PEM🌐PAL

Report

Consultancy on Regional Internal Audit Training and Certification

Consultant:

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Commissioned by InWEnt under the PEMPAL program

The Public Expenditure Management Peer Assisted Learning (PEMPAL) program is a multi-donor supported network of public expenditure management professionals in various governments in the Europe and Central Asia (ECA) region. The Communities of Practice (COP) in the PEMPAL program pursue opportunities for peer learning to enhance knowledge transfer. The Internal Auditors form one of the COPs of PEMPAL.

Contact:

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Abbreviations

CAE	Chief Audit Executive
CEF	Centre of Excellence in Finance
CGAP	Certified Government Auditing Professional
CHU	Central Harmonization Unit
CIPFA	The Chartered Institute of Public Finance and Accountancy
CIA	Certified Internal Auditor
CoP	Community of Practice
CPD	Continuous professional Development
CPIA	Certificate for Public Sector Internal Auditor
DPA	Diploma in Public Audit
EMIA	Executive Master Internal Auditing
EMITA	Executive Master IT Auditing
IA	Internal Audit
IIA	The Institute of Internal Auditors
PIFC	Public Internal Financial Control
TCP	Training and Certification Programs

Introduction

The Communities of Practice (COP) in the PEMPAL program pursue opportunities for peer learning to enhance knowledge transfer. The Internal Auditors (IA) form one of the COPs of PEMPAL. Within the Internal Auditors COP, Group 1 deals with IA Training and Certification Program (TCP) and undertakes to develop and implement a generic curriculum for training and certification for internal auditors in the public sector (in all PEMPAL countries and worldwide). The overall vision aims to promote Internal Auditors as partners of public sector managers.

Chisinau 2007 – starting point and the action plan

The second PEMPAL workshop held in Chisinau in June 2007 is an essential landmark as it sealed the creation of Group 1 and put into force an action plan. This action plan foresaw 5 milestones for the achievement of the mission:
- review existing arrangements for training and certification, identification of themes to be included in a generic T&C program, development of an outline for a generic regional and public sector-based curriculum,
- dissemination and follow-up finalization of output of the first step,
- flesh out the generic curriculum for a training and certification,
- develop a methodology of delivery of T&C program,
- develop network of trainers.

Following the decisions made in Chisinau, a consultant was selected and assigned to provide "Consultancy on the Training and Certification Programs for Internal Auditors in the Public Sector".

Istanbul 2008 – dissemination and follow-up

The third workshop took place in Istanbul in February 2008 to close step 1 with the presentation of the Report prepared by the consultant, Mr. Konrad Knedler.

Based on existing materials and the analysis of the questionnaires filled in by the representatives of the community member-countries, the report provides an overview and review of existing arrangements for training and certification of IA in the public sector in the PEM PAL region. It also proposes a generic regional and public sector-based syllabus that creates the basis for further considerations and an outline of the suitable implementation budget.

The discussions that followed the presentation may be recapped as follows:
- There is a general agreement on the necessity to:
  - adopt a similar syllabus that encompass diverse aspects of the profession e.g. international standards, best practices, risk based system, interrelation between internal audit and internal control;
  - consider that internal auditors in the public sector must be perfectly acquainted with the domestic legal framework regarding budget, public finances, public procurement and human resources;

- no agreement was reached on:
  - a standard curricula that would define the profile of applicants, the conditions of the final assessment;
  - the conditions and sources of financing.

A second step consisted in the dissemination and the follow-up finalization of the output of the first step through the PEMPAL community and the consultation for opinion of the three institutions mentioned in the report or during the Group discussions. Namely, the International Institute of Internal Auditors (IIA), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Center of Excellence in Finance of Slovenia (CEF) have been consulted. The responses provided by the above-mentioned institutions are taken into account and analyzed in the present report.

All documents provided throughout the second step were available for the performance of this assignment:
- the Knedler report,
- the comments on the report and suggestions provided by the IIA and by the CIPFA,
- the comments on the report prepared by the CEF,
- the Terms of Reference of the present assignment jointly prepared by INWENT and the leader of Group1 .

