

INTERNAL AUDIT AGENCY

AUDIT COMMITTEES TRAINING

STRENGTHENING INTERNAL CONTROLS AT COVERED ENTITIES

Internal Audit Agency
Integrity + Professionalism

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Objectives

The presentation is intended to help participants:

- Appreciate Internal Controls in managing Public Finances
- Understand the Public Financial Management (PFM) system
- Strengthen Controls by Ensuring compliance with the PFM Laws and Regulations

Presentation Outline

1. Introduction
2. Internal Control Process in Public Finances
3. Strengthening Internal Controls through the PFM Systems
4. The Internal Auditor's Role in Strengthening Internal Controls
5. External Auditor's Role in Strengthening Internal Controls
6. Audit Committee's Role in Strengthening Internal Controls
7. Conclusion

Introduction (1/2)

- As part of the advisory roles, ACs are required to ensure Institution- wide sound Internal Controls
- **Section 7(2) of the PFM Act 2016, Act 921**
- “A Principal Spending Officer shall, in the exercise of duties under this Act, establish an effective system of **risk management, internal control and internal audit** in respect of the **resources and transactions** of a covered entity”

Introduction (2/2)

- Covered Entities therefore establish internal control systems to help them safeguard resources and achieve their plans, goals and objectives.
- Internal Controls also ensure that activities of Covered Entities are in compliance with laws, regulations, policies, plans, standards and procedures..

Internal Control Process

- Internal Control is defined by COSO as...

“A process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding:

- Compliance with Policies, Procedures, Rules and Regulations
- Achievement of Objectives
- Reliability and relevance of Financial Reporting
- Efficiency and Effectiveness of Operations
- Safeguarding of Assets”

Five Component of Internal Controls Under COSO

- Control Environment.
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring.

Internal Control Process in Public Finances

- Control Activities
 - Control activities looks at the policies, procedures, processes, methods and mechanisms that management employs to mitigate the likelihood and effects of risks identified during the risk assessment process

Internal Control Process in Public Finances

Types of Control Activities

- Segregation of Duties
- Security
- Authorization

- Policy and procedures
- Training seminars
- Job Descriptions



- Reconciliation
- Financial statement/ budget reviews
- Periodic review of expenditure reports

- **Insurance**
- **Crisis Management Plans**

Internal Audit, Internal Control and Audit Committee

The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

External Audit and Scrutiny in Strengthening Internal Controls

Section 176-180 of the LGA 2016 (Act 936) provide for External Audit for all MMDAs.

–The Auditor-General shall, within six months after the end of each financial year, examine and audit the public accounts submitted under this Act in accordance with article 187 of the Constitution and the Audit Service Act, 2000 (Act 584) – **Section 84 of the PFM Act**

CONCLUSION

- Strengthening Internal Controls will enable the Organization to achieve its set objectives.
- Internal Audit and Audit Committees' roles are critical in ensuring sound Internal Control System.

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THE END

THANK YOU!