



Added Value of Internal Audit in practice

Austrian Experience

Dr Andreas Berger
Ministry of Education, Science and Research



This project is
funded by the EU





Dr. Andreas Berger

Federal Ministry of Education, Science and Research
Austria

andreas.berger@bmbwf.gv.at

Chief Audit Executive of the Federal Ministry of Education, Science and Research

Project manager, component leader and short term expert of EU funded international projects
Lecturer at a University of Applied Sciences (2011 - 2017)



The programme

- **What is Internal Audit**
- **What does Internal Audit**
- **Outcome & Impact of Internal Audit**
 - **Recent Examples**



What is Internal Audit?

Mission, definition of IA

Mission of Internal Audit

- To enhance and protect **organizational value** by providing risk-based and objective assurance, advice, and insight. (oversight and foresight)

Definition

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



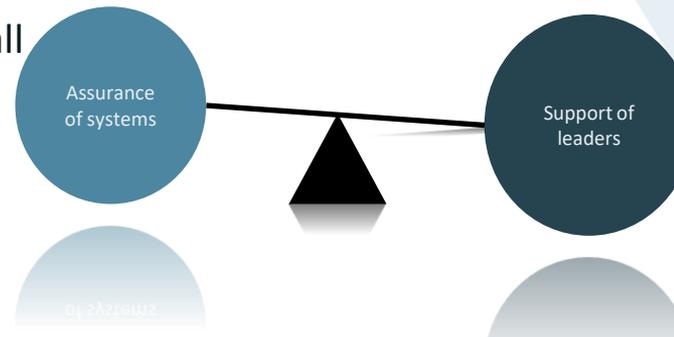
Core principles of IA

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- **Aligns with the strategies, objectives, and risks of the organization.**
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and **continuous improvement.**
- Communicates effectively.
- Provides **risk-based assurance.**
- **Is insightful, proactive, and future-focused.**
- **Promotes organizational improvement.**



Paradigms

- How to understand the Internal Audit Function?
 - **Principal Agent-Theory**: segregation of ownership and power to dispose (at several levels), IAD supports principal
 - **Stewardship-Theory**: focus on entity, IAD supports to identify weaknesses and potentials
 - **Three Lines (of Defence) -Model**: focus on control and assurance
 - **Combined Assurance**: combination of all



IIA Standards

IPPF 2010, Planning

- The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, **consistent with the organization's goals**.
- Interpretation :...[she /he] obtains an **understanding of the organization's strategies**, key business objectives, associated risks, and risk management processes.

IPPF 2110, Governance

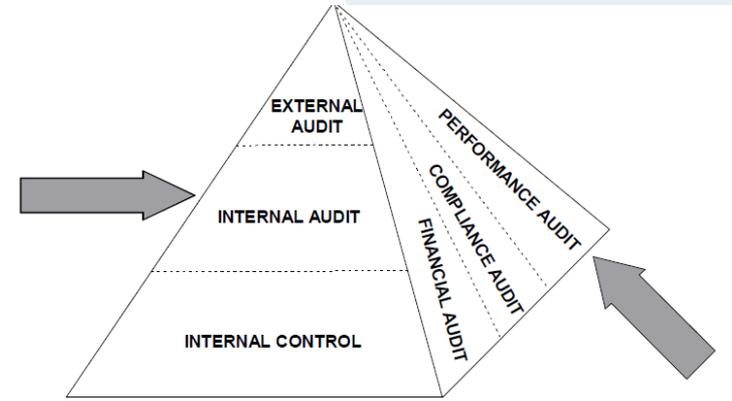
- The internal audit activity must assess and make appropriate **recommendations to improve** the organization's governance processes for
 - Making strategic and operational decisions
 - Overseeing risk management and control
 - Promoting appropriate ethics and values within the organization
 - Ensuring effective organizational performance management and accountability
 - ...

Internal Audit seen from scientific community

Prof. Boukaert, Belgium

Impact of public sector reforms on financial management systems

- Shifting to performance budgeting, and performance auditing
- Connecting financial, policy, and contract cycles
- Increased importance of non-financial information



Internal Audit seen from scientific community

Prof. Brodrick, Canada

Auditors

- need to think strategic in a light of an overall purpose
- need to shift from snapshots to movies (understand the evolution, go to trends over time, report larger contexts).

The single most important product:

- The learning and improvement that occurs in agencies as a result of auditing.
- Because Auditors and PS managers have the same overall objective: ensure and maintain high performing public services

Internal Audit seen from scientific community

IIA-Position Paper The Role of Auditing in Public Sector Governance, 2006

- The key point, however, is that government audit functions must be configured appropriately to enable governments and government entities to fulfill their duty to be accountable to the citizens, while achieving their objectives effectively, efficiently, and ethically.

Internal Audit seen from scientific community

Other examples:

- Internal Audit Capability Model for the public sector (IIA, 2009 / 2017)
- Internal Audit Ambition Model (IIA NL 2018)
- Three Lines Model (ECIIA, 2012, IIA 2020)
- INTOSAI GOV - e.g. 9140, article 1.6 “The role of internal auditing has evolved from an administrative procedure with a focus on compliance, to an important element of good governance.”

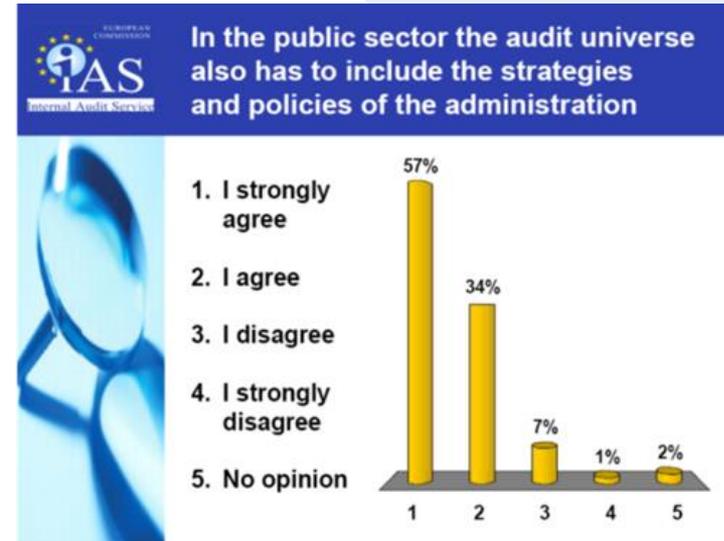
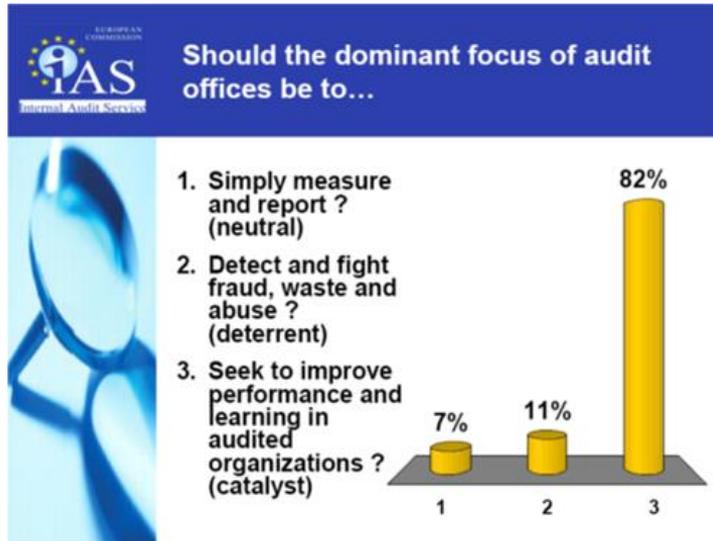


What does Internal Audit?



