- R E P O R T –
16th Internal Audit Community of Practice (IA COP) Working Session on Quality Assurance and 17th IA COP Plenary Meeting – Budapest, Hungary
(June 15-16 and June 18-20 2012)

1) 16th IA COP Working Session on Quality Assurance
(June 15-16 2012)

Background
 Members of the Quality Assurance Working Group of the Internal Audit Community of Practice (IA COP) met in Budapest, Hungary in June for a working session. The working session brought together 38 participants from 17 countries including PEM PAL members (Albania, Armenia, Bulgaria, Croatia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Macedonia, Moldova, Romania, Russia and Ukraine,) as well as Estonia and Poland (resource members invited for experience sharing). OECD SIGMA experts Jean-Pierre Garitte and Joop Vrolijk, World Bank representative Mr Arman Vatyan, translators and representatives of PEM PAL Secretariat also attended the event.

Purpose and objectives of the working session
The new Institute of Internal Auditors International Professional Practices Framework (IIA IPPF) requires that Chief Audit Executives who wish to state that their department's activities are conducted in conformance with the IIA's international standards should develop and maintain a Quality Assurance and Improvement Programme (QA&IP). The aim of two day workshop was to share experience and knowledge in the quality assurance reviews. The workshop was targeted at internal auditors from IA Community in PEM PAL member countries, regardless of level, who want to help their organization enhance their internal quality assessment program and/or prepare for an external quality assessment. Workshop focused on the assessment process that is used in a periodic internal assessment (The IIA Standard 1311) and an external quality assessment (The IIA Standard 1312).

Objectives :
After the workshop participants were expected to:
1) Appreciate the benefits of implementing a cost effective and value adding QA&IP
2) Understand the importance of an internal quality assessment as a benchmark and as preparation for external quality assessment
3) Gain information and confidence on how to perform an external quality assessment (specially for representatives from Central harmonization Units (CHU))
4) Define the design of a model template for "Internal Audit Quality Control and Quality Assurance"

This workshop intended to help participants to:
- Understand how to apply the IPPF of the IIA and International Standards for the Professional Practice of Internal Auditing on quality assessment review case study.
- Develop a solid understanding of the process used to complete a periodic internal assessment or external quality assessment of an internal audit activity.
- Discover proven quality assessment tools and techniques.

- Explore the recommended internal and external quality assessment approaches and identify the best approach for their own organization.

The sessions covered the following **topics:**
A - The quality control measures during the individual audit assignment
B - The quality assurance through preparation of internal audit unit annual reporting to CHU.

Opening and overview of the results of the IA COP meeting in Ohrid
Welcome speeches of Ljerka Crnkovič, IA COP Chair, Arman Vatyan, World Bank representative and Maja Tomšič, PEM PAL Secretariat representative were followed by short overview of the results of the IA COP meeting held in October 2011 in Ohrid, Macedonia. Presentation was delivered by Quality Assurance Group leader Trajko Spasovski from Ministry of Finance, Macedonia.

At the Macedonian meeting the Internal Audit Manual Template for the public sector (version 1 2011) and Good Working Practice Training Program for operational internal auditors in the public sector (version 1, 2011) were presented and discussed by participants.

Croatia's example of training of internal auditors in public sector and Macedonian experience in preparation of the draft law on financial inspection in the public sector and the relation with the internal audit were presented to participants. In addition, participants got familiar with Estonian and Croatian experience in internal audit annual reporting to CHU.

Participants also exchanged information about internal audit reporting in their countries. They presented and discussed the challenges of implementation of reporting structure as well as content, methodologies and transparency of the IA annual reporting in their countries. Working group for preparation of draft methodology for reporting to the Central harmonization Unit (CHU) in the Ministry of Finance was established.

Survey results on Quality Assurance
Christina Scutelnic, Ministry of Finance, Moldova delivered a short presentation about the results of quality assurance questionnaire filled out by participants in anticipation/preparation of the event. Survey questions were about legal framework, internal quality assurance and external quality assurance (QA) in their countries. Countries that took part in the survey were: Armenia, Bulgaria, Croatia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Macedonia, Moldova, Romania and Ukraine.