Ljubljana 2009 – need for strengthening the project

A seminar was organized in Ljubljana to discuss the results of the report on Regional Internal Audit Training and Certification on April 1st, 2009.

The present report aims to synthetically comment on the above-mentioned documents bearing in mind the situation with a view on training and certification arrangements as they are in each of the countries represented in the group. It also presents ideas as to how to take advantage from all interesting suggestions and proposes a curriculum that may satisfy the largest part of the expectations expressed so far, including during the last seminar in Ljubljana.

1.   Purpose and scope of the assignment

The assignment is framed by the action plan adopted by Group 1 in 2007 and recalled below:
- The first step is to provide an overview and review of existing arrangements for training and certification of IA in the public sector. On that basis, a skeleton (outline) for a generic regional and public sector-based curriculum should be developed. This phase has finished and the final report has been delivered.
- The second step is the dissemination and follow-up finalization of the output of the first step through the PEM PAL community. Based on inputs received from the PEM PAL community, the finalization of the report is done.

- The third step is to flesh out the generic curriculum for a training and certification program (T&CP) adapted to the specific situation and constraints of the public sector in the countries where reforms of IA are underway and development of modern IA is in early phases, particularly South-Eastern Europe and the Caucasus region (named: "the region"). This curriculum would be partly based on existing material (where relevant) and partly developed by a consultant.
- The fourth step is to develop a methodology of delivery of T&CP to the future and existing internal auditors and training of trainers for delivery of T&CP in the local languages.
- In relation to the previous step, the fifth step is to develop a network of trainers from different countries for further development of T&CPs and exchange of information and methodology used in various countries and information sharing with professional organizations. This is the medium-term objective of the group.

The consultancy is aimed at providing key technical support for preparing the third step of the Group's action plan as described above. It builds an interim-step between step 2 and 3 and is meant as a support to Group 1 in preparation and decision-making for step 3.

As per the Terms of Reference (ToR), this interim step consists of the following aspects:

- give a professional opinion on proposals on support to T&CP prepared by two professional institutions (IIA and CIPFA) taking into account the comments delivered on the "Knedler Report";
- prepare an outline (including a detailed budget estimate) of a possible third proposal if both of the delivered proposals are not matching the Chapter "Framework for the New T&CP curriculum" in the "Knedler report";
- prepare recommendations for Group 1 as a basis to decide for either one of the proposals;
- present to and discuss the draft report with Group 1 and prepare a final report.

The output of the consultancy is the present report expected to provide a detailed opinion in regard to the assumptions, potential risks and recommendations of the proposals of the training and certification programs provided by professional associations including:

- a detailed overview of their advantages and disadvantages against a defined set of criteria in regard to the situation and needs of IA in the region;
- an understanding of how the respective T&CP that are proposed fit into the wider context of building up a professional internal audit function in the region of which the T&C is only one necessary part;
- the financial implications of the proposals in a medium-term (3 years) for governments as well as the need of external financing;
- a clear information on the time frame.

2. Methodology

2.1. Work done

The methodology used to carry out this assignment consisted of seven steps:
- summarizing of all the elements to be taken into consideration when envisaging the design of a training and certification scheme,
- analyzing the Knedler report with a view on the issues to be raised prior to progressing towards next steps,
- considering comments and suggestions prepared by the IIA and the CIPFA in the light of the remarks provided by the CEF so that Group 1 is provided with a synthetic comparison of the two solutions,
- envisaging a third way that would make the allow a better matching between offer and expectations and facilitate mid-term budget planning,
- presenting to the representatives of Group 1 an overview of the existing situation and pointing out the issues that are still pending prior to moving ahead,
- collecting reactions and opinions on the various issues made clear during the presentation and considering the level of willingness to further proceed with the idea of a regional approach of IA training and certification scheme,
- drafting the final report aimed at raising all existing issues to be addressed at different levels of decision making.