Internal Audit seen from scientific community

- Votes at IAS-Conference 2008 in Brussels

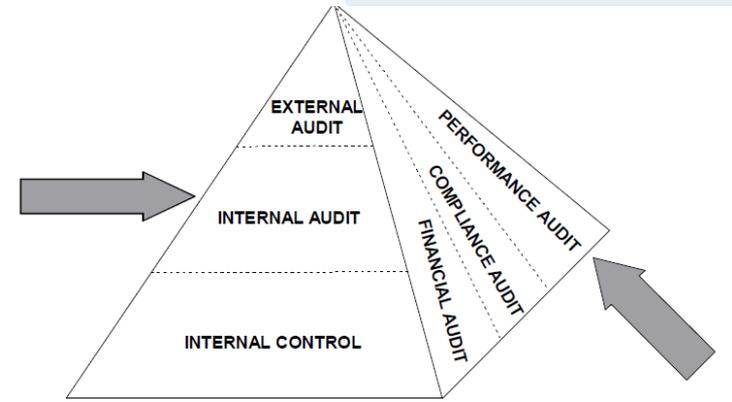


Internal Audit seen from scientific community

Prof. Boukaert, Belgium

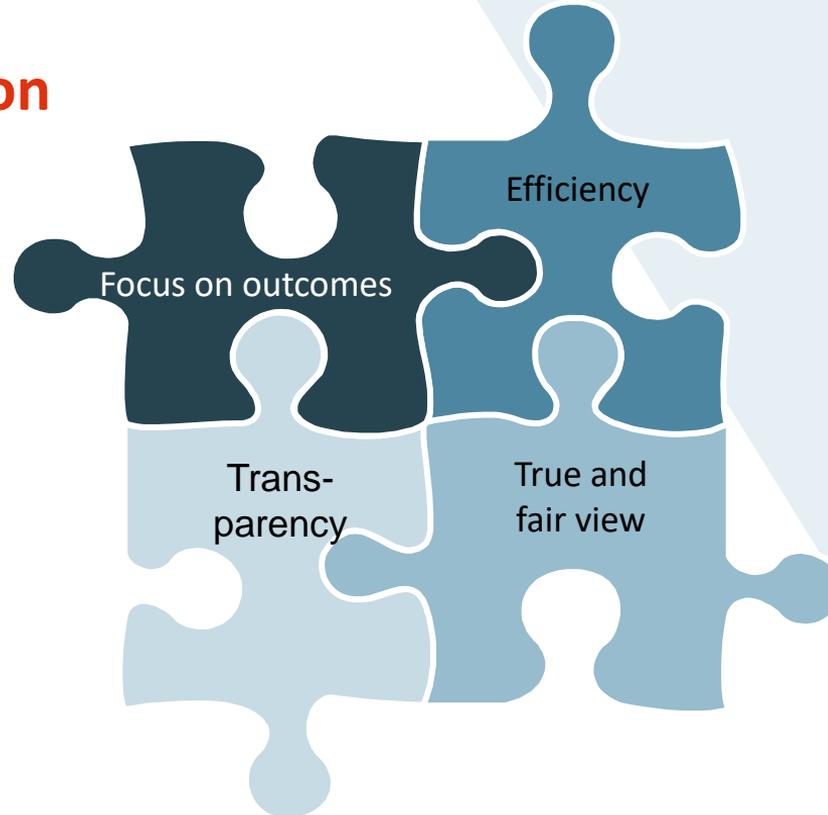
Impact of public sector reforms on financial management systems

- Shifting to performance budgeting, and performance auditing
- Connecting financial, policy, and contract cycles
- Increased importance of non-financial information





Budgetary Principles in the Austrian Constitution



Aims to be achieved with Performance Budgeting

1. Show which **outputs** and **outcomes** are to be achieved with underlying budget
 2. Facilitation of **priority setting** for politics and subsequently in the public administration
 3. Strengthened **performance accountability** for line ministries and budget managing bodies
 4. Transparent **presentation of results** achieved by the public administration for the public and the Parliament
- The budget as a **strategic policy instrument**



Impact-Oriented Budget Management - Definition of roles

- **Line Minister:** responsible for performance budgeting & performance controlling on ministry level
- **Head of agency/budget managing body:** responsible for budget management of their “detail budgets”, implementation of measures to achieve performance objectives
- **Ministry of Finance:** defines the framework for impact-oriented budget management & performance budgeting
- **Federal Chancellery:** responsible for performance controlling and for the personnel plan of the budget
- **Court of Audit:** responsible for annual financial statements, audits, advisory role to the government.
New: summary of recommendations from recent audits put in the budget bill on global budget level

Internal Audit seen from scientific community

Fundamental Principles of Performance Auditing”, ISSAI 300

- Performance audit is an ... examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.”
- Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement.

