

**State Financial Inspection of Ukraine  
National Academy of Finance and Economics of  
Ministry of Finance  
European Institute of Public Administration and Audit**

***Internal and External Quality Assessment  
of Internal Audit in Public Sector of  
Ukraine***

***Methodological guidelines***

**Kiev  
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In the guidelines the procedure of organization and conducting internal and external assessment of internal audit quality in the ministry, other central government bodies, their territorial bodies, budget organizations, that belong to the sphere of ministry management, other central government bodies, and also the system of Council of Ministers of Autonomous Republic of Crimea, regional, Kiev and Sevastopol city administration is considered.

The guidelines are necessary for managers and professionals of internal audit units of the public sector of Ukraine, and they are created to provide assistance to internal auditors in the process of providing and improving quality of internal audit.

The guidelines were developed in the framework of international cooperation project of the Ministry of Finance of Netherlands and State Inspection of Ukraine with participation of European Institute of Public Administration and Audit.

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## ***THE LIST OF TERMS THAT WILL BE USED IN THE FOLLOWING MEANING:***

*Resolution # 1001 – Resolution of the Cabinet of Ministers of Ukraine of 28.09.2011 # 1001 "Some issues of establishing structural units of internal audit and conducting such audit in ministries and other central government bodies, territorial institutions and budget organizations, that belong to ministries and other central government bodies";*

*Regulation # 1001 – "The procedure of establishing internal audit units and conducting such audit in the ministries, other central government bodies, their territorial bodies and budget institutions, that belong to the sphere of ministry management, other central government bodies", adopted by the resolution # 1001;*

*IA Standards – Internal audit standards approved by the Ministry of Finance order #1247 of 04.10.2011 and registered in the Ministry of Justice on 20.10.2011 # 1219/19957;*

*The bodies of State Financial Inspection of Ukraine – State Financial Inspection of Ukraine and its territorial bodies.*

### **In Part I "Internal quality assessment" and appendix 1:**

*Entity – ministry, other central government bodies, regional public administration.*

### **In Part II "External quality assessment" and appendix 2 and 3:**

*Subordinate entity – ministries, other central government bodies, regional public administration.*

## **FORWORD**

*The guidelines on internal and external assessment of internal audit in the bodies of public sector of Ukraine were developed in the framework of international cooperation project of the Netherlands Ministry of Finance and State Financial Inspection of Ukraine with participation of European Institute of Public Administration and Audit.*

*The guidelines are developed according to the regulation of establishing internal audit units and conducting audit in ministries, other central government bodies, their territorial bodies and budget institutions that belong to the sphere of ministry management, other central government bodies which are approved by Cabinet of Ministers of Ukraine resolution #1001 of 28.09.2011 (further – Regulation # 1001), and the standards of internal audit, approved by the order of the Ministry of Finance of Ukraine #1247 of 04.10.2011 and registered by the Ministry of Justice of Ukraine #1219/19975 of 20.10.2011 (further – Standards).*

*Besides the best European practice in the sphere of internal audit assessment was used as a basis for guidelines.*

*The guidelines describe the procedure of organizing and conducting internal and external assessment of internal audit quality in the system of Ministry, other government bodies; their territorial bodies; budget institutions that belong to the sphere of ministry governance, other government bodies, and also in the system of Council of Ministers of Autonomous Republic of Crimea, regional, Kiev and Sevastopol public administrations.*

*The goal of the guidelines is to help internal auditors in the process of providing and improving quality of internal audit and establishing unified requirements to the process of conducting internal and external assessment of internal audit in the bodies of public sector in Ukraine.*

*The guidelines contain two main parts in one of which the basics of organizing and conducting internal assessment are described and also a list of questions to which the manager of the internal audit unit should find the answers when conducting it. The other part of guidelines concerns the process of organizing and conducting external quality assessment that is conducted by the State Financial Inspection of Ukraine. At the same time both of these activities are interconnected and they are practically the logical continuation of a unified process that means permanent support of internal audit quality.*

# *INTERNAL QUALITY ASSESSMENT*



## ***I. INTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT***

*Internal quality assessment – this is the process of analyzing internal audit unit activity, organized by the unit manager to provide and to increase efficiency of performing the functions by internal auditors.*

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### **1.1. Methods and Organizational Aspects of Internal Quality Assessment**

Internal quality assessment of internal audit is performed according to the two main methods:

- At the first level – by way of permanent monitoring and support of functions implementation in the course of audit organization and implementation directly;
- At the second level – by way of periodic assessment of internal audit unit activity, the results of which are recorded according to the established standards.

Conducting periodic internal quality assessment according to the requirements of national IA Standards is one of the components of the Program of providing and improving internal audit quality, that should be annually developed by the manager of internal audit unit and approved by the chief executive of the corresponding institution.

The objective of internal quality assessment is to improve efficiency of internal audit in each specific establishment and to provide guarantee of compliance with the requirements of national normative legal acts on internal audit issues, IA Standards, Code of Ethics of internal auditor and also internal normative legal basis for each specific establishment in the process of conducting internal audit.

The manager of internal audit unit is responsible (and reporting) for organization and conducting internal quality assessment.

When organizing and conducting internal quality assessment the manager of internal audit unit should keep to the principles of independence and objectivity. If internal quality assessment is conducted objectively and at high level then external quality assessment in majority of cases will be only a formality.

As for the results of internal quality assessment the manager of internal audit unit should inform the chief executive of the entity and the bodies of State Financial Inspection of Ukraine.

## 1.2. Permanent Monitoring of Quality of Internal Audit during Audit Study

Permanent monitoring and support of internal audit in the course of organization and conducting audit study should be provided by the manager of internal audit unit or by delegating the authority.

1) In case when audit study is conducted by a group of auditors it is recommended to appoint a leader of such group who directs and coordinates activity of group members. In such cases the leader of audit group should permanently monitor compliance with the requirements of normative legal



basis in the sphere of internal audit by group members, the efficiency of conducting audit study and also keep in touch with the manager of internal audit unit on a continuous basis.

2) In the other case the manager of internal audit unit takes upon himself the obligation to monitor quality of organizing and conducting each specific audit study by members of audit group /or internal auditors. In case internal audit unit is small the

manager of internal audit unit should perform the role of the leader of audit group practically always.

In any case it is necessary to remember that the manager of internal audit unit is always responsible for carrying out internal audit function and conducting its internal quality assessment.

At the same time in both cases monitoring and support of internal unit function is recommended to be provided in several ways when conducting the study:

- The person who provides monitoring over each specific auditor study (audit group manager / internal audit unit manager) should be given the authority of approval of each next step by the members of audit group in the process of organizing and conducting audit study;
- To set obligation for written conclusion (set form in internal documents of each specific body), which is done by a person providing monitoring of audit study and which is inherent part of audit;
- To perform a number of procedures of preliminary and current control of some of the most risky aspects of audit study such as, for example, signing of some parts of audit documents by unit manager;



- During audit study, to organize periodic (daily, weekly and so on) consultations, discussions of operational issues with audit group manager / internal audit unit manager.

Specific requirements and forms of organization and implementation of permanent monitoring and support for conducting internal audit function should be recorded by each of the entities individually in internal documents.

### **1.3. Periodic Internal Assessment of Internal Audit Unit Activity**

Periodic internal assessment of internal audit quality should be conducted in the atmosphere of trust and justice on the basis of law, transparency, glasnost, objectivity, impartiality and equality.

Periodic internal assessment of internal audit quality is conducted by internal audit unit manager, and in case he is absent (ill, long business trip and so on) or if immediate supervisor works during not complete reporting year then the deputy unit manager, and in case there is no such position, it should be done by higher level manager (for example, deputy executive of institution).

When periodic assessment of internal audit unit activity is conducted by the manager of internal audit unit the results of permanent monitoring of quality of internal audit during audit study are taken into account by all means. Besides, both are taken into account by the bodies of State Financial Inspection of Ukraine when conducting external quality assessment.

Periodicity of conducting internal quality assessment of internal audit unit activity, as well as other organizational aspect, is defined by institution individually in internal documents. At the same time to provide efficient quality improvement of internal audit function it is recommended to conduct such assessment not less than once a calendar year.

The order of conducting annual internal quality assessment in each specific institution is defined taking into consideration general routine and particularities of an institution and it is approved by the manager of institution (by order or other administrative document). Such Order should obligatory define:

- Blank form of internal quality assessment (recommended form is presented in Appendix 1 to these guidelines);
- The list of issues, according to which internal quality assessment is conducted (Appendix 1, with issues of blocks C-E being mandatory for inclusion in the lists and block A-B being recommended);
- The procedure of organizing and conducting of internal quality assessment (that is periodicity of its conducting, the terms, the rights and obligations of institution officers involved into such assessment,

the order and sequence of actions, paperwork and other important aspects of this procedure);

- The assessment system (recommended assessment system is presented in Appendix 1, it requires: *at the first stage* – providing clear answers to all the questions included in each separate block; *at the second stage* – based on answers defining fair final assessment of each aspect of activity (each block corresponds to certain aspect) and defining a list of measures, directed at improving situation; *at the third stage* – providing goal based on the results of two previous stages general conclusion as for the quality of implementation of internal audit function and strategic directions to improve it, which in future will be the basis for the Program of providing and improving internal audit quality);
- The procedure of solving outstanding questions that can arise when conducting internal quality assessment (in which it is necessary to take into consideration the requirements of state legislation on these questions (for example, Constitution of Ukraine, normative legal acts which regulate the relations in the sphere of civil service, IA Standards, Code of Ethics of internal auditors and so on), and also particularities of each specific institution and its normative legal basis);
- Implementation of internal quality assessment results (that is its interaction with development of the Program of providing and improving internal audit quality and monitoring procedure of its implementation, performing each specific measure).

According to the results of annual internal quality assessment the internal audit unit manager defines the list of measures which it is necessary to implement to improve internal audit efficiency and which will be recorded in the Program of providing and improving internal audit quality (which should be also approved annually according to the requirements of IA Standards). The annual Program of providing and improving internal audit quality should be signed by the internal audit unit manager and approved by the chief executive of entity.

