



MINISTÈRE DE LA DÉCENTRALISATION, DE LA RÉFORME DE L'ÉTAT  
ET DE LA FONCTION PUBLIQUE

# **Mandatory guidance for the practise of internal auditing within the French State administration**

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# CODE OF ETHICS

## Introduction

The general status of the State public administration, as well as the particular statuses for the different categories of bodies, staff or ministries, define the rights and obligations imposed to the subjected internal auditors.

In this context and in addition to these provisions, this code of ethics aims to promote a culture of ethics among persons and entities conducting internal audit activities.

"Internal auditors" refers to persons performing activities within the definition of internal auditing.

### ***Definition of internal auditing***

Internal auditing is an independent, objective assurance and consulting activity designed to improve an organization's operations.

Internal auditing ensures that internal control processes of an organisation are effective.

Thus, it helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

This code of ethics is necessary and appropriate for internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

This code of ethics includes for this purpose two essential components:

1. Principles that are relevant to the internal auditors and practice of internal auditing ;
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

## Applicability and Enforcement

This code of ethics applies to both individuals and entities that provide internal auditing activities for the State public administration.

In addition to the application, where appropriate, of laws and regulations in force, any breaches of this code of ethics will be evaluated and administered by the relevant chief audit executive and / or hierarchical authorities.

The rules of conduct listed below are not exhaustive. Other behaviors can potentially be discreditable for internal auditing and can therefore lead to action against the person or entity concerned.

## Principles

Internal auditors are expected to apply and uphold the following principles :

### **1. Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

### **2. Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

### **3. Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or regulatory obligation to do so.

### **4. Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

## Rules of Conduct

### **1. Integrity**

Internal auditors:

1.1. Shall perform their work with honesty, diligence, and responsibility.

1.2. Shall observe and make disclosures expected by legal, regulatory or professional provisions.

1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the internal auditing or organization.

1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

## **2. Objectivity**

Internal auditors:

2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.

2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

## **3. Confidentiality**

Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Shall not use information for any personal gain or in any manner that would be contrary to the legal or regulatory provisions or detrimental to the legitimate and ethical objectives of the organization.

## **4. Competency**

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Shall perform internal audit services in accordance with the standards of the State internal auditing framework.

4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.



# STANDARDS

## Introduction

Decree No. 2011-775 of June 28, 2011 relating to internal audit in the State public administration provides that the Internal Audit Harmonization Committee (IAHC) is responsible for drawing up the State internal auditing framework.

To draw up the attribute and performance standards of internal auditing, presented here, the IAHC referred to the standards set by *The Institute of Internal Auditors (IIA)*, in its International Professional Practices Framework.

These international best practices have been adapted taking into account the specificities of the State public administration and the application of laws and regulations in force.

A consultation with the French Institute of Internal Auditors (IFACI), the France's IIA affiliate, has allowed a consistency-check with the international standards mentioned above.

The purpose of the standards is to:

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The standards are principles-focused, mandatory requirements :

- They consist of statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organizational and individual levels ;
- They may be supplemented with interpretations, clarifying terms or concepts used within the statements.

The standards employ terms that have been given specific meanings that are included in the glossary.

It is necessary to consider the statements and their potential interpretations as well as the specific meanings from the glossary to understand and apply the standards correctly.

The structure of the standards is divided between attribute and performance standards. Attribute standards address the attributes of organizations and individuals performing internal auditing.

The performance standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured.

The attribute and performance standards are also provided to apply to all internal audit services.

Implementation standards are also provided to expand upon the attribute and performance standards, by providing the requirements applicable to assurance (A) or consulting (C) activities.

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services :

- (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner,
- (2) the person or group making the assessment — the internal auditor, and
- (3) the person or group using the assessment — the user.

Consulting services are advisory in nature, and are generally performed at the specific request of a beneficiary. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties:

- (1) the person or group offering the advice — the internal auditor, and
- (2) the person or group seeking and receiving the advice — the beneficiary. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

The standards apply to individual internal auditors and internal audit activities. All internal auditors are accountable for conforming with the standards related to individual independence and objectivity as well as proficiency, and due professional care.

In addition, internal auditors are accountable for conforming with the standards, which are relevant to the performance of their job responsibilities. Chief audit executives are accountable for overall conformance with the standards.

After this first edition, the standards will be subject to further periodic review, and to some potential supplements and updating by the Internal Audit Harmonization Committee (IAHC), on the basis of a wide consultation of stakeholders (representatives of ministries, State public administration internal auditors, external audit authorities, representatives of international professionals authorities ...).

