

***“Internal Audit is the only function in an organization, who can view everything”***  
**Jean Pierre Garitte (SIGMA)**

**W**elcome to the sixth newsletter of PEM-PAL Internal Audit Community of Practice. Newsletters will be generated to PEM-PAL members and other interested people and professionals keep up to date with the



latest information concerning PEM-PAL such as up and coming events, reviews, opportunities and other useful information. This newsletter has objective to present 6<sup>th</sup> plenary workshops of Internal Audit COP in Bled, Slovenia – Internal Audit Manual Workshop and Training & Certification Workshop.

**Contents:**

- 6th workshop of IA COP
- Countries experience regarding IA manual
- Input from Jean Pierre Garitte (SIGMA)
- Burning discussions
- Case clinic
- Body of Knowledge in T&C
- Special thanks!
- Next Activities

PEM-PAL  
 Internal audit COP  
 workshops on Internal  
 Audit Manual and Training  
 and Certification  
 October 14-19, 2010  
 Bled

The purpose of these internal audit workshops was to create a common understanding about IA manual in PEM-PAL countries and to make a link of BoK with T&C and placing BoK in the T&C system for internal auditors.

Both workshops follow the plenary workshops for Internal Auditors held in Slovenia (2006), Moldavia (2007), Turkey (2008), IA training on internal audit sampling methods in Slovenia (2009) and Ukraine (2010). All materials from previous workshops can be found on the PEMPAL website ([www.pempal.org](http://www.pempal.org)).



**Searching for PEMPAL Activists**

At the request of the members the focus of the discussions of the plenary workshop regarding IA Manual was on specific topics identified by the members during the last IA COP workshops. These included, IA standards, content of IA Manual, essential chapters and “nice to have” information. Before the start up of the work, members were divided into 3 leadership groups: Agenda activists, Social reporters and Critical friends.

As a facilitator of workshops we had Beverly Trayner. She assisted our networking through groups mentioned above.

During the first day of the workshop there were delivered two presentations on IA Manual – one from Croatia, by Ljerka Crnković and another from Moldova, by Cristina Scerbina. Ljerka Crnković presented the legal framework which covers IA function, the stages of development of IA Manual and the need to develop the 4th version of IA Manual in Croatia. During her presentation Ljerka specified that “the speech should be like a skirt – long enough to cover the topic & short enough in order to be interesting”.

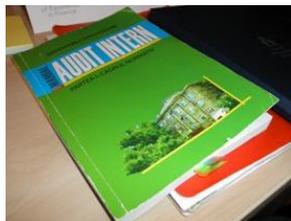
Cristina Scerbina presented the IA Manual in Moldova; it’s coverage by IA Standards and the content. She said that risk management is very important, so that internal auditors see risks even in their dreams. Both presentations were interesting and members asked a lot

of burning questions.

PEM PAL members appreciated a lot the involvement of Mr. Jean Pierre Garitte (SIGMA expert) in the workshop, who celebrated at that time his 34 years of experience in internal audit.

He came with a presentation regarding IPPF and put

a big accent on structural elements of the internal audit function. He was for more than 20 years the Director of Internal Audit at J. Van Breda & Co. He is Professor in Corporate Governance, Internal and



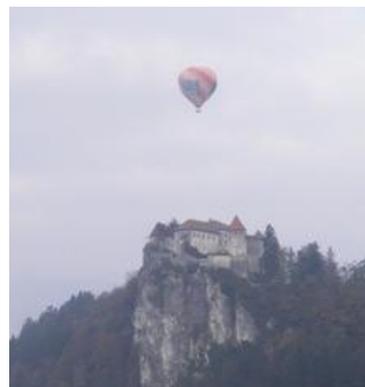
Information Systems Auditing at the UAMS Management School in Antwerp and at the Vlaamse Economische Hogeschool in Brussels. He was a visiting professor at the Erasmus University in Rotterdam and at the South Bank University in London. At the European level he has been for six years the President of the European Confederation of Institutes of Internal Auditing (ECIIA).