The manager of internal audit unit should present the results of internal quality assessment of internal audit and the measures recommended for improving quality of this function to the unit staff.

The results of annual internal quality assessment of internal audit will be approved by the chief executive of entity after they are presented to unit staff. The chief executive of entity can express his remarks and proposals and organize interviews when needed.

The results of annual internal quality assessment are kept in internal audit unit (taking into consideration the requirements of record keeping and organizational particularities of each specific institution) and are presented to the bodies of State Financial Inspection of Ukraine together with the report

for the first half year (before July 20). In its turn the State Financial Inspection of Ukraine analyses them carefully when planning and conducting external quality assessment of internal audit.

# *EXTERNAL QUALITY ASSESSMENT*



## ***II. EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT***

*External quality assessment – is a process of study and analysis of internal audit unit activity, implemented by State Financial Inspection of Ukraine and its territorial bodies with the goal of assurance that the activity of internal audit follows international and national standards, codes, rules and other normative legal acts requirements in the sphere of internal audit, and providing recommendations on improving efficiency and effectiveness of this function.*

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### **2.1. Methods of Conducting External Quality Assessment**

External quality assessment of internal audit is implemented according to the two main methods:

- At the first level – by way of permanent cameral monitoring of internal audit unit activity;
- At the second level – by way of periodic (planned or unscheduled) studies at the basis of their planning there is a system of risk assessment of the results of first level activity.

### **2.2. Permanent Cameral Monitoring of Internal Audit Unit Activities**

Permanent cameral monitoring of internal audit unit activity of subordinate entities is provided by the State Financial Inspection of Ukraine and its territorial bodies in current regime on a basis of: results of their internal quality assessment, generalization and analysis of periodic (semi-annual) reports on internal audit unit activity, approval of their activity plans, questionnaires for such units' managers and their staff, business correspondence and private communication of professionals from the State Financial Inspection bodies of Ukraine with subordinate entities.

The results of such monitoring are taken into consideration by the State Financial Inspection of Ukraine when planning, organizing and conducting periodic studies at each specific subordinate entity.

### **2.3. Periodic Studies of Internal Audit Quality**

The authority of the State Financial Inspection of Ukraine to provide control over internal audit units in subordinate entities by way of quality assessment in the form of study is defined by Regulation #1001. According to this Regulation the subject of internal quality assessment is planning, organizing and conducting such audit, monitoring recommendations implementation as a result of conducting it, compliance with the requirements of IA Standards and other normative legal acts on certain issues by the officers of the units.

The sequence and the main aspects of organizing and conducting periodic planned study of internal audit quality by the State Financial Inspection of Ukraine is presented in Parts 2.5. – 2.9. of the guidelines. Besides schematic “Road Map” of the main stages is given in Appendix 3 of the guidelines.

## **2.4. Study Planning**

Periodic study of internal audit quality of subordinate entities can be done by the State Financial Inspection of Ukraine as unscheduled or according to plans approved in established procedure.

**Planned** study is a study which is required in a plan of operation of the State Financial Inspection of Ukraine for a corresponding period, approved on the basis of the Guidelines of audit operations by the State Financial Inspection of Ukraine.

Planned study of subordinate entity is done by the officers of the State Financial Inspection of Ukraine not more than once every two calendar years. It is not allowed to conduct planned study of subordinate entity on the same issues and during the same period if it was already audited during the current year by the bodies of the State Financial Inspection of Ukraine.

Limitation of periodicity of conducting planned study does not refer to the study of corrective actions by the subordinate entity after the previous auditing by the State Financial Inspection of Ukraine when the cases of misconduct were detected.

The State Financial Inspection of Ukraine informs the subordinate entity about conducting planned study 10 calendar days before conducting such a study with written notification about the date of its beginning and ending.

Planning of internal audit quality study is a process of risk oriented selection of subordinate entities to pursue field study, which is provided by the bodies of the State Financial Inspection of Ukraine and includes a complex of actions directed at development and approval of plans.

The plans of pursuance of study of internal audit quality of subordinate entities are developed on the basis of risk assessment of their activity based on the model of risk oriented selection of subordinate entities which is presented in Appendix to the Guidelines (Appendix 2) and also taking into consideration periodicity of pursuance of such study and the schedules of conducting such audits in the system of corresponding Ministry, Central Government by the State Financial Inspection of Ukraine.

Taking into consideration international experience in this sphere, recommended periodicity of conducting external assessment of internal audit quality is not less than once every 5 years. Therefore independent of degree of risks and significance of risks defined in Appendix 2, each subordinate entity should be studied from the point of view of internal audit quality at least once every 5 years.

*Unscheduled* study is a research, not required by the plan of operation of the State Financial Inspection of Ukraine and it can be conducted according to the decision of the chief executive of the State Financial Inspection of Ukraine by its officers when there is at least one of these circumstances available:

- Instruction in relation to conducting audit from the President of Ukraine, Supreme Council of Ukraine, Council of Ministers, deputy's appeal or inquiry of deputy;
- Appeal of prosecutor's office, Ministry of Interior of Ukraine, Security Service of Ukraine in which there are facts of violation of legislation when conducting audit by subordinate entities;
- Instruction by the supreme body of the State Financial Inspection of Ukraine;
- Appeal of the chief executive of subordinate entity;
- Appeal of citizens, containing facts, that testify to violation of legislation by subordinate entity when conducting internal audit;
- If the subordinate entity did not present information within 10 working days from the day of receiving a written request for information from the State Financial Inspection of Ukraine;
- Emergence of substantial risks according to the results of permanent cameral monitoring of subordinate entity activity or analysis of its internal quality assessment.

## **2.5. Preparation for Study**

At the stage of preparation for study it is necessary to conduct the following:

- Analysis of risks, according to which this study is planned;
- Analysis of internal quality assessment conducted in the previous periods;
- Analysis of materials of audits conducted in the previous periods by the State Financial Inspection and also the plans and reports provided;
- Analysis of normative legal basis;
- Analysis if information about subordinate entity was received from law enforcement bodies, legal and physical persons and also mass media
- Analysis of instructions from Verkhovna Rada (Parliament), President, Government, law enforcement bodies and so on.

In the course of preparation for study by the officers of the state Financial Inspection of Ukraine a program (in 2 copies) is drawn, where the name of subordinate entity, the topic, period and issues for the research are presented.

The Program is signed by the manager of the unit of the State Financial Inspection who has to perform external assessment of internal audit quality and approved by the chief executive of the State Financial Inspection or his deputy (according to division of responsibilities, approved by the order of the State Financial Inspection of Ukraine).

When needed the program may be corrected during adoption.

The number of officers from the State Financial Inspection of Ukraine that are involved into conducting study is defined taking into consideration the level of complexity and timeframe allocated for that.

To conduct the study the officers of the State Financial Inspection of Ukraine are given recommendation of a form set by the State Financial Inspection of Ukraine.

Information about conducting external assessment of internal audit quality is provided by the state Financial Inspection of Ukraine for subordinate entity in written form 10 calendar days before the start.

## **2.6. Organizing and Conducting Study**

Before the start of study, recommendation and program are presented to the manager of subordinate entity or his deputy to be signed. In case the chief executive of subordinate entity or his deputy refuse to sign, but they do not mind if there is a study conducted, this fact is mentioned in the introduction to the report on the results of study.

In case the officers of the State Financial Inspection of Ukraine are not allowed to conduct study or the documents needed for study are not provided, or due to other objective circumstances independent of the State Financial Inspection of Ukraine, which will make it impossible or will be an obstacle for conducting the study, the officer of the State Financial Inspection of Ukraine draws up a report and signs it (in two copies) mentioning these facts. One copy of the report the officer of the state Financial Inspection of Ukraine that was appointed to conduct study gives to the chief executive of subordinate entity in one of the following ways:

a) personally;

b) personally against countersignature to the manager of internal audit unit (or other authorized person of the subordinate entity);

c) via secretariat (record keeping office) of subordinate entity with the mark on the second copy about a date of being registered in the log of incoming correspondence of subordinate entity and with a signature of a staff member of secretariat (record keeping office), that have registered it.

About facts of not allowing the officers of the State Financial Inspection of Ukraine to conduct a study, not providing necessary documents for the study and other circumstances independent of the State Financial Inspection of Ukraine, that



are the obstacle for conducting study, such persons inform the chief executive of the State Financial Inspection of Ukraine.

In case these circumstances are removed then according to the decision of the chief executive of the State Financial Inspection of Ukraine the study can be concluded in established by law procedure. That time period when study was not conducted is not included into the timeframe. Otherwise the study is considered not implemented and the State Financial Inspection of Ukraine has a right to organize and conduct the study of subordinate entity for the second time, including routinely during the same calendar year.



The chief executive of subordinate entity should provide a place for work, conditions to keep the documents, telephone, computer, copying machine and other equipment for the officer of the State Financial Inspection of Ukraine to be able to perform his official duties.

The officers of the State Financial Inspection of Ukraine should sign the log of audit registration of subordinate entity in case it is provided. The fact that subordinate entity did not provide the log is recorded in the introduction to the report on the results of study.

Study is conducted according to the criteria of quality assessment of internal audit, presented in Appendix 1. It is interesting that external quality assessment of internal audit is done according to almost the same criteria as internal assessment. The difference is in the last block of criteria, which is based on a complex analysis of the previous blocks including comparison study of the results of external and internal assessment.