Suggestions and comments regarding the State internal auditing framework standards can be sent to:

**Comité d'harmonisation de l'audit interne (CHAI)**

Télédoc 659

139 rue de Bercy

75072 Paris Cedex 12

FRANCE

E-mail :

[sec-gen.chai@finances.gouv.fr](mailto:sec-gen.chai@finances.gouv.fr)

Web : <http://www.action-publique.gouv.fr/chai>

# Attribute Standards

## **1000 – Purpose, Authority, and Responsibility**

The purpose, authority, and responsibility of the internal audit activity are defined by the decree of June 28, 2011 relating to internal audit in the State public administration, specified by the Prime Minister's circular of June 30, 2011 and the regulations in force in each ministry.

They are formally mentioned and, where appropriate, completed, in a document establishing the internal audit charter. This charter also specifies the general organization of the internal audit function which is implemented.

The whole must be consistent with the definition of internal auditing, the code of ethics and the standards of the State internal auditing framework.

The chief audit executive must periodically review the internal audit charter and present the desirable amendments for approval to the relevant hierarchical authority and for validation to the internal audit committee.

**1000.A1** - The nature of assurance services provided to the organization must be mentioned in the internal audit charter. If assurances are to be provided to parties outside the organization, their principle must be provided in an appropriate legal text and their nature specified in the internal audit charter.

**1000.C1** - The nature of consulting services must be mentioned in the internal audit charter.

## **1010 – Recognition of the definition of internal auditing, the code of ethics, and the standards of the State internal auditing framework**

The mandatory nature of the definition of internal auditing, the code of ethics, and the standards of the State internal auditing framework must be recognized in the internal audit charter.

The chief audit executive should discuss the definition of internal auditing, the code of ethics, and the standards with the relevant hierarchical authority and with the internal audit committee.

## **1100 – Independence and Objectivity**

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

### **1110 – Organizational Independence**

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.

The chief audit executive must confirm to the internal audit committee, at least annually, the organizational independence of the internal audit activity.

**1110.A1** - The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

### **1111 – Direct Interaction with the internal audit committee**

The chief audit executive must communicate and interact directly with the internal audit committee.

### **1120 – Individual Objectivity**

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

### **1130 – Impairment to Independence or Objectivity**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

**1130.A1** - Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

**1130.A2** - In cases where the chief audit executive is also responsible for other functions, the assurance engagements carried out on these functions must be overseen by a party outside the internal audit activity.

**1130.C1** – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

**1130.C2** – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the beneficiary prior to accepting the engagement.

### **1200 – Proficiency and Due Professional Care**

Engagements must be performed with proficiency and due professional care.

#### **1210 – Proficiency**

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

**1210.A1** – The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

**1210.A2** – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

**1210.A3** – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

**1210.C1** – The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

## **1220 – Due Professional Care**

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

**1220.A1** – Internal auditors must exercise due professional care by considering the :

- Extent of work needed to achieve the engagement’s objectives;
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management, and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

**1220.A2** – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

**1220.A3** – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

**1220.C1** – Internal auditors must exercise due professional care during a consulting engagement by considering the :

- Needs and expectations of beneficiary, including the nature, timing, and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement’s objectives; and
- Cost of the consulting engagement in relation to potential benefits.

## **1230 – Continuing Professional Development**

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

## **1300 – Quality Assurance and Improvement Program**

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

### **1310 – Requirements of the Quality Assurance and Improvement Program**

The quality assurance and improvement program must include both internal and external assessments.

### **1311 – Internal Assessments**

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

### **1312 - External Assessments**

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must agree with the internal audit committee on :

- The form and frequency of external assessment; and

- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

**1320 – Reporting on the Quality Assurance and Improvement Program**

The chief audit executive must communicate the results of the quality assurance and improvement program to the relevant hierarchical authority as well as the internal audit committee.

**1321 – Use of “Conforms with the standards of the State internal auditing framework”**

The chief audit executive may state that the internal audit activity conforms with the standards of the State internal auditing framework only if the results of the quality assurance and improvement program support this statement.

**1322 – Disclosure of Non-conformance**

When non-conformance with the definition of internal auditing, the code of ethics or the standards of the State internal auditing framework, impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to the relevant hierarchical authority and the internal audit committee.

# Performance Standards

## **2000 – Managing the Internal Audit Activity**

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

## **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.

**2010.A1** – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually.

In this process, the chief audit executive must consider the input of hierarchical authorities, of services and of the internal audit committee.

**2010.A2** – The chief audit executive must identify and consider the expectations of hierarchical authorities, the internal audit committee and others stakeholders for subjects on which the internal audit issues opinions and other conclusions.