The work continued by the presentation of Tomislav Micetic, who underlined the results on completed questionnaires on IA Manual in order to assess the present situation of PEM PAL countries regarding the coverage of IA Manual by IPPF.

Tomislav also pointed out the Internal Audit Capability Model for the public sector. He said that IA Capability Model is a road map for orderly improvement.

In the meanwhile, Ljerka (Croatia) saw a balloon flying in the sky.

Tomislav, being very creative and inspired by the balloon, developed a new IA COP PEM PAL Logo.



*Pem-pal submarine - Balloon -levels of development*

The second day was also very dynamic and productive. The members prepared a model content for IA Manual, including chapters & sub-chapters. Countries made posters addressing essential issues and “nice to have” information to be covered by IA Manual.

After two days full of constructive discussions and burning debates, each of the

leadership groups had to present the outputs of their job.

This exercise was followed by case clinic, where Zamira Omorova (Kyrgyz Republic) was the patient and the others were doctors.

Zamir

a

addressed

some

burning

questions

regarding

the need

of

Strategic

Planning

within an

Internal

Audit

Unit,

materiality

and IA

Manual

coverage.

**Albana**

**Gjinopulli**

(Albania)

was very

involved

in this

topic

and along

with other

members

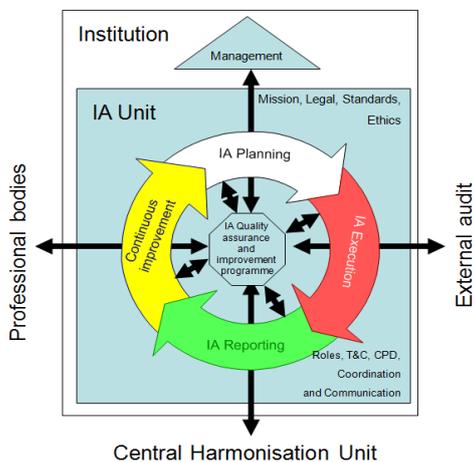
helped

Zamira

with

recommended

ideas.

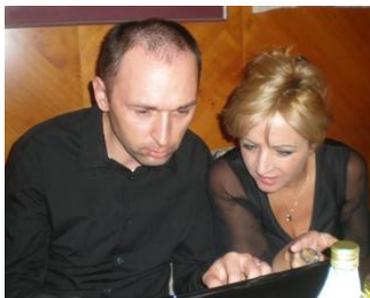


Strategic Planning within an Internal Audit Unit, materiality and IA Manual coverage.

**Albana Gjinopulli** (Albania) was very involved in this topic and along with other members helped Zamira with recommended ideas.



Critical Friends



Tomislav & Albana drawing IA Manual Content using Mind Mapp Software

**Agenda activists**

(Ahmet Baspinar, Albana Gjinopulli, Aurelia Coman, Cristina Scerbina, Jean Pierre Garitte, Ljerka Crnkovic, Tomislav Micetic and Zelika Knezic) – had to identify and to highlight potential topics for next PEM PAL COP workshops: Quality assurance;

1. Audit committee;
2. Sampling/Materiality;
3. Fraud & Corruption;
4. Risk assessment;
5. Outsourcing – Co sourcing;
6. Compensation for Internal Auditors = Sustainability;
7. Internal Audit model/template;
8. Evaluation of internal audit manual capacity to be implemented;
9. Statement for assurance;
10. Internal audit documents transparency;
11. Political awareness (tone of the top);
12. Criteria to build up IAU within the public entities;
13. Benefits of relations with CHU, External Audit, Consultants;
14. Types of audits.

**Social reporters** (Anano Surguladze, Archil Sharvashidze, Arman Vatyanyan, Maksym Tymokhin, Sergeii Chornutskyi, Stanislav Bychkov and Zamira Omorova) – had to make photos during the workshop, and made their job perfect.



