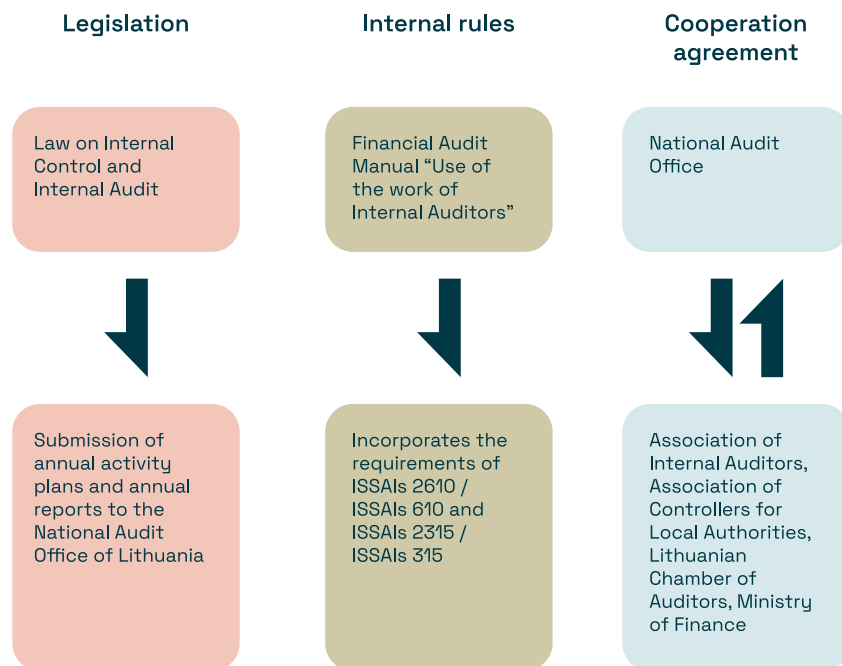
- performed functions that help or can help the audited entity to ensure effective internal control.

During familiarization with the Internal Audit function, recommended to review Internal Audit reports. In the reports information can be obtained about: the internal control system created and operating in the audited entity, its strengths and weaknesses, accounting processes, risky area, or cause of certain errors; other matters relevant to the audit. Examples of using the work of Internal Auditors in the audit planning stage:

- after reading the reports of Internal Auditors, if it was found that the same recommendations for improving the internal control system have been given for several years - it can be concluded that the management of the audited entity may ignore internal control and not be interested enough in the proper functioning of the internal control system;
- if the Internal Auditors have prepared descriptions of certain processes and/or their internal control of the audited entity, they can be used after making sure that there have been no significant changes. If such descriptions were not prepared earlier, after coordination with the management of the audited entity, Internal Auditors can be asked to make descriptions of certain complex processes.

According to the formal cooperation agreements with various associations, the aim of the cooperation is to share professional audit experience, develop the practice of using auditors' work with each other, and improve the methodologies of audits and their quality assurance.

Modes of Coordination and cooperation



Cooperation based on regular meetings and communication

SAI Austria's practice: regular meetings between SAI and Internal Auditors

The Knowledge Summit is organized jointly by the Austrian Court of Audit (ACA) and the Institute of Internal Auditors (IIA). The topics of the Knowledge Summit revolve around current problems and challenges for auditors. The topics are defined jointly by the ACA and the IIA. Suggestions for topics related to public and Internal Audit are collected on an ongoing basis. Particular emphasis is placed on the current audit priorities, general framework conditions and audit methods, as well as on experiences from public and Internal Audits. Developments at the international and European level are also taken into consideration for the identification of topics.

In 2023, the Knowledge Summit centred on the topic “Auditing in Uncertain Times”. The summit addressed the challenges and the way in which rapidly changing framework conditions were dealt with in the context of audits and reports presented by audit institutions and Internal Auditors. Topics raised in previous years were for example “Sustainability as an Audit Topic” (2022), “New Techniques in the Audit Process” (2021) or “The United Nations Sustainable Development Goals in the Framework of Audit Planning and Auditing” (2020).

SAI Greece's practice: regular meetings between SAI and Internal Auditors

The Internal Auditor's Unit initiated in July 2020 in our SAI, and from its first steps it established an effective communication with the External Auditor's Unit. Meetings have been held between Internal and external auditors at the beginning and end of each year and electronic communication holds periodically. The External Auditor has access to all relevant Internal Audit reports. The Internal Auditor encourages the External Auditor to request any report or document in order to keep them informed about matters that could impact their work. The External Auditor informs the Internal Auditors of any matters that may affect their work. Our next target is to enhance the coordination with the External Auditor by assessing each other's audit program, and to improve our communication in order to avoid disagreements in conclusions or opinions on subject matters. (source: HCA's Internal Audit Unit)

Formal forms of cooperation

SAI Bulgaria's practice: cooperation agreements

The cooperation between the Bulgarian National Audit Office (BNAO) and the Ministry of Finance of the Republic of Bulgaria (MF) includes:

- Exchange of information, including in terms of coordination of plans;
- Methodology development;
- Terminology unification;
- Conducting trainings, joint workshops, seminars, round tables etc.

When it is found that BNAO audits and audit engagements of the Internal Audit unit coincide, the MF notifies the head of the relevant unit to consider amending the time for the execution of the audit engagement of the Internal Auditors.

The Minister of Finance may propose that BNAO representatives take part in the discussion of the draft of the annual questionnaire on the state of the financial management and control systems in the public sector. The BNAO President may initiate a discussion on the draft of the BNAO opinion on the Minister of Finance annual consolidated report on the internal control in the public sector.

Key advantages of this cooperation agreement are reduction of the control burden over the auditees, convergence or complete match of the criteria for evaluating the internal control in the public sector.

Cooperation between the Bulgarian National Audit Office and the Institute of the Internal Auditors in Bulgaria

The Bulgarian National Audit Office management consists of President, two Vice-Presidents, and two Members. One of the Members shall be nominated by the Institute of the Internal Auditors in Bulgaria. The Bulgarian National Audit Office adopts with 4 votes out of 5 the audit reports, annual audit programme, the BNAO budget and other internal acts and decisions concerning the BNAO activities.