**2010.C1** – The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

## **2020 – Communication and Approval**

The chief audit executive must communicate to the relevant hierarchical authority and the internal audit committee, his internal audit activity's plans and resource requirements, including significant interim changes, for review and approval. The chief audit executive must also communicate the impact of resource limitations.

## **2030 – Resource Management**

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

## **2040 – Policies and Procedures**

The chief audit executive must establish policies and procedures to guide the internal audit activity.

## **2050 – Coordination**

The chief audit executive should share information and seek to coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

## **2060 – Reporting to the relevant hierarchical authority and the internal audit committee**

The chief audit executive must report periodically to the relevant hierarchical authority as well as to the internal audit committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.

Reporting must also include :

- Significant risk exposures and control issues (including fraud risks);
- Governance issues ;
- Other matters needed or requested by the hierarchical authorities or the internal audit committee.

## **2070 – External Service Provider and Organizational Responsibility for Internal Auditing**

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization remains responsible for maintaining an effective internal audit activity.

## **2100 – Nature of Work**

Internal auditing ensures that internal control processes are effective. Thus, it must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

## **2110 – Governance**

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization;
- Ensuring effective organizational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organization; and
- Coordinating the activities of and communicating information to the relevant hierarchical authorities, the internal audit committee, external and internal auditors, and management.

**2110.A1** – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs, and activities.

**2110.A2** – The internal audit activity must assess whether the information technology governance of the organization supports the organization’s strategies and objectives.

## **2120 – Risk Management**

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

**2120.A1** – The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the :

- Compliance with laws, regulations, policies, procedures, and contracts;
- Achievement of the organization’s strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and projects ;
- Sustainability of public finances;
- Safeguarding of assets.

**2120.A2** – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

**2120.C1** – During consulting engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.

**2120.C2** – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization’s risk management processes.

**2120.C3** – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

## **2130 – Control**

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

**2130.A1** – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks, from external or internal sources, within the organization’s governance, operations, and information systems regarding the:

- Compliance with laws, regulations, policies, procedures, and contracts.
- Achievement of the organization’s strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and projects ;
- Sustainability of public finances ;
- Safeguarding of assets.

**2130.C1** – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization’s control processes.

## **2200 – Engagement Planning**

Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.

### **2201 – Planning Considerations**

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity’s governance, risk management, and control processes compared to a relevant framework or model; and
- The opportunities for making significant improvements to the activity’s governance, risk management, and control processes.

**2201.A1** – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

**2201.C1** – Internal auditors must establish an understanding with consulting beneficiary about objectives, scope, respective responsibilities, and other beneficiary expectations. For significant engagements, this understanding must be documented.

### **2210 – Engagement Objectives**

Objectives must be established for each engagement.

**2210.A1** – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

**2210.A2** – Internal auditors must consider the probability of significant errors, fraud, non-compliance, and other exposures when developing the engagement objectives.

**2210.A3** – Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and the internal audit committee has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and the internal audit committee to develop appropriate evaluation criteria.

**2210.C1** – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the beneficiary.

**2210.C2** – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

### **2220 – Engagement Scope**

The established scope must be sufficient to achieve the objectives of the engagement.

**2220.A1** – The scope of the engagement must include consideration of relevant systems, records, personnel, physical properties and others resources, including those under the control of third parties to the State.

**2220.A2** – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

**2220.C1** – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the beneficiary to determine whether to continue with the engagement.

**2220.C2** – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

### **2230 – Engagement Resource Allocation**

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

### **2240 – Engagement Work Program**

Internal auditors must develop and document work programs that achieve the engagement objectives.

**2240.A1** – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

**2240.C1** – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

### **2300 – Performing the Engagement**

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

**2310 – Identifying Information**

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

**2320 – Analysis and Evaluation**

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

**2330 – Documenting Information**

Internal auditors must document relevant information to support the conclusions and engagement results.

**2330.A1** – The chief audit executive must control access to engagement records. The chief audit executive must, if necessary and subject to legal and regulatory obligations of documents disclosure, obtain the approval of the relevant hierarchical authority and/or legal counsel prior to releasing such records to parties outside the organization.

**2330.A2** – The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent legal, regulatory or other requirements.

**2330.C1** – The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization's guidelines and any pertinent legal, regulatory or other requirements.

**2340 – Engagement Supervision**

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

**2400 – Communicating Results**

Internal auditors must communicate the results of engagements.