After the event, the members of Executive Committee had a meeting regarding the evaluation of IA Manual workshop and future plans. During this meeting the members discussed about activities, responsibilities, deadlines & budget until the end of 2011 (IA CoP Strategic Plan) and also about Plenary PEM PAL 2011 Zagreb presentations.

**Critical friends** (Amela Muftik, Filloreta Nikaj, Kosum Aliu, Roze Uldedaj, Skender Breznica, Stoja Recenovic and Valentina Perovic) had to analyze what was good during the workshop and to propose recommendations for



improvement the future PEM PAL events.

The good parts of the workshop are the following:

- Idea, topics, workshops and organizations;

### IA manuals

#### What we learned?:

- ✓ Updating and improving our manuals its permanent process;
- ✓ Allow internal auditors to be creative;
- ✓ Going through the workshops we are becoming smarter;
- ✓ Its better to use practical experience;
- ✓ We should be in permanent contact with others participants to solve some problems (<http://pempalce.wikispaces.com>)

#### IA – we are beautiful tulips



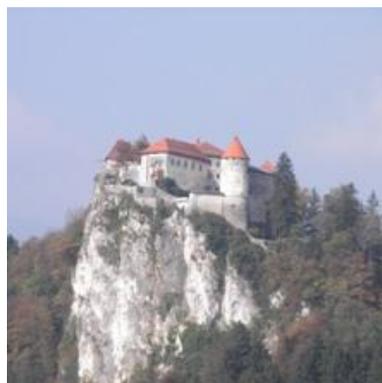
- Translations;
- Sigma contributions;
- Bled and Hotel facilities;
- Constructive questions and answers;
- Workshop is not work shop without Beverly;
- Tomislav’s enthusiasm.

The recommendations for improvement:

- On wikispaces- put e mails and photos off all of members;
- Present permanently situation in each country;
- Next time we should discus about risk assessment – it’s important for strategic and annual plan.

At the end of the workshop there was created a working group on IA Manual. The members of this group are: Albana Gjinopulli, Ljerka Crnković, Cristina Scerbina and Zamira Omorova.

City tour was organized to admiring a church and the castle in the mountain.



The second workshop was dedicated to Internal Audit Training and Certification (T&C). During the first part of the day, members discussed T&C situation in each country. Beverly suggested to divide the discussion in two parts: current status on T&C and problems, risks affecting the development of T&C.

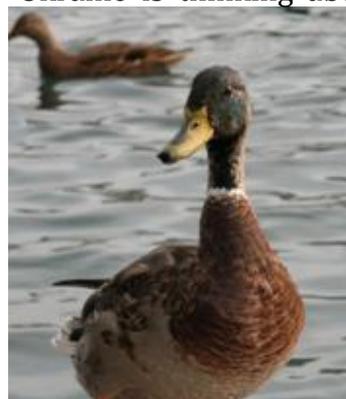
**Montenegro:** there is no T&C program and the problem is that there are no trainers on internal audit.

**Bosnia and Herzegovina:** there is an Association of Internal Auditors, but it relates to private sector, and it does not provide the exactly need. There is a need to train trainers in CHU and in internal audit units.

**Croatia:** 5 week modules, written exam, the need to perform 2 internal audits. The certification program is free for budget users. There is a special committee for certification, made of CHU and other members. The problem is that public sector is underpaid, and there is a risk to lose certified public sector internal auditors.

**Albania:** T&C program started in 2005. CHU is the official body for T&C, but there is also and Advisory Board. Now there is a need to make another T&C model.

**Ukraine:** there is no T&C program, because internal audit units will be created starting at 2012. The problem is that IA Standards are not yet approved, training modules are not yet developed. There is a need of assistance in developing IA methodology. Ukraine is thinking about distance or web based training.



**Kyrgyzstan:** CHU leads the IA methodology development and all the Internal audit documents (laws, standards, manuals) are

approved. Country expects assistance in this area. The work is based on the IPPF. There are no trainers able to run training and training curricula need to be developed.

**Moldova:** there is no certification program in place but there are developed training modules (Accounting, Internal Audit, Program Budgeting, etc). There are several problems: Who should train CHU? The CHU becomes training center? Too much theoretical training from professors.

