

On March 29-31, IACOP members attended the meetings of the Internal Control and Audit in Practice working groups, which took place in Budapest, Hungary. The IACOP event brought together around 80 officials from 28 countries including Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Brazil, Bulgaria, Croatia, Czech Republic, France, Georgia, Hungary, Kazakhstan, Kosovo, the Kyrgyz Republic, Macedonia, Moldova, Montenegro, the Netherlands, Romania, Russian Federation, Romania, the Republic of South Africa, Serbia, Tajikistan (on VC), Turkmenistan, Ukraine, United Kingdom, and Uzbekistan.

On March 30th, the meeting of the Audit in Practice working group was held. The main goal of the meeting was to get a solid understanding of the theory and the practice of applying the International Standards for the Professional Practice of Internal Auditing (ISPPA) 2210 – Engagement Objectives. The participants also established the next steps of the working group activity. The workshop was facilitated by the World Bank team working with IACOP, including Mr. Arman Vatyán IACOP resource team lead; Mr. Maius Koen, Lead FMS, Governance, PEMPAL Steering Committee member, and Mrs Diana Grosu-Axenti, IACOP resource team. Logistical support was provided by the PEMPAL Secretariat.

The workshop was officially opened by **Mr. Abel Berczik**, Deputy State Secretary of the Hungarian Ministry of Economy, **Mrs. Edit Nemeth**, IACOP chair, head of the Hungarian Central Harmonization unit for public internal financial control, **Mr. Marius Koen**, Lead FMS, Governance, the World Bank and **Mr. Arman Vatyán**, IACOP lead, Governance, the World Bank.



After the welcome speeches, **Mrs. Amela Muftic**, the leader of the Audit in Practice working group, who is the head of the Central Internal Audit Unit of Bosnia and Herzegovina, **and Arman Vatyan**, IACOP lead introduced the objectives of the Audit in Practice working group and presented the agenda. The main objectives of the working group were:

- To review the complete audit cycle
- To discuss the experience in application of International Standard for the Professional Practice of Internal Auditing (ISPPIA) 2210 – Engagement Objectives
- Understand the theory and practice in establishing audit objectives Agree on the next steps in the AiP WG



Subsequently, the work started with a presentation made by **Mr. Jean-Pierre Garitte**, WB Consultant, former President of the IIA Board, which aimed to introduce the audit cycles and the scope of different types of audits to the audience. He presented a review of the audit cycles and their respective ISPPiAs. The PEMPAL IACOP Good Practice Internal Audit Manual Template emphasizes the following audit engagement phases: engagement planning, audit objectives and audit scope, the audit program, audit field work, reporting on internal audit engagement. Mr. Jean Pierre-Garitte also presented the audit planning phase and its ISSPIA 2210.

Standard 2200 – Engagement Planning

“Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.”

The presentation was followed by panel discussion on the challenges and good practice in application of the ISSPIA Engagement Objectives (ISPPIA 2210). Representatives from Croatia, Hungary, Netherlands and the United Kingdom shared their experience in the practical application of the standard.

Mr. Manfred van Kestern, representative of the Dutch Academy, highlighted in his presentation that, from his experience prospective, the audit objectives have to describe what the final result of the audit will be and also have to describe what management wants to achieve with the audit results. Usually, audit objectives contain so-called “what” and “why” components. He also explained that *Key* questions are derived from the audit objective, they are the main questions that will be answered by the audit. The key questions can be problem identifying, diagnostic or solution aimed in nature.



On the second half of the day, the participants worked on the practical case, which had been prepared by the Dutch Academy representatives, Mr. Manfred van Kestern and Mrs. Ruslana Rudnitska. An interactive format (World Café) was used to foster discussion and identify the practical solutions for this case.

The case study was highly commended by the participants because it was designed based on a real internal audit assignment conducted within the Ministry of Justice. The purpose of the case study was to audit the process of food provision for detained persons. The peculiarity of this case study was that it was about institutions wherein reforms which lead to ‘more delegated managerial accountability’ have become the new mantra, and the budget user gets his own budget to manage, The budget used has some leeway in deciding how to make the best use of this budget how to organise. These accountability requirements are mostly focused on performance (output-indicators), compliance, and the trueness and fairness of the financial statements.

The case contains helpful recommendations to use the IIA-standards and its sub-standards:

2210 Engagement Objectives: Objectives must be established for each engagement.

2210.A1- Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2- Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3- Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.

The participants worked at their respective tables together with an appointed expert. The experts and resource team members moved around periodically, helping to establish audit objectives and providing equal learning opportunities for all of the participants. The experts' and the resources team members' (Jayce Nair and Zondre Seitei from RSA, Katleen Swess from Belgium, Natan Paget from UK, Stephan Roudil from France, Edit Nemeth from Hungary and Manfred van Kesteren, Ruslana Rudnitska, Mioara Diaconescu and George Mares) contributions were highly appreciated.

Before the final thematic session, Arman Vatyan presented the mobile application designed to facilitate the access to the IACOP knowledge products. He presented online on the screen how the mobile application can be used for the Quality Assessment Guide for Public Sector Internal Audit. This is a breakthrough in automation of the IACOP knowledge products, provided much broader access and enhancing the use of the unique IACOP good practices.



Participants were excited to see how easy the guide's mobile application can be used. All agreed that this will help to spread the IACOP knowledge products beyond the member countries. The

mobile application can be available for all interested internal auditors and MOF representatives. This will help the internal auditors to align to the best practices developed by PEMPAL IACOP. This is an effective tool to promote IACOP knowledge products, as was targeted in IACOP Strategic Plan. This also targets the mission of IACOP to meet IA international standards and best practices and to offer support to PEMPAL IACOP member countries in establishing a modern and effective Internal Audit system that is a key for good governance and accountability in the public sector.

During the final thematic session, moderated by Arman Vayan, the participants discussed the next steps of the Audit in Practice working group. They proposed that, in the future events, they move phase by phase and complete the audit cycle: first, complete the ISPPIA 2210 and discuss the scope, the resources, the audit plan and the audit program. Participants were also interested in developing further practical case studies and examples, as well as discussing the audit plan and program in more detail and learning from a practical tool for establishment of audit engagement objectives.

As a result of the meeting, the participants got a solid understanding of the application of ISPPIA 2210 – Engagement Objectives. They recognized the key challenges in establishing audit objectives, and agreed on the next steps for the AiP WG.



All of the working group meeting materials can be found at the PEMPAL web-site:

<https://www.pempal.org/events/iacop-internal-control-and-audit-practice-working-groups-meeting>