



Screening Chapter 32 – Financial control (PIFC and External audit)

**Screening meeting on 18 May 2006 for
Croatia and Turkey**

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Content

- Public Internal Financial Control
(PIFC)
- External Audit
- Points for the bilateral meeting
- The next steps

Public Internal Financial Control

- Managerial accountability (basic principle)
 - Financial Management & Control systems (FMC)
 - Internal Audit
 - Central Harmonisation Unit (CHU)

Managerial accountability

■ **Accountability ~ Responsibility**

- **Establishment of FMC systems and supervise operations**
- **Establishment of Internal Audit**
- **Report on the state of play of the FMC systems**

Public Internal Financial Control

- Managerial accountability
- Financial Management & Control systems (FMC)
- Internal Audit
- Central Harmonisation Unit (CHU)

Financial Management & Control (1)

- **All kind of commitments (budget allocations/appropriations, contracts)**
- **All tendering and contracting aspects**
- **All kind of income, disbursements, management of assets and liabilities**
- **Recovery of unduly paid amounts**

Financial Management & Control (2)

Some elements to ensure sound financial management and control

- **Clear lines of responsibilities**
- **Implementing FMC manuals**
 - **Accounting, archiving, transparency**
 - **Authorization**
 - **Ex-ante financial control**
 - **Ex-post financial control, corrective actions....**
- **Risk analysis and management**
- **Follow-up of audit recommendations**

Public Internal Financial Control

- Managerial accountability
- Financial Management & Control systems (FMC)
- **Internal Audit**
- Central Harmonisation Unit (CHU)

Internal Audit

- **Assessment of FMC systems**
- **Recommendations**
- **Functional Independence**
 - 1) drafting / implementing annual audit plan**
 - 2) performance (regularity/legality audits, systems-based audits, performance audits, etc.)**
 - 3) reporting directly to the Head**
 - 4) nomination, dismissal and transfer**

PIFC guidelines

- **INTOSAI guidelines for internal control standards in the public sector**
- **INTOSAI and IIA auditing standards including code of ethics**

Background information:

- **SIGMA audit and advice forum**
- **FCC website including PIFC glossary**

Public Internal Financial Control

- Managerial accountability
- Financial Management & Control systems (FMC)
- Internal Audit
- **Central Harmonisation Unit (CHU)**

Central Harmonisation Unit (CHU)

- **Harmonisation of FMC**
- **Harmonisation of IA**
- **Tasks of the CHU**
 - **development of methodologies**
 - **promotion / networking of best practice**
 - **Oversee the development of systems**
 - **development of sustainable training facilities**
 - **annual assessment and reporting**

Content

- Public Internal Financial Control (PIFC)
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External Audit

- **Assessment of Government activities**
- **SAI independence**
- **Implementation guidelines**
- **Reporting to Parliament**

External audit guidelines

INTOSAI auditing standards (Lima Declaration)

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PIFC

- **1. Government wide, adopted policy or strategy paper (including gap analysis) in agreement with international standards and EU best practice**
- **2. Sufficient proof on that implementation of the PIFC Strategy has started (Follow-up Action plan)**
- **3. Plans to establish sustainable and effective training facilities for managers, controllers and auditors and their progress**
- **4. Establishment and activities of CHU for PIFC**

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The next steps (1)

- **Second screening meeting – bilateral meeting:
Country reply (possibly written) and discussion**
- **Commission will write screening report (including benchmarks)**
- **National Position Paper to Commission**
- **Commission Position to Council**
- **Council Decision opening the chapter**

The next steps (2)

When the negotiations are opened:

- **The Administrative Co-Operation Agreement ("the ACA")**
- **Our follow-up missions**
- **SIGMA baseline assessments**
- **Commission reporting**

Thanks for your attention!

**We look forward to continue our
work together!**