



# TERMS RELATED TO CONTROL

**Definitions of terms related to national control measures and control of EU programmes based on recommendations by International Organization of Supreme Audit Institutions, INTOSAI**



# Control

Control' is a superordinate concept, which is generally understood as meaning auditing, various forms of observation, supervision, monitoring, analysis and evaluation. Control is considered to be the right and obligation of the management and superiors of an organisation. In general, control is divided into internal and external control. In addition, internal control used to be further divided into '**internal observation**' and 'internal audit'.

The term '**internal observation**' is falling out of use and is being replaced by '**internal control**'.



## Internal control

'Internal control' means continuous control of the use of funds and the operations of an organisation. There is no specific body that is responsible for internal control, but it is part of an organisation's daily processes. Internal control aims to secure the assets, prevent errors and unwanted procedures, ensure compliance with the instructions, increase reliability, and promote cost-effectiveness. The working processes should be such as to enable the achievement of the above objectives without unnecessarily interfering with the operations.



## Internal audit

'Internal audit' means independent and objective evaluation and verification carried out by a discrete audit unit or individual subordinate to the management of an organisation. Internal audit aims to bring added value to the organisation. Internal audit supports the organisation in the achievement of objectives by providing a systematic approach to evaluating and enhancing the effectiveness of the organisation's risk management, control, management and administration processes.



## External control

'External control' is usually divided into two main functions: control and actual audit. The control function is part of the guidance of an organisation, whereas external audit bodies carry out the actual audit. Guidance is considered to be part of normal administration, in which superior administrative authorities direct the activities in their administrative sector by such means as an action and financial plan, the budget, instructions, orders, performance discussions and various reports.



## External audit

'External audit' means audit carried out by external audit bodies that are independent of the operations to be audited. In Finland, such external audit bodies are Parliamentary State Auditors and the State Audit Office. In the European Union, the main external audit body is the European Court of Auditors (ECA).



## System audit

'System audit' means audit of administrative systems, setting of goals and objectives and the results achieved. System audit often requires examining connections between the operations of different authorities from various perspectives.



# Audit

'Audit' is generally understood as meaning audit of accounts or audit of operations (system audit). As a general rule, it means control carried out by means of a standard procedure.



## Check

'Check' is generally understood as meaning more limited checking than that meant by 'audit'. Therefore, in connection with audit activities, it would be better to use the term 'audit'.



## Internal Audit Unit

The services of the European Commission may use terminology that is not defined anywhere or that the Member States have not agreed to use. Below are examples of definitions of certain terms.

**First level checks:** Checking the appropriateness and correctness of payment requests (project actors)

**Second level checks: "5 % checks"** under Commission Regulation 438/2001 carried out by a functionally independent body (the question of competence is of central importance in cases under discussion)

**Third level checks:** Examination of the checks relating to the final statement given in connection with the final payment request

The **"5 % checks"** shall cover at least 5 % of the total eligible expenditure and be based on a representative sample of the operations approved during the programming period.