SAI Albania's practice: The SAI and the IA in Albania have drafted a joint Manual on the Audit of Arrears.

The development of the guidance is provided through regular communication and periodic meetings held on the basis of the analysis of ALSAI's findings and recommendations concerning the effectiveness of control systems in the IA procedures. As a reason, the drafted document mentioned provides with clear instructions (guidance) for an accurate accounting and reporting, aiming the reduction of arrears stock through improvement of IA systems and fiscal discipline in general. This guidance is still in place and audited by ALSAI.

SAI Romania's practice: Formal agreement with the Romanian Association of Internal Auditors

Currently, the Romanian Court of Accounts is finalizing the process of developing a new audit methodology intended to facilitate the conduct of external public audits in accordance with ISSAI.

In Romania, a professional organization called The Institute of Internal Auditors of Romania (IIA) carries out its activity, which is a member of the Institute of Internal Auditors (INC) international organization and the European Confederation of Institutes of Internal Auditing (ECIIA) and which aims to represent the framework where standards and norms of the professional practice of Internal Auditing issued by IIA Global are promoted. The IIA also aims to develop relations between professional institutions in Romania based on independence and professional competence and strives to increase the prestige of the Internal Auditor profession.

In the context of the above, because of the major methodological changes we are currently facing, we are in the process of drafting a new collaboration agreement with the Association of Internal Auditors in Romania, which we estimate will come into force by the end of October. For these reasons, in the new methodological context at this time, we cannot provide you with more details regarding the collaboration of the Romanian Court of Accounts with the IIA.

Regarding the request to submit a text for your publication, we present to you some aspects of the context and detail some procedural aspects generated by the application of the new audit methodology of the Court of Accounts.

When developing the new methodology, the Court of Accounts emphasized the applicability of the audit standards aimed at the use of the work of Internal Auditors from audited entities both from the perspective of using the work of the Internal Public Audit function to obtain audit evidence and from the use of Internal Public Auditors in providing direct assistance to external public auditors.

According to the new audit methodology, the activity of the Internal Public Audit function is evaluated by the audit teams of the Court, in order to obtain "audit assurance" for certain audit components. In this situation, for some audit components (for example: salary expenses/budget receivables, etc.) if assurance was obtained from the work of the Internal Public Auditors, the testing performed by the external public auditors will be limited testing.

For example:

Audited category	Essential assurance	Assurance from the internal audit activity	Assurance obtained from background testing
Salary Expenses	1	1.3	0.7
Lands and buildings	0	0	3
Budget claims	0	2.3	0.7

The use of Internal Public Auditors in providing direct assistance to external public auditors has been limited in the past due to legislative restrictions, but the Court has taken important steps in this direction as well. Thus, in the process of drafting the audit manuals, as a result of a constructive collaboration between the Court of Accounts and the Ministry of Public Finance (within which the Central Harmonization Unit for the Internal Public Audit is located), the legal framework that regulates the Internal Public Audit was completed, thus ensuring, for the most part, a complementarity between the Internal Audit and the external audit in the public sector in Romania.

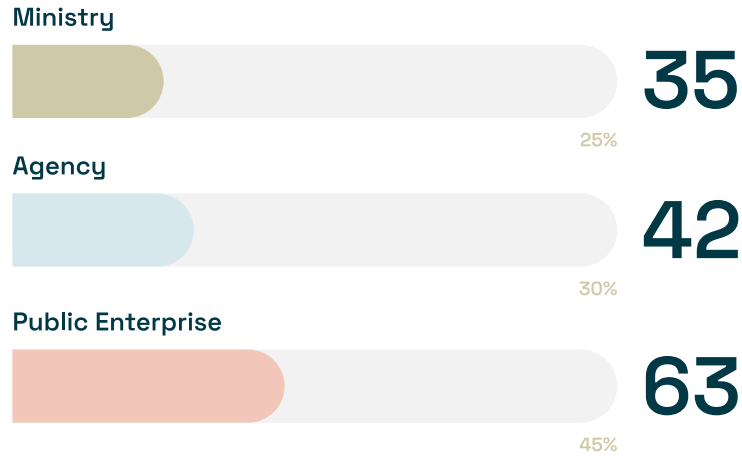
Annex 02

Results of the ECIA
online questionnaire



SURVEY QUESTION

What type of entity do you belong to?

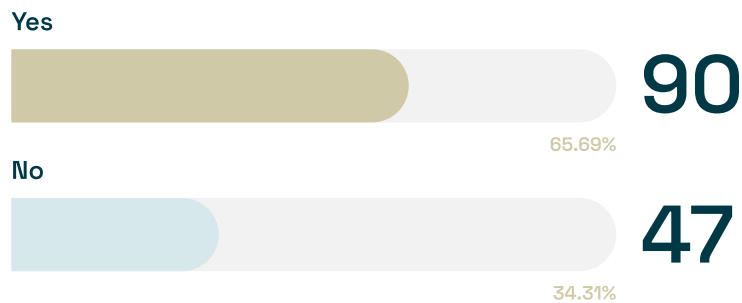


SAMPLE SIZE: 140 ANSWERS



SURVEY QUESTION

Does your entity have any contacts with the national Supreme Audit Institution – SAI?

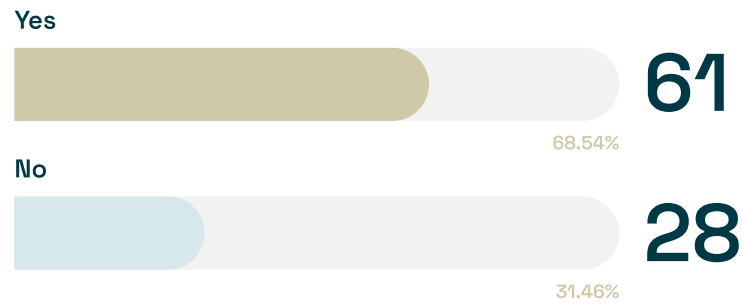


SAMPLE SIZE: 137 ANSWERS



SURVEY QUESTION

Are these contacts legally regulated?

