



IDI Internal Control System

2021

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Preface

The INTOSAI Development Initiative (IDI) is the INTOSAI body which works across INTOSAI’s strategic goal areas in supporting effective, accountable and inclusive Supreme Audit Institutions. Working across a wide international canvas with over a 150 Supreme Audit Institutions and numerous partners, IDI constantly endeavors to strengthen its operations by following internationally accepted best practices and sustaining rigorous internal controls. As a first step in formalising the internal controls, IDI had developed its Internal Control System in 2014 which served as a single reference point for monitoring and follow up of the operation of internal controls. Since then, the scale of IDI’s operations have grown and a new strategic plan 2019-2023 is also in place. In this perspective the IDI Internal Control System has now been revised to cater to the current organisational needs in a better manner.



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**Einar Gørrissen
Director General**

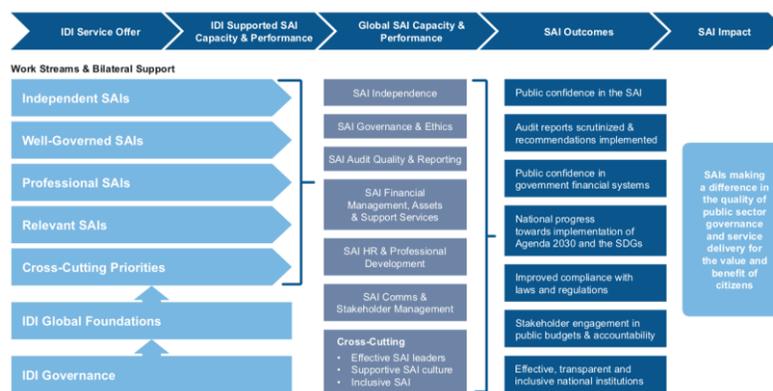
1. Introduction

Internal control is broadly defined¹ as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reliability of financial reporting, and compliance with laws and regulations.

2. Background and Context

The IDI is implementing its Strategic Plan 2019-2023. The IDI Results Framework (Figure 1 below) defined in the Strategic Plan 2019-2023 forms the basis of its operations which are mainly directed towards the global Supreme Audit Institutions (SAI) community. The IDI secretariat is based in Oslo, Norway and has some staff complement working from other countries. IDI initiatives are delivered in different locations around the world as well as through online channels in association with different stakeholders like INTOSAI regions, SAIs and international organisations.