**Kosovo:** there is technical assistance and all steps are prepared thanks to consultants. There is currently CIPFA - TAIPS program with CEF assistance. The political support is really strong, free days for learning for exams and contracts for obligation of staying in public sector.



**Georgia:** T&C program is not in place and there is no trainer's capacity.

After that, Tomislav came with a presentation regarding the Body of Knowledge (BoK).

Discussion was followed by the presentation delivered by Noel Hepworth.

He pointed out some critical views of country training schemes, the advantages of having an international T&C program and costs.

Joop Vrolik presented the procurement training developed by SIGMA, that could serve a good example for developing T&C program.

After presentation, all members were involved in discussions regarding national vs. international T&C programs. Tomislav mentioned that there is a huge turnover of the staff since internal auditors are

recognized internationally. „Don't push too much on international Certification”.

**Diana Grosu-Axenti** mentioned that international certification is more for the elite professionals.

**Arman Vatyan** suggested that PEM PAL countries should develop a realistic, practical and tailored to public sector T&C program. Let international certification be every country's decision, because it involves a lot of funding. PEM PAL countries should develop a 1<sup>st</sup> level model of T&C.

**Then,** Beverly divided the members into 3 distinct groups, in order to work on the existing BoK for private sector and to connect it with the need of public sector:

1. IA standards, theory and methodology: **Arman Vatyan, Filloreta Nikaj, Joop Vrolik, Maksym Tymokhin and Sergeii Chornutskyi;**
2. Knowledge areas: **Albana Gjinopulli, Archil Sharvashidze, Cristina Scerbina, Diana Grosu-Axenti, Skender Breznica and Zamira Omorova;**
3. Tools and techniques: **Amela Muftic, Kosum Aliu, Ksenjia Maver, Stoja Rocenovic, Tomislav Micetic and Valentina Perovic.**



**Cristina** mentioned that citizens are our customers. In order to achieve our objectives the public institutions should satisfy the citizens by offering qualitative services.

**Tomislav** said that Moldova is a bridge between former Soviet Union countries and Balkans.

**Finally** all the groups developed a draft BoK for public internal auditors, reflecting

essential topics and “nice to have” knowledge for T&C program.



**T&C** workshop continued by the presentation of Senka Maver regarding Training and Certification of Internal Auditors in Public Sector (TIAPS). She presented the information about modules and costs. This kind of certification is a distance learning one.

**A**t the end of the workshop there was made a conclusion, and the members expressed their feedback regarding T&C event.

**M**ost countries agreed that for the first steps it is necessary to develop a local T&C program and to put realistic objectives.

**C**ommittee from the members present on the workshop:

- Tomislav Mičetić (Croatia) - Chair
- Arman Vatyán (Armenia)
- Ljerka Crnkovic (Croatia)
- Albana Gjinopulli (Albania)
- Diana Grosu – Axenti (Moldova)
- Cristina Scerbina (Moldova)
- Zamira Omorova (Kyrkyz Republic)

### **Special thanks:**

- **Jean Pierre Garitte, Joop Vrolijk and Noel Hepworth** - SIGMA experts

- **Arman Vatyán**, PhD, FCCA, Country Senior FMS for Armenia and Georgia - The World Bank
- **Beverly Trayner**, Facilitator, Consultant USA
- **Senka Maver and Nataša Zrzljak**, Center of Excellence in Finance – Slovenia – PEM-PAL Secretariat
- **All presenters and members in active participation on the workshop!**

### **Next activities:**

- January 2011 – Big Plenary PEM-PAL all COP’s – Zagreb, Croatia
- May 2011 – IA COP Risk Assessment and T&C working sessions

*“We are getting deeper and more practical (dirty business of practice)”*  
**Beverly Trayner.**



IA Manual participants



T&C participants

### **Editors and design:**

- Cristina Scerbina
- Tomislav Mičetić

### **Logistics: CEF**

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