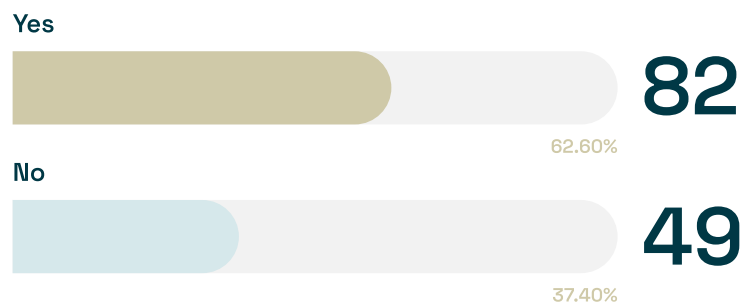


SAMPLE SIZE: 89 ANSWERS



SURVEY QUESTION

Is your entity audited by the SAI?

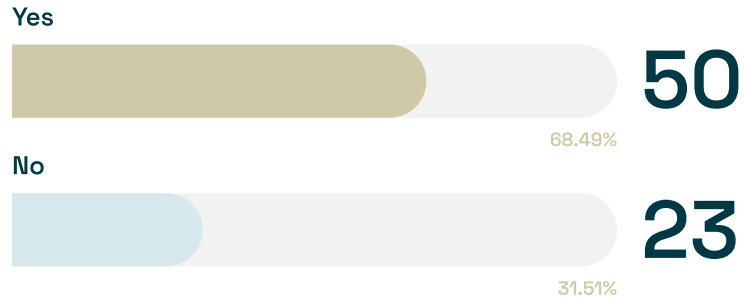


SAMPLE SIZE: 131 ANSWERS



SURVEY QUESTION

Does the SAI use the work of your internal audit department for their audits?

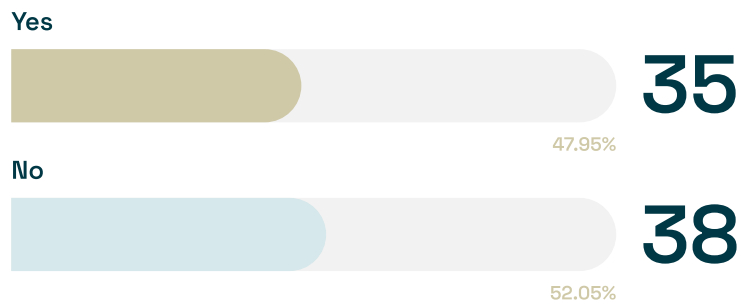


SAMPLE SIZE: 73 ANSWERS



SURVEY QUESTION

Does the SAI discuss their conclusions with the internal audit department?

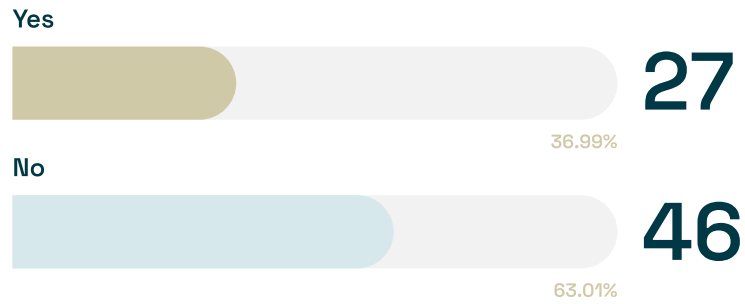


SAMPLE SIZE: 73 ANSWERS



SURVEY QUESTION

Do you have a document specifying the changes?

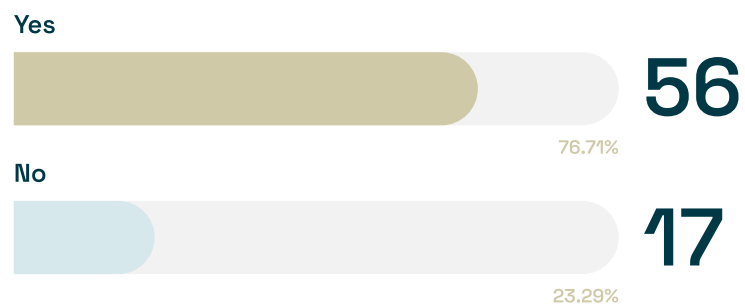


SAMPLE SIZE: 73 ANSWERS



SURVEY QUESTION

Does the Internal Audit department cooperate with the SAI?



SAMPLE SIZE: 73 ANSWERS



SURVEY QUESTION

What kind of cooperation?



SAMPLE SIZE: 70 ANSWERS

Annex 03

Results of the EUROSAI online
questionnaire

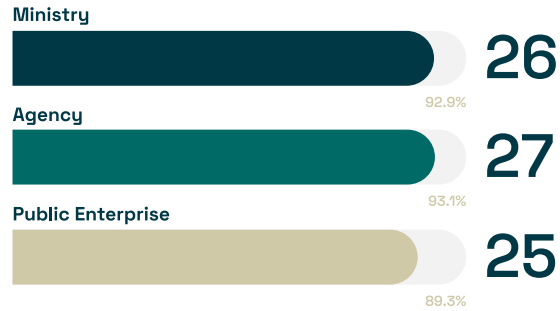
Existence of Public Sector Internal Auditors in your country



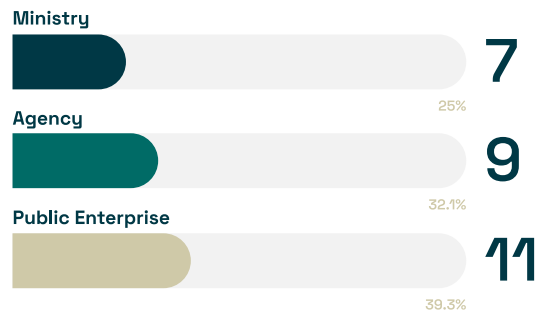
SURVEY QUESTION

On what level(s) of government and/or in what type(s) of entities are there internal auditors?