During the study the officers of the State Financial Inspection of Ukraine test the following blocks of issues (in Appendix 1):

- Procedural and institutional principles of internal audit unit functioning of subordinate entity, in particular:
  - Intercommunication of the manager of internal audit unit with the chief executive of subordinate entity;
  - Status, structure and head count of internal audit unit, its independence;
- Personnel policy of internal audit unit of subordinate entity, in particular:
  - Assessment of internal environment of subordinate entity as for compliance with the requirements of the code of ethics of internal auditor;
  - The level of maturity of the unit, stability of personnel policy, staffing level of the unit, personnel answering qualification requirements;
- Internal normative legal basis of internal audit unit, in particular:

- that defines the Program of providing and improving quality of internal audit;
  - that regulates current activity of the unit;
- The system of operation planning of internal audit unit and situation with plans execution, in particular:
- The way of developing and approving plans, introducing changes;
  - Conditions with plans execution;
- Organizational and functional aspects of internal auditing, in particular:
- Compliance with the requirements of normative legal acts when organizing internal audits;
  - Efficiency of auditor actions and quality of documentation of internal audit information;
- Effectiveness of conducted internal audits and implementation of the results of audit study, in particular:
- Analysis of effectiveness of conducted internal audits, including reliability of reporting;
  - Implementation of the results;
  - Monitoring of audit recommendations implementation;
- Intercommunication of subordinate entity with the State Financial Inspection of Ukraine, in particular:
- Conditions of removing the drawbacks found by the State Financial Inspection of Ukraine during the previous study and implementation of given recommendations;
  - Conditions of interaction of subordinate entity with the State Financial Inspection of Ukraine as for implementation of internal audit function;
- Objectiveness of internal quality assessment of internal audit: correlation of the results of the external assessment with the previous results of internal assessment conducted during the period of study.

Besides during the study the results of internal audits conducted by the officers of subordinate entity with the aim of assessment of their effectiveness could be correlated with the results of corresponding study of external auditing bodies (conducted during the same period on the same issues). As far as according to the requirements of clause 2 paragraph 1 of the Government Order # 148-p of 19.01.2011 “The issues of strengthening financial budget discipline” in case the facts of violation are found by the State Financial Inspection of Ukraine at the enterprises, institutions and organizations that belong to the sphere of corresponding Ministry governance, other central government bodies, that were not found during internal auditing in the system of this Ministry, Central Government,

the State Financial Inspection of Ukraine could initiate an issue in relation to internal audit unit manager whether he corresponds to his position.

The study could be complex, that is according to the complete list of the above mentioned, or concerning specific issues, in such case only those blocks of issues are tested where there are higher risks:

- By way of analysis of internal quality assessment;
- By way of permanent cameral monitoring of its activity;
- By way of receiving external information concerning specific issues of subordinate entity activity.

The study can be conducted locally where the subordinate entity is located and camerally. Cameral study is conducted at the place of location of the State Financial Inspection of Ukraine using the documents provided at its request by subordinate entity, and other information received according to legislation. In case subordinate entity does not provide the documents necessary to conduct cameral control activity, in a set period of time the chief executive of the State Financial Inspection of Ukraine can make a decision to conduct unscheduled study at subordinate entity location.

The officers of the State Financial Inspection of Ukraine can get documents and reference materials referring to subordinate entity activity and are necessary to conduct study of subordinate entity.

During conducting study of subordinate entity by the officers to the written request (with corresponding list of questions) of the officers of the State Financial Inspection of Ukraine or on their own initiative written explanations can be presented of questions that appeared during conducting such a study.

Explanations are issued in favor of the chief executive of the State Financial Inspection of Ukraine, or his deputy who assigned the study, and are signed by the officer of subordinate entity, who presents them with obligatory statement of the date. If the officer of subordinate entity refuses to present written explanations, this fact is recorded in the report on the results of this study.



To confirm presented in the report on the results of study facts of drawbacks/failure the officers of the State Financial Inspection of Ukraine when needed get verified copies of documents from subordinate entity that confirm relevant drawbacks/breach and include them into materials of study.

If the chief executive of subordinate entity or other officers refuse to present verified copies of documents it is recorded in the report on the results of study.

Duration of study should be not more than 30 working days.

Prolongation of timeframe of conducting study is possible only on decision of chief executive of corresponding body of the State Financial Inspection of Ukraine or his deputy by the period not exceeding 15 working days.

In case of prolongation of term of planned or unscheduled study the officers of the State Financial Inspection of Ukraine should present an appointment card with prolongation of the term of conducting such a study to the chief executive of subordinate entity or his deputy.

In case of need according to the decision of chief executive of the State Financial Inspection of Ukraine or his deputy the study could be suspended for the term of up to 30 working days. The State Financial Inspection of Ukraine that conducts study informs subordinate entity about suspension of study in written form.

## **2.7. Documentation of the Results of Study**

Based on the results of study the report and the minutes of approval that are the integral part of such report are put together.

The Report is based on paper carriers in the state language and it should have continuous page numbering. At the front page of the Report on the results of study the name of document is given, date, registration number, the place of issue and the instance number.

The Report on the results of study should contain:

- The list of abbreviations and abbreviations of the names of normative documents;
- A summary with short description of the results of study;
- Introduction in which there is: ground for conducting study; topic of study and the period of activity of internal audit unit to be subjected to verification; the name of body of the State Financial Inspection of Ukraine and the name of subordinate entity; location of subordinate entity; the list of officers that conducted study and persons that conducted audit in a certain period; the date of the beginning and end of study;
- Grounded and clear answers to each specific question of all the blocks of questions, covered in Appendix 1;
- General information, evidential basis, conclusions and recommendations in the framework of each block of questions, covered in Appendix 1, with the indication of (if available) the main limitations in conducting internal audit and breach of legislative acts with reference to their name, number and date;
- General conclusions and recommendations as for the results of study;

- The term of informing the State Financial Inspection of Ukraine about implementing measures by subordinate entity according to recommendations presented as a result of study;
- Appendices (the list of legislative acts and normative documents, reference materials, used during the study and so on).

In case territorial bodies of the State Financial Inspection in Autonomous Republic of Crimea, regions, the city of Kiev and Sevastopol collect information during implementation of centralized assignment by the State Financial Inspection of Ukraine when conducting external quality assessment, such information is taken into account by the State Financial Inspection of Ukraine when drafting integrated (generalized) results of study in the system of corresponding subordinate entity.

The draft report on the results of study is discussed by the officers of the State Financial Inspection of Ukraine, who conducted study, chief executive of subordinate entity and manager of internal audit unit of subordinate entity before being officially sent together with minutes of approval to be signed.

The report on the results of study and the minutes of approval are presented in 2 copies: the first is for the body of the State Financial Inspection of Ukraine, the second is for the subordinate entity.

One copy of the report on the results of study and signed by the officers of the body of the State Financial Inspection of Ukraine, that conducted the study, both copies of minutes of approval are presented for information to the chief executive of subordinate entity and manager of internal audit unit of subordinate entity not later than 5 working days at the end of the term stated in assignment to conduct study in one of these ways:

a) personally against countersignature to the manager of internal audit unit of subordinate entity (which is placed on the second copy of the report, it remains in the State Financial Inspection of Ukraine);

b) via secretariat (paperwork department) of subordinate entity with the mark on the duplicate copy of the report on the results of study of the State Financial Inspection of Ukraine about the date of registration in the log of incoming correspondence of subordinate entity and the signature of the staff of secretariat (documents and records keeping department), that provided registration.

During preparation of integrated (generalized) reports on the results of study in the system of corresponding subordinate entity the term of presenting the report on the results and minutes of approval can be extended up to 15 working days at the end of the term, prescribed in assignment for conducting study.

The chief executive of subordinate entity and the manager of internal audit unit of subordinate entity should learn about the report on the results of study and in case of approval of its content to sign minutes of approval. In case there are disagreements (remarks) as for the content of the report the chief executive of subordinate entity and the manager of internal audit unit of subordinate entity sign the minutes of approval with corresponding remarks.

After that one copy of signed minutes of approval subordinate entity should give to the State Financial Inspection of Ukraine not later than 5 days after receiving them.

In case the State Financial Inspection of Ukraine did not receive the signed record of concurrence within set time the officers of the State Financial Inspection of Ukraine confirm it by the act about refusal to sign, which is compiled in 2 copies, one of which is sent to the chief executive of subordinate entity and the manager of internal audit unit of subordinate entity in one of the following ways:

a) personally;

b) personally against countersignature to the manager of internal audit unit (or other authorized person of subordinate entity);

c) via secretariat (documents and records keeping) of subordinate entity with a mark on the duplicate copy about the date of registration in the log of incoming correspondence of subordinate entity and the signature of the secretariat staff (documents and records keeping department), that registered it.

In case record of concurrence is signed with objections (remarks) the manager of internal audit unit of subordinate entity with a signature of chief executive of subordinate entity should present (by post or courier) written objections (remarks) to the State Financial Inspection of Ukraine not later than 5 working days from the day of signing record of concurrence. The date of presenting written objections (remarks) is the date of their registration in the State Financial Inspection of Ukraine.

The chief executive of the State Financial Inspection of Ukraine that conducted study or his deputy makes a decision about reading objections (remarks) to the report on the results of study, that were delivered with non-observance of established period.

With the goal of clarification of the facts outlined in objections (remarks) to the report on the results of study the officers of the State Financial Inspection of Ukraine have a right to ask for additional documents and explanation from subordinate entity.

The written conclusion to objections (remarks) is presented to chief executive of subordinate entity with the signature of chief executive of the State Financial Inspection of Ukraine or his deputy not later than 15 working days from the day they were received in one of the following ways:

a) personally;

б) personally against countersignature to the manager of internal audit unit (or other authorized person of subordinate entity);

в) via secretariat (documents and records keeping department) of subordinate entity with the mark on the duplicate copy about the date of registration in the log of incoming correspondence of subordinate entity and the signature of secretariat staff (documents and records keeping department), that registered it.

The objections (remarks) to the report on the results of study join study records and become their integral part.

After signing the record of concurrence the officer of the State Financial Inspection of Ukraine registers the report on the results of study in the log of registration of control activities, the form of which is defined by the State Financial Inspection of Ukraine.

## **2.8. Implementation of Study Results**

Implementation of study results is done:

- During the study on the basis of oral recommendations of the officers of the State Financial Inspection of Ukraine, that are presented to subordinate entity for immediate implementation of measures to prevent law violation in future;
- After signing the record of concurrence without objections (remarks) or drawing up act about refusal to sign it;
- After providing written conclusions to objections, remarks to subordinate entity.

