Towards an Optimal Internal Control Environment

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PRINCIPLES OF PUBLIC INTERNAL CONTROL

1. Good governance as main driver
2. Focus on performance
3. COSO/INTOSAI as a basis
4. Three lines of defence
5. Independent Internal Audit function

...
WHAT IS THE CONTROL ENVIRONMENT?

- Integrity and ethical values.
- Management’s philosophy
- Competence of personnel.

- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.

(IIA definition)
INTERACTION BETWEEN FORMAL & BEHAVIOURAL ASPECTS

STIMULATE
PROMOTE

MANAGEMENT
RESPONSIBILITY

INTERACTION

IDENTIFICATION
ADHERANCE

EVERYONE’S
RESPONSIBILITY

BEHAVIOUR
AND HUMAN
ASPECTS

FORMAL
FRAMEWORK
ASPECTS OF THE FORMAL FRAMEWORK

- Clear values
- Reflected in processes and procedures
- Accountability structures

TOOLS

- Code of ethics
- Training
- HR procedures
- Annual Mgt Declaration
- Sunshine laws
- ...

Clear values
Reflected in processes and procedures
Accountability structures
IMPLEMENTATION ASPECTS ON THE INDIVIDUAL LEVEL

- Creating awareness
- Tone at the top
- Motivating staff
- Ensuring transparency

TOOLS

- Adequate reward systems
- Self-assessment tools
- Evaluation tools
- Staff involved in decision making
- Balance in work-private life
- ...
MEASURING, EVALUATION & MONITORING

- Measuring maturity
- Evaluation by internal audit
- Monitoring by
  - Discouraging non-compliance
  - Fraud policy

TOOLS

- Exit-interviews
- Staff satisfaction survey
- Identification of ‘red flags’
- Reporting on deficiencies
- Adequate rewarding and sanction procedures
It is time for a CULTURE AUDIT!!!

- Buy in from senior management
- Think outside of the box
- Confidential nature of findings
- Coordination with External Auditors
SOLID CONTROL ENVIRONMENT HELPS FIGHT FRAUDS AND CORRUPTION

- **Tone at the top**
- **Mandated requirements**
- **Systematic approach**
- **Governing for performance and compliance**
- **Values and behaviour**

* Fraud Control Framework ‘Better Practice Guide; Fraud Control in Government Entities, Australian National Audit Office
HOW TO ENSURE OPENNESS?

• OPEN DATA

• SOCIAL MEDIA
CHALLENGES AND HOW THESE ARE TACKLED

• Trainings for management
• Measurement can be confusing
• Who should promote?
  • Law makers
  • Management
  • Internal Auditors
Tone at the top is a critical success factor!!!
Q&A

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