

Conditions for internal audit in the public sector in Finland, Sweden and Iceland 2016

Organization

- All three countries have a **decentralized internal audit** (not located in a ministry) in the public sector
- None of the three countries has an regulatory authority for internal audit in the public sector
- Iceland and Finland does not have a central harmonization unit (CHU) for internal audit.
- Sweden don't have a function formally named as CHU but in practice an agency (The Swedish National Financial Management Authority) is acting as CHU

Legislation for internal audit

- **Finland:** The legislative basis is in the State Budget Law and in the State Budget Decree
- **Sweden:** The legislative basis is in the Ordinance on internal audit (for agencies under the Government)
- **Iceland:** Article 65 in the Public Finance ACT has not yet been implemented. It states that internal audit shall be established within the central Government

Establishing internal audit in the agencies

- **Finland:** Internal audit is optional. It is up to the management to decide but the decision must be based on the agencies internal control status.
- **Sweden:** The decision is formally made by the government but the decision is prepared by the agencies ministry. There are informal criteria's used for internal audit as high costs, large balance sheets, many employees and the managing of EU-funds
- **Iceland:** Not regulated at the moment. Will be an obligation when Article 65 in the Public Finance ACT is implemented

Number of internal auditors in the public sector (estimation)

- **Finland:** 200 internal auditors (47 agencies)
- **Sweden:** 140 internal auditors (69 agencies)
- **Iceland:** 14 -16 internal auditors in audit units (4 agencies and on local government level the City of Reykjavik and Reykjavik Energy)

Common size of the internal audit

- **Finland:** 1 -5 internal auditors
- **Sweden:** 1-2 internal auditors is most common. 40 agencies has only one internal auditor, The largest audit function, The Swedish Transport Administration, has 14 auditors. (2015)
- **Iceland:** The common size is one person. The City of Reykjavik has 8 auditors

Who decides the size of the internal audit?

- **Finland:** It is not regulated. Normally the director general decides
- **Sweden:** It is not regulated. The board decides if there is a board. If there is not the director general of the agency decides.
- **Iceland:** It is not regulated. The head administration of the agency decides. In Reykjavík the City Council.

Audit committees

- **Finland:** No audit committees
- **Sweden:** It is optional. The board of the agency decides. (About ten of the agencies with boards have an audit committee)
- **Iceland:** The city of Reykjavik (optional)

Are the audit reports public?

- **Finland:** It depends on the subject. If it deals with a third party it is usually public. (Act on Openness)
- **Sweden:** The reports are public (Regulated in the constitution)
- **Iceland:** Generally not public. The reports from the City of Reykjavik are generally public, but it depends on the subject and nature of the report

Requirements of certification, experience, education

- **Finland:** Not specified but the standards and recommendations concerning internal audit shall be taken into account (State Budget Decree, section 70)
- **Sweden:** No regulations but there are recommendations in The Swedish National Financial Management Authority handbooks
- **Iceland:** The IIA is lobbying for that the Chief Audit Executive should have a CIA or similar education

External quality assessment - required by national legislation?

- **Finland:** No
- **Sweden:** Yes indirectly. The ordinance of internal audit states that the internal audit shall be implemented in accordance with generally accepted auditing standards. They includes an external quality assessment at least every fifth years.
- **Iceland:** No

Are the IIA standards about external quality assessment followed?

- **Finland:** Yes and no. In public sector external quality assessments are not very common due to small budgets for the internal audit.
- **Sweden:** Most of the agencies with internal audit (82 per cent 2015-12-31) have made an external quality assessment in the last five year frame.
- **Iceland:** Yes and no. 2 -3 audit units have entered an external quality assessment

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