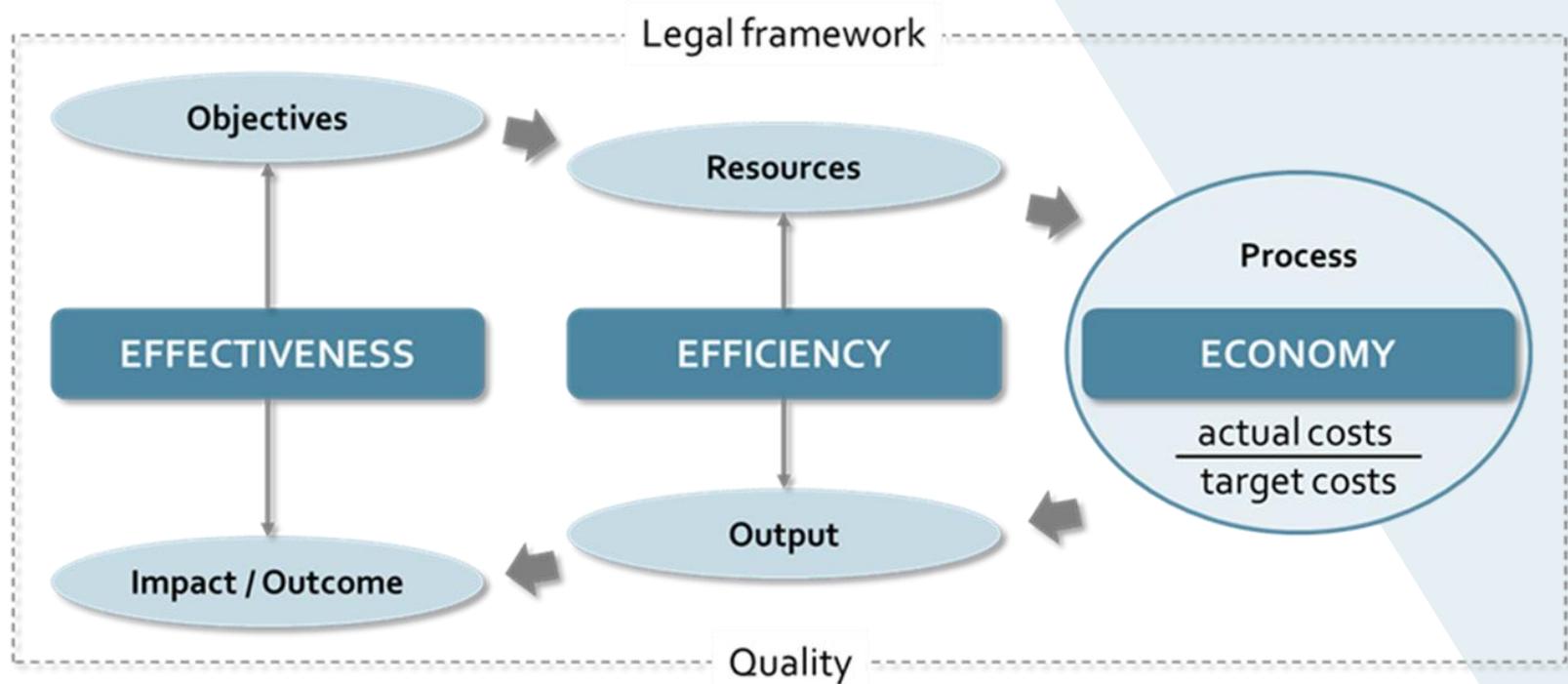
Definition of Performance Auditing by INTOSAI

“Fundamental Principles of Performance Auditing”, ISSAI 300

- Performance audit is “an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.”
- Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement. Performance audits deliver new information, knowledge or value by:
 - Providing new analytical insights (broader and deeper analysis or new perspectives);
 - Making existing information more accessible to various stakeholders;
 - Providing an independent and authoritative view or conclusion based on audit evidence;
 - Providing recommendations based on an analysis of audit findings.

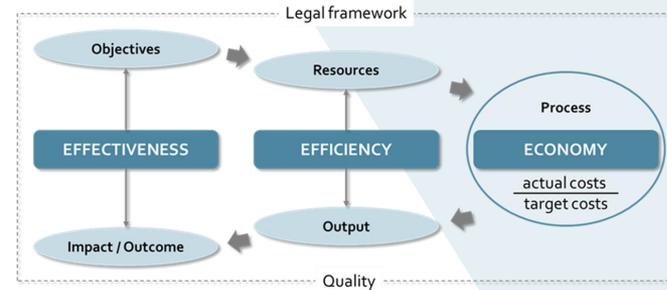


Economy – efficiency - effectiveness



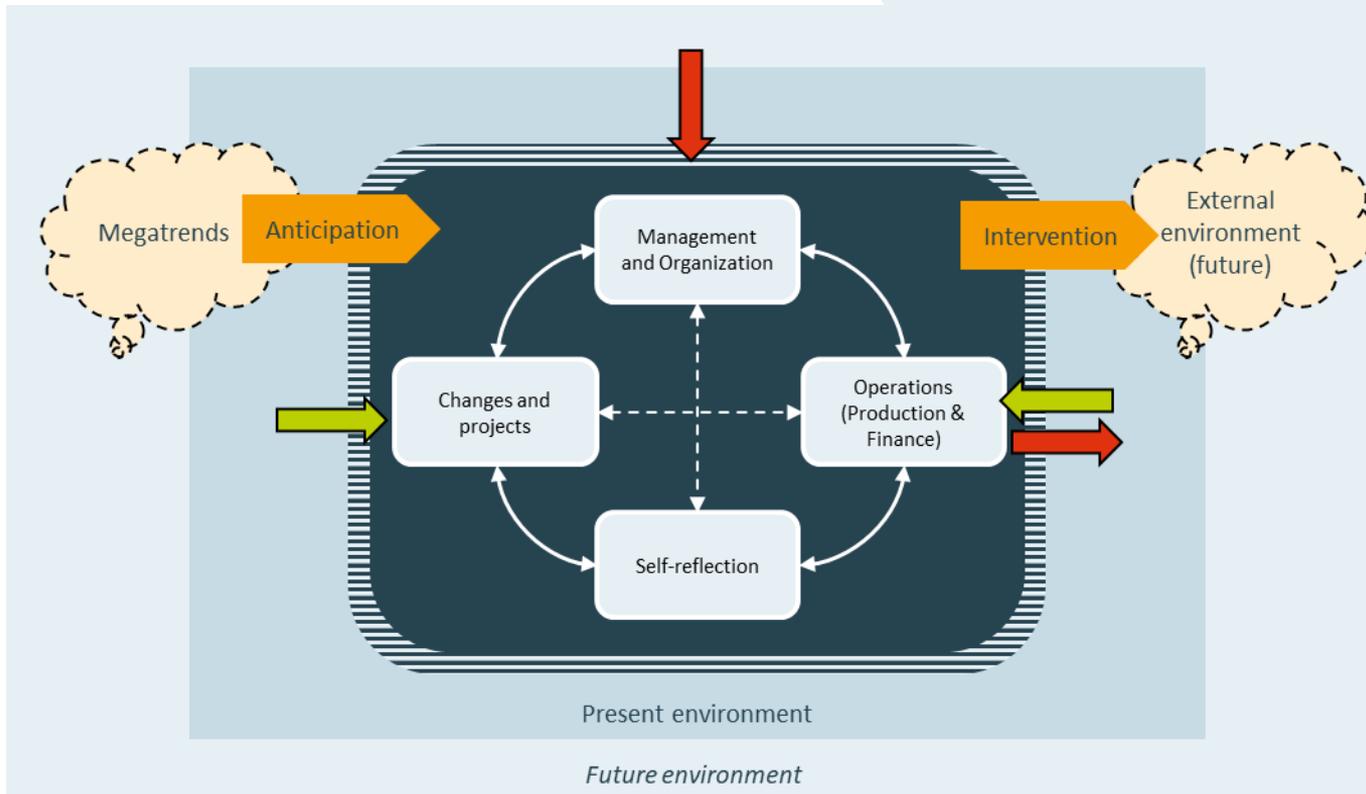
Situation in Austrian Ministries

- Compliance audit: rare
- Performance auditing: very often
(vague overview of the whole system, selection of the most risky areas)
- Positioning of IAD:
 - directly under the Minister, accountable to the Minister