According to the results of the study the State Financial Inspection of Ukraine prepares and presents recommendations to subordinate entity on improvement of internal audit quality, removing drawbacks and violations detected, preventing them in future activity.

To provide such a result, the recommended measures should be:

- Rational, justified and directly linked to the goals set;
- Clear;
- Results-oriented (that is to a maximum degree clearly define a number of people responsible for their implementation);
- Defined in time (occasional to a certain date, continuous or periodic);
- Lean (it means that the funds for carrying out measures should not exceed the expected effect).

In case substantial drawbacks are detected during the study, violation of the requirements of normative legal acts in the sphere of internal audit and as a consequence of negative assessment of internal audit unit activity the State Financial Inspection of Ukraine can recommend to the chief executive of subordinate entity to consider the question concerning adequacy of the manager of internal audit unit for the job.

According to the decision of the chief executive of the State Financial Inspection of Ukraine the officers of the State Financial Inspection of Ukraine inform government bodies, local authorities, law enforcement bodies and also

public by publishing information about the results of control activity in mass media or official site of the State Financial Inspection of Ukraine in Internet stating that the results of the study show violation of legislation.

Subordinate entity in the term defined by the State Financial Inspection of Ukraine should inform the State Financial Inspection of Ukraine about elimination of drawbacks in organization and conducting internal audit, violation of legislation detected during the study presenting all the certified copies of administrative and other documents, confirming elimination of violation.

## **2.9. Implementation of Recommendations Monitoring**

The last stage of study is monitoring of situation with implementation of recommendations (until they are completely implemented) and monitoring the results of recommended measures implementation. This process can be accomplished in the following ways:

- Performing continuous observation over situation with implementing recommendations (includes regular communication with specialists of subordinating entity, observation, analysis of progress of activity and so on);
- Sending periodic reminder, request to subordinate entity;
- Assigning planned/unscheduled study of elimination of drawbacks by subordinate entity.



# APPENDICES





## *Criteria of Conducting Internal and External Assessment of Internal Audit Quality*

### **A. Study of Organizational Legal Framework of the Entity Internal Audit Unit Functioning**

<b>A1: Interconnection of Internal Audit Unit Manager with the Entity Chief Executive</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Does internal audit unit report directly to the chief executive of the entity?	
Is the manager of internal audit unit a member of the entity board?	
Does the manager of internal audit unit get the information as for all the organizational changes, other key issues in the entity on time?	
Does the statute of internal audit unit (other internal documents) define interconnection between chief executive of the entity and the manager of internal audit unit, the goal, authority and the sphere of responsibility of the unit?	
Is the statute on internal audit unit approved by the chief executive of the entity; is the statute regularly revised and improved as required?	
Does the chief executive approve plan of operation of internal audit unit, the Program providing and improving quality of internal audit?	
Whether internal audit unit manager reports directly to the chief executive on the results of the unit activity?	
Whether the leadership of organization takes the necessary steps to implement audit recommendations	
<b>A2: Structure and Head Count of Internal Audit Unit, its Independence</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether the structure and head count of internal audit unit give a possibility to provide efficiency of internal audit function coming from its proportion to a number of subordinate entities	

according to c.3 of Regulation #1001?	
Is internal audit unit independent structural unit of the entity?	
Whether the Statute of internal audit unit contains the functions not characteristic and/or incompatible with the activity of internal audit?	
Whether practically the internal audit unit or some of the staff perform functions not characteristic and/or incompatible with internal audit activity?	
Whether the Statute or other internal documents on internal audit activity specify reaction (protection) measures by internal auditors to protect themselves from interference into their activity by third parties?	
Whether there is proof of third party interference into internal audit unit activity?	
Whether internal documents provide measures to prevent conflict of interests when specific auditors perform their assignments?	
Are there facts of conflict of interests in practice and does the manager of internal audit unit use measures to avoid such facts?	

## The Results of Study of Organizational Legal Framework of Entity Internal Audit Unit Functioning (A1+A2)

Level 1: Establishment	Level 2: Development	Level 3: Activity	Level 4: Maturity	Level 5: Case
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>The executives of the entity form understanding as for its role in providing internal control and internal audit in the entrusted sector (described in article 26 BCU). The available structure and head count of internal audit service is not able to provide systematic internal audit in the sector and does not influence situation with its financial budget discipline.</p>	<p>The executives of the entity implement plans and make certain steps to provide conditions for efficient implementation of internal audit functions. But the available structure and head count of IA service makes it possible to solve only some narrow tasks and does not influence the system as a whole.</p>	<p>Senior executives created conditions that allow implementing IA function. At the same time there are a number of organizational functional drawbacks that limit its full implementation and development.</p>	<p>Senior executives understand the role of IA service and they are interested to get contribution from internal audit as for achieving the goals of entity activity, managing risks and providing control at all levels. And together with that there are reserves for developing IA function in the system of the entity.</p>	<p>Internal audit is perceived by the chief executives of the entity as a key instrument of financial control and management in the sector. IA service provides systematic, quality internal audit in the system of the entity, it is recognized and efficiently involved at strategic level.</p>

### Evidential base

### Implementation of the Results of Study of Organizational Legal Framework of the Entity Internal Audit Unit Functioning

Recommended Measures	Responsible Officers	Term of Implementation	Expected Results

#### B. The Study of Personnel Policy of the Entity Internal Audit Unit

B1: Assessment of Internal Environment at the Entity as for Implementation of Code of Ethics Conditions by the Staff of Internal Audit Unit	
Criteria	Yes/no (when needed to provide short explanations)
Is it envisaged in internal documents to have	

requirement on implementation of Code of ethics conditions by internal auditors?	
Whether all the staff of internal audit unit is acquainted with the main provisions of Code of Ethics?	
Whether internal auditors abide by Code of Ethics provisions when fulfilling their duty?	
Is it stipulated by internal documents to have procedure for consideration of cases of noncompliance by the staff of Code of Ethics and responsiveness to complaints?	
Whether there are complaints about the actions of IA unit staff as for violation of the Code of Ethics requirements when they fulfill their duty?	
Whether monitoring (recording in the documents) of the facts of violation of the Code of Ethics is provided and whether decisions are taken in case of such violation?	
<b>B2: The Level of IA Unit Development, Stability of Personnel Policy, Situation with Staffing Level of the Units, Compliance of Staff to Qualification Requirements</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether procedure is set in internal documents for appointing internal audit unit manager and staff; whether the requirements of professionalism, skills and experience, needed for this position are defined; whether incentive measures are envisaged or the grounds to lay off; whether they correspond to the requirements of the Regulation# 1001?	
Whether job experience, internal audit unit staff education corresponds to qualification requirements?	
Is there enough staff in the unit, and if not, is there a plan of measures to improve staffing level?	
Whether the staff efficiently and proportionally used to perform audit assignments?	
Whether unit management is replaced more frequently than once half a year?	

## The Results of Study of Entity IA Unit Personnel Policy (B1+B2)

Level 1: Establishment	Level 2: Development	Level 3: Activity	Level 4: Maturity	Level 5: Case
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>The function of internal audit in the entity is not provided with personnel resources in quantity which is sufficient for implementation of assignments. The existing personnel policy does not envisage the prospect of IA function development.</p>	<p>Frequent change of managers and not sufficient staffing of IA unit, ill designed personnel policy concerning attracting and keeping qualified specialists, absence of regular improvement of qualification for the staff of IA unit are the obstacles for efficient implementation and development of IA function in the system of entity.</p>	<p>The existing staff of IA unit is able to support IA function in the system of the entity, to perform the assignments of the chief executives of the entity. At the same time to improve efficiency of IA function it is necessary to implement a number of measures directed at improvement of personnel policy.</p>	<p>The entity IA unit has enough qualified personnel to implement IA function. Internal auditors of the entity fulfill their duty with high quality; permanently improve their knowledge and professional skills. And together with that there is reserve for IA unit staff development.</p>	<p>In the entity system stable and consistent personnel policy is introduced that concerns selection, incentive, support and efficient use of IA unit staff. As a result the staff efficiently and effectively implements IA function.</p>

### Evidential base

### Implementation of the Results of Study of Personnel Policy of Entity Internal Audit Unit

Recommended Measures	Responsible Officers	Term of Implementation	Expected Results

### **C. Study of Internal Regulatory and Legal Framework of Internal Audit Unit**

<b>C1: Assessment of Regulatory and Legal framework for Defining Strategy of Internal Audit Unit Development</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether the Program of internal audit quality assurance is approved by the entity chief executive?	
Are there internal documents defining the procedure of developing Program, structure and content of indicators, the procedure of filling in and generalization and so on?	
Does the Program of quality assurance and improvement define indicators of measuring the level of achieving the goals set; is the Program the subject of regular revision (not less than once a year) to be up- to- date and appropriate?	
Does the program of quality assurance and improvement contain analysis of availability of staff potential and assessment of need of qualified staff to implement the goals that are set?	
Whether implementation of measures on internal quality assessment is monitored and if yes, to what extent are they implemented, what is the obstacle for their implementation?	
Is there a plan for the staff trainings and if yes, then to what degree the real needs of the personnel are taken into consideration?	
Whether actual trainings on economics are conducted in the units; is there documental proof of conducting such training; to what degree the classes correspond to the plan of trainings (if there is such a plan)?	
Whether all the internal auditors periodically improve their professional qualification, including training/workshops organized by the State Financial Inspection of Ukraine? Whether IA unit keeps records of all planned and conducted courses?	
Whether at the level of organization there is a common register for all the conducted trainings and achievements of internal audit unit?	
When planning the IA unit operation is there enough time allocated for personnel training?	
Is internal quality assessment of internal audit conducted and how frequently?	

