



**5th PEM PAL Workshop  
for Internal Audit Officials  
Yerevan, Armenia  
October 21-23, 2009**

Welcome to the fifth newsletter of PEM-PAL Internal Audit Community of Practice. Newsletters will be generated to PEM-PAL members and other interested people and professionals keep up to date with the latest information concerning PEM-PAL such as up and coming events, reviews, opportunities and other useful information. This newsletter has objective to present 5<sup>th</sup> plenary workshop of Internal Audit COP in Armenia.

- Contents:**
- 5th workshop of IA COP
  - IPPF and public sector IA
  - IA Training and Certification in the Public Sector
  - Status of PIFC in Armenia
  - Capability & Maturity Model for the Public Sector Internal Audit
  - burning issues
  - Special thanks!
  - Next Activities

The purpose of this internal audit follow-up workshop was to bring together leading government officials in internal audit from European and Central Asian countries and territories to share their experiences with their peers and other internal audit professionals. This workshop follows the first three plenary workshops for Internal Auditors held in Slovenia (2006), Moldavia (2007) and Turkey (2008), and IA training on internal audit sampling methods in Slovenia (2009). All materials from previous workshops can be found on the PEMPAL website ([www.pempal.com](http://www.pempal.com)).

workshop was organized by a team of internal auditors and staff from World Bank, InWent, Croatia, Armenia, Kosovo and Romania.

At the request of the participants the focus of the discussions of the plenary workshop was on specific topics identified by the participants during the last IA COP workshop in April 2009 in Ljubljana. These included, among others, IA standards, IA processes, and IA training and certification. The workshop also focused on issues relevant to the development of Armenian Internal Audit. As to promote exchanges among participants, the format for most of the discussions was case studies presented by participants. For that purpose, the organizers have been in touch with selected delegations to request preparations of these. In addition to sharing knowledge, we also further reinforced the Community of Practice for the internal auditors as part of the PEM-PAL Program.



*Welcome and opening, October 21, 2009*

The Workshop participants have been welcomed by Mr. Tigran Davtyan (Armenian Minister of Finance), Aristomene Varoudakis (World

org). The 5th IA plenary

Bank Country Manager for Armenia), Karen Brutyan (Armenian Ministry of Finance-CHU), Hans-Jochen Schmidt (German Ambassador in Armenia) and opened by IA COP Chair Tomislav Mičetić, (Croatian MoF CAE). Elena Nikulina (World Bank – task manager for PEM-PAL) gave summary of evaluation report of PEM-PAL.

The work continued by presentation and discussions about the new IPPF “New internal audit standards - What’s new for public sector internal audit?” by Daniela Danescu, member of IIA Public Sector Committee. Case study on Kosovo Internal audit manual presented Aliu Kosum (Kosovo CHU) sharing with members overview of manual content, how they dealt with quality assurance, scope of the manual as well sources of content.

Countries prepared posters addressing issues and problems encountered in preparation and implementation of Internal Audit manual and presented to each other.

Second day was dedicated to Internal Audit Training and Certification (T&C): Presentation of the work done so far (by Tomislav Mičetić), Presentation on the case of Armenia of Internal audit training and certification (Karen Butyan) followed by T&C report presentation of questionnaire results answered from countries.

The questionnaire assessed the following:

- the current situation of the internal audit in the PEM-PAL constituting countries
- the current status of training and certification systems (Part C)
- answers/comments/opinions of PEM-PAL countries on the open issues raised in the Report - Consultancy on Regional Internal Audit Training and Certification, by Frédéric Chetcuti, April 2009– please find report on: <http://www.pempal.org/news/read/10/>



The objective of this questionnaire was also to prepare a need assessment for the future activities of the PEM-PAL initiative and gaining the sponsors interest, as well have better and current overview of the existing training and certification programs for public sector internal auditors in PEM-PAL as well as other countries to enable members to compare and evaluate different training and certification approaches.

Discussion followed brought issues and risk preventing in implementation of harmonised T&C system. Miryakub Khaydarov (Uzbekistan) pointed out absence of enough adequate info of what internal audit means and that governments do not take responsibility for the PEM PAL agreements. Zamira Omorova (Kyrgyz Republic) said that the model is appropriate in general, excluding higher level of certification at an international level (CIA, CGAP, CIPFA). Albana Gjinopulli (Albania) agreed that two levels of T&C are necessary and that it should be implemented in a sustainable manner.

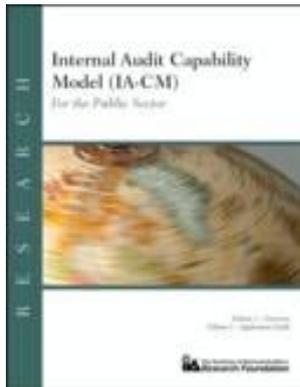


After T&C implemented, cooperation should continue to help introduce Continued Professional Development of Internal Auditors. Stoja Rocenovic (Montenegro) stressed that she learn from all the experiences during the Workshop, as she found them quite beneficial - both the positive and the negative ones. They will help to avoid the mistakes other countries have made in the implementation of internal audit in public sector, since Montenegro is at the very beginning of this process.

City tour was organised to admiring church in the mountain Geghard and Roman temple Garni (below).



Garni Temple, Armenia



Third day Daniela Danescu presented of new Capability & Maturity Model for the Public Sector Internal Audit.

The presented model is good Communication vehicle, framework for assessment and

a road map for orderly improvement of internal audit units.

The PIFC Concept & Implementation in Armenia (by Karen Brutyan) brought interesting issues and fruitful discussion on:

- Interaction between Financial inspection and IA.
- Influence of IA on Financial inspections.
- Who should be responsible for the quality control of IA? Role of CHU in evaluation of IA?
- What functions should CHU have?
- Financial inspection is the part of PIFC or we should consider it separately?
- Should there be a different model of quality control of IA for the transition countries?
- What should be the role of external auditors in the IA's quality control? (In case if they don't know IA Methodology).
- Do you think that IA function should be distinguished of the function of Inspection?

According to our new Law on the Public Internal Financial Control in the Republic of **Macedonia** these functions are

separated. The IA units in the subjects of the public sector are organizationally and functionally independent. They are in the preparation phase of the Law on the financial inspection; that will work on fraud issues and it will be organized as independent department within the Ministry of Finance.

The CHU for IA within the Ministry of Finance of the Republic of Macedonia is authorised by Law on the Public Internal Financial Control to supervise the work of the internal auditors. The quality is evaluated by the annual reports that IA units submit to CHU. This is compared with the data from the annual plan, submitted to CHU previously, and analyzed through the gaps in the number of planed and executed audits, the reason for those gaps etc. The summary report for all subjects of public sector is afterwards sent to the Government for adopting and making official conclusions for each institution. This is made so that the IA units improve their work in the next year.

Also on this topic there were discussed in group (Croatia, Bosnia and Herzegovina and Montenegro) and there was some useful information for the quality



assessment of the work of IA units. On the recommendation of the Croatian representative, the CAF ([www.eipa.eu/caf](http://www.eipa.eu/caf)) model could be beneficial for evaluation of the quality of the work of the internal auditors in the subjects of public sector.

As a facilitator of workshops we had Beverly Trayner. She assisted our networking through four groups that operated parallel with presentations and discussions:

- **Social reporters** prepare light-hearted summary of day's events in preparation

- **Keepers of the inquiry** review issues that are arising and need further discussion
- **Community leaders** reflect on whose voices are (not) being heard and what we should do about it.
- **Critical friends** decide how they will collect and present feedback about this workshop

Keepers of the inquiry flesh out many topics to be covered in the future activities of the COP:

1. CHU – evaluation and cooperation (Cooperation CHU IC and IA, Evaluation of work, performance indicators, CHU annual report on PIFC in country - IC and IA)
- 2.a IA standards in practice of public sector (risk based auditing, independence, Responsibility, audit trail, implementation of practice advisories public sector specific, IA Charter)
- 2.b Implementation of IPPF through IA manuals development (IA planning, IA software using in audit, developing good practice manuals)
3. IT audits (it system in place auditing, importance, training)
4. Inspection towards IA (How to manage transition from inspection to IA (possible risk related to inspection moving towards IA, difference between External audit, Internal audit and Inspection, PIFC strategy and inspection solutions)
5. Relation EA and IA (role of EA in assessing QA of IA)

The last session was dedicated to the introduction of the new PEM-PAL Rules of procedures (<http://www.pempal.org/about/>) and election of the new Executive



**Photo of all participants**

The Public Expenditure Management Peer-Assisted Learning network (PEM-PAL) represents a multilateral effort to develop capacity and share reform experiences among countries in Central Asia and Central and Eastern Europe. PEMPAL was initiated in 2005 to respond to need to enhance domestic capacity in public expenditure and financial management, through peer-learning and exchanges among practitioners from the Eastern Europe and Central Asia region. PEMPAL has been supported by the World Bank, the OECD, DFID, the US Treasury, SECO, GTZ and InWEnt. The PEMPAL Secretariat is under the responsibility of the Center of Excellence in Finance (CEF) in Ljubljana, Slovenia. Three communities of practice, for budgeting, treasury, and internal audits, have been formed, bringing together practitioners at the most senior levels in these specific fields of public finances. More information about PEMPAL can be found on the PEMPAL website: [www.pempal.org](http://www.pempal.org)

Committee from the members present on the workshop:

- Tomislav Mičetić (Croatia) - Chair
- Ainur Baimaronova (Kazakhstan)
- Albana Gjinopulli (Albania)
- Diana Grosu – Axenti (Moldova)
- Ivaylo Hristov (Bulgaria)
- Miryakub Khaydarov (Uzbekistan)
- Viorica Pricop (Moldova)

## **Special thanks:**

- To **Pascale Kervyn** – who followed us from the first day of PEM-PAL, embedded in the foundations of IA COP – she is taking other position in the World Bank
- To **InWEnt** as major supporter to IA COP, especially **Dr. Judith Hoffmann**
- **Arman Vatyan**, PhD, FCCA, Country Senior FMS for Armenia and Georgia - The World Bank
- **Karen Brutyan**, Armenian Ministry of Finance-CHU
- **Mira Dobovišek and Nataša Zmrzljak**, Center of Excellence in Finance – Slovenia – PEM-PAL Secretariat
- **All presenters and members in active participation on the workshop!**

## **Next activities:**

- December (or January 2009) - T&C Workshop
- December (or January 2009) – IA COP Executive committee Meeting

Editor and design:

- Tomislav Mičetić

Logistics:

- CEF