

22PL22 - Internal Audit Quality Improvement Action Plan

Information report on the development of the Action Plan: streamlining the quality of the Internal Audit Framework in Poland

This report aims to provide recommendations to facilitate the Ministry of Finance of Poland drafting of the Action Plan for development of a robust Internal Audit Framework in Poland. The report outlines information from the diagnostic report essential for the development of the plan and is based on the analysis and findings presented in the diagnostic report.

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1 Introduction

1. This information report on the development of the Action Plan, presents proposals regarding the time-bound objectives of the Ministry of Finance of Poland in key aspects of the design and delivery of the Action Plan for the improvement of the internal audit function under the project 22PL22 "Internal Audit Quality Improvement Action Plan"¹.
2. The action was funded by the European Commission via the Technical Support Instrument, and implemented by the OECD, in cooperation with the Directorate-General for Structural Reform Support (DG REFORM).
3. The report involves identification of the initiatives necessary to develop and implement the Action Plan and to streamline the quality of the internal audit function. It also includes the definition of actionable measures, responsible authorities and timelines for achieving the objectives.
4. To be effective, the Action Plan should be based on a comprehensive assessment as well as the challenges and opportunities that the country faces. Therefore, the key findings and insights highlighted in the diagnostic report of the project were drawn from the different relevant sources: results of the fact-finding interviews and discussions with key stakeholders², desk research³, survey⁴ of internal auditors in Poland and analysis of Principle 10 "Internal Control and Risk Management" of the OECD Public Integrity Indicators⁵.
5. Many of the recommendations, if implemented, would represent some complex and significant changes to the current working practices and procedures. The recommendations will assist senior management in deciding upon priorities to take forward the development and enhancement of the internal audit system. It may also require some amendments to existing laws and regulations, investment of resources and better understanding from the management's point of view of the issues involved. The significance of the adoption and implementation of the Action Plan should be seen in this context, while ensuring a rigorous monitoring of the implementation by the responsible Polish authorities.
6. The next section of the report presents the development opportunities to the internal audit function focusing on the consolidated and systemised weaknesses of the public internal audit system in Poland identified in the diagnostic report. The last section presents the consolidated recommendations to facilitate the Ministry of Finance of Poland in drafting the Action Plan for the development of an effective internal audit framework in Poland.

¹ [Launch of the project "Action Plan to improve the quality of internal audit" - Ministry of Finance - Portal Gov.pl \(www.gov.pl\)](https://www.gov.pl)

² [Meetings within the framework of the project "Action Plan for improving the quality of internal audit". - Ministry of Finance - Portal Gov.pl \(www.gov.pl\)](https://www.gov.pl)

³ [Invitation to cooperation within the project "Action Plan for improving the quality of internal audit" - Ministry of Finance - Portal Gov.pl \(www.gov.pl\)](https://www.gov.pl)

⁴ [Survey for internal auditors and service providers as part of the project "Action Plan to improve the quality of internal audit". - Ministry of Finance - Portal Gov.pl \(www.gov.pl\)](https://www.gov.pl)

⁵ [OECD - Public Integrity Indicators \(oecd-public-integrity-indicators.org\)](https://oecd-public-integrity-indicators.org)

Relevant project activities and consultations

7. In accordance with the project, the OECD held an in-depth discussion with the Ministry of Finance of Poland on the framework of the Action Plan and outlined information from the Diagnostic report that is essential for the development of the plan. The OECD, in coordination with the Ministry of Finance of Poland, then prepared the draft setting out possible priorities, objectives, actions and timelines, and in September organised a mission to Poland to discuss, receive feedback and advice and describe every aspect of the drafted report. The report with recommendations was prepared to facilitate the Ministry of Finance to prepare the Action Plan for the improvement of the internal audit activities in the public sector, setting out the time-bound objectives and priorities of Poland. Stakeholder consultation (over 150 participants) on the report on the Action Plan to promote the awareness, feedback and stakeholder buy-in for the project took place on 17th October 2023. The Ministry of Finance of Poland shared the invitation to the meeting through the website⁶ of the Ministry of Finance. The stakeholders provided positive feedback during the meeting, which was later visible on the social network. Moreover, the OECD supported Poland's initiative to collaborate with the OECD Central Harmonisation Network on a survey and technical discussion in a form of Community of Practice on implementation of the internal audit function in the public sector. The online meeting took place on 8th December 2023 with Czechia, Finland, France and Slovakia.

⁶ [Invitation to participate in a meeting presenting OECD recommendations for the development of an Action Plan to improve the quality of internal audit - Ministry of Finance - Portal Gov.pl](#)

2 Development opportunities

8. The challenges and areas for improvement identified in the diagnostic report facilitate the development of the recommendations for the Action Plan and aim to support implementation of the actionable measures to improve the internal audit function arrangements in the public sector of Poland, taking into consideration internal audit's intrinsic value on the functioning of public organisations. The references to findings and recommendations provided in the diagnosis are further consolidated and detailed in this report to inform the development of the Action Plan foreseen in this project.

2.1. Internal audit function according to the OECD Public Integrity Indicators

9. Integrity is essential for building strong institutions and assures citizens that the government is working in their interest. Integrity is not just a moral issue - it is also about making economies more productive, public sectors more efficient, societies and economies more inclusive. The OECD Recommendation on Public Integrity⁷ provides policy makers with a vision for a public integrity strategy, shifting the focus from ad hoc integrity policies to a context dependent, behavioural, risk-based approach with an emphasis on cultivating a culture of integrity across the whole of society.