National / Federal State



Regions / Federated States or equivalent



Provinces or equivalent



Municipalities



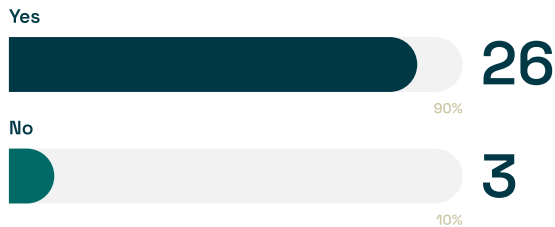
SAMPLE SIZE: 28

Existence of Coordination and Cooperation



SURVEY QUESTION

Does coordination or cooperation (formal or informal) between your SAI and Internal Auditors exist?



SAMPLE SIZE: 29



SURVEY QUESTION

If there is no coordination or cooperation, what are the main obstacles to coordination and cooperation?

There are legal obstacles



SAMPLE SIZE: 9

Internal Audit exists but does not comply with IIA standards



SAMPLE SIZE: 7



SURVEY QUESTION

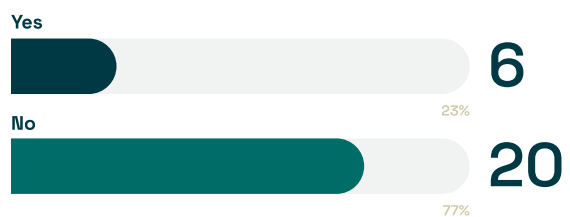
If there is coordination or cooperation...

Does your SAI comply with ISSAI 1610/ ISA 610 using the work of internal auditors?



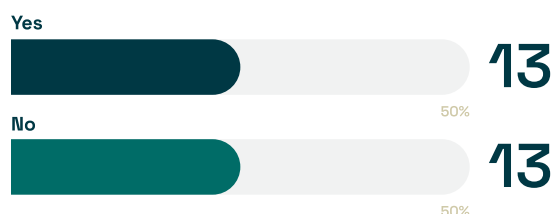
SAMPLE SIZE: 27

Are there any national auditing standards regarding coordination and cooperation?



SAMPLE SIZE: 26

Are there any explicit SAI internal rules (auditing manuals, standards, guidance, procedures, checklists, etc.) regarding coordination and cooperation?



SAMPLE SIZE: 26

Modes of Coordination and Cooperation



SURVEY QUESTION

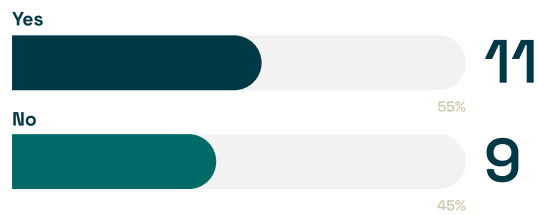
What is the basis for the mode of coordination and cooperation between your SAI and IA in your country?

Legislation



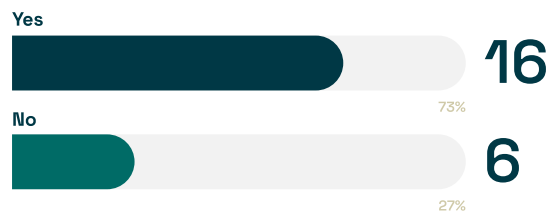
SAMPLE SIZE: 20

Formal agreement or protocol



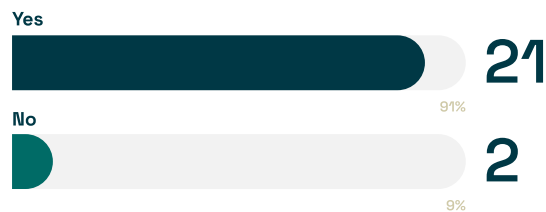
SAMPLE SIZE: 20

SAI internal rules



SAMPLE SIZE: 22

Informal



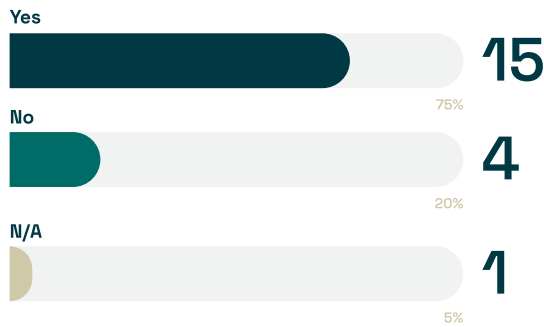
SAMPLE SIZE: 23



SURVEY QUESTION

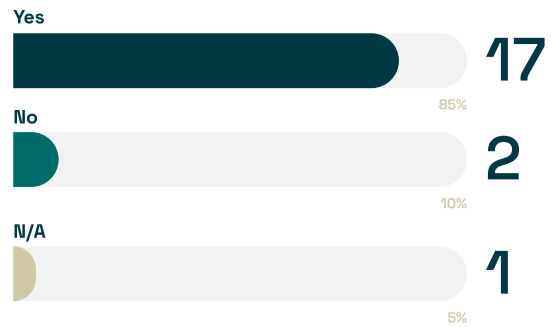
Do the following modes of cooperation and cooperation exist in practice?

Communication of audit planning / audit strategy
(e.g. joint planning sessions, kick-off meetings)



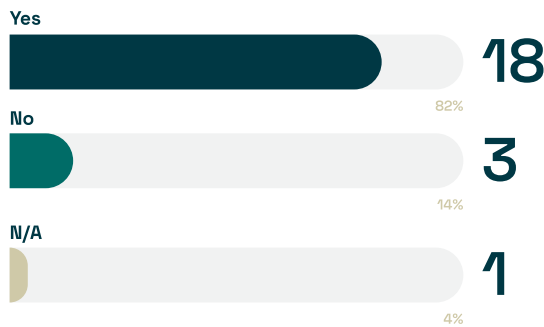
SAMPLE SIZE: 20

Communication of audit reports to each other
(including management letters)



