

# **Strengthening the Public Financial Management through Reforming the Internal Audit System**

Presented by

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## **ABSTRACT**

This paper addresses Korea's unique experience in strengthening the public financial management. The Board of Audit and Inspection, the Supreme Audit Institution of Korea, reformed the public sector internal auditing system through establishing an overarching law that governs a whole set of rules on the public sector internal auditing.

The internal audit units in the Korean public sector tended not to be able to well-function due to the lack of organizational independence and professional competency. Moreover, they lacked a sound and legitimate legal base to ensure the internal control mechanism working in a transparent and effective way.

To unravel the status-quo, the Board of Audit and Inspection of Korea established the *Public Sector Internal Auditing Act*, which manifests itself as a culmination of the BAI's prolonged and untiring efforts to lay firm grounds of the public sector internal auditing in Korea.

This paper explains the unique contents of the Act with details on: background of its enactment, introduction to the public audit system in Korea, effects of the Act observed so far and challenges in the coming years.

## **OUTLINE OF THE PRESENTATION**

1. Roles of the internal audit units in ensuring transparency and accountability
2. Introduction to the public audit system in Korea
3. Background of the establishment of the *Public Sector Internal Auditing Act*
4. Main pillars of the *Public Sector Internal Auditing Act*
5. Early outcomes observed throughout the inaugurating year
6. Challenges in the future