The first country in PEMPAL that introduced internal audit function in public sector was Kazakhstan in 1990 and the last was Ukraine in 2011. Results of the survey show that in 9 out of 11 countries QA is incorporated in internal audit manual. In all countries except Kyrgyz Republic QA for the audit assignment is performed by head of IA unit. With exception of Kyrgyz Republic and Macedonia QA for the audit assignment is performed also by a team leader. In Croatia, Hungary, Romania, Ukraine QA for the audit assignment is performed by each auditor as well.

In all countries except Georgia, Kazakhstan and Kyrgyz Republic IA units perform quality assurance (self-assessment) through annual reporting. The performed quality assurance is documented on the following way: **Armenia** - The control / efficiency assessment (CEA) records any omission and the conformity of IA department activities to IA acting legislation and IA international standards found during internal quality assessment. **Croatia** - The questionnaire on the self-assessment with references which are in hard copy version is archived as audit documentation. Self-assessment report, signed by the Head of IA unit, is delivered to the minister. **Hungary** - Checklists undersign the audit working papers and audit report. **Macedonia** - Documents in accordance with the manual. **Moldova** - Individual objectives and audit engagements are documented by a template of assessment in the Ministry of Finance.

Romania - Annual assurance program. **Ukraine** - Program of IA quality assurance and enhancement is required by IA Standards.

CHU performs annual quality assurance of IA activity on the basis of Budget *users' annual reports* regularly in seven countries. In Hungary and Armenia this is done occasionally and in Kazakhstan and Kyrgyz Republic annual quality assurance of IA activity is not performed by CHU. External quality assessment is performed in 5 countries – Bulgaria, Georgia, Kazakhstan, Moldova, and Romania.

Presentation on IPPF standards on QC and QA

Overview of the survey results on quality assurance was followed by presentation on IPPF standards on quality control (QC) and QA delivered by OECD SIGMA expert Mr Jean Pierre Garitte. Purpose of the presentation was to introduce the professional standards on IA QA, and show importance of the IA QA for the audit activity.

Country examples and QA and QC Template

Edith Nemeth from Hungarian Ministry of National Economy presented the rules and the practice of internal and external quality assurance in Hungary. Monika Kos from Ministry of Finance, Poland gave an overview on the current situation on IA quality control and quality assurance in Poland. After the country presentations participants discussed the benefits of the Hungary and Poland examples for their countries taking into account the situation in respective countries and the IPPF standards.

General discussion on quality control with the objective of defining design of IA Quality Control Template followed the country presentations. Initial Draft content of the Ongoing Quality Control Guidelines (On-going Supervision of individual audit assignments as per the Good Practice Internal Audit Manual Template of the IA COP) is available at the IA COP wiki.

Current situation on quality control and assurance for IA in Albania was presented by Albana Gjinopulli from Albanian Ministry of Finance. The presentation was followed by participants` discussion on IA quality assurance template with the aim to define design of Quality Assurance Template. Participants decided that the template should answer questions what/who/when/how and drafted the following structure of Quality Assurance Template:

What	Who	When	How
• Introduction o The raltion to the IA Standard o Definition o Purpose	• Responsibilities o Head of IAU o Team Leader o The Most experienced auditor	• Phases of QA o During engagement o After each stage of audit engagement o At the end of the engagement o Mixed	• Annex Template o Control Checklist of QA o KPIs o Feedback questionnaire

2) 17th IA COP Plenary Meeting
(June 18-20 2012)

Background
 17th IA COP plenary meeting which followed the working session on quality assurance brought together 63 participants from 25 countries including PEM PAL members (Albania, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Macedonia, Moldova, Montenegro, Romania, Russia, Tajikistan, Turkey and Ukraine) as well as Estonia (invited for experience sharing). OECD SIGMA experts Jean-Pierre Garitte and Joop Vrolijk, World Bank representatives Arman Vatyan, Deanna Aubrey, Marius Koen, community facilitator Beverly Trayner, translators and representatives of PEM PAL Secretariat also attended the event.