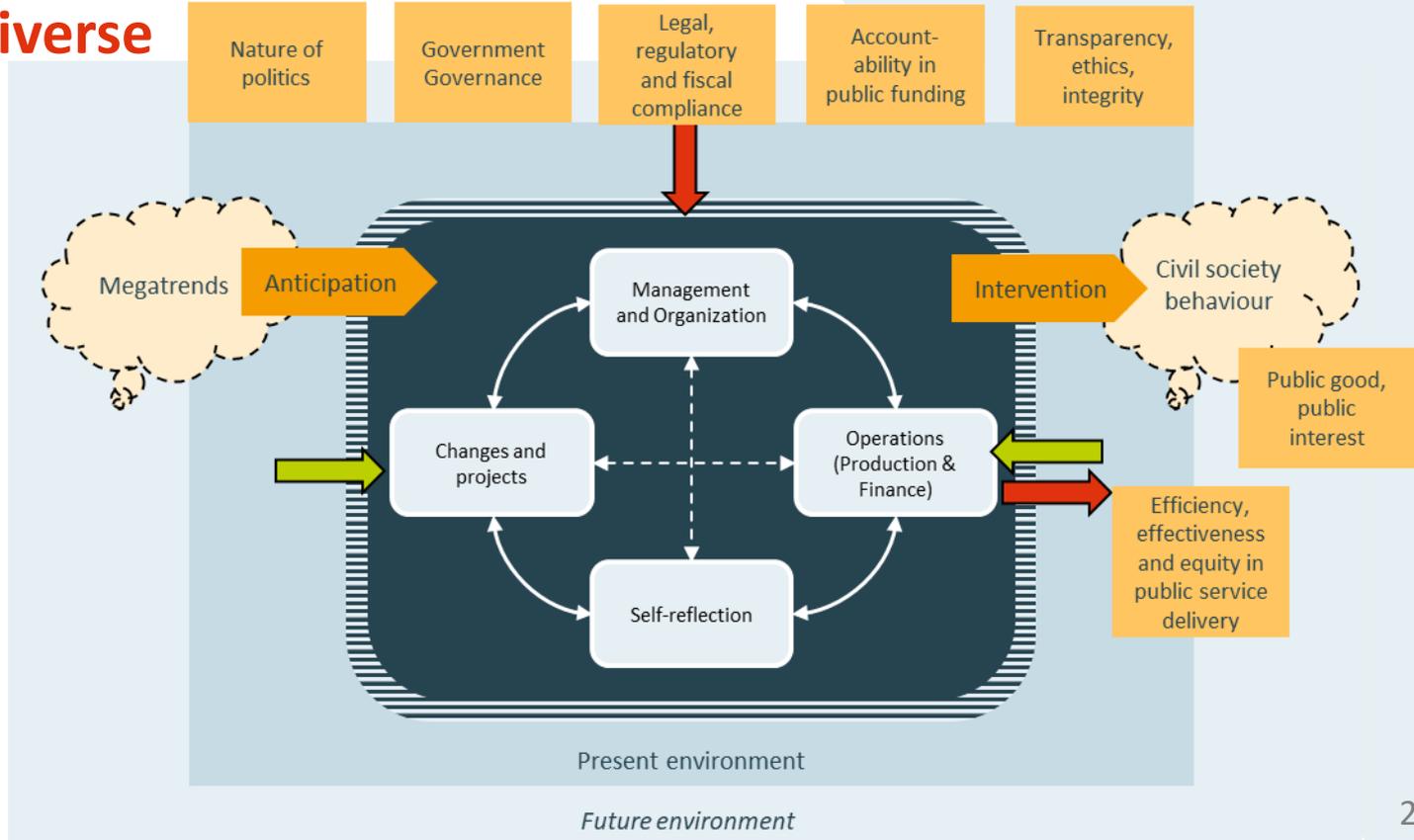




Audit universe



Audit universe



Audit Universe (inside public entity)

- Management and Organisation: [mission, vision] strategy and structure;
 - What does the organisation want?
- Operations (production and finance): operational business
 - What does the organisation actually do?
- Self reflexion: in principle 2nd line role (ICS, RiskM, QualityM, ComplianceM, ...)
 - How well does the organisation know itself?
- Changes and projects: targeted change, including investments, projects, (project)portfolio management, organisational development, HR development, ...
 - How well does the organisation implement changes?



Audit Universe (environment)

- External Environment: incoming and outgoing interactions
 - What is the influence of external rules and actions to the organisation?
 - How is the external environment served by organisation?
- Megatrends: important mid-term and long-term influencing factors
 - How will megatrends affect the awareness and basic orientation of the organisation?
 - How will the organisation contribute to initiate or support a further development of society?

Audit Universe (Advantages)

- It helps keeping in mind the following organisational aspects:
 - Internal functions of the organisation
 - Context with the environment
 - Nature of organisation (static / dynamic)
 - Time (presence /short-, mid-, long-term forecast)
 - Change (targeted / “by chance”)
 - Compliance (as is / as should)
 - Focus “zoom function” (total / detail)



Outcome & Impact



What the Management really wants

- Financial Audits?
- Compliance Audits?
- Performance Audits?

- ALL OF THEM?
- NONE OF THEM?
- A MIX OF THEM?



What the Management really wants

MANAGEMENT DOES NOT CARE!

SOUND; TRUE AND RELIABLE BASIS FOR DECISION-MAKING



The main questions of the leader to the head of IAD

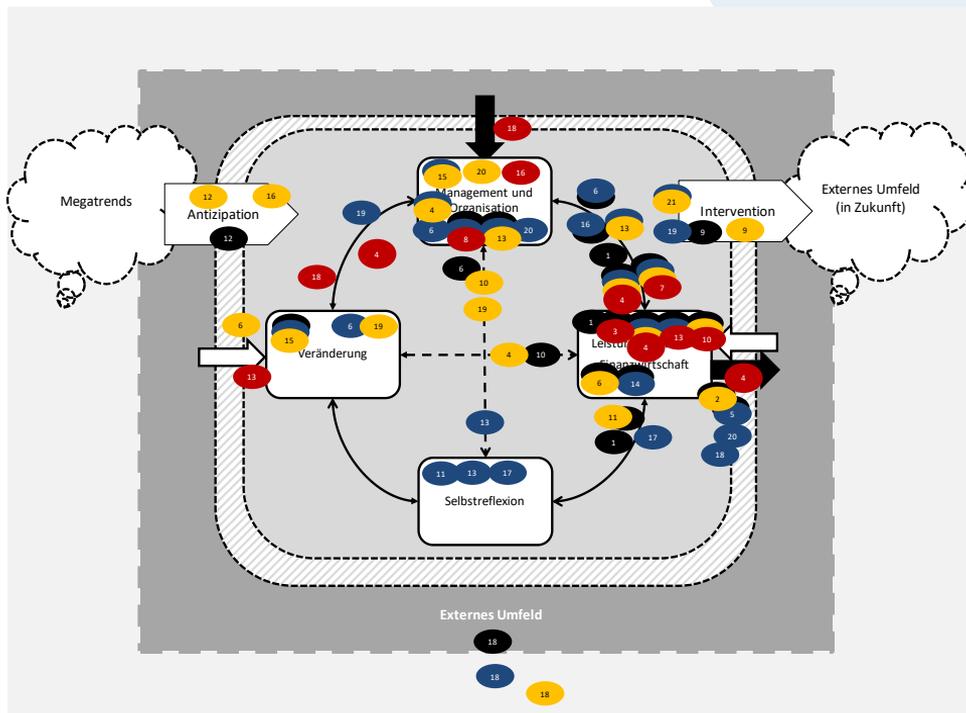
1. How well does the organization work?
2. How well does the organisation implement changes?
3. How well is the organisation prepared for being fit for future?