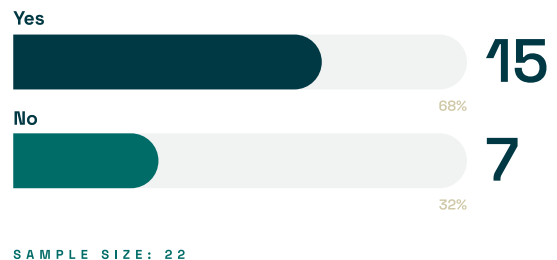
SAMPLE SIZE: 20

Regular meetings between SAIs and
Internal Auditors



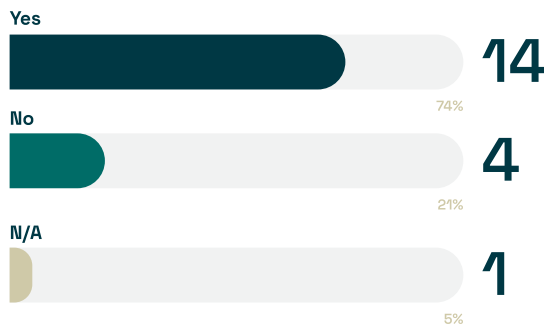
SAMPLE SIZE: 22

Organizing common training programmes and
courses, and sharing training materia



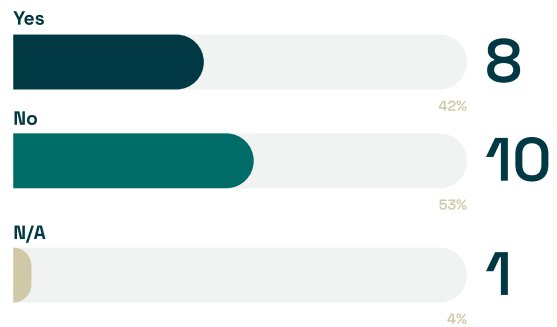
SAMPLE SIZE: 22

Arrangements for the sharing of information
(including consultation procedures)



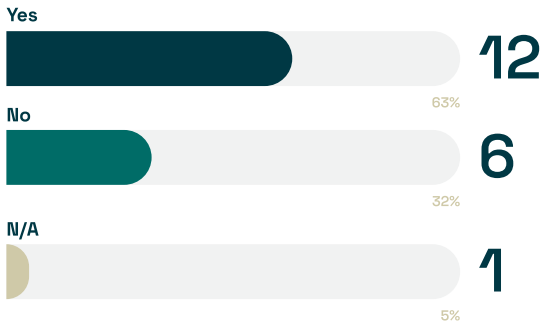
SAMPLE SIZE: 19

Developing methodologies



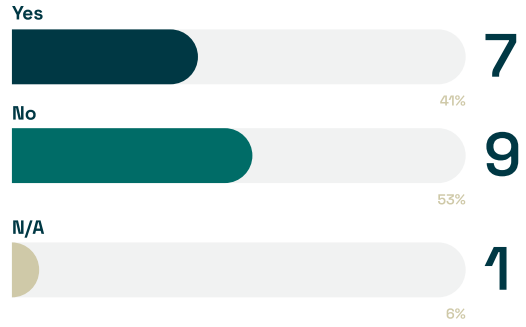
SAMPLE SIZE: 19

Sharing training material, methodologies, and audit work programs



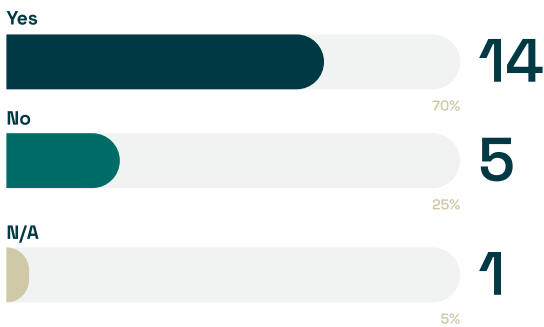
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Collaborating on certain audit procedures, such as collecting audit evidence or testing data



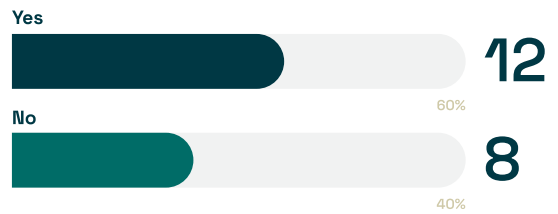
SAMPLE SIZE: 17

Granting access to audit documentation



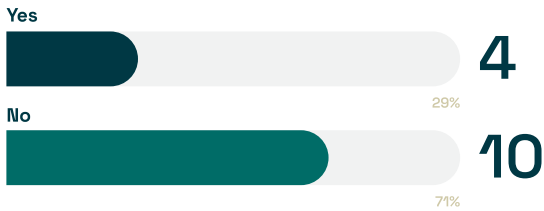
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Cooperation in the field of training and assessment of the internal control system



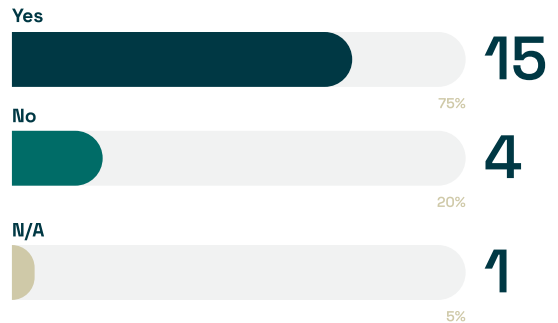
SAMPLE SIZE: 20

Secondment or lending of staff (e.g. training on the job)



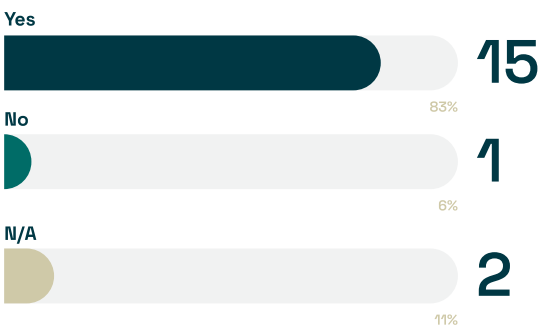
SAMPLE SIZE: 14

Monitoring of the implementation of audit recommendations



SAMPLE SIZE: 20

Use of certain aspects of each other's work to determine the nature, timing, and extent of audit procedures to be performed



SAMPLE SIZE: 18

Areas of Coordination and Cooperation



SURVEY QUESTION

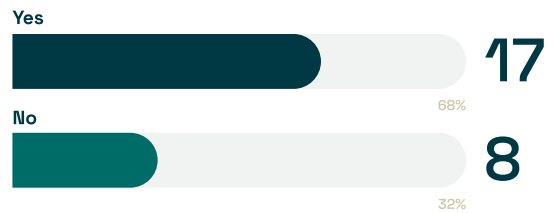
In what areas does your SAI have coordination and cooperation?