Whether as a result of conducted internal quality assessment the measures are developed, directed at improving quality of internal audit, and are they reflected in the Program of assurance and improving quality of internal audit for the following period?	
Whether the manager of internal audit unit reports to the chief executive of the entity as for implementation of the Program of quality assurance and improving internal audit quality, the results of the goals set in the Program and also the results of internal quality assessments of internal audit?	
<b>C2: Assessment of Internal Regulatory and Legal Framework, Regulating the Activity of Internal Audit Unit</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether the Statute of internal audit units is approved (Statute on structural units), job description for the staff?	
Whether in the Statute and job description all the aspects of activity are presented, do they correspond to the main requirements of legislation?	
Whether sectoral guidelines at the central level on conducting and recording information of internal audit are approved?	
Do the guidelines on conducting and documenting internal audit cover all the directions of internal audit, all the main aspects of internal audit; do they answer the requirements of legislation?	
Whether the way of audit planning is defined by internal documents (as a separate document or part of another internal document)?	
Whether internal documents on organizing and conducting of internal audits define the way of calculation of planned and actual working time, its distribution according to direction of audits, selection of entities to be included in plans and also criteria for such selection?	
Whether selection of entities for conducting internal audit is based on annual risk assessment? Is there proof of the fact that priorities of internal audit activity defined on the basis of risks correlate with the goals of	



entity activity?

## The Results of Study of Internal Regulatory and Legal Framework of Internal Audit Unit (C1+C2)

Level 1: Establishment	Level 2: Development	Level 3: Activity	Level 4: Maturity	Level 5: Case
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In the system of the entity there is no regulatory and legal framework, regulating the function of internal audit (as for the internal audit unit activity and also its development).	In internal documents available on internal audit activity and development in the system of organization a number of requirements of regulatory and legal acts are not taken into consideration, that is why they need substantial development.	At the level of the entity internal documents are approved, regulating internal audit unit activity, but specific aspects of activity, further development and quality improvement of internal audit function are not taken into account.	Internal regulatory framework of internal audit unit is sufficient to provide activity, to develop quality of internal audit in the entity. At the same time it requires more attention to some of the aspects or a number of clarifications.	Internal regulatory and legal framework of the entity completely corresponds to the requirements of legislation of the highest level in this sphere, it highlights the main aspects of internal audit function, its development and it is useful for the specialists of the unit.

### Evidential base

### Implementation of the Results of Study of Internal Regulatory and Legal Framework of Internal Audit Unit

Recommended Measures	Responsible Officers	Term of Implementation	Expected Results

## **D. The System of Internal Audit Unit Activity Planning and Situation with Plans Execution**

<b>D1: The Procedure of Plans Development and Approval, Introduction of Amendments in Plans</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether internal documents defining the procedure and the main aspects of internal audit unit work planning approved by the entity chief executive?	
Do the requirements of internal documents concerning internal audit unit work planning correspond to the Regulation #1001 and the Standards of internal audit?	
Are there plans of internal audit unit operation for all the planned periods during the term covered by the study?	
Does the internal audit unit follow the requirements of regulatory and legal acts and internal documents, concerning:	
- plan development on the basis of risk assessment, other criteria of entities selection (completeness and periodicity of audit coverage of subordinate entities and so on)	
- calculation of planned and actual working time?	
- procedures and terms of plans development and approval (including approval by the State Financial Inspection)?	
- presentation of plans?	
- amendments in plans?	
- lawfulness of the basis for conducting unscheduled control measures?	
Whether this correlation of directions of planned internal audits is the optimum one (audit of compliance, financial audit and performance audit)?	
<b>D2: Situation with Plans Execution</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether 100 percent of plans of conducting internal audit are implemented?	
Are there grounded reasons for not fulfilling	

plans (if there are facts of not fulfilling)?	
Whether the facts of not fulfilling plans are connected with drawbacks and mistakes at the stage of their development?	
Whether the facts of not fulfilling plans are systematic in character?	
Does the number of unscheduled assignments influence the situation with plans execution, and also consistency of internal audit scope of subordinate entities?	
Are there facts of inconsistency of the timeframe of conducting internal audits, the topics that are defined in the plans?	
Whether the chief executive is informed about situation with internal audit plans execution?	

### **The Results of the Study of the System of Planning the Internal Audit Unit Operation and Situation with Plans Execution (D1+D2)**

<b>Level 1: Establishment</b>	<b>Level 2: Development</b>	<b>Level 3: Activity</b>	<b>Level 4: Maturity</b>	<b>Level 5: Case</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>The system of internal audit planning is absent. The network of subordinate entities is not covered by internal audit to the full degree. The plans are developed without risk assessment or other criteria. As a result the audit of some entities is planned several times and at the same time the most risky entities are left outside the control of internal auditors. The plans are formal and not always fulfilled.</p>	<p>Internal audit unit is trying to use risk assessment and other criteria when planning operation. But consistency of scope by the sphere of control or at least of the most risky entities is not provided. A great number of unscheduled assignments have as a consequence not fulfilled plans.</p>	<p>The plans are developed according to approved procedure, they contain rather risky entities and they are fulfilled 100 percent. At the same time the system of planning has some drawbacks and deviations.</p>	<p>At the level of entity the system of planning internal audit activity on the basis of risk assessment is approved and practically implemented. The plans are developed according to the requirements of regulatory framework and are completely fulfilled.</p>	<p>The system of planning is clear, transparent and efficient. It allows concentrating activity on the most risky spheres and provides the most efficient use of resources for achieving internal audit goals.</p>

**Evidential base**

**Implementation of the Results of Study of the System of Planning Internal Audit Unit Operation and Situation with Plans Execution**

<b>Recommended Measures</b>	<b>Responsible Officers</b>	<b>Term of Implementation</b>	<b>Expected Results</b>

**E. Organizational and functional aspects of internal audit**

<b>E1: Following the Requirements of Regulatory and Legal Acts in Relation to Internal Audit Organization</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether the requirements of regulatory and legal acts and internal documents are implemented in relation to:	
Preparation for internal audit: studying, analysis of the controlled entity, defining the goals of achieving the planned audit and labor resources allocation?	
Developing and approving internal audit programs (working plans if needed)?	
Consistency of the program of internal audit with specific goals of study?	
Consistency of the volume of study defined in the programs with the terms and resources to conduct it?	
Development and approval of official administrative documents to conduct internal audit?	
The procedures of attracting specialists from other units/entities to conduct internal audit?	
Timeframe of conducting audits?	

<b>E2: Efficiency of Auditor Actions and Quality of Recording Internal Audit Documents</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Do the internal audit documents confirm actual study of all program issues?	
Do the internal audit documents confirm thoroughness of internal auditor actions during collection of audit evidence in compliance with audit program issues?	
Are the requirements of regulatory and legal acts implemented in relation to documenting internal audit, the form of audit reports?	
Whether to the full degree and clearly documented are the facts in audit reports, audit evidence, detected drawbacks and violations (whether the facts are clearly and understandably presented, are there references to violation of regulatory and legal acts and so on)?	
Is it always that audit evidence in audit documents correspond to the auditor conclusions in audit reports?	
Is it always that audit reports properly qualify the documented drawbacks and violations?	
Do the documents of internal auditors contain confirmation of conducting monitoring and supporting the function of internal audit during the study by the manager of internal audit unit / the leader of audit group?	
Are the requirements of regulatory and legal acts and internal documents implemented on recording and storage of audit documents?	

## The Results of Study of Organizational and Functional Aspects of Internal Audit (E1+E2)

Level 1: Establishment	Level 2: Development	Level 3: Activity	Level 4: Maturity	Level 5: Case
□	□	□	□	□
<p>In the entity system internal audits are organized and conducted at unsatisfactory level. Practically the function doesn't achieve its goal and is not able to detect or to prevent violations to the full degree. Only specific issues are studied, the auditor actions are not thorough and the drawbacks of recording do not give possibility to qualify the detected violations and existing problems.</p>	<p>In the entity system there is a number of drawbacks in the organization and conducting audit, which are not giving the effectiveness of internal audit function implementation. But this function is developing according to the Standards of internal audit and helps the chief executive to solve specific issues.</p>	<p>In the entity system internal audits are organized and conducted with insufficient drawbacks, not being systematic in character and provide achievements of certain results (in a number of cases the results are rather high). At the same time to improve internal audit quality it is necessary to adopt some recommended measures.</p>	<p>In the entity system internal audits are organized and conducted at proper level and they allow detecting considerable number of drawbacks, violation of financial discipline and so on. There are only some drawbacks elimination of which can become a reserve to improve IA quality.</p>	<p>In the entity system internal audits are organized and conducted at high professional level. IA function provides maximum detection of available violation, drawbacks and problematic issues in activity. In this way high level of guarantee of violations absence and certain support of financial department and control in the sector are provided.</p>

### Evidential base

### Implementation of the Results of Study of Organizational and Functional Aspects of Internal Audit

Recommended Measures	Responsible Officers	Term of Implementation	Expected Results