Examples



Internal audits of MoE, Sc&R over several years



 Federal Ministry
Republic of Austria
Finance

 Federal Ministry
Republic of Austria
Education, Science
and Research



REFORM/GA2020/028

Further development of internal
control system and internal audit in
the public sector

Scholarship instruments of the art universities

Testing Team:
Stephan Haider (TL)
Bernhard Stamm
Wolfgang Sax

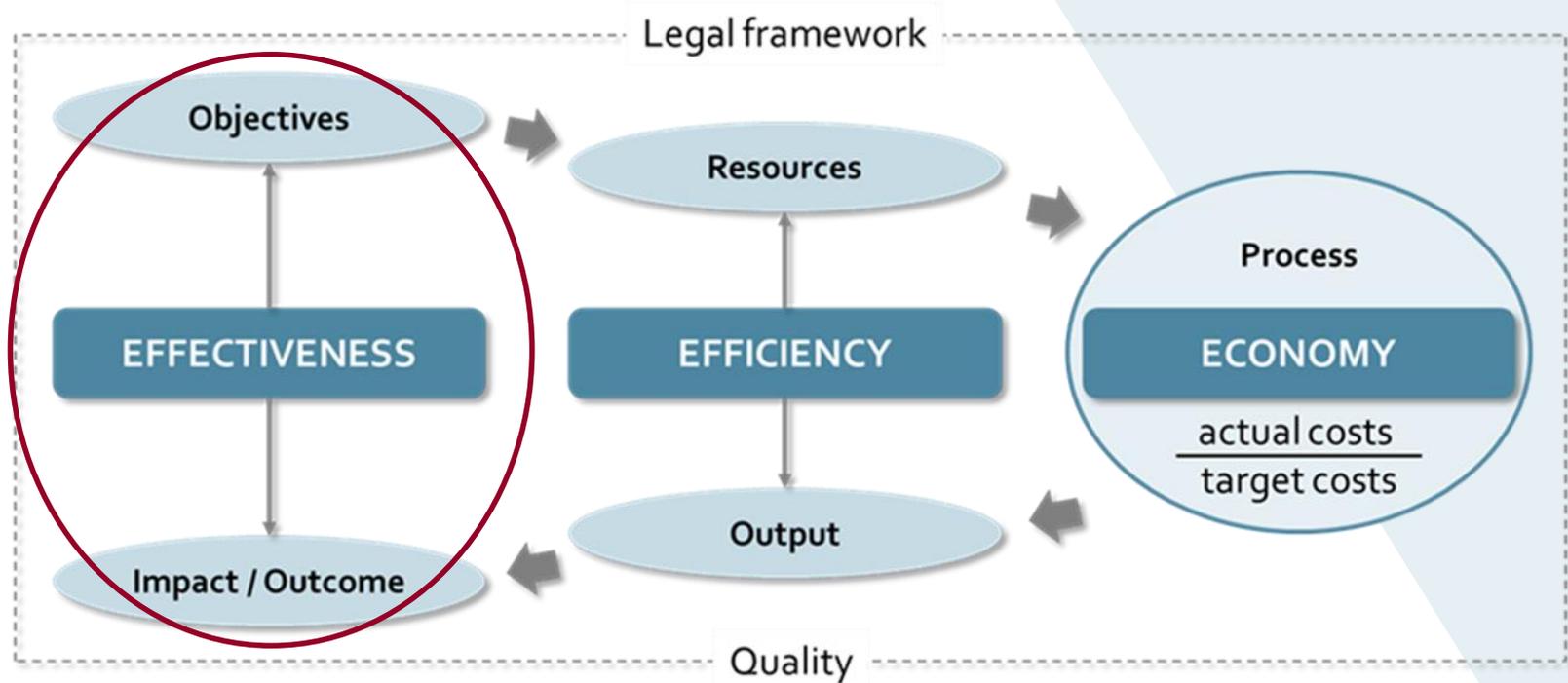


This project is
funded by the EU





Economy – efficiency - effectiveness



Audit results

Scholarship instruments of the art
universities

February - May 2023
Team: Haider (TL), Stamm, Sax

Audit questions

1. What is the normative basis for work-study and study-abroad grants at art universities? (History)
2. What budgetary resources are available for this and how are they used?
3. **Is the scholarship offer fit for purpose? (Strategy, control, evaluation)**
4. Is the central administration of the work and foreign scholarships of the art universities by the BMBWF economical and expedient?

Audit focal points or
Viewing objects

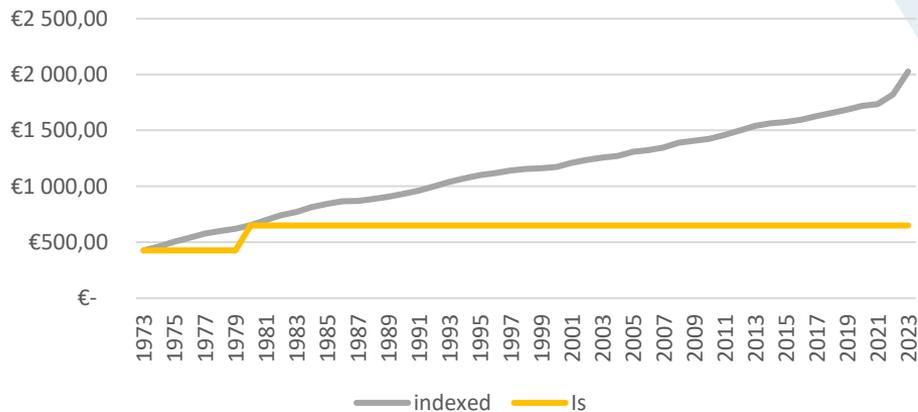
- Appropriateness of the scholarship instruments (analysis of use, reflections on funding recipients, funding object and funding objective, comparison with similar funding instruments).
- Efficiency and appropriateness of the central administration (survey of the effort, analysis of the approach with regard to ARR 2014, assessment of the stated reasons for maintaining the central administration)

Audit results
Possibly
overlapping
recommendations

- **The appropriateness of the scholarship instruments cannot be determined at present, since the object and goals of the funding are unclearly defined and outdated.** (Historical objective of "financial independence" (1973) can no longer be achieved due to loss of value (work scholarship) or is unknown (scholarship abroad) > therefore fundamental question to be asked about continuation (discontinuation, transfer to universities, adaptation, reorientation).
- In case of continuation, specify funding object and funding objective
- Implement regulations of ARR 2014 in case of continuation
- In the event of continuation, to decide on outsourcing or retention of central administration on the basis of a concrete comparison



Performance of the work scholarship



Performance of the Work Scholarship since 1973
(Comparison with CPI. Source: Statistics Austria, CPI calculator)

 Federal Ministry
Republic of Austria
Finance

 Federal Ministry
Republic of Austria
Education, Science
and Research



Ministry of Finance
Republic of Latvia

REFORM/GA2020/028

Further development of internal
control system and internal audit in
the public sector

BeSt³Vienna

Audit team:

Natalia Karall

Nicole Dopita, Mag.