Evaluating the audit entity's: Internal Control framework



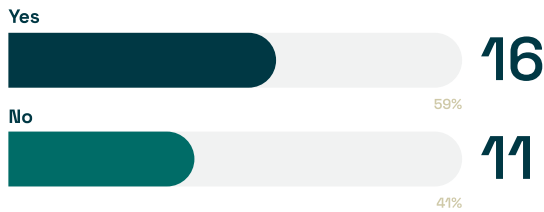
SAMPLE SIZE: 27

Evaluating the audit entity's: Public Governance



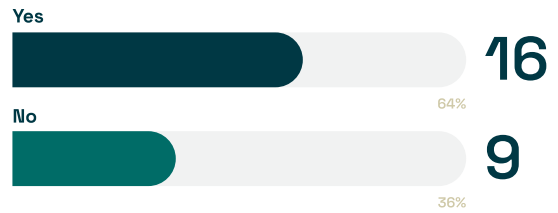
SAMPLE SIZE: 25

Evaluating the audit entity's: Financial statements' Compliance with Laws and Regulations



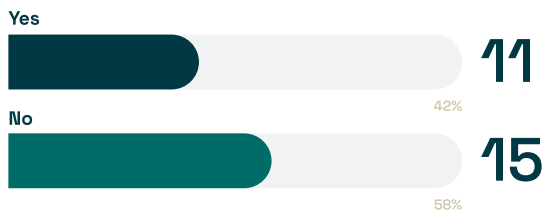
SAMPLE SIZE: 27

Evaluating the audit entity's: Risk management



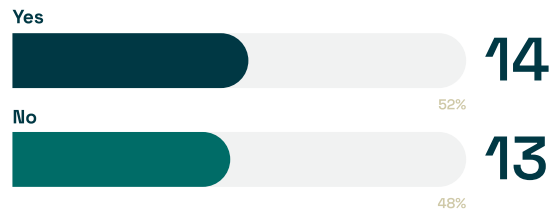
SAMPLE SIZE: 25

Evaluating the audit entity's: Performance indicators and performance studies



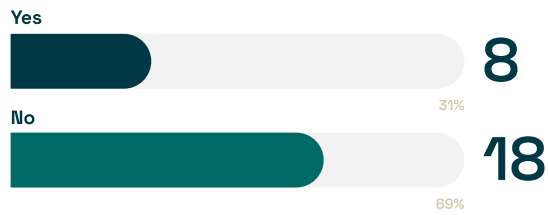
SAMPLE SIZE: 26

Documenting the audit entity's systems and operational processes



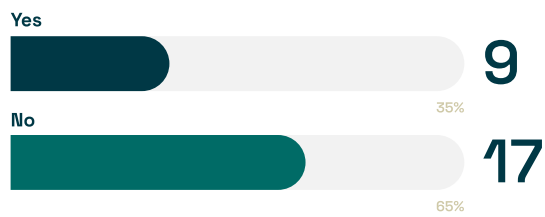
SAMPLE SIZE: 27

Developing audit procedures



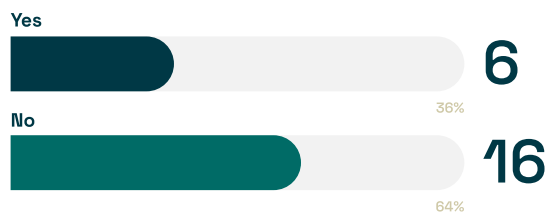
SAMPLE SIZE: 26

Performing audit procedures (e.g. audit of multi-located entities)



SAMPLE SIZE: 26

Investigating fraud and corruption allegations



SAMPLE SIZE: 25

Benefits and risks of Coordination and Cooperation



SURVEY QUESTION

Has your SAI experienced benefits from coordination and cooperation?



SAMPLE SIZE: 26



SURVEY QUESTION

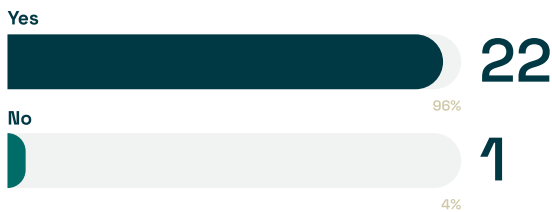
What are the benefits to the quality assurance system of your SAI from the cooperation and coordination between IA and EA in your country?

An exchange of ideas and knowledge



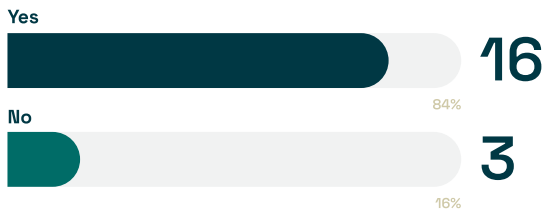
SAMPLE SIZE: 23

Strengthening their mutual ability to promote good governance and accountability practices, and enhancing management understanding of the importance of internal control



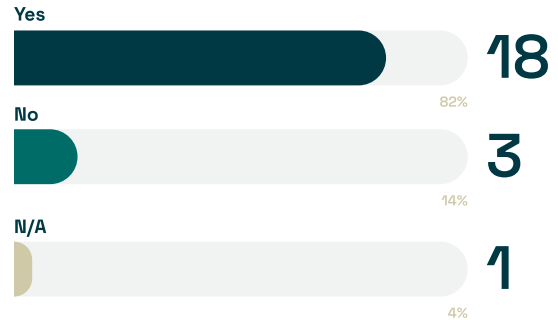
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Provides assurance over key areas of spending