### F. The Study of Effectiveness of Conducted Internal Audits and Implementation of Their Results

F1: Analysis of Effectiveness of Conducted Internal Audits and Reliability of the Reports	
Criteria	Yes/no (when needed to provide short explanations)
Whether the system of recording and accumulating the reporting indicators on the	

results of internal audits is implemented?	
Does the internal audit unit report about the results of its activity (with established periodicity) to the chief executive of the entity?	
Are there facts of not true, distorted indicators, when they do not comply with the reports presented to the chief executive of subordinate entity?	
Does the analysis of indicators of the report (taking into consideration correction of untrue indicators of the reports) confirm high effectiveness of internal audit (including compared to the results of similar control events, conducted by the State Financial Inspection of Ukraine)? That is:	
- as for the effective indicators (according to the results of compliance audits and financial audits);	
- as for efficiency and scope of problems, detected during performance audits (for example, amendments in legislation acts, problems with distribution of authority, not efficient management of public property entities, documentation turnover, implementation of control functions and so on)?	
Are there facts of disagreement of controlled entities with the results of internal audits, remarks, complaints about the actions of internal auditors and so on?	
Is there an internal procedure set and whether it is followed to consider the remarks/disagreements with the audit reports, complaints about internal auditors' actions?	
<b>F2: Implementation of Internal Audit Results</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Are there approved internal documents, regulating the order and all the necessary procedures for implementing the results of internal audits in the system of subordinate entity?	
Do the requirements of the entity internal documents concerning implementation of results of internal audits correspond to the statements of Regulation #100, the Standards of internal audit,	

and other regulatory and legal acts on these issues?	
Recommendations provided as a result of internal audits:	
- are they concrete and constructed in character?	
- do they clearly define the term of their implementation, responsible officers and expected results?	
- do they correspond to the facts presented in the study documents?	
Are the results of each conducted internal audit presented to the chief executive of subordinate entity and is there documented confirmation of such facts?	
Does the chief executive of the subordinate entity always agree with all the presented results of internal auditors, recommendations?	
Is it in all the cases (envisaged by regulatory and legal acts) and timely the law enforcement bodies and other stakeholders are informed about the results of internal audits?	
<b>F3: Situation with Monitoring of Audit Recommendations Implementation Following the Results of Internal Audits</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Are there approved internal documents, regulating the form and procedure of monitoring of recommendations implementation following the results of internal audits in the system of subordinate entity?	
Do the internal forms of monitoring of audit recommendations implementation define exact term of their implementation, officers responsible for implementation of each specific measure and also expected results of recommendations implementation?	
Is there actually monitoring of implementation of audit recommendations taking in consideration the requirements of regulatory and legal acts, is it conducted until full recommendations implementation?	
Is the achievement of expected results of audit recommendations implementation analyzed?	
Is there a documented confirmation of	



liquidation of drawbacks and audit recommendations implementation?	
Are there facts of nonfulfillment of audit recommendations because they were not clearly written (not clear who, what and why should implement them)?	
Does internal audit unit initiate measures (letters reminders, institution orders and so on) in relation to controlled entity in case it does not implement recommendations in certain period of time?	
Is at the level of subordinate entity periodic informing for chief executive of this entity organized about the results of monitoring of implementation of audit recommendations?	

### **The Results of Study of Effectiveness of Conducted Internal Audits and Implementation of their Results (F1+F2+F3)**

<b>Level 1: Establishment</b>	<b>Level 2: Development</b>	<b>Level 3: Activity</b>	<b>Level 4: Maturity</b>	<b>Level 5: Case</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The activity of IA unit of the entity does not provide results actually, so there is nothing to compensate for and prevent. The unit does not influence situation of financial budget discipline in the sector at all.	The level of entity IA unit effectiveness of activity is not high or the entity does not pay due attention to audit results implementation. There is no additional value from IA unit.	The level of entity IA unit effectiveness of activity is average or above average. Together with that there are certain problems in implementation of the audit results, including those connected to not perfect monitoring of their own recommendations.	The level of entity IA unit effectiveness of activity is rather high, the unit influences the condition of financial budget discipline in the sector, and it helps the leadership to solve pressing problems. At the same time there are reserves to improve this component of IA activity.	The entity IA function implements the goals of its activity efficiently and effectively. It provides high level of guaranty to remove violations and not to allow them to happen in future and provides due support for financial management and control in the sector.

#### **Evidential base**

**Implementation of the Results of Study of Effectiveness of Conducted Internal Audits and of Implementation of their Results**

<b>Recommended Measures</b>	<b>Responsible Officers</b>	<b>Term of Implementation</b>	<b>Expected Results</b>

**G. The Study of Situation with Interaction of Entity with the State Financial Inspection of Ukraine**

<b>G1: Situation with Removing Drawbacks Detected by the State Financial Inspection of Ukraine during the Previous Internal Audit Quality Assessment and Implementation of Provided Recommendations</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether following the results of control measures by the State Financial Inspection of Ukraine the plans (other internal documents) are developed on implementation of provided recommendations defining concrete terms of implementation and responsible persons as for each recommendation?	
Are the plans on implementation of provided recommendations approved by the executives of the entity?	
Whether recommendations of the State Financial Inspection of Ukraine are actually implemented and is there monitoring of their implementation?	
Situation with implementation of each recommendation of the State Financial Inspection of Ukraine, provided as a result of the previous study:	
1)_____	
2)_____	
3)_____	

<b>G2: Situation with Interaction of Subordinate Entity with the State Financial Inspection of Ukraine Concerning Implementation of Internal Audit Function</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Is it always timely that the plans for conducting internal audit in the system of subordinate entity are approved by the State Financial Inspection of Ukraine, amendments to plans?	
Are there facts of return for development (additional corrections) by the bodies of the State Financial Inspection of Ukraine/changes because of non- substantial drawbacks (besides the cases of approval of entities to escape duplicating)?	
Is it always on time that semiannual reports are presented to the State Financial Inspection of Ukraine?	
Are there facts of semiannual reports return for development (additional correction) by the bodies of State Financial Inspection of Ukraine because of not good quality of filling them in, not true reported indicators?	
Does the staff of internal audit unit participate in trainings, workshops, other events, organized by the State Financial Inspection of Ukraine?	
Are there facts of ignoring appeal/request of the bodies of State Financial Inspection of Ukraine, sending formal not good quality information to the requests including organization of work on implementation of requirements and recommendations provided by the State Financial Inspection of Ukraine after receiving the results of conducted control events?	

## The Results of Study of Situation with Interaction of Entity with the Bodies of State Financial Inspection of Ukraine (G1+G2)

Level 1: <b>Establishment</b>	Level 2: <b>Development</b>	Level 3: <b>Activity</b>	Level 4: <b>Maturity</b>	Level 5: <b>Case</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>In the entity system not enough attention is paid to the questions of stabilization of financial budget discipline, efficient internal control system and internal audit. Recommendations of the bodies of State Financial Inspection of Ukraine are completely ignored.</p>	<p>Internal audit unit of the entity interacts with State Financial Inspection of Ukraine not on all the aspects, defined by the legislation. Majority of recommendations of State Financial Inspection of Ukraine are not implemented or implemented formally, and it does not promote development and quality improvement of internal audit function in the system of the entity.</p>	<p>Internal audit unit of the entity interacts with State Financial Inspection of Ukraine (except separate cases). Majority of recommendations of the State Financial Inspection of Ukraine are implemented. According to the results of study it is clearly seen that there is a wish to improve quality of internal audit function.</p>	<p>Internal audit unit of the entity interacts with State Financial Inspection of Ukraine systematically and thoroughly. Recommendations are implemented practically to the full degree. It is possible to state improvement of quality of internal audit. At the same time there are objective obstacles for complete implementation of recommendations.</p>	<p>The executives take a principled stand and they take thorough measures to improve financial economic discipline in the sector, to create efficient system of internal control of internal audit.</p>

### Evidential base

### Implementation of the Results of Study of Interaction of Entity with the State Financial Inspection of Ukraine

Recommended Measures	Responsible Officers	Term of Implementation	Expected Results

### H. Study of Objectivity of Conducting Internal Quality Assessment of Internal Audit

#### H1: Correlation of the Results of External Assessment with the Previous

<b>Results of Internal Assessment Conducted during the Period of Study</b>	
<b>Criteria</b>	<b>Yes/no (when needed to provide short explanations)</b>
Whether there were detected the facts of deviations when comparing internal and external quality assessment of internal audit in the results of study, concerning:	
- organizational structure of entity IA unit, its status and number of staff	
- independence of internal audit unit	
- interaction with entity executives	
- the questions of personnel policy	
- compliance with Code of Ethics by internal auditors	
- providing and improving internal audit quality	
- preparation, design and approval of internal regulatory and legal framework on internal audit, its compliance with Regulation #1001, Standards of internal audit, Code of Ethics	
- procedure of development and approval of the plans of internal audit	
- implementation of internal audit plans	
- organization of internal audits	
- conducting of internal audits and their recording	
- reporting reliability	
- internal audits effectiveness	
- internal audits' results implementation	
- monitoring of audits' recommendations implementation	
- situation with correction of defects, detected by State Financial Inspection of Ukraine during the previous internal audit quality assessment and implementation of presented recommendations	
- interaction with the State Financial Inspection of Ukraine as for implementation of internal audit function	
- implementation of requirements and recommendations of the State Financial Inspection of Ukraine provided according to the	

results of conducted control measures	
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**The Results of Study of Objectivity of Conducting Internal Quality Assessment of Internal Audit (H1)**

<b>Level 1: Establishment</b>	<b>Level 2: Development</b>	<b>Level 3: Activity</b>	<b>Level 4: Maturity</b>	<b>Level 5: Case</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IA function in the entity is weak and dysfunctional. Internal quality assessment of internal audit is not conducted or conducted not completely and with not good quality so that the results cannot be compared.	IA function in the entity is at the primary stage of development. Internal quality assessment of internal audit is conducted but in majority of cases the manager of internal audit unit is not able to assess quality of internal audit objectively and properly.	IA function in the entity is developing; They are striving to improve its quality. Internal quality assessment of internal audit is quite objective and there are deviations only on specific aspects of activity.	IA function in the entity is implemented efficiently and effectively. Internal quality assessment of internal audit is at high level of understanding of all the IA aspects and objectivity of assessment. The differences with external assessment are practically absent. At the same time the conclusions on the results of assessment and recommendations need additional small corrections.	IA function in the entity is so much developed that it doesn't need external assessment. The manager of internal audit unit is able to provide objective internal assessment of internal audit on his own, to make conclusions and to prepare recommendations on improving quality of internal audit unit operation.

<b>Evidential base</b>
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**Implementation of the Results of Study of Objectivity of Conducting Internal Quality Assessment of Internal Audit**

<b>Recommended Measures</b>	<b>Responsible Officers</b>	<b>Term of Implementation</b>	<b>Expected Results</b>

***The Model  
Of Risk Oriented Selection of Subordinate Entities when  
Planning Work of the State Financial Inspection of Ukraine  
on External Quality Assessment of Internal Audit***



*This system was developed to provide unified approach to selection of subordinate entities when planning external assessment of internal audit quality by the State Financial Inspection.*

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The procedure of risk oriented selection of subordinate entities is based on analysis and assessment of risks to select the entities with the highest risk in their activity in the process of development of work plans by the bodies of State Financial Inspection of Ukraine to conduct external assessment of internal audit quality (further - Plans).