**2410 – Criteria for Communicating**

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

**2410.A1** - Final communication of engagement results must, where appropriate, contain the internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the needs of hierarchical authorities, the internal audit committee, and other stakeholders. It must be supported by sufficient, reliable, relevant, and useful information.

**2410.A2** – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

**2410.A3** – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

**2410.C1** – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the beneficiary.

#### **2420 – Quality of Communications**

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

#### **2421 – Errors and Omissions**

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

#### **2430 – Use of “Conducted in Conformance with the standards of the State internal auditing framework.”**

Internal auditors may report that their engagements are “conducted in conformance with the standards of the State internal auditing framework, only if the results of the quality assurance and improvement program support the statement.

#### **2431 – Engagement Disclosure of Non-conformance**

When non-conformance with the definition of internal auditing, the code of ethics or the standards of the State internal auditing framework impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the code of ethics or the standards of the State internal auditing framework with which full conformance was not achieved;
- Reason(s) for non-conformance; and
- Impact of non-conformance on the engagement and the communicated engagement results.

#### **2440 – Communicating and disseminating results**

The chief audit executive must communicate results to the appropriate parties.

The results of the mission must not be disseminated to other parties without the consent of the competent authorities.

**2440.A1** – The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

**2440.A2** – Subject to legal and regulatory provisions and prior to communicating or disseminating results to parties outside the organization the chief audit executive must:

- Assess the potential risk to the organization;
- Consult with his relevant hierarchical authority, after considering legal advice, if necessary;
- Control dissemination by restricting the use of the results.

**2440.C1** – The chief audit executive is responsible for communicating the final results of consulting engagements to his beneficiary.

**2440.C2** – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, the chief audit executive must communicate them to the relevant hierarchical authority and the internal audit committee.

#### **2450 – Overall Opinions**

When an overall opinion is issued, it must take into account the expectations of relevant hierarchical authorities, the internal audit committee and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

**2500 – Monitoring Progress**

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

**2500.A1** – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that hierarchical authorities has accepted the risk of not taking action.

**2500.C1** – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the beneficiary.

**2600 – Communicating the Acceptance of Risks**

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with the relevant hierarchical authority. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the internal audit committee.



# Glossary

## **1 - Assurance Services**

Cf. Assurance services (n°22)

## **2 - Internal auditing**

An independent and objective assurance and consulting activity designed to improve an organization's operations.

Internal auditing ensures that internal control processes of an organization are effective.

Thus, it helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

## **3 - Consulting Services**

Cf. Consulting services (n°23)

## **4 - Impairment (to independence and objectivity)**

Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

## **5 - External Auditing**

The external audit of an organization is implemented by an outside body. It should not be confused with the outsourcing of internal audit. In particular, it refers to the Court of auditors in its mission of certifying the State public accounts.

## **6 – Hierarchical authority**

Relevant authority for the chief audit executive, which differs depending on whether the audit is conducted at ministerial or sub-ministerial level.

In plural, "hierarchical authorities" may designate all high levels bodies of an organization, executive or not: ministers, secretaries general, directors ...

## **7 – Beneficiary**

cf. Consulting services (n°23)

## **8 - State internal auditing framework (SIAF)**

The conceptual framework that organizes the authoritative guidance developed by Internal Audit Harmonization Committee (IAHC), pursuant to decree of June 28, 2011 relating to internal audit in the State public administration.

Authoritative guidance is comprised of two categories: mandatory or recommended.

## **9 - Internal audit Charter**

Pursuant the decree of June 28, 2011 relating to internal audit in the State public administration, the Prime Minister's circular of June 30, 2011 and the regulations in force in each ministry, the internal audit charter mentions and completes, where appropriate, purpose, authority and responsibility of the internal audit activity.

The charter also establishes the internal auditing activity's organization.

Charter's approval is the responsibility of the audit committee.

### **10 - Code of Ethics of the State internal audit framework (SIAF)**

The code of ethics of the SIAF are principles relevant to the profession and practice of internal auditing, and rules of conduct that describe behaviour expected of internal auditors.

The code of ethics applies to both parties and entities that provide internal audit services for the State.

The purpose of the code of ethics is to promote an ethical culture among them.

### **11 - Internal audit committee**

The internal audit committee ensures the independence, professionalism and objectivity of the internal auditors in the performance of their assurance and consulting services. It is responsible for defining the audit policy of the organization, ensuring the quality of internal control and risk management, approving the audit planning and monitoring the follow-up of the actions decided after audit engagement's results.

It may be set up at ministerial or sub-ministerial level.

### **12 - Internal Audit Harmonization Committee (IAHC)**

Established by article 2 of the decree of June 28, 2011 relating to internal audit in the State public administration, the Internal Audit Harmonization Committee (IACH) is chaired by the minister of the State reform.