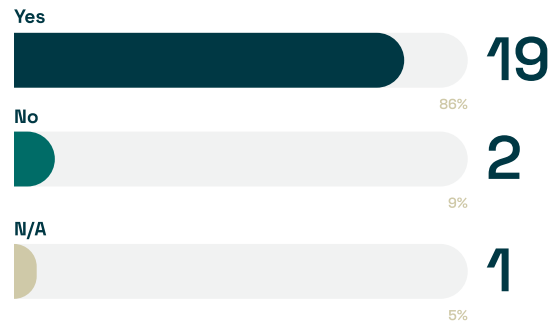
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More effective audits based on: Promoting a clearer understanding of respective audit roles and requirements



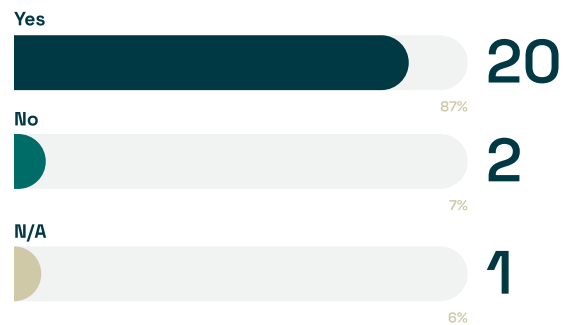
SAMPLE SIZE: 23

More effective audits based on: Better informed dialogue on the risks facing the organisation leading to a more focused audit and, consequently, more useful recommendations



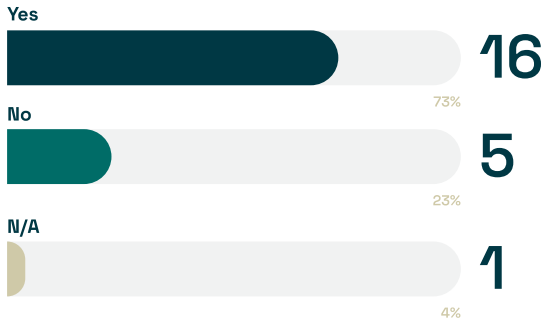
SAMPLE SIZE: 22

More effective audits based on: Better understanding by both parties of the results arising from each other's work which may have an impact on their respective future work plans and programmes



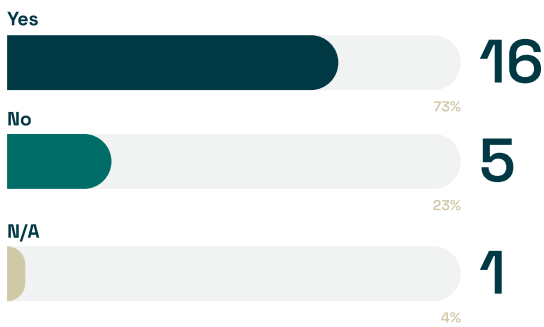
SAMPLE SIZE: 23

**More efficient audits based on:
Better coordinated Internal and External Audit
activity resulting from coordinated planning and
communication**



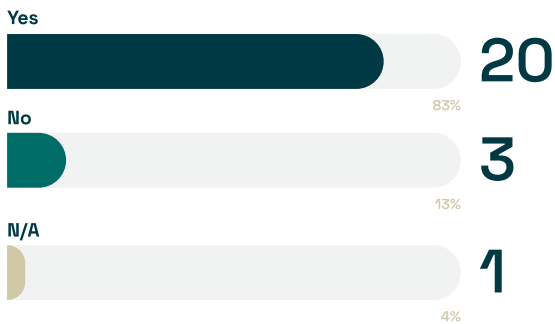
SAMPLE SIZE: 22

**More efficient audits based on: Refined audit
scope for SAIs and Internal Auditors**



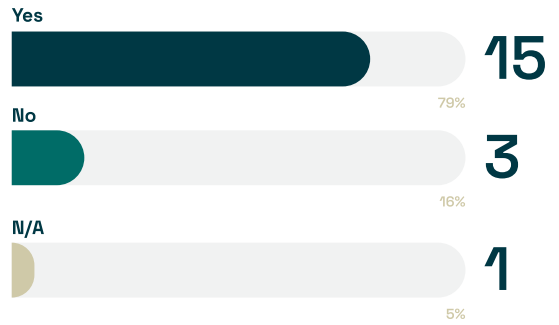
SAMPLE SIZE: 22

**Reducing the likelihood of unnecessary
duplication of audit work (economy)**



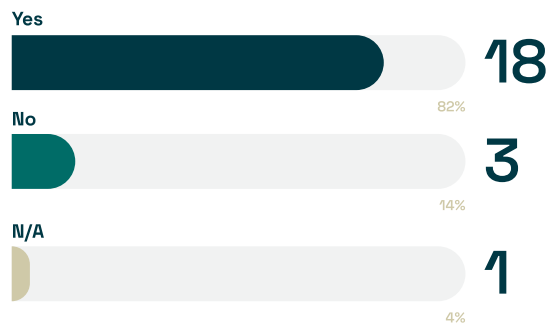
SAMPLE SIZE: 24

**Minimizing disruption to the audited entity
during the audits**



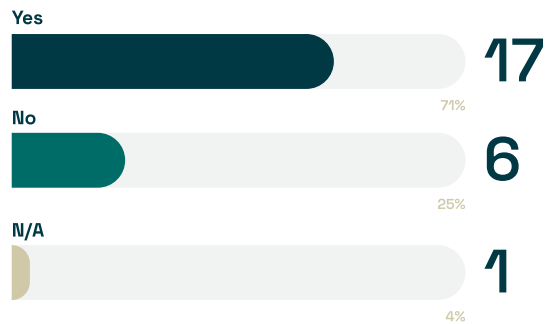
SAMPLE SIZE: 19

**Improving and maximizing audit coverage based
on risk assessments and identified
significant risks**



SAMPLE SIZE: 22

**Mutual support on audit recommendations which
may enhance the effectiveness of audit services**



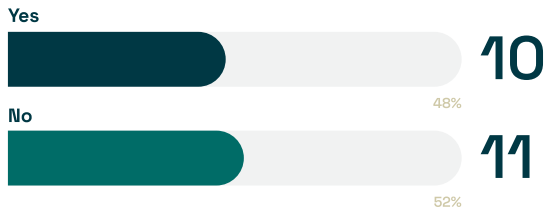
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SURVEY QUESTION

