



101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Assessing the Internal Control System for prevention of Corruption and Conflict of Interest with focus on investigative audits

Christoph Deimel

Internal Audit Department at the Ministry of Women, Science and Research Riga, 19th September 2025







101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Introduction

Christoph Deimel

- In internal audit since 2014
- Team leader in internal audit
- Head of Unit Fraud and Corruption Prevention since 2016
- ETINED delegate since 2018 (Council of Europe)
- Deputy Audit Executive of the Federal Ministry of Women, Science and Research







101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Agenda

- Pillars of corruption prevention with focus on Internal Control Systems and Compliance Management Sytems
- Investigative audits with focus on assessing the Internal Control System



Federal Ministry
Republic of Austria
Finance

Federal Ministry
Women, Science
and Research
Republic of Austria



101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Three line of Defense model

minister

senior management

1st Line:
managment controls
Internal control system

controls Compliance security systems

financial control

2nd Line:

Risk management

3rd Line:
Internal audit

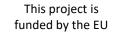




Further development of internal control system and internal audit in the public administration – Phase II

Role of Internal Control Systems in relation to Compliance

- Preventive: Stop irregularities before they occur
- Repressive:
 - Detective: Identify issues rapidly if they happen
 - Corrective: Enable quick and effective response
- Key objective: Safeguard integrity and foster ethical behavior







Further development of internal control system and internal audit in the public administration – Phase II

CMS – What is this?

- A compliance management system (CMS) is the set of tools and mechanisms, that develop and implement the principles and values of an organization and enforce them in day-to-day business. It is designed to ensure compliance with legal and ethical rules.
- Possible consequences of non-compliance should be reduced:
 - Criminal liability, fines, claims for damages, disciplinary consequences or dismissal, loss of reputation



Federal Ministry Republic of Austria Finance Federal Ministry
Women, Science
and Research
Republic of Austria



101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Pillars of compliance management systems









prevention

education

Awareness raising

Cooperation
National and
international

Repression
Investigative
audits





Republic of Austria Finance



REFORM/GA2020/028 Further development of internal control system and internal audit in the public sector

Compliance and Investigative audits





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

2 Types of "compliance" audit

- Compliance Audit
 - Compliance basically OK
 - Standard IA process
- Investigative Audit
 - Gross compliance deficits relevant under civil service law and/or criminal law funded by the EU (fraud, corruption, abuse of office, etc)
 - Own compliance process



101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Reason for an investigative audit

- Findings of a standard audit
- Reports from superiors
- Specific information from employees
- Anonymous reports by the Whistleblower Protection Act reporting centre



Federal Ministry
Republic of Austria
Finance

Federal Ministry
Women, Science
and Research
Republic of Austria



101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Standard internal audit process

Test order issued

Test concept create

Test concept create

Release concept hold

Perform test

Validate facts

Release meeting document

Hold a final meeting

Release of final report to client



Federal Ministry
Republic of Austria
Finance

Federal Ministry
Women, Science
and Research
Republic of Austria



101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Audit process for (event-driven) compliance audits



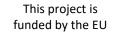




Further development of internal control system and internal audit in the public administration – Phase II

Assessment of internal control systems within the scope of investigative audits

- Objective:
 - Identify control weaknesses enabling or failing to prevent irregularities
- Approach:
 - Focused review of relevant processes/controls linked to allegations
 - Trace breakdowns or circumventions in the control environment







Further development of internal control system and internal audit in the public administration – Phase II

Assessment of internal control systems within the scope of investigative audits

- Key Steps:
 - Map process and controls relevant to the incident
 - Test operating effectiveness (walkthroughs, re-performance)
 - Analyze control overrides and management involvement
 - Document and quantify control failures' impact





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in the central office

- Case "Head of department"
 - Initial Trigger: Anonymous whistleblowing highlighting problems in the department
 - Further Investigation: Standardised audit revealed other inconsistencies relating to this department

This project is funded by the EU





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in the central office

- Case "Head of department" Areas of concern
 - Human resources management practices
 - Authorisation and reimbursement procedures for business travel and other expenses
 - Compliance with internal policies and legal requirements

This project is funded by the EU





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in the central office

- Case "Head of department" Audit response
 - Immediate risk assessment (ICS)
 - Detailed review of:
 - Staff recruitment (ICS)
 - Travel requests and expense reports (ICS)
 - Interviews with all employees in the department

This project is funded by the EU





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in the central office

- Case "order placement"
 - Internal report from an employee to the Cabinet and the Secretary-General
 - Request of the Cabinet and the Secretary-General based on that internal report

This project is funded by the EU





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in the central office

- Case "order placement" audit response
 - Review of the procurement process based on documents in the ELAK (Electronic file system of the Austrian Federal Administration) (ICS)
 - Review of the authorisation process based on documents in the ELAK (ICS)
 - Project evaluation

This project is funded by the EU





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in 20 research institutes at higher technical schools

- initial trigger: Findings from a standardised audit in a higher technical (VET) school
- Scope: all 20 research institutes at higher technical schools

This project is funded by the EU





Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in 20 research institutes at higher technical schools

- Audit Response:
- compliance audit on the guidelines specifically applicable to the research institutes
- Checking all invoices and time records

This project is funded by the EU

 Audit of the entire invoicing and billing process (assessment of the internal control system)





101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

Investigative audits in a subordinate office

- Initial trigger: Anonymous report to the Chief Audit Executive
 - Allegation: Non-reduction of flextime credits
- Audit Response:
 - assessment of the internal control system
 - Audit focus: Time recording, Access controls

This project is funded by the EU

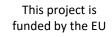




Further development of internal control system and internal audit in the public administration – Phase II

Investigative audit of the appointment of a rector at a university

- Intial trigger: Criminal complaint against senior management of the ministry
 - Already reported by third parties to the public prosecutor's office due to political reasons
- Audit Response:
 - Audit of the appointment process (ICS)
 - Analysis of the expert opinion on which the criminal complaint is based





Further development of internal control system and internal audit in the public administration – Phase II

Assessment Methodology

- Risk Assessment: Identify high-risk processes, functions, and positions
- Walkthroughs: Review actual practices vs. documented procedures
- Testing Controls: Sample transaction reviews, interviews, surprise audits
- Culture Assessment: Employee surveys and ethical climate analysis
- Reporting: Findings, recommendations, and management feedback

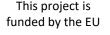




Further development of internal control system and internal audit in the public administration – Phase II

Common Weaknesses & Red Flags based on our findings

- Inadequate segregation of duties
- Missing or unclear policies
- Weak management oversight
- Lack of awareness/training
- Ignored or underutilized whistleblower channels
- Inconsistent disciplinary actions
- Overridden controls





Further development of internal control system and internal audit in the public administration – Phase II

Recommendations based on our findings

- Review and update policies annually
- Strengthen segregation of duties, especially in high-risk areas
- Systematically enforce periodic conflict of interest disclosures
- Increase management accountability for compliance
- Invest in data analytics for real-time monitoring
- Promote open communication channels for reporting concerns



Federal Ministry
Republic of Austria
Finance

Federal Ministry
Women, Science
and Research
Republic of Austria



Thank you for your attention!

101145961 - Lav 2

Further development of internal control system and internal audit in the public administration – Phase II