10. The OECD Public Integrity Indicators (PII) apply a mixed methods approach, drawing on both administrative data and big data provided directly by governments and surveys to measure key aspects of the implementation of the Recommendation. The value added of the PII is to provide policy makers and practitioners with an international perspective on the state of play for relevant parts of the integrity system and offer a credible alternative to existing indices. The purpose is not to rank countries, but rather to identify the multiple steps that can be taken to strengthen core parts of the integrity system. Successful implementation of the indicators helps enhance the capacity of countries to measure the resilience of the public integrity system and will provide an evidence-based approach to developing and implementing better integrity policies for better lives.

11. Internal control and risk management mechanisms are essential for safeguarding public integrity in the public sector. Policies and regulations are needed to establish direction and minimum standards, and some coordination and monitoring functions are needed at the central government level to ensure coherence and to provide oversight. Ultimately, outcomes depend on practices in budget organisations. The indicators focus on what matters most for the public integrity system and do not cover all areas relevant for the general effectiveness of public sector organisations or the internal control and risk management framework. Accordingly, the internal audit framework of Poland was analysed in 2023 under the Principle 10 "Internal Control and Risk Management", and the results were comprehensively described in the diagnostic report. The relevant criteria that are not fulfilled by Poland are consolidated in the Table 2.1 below, following the identification of major weaknesses.

⁷ [OECD Recommendation on Public Integrity - OECD](#); available to read on the OECDs' website.

Table 2.1. PII criteria, relevant to the effectiveness of the internal audit function, not fulfilled in Poland (2023)

OECD PII criteria number	Criteria (24) to fulfill for Poland
3.10.2.2 ⁸	The regulatory framework specifies the scope of work and size of the internal audit (IA) units (minimum two persons per unit).
3.10.2.4	Standards directly aimed at the conduct and ethical behavior of internal auditors are published.
3.10.2.8	The regulatory framework requires the internal audit unit (IAU) to develop an internal audit activity manual based on a standard methodology approved by the Central Harmonisation Unit/Function (CHF) or a central IA function.
3.10.4.7	The CHF has conducted a government-wide review on the functioning of the Internal Control (IC) and IA systems, annually during the last 3 years.
3.10.4.8	The central function has conducted a government-wide review on the functioning of the IC system, annually during the last 3 years.
3.10.4.9	The central function has conducted a government-wide review on the functioning of the IA system, annually during the last 3 years.
3.10.4.10	The CHF or the central IA function coordinates the training and certification system for IA staff.
3.10.5.1	All central government institutions that are required to implement IC reported on actions taken to the central function responsible for IC policy in the latest full calendar year.
3.10.5.3	The annual reports on IC or IA for the past 3 years are publicly available.
3.10.5.4	The annual reports on IC or IA were shared with the Supreme Audit Institution (SAI) for the past three years, if not publicly available.
3.10.5.5	The latest annual reports on IC from the past 3 years included summary statistics of auditing, and a summary of self-assessments of internal control and risk management activities.
3.10.5.6	The latest annual report on IC or IA contained a dedicated section or data on integrity, anti-corruption or fraud risks and controls.
3.10.5.7	More than 50% of public bodies covered by IC provided a self-assessment report regarding the maturity of their IC systems during the latest full calendar year.
3.10.5.8	An intergovernmental organisation has conducted a review of the IC or IA system within the past 5 years.
3.10.5.9	The SAI has conducted a review of the IC or IA system within the past 5 years.
3.10.6.1	IA units are staffed according to legal requirements.
3.10.6.2	All IA units are staffed by at least 2 persons.
3.10.6.4	At least 85% of public officials performing internal audit functions have obtained a national or international certificate for IA.
3.10.6.6	Audit procedure manuals are adopted by heads of institutions for all sample organisations.
3.10.6.7	Reports from the IA unit are submitted directly to the managing body of the institution for all sample organisations.
3.10.6.10	Audit plans in at least half of sample organisations include integrity-specific objectives aimed at reducing fraud and other public integrity risks.
3.10.7.5	The body with direct responsibility for managing integrity risks is not part of the IA function and reports directly to the head of the institution in all sample organisations.
3.10.7.6	The body with direct responsibility for managing integrity risks is not part of the compliance department, or legal counsel in all sample organisations.
3.10.11	Implementation rate for internal audit recommendations.

Source: OECD Public Integrity Indicators, Principle 10, [Effectiveness of internal control and risk management mechanisms for safeguarding public integrity \(oecd-public-integrity-indicators.org\)](https://publicintegrity.org/effectiveness-of-internal-control-and-risk-management-mechanisms-for-safeguarding-public-integrity/)

12. Indicator **Regulatory framework for internal audit** reviews the regulations established for the internal audit function. The related criteria are based on the IIA IPPF Standards 2017, and INTOSAI GOV 9140 professional standards.

⁸ Based on the OECD Recommendation on Public Integrity: 3 – Domain “Accountability”; 3.10 – Principle “Effectiveness of internal control and risk management mechanisms for safeguarding public integrity”; 3.10.2 – “Indicator “Regulatory framework for internal audit”.

Major weaknesses for Indicator 3.10.2

There is no regulation requiring a minimum of two persons per internal audit unit.

Standards directly aimed at the conduct and ethical behavior of internal auditors are not published.

CHF⁹ has not issued any guidelines on developing an internal audit activity manual.

13. Indicator ***Coverage of central functions to implement internal control and internal audit*** reviews the mandate and specific duties of the central harmonisation function - the government body responsible for coordinating and monitoring implementation of internal control and internal audit activities. The criteria are based on COSO 2013 IC-IF, IIA IPPF standards 2017, INTOSAI GOV 9100, and 9130 and the EU PIC model.