2.2. Restriction of the scope

It is worth to mention at this point that the level of maturation necessary to make the right decision at this very moment is not enough.

Indeed, the recent turnover amongst the IA related institutions in many countries has led to the replacement of a large number of the representatives composing Group 1. The attendance to the seminar held on April 1st, 2009 was insufficient to consider it as representative quorum of the opinion of the Group. Moreover, most of the participants were not or not sufficiently acquainted with the issues at stake.

Therefore, the objective of this assignment must be downsized and limited to:
- a detailed overview of their advantages and disadvantages [against the main issues raised as at stake when envisaging training and certification] in regard to the situation and needs of IA [in general] in the region;
- an understanding of how the respective T&CP that are proposed fit into the wider context of building up a professional internal audit function in the region of which the T&C is only one necessary part.
- considerations about the third item mentioned in the ToR (the financial implications of the proposals in a medium-term (3 years) for governments as well as the need of external financing) cannot really be envisaged at this stage.

3.   The elements to be envisaged for the design of a T&C scheme

The comments prepared by the CEF provide the relevant questions to be asked when drafting a mid-term budget. From a broader perspective, the following items are considered at a level not enough detailed:

- The need to be covered,
- The targeted population,
- The share between nationally provided training, the specially tailor made programs prepared by international training institutions and the ones just taken „out from the shelves",
- The location of the excellence and the ownership of the intellectual rights,
- The management authorities for the certification and for the development of the content in time.

This present part aims at pointing out the different elements at stake when maturating the project. The six following items were presented in detail to the participants of the last seminar in Ljubljana.

3.1. The need to be covered

The Kendler report is a considerable step ahead in the definition of the need, however requiring deeper analysis.

First of all, as the region represented by Group 1 is fairly heterogeneous in terms of already built IA capacity, the IA training and certification needs are very diverse. Some countries have already reached an advanced maturity in the implementation of the PIFC[1] framework and have established an IIA chapter that organizes CIA domestic sessions. Moreover, some other countries still receive considerable assistance for the implementation of the PIFC and the development of Internal Audit. This context disables any extra absorption capacity and decreases the motivation to participate in a regional program when tailor-made training is offered directly on the job.

As far as nationally-provided training inputs are foreseen, the situation may also widely vary from one country to another. Even if the concept of a nationally provided part of the training program is at the same time indispensable to cover the diversity of the content items and to reduce expenses, the capacity to ensure good quality domestic training remains a pending issue. Indeed, a simple train-the-trainers session will be sufficient for the countries that already have this capability, while for some others, this area will also be very dependant on foreign technical assistance.

Lastly, it is important to better define the span of the expectations and the possible flexibility on the offer side so that each country may be offered more customized solutions. For instance, some countries might be interested in a "full options package"

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[1] PIFC stands for Public Internal Financial Control – internal control and internal audit framework promoted by the EU.

of T&C system; this would encompass all training arrangements, rewarding system through additional certifications accessible to the elite. In this respect, the IIA proposes options that enable a proper career management for the IA profession. It gives the opportunity to apply for certifications in complement to those eventually provided at a national level e.g. CIA (standard level but internationally recognized), advanced audit specialties or the qualification as head of IA units that may be regarded as the supreme recognition. Some other countries would only consider the interest of internationally recognized certification while others would focus on only domestic validity of the certification in order to avoid too high turnover.

In fact, the regionalization of the IA T&C scheme may also lead to a regionally recognized certification if the system helps to standardize the profiles in terms of skills, standards and perception of the profession.

3.1.1. A clear definition of IAs' missions and the scope of their activity

In many of the countries represented in Group 1, internal ex-post control is carried out by holders of functions that are called differently even though they also pertain to the scope usually covered by internal audit. Inter alia, inspections, financial control and certain inspectorates would gain from such training as they are due to merge in a more or less close future.

