



# Developing the Government of Kosovo Internal Audit Manual

Presentation to PEM-PAL  
Date 2009  
Location- Armenia





# Introduction

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- Background of internal audit on Kosovo
- Background of internal audit manual
- Scope of Manual
- Format
- Sources of content
- Quality assurance
- Future development



# Internal audit in Kosovo

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- ❑ IA. In Kosovo started in 2000
- ❑ Low of financial public management and responsibility nr. 2003/02 article 8



# History of internal auditing in Kosovo

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- Establish internal audit Unit in CFA - March 2000
  - Role and responsibility of internal audit unit in CFA
    - Creating a legal infrastructure audit
    - Perform internal audits in all budget organizations
    - Creation of capacity to audit



# History of internal auditing in Kosovo

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- The documents that are created by the Department of Internal Audit are:
  - Internal audit manual,
  - Code of Ethics,
  - Framework for better professional practices,
  - Statute of Internal Audit Department,
  - The document on internal control policies of public finance,
  - Regulation on Internal Audit Law no. 2007/19 and
  - Strategy for the functioning of internal auditing in the public sector of Kosovo.



# History of internal auditing in Kosovo

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- CHU was established on 01.04.2008 under Article 6 of the Regulation on the law on internal audit no. 2007/19,



## Background

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- ❑ Version 1 of Internal Audit Manual (IAM) produced by an working team project and EU-funded in 2005
- ❑ Follow-up EU-funded project “Support to Public Internal Financial Control and Internal Audit”, 2007, required improvement to the IAM
- ❑ The project team took responsibility for updating the IAM
- ❑ This presentation describes the process they followed.



## Scope of Manual

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- Reviewed existing IAM:
  - Brief (around 50 pages) and fairly general
  - Focused on conducting individual audits
  - Did not address strategic or annual planning, human resource management, and other important issues
  - Few tools and templates
- Consultants and working team decided to create a new IAM from scratch rather than working with the existing one



## Scope of Manual contd

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- First issue - decide on general approach:
  - “Textbook”, covering theory and practice  
or
  - Practical audit processes and templates  
or
  - Detailed audit programme guide.



## Scope of Manual contd

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- Decided on textbook approach, because:
  - There are no existing texts on internal audit in the Albanian language that focus on the public sector
  - Internal auditors needed guidance on both theory and practice
  - A single audit programme guide approach would not be useful as internal audits cover diverse fields (HR, Procurement, business systems, IT, etc.) that cannot be addressed by a standard approach.



## Format

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- The textbook approach requires the IAM to meet various needs:
  - Provide a basis for training
  - Guide audit managers (i.e. Directors of Internal Audit Units) in planning and managing the audit function
  - Guide auditors in planning and conducting individual audits
- Such comprehensive coverage leads to a big document



## Format contd.

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- ❑ Challenge: a big book could discourage auditors from using it.
- ❑ Solution: split the IAM into 3 separate volumes:
  - Vol 1 Management of Internal Audit
  - Vol 2 The Audit Process
  - Vol 3 Tools and Techniques
- ❑ Each section would be smaller and could be published and used separately



## Sources of content

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1. Model from another country that followed the EU-PIFC approach
2. International practices
3. IIA Standards
4. Project team and working team

Details follow ...



# Sources of content

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1. Manuals from Country in the region , for example Albany, Bulgaria ect.
  - input from Sigma
  - in a CHU environment



## Sources of content contd

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### 2. Research international practices:

- CIPFA (UK)
- Neighbourhood countries

To ensure comprehensive coverage of important topics



## Sources of content contd

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### 3. IIA Standards

- International Professional Practices Framework (IPPF "Redbook"):
  - Definition of Internal Auditing.
  - Code of Ethics.
  - International Standards for the Professional Practice of Internal Auditing
  - Practice Advisories.
  - Practice Guides



## Sources of content contd

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- ❑ Sources 1 to 3 provided the base for Volumes 1 and 3
- ❑ In addition ...



## Sources of content contd

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### 4. Working team and Project developed:

- Techniques and working paper templates
- For planning and conducting individual audits
- To fit local circumstances, legislative framework

These formed the basis for Vol 2 on specific audits



# Quality assurance

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## 1. Review by the consultant experts

- All qualified auditors
- Reviewed each other's input to the IAM
- Group meetings to challenge the content
- Introduced improvements



# Quality assurance

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## 2. Field testing

- ❑ 25 pilot audits across ministries and municipalities
- ❑ Tested the proposed methods in the field
- ❑ Led to changes in some working papers and other content to simplify and clarify procedures



# Quality assurance

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## 3. Peer review

- by an independent international expert
- verified manual complies with
  - IIA standards
  - Kosovo laws and regulations



# Quality assurance

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## 4. Working group

- Government of Kosovo internal auditors
- Checked manual for contents and ease of understanding
- Much of the Working Group's time was spent agreeing on Albanian glossary and checking the translation



## Future development

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One year later, conduct a survey of auditors and trainers to see how the IAM is used and how effective it is

Consider publishing Volume 2 as a separate document as it was originally designed

Consider developing a set of audit programmes to guide different kinds of audits (HR, procurement, IT, etc.)