Major weaknesses for Indicator 3.10.4

The CHF has not been conducting a government-wide review on the functioning of the internal control and internal audit systems, annually.

The CHF does not coordinate a training and certification system to ensure the inclusion of new internal audit staff and their continuous professional education.

14. Indicator ***Central reporting on internal control and internal audit*** reviews the reports for internal control and internal audit. It can be one report or two separate reports. The annual report refers to a summary of all individual reports.

Major weaknesses for Indicator 3.10.5

Central government bodies are not required by the regulatory framework to report annually to the CHF on the implementation of internal control activities.

There are no annual reports on internal control and internal audit prepared by the CHF.

There are no annual reports on internal control and internal audit publicly available.

The SAI or other competent bodies has not conducted a review of the internal control or the internal audit system within the past 5 years.

15. Indicator ***Internal audit and risk-based approaches in practice*** reviews data provided by the central harmonisation function. For some criteria, a sample is taken to review practice. The sample organisations include all ministries and the 10 central government agencies reporting directly to a ministry, the Government, or the central budget authority with the largest budgets.

Major weaknesses for Indicator 3.10.6

There are no regulative requirements regarding internal audit staffing.

⁹ Central harmonisation function - a policy unit located in the executive branch of government, directly reporting to the Minister of Finance (or equivalent head of the central budget authority) or equivalent politically-elected head of a centre-of-government body or ministry/department on the status of internal control and internal audit in the entire public sector, responsible for redesigning, updating and maintaining the quality of internal control and internal audit systems, for harmonising and coordinating definitions, standards and methodologies, for networking between all actors (managers, financial officers, internal auditors), for the establishment and coordination of sustainable training facilities, including the setting of criteria for the certification of public internal auditors, and for all other actions to improve public internal control systems.

No data available to the CHF on whether internal audit units are established and staffed according to legal requirements.

Not all IA units (537) are staffed by at least 2 persons (*about 380 units have 1 auditor*).

No data available to the CHF on how many public officials performing internal audit functions have obtained a national or international certificate for internal audit.

Internal audit procedure manuals are not adopted by heads of institutions for the sample organisations that have developed one.

Reports from the internal audit unit are not submitted directly to the managing body of the institution in all sample organisations.

Audit plans in at least half of sample organisations do not include integrity-specific objectives aimed at providing assurance over the adequate management of reducing fraud and other public integrity risks.

16. Indicator ***Use of integrity risk management in budget organisations in practice*** reviews data provided by the central government body responsible for risk management. A sample is taken to review practice. The sample organisations include all ministries and the 10 central government agencies reporting directly to a ministry, the Government, or the central budget authority with the largest budgets.

Major weakness for Indicator 3.10.7

The body with direct responsibility for managing integrity risks is part of the internal audit function in some organisations.

17. Indicator ***Implementation rate for internal audit recommendations*** reviews data from the central harmonisation function to identify the share of internal audit recommendations made during the year prior to the latest full calendar year that were implemented within one year. “Implemented” means that management completed the actions that addressed the recommendation stemming from the internal audit report. The implementation rate is expressed as a percentage of the total number of recommendations.

Major weakness for Indicator 3.10.11

The CHF is not monitoring the implementation rate of internal audit recommendations – no data available to the CHF on how many internal audit recommendations were implemented by management within a year (the latest full calendar year).

2.2. Key areas for improvement – consolidated and structural approach

18. Research carried out for the diagnostic report showed a consensus amongst different stakeholders, that although internal audit legislation has evolved aiming to follow relevant international standards, actual implementation should be improved. Furthermore, while internal audit framework has been broadly advocated by the central harmonisation function at the Ministry of Finance, the factual implementation of internal audit function has not received value recognition, harmonised footing and country-wide coverage.

19. Despite the growing number of good internal audit initiatives at the national level, the lack of managerial responsibility and accountability is still perceived to be one of the major obstacles to obtain quality internal audit services. Furthermore, more in-depth and comprehensive central monitoring and support actions are necessary to address systemic and institutional weaknesses that could facilitate internal audit function and internal control practices.

20. The research and analysis provided in the diagnostic report of the public internal audit framework in Poland have recognised major findings that should guide the country's considerations for further development looking forward. These are consolidated and structured in the Table 2.2 below.

Table 2.2. Weaknesses identified in the diagnostic report

Regulatory Framework, Organisation, Scope

- The legal framework do not specify the size of internal audit units. In practice, small size internal audit units dominate in various forms (one-person internal audit unit, half and less than half-time equivalents, service providers). There are only about 20% with more than one internal auditor at the central government level.
- More than 60% municipalities and 10% central government organisations rely on service providers, a practice that raises assurance, quality management, independence and audit coverage concerns.
- Insufficient clarity in legislation about the internal control roles, responsibilities and the internal audit value.
- Standards directly regulating the conduct and ethical behaviour of internal auditors are not established.
- Only 19% of total national budget organisations are covered by internal audit function, while every public finance sector entity must establish and implement internal control processes.

Independence

- Internal audit units are frequently combined and integrated with other management and control functions (e.g. data protection, internal control, inspection).
- Internal audit function is frequently involved in performing various control, inspection and risk management duties. The function with direct responsibility for managing integrity risks is part of the internal audit function in some organisations.
- Internal audit direct reporting line to the head of the entity is not established in some organisations.
- There are reasonable concerns regarding the effective protective measures for internal auditors' independence and objectivity.