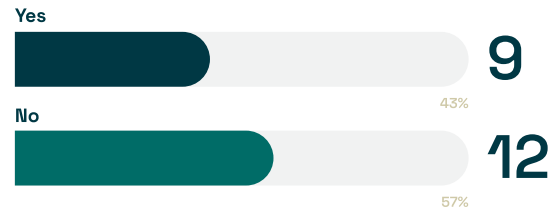
What are the potential risks, if any for your SAI in the implementation of coordination and cooperation with IA?

Any compromise of confidentiality, independence, and objectivity



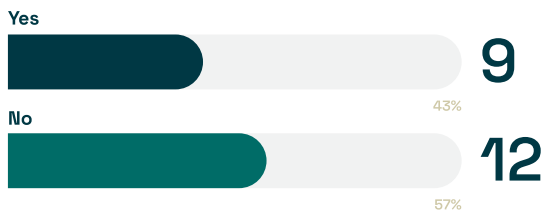
SAMPLE SIZE: 21

Misinterpretation of conclusions when using each other's work



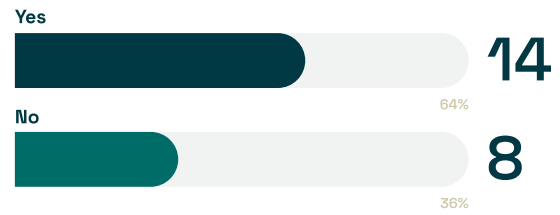
SAMPLE SIZE: 21

Possible conflicts of interest



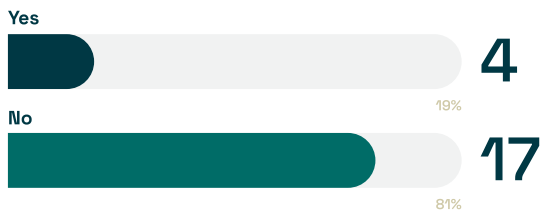
SAMPLE SIZE: 21

Possible difference of conclusions or opinions on the subject matter



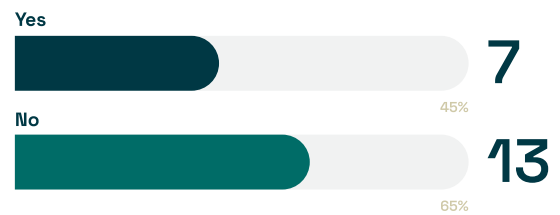
SAMPLE SIZE: 22

Dilution of responsibilities



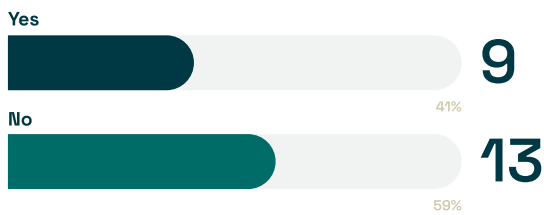
SAMPLE SIZE: 21

The possibility that potential findings of the other auditor may be prematurely communicated to an external party, before sufficient audit evidence exists to support those findings



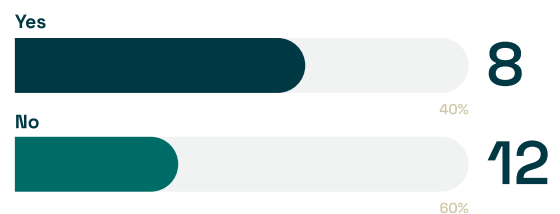
SAMPLE SIZE: 20

Use of different professional standards relating to independence or audit



SAMPLE SIZE: 22

Not considering constraints or restrictions placed on the other auditor in determining the extent of coordination and cooperation



SAMPLE SIZE: 20

Thank You!

Acknowledgements and ECIIA and EUROSAI in a nutshell

Thank you!

We would like to thank the members of the ECIIA-EUROSAI Workgroup¹ and the members of the ECIIA Public Sector Committee, as well as the contacts in the National Institutes that have helped us collecting the data and best practices, analysing them and writing the report. We also appreciate the contribution of each EUROSAI member, who not only participated in the survey in order to draw conclusions, but also openly shared their experiences and practices on collaboration with IA.

About ECIIA

The ECIIA is the voice of Internal Audit in Europe. Our role is to enhance corporate governance through the promotion of the professional practice of Internal Auditing. Our members comprise 34 national institutes of Internal Auditing from countries that fall within the wider European region, representing 55 000 members. The ECIIA mission is to further the development of good Corporate Governance and Internal Audit at the European level, through knowledge sharing, developing key relationships, and impacting the regulatory environment, by dealing with the European Union, its Parliament and any other European regulators and associations representing key stakeholders.

ECIIA has created a Public Sector Committee and an ECIIA/EUROSAI Workgroup to deal with the role of Internal Audit in the public sector.

[ECIIA Website](#)

About EUROSAI

The European Organisation of Supreme Audit Institutions (EUROSAI) groups together the Supreme Audit Institutions (SAIs) of Europe with the objective to promote professional cooperation among members, to encourage the exchange of information and documentation, to advance the study of public sector audit. EUROSAI was established in 1990 and its membership stands now at 51 supreme audit institutions.

EUROSAI comprises working groups, task forces and networks in different professional areas, e.g. implementing professional cooperation and institutional capacity development, communication issues, emerging issues, relations with other regional organisations as well as relations with non-SAI stakeholders.

[EUROSAI Website](#)

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¹ Agnese Rupenheite, Melvyn Neate, Pascale Vandenbussche, Silvija Nora Kalnins, Soledad Llamas Tutor, Zane Leitane,



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Internal Auditing**



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