Objectives of the meeting
1. Continue developing the COP as dynamic learning partnership, learning from each other's experiences and with each other in developing new solutions.
2. Review the Internal Audit COP working groups' recent achievements: Internal Audit Manual, Risk Assessment Methodology, Training and Certification, Mentoring guidance, Quality Assurance guidance.
3. Provide feedback and guidance to working groups on the topics and activities going forward.
4. Draw on the experience of COP members to describe some good practices for the relationship between internal audit, financial inspection and external audit. Learn from Hungarian system case-study and from Albanian, Moldovan, Armenian and Ukrainian country cases.
5. Draft and approve the IA COP Plenary Communiqué based on the plenary discussion and agreements reached.
6. Keep the wiki as a shared memory of all the topics, activities and guidelines produced.

Opening and leadership groups
Opening of the meeting was followed by distribution of the community leadership tasks among participants. There were four leadership groups each taking responsibility for one aspect of the overall event.
- Agenda activist responsible for shared learning agenda.
- Critical friends responsible for critically reflecting on the process.
- Social reporters responsible for creating a shared memory of the meeting.
- External messengers responsible for crafting a communiqué for external stakeholders.

Working groups: reporting back and defining next steps
Leaders of working groups on IA manual, Training & Certification (T&C) and Quality Assurance updated full plenary on work done, work methods, and on their achievements. Afterwards participants discussed and gave suggestions for future work to the working groups. Working groups and volunteers reviewed the suggestions. Each working group leader reported back, consolidating and commenting on the suggestions with the purpose to get endorsement from plenary on what's been achieved, next steps and possible new working groups.

Overview of the plenary theme
Joop Vrolijk, OECD/SIGMA expert introduced the theme of the plenary with the presentation on principles of and differences between the functions of Supreme Audit Institutions, Financial Inspection Services and Internal Audit departments. Besides introducing of the theme objective

of his presentation was to explain the INTOSAI Standard (ISSAI 9150): "Coordination and cooperation between Supreme Audit Institutions and the Internal Auditors in the Public Sector." To ground the theme in practice Mr. Fatos Cocoli, Director of Department for Research, Development and Information Technology from Albanian SAI gave a presentation on Albanian Cooperation between the SAI and IA. The presentation was followed by discussion on questions and comments from participants` side.

Case study from host country – Hungary
With the objective to explore successes and challenges of internal audit in Hungary several presentations from Hungarian speakers were delivered. Edith Nemeth, Ministry for National Economy presented Hungarian Internal Audit system. Lajos Emesz, Ministry for National Economy gave presentation on quality assessment of public internal control and BETTI – Hungarian IT support system for internal auditors. And Péter Horváth, PIC Methodological and Training Centre presented Hungarian internal audit training system. Speakers focused on what have been challenges and how they overcame them. Presentations were followed by discussion and participants` questions on the presented topics. This was followed by the second part of Hungarian presentations. Szabolcs Barna Gaál, president of Government Control and Zoltán Giday, State Audit Office presented external audit and the financial inspection practice in Hungary and its relationships with internal audit.

External audit and financial inspection relationship with IA
Country cases of Ukraine, Moldova and Armenia were presented in the framework of this topic. Anna Krivchenkova, State Financial Inspection presented experience of Ukraine in implementing internal audit and the activity of internal audit units. Sergey Chernutsky, State Financial Inspection presented transition of inspection function in the context of internal audit. He focused on links between financial inspection, internal audit units and Court of Audit. Moldovan example was presented by Diana Grossu Axenti, Director of Financial Control and Revision Service. She delivered presentation about current situation in Moldova regarding relations between SAI and financial inspection and challenges to be faced. Makar Ghambaryan, Head of the CHU/IA, Ministry of Finance Armenia presented the last developments regarding internal audit function and financial inspection in Armenia.

In order to demonstrate the need for coordination and cooperation between the three key players SAI, Financial Inspection and Internal Audit, participants conducted a role play between three groups each representing one of the institutions.