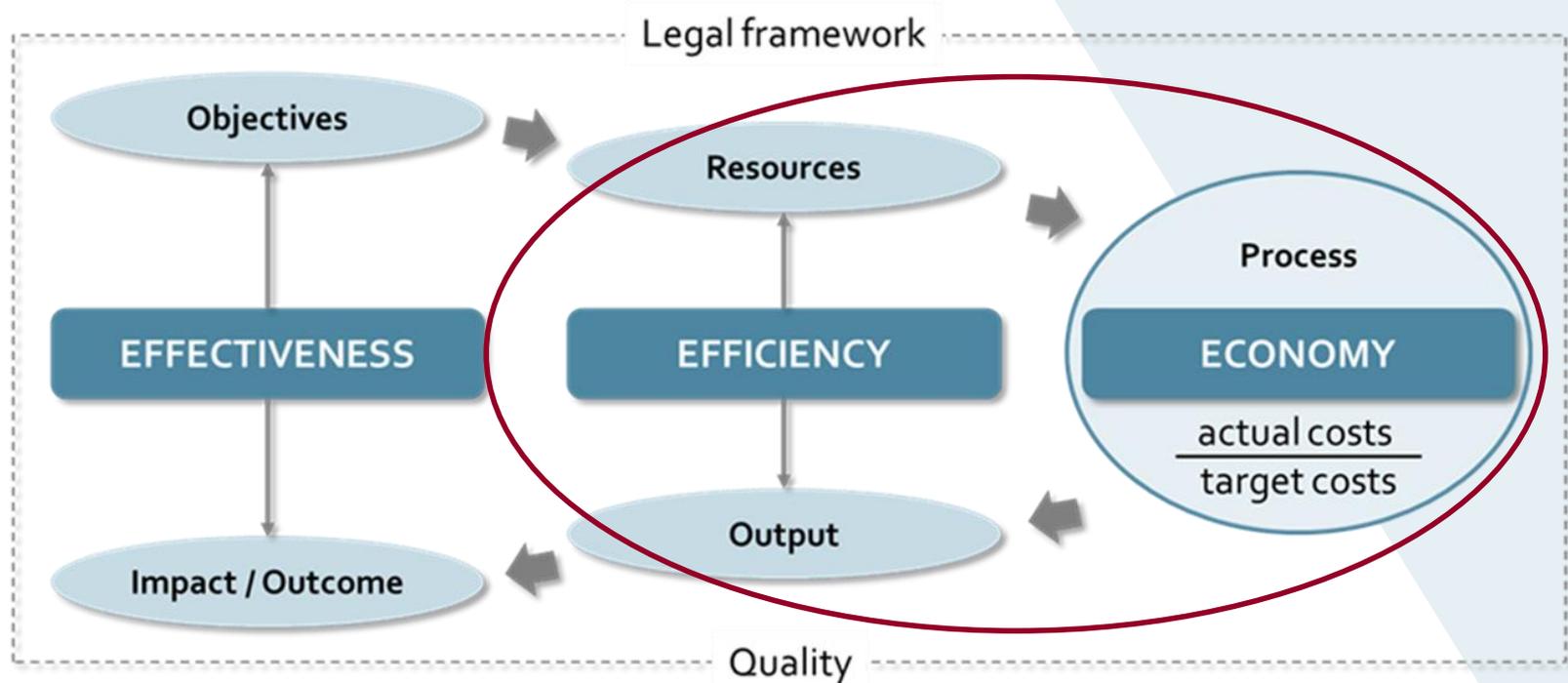


This project is
funded by the EU





Economy – efficiency - effectiveness





Audit results

Test period

Period: BeSt³ Vienna
Team: Karall, Dopita

Audit questions

1. [To what extent is the organisation of Best3 Vienna 2023 efficiently structured?](#)
2. [How efficient is the process of BeSt3 Vienna 2023?](#)
3. [To what extent did the awarding of the Best3 Vienna 2023 contracts follow clear criteria \(priority BBG, otherwise clear award criteria\)?](#)
4. [To what extent is the financing of Best3 2023 clear and transparent?](#)
5. [How efficient are the settlements of stand fees with exhibitors?](#)

Audit focal points or Viewing objects

- Requirements (legal, internal, external)
- Organisation and implementation (responsibilities, design of processes, project organisation)
- Contracts (types, design, written form requirement, approval, award criteria)
- Financing and accounting (financial structure, calculation and accounting with exhibitors, documentation, control)