A more thorough counting of the populations potentially eligible to the T&C program is obviously necessary. Therefore, criteria should be defined prior to starting this second round of identification. The following would be most likely excluded:

- all bodies directly assigned to anti-corruption investigations,
- impromptu on-the-spot controllers performing investigations,
- members of inspections that resort to external audit even if called internal control in certain regulations e.g. Inspections reporting to the Minister of Finance or to the Head of State on assignments carried out outside the ministry they belong to.

3.1.2. The targeted population

The targeted population depends on the above-mentioned criteria of selection as well as on the volume to be taken into account in each country.

Before considering the T&C program, it is important to know if either the eventual T&C scheme will replace any other existing system (so that all countries represented in the group will adopt the same system of training and certification for their internal auditors) or this system will co-exist with the present ones (without clear ambition to replace them in a short-term perspective).

With a view on the T&C program itself, it is also needed to know the exact ambitions of the program. Does it aim to:

- just create the roots of the new professional system by designing the scheme and providing training to domestic nucleuses which will disseminate the knowledge in second hand later on,

- or to also maintain the community of practice beyond the startup.

> The answers to these questions are not only crucial in terms of budget planning. They considerably condition the political decision of adhering or not to the group ambitions as the impact of such a decision is totally different from one scenario to another.

3.2. The meaning of the certification

What does the notion of certification mean? The word "certification" is usually used to name a process aiming at verifying that a given applicant has acquired the requested level of skills, knowhow and professional capacity in order to exercise a certain function or power.

It is considered as part of a quality control process performed by a certifying authority (or body) especially entrusted in its scope of competency. As part of a quality process, it usually implies:

- conditions requested for the entrustment as a certifying authority and body,
- conditions of validity of this certification that needs to be maintained up to date.

3.2.1. The notion of certifying authority

In the absence of clear orientation, three systems are possible so far:

- the certification by an internationally recognized system/institution,
- the certification as the outcome of a training curriculum,
- the certification by a certifying authority, such as the Central Harmonization Unit (CHU), as it is in some of the countries having fully adopted the PIFC concept.

In the case of the adoption of a T&C system that would rely on the IIA certification provided either locally or internationally, the alternative subsists between fully outsourcing the certification power by entrusting the IIA or the IIA chapter vs. considering the IIA certification as only creating the ground to be applied for a public service national certification granted by the public certifying authority.

Another option would also consist of certifying the training process and the conditions to access it so that all the outcomes are certified de facto. In this case, the certifying authority would fully delegate its power to the training centre or the training company, exercising a permanent quality control on the process in order to be "reasonably reassured" on its efficiency and the value of the certification granted on its behalf.

If neither the IIA nor the CIPFA or any other training institution is awarded for the certification part of the need, the certifying authority is in hands of the government only empowered to certify public internal auditors across the country.

3.3. The issue of the certification validity

As a principle, a certification might be of a limited validity in terms of scope and duration. Indeed, the certification attests a specific ability of an individual or an institution to comply with a series of well-defined criteria. Would these criteria vary in time or outside a jurisdiction, the certification is meaningful no more. As an example, a certified internal auditor under the IIA system must periodically apply for the renewal of the certification; s/he must evidence continuous practice and update on the last professional developments or standards.

Another issue related to the scope of the certification validity raises the question whether or not the certification entitles its holder to use it outside the field for which it was granted. Namely, is the specific public internal auditors' certification mandatory for the performance of internal audit in the public sector (definition of public sector varying from one country to another) and oppositely, is the certification obtained in the public sector valid outside this?

Here as well, the elements of answer provided to still pending questions will help to better frame the project, its financial needs and the degree of harmonization that the countries will accept to cope with.

3.4. The location of the excellence

Depending on the decisions made after having considered the elements presented in the paragraphs 3.1 an 3.2 above, a business model will have to be chosen amongst the three presented below.

It is obvious that a large targeted population will necessarily lead to the decentralization of the location where training is delivered. This will be due to the necessity to save on travel expenses and on translation.

But the notion of community of practice goes beyond the training program, it implies a share of experience and the notion of community as a group intending to share practices and experience gained. Decentralization of the excellence also means split of the community in sub-communities.