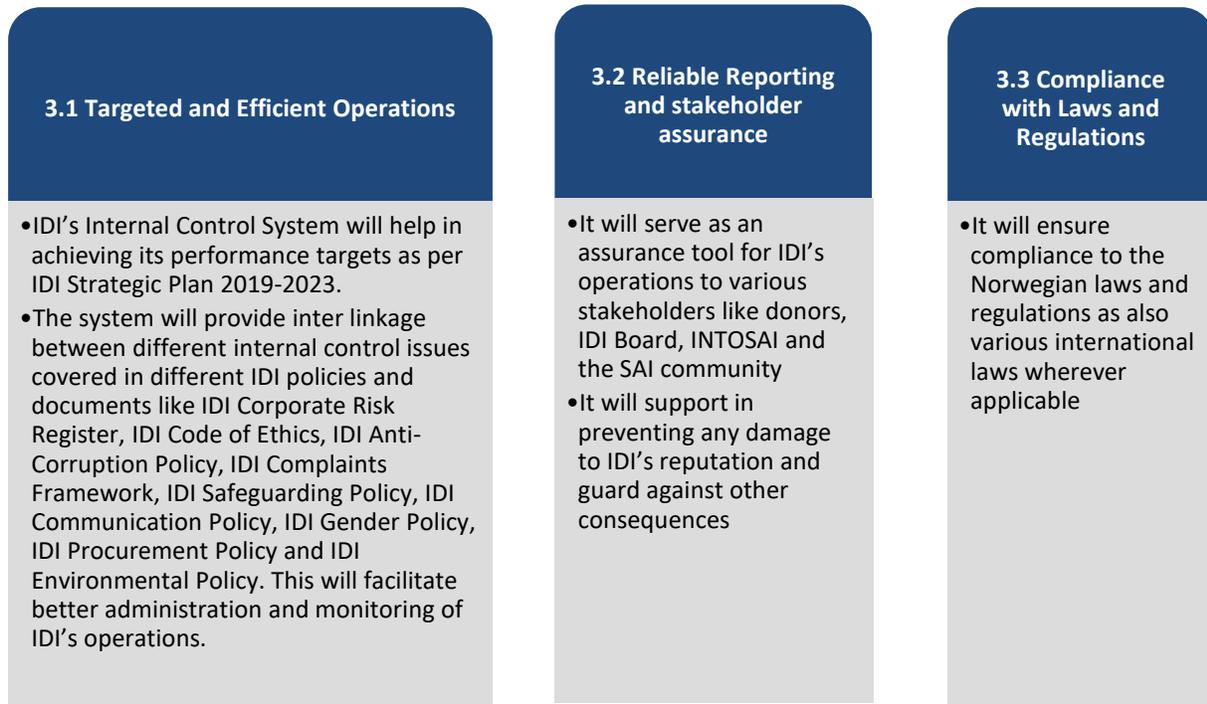
As the IDI's operations involve Norwegian and international stakeholders, the IDI Internal Control System has been designed as per the COSO Internal Control-Integrated Framework 2013, INTOSAI GOV 9100-Guidelines for Internal Control Standards for the Public Sector and the Guidelines on Internal Control issued by the Directorate of Financial Management, Government of Norway. While the COSO Internal Control-Integrated Framework 2013, considered in the 2014 version of the IDI Control System, is still current, latest guidance issued by COSO and the Directorate of Financial Management, Government of Norway have been considered in this revision.



¹ Defined as per the Committee of Sponsoring Organisations of the Treadway Commission (COSO). COSO is a joint initiative of the American Accounting Association, American Institute of CPAs, Financial Executives International, Association of Accountants and Financial Professionals in Business and Institute of Internal Auditors. The COSO Internal Control-Integrated Framework 2013 is one of the internationally best recognised and most used internal control frameworks since the release of its previous version in 1992.

3. Objectives of the IDI Internal Control System

The IDI Internal Control System has the following three objectives:



4. Structure of IDI Internal Control System

The IDI Internal Control System is organised under the five components of internal control as per the COSO framework. All the components and principles have been considered. These are:



Each of these components have constituent principles of internal control under them.

The controls in operation against these principles are described as also the level of maturity of these controls. Maturity levels of the controls provide an estimate of the reliability of the controls in place. The maturity attributes considered for evaluating the IDI internal control system are given in table 1:

Table 1		Maturity matrix of IDI Internal Control System	
Maturity level		Maturity attributes	
0 - Non-existent	The organisation lacks procedures to monitor the effectiveness of internal controls.		
1 - Initial/Ad Hoc - Unreliable	Unpredictable environment for which controls have not been designed or implemented.		
2 - Repeatable - Informal	Controls are present but inadequately documented and largely dependent on manual intervention. There are no formal communications or training programs related to the controls.		
3 - Defined - Standardised	Controls are in place and documented, and employees have received formal communications about them. Undetected deviations from controls may occur.		
4 - Managed - Monitored	Standardised controls are in place and undergo periodic testing to evaluate their design and operation; test results are communicated to management. Limited use of automated tools may support controls.		
5 - Optimised	An integrated internal controls framework with real-time monitoring by management is in place to implement continuous improvement. Automated processes and tools support the controls and enable the organisation to quickly change the controls as necessary.		

The Maturity Model’s applicability to IDI’s Internal Controls

IDI is a small organisation of 45-50 employees mostly based in Oslo and a few in other countries. It primarily caters to capacity development support to Supreme Audit Institutions of developing countries. Based on the nature and scale of IDI’s operations and also the need for controls at appropriate levels, IDI considers Maturity Level 3 of Defined and Standardised controls as appropriate for IDI’s operations. While some of the attributes of Maturity level 4 are desirable and IDI will strive to achieve those, the controls at Maturity Level 5 are beyond the need or cost –benefit appropriateness for the scale and nature of IDI’s operations.

