Public Expenditure Management
Peer Assisted Learning

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PEM PAL Internal Audit Community of Practice (IA COP)
Yalta, Ukraine: May 26-28, 2010

From May 26-28, 2010, internal audit professionals from 20 countries in Europe and Central Asia (ECA) region held the 7th PEM PAL Internal Audit Community of Practice (IA COP) workshop in Yalta, Ukraine. The workshop was hosted by The Main Control and Revision Office of Ukraine.

The objective of the workshop was to explore relations between inspection, internal and external audit. This report to the Steering Committee summarizes the discussion, highlights some common challenges with reform implementation identified in the discussion, and lists suggestions related to IA COP future work.

1. Discussion

Participants exchanged views on and experience with harmonization of training and certification (T&C) in internal audit. As part of capacity building effort, harmonization was seen important for enhancing professionalism and motivation, and keeping the best staff in the public sector. But lack of financing, insufficient commitment and ownership, as well as difficulties with getting the right trainers often hamper the process. Several proposals to deal with these obstacles were made, such as involving universities, using PEM PAL conclusions to make the case for a change, training the managers, etc..

How does the role of internal audit differ from that of inspection? was another important question discussed in the workshop. Participants maintained that it is essential to separate the roles of inspectors and internal auditors, but also to establish good relations among them. In principle, inspection is an investigatory activity, and internal audit is a service to line management with a more strategic and systematic view. In practice, their roles are often overlapping, or are misunderstood. For a smooth transition from inspection to internal audit, getting the pre-conditions right is essential, such as adequate regulation, clear concept, political commitment and ownership, training to understand a complex terminology, as well as trust in the system.

Participants also talked about cooperation between internal and external audit, and the lessons learned in enhancing the role of internal audit in the public sector. Questions on how to promote professional development, avoid duplications, use findings of internal auditors, etc. were at the center of the discussion.

2. Challenges with reform implementation

2.1. Obstacles

(i) Capacity building is a constant challenge: securing a common body of knowledge is important, but turnover of staff is high; private sector usually offers better conditions.

(ii) Institutional setting is too cumbersome: there are often too many institutions; besides, they are competing with each other; their roles are not clearly defined.

(iii) Lack of support for changes from the environment: trust in both the system and leadership is essential. But managerial accountability is often not there, and managerial structures are inadequate.

(iv) Lack of financing and administrative capacity.

(v) Reporting does not support a decision-making process: it is often too detailed, and is designed to meet requirements of external institutions (e.g. IMF).

2.2. Finding ways to overcome obstacles

(i) Changing mentality is essential, but this is a difficult and long process (e.g., inspector vs. internal auditor discussion).

(ii) Keep the reform agenda simple but efficient: Get the pre-conditions right (public awareness, regulation, on the job training); start with basic elements; focus on practical solutions; enhance communication among institutions. Sequencing is important. Action plan should be realistic.

(iii) Use PEM PAL recommendations to press for changes.

(iv) Training, training, training; It enhances awareness and accountability. Curriculum of universities should be expanded to include topics from the PFM agenda. More emphasis should be put on continuous education. Managers should be trained, too. Quality control should be part of certification process. Terminology and methodological basis should be clarified, also to better define roles of institutions and to avoid overlapping.

3. IA COP future work: Suggestions

(i) Organizing events: In addition to plenary session, IA COP should also convene in smaller groups and include study tours. It should combine activities with other COPs.

(ii) Organizing discussion: Keep presentations shorter (ban on the number of slides). Limit the number of topics and allow more time for discussion, including on recent developments. Invite external experts (e.g. SIGMA, EC) to participate in the discussion, as well as high level officials. Due to language barriers, good translations are essential. Moderator stimulated and steered the discussion, and contributed to the event's success, and should be invited to future meetings.

(iii) Thinking strategically: Prepare a strategy (2010 – 2012). Visibility matters.