According to this model risk assessment is done according to two main indicators: **level of risk**, which is defined separately for each subordinate entity according to concrete indicators (criteria) of risk measurement, and the **level of risk importance**, which is a constant value (defined in the table 1), and practically sets a scale of priorities of the risks themselves.

For visual expression of risk oriented entities selection model it can be presented as matrix, which is the basis for the fourth component of the Model COSO-ERM “Risk assessment”.

The level of risk	3	3	6	9
	2	2	4	6
	1	1	2	3
		1	2	3
		Level of		

Figure 1. The model of risk oriented selection of subordinate entities

In the framework of this model risk level is assessed according to 3 level scale: low level (which is given 1 point), average (2 points) and high (3 points). And as far as importance remains constant definite value practically every subordinate entity is assessed according to the level of risk of each of

them.

Then the total sum of points is defined according to formular:

$$R_{\text{sum}} = (R_1 + R_2 + R_3 + R_4) \times 3 + (R_5 + \dots + R_{10}) \times 2 + (R_{11} + \dots + R_{15}) \times 1,$$

where

$R_{\text{sum}}$  – aggregated point assessment of each subordinate entity;

$R_{1-15}$  – assessment of each concrete risk according to scale from 1 to 3, multiplied by point of corresponding level of importance of this risk according to table 1.

It is necessary to mention that there is certain consistency of risks distribution according to the level of their importance. As a rule the risks of the highest level (3 points) are organizational and financial risks that characterize subordinate entity activity as a whole and the influence of subordinate entity audit in particular. This is macro level of risks. Risks of average level (2 points) are *organizational risks*, and the lowest level (1 point) are *functional risks* (or otherwise called “the risks of audit process”).

The group of *system risks* is defined according to the results of external information analysis about subordinate entity, that is institutional and functional regulatory and legal environment, financial economic indicators, the results of external control (control measures by the State Financial Inspection, Chamber of Accounts, State Tax Service, other controlling bodies), and also taking into consideration appeals, complaints, information in mass media and so on. They characterize efficiency of internal audit unit activity from the point of view of its influence upon national results of subordinate entity activity (macro level) and that is why they have the highest priority.

The group of *organizational risks* is defined on the basis of analysis and monitoring of organizational and legal basis of internal audit unit functioning of subordinate entity and the level of staff. They characterize the attitude of executives of subordinate entity to the problem of organization of internal control and internal audit in the system of corresponding body, understanding of their personal responsibility for the situation with financial budget discipline in the sector entrusted and correspondingly following the requirements of Budget Code of Ukraine by the executives.

The group of *functional risks* is defined by permanent cameral monitoring of internal audit unit activity of subordinate entity on the basis of generalization and analysis of periodic (semiannual) reports on the results of internal audit units activity, approving plans of their activity, questionnaires for the executives and staff of such units, business letters and personal communication. They characterize all the main aspects of internal audit unit activity, following the requirements of Regulation #1001 by the executives and the staff of these units, IA Standards, Code of Ethics of internal auditor and other regulatory and legal acts on this question.



When planning the indicators on the results of internal audit unit activity of subordinate entities during the last 3-5 years are taken into account (according to aggregated indicators of the reports and /or according to the situation at a certain date (dates) of the reported period depending on risk).

The list of risks presented in Table 1 is not complete, but it enumerates the most widespread risks. The mentioned list of risks should be permanently (at least annually) revised and renewed.

In the process of selection of subordinate entities for the plan on each of them by assessing on all the risks presented in Table 1, the total sum of points according to presented formula is defined.

Those subordinate entities that according to such assessment get the maximum number of points are considered the priority ones when organizing the process of selection of entities for the Plan. Together with that with equal sum of points priority is given to be included in plan to that entity where the number of risks of high level is the highest.

At the same time after the procedure of assessment the list of subordinate entities selected for the plan can be corrected taking into account the need to provide periodicity of conducting external assessment – at least once in 5 years.

Besides it is worth mentioning that the procedure of risk oriented selection of entities for control does not extend to planning control measures on assignment of the President of Ukraine, Administration of the President of Ukraine, Cabinet of Ministers of Ukraine, Prime-Minister of Ukraine, First Prime Minister of Ukraine. Corresponding entities are then included in extraordinary order.

**Table 1****Risks during the Selection of the Entities for the Plans****I MATERIALITY LEVEL (3 points)****System Risks****Risk 1 (R<sub>1</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
Organizational structure, size of subordinate entity, amount of the resources, including budget allocations and public appropriations, the number of functional activities and budget programs  <i>The index is determined at the time of evaluation and taking into account information for the last 3 years</i>	Ministries, which manage other central governmental bodies; ministries, central governmental bodies with a complex structure, large subordinate area, resources, budget allocations and public appropriation, number of functional activities, budget programs, etc.	high	3
	Ministries, which do not manage other central governmental bodies; central governmental bodies and the regional administrations with medium volume of the resources, budget allocations and public appropriation, number of functional activities, budget programs, etc.	medium	2
	Central governmental bodies and regional administrations with low staff size and subordinate area, resources, budget allocations and public appropriation, number of functional activities, budget programs, etc.	low	1

**Risk 2 (R<sub>2</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
The volume, structure, significance and dynamics of the violations, defined by the State Financial Inspection bodies in the system of certain subordinate entity, including in relation to activity of its IA unit  <i>The index is determined taking into account information for the last 3-5 years</i>	Identification by bodies of the State Financial Inspection of the following facts in the system of subordinate entity: Significant number of violations in relation to resources volume that include budget allocation and public appropriation; ambitious schemes of abuse; availability in the total structure of the detected violations of significant number of those that caused damages; stable dynamics of increasing the volume of violations; significant fluctuations when comparing the results of control measures provided by the State Financial Inspection bodies and internal audits carried out in the same entities regarding the same issues for the same period	high	3
	Medium level of violations, the presence of certain facts defined in the “high” criteria of such risk	medium	2
	Minor violations, the absence of facts defined in the “high” and “medium” criteria of such risk	low	1

**Risk 3 (R<sub>3</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
Applications, complaints, information from the law enforcement and regulatory authorities, criticism of the Government, the negative facts in the media, etc.	The presence of more than 2 of such facts	high	3
	The presence of 1-2 facts	medium	2
	The absence of such facts	low	1

<i>The index is determined taking into account information for the last 3-5 years</i>			
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#### **Risk 4 (R<sub>4</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
Results of internal quality assessment	Negative assessment of the most of components; the facts of unreliability of internal quality assessment	high	3
<i>The index is determined at the time of evaluation and taking into account information for the last 3 years</i>	Negative evaluation of certain components	medium	2
	High and reliable quality assessment	low	1

## **II MATERIALITY LEVEL (2 points)**

### ***Organizational risks***

#### **Risk 5 (R<sub>5</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
The status, structure and size of IA unit in relation to the status and structure of subordinate entity, and its subordinate network; Unreasonable reduction of the size of IA units	IA unit in terms of its size and status does not have any effect on the state of fiscal discipline in the industry; Facts of unnecessary downsizing of IA units	high	3
	The size of the unit does not provide such ratio or its status or structure are inadequate comparing to the authority	medium	2
	The size of the unit in frame of the ratio (1 auditor – 10 subordinate entities/budget programs, unit functions) within appropriate status and structure of the unit	low	1

*The index is determined at the moment of the last evaluation report and taking into account the data of the cameral monitoring changes*

#### **Risk 6 (R<sub>6</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
The absence of organisational and functional independence of IA units	The presence of majority of below listed shortcomings:  Lack of independence of internal audit unit; Artificial integration with other incompatible functions; Overload with irrelevant functions; Facts of intervention of the third parties in the operation of the units; Indirect subordination to manager of subordinate entity; Manager of the unit is not part of the board; Manager of the unit has no direct access to manager of subordinate entity	high	3
	Separate facts of those, listed in the “high” criteria of this risk, including those that do not create a special threat to organizational and functional independence of the units	medium	2
	Full accordance to the requirements of regulatory acts on these issues	low	1

*The index is determined at the time of evaluation*

#### **Risk 7 (R<sub>7</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
Maturity level of the unit (when created), stability of the personnel policy, staffing of the	The presence of majority of the listed shortcomings: Internal audit unit is recently created;	high	3

units, accordance of the personnel to the qualification requirements  <i>The index is determined at the time of evaluation and taking into account information for the last 3 years</i>	Frequent change of the unit management; Ignoring the qualification requirements for personnel; Low professional experience of the unit manager and personnel; Significantly understaffed unit		
	Certain aspects of those, listed in the “high” criteria of such risk, as well as those, which have no influence on the quality of IA function	medium	2
	The absence of such aspects	low	1

### Risk 8 (R<sub>8</sub>)

Risk	Risk criteria	Risk degree	Evaluation
The absence of the approved program of providing and improving IA quality; non-fulfilment of the program  Non-conduction of internal quality assessment  <i>The index is determined at the time of evaluation and taking into account information for the last 3 years</i>	The absence of the Program and non-conduction of periodic checks of internal quality assessment	high	3
	There are certain shortcomings in this program or it is not approved by executive of subordinate entity; internal quality assessments are provided rarely and/or in a formal way	medium	2
	This area of work is compatible with regulation requirements on these issues	low	1

### Risk 9 (R<sub>9</sub>)

Risk	Risk criteria	Risk degree	Evaluation
Improper interaction with the State Financial bodies, including the issues of organization of the work on implementation of the requirements and recommendations submitted by the State Financial Inspection bodies according to the results of control measures  <i>The index is determined taking into account information for the last 3-5 years</i>	Regular ignoring of the requests/demands from the State Financial Inspection bodies; submission of a formal, low-quality information on requests regarding the work on implementation of the requirements and recommendations submitted by the State Financial Inspection bodies according to results of the control measures	high	3
	Separate facts	medium	2
	The absence of such facts	low	1