These various elements are developed in the presentation of the models as follows.

3.4.1. The centralized model

The centralized model is the simplest one as it gathers at the same place, excellence and training delivery. It is the utmost suitable when the community is relatively limited (up to five members per country) and closely shares a „melting pot" that each member will contribute to flesh out in time.

It is cost effective with respect to the running costs of the center itself and the risk of distortions of concepts within the community is particularly limited.

On the other hand, it generates important travel and translation expenses, unless participants are chosen based on an additional purely linguistic criterion. In this case, all activities will be carried out in English and documentation will be gathered in the same language.

The successful growth model of the IIA presents certain similarities with this approach. The heart of the system is based in California and progressively, new IIA chapters are created in more and more countries with a regional competency related to linguistic purposes. These chapters often become examination centers for the neighboring linguistic community; they start from only being "professional associations recognized by the IIA" at a first stage.

This solution can be chosen as the initial model prior to disseminating training activities beyond the linguistic boundaries.

3.4.2. The semi-decentralized model

The second business model derivates from the development philosophy outlined above. The semi-decentralized model supposes that at the initial stage or later on, sub-communities are created with the aim of reducing travel and translation costs or of responding to a specific need common to a limited number of countries. Only trainers travel to the places of delivery and larger attendance can benefit from training.

These sub-communities acquire autonomy – but not independence because training and dissemination of experience remain a top-down pyramidal approach according to which the summit is held by the "central" center of excellence or by the full community as a whole.

The split in sub-communities may result from a multidimensional matrix taking into account up to two of the following criteria:
- geographical proximity,
- lingual similarities,
- progress stage for the establishment of IA in the given country,
- option chosen by the country amongst those proposed by the T&C Program (the range of possibilities might be quite broad: from the adoption of the „full options package" to the minimalist definition of the basics to be adopted by all members of the community); the community might be then divided in two or three sub-communities in this respect.

This model presents obvious advantages of flexibility for technical and political choices, while a minimum of centralization ensures the harmonization. Budget wise, the not-decentralized functions will be separately financed by the sub-communities based on agreements periodically reviewed or by international sponsors.

3.4.3.   The fully decentralized model

Foreseen at the initial point or in a mid- or long-term perspective, this model implies that the training material is translated from the beginning in all necessary languages and sufficiently customized to become part of the domestic assets.

Nevertheless, a group of "mentors" selected in each country must attend a first scheme and be trained as trainers for the training delivery in their mother country. This was roughly the model adopted in the partnership CEF / CIPFA for the certified public accountants' training program. It is a regional success story.

Thus, only the existence of a well-managed quality control, kept at a regional level, will guarantee the fulfillment of the obligations towards the CoP.

The choice of models is determinant for the future and can only result from decisions made about the issues raised in § 3.1. and 3.2. above. This very choice directly influences the budget size and the degree of autonomy of the countries against the constraints that a regional T&C will necessarily create.

3.5. The ownership of the intellectual rights and programs

The ownership of the intellectual rights is of an increasing importance when scarceness of public funds imposes to identify the cost drivers. Indeed, the price of training is generally made of the preparation of the content, the delivery and the material edition cost. The first and the third items include cession of intellectual rights for the content and its translation.

These intellectual right costs might be afforded proportionally to the use and depending on the model chosen as per § 3.3. above. The question of the split of the rights may become a sensitive issue – in particular if each country is asked to contribute to the cost.

3.6. The permanent quality control and the updating of the T&C scheme

As a general concern, the sustainability of the Community of Practice depends on its capacity to maintain the necessary consistency of the group and the usefulness of its added value.

Therefore a permanent quality control must assure that:
• the deviance of the concepts as chosen and shared by the community is limited,
• the necessary updates and improvements are properly and timely disseminated,
• the trainers are adequately performing their job.

This implies the definition of the needs in terms of what must be controlled, how this control is performed, who performs it and which processes are implemented in the system itself, who pays for it.