Staffing and Professionalism

- There are no regulative requirements regarding internal audit staffing. There is no regulation requiring a minimum of two persons per internal audit unit.
 - All internal audit units (537) are not staffed by at least 2 persons (approx. 70% of units have 1 auditor).
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- Hiring managers face difficulties in recruiting qualified internal auditors. The number of qualified internal auditors is largely insufficient to carry out internal audit duties across public organisations.
 - Small organisations do not have sufficient resources to establish an adequate internal audit team and usually hire a part-time auditor or contract with a service provider to fulfil internal audit duties.
 - Small internal audit units are not able to ensure the effectiveness of internal auditing, to meet necessary independence and objectivity requirements and to provide independent assurance over the internal control system across the organisation.

Risk-based approaches in practice and methodological tools

- Not all organisations have an internal audit procedure manual. Internal audit procedure manuals are not adopted by heads of institutions for some of the organisations that have developed one.
- Internal audit charters, manuals, working documents differ in practice quite substantially. There are differences in presenting risk assessment results, formulating audit plans, gathering evidence and establishing conclusions. The follow-up practice is also not well defined and formalised.
- Internal audit charters often prescribe first and second line internal control duties to the internal audit function.
- Internal audit function frequently does not establish a strategic internal audit plan.
- Internal audit plans rarely include integrity-specific objectives aimed at providing assurance over the adequate management of fraud and other public integrity risks.
- Reports from the internal audit units are not submitted directly to the managing body of the institution in some organisations.
- There is a lack of standardised practical guidelines and methodologies.
- Internal audit is focused on compliance audit and is not comprehensively supporting organisations in building managerial accountability and establishing and maintaining effective internal control systems and risk management structures and processes.
- Rarely do the internal audit units perform systematic assessments of the adequacy, effectiveness and efficiency of internal control.
- Coordination practice with external audit is rare and not supported structurally by the supreme audit institution or the central harmonisation function.

Quality management and control

- Quality self-assessments and/or external quality assessments are not performed regularly according to the regulations. Regular guidance, supervision and empowerment of inexperienced auditors are not always feasible given the way internal audit units are currently operating.
- Organisations do not actually receive an external quality evaluation of the internal audit function.
- There are reasonable concerns regarding the quality when the internal audit function is provided by a one-person internal audit unit, half and less than half-time equivalents and service providers.
- Entities with service providers show a lower-than-average rate of self-assessments and external assessments.
- Provisions for evaluation and quality control are frequently not included in contracts with service providers.

Managerial awareness and accountability

- Limited managerial awareness about the roles and responsibilities of internal control and internal audit functions.
 - Management frequently confuses internal audit with internal control and inspection duties.
 - Cooperation with auditees could be improved regarding the actual implementation of internal audit recommendations.
 - Public organisations are not required to report to the central harmonisation function on the implementation of internal control activities.
 - Local government IA units are not required to provide reports on their internal audit activities to the central harmonisation function.
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Audit Committees

- Not all audit committees perform all their duties as regulated by the legal requirements.
- Audit committees are established only in ministries and majority of audit committee members are internal.
- Insufficient involvement of audit committees in supporting the internal audit function, determining priorities in the formulation of the audit strategy and annual audit plan, and in defining significant risks and internal control weaknesses within the organisation.
- Audit committees are not involved in oversight of the financial and performance reporting responsibilities, the system of internal control, comprehensiveness and reliability of assurances on risk management and the control environment and the performance management framework.

Independent systematic evaluations

- The supreme audit institution has not been conducting a comprehensive review of the internal control and/or internal audit system within the past five years.

Central Harmonisation Function – coordination and monitoring of internal control and internal audit

- Central harmonisation function does not prepare country-wide assessments: the function has not been conducting a government-wide review on the functioning of the internal control and internal audit systems, annually.
 - Central harmonisation function does not possess actual and relevant data on the implementation of the internal control and internal audit policies (*no data available on whether internal audit units are established and staffed according to legal requirements; no data available on how many public officials performing internal audit functions have obtained a national or international certificate for internal audit; no data available on how many internal audit recommendations were implemented by management within a year (the latest full calendar year).*
 - Central harmonisation function has not issued any guidelines on developing an internal audit activity manual.
 - Central harmonisation function does not coordinate a training and certification system to ensure the inclusion of new internal audit staff and their continuous professional education.
 - Central harmonisation function doesn't monitor and coordinate the implementation of internal audit quality self-assessment or external quality assessments requirements.
 - Central harmonisation function has not enough capacity to ensure the country wide coverage, including actual data analysis, systematic and regular monitoring and quality assurance.
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Proposals for action

21. A strategic approach that mainstreams integrity objectives into existing strategies often faces fewer problems regarding the institutional setup, staffing and funding, as those strategies being established; however, it still needs to grapple with the challenge of a whole-of-government, collaborative approach¹⁰. Moreover, the efforts to develop an internal audit framework often rely on a range of actors at the government-wide, institutional and individual levels for effective implementation with a robust central harmonisation role across the public sector in the country leading the work. For instance, at an institutional level, internal control and internal audit policies and processes provide reasonable assurance to management that the organisation is managing its risks effectively towards achieving its objectives.