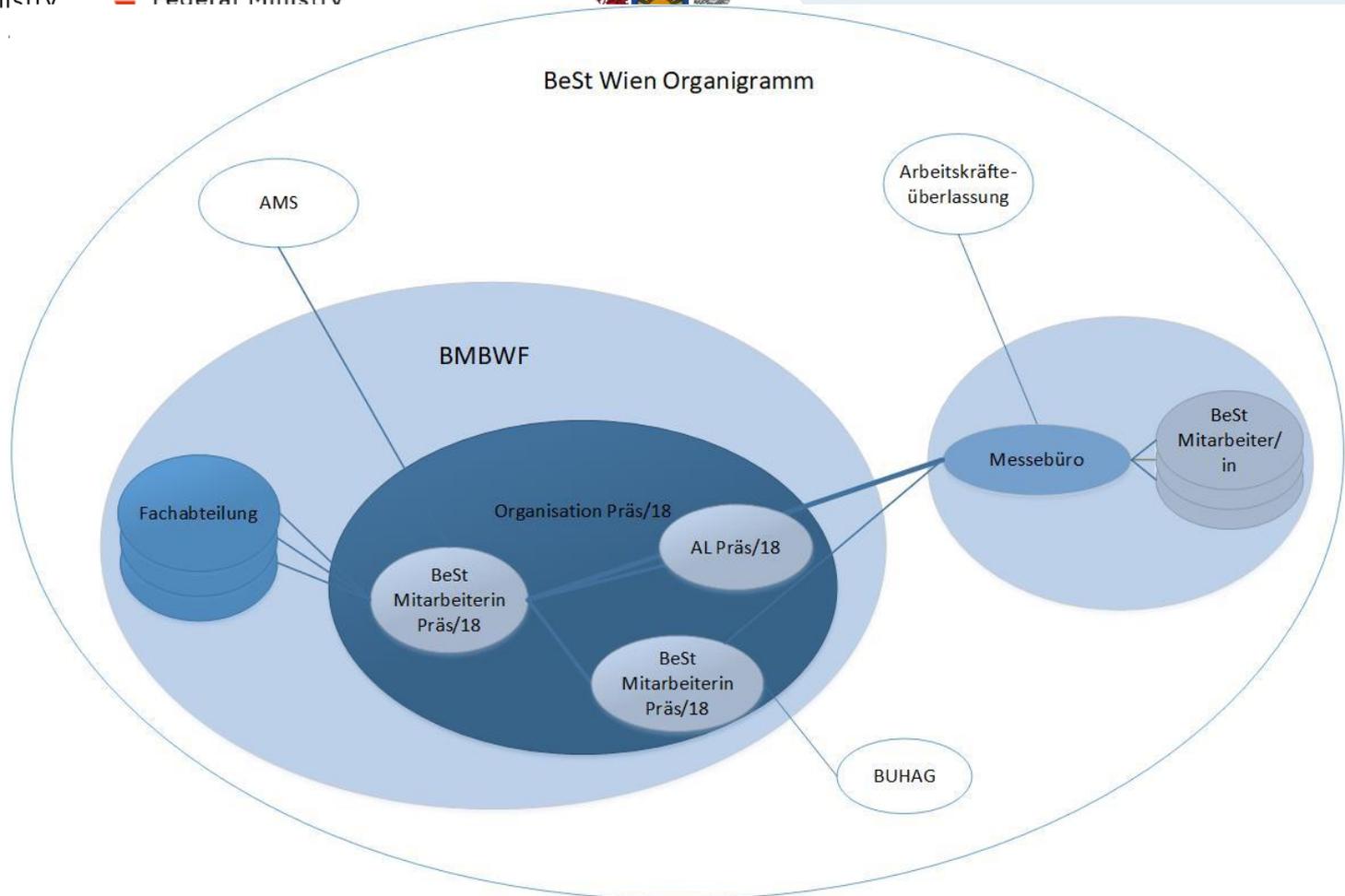
Test results - specifications

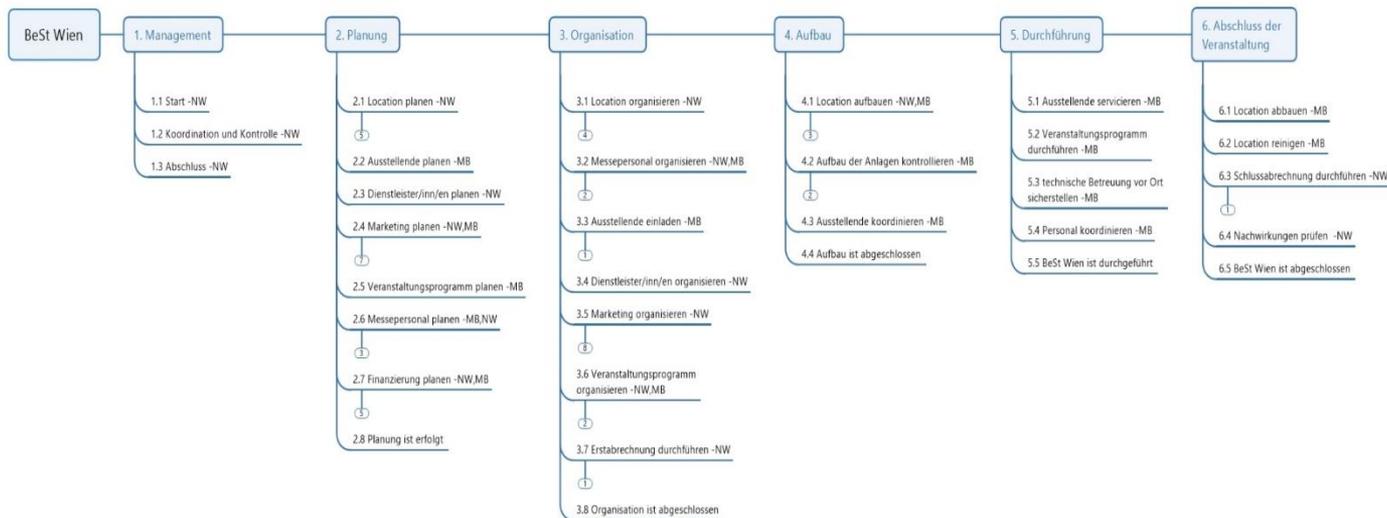
- Some legal requirements
- BMBWF
 - Budgetary and procurement law requirements
 - In-house project management guidelines
- For the BeSt Vienna
 - Goals are defined - but too general
 - Recommendation: Define goals more concretely and set criteria for goal achievement



Test results - organisation and implementation

- Messebüro Wien has been carrying out the activity for decades - contract expires in 2024
- Staff member at the BMBWF took over the organisation from the predecessor last year
- Responsibilities not clearly defined.
- Resources are not clarified yet.
- Recommendation:
 - Ensure resources in such a way that the quality of BeSt is maintained for the coming years.
 - use the project management instruments, such as the structure plan, milestone plan, Gantt chart, work packages and communication plan in the future for the implementation of the BeSt and to adapt them further if necessary.







Meilenstein	PSP- Code	Aufgabenname	Plan-Termin	Ist-Termin
M 1	1.1	BeSt Wien 2023 ist gestartet	07.03.2023	07.03.2023
M 2	2.8	Planung ist erfolgt	31.08.2022	31.08.2022
M 3	3.3.1	Ausstellende sind eingeladen	06.10.2022	06.10.2022
M 4	3.5.3.1	Drucke sind veranlasst	16.01.2023	16.01.2023
M 5	2.7.1.1	Kofinanzierung durch AMS ist sichergestellt	17.01.2023	17.01.2023
M 6	3.7.1	Erstabrechnung ist durchgeführt	28.02.2023	28.02.2023
M 7	4.4	Aufbau ist abgeschlossen	01.03.2023	01.03.2023
M 8	5.5	BeSt Wien 2023 ist durchgeführt	06.03.2023	06.03.2023
M 9	6.3.1	Abrechnung ist durchgeführt	04.07.2023	04.07.2023
M 10	1.3	BeSt Wien 2023 ist abgeschlossen	31.07.2023	31.07.2023



Work package description

Project: BeSt Vienna 2024

Date:

Ministry of Finance
Republic of Latvia

Work package: 3.5.3 Arrange prints

Responsible: Vienna Trade Fair Office

Aims of the work package

All prints are commissioned

Possible solutions (partial steps/activities, if necessary, including duration/deadlines) or service content

Posters, deadline mid-November

Quantity, layout/colour scheme CMYK vs. RGB, weight paper
Address lists

Catalogues, deadline mid-January

Quantity, layout/colour scheme CMYK vs. RGB, weight paper
Address lists

Signpost, deadline early February (2.2.)