It is responsible for developing the State internal auditing framework and to ensure its enforcement.

It harmonizes the internal audit methodology of ministries and disseminates best practices among them.

The Internal Audit Harmonization Committee also develops the internal audit methodology and guidelines related to the cross-sectional functions.

It scrutinizes every year the audit policy of ministerial departments and delivers recommendations.

It defines and plans audits on annual performance projects and reports related to ministerial budgetary programs.

### **13 – Control (processes)**

Cf. Control processes (n°32)

### **14 – Internal control (within the State public administration)**

According to article 1 of decree of June 28, 2011 relating to internal audit in the State public administration, internal control is a set of formalized and permanent processes decided by each minister, implemented by the executives of all levels, under the coordination of the secretary general of the ministry, aimed at mitigating the risks associated with the achievement of objectives in each ministry.

For the ministry of Defence, internal control is implemented under the authority of the joint chief of staff, the delegate general for armament and the secretary general for administration in their respective areas.

### **15 – Disseminating**

Action taking place usually after the communication of the results of a mission, aiming to disseminate them to other people or organizations, beyond the appropriate parties, most often outside the organization.

This dissemination is carried out with the agreement of the relevant hierarchical authority for the chief audit executive.

### **16 - Control Environment**

The attitude and actions of the board and management regarding the importance of control within the organization.

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control.

The control environment includes the following elements:

- Integrity and ethical values ;
- Management’s philosophy and operating style ;
- Organizational structure ;
- Assignment of authority and responsibility ;
- Human resource policies and practices ;
- Competence of personnel.

### **17 - Governance**

The combination of processes and structures implemented by the hierarchical authorities to inform, lead, manage, and monitor the activities of the organization toward the achievement of its objectives.

### **18 - Independence (internal audit)**

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

### **19 – Management**

All the managers of an organization, in a broad sense.  
It includes the different hierarchical levels within the organization.

### **20 - Risk Management**

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization’s objectives.

### **21 - Internal Audit Ministerial Unit (IAMU)**

Persuant the Prime Minister's circular of June 30, 2011 relating to the implementation of internal audit in the State public administration, the unit is placed beside each minister and defines, on a risk based analysis, the ministerial audit planning, to be submitted, for approval, to the internal audit committee of the ministry.

Relevant for all activities and functions of the ministry, it ensures the dissemination of best practices among operators within the scope of the ministry activity.

It may make recommendations in this regard and initiate audits, where appropriate.

**22 - Assurance Services**

An objective examination of evidence performed in order to provide the organization with an independent assessment on governance, risk management, and control processes.

**23 - Consulting Services**

Advisory activities and related services provided to the beneficiary, whose nature and scope have been agreed in advance with him.

These activities are intended to add value and improve the governance, risk management, and control processes of an organization, without implying any managerial responsibility for the internal auditor.

**24- Internal audit standards (of the State)**

A document promulgated by the Internal Audit Harmonization Committee (IACH) that delineates the requirements for performing internal audit activities in the State public administration, and for evaluating internal audit performance.

They consist of attribute standards, performance standards and implementation standards.

**25 – Performance standards**

Performance standards describe the nature of internal auditing and provide quality criteria for the evaluation of services provided.

**26 – Implementation standards**

Implementation standards are provided to expand upon the attribute and performance standards, by pointing out the requirements applicable to assurance (A) or consulting activities (C).

**27 - Attribute standards**

Attribute standards address the attributes of organizations and individuals performing internal auditing activities.

**28 - Objectivity (of auditors)**

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

**29 - Engagement Opinion**

The rating, conclusion, and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

**30 - Overall Opinion**

The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management, and/or control processes of the organization. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

**31 – Organization**

Set of structured means constituting a coordinated unit. It may designate a ministry or an administrative sub-structure of the State (division, service, territorial service of the State ...).

### **32 - Control Processes**

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated at all levels to ensure that risks are contained within the level that an organization is willing to accept and to increase the probability that goals and objectives will be achieved.

### **33 - Chief Audit Executive**

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the definition of internal auditing, the code of ethics, and the standards.

The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications.

The specific job title of the chief audit executive may vary across organizations.

### **34 - Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

### **35 - Service**

Refers to any administrative structure at sub-ministerial level of the State.

### **36 – Third party (to the State)**

Any legal or physical entity distinct from the State. Some third parties are likely to be audited in whole or in part of their activity : public institutions, operators, concessionary companies, service providers ...

### **38 - Internal audit added Value**

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.