22. As outlined in the previous section, managerial responsibility and accountability together with comprehensive central monitoring and support are still perceived as the major obstacles to obtain effective and qualified internal audit services. Therefore, the described development opportunities present the foundation for defining the following key priorities and objectives (Table 3.1), including indicators of the objectives to facilitate necessary advancement and monitoring (Annex A), for the public internal audit framework of Poland:

Table 3.1. Key priorities and objectives to streamline the quality of the public internal audit framework in Poland

OECD PII Ref. No.	Priorities and Objectives	
3.10.2 3.10.6 3.10.7	I Priority - Raise managerial awareness and accountability across the country, ensuring a strong control environment with clear objectives that demonstrates managers' commitment to effective internal control and internal audit functions, public integrity, and public-service values, and that provides a reasonable level of assurance of an organisation's efficiency, effective performance and compliance with laws and other regulatory requirements and standards.	
	Objectives	<i>Increase managerial awareness on internal audit and internal control policies and implementation responsibilities.</i>
		<i>Optimise an internal audit function with a view to ensure more effective, efficient, and economical use of resources and better adding value, quality, and coverage.</i>
		<i>Strengthen the independence of the internal audit function.</i>
		<i>Strengthen audit committees' support and oversight role.</i>
		<i>Establish a comprehensive country-wide accountability mechanism on internal control and internal audit.</i>
3.10.4 3.10.5 3.10.11	II Priority – Strengthen the central harmonisation function aiming to develop a comprehensive country-wide monitoring of and support to the internal control and internal audit practices, ensuring a strategic and harmonised approach towards internal control and internal audit, that includes assessing systemic risks, addressing control weaknesses as well as building an efficient monitoring of the internal control system and a quality assurance mechanism for the internal audit system.	
	Objectives	<i>Harmonise key internal audit policy documents and risk-based planning approach in practice.</i>
		<i>Develop a national certification scheme for public internal auditors.</i>
		<i>Foster assurance practices with a focus towards performance audit and systemic assessments of internal control.</i>
		<i>Establish a country-wide systemic monitoring mechanism of the implementation of the internal control and internal audit regulatory requirements.</i>
		<i>Coordinate internal audit quality assurance requirements to ensure effective self-assessment and external quality assessments.</i>

¹⁰ [OECD Public Integrity Handbook | OECD iLibrary \(oecd-ilibrary.org\)](#); available to read on the OECDs' website.

23. To facilitate the policy dialogue on public internal audit in Poland, the Table 3.2 below provides a list of proposed actions. Together with clarifying the responsible authorities, the table also gives a hint on whether the actions could be implemented in the short or medium term, or whether the action requires a long-term perspective. Clearly, for actions that would require legislative changes, for instance, a clear-cut responsibility cannot be attributed to the CHF, IAU, AC, SAI¹¹ (or a single body) and the implementation of the change is uncertain. However, taking the OECD recommendations as a starting point, the government could commit nonetheless to advance discussions on how to move forward or even propose amendments to the existing legislative framework. Whenever possible, the table indicates which government entity could move forward the proposed action. Ideally, such discussions and proposals for legislative changes would be initiated by the central harmonisation function of Poland, i.e. by the Public Internal Control and Internal Audit Coordination Unit of the Value for Money and Accounting Department of the Ministry of Finance, responsible for the central harmonisation function for public internal audit and internal control¹².

Table 3.2. Action Plan for strengthening the public internal audit framework in Poland

Ref. no.	Activity description	Responsibility	Timeframe (short/medium/long term) ¹³
1 - Increase managerial awareness on internal audit and internal control policies and implementation responsibilities			
1.1	Update the internal control standards, taking into consideration COSO 2013.	CHF	Short
1.2	Assess the training needs for different management levels on assurance responsibilities.	CHF	Short
1.3	Develop an induction training mechanism for all staff, including senior management and managers on internal control and internal audit.	CHF	Short
1.4	Establish a regular training mechanism for managers, with the aim to strengthen implementation of managerial responsibilities on internal control and internal audit, their performance and fulfil the goals of their corresponding areas and to build sustainable capacities of different management levels in governance, internal control, and risk management.	CHF	Medium
1.5	Develop a knowledge sharing module on internet for senior managers to facilitate the exchange of good practices on governance, control and risk management.	CHF	Medium
1.6	Reinforce the existing training and awareness mechanisms for different levels of management to help ensure they understand and consistently apply the internationally recognised three lines model across the public sector.	CHF, Central Training Authority	Medium
1.7	Clearly define internal control (including inspection) and internal audit roles, separate responsibilities, value and standards for specific roles.	CHF	Short
1.8	Enable internal auditors to assist organisations in development of sustainable capacities on effective internal control systems and risk management structures and processes.	CHF	Short
1.9	Develop an internal control practitioners network for an adequate exchange of relevant practices and information between its participants and to ensure the proper understanding of the roles linked with the fundamental principles of the internal control framework throughout the country.	CHF	Long
2 - Optimise the internal audit function with a view to ensure more effective assurance, efficient use of resources and better adding value, quality, and coverage			
2.1	Perform a comprehensive analysis on possible centralisation of the internal audit activity	CHF	Medium
2.2	Ensure better availability of qualified people by restoring the national internal audit examination and establishing the internal audit staffing requirements in primary regulation.	CHF	Long

¹¹ IAU – Internal Audit Unit, AC – Audit Committee, SAI – Supreme Audit Institution

¹² [Management control and internal audit in public finance sector units - Ministry of Finance - Portal Gov.pl \(www.gov.pl\)](http://www.gov.pl)

¹³ The timeframe is indicative, and it could be further reconsidered during the design and endorsement process of the Action Plan by the Ministry of Finance. Recommended definition: short-term - up to 1.5 year; medium-term - up to 3 years; long-term - up to 5 years.

