



MINISTRY
FOR NATIONAL ECONOMY

QUALITY ASSURANCE IN HUNGARY

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CONTENT

TWO TYPES OF QUALITY ASSURANCE

- QA in internal audit activity
- QA performed by Central Harmonisation Unit

QA IN INTERNAL AUDIT ACTIVITY

- Quality Assurance regulated in national internal audit standards (which in conformity with IIA standards)
- By 8100 national standard CAE must form and operate an adequate quality assurance program for every activity of Internal Audit Unit

THE QUESTION IS HOW?

- 8200 national standard declares that quality assurance must be internal and external as well

INTERNAL QA TOOLS

- Self-Assessment (at least once a year)
- On-going measurement of performance of internal auditors (Key Performance Indicators)
- Review of audit documents accomplished by Senior Auditors / Leader of Audit Mission / CAE
- Checklists
- Satisfaction Surveys by auditees (after audit engagements)
- Monitoring of implementation of Annual Audit Plan
- Annual Audit Report

INTERNAL QA TOOLS – IN PRACTICE

- Internal Audit Manual Sample gives practical advices how to perform quality assurance by presenting all opportunities, and giving sample checklist

BUT

CAE must form the quality assessment procedures at the given organisation!

CAE should take into consideration the followings:

- size of internal audit unit (or is she/he a Single Internal Auditor?) – they can use different tools
- the experience and knowledge of the staff
- budget opportunities

EXTERNAL QA TOOLS

- External Assessment (advised by national standard every 5 years)
- Self-assessment with external supervision
- By Central Harmonisation Unit

EXTERNAL ASSESSMENT

- At least every 5 years (vs. budget) – not mandatory by regulation
- Performed by independent and qualified experts
- Covers all activity of internal audit unit
- Results must be delivered to the head of PBO

Purpose is to evaluate that:

- internal audit activity meets the requirements of international and national standards, regulation, code of ethics, internal audit manual or others
- make recommendations to improve the economy, efficiency and effectiveness of internal audit unit to add more value to the organisation

CHU's QUALITY ASSESSMENT ROLE

- Public Finance Act declares the right and the obligation of CHU
- In Hungary there is more than 20000 public budgetary organisation – 2/3 in local government sub-system
- Institutions of EU Funds (Managing Authority, Intermediate Bodies, Certifying Authority)
- CHU elaborate regulation and guidelines for central administration and local governments, but the reporting system works only in central administration
- CHU has no direct information about local government because they do not report to the government – our only one information source are the reports of State Audit Office

EXTERNAL ASSESSMENT BY CHU

- Yearly basis – annual reporting
- Yearly basis – based on risk assessment

SOFT TOOLS

- Consultancy role – CAE assignment
- Professional supporting role – every internal auditor can turn to CHU with professional question (e.g. explanation of regulation, methodology issues etc.)
- Supporting IA's independency – Ad-hoc Ethic Committee (in case of violation of independency, the internal auditor can turn to this Committee)

CHU's QUALITY ASSESSMENT ROLE

- In Hungary there are only annual report system – it wouldn't be possible to evaluate and summarize 8000 PBO's report or with local governments 20000 reports



- CHU elaborated a quality assessment methodology which is based on sampling and risk assessment
- every year CHU select the topic and the purpose of QA
- first QA – 2011-2012 - topic – internal control system

METHODOLOGY

- 2 level of process
- At first level statistical sampling of PBOs – questionnaire
- At second level – we choose based on results of the questionnaire and risk assessment some PBOs to visit and evaluate the internal control system and/or internal audit activity
- Every level we prepare feed-back to PBOs and make recommendations
- At second level we use very detailed checklists and issue a report to head of PBO and CAE

WHY QA IS IMPORTANT?

- It helps the PBOs to have better understand of requirements and improve their internal control system and/or internal audit activity
- It provides feedback (what they are doing well or wrong or in what they need improvement)

AND

It helps CHU:

- to understand the practical side of implementation of regulations (what are the problems, how can we help them etc.)
- to identify best practices
- to give them more useful support (guidelines, case studies trainings etc.)

MAIN PROBLEMS AND CHALLENGES

- lack of budget for external auditors
- limited capacity at CHU for quality assessment
- single internal auditors
- local governments

THANK YOU FOR YOUR KIND
ATTENTION!

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