3.7. The interrelation with other curricula

At this point of the inventory of the items to be further developed when designing the T&C scheme, it is essential to think about the possible shortcuts offered to holders of certifications in IA or neighboring professional fields. The chapter cannot be closed without also treating the case of already appointed internal auditors.

3.7.1. The case of the already appointed internal auditors

Do they have to pass through the full T&C? Are they partially or totally released from this obligation? In the latter case, are they considered as having the same profile and the same rights? Is the cohabitation between the two statuses envisaged for a limited period? Is the possibility to join the T&C program at a certain point envisaged?

3.7.2. The solutions offered to the external auditors and public accountants

To be appointed as IAs, do they have to pass through the full T&C? Is the possibility to join the T&C program at a certain point envisaged?

3.7.3. The international certifications and the role of the local auditors' associations

To be appointed as IAs in the Public sector, is such a certification sufficient or only taken into consideration to skip part of the T&C content? Is the possibility to join the T&C program at a certain point envisaged?

This point 3.7 is of a crucial importance for the sizing of the program as well as for setting the objectives of the T&C. There is, for a large part, a series of issues to be addressed at the highest level and that may sum into considerable updates of the existing legal framework (to be envisaged or made prior to committing to the program).

4. The matching between solutions and needs

4.1. The needs

4.1.1. Recall of the general objective assigned to Group1

The slide[2] copied below presents the overall objective assigned to Group1.

Group 1: Training and Certification

Overall Vision

Internal auditor as partner of public sector manager.

Overall mission

Develop and implement a harmonized generic curriculum for training and certification for internal auditors in the public sector (in all PEM-PAL countries and worldwide).

Public Expenditure Management
Peer Assisted Learning

4.1.2. The needs as temporarily expressed in the Knedler report

The Knedler report presents a first level of definition of the needs that can be recapped as follows:

- two-module training scheme <u>including</u> nationally provided inputs,
- a common module of initial education (university degree),
- a common module of experience (2 years for instance),
- a common system of formal certification merging the concept of national certification and access to internationally recognized certifications (e.g. CIA, CGAP, ACCA, CPA, and CIPFA).

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[2] Slide extracted from the short presentation made by Tomislav Micetic to the members of the group attending a PEMPAL / CoP workshop in Ljubljana on May 2nd, 2009.

According to the proposal, these conditions should be empowered by legislative dispositions.

The T&C syllabus is recommended to be split into two general modules lasting no longer than a year each. The Module 1 concentrates on audit types, processes and techniques and Module 2 gathers all parts that are not worth to be kept as strictly internationally provided. The second level should be mainly deal with national/regional environment.

Module 1 would consist of:

- standards – role and application of the IIA and INTOSAI standards (including guidelines), other standards;
- risk/control models – Internal Control Framework (COSO I) and Enterprise Risk Management (COSO II), types of control;
- audit processes – long range planning, project planning, field work, reporting, follow up;
- audit engagements – compliance, Financial, Performance, IT, fraud investigations, consulting, Control & Risk Self assessment;
- audit techniques – quantitative and qualitative methods, data collection techniques ;
- management techniques – human resources management, performance management, strategic and operational management, project management;
- financial Reporting and Accounting – Government budgeting, activity based costing, financial reporting.

Module 2 would comprise:
- public procurement and service delivery – legal framework, types of contracts, public private partnership, other service delivery methods;
- public finance – State budget – development, structure, execution and monitoring, types of public budgetary organization, public incomes and expenditures, public finance principles;
- local Accounting Rules – financial reporting, controls over financial reporting, characteristics of public sector accounting;
- public administration – organization and structure of the government administration, separation of powers, civil service, parliament, president office, ministries, government agencies, local government;
- public policies – key public policies (e.g. public health, energy, social policy, regional development policy, state aid, competition);
- EU affaires – EU budget, EU policies, Legal framework, EU institutions, Public Internal Financial Control;
- legal system – Sources of law, constitution, taxation;
- control system – Supreme audit institution, other control/inspection/audit functions, public scrutiny and accountability.

4.1.3.   Comments