Ref. no.	Activity description	Responsibility	Timeframe (short/medium/long term) ¹³
2.3	Consider better grouping of internal audit staff resources by facilitating development of larger internal audit units within (bigger) organisations, while enlarging the scope and audit universe, and clarifying internal audit mandate to audit subordinate entities.	CHF	Long
2.4	Define clear conditions for smaller internal audit functions to ensure adequate implementation of legal requirements, especially regarding scope of assurance, quality management and control, objectivity and independence.	CHF	Long
2.5	Ensure that internal audit units establish strategic audit plans, including the audit needs assessment, and enable heads of the internal audit to work with the audit committee and senior management to determine whether the established size of the activity is appropriate to provide necessary assurance coverage to the organisation's audit universe.	CHF, IAUs, ACs	Short
2.6	Develop audit needs assessment guidelines, which could support organisations to define the optimal size of an internal audit unit taking into consideration the mandate and scope of internal audit, the number of employees in the entity, the size of expenditure of the entity, the complexity of the internal control environment and other specific features.	CHF	Long
2.7	Map national budget organisations that are not covered by the internal audit function, evaluating adequacy and effectiveness of the existing assurance mechanisms and level of risk in these organisations and develop appropriate policy recommendations in proportion to the defined risks.	CHF	Medium
3 – Ensure the independence of the internal audit function			
3.1	Clarify in the regulations and guidelines the internal audit independence from the day-to-day operations and control (including inspection) functions of the organisation, enabling internal auditors not to be involved in any management and control activities, and that units with direct responsibility for managing (integrity) risks and control should not be part of the internal audit function.	CHF	Short
3.2	Ensure clarity of organisational and functional independence of the internal audit activity in the regulations, guidance, and training materials.	CHF	Short
3.3	Clarify in the primary regulations an internal audit direct reporting line to the head of an organisation.	CHF	Short
3.4	Establish an internal audit protection mechanism regarding the appointment, transferring and dismissal procedure, considering the consultation with the central harmonisation function and considering the role of audit committees.	CHF	Long
3.5	Increase the support and oversight role of the audit committees aiming to maintain high standards of actual practice in ensuring internal auditors independence.	CHF, ACs	Medium
3.6	Enable an internal audit advisory role to support management during the application of assurance mapping tools, regarding the role, scope and position of the control and inspection activities.	CHF	Long
4 - Strengthen audit committees' support and oversight role			
4.1	Establish necessary training facility and guidance to ensure that audit committees have knowledge and skills to perform all their duties as regulated by the legal requirements.	CHF	Short
4.2	Increase independence of the audit committees by defining that majority of audit committee members should be independent.	CHF	Short
4.3	Enable the audit committees to support the internal audit function in determining priorities in the formulation of the audit strategy and annual audit plan, and in defining significant risks and internal control weaknesses within the organisation.	CHF	Medium
4.4	Enlarge the scope of the role of the audit committees' in oversight of the system of internal control, the financial and performance reporting responsibilities, comprehensiveness and reliability of assurances on risk management and the control environment, anti-fraud and corruption prevention framework and the performance management framework.	CHF	Long
4.5	Map and review the existing oversight, assurance and risk management capabilities throughout the public sector and consider establishing the audit committees in organisations where the committees could play a significant assurance role in overseeing governance, risk and control processes as well as promoting an effective internal audit and strong ethical culture.	CHF	Long
5 - Establish a comprehensive country-wide accountability mechanism on internal control and internal audit			
5.1	Establish a hierarchical internal control accountability system aiming to ensure comprehensive reporting on the implementation of internal control within a sector or field of responsibilities, providing the requirement for the first level organisations to report to the central harmonisation function on the implementation of internal control activities at the entity-level.	CHF	Long
5.2	Establish an internal audit accountability system aiming to ensure comprehensive reporting on internal audit, providing the requirement for the heads of internal audit units to report to the central	CHF	Medium

Ref. no.	Activity description	Responsibility	Timeframe (short/medium/long term) ¹³
	harmonisation function on the internal audit function's operational implementation and quality assurance activities.		
5.3	Set up managerial and internal audit responsibility and accountability requirements in the primary and secondary regulations and establish necessary guidelines and templates to support implementation.	CHF	Medium
5.4	Enlarge the mandate of the central harmonisation function to include coordination and monitoring of the implementation of the internal control and internal audit policies.	CHF, MoF	Long
5.5	Design IT support solutions to facilitate regular reporting and data management and control.	CHF, IT ¹⁴	Long
5.6	Establish a designated training scheme for managers and heads of internal audit units to facilitate harmonised accountability structure and practice.	CHF	Medium
6 - Harmonise key internal audit policy documents and risk-based approach in practice			
6.1	Establish a sample internal audit charter for the public sector approved by the CHF (or other relevant authority) and a requirement that an individual internal audit charter should be prepared considering the sample charter and approved by the head of the organisation.	CHF	Medium
6.2	Ensure that existing internal audit charters are in line with the relevant regulations, guidance provided by the central harmonisation function and the specific characteristics of the organisation.	CHF, IAUs	Short
6.3	Establish a standard methodology and guidance to ensure an adequate quality level among the internal audit manuals and working documents.	CHF	Medium
6.4	Ensure that all internal audit units have internal audit manuals, which are adequately documented and approved.	CHF, IAUs	Medium
6.5	Review the necessity of preparation of practical guidelines, templates, and methodologies.	CHF, IAUs	Long
6.6	Establish standards regulating the conduct and ethical behaviour of public sector internal auditors.	CHF	Medium
6.7	Consider establishing a dedicated central facility staffed with IT-audit experts aiming to support internal audit functions and to give assurance on IT systems, and ensuring availability of necessary training tools.	CHF, IT	Long
6.8	Based on the assurance mapping results define in the regulations the principles of cooperation with external auditors, aiming to avoid overlaps, inefficiencies, and duplication of work, as well as to facilitate a combined assurance approach.	CHF, SAI	Long
6.9	Elaborate the practical ways in which internal and external auditors could cooperate without compromising their independence to support managerial awareness and accountability, internal control system developments and the implementation of audit recommendations.	CHF, SAI	Long
7 - Develop a national certification scheme for public internal auditors			
7.1	Develop a national certification system specifically oriented to the special needs of the public sector, aiming to build necessary internal audit capabilities in the public sector.	CHF, SAI, Central Training Authority, Universities	Medium
7.2	Set-up a certification commission and procedure for quality control of the certification system.	CHF	Medium
7.3	Ensure a constant delivery of workshops and webinar activities to maintain and enhance the necessary capacity of internal auditors in the public sector and to promote the knowledge sharing, networking and information exchange.	CHF	Short
7.4	Consider defining in regulations a provision aiming to ensure the continuous professional education and competence development for public internal auditors.	CHF	Long
8 - Foster assurance practices with a focus towards performance audit and systemic assessments of internal control			
8.1	Establish the practical exchange networking aiming to share good practices and value added of performance and system-based auditing, and to promote practical guidance in defining audit criteria.	CHF, IAUs	Short
8.2	Initiate training and guidance sessions dedicated to performance and system-based auditing.	CHF, IAUs	Medium
8.3	Create conditions for internal auditors to share good practices, templates and promote them to facilitate practical implementation.	CHF	Long
8.4	Organise pilot audits in selected organisations and apply delegated audit mechanism to support a quicker introduction of the performance and systems-based auditing that could enable internal auditors to provide assurance over the internal control systems in an audited organisation.	CHF	Medium
8.5	Regularly review the feedback from the auditees and discuss the impact scale and challenges with	CHF, IAUs	Short

¹⁴ Government authority responsible for IT policy and infrastructure developments.

Ref. no.	Activity description	Responsibility	Timeframe (short/medium/long term) ¹³
	the internal audit community during the dedicated networking.		
9 - Establish a country-wide systemic monitoring of the implementation of the internal control and internal audit regulatory requirements			
9.1	Establish a mandate for the central harmonisation function to conduct a regular government-wide review on the functioning of the internal control and internal audit systems to draw conclusions and make recommendations for systemic actions that could help to advance internal audit, internal control and risk management.	CHF	Short
9.2	Ensure the regulations and IT systems enable the central harmonisation function to obtain, manage and analyse actual and relevant data on the implementation of the internal control and internal audit policies, based on the data provided by the public organisations.	CHF	Medium
9.3	Perform a regular self-assessment of the quality and effectiveness of the central harmonisation function in order to develop and maintain procedures for quality assurance and improvement that cover all aspects of the central harmonisation function's responsibilities within public internal audit and internal control activities to ensure an adequate/sufficient level of continuous monitoring of internal control effectiveness, covering the whole assurance framework.	CHF	Medium
9.4	Consider initiating regular annual reporting to the government, parliament and other organisations regarding the actual status and the necessary high-level improvements (systemic recommendations) and risks related to various components of public internal control framework and internal audit function, based on the analysis of the existing assurance systems according to the received data.	CHF	Long
9.5	Measure the impact of the systemic recommendations provided by the central harmonisation function on how to overcome any bottlenecks in the implementation of the adopted policies and whether its recommendations are being properly carried out and arrange the reporting feedback.	CHF	Long
9.6	Establish inter-ministerial (including local government representatives and other stakeholders, e.g. SAI) team to support implementation of recommendations resulting from the Action Plan.	CHF	Short
9.7	Establish the central audit board (at central and regional levels), which could ensure internal control and internal audit development advancements at the government level without any unnecessary delay.	CHF	Long
9.8	Develop analytical competencies and skills for the central harmonisation function staff necessary for a country-wide systemic monitoring and reporting.	CHF	Short
9.9	Increase administrative capacities for the central harmonisation function to ensure the country-wide coverage, systematic and regular monitoring and quality assurance.	CHF	Short
9.10	Coordinate with the supreme audit institution the results and challenges and suggest to the SAI to conduct a comprehensive review of the internal control and/or internal audit system every five years.	CHF, SAI	Medium
10 – Coordinate internal audit quality assurance requirements to ensure effective self-assessment and external quality assessments			
10.1	Ensure that quality self-assessments are performed regularly and external quality assessments at least once per five years.	CHF, IAUs	Short
10.2	Monitor and coordinate the implementation of external quality assessments requirements.	CHF	Medium
10.3	Establish dedicated guidance and training module for quality management and control practice.	CHF	Medium
10.4	Define in the regulations the harmonised arrangements for quality assurance for internal audits performed by service providers and ensure that contracts include the minimum requirements for human resource inputs, adequate internal audit scope and quality control.	CHF	Long
10.5	Consider supporting external quality assessments of the internal audit function by using domestic and international good practices.	CHF	Long

Annex A. Indicators of the objectives

1 Objective - Increase managerial awareness on internal audit and internal control policies and implementation responsibilities

An introduction training mechanism is developed for all staff, including senior management and managers on internal control and internal audit.

A regular training mechanism is established for managers, with the aim to strengthen implementation of managerial responsibilities on internal control and internal audit, their performance and fulfil the goals of their corresponding areas and to build sustainable capacities of different management levels in governance, internal control, and risk management.

The primary regulation on internal control and internal audit clearly defines internal control (including inspection) and internal audit roles, respective responsibilities, value and standards for specific roles.

A network is functioning for internal control practitioners for an adequate exchange of relevant practices and information between its participants and to ensure the proper understanding of the roles linked with the fundamental principles of the internal control framework throughout the country.