Quantity, layout/colour scheme CMYK vs. RGB, weight paper

Expected results

Posters, catalogues and signposts are finalised and printed

Interface analysis

Prerequisites (input required from other work packages)

2.1 Planning the location

2.2 Plan exhibitors

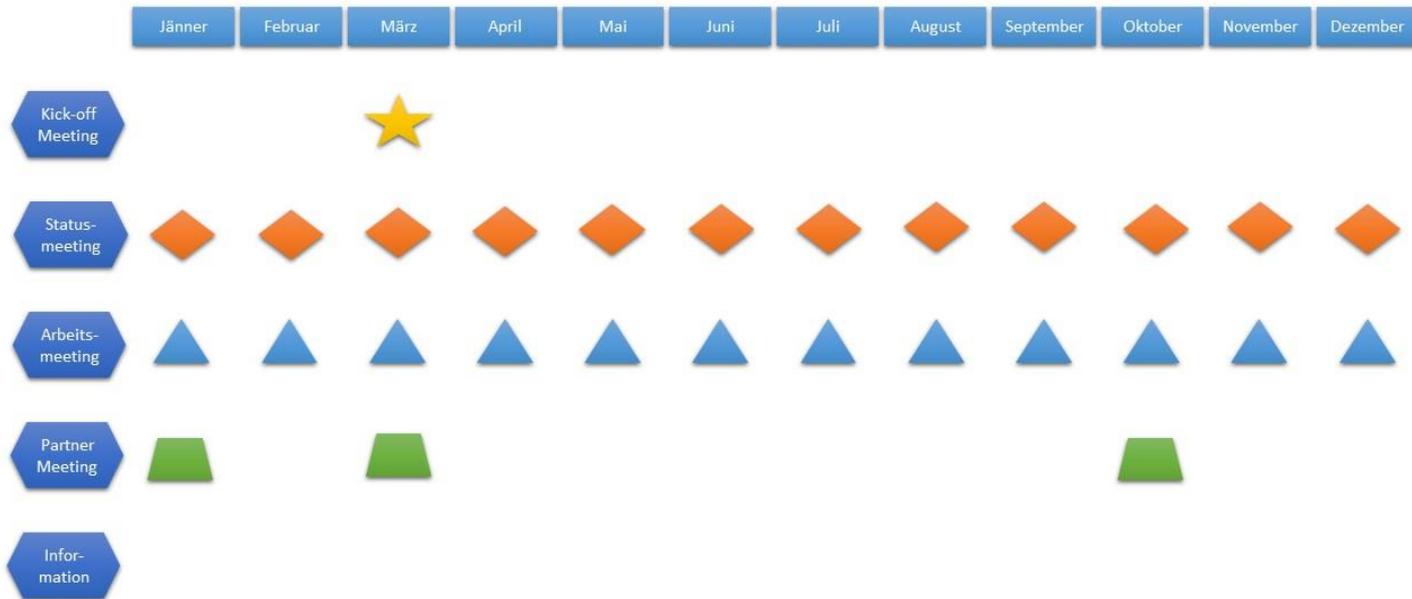
2.4.3 Planning prints

2.4.7 Plan the graphic design of the BeSt

2.5 Planning the programme of events

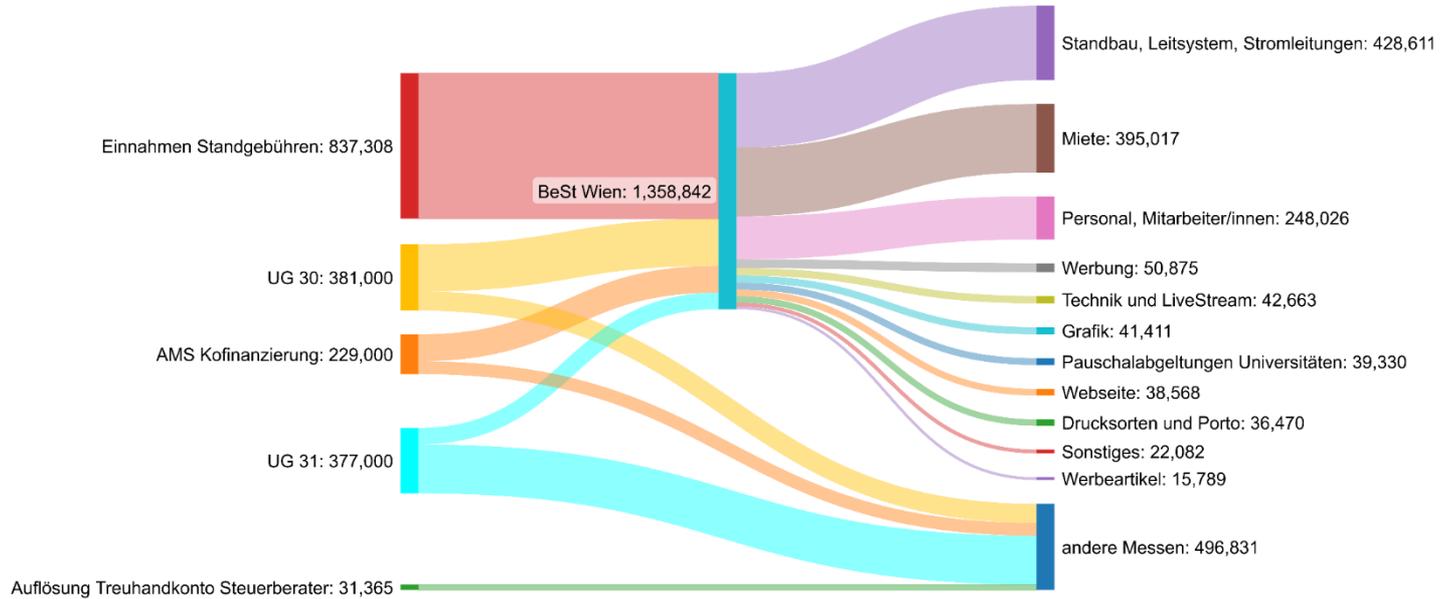
2.6.1 Planning facilitators

Output to be delivered for other work packages



Audit results - financing and accounting 1

- Basic financing through UG 30 Education, UG 31 Science and Research, the cooperation partner AMS as well as through the payments of the exhibitors' stand fees.
- Costs for BeSt Vienna show up in the post-calculation of Präs/18
- **No sound budget planning**
- Stand income in 2023 amounted to € 837,307.75 (incl. post-calculation)
- Amount of stand fees is historically conditioned - former agreement of the Vienna Trade Fair Office with the BMBWF
 - Free bunk of 9 m² for public educational institutions
 - Various special conditions when departing from the standard berth size



Made with SankeyMATIC



Conclusion

The added value of a modern IAD for a modern public sector

Help the own organisation to prepare for being fit for the future!

How?

Through Performance Auditing with a strong focus on Outcome and Impact.



Thank you for your attention!

Dr Andreas Berger
Ministry of Education, Science and Education
andreas.berger@bmbwf.gv.at



Agency for Economic
Cooperation and Development

office@aed.or.at
+43 (1) 71 49 40 330
Heiligenstädter Lände 29
1190 Vienna | Austria

 best
practice
austria.

Funded by the Federal
Ministry of Austria
Digital and Economic
Affairs

 Federal Ministry
Republic of Austria
Education, Science
and Research