### Risk 10 (R<sub>10</sub>)

Risk	Risk criteria	Risk degree	Evaluation
In the unit activity priority is given to financial audits and compliance audits and at the same time efficiency audits are ignored  <i>The index is determined taking into account information for the last 3-5 years</i>	Failure to conduct efficiency audits	high	3
	Separate efficiency audits	medium	2
	The optimum ratio of the areas of internal audit (in the next 2 years at least 1 efficiency audit and 2-3 other audits, and further change of priorities)	low	1

## III LEVEL – FUNCTIONAL RISKS (1 point)

### Risk 11 (R<sub>11</sub>)

Risk	Risk criteria	Risk degree	Evaluation
Facts of non-compliance of IA unit activity of subordinate entity to the legal requirements and/or failure to comply by officials with the Regulation #	Significant number of violations of the regulatory requirements	high	3
	Separate facts of violations	medium	2
	The absence of such facts	low	1

1001, internal audit standards, the Code of Ethics of the internal auditor and other legal documents regarding these issues  <i>The index is determined taking into account information for the last 3-5 years</i>			
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### **Risk 12 (R<sub>12</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
<i>The index is determined taking into account information for the last 3-5 years</i>	The absence of most or of all internal regulatory documents	high	3
	Disadvantages of internal documents, discrepancy with the nation-wide documents	medium	2
	Minor flaws in the documents that are corrected	low	1

### **Risk 13 (R<sub>13</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
<i>The index is determined taking into account information for the last 3-5 years</i>	A lot of the shortcomings in submitted plans to the bodies of the State Financial Inspection or non-fulfilment of them	high	3
	The presence of the separate shortcomings regarding the form of submitted plans or minor violations during the procedure of approval of the plans	medium	2
	The absence of such facts	low	1

### **Risk 14 (R<sub>14</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
<i>The index is determined taking into account information for the last 3-5 years</i>	Stable and significant loss of efficiency; low quality of the recommendations; the absence of monitoring procedure of their implementation	high	3
	Minor fluctuations in the indices, the overall low efficiency; certain shortcomings in recommendations and the procedure of their implementation	medium	2
	Stable high efficiency; high quality of the recommendations; regular monitoring of their implementation	low	1

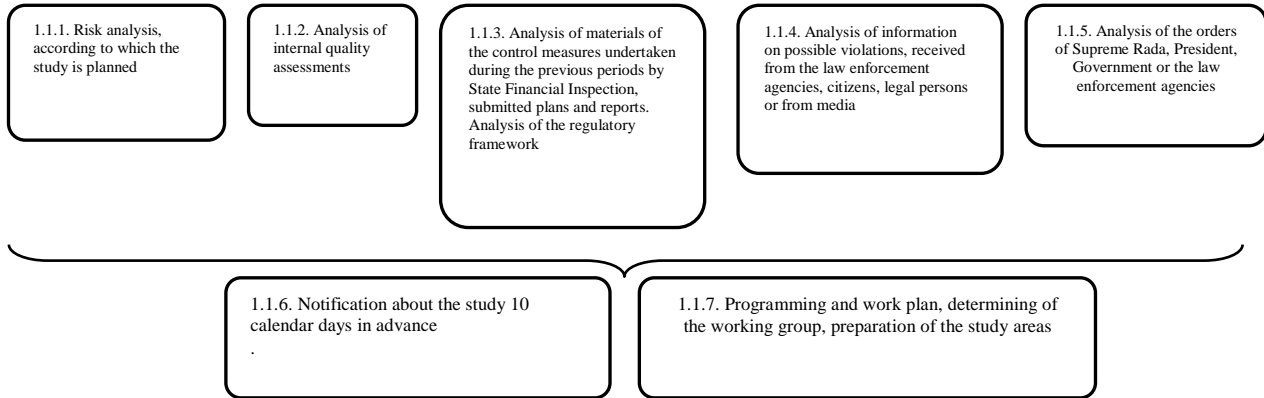
### **Risk 15 (R<sub>15</sub>)**

Risk	Risk criteria	Risk degree	Evaluation
<i>The index is determined taking into account information for the last 3-5 years</i>	A large number of facts of unreliable information submitted to the State Financial Inspection	high	3
	Separate facts of unreliable indicators in the submitted reporting	medium	2
	The absence of such facts	low	1

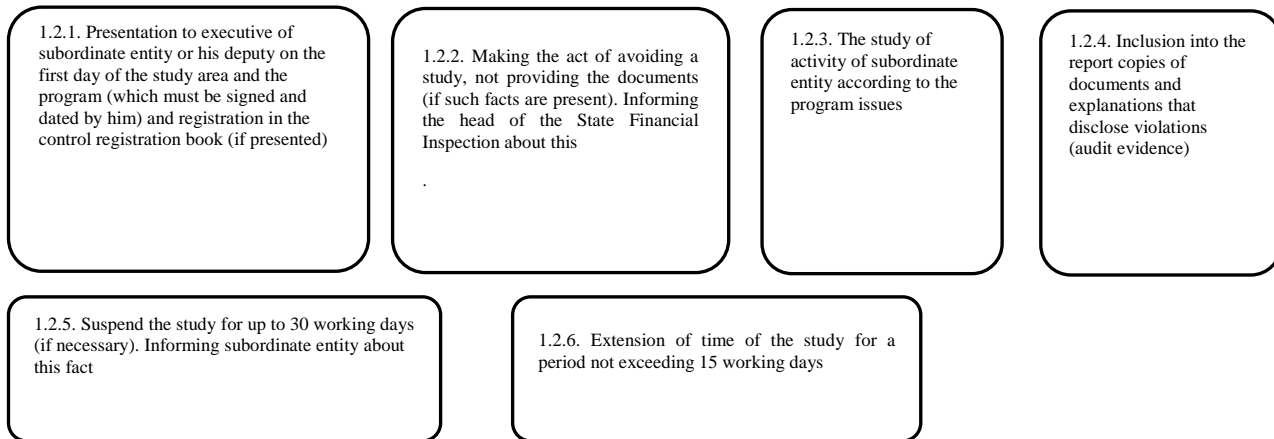
## “Road Map” of the Auditor on External Quality Assessment Study

### I. Organisation of Internal Audit Quality Study

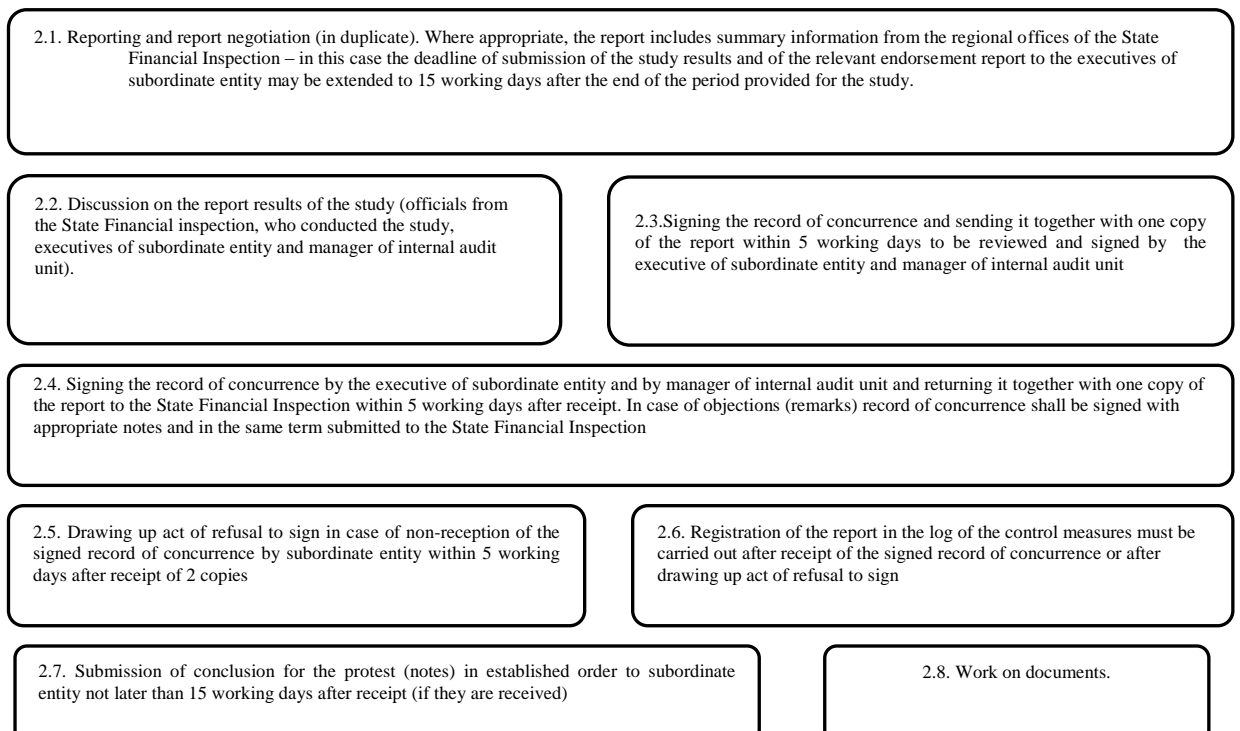
#### 1.1. Preparation for the study



#### 1.2. The study



### II. Results of the Study



### III. Implementation of the Results of Study and Monitoring the Elimination of Violations, Deficiencies and Further Recommendations

3.1. Preparation and submission of recommendations to improve the quality of internal audit, elimination of the shortcomings and violations and prevention of them in the further activity to subordinate entity. Establishment of term of information on the state of elimination of violations and shortcomings submission to the State Financial Inspection

3.2. Informing relevant public and local authorities, law enforcement agencies and the public according to the decision of the head of the State Financial Inspection about the results of study, which revealed violations of the law

3.3. Monitoring of the state of recommendations implementation (to their full implementation) and tracking the results of implementing the recommended actions shall be provided in the following ways:

- run-time control over the state of recommendations implementation (includes regular communication with the specialists of subordinate entity, observation, activity progress analysis, etc.);
- sending regular reminders and requests to subordinate entity;
- organizing planned/unscheduled studies of elimination of violations and shortcomings by subordinate entity.