2 Objective - Optimise an internal audit function with a view to ensure more effective, efficient, and economical use of resources and better adding value, quality, and coverage

Internal audit staffing requirements (including scope of work and minimum size of IAU) are established in primary regulation.

Clear conditions for smaller internal audit functions are defined in regulation to ensure adequate implementation of legal requirements, especially regarding scope of assurance, quality management and control, objectivity and independence.

Internal audit units establish strategic audit plans, including the audit needs assessment.

Policy recommendations are adopted regarding the adequacy and effectiveness of the assurance mechanisms and risk management in organisations not covered by the internal audit system.

3 Objectives - Strengthen the independence of the internal audit function

The regulations and guidelines clarify the internal audit independence from the day-to-day operations and control (including inspection) functions of the organisation, enabling internal auditors not to be involved in any management and control activities, and defines that units with direct responsibility for managing (integrity) risks and control, should not be part of the internal audit function.

The primary regulation clearly defines organisational and functional independence of the internal audit activity, including the direct reporting line to the head of an organisation.

The regulation on audit committees defines the support and oversight role regarding internal audit aiming to maintain high standards of actual practice in ensuring internal auditors independence.

An internal audit protection mechanism is established regarding the appointment, transferring and dismissal procedure, considering the consultation with the central harmonisation function and audit committees.

4 Objective - Strengthen audit committees' support and oversight role

A training facility and guidance are established to ensure that audit committees have knowledge and skills to perform all their duties as regulated by the legal requirements, especially regarding the support of the internal audit function in determining priorities in the formulation of the audit strategy and annual audit plan, and in defining significant risks and internal control weaknesses within the organisation.

The primary regulation defines that the majority of audit committee members should be independent.

The role of the audit committee includes an oversight of the system of internal control, the financial and performance reporting responsibilities, comprehensiveness and reliability of assurances on risk management and the control environment, anti-fraud and corruption prevention framework and the performance management framework.

5 Objective - Establish a comprehensive country-wide accountability mechanism on internal control and internal audit

A hierarchical internal control accountability system is defined, aiming to ensure comprehensive reporting on the implementation of internal control within a sector or field of responsibilities, providing the requirement for the first level organisations to report to the central harmonisation function on the implementation of internal control activities at the entity-level.

An internal audit accountability system is established aiming to ensure comprehensive reporting on internal audit, providing the requirement for the heads of internal audit units to report to the central harmonisation function on the internal audit function's operational implementation and quality assurance activities.

The primary regulation defines managerial and internal audit responsibility and accountability requirements.

The role of central harmonisation function includes coordination and monitoring of the implementation of the internal control and internal audit policies.

6 Objective - Harmonise key internal audit policy documents and risk-based planning approach in practice

A sample internal audit charter for the public sector is approved by the CHF (or other relevant authority) with a requirement that an individual internal

audit charter is prepared considering the sample charter and approved by the head of the organisation.

Standard methodology and guidance are established to ensure an adequate quality level among the internal audit manuals and working documents.

Central harmonisation function ensures regular monitoring that all internal audit units have internal audit manuals, which are adequately documented and approved and that adopted charters are in line with relevant regulations and guidelines.

Standards regulating the conduct and ethical behaviour of public sector internal auditors are established.

Principles of cooperation with external auditors, aiming to avoid overlapping outputs, inefficiencies, and duplication of work, as well as to facilitate a combined assurance approach, are defined in regulations.

7 Objective - Develop a national certification scheme for public internal auditors

A national certification system is developed and oriented to the special needs of the public sector, aiming to build necessary internal audit capabilities in the public sector.

A certification commission and procedure for quality control of the certification system is set up.

Regulations define mechanism for the continuous professional education and competence development for public internal auditors.

8 Objective - Foster assurance practices with a focus towards performance audit and systemic assessments of internal control

Practical exchange networking for public internal auditors is established, aiming to share good practices and value added of performance and system-based auditing, and to promote practical guidance in defining audit criteria.

Training dedicated to performance and system-based auditing is established and regularly provided to public sector auditors.

At least three pilot audits in selected organisations are organised to support a quicker introduction of the performance and systems-based auditing that could enable internal auditors to provide assurance over the internal control systems in an audited organisation.

9 Objective - Establish a country-wide systemic monitoring mechanism of the implementation of the internal control and internal audit regulatory requirements

The mandate of the central harmonisation function includes a regular government-wide review on the functioning of the internal control and internal audit systems to draw conclusions and make recommendations for systemic actions, that could help to advance internal audit, internal control and risk management.

A regular self-assessment of the quality and effectiveness of the central harmonisation function is performed in order to develop and maintain procedures for quality assurance and improvement, that cover all aspects of the central harmonisation function's responsibilities within public internal audit and internal control activities.

The impact of the systemic recommendations provided by the central harmonisation function is measured on how to overcome any bottlenecks in the implementation of the adopted policies and whether its recommendations are being properly carried out and arrange the reporting feedback.

The central audit board (at central and regional levels) is established, to ensure internal control and internal audit development advancements at the government level without any unnecessary delay.

Administrative capacities for the central harmonisation function are increased to ensure the country-wide coverage, systematic and regular monitoring and quality assurance.

10 Objective - Coordinate internal audit quality assurance requirements to ensure effective self-assessment and external quality assessments

Internal audit quality self-assessments are performed regularly, and external quality assessments are performed at least once per five years.

The central harmonisation function role includes monitoring and coordinating the implementation of external quality assessments requirements.

A guidance and training module for quality management and control practice is established.

The harmonised arrangements for quality assurance for internal audits performed by service providers are established in regulations and ensure that contracts include the minimum requirements for human resource inputs, adequate internal audit scope and quality control.