The following colour scheme has been used as a ready reflection of the maturity of the respective controls:

Maturity level	
0 - Non-existent	
1 - Initial/Ad Hoc - Unreliable	
2 - Repeatable - Informal	
3 - Defined - Standardised	
4 - Managed - Monitored	
5 - Optimised	NA

5. Components and Principles of the IDI Internal Control System

This section provides the details of the IDI Internal Control System with the different components organised as per the COSO framework as adapted for IDI.

5.1 Component 1: Control Environment

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across IDI. The IDI Board and management team establish the tone at the top regarding the importance of internal control and expected standards of conduct.

S. No	Principle	Control in Place	Level of Maturity
5.1.1	The organisation demonstrates a commitment to integrity and ethical values.	<ol style="list-style-type: none"> 1. IDI Code of Ethics 2. IDI Employee Handbook 3. Norwegian Working Environment Act 4. IDI Anti-Corruption Policy 5. IDI Complaints Framework 6. IDI Safeguarding Policy 7. IDI Gender Policy 	3- Defined, Standardised
5.1.2	The organisation Board demonstrates independence from management and exercises oversight of the development and performance of internal control.	<ol style="list-style-type: none"> 1. Independent IDI Board drawn from SAI community 2. IDI Board approves strategic plans, policies, operational plans, performance and accountability reports, budgets, financial statements and audit reports 3. IDI Board Rules of Procedure 4. IDI Register of Related parties and Entities 	3- Defined, Standardised
5.1.3	The organisation management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.	<ol style="list-style-type: none"> 1. IDI Board provides oversight on IDI activities through biannual meetings where the reporting is done by the IDI Director General and the management team. 2. The Director General follows up on important issues with the Board through emails in between the Board meetings 3. Pursuant to the IDI Governance Review, the IDI Board’s Rules of Procedure have been documented in detail since 2016 and are regularly updated 	3-Defined, Standardised

		<ol style="list-style-type: none"> 4. Reporting lines for IDI staff² are clearly established with well-defined authorities and responsibilities for IDI management. 5. IDI’s accounting operations are outsourced to a professional service provider governed by appropriate contractual obligations and subject to annual statutory audit. 	
<p>5.1.4</p>	<p>The organisation demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.</p>	<ol style="list-style-type: none"> 1. IDI Competency Framework is at an advanced stage of development 2. IDI follows a process of fair, competitive and transparent recruitment, clearly laying down the requirements of every new position. 3. IDI aims to have gender-balanced human resources, gender expertise and competence 4. IDI draws on secondment of competent staff from Supreme Audit Institutions. 	<p>2- Repeatable, Informal</p>
<p>5.1.5</p>	<p>The organisation holds individuals accountable for their internal control responsibilities in the pursuit of objectives.</p>	<ol style="list-style-type: none"> 1. Strategic plans and Results Framework 2. Operational plans 3. Performance and Accountability Reports 4. Budget 5. Financial statements 6. Accounts for the initiatives 7. Annual independent audit 8. Policies like IDI Procurement Policy, IDI Code of Ethics, IDI Environmental Policy, IDI Gender Policy, IDI Complaints Framework and IDI Communication Policy. 9. Performance of the individual staff members are monitored against the above documents during their annual performance appraisal. 	<p>3- Defined, Standardised</p>

5.2 Component 2: Risk Assessment

² The IDI Staff includes the IDI management, staff at the IDI secretariat and regional staff.

Risk assessment involves a dynamic and iterative process for identifying and analysing risks to achieving the entity’s objectives, forming a basis for determining how risks should be managed. Management considers possible changes in the external environment and within its own business model that may impede its ability to achieve its objectives.

S. No	Principle	Control in Place	Level of Maturity
5.2.1	The organisation specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.	<ol style="list-style-type: none"> 1. IDI Strategic plan 2. Operational plans 3. IDI has a well defined Results Framework 4. Implementation of IDI Plans and specific initiatives are subject to periodic external evaluations with recommendations being followed up on. 	4- Managed, Monitored
5.2.2	The organisation identifies risks to the achievement of its objectives across the entity and analyses risks as a basis for determining how the risks should be managed	<ol style="list-style-type: none"> 1. Corporate Risk Register 2. Risk profiles for specific initiatives 	3-Defined, Standardised
5.2.3	The organisation considers the potential for fraud in assessing risks to the achievement of objectives.	<ol style="list-style-type: none"> 1. This has been incorporated in the Code of Ethics and other policies including the IDI Procurement Policy, IDI Anti-Corruption Policy and IDI Complaints Framework. 2. This is considered in monitoring and updating the IDI Corporate Risk Register. 	3-Defined, Standardised
5.2.4	The organisation identifies and assesses changes that could significantly impact the system of internal control.	<ol style="list-style-type: none"> 1. Half yearly review of Corporate Risk Register 2. Updated Corporate Risk Register reviewed and approved by the IDI Board biannually 	3- Defined, Standardised

5.3 Component 3: Control Activities.

Control activities are the actions established by the policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorisations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

S. No	Principle	Control in Place	Level of Maturity
5.3.1	The organisation selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.	<ol style="list-style-type: none"> 1. Risks and risk mitigation strategy are discussed in Strategic Plan, Operational Plan and Corporate Risk Register. 2. The Corporate Risk Register is monitored and updated and approved by the IDI Board biannually. 	3- Defined, Standardised
5.3.2	The organisation selects and develops general control activities over technology to support the achievement of objectives.	<ol style="list-style-type: none"> 1. Professional support provided by outsourced company. 2. Service level agreement has been established with the outsourced company and the service deliverables are monitored. 	3- Defined, Standardised
5.3.3	The organisation deploys control activities through policies that establish what is expected and in procedures that put policies into action.	<ol style="list-style-type: none"> 1. Controls are built in the planning process for all activities by relying on the active policies. 	3- Defined, Standardised

5.4. Component 4: Information and Communication

Information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the organisation with the information needed to carry out day-to-day internal control activities.

Communication enables personnel to understand internal control responsibilities and their importance to the achievement of objectives.

S. No	Principle	Control in Place	Level of Maturity
5.4.1	The organisation obtains or generates and uses relevant, quality information to support the functioning of internal control.	<ol style="list-style-type: none"> Activities are monitored through well defined results framework. Outcomes and outputs are defined and monitored against baselines and targets 	3- Defined, Standardised
5.4.2	The organisation internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.	<ol style="list-style-type: none"> Elaborate planning and reporting processes take care of this. IDI Internal Control System has been updated. IDI Financial Manual has been developed Communication protocols are updated through Communicaton Strategy Communication portfolio in IDI has been strengthened with dedicated managers looking after it. 	3- Defined, Standardised
5.4.3	The organisation communicates with external parties about matters affecting the functioning of internal control.	<ol style="list-style-type: none"> Stakeholder reporting is elaborate and well defined following results framework and based on outputs and outcomes. Protocols are supported by the IDI Communication Policy. Internal controls are also reviewed from time to time by developmental partners. 	3- Defined, Standardised

5.5 Component 5: Monitoring

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to affect the principles within each component, are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner, with serious matters reported to senior management and to the board.

S. No	Principle	Control in Place	Level of Maturity
5.5.1	The organisation selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.	<ol style="list-style-type: none"> 1. Regular evaluations are conducted by external evaluators of the IDI Strategic Plan and different IDI initiatives. 2. Evaluations in the IDI are planned and monitored by Strategic Support Unit in coordination with the respective departments. 3. Evaluations are conducted in line with IDI Evaluation Policy. 4. Evaluations primarily benchmark the initiatives against the Theory of Change and Results Framework 5. Statutory Audit provides assurance on internal controls 	3- Defined, Standardised
5.5.2	The organisation evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.	<ol style="list-style-type: none"> 1. Results and recommendations of evaluations are duly followed up. 	3- Defined, Standardised

2.

6. Operation of IDI Internal Control System

Operation of the IDI Internal Control System is summarised in figure 2. This is supported by a six-step cyclical process as shown in the snapshot.

1) Risk Assessment:

This is the first step in the Operation of IDI Internal Control System. This will help in identifying the risks in the Internal Control System which affect the IDI's ability to achieve its targets as also the three objectives of the IDI Internal Control System. As described in Section 5, the initiative wise risk profiling and regular updates to the Corporate Risk Register will assist the management in planning whether to accept the risk or share the risk or avoid the risk or reduce the risk.

2) Planning:

Would involve identifying the resources and processes to manage the risks identified in the previous stage. This could be through identifying the initiatives/ functions to be taken up for external evaluation and accordingly incorporating them in the annual evaluation plan with suitable resources.

3) Design:

Statutory Auditor will design the review. Evidence can be drawn from document review of the existing policies and procedures and record of Board meetings.

4) Implementation:

Review will be carried out by the Statutory Auditor.

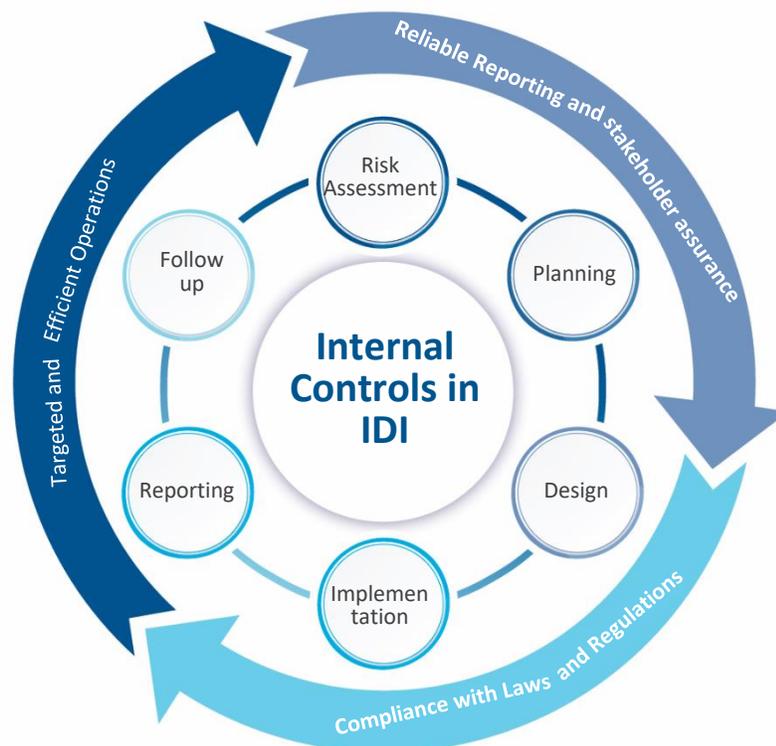
5) Reporting:

Statutory Auditor provides findings and recommendations.

6) Follow up:

Detailed plan is drawn up with clearly defined responsibilities for implementation of the accepted recommendations. This will be followed by the cyclical stage of risk assessment.

Figure 2 Snapshot of operation of IDI Internal Control System



7. Roles and Responsibility



7.1. The Director General, IDI is the owner of the IDI Internal Control System and is responsible for its efficient and effective operation. The Director General will be assisted by the Deputy Directors General and the Strategic Support Unit.



7.2. The Director General is accountable to the IDI Board which will provide the governance, guidance and oversight to the operation of the internal control system.



7.3. The Statutory Auditor will annually review the operation of the controls and update the maturity matrix.



7.4. All IDI employees shall be implicitly and explicitly responsible for operation of the controls in their respective areas of responsibility and shall be responsible for indicating issues if any to their immediate manager.