Final reflections, recommendations and next steps
Election of the Chair of the IA CoP
At the plenary meeting elections of new chair of IA COP were held. There were two candidates nominated for the function: Ms Diana Grosu Axenti, Ministry of Finance, Moldova and Ms Aurelia Coman, Ministry of Finance, Romania. Voting was done by ballot. Ms Diana Grosu Axenti was elected as chair of the IA COP.

Working groups reports and recommendations
Working groups' leaders reported back, consolidating and commenting on the suggestions that were given to the working groups by participants at the beginning of the plenary meeting. The purpose was to get endorsement from the plenary on what's been achieved, next steps and possible new working groups.

IA Manual Working Group
Ljerka Crnković reported that participants are very satisfied with the Internal Audit Manual Template. They think that it is very valuable, well prepared practical and easy to use. Participants suggested that Internal Audit Manual Template should be updated each 2 to 3 years.

It was also suggested that some topics should be elaborated in more detail in the future. Feedback of participants and their remarks with regard to the manual will be collected on IA COP wiki page. Working group is responsible for up-dates of the manual. Participants suggested that countries that will apply the manual knowledge and create the internal audit according to this manual should be invited to describe how this was done. This will be examples of the success stories.

Training and Certification Working Group
Marija Matek reported about participants` feedback on the work of training and certification working group. Participants estimate that two biggest achievements of the working group are development of modules for training concept and guidelines for training cycle and mentoring. The next step should be publishing the content of the modules and content of the guidelines. Participants also suggested the need for continuation of training after the certification. In this respect modules for continues professional development of internal auditors should be developed by the working group. With regard to the transformation of working group to the relationship of internal audit and inspection/external audit, the group will need to clarify the scope of the work and revisit its membership.

Risk Assessment Working Group
Albana Gjinopulli reported that according to participants' opinion current content on risk assessment methodology should be consolidated and put on wiki. A separate wiki page for Risk Assessment Working Group should be created until beginning of July 2012. In the period from July 2012 to October 2012 the first draft of risk assessment template should be developed. The draft should be distributed to the members of IA COP for comments twice. After reflection and inclusion of comments to the draft document this should be finalized and presented. The participants suggested that the communication of results should be improved. For example achieved results should be published. The working group should involve more experienced countries in its work. It was suggested to develop also a risk assessment template for strategic and annual planning..

Quality assurance Working Group
Trajko Spasovski reported that this working group is only at the beginning of its work. The group should set up quality assurance guidelines. With the help of consultants short content should be prepared and posted on wiki so that all members would have possibility to give comments. For the future steps it was suggested that the group should be divided into two working groups: for internal QA and for external QA. Svilena Simeonova, Ministry of Finance Bulgaria was suggested as a co-leader of the working group on quality assurance.

Leadership groups reports
Agenda activists identified new proposals for the work of internal audit COP:
- Regular update of IA Manual Template
- Separate Quality Assurance WG into 2 related subtopics – 1. internal and 2. external QA
- New working group about the relationship between IAs, financial inspection and SAI
- Give opportunity to everyone to comment the draft documents
- More efficient working groups – subgroup for preliminary work between working groups
- New working group on the challenges for very small IAUs or Single Auditors
- More visible and wider distribution of results
- Advanced communication between members
- Clear presentation of progress done and the action plans for the future (proposals or final products)
- More involvement of advanced countries or resource countries or external consultants
- Improve time management

Critical friends estimated that social program of the event is a very positive aspect because it is easier to communicate if you know people. There is place for improvement of interaction – it is important that people listen to each other. Additional content topics should be put on the agenda. Presenters should stick to time table, use photos and other means that that attract attention of the audience. Communication over wiki is a big plus and documents for the meeting should be out on wiki before the meeting. Event could be also covered with media – a press conference could be organized. Critical friend estimate that working groups deliver useful results for the members.

External messengers drafted a communiqué for external stakeholders and **social reporters** prepared a shared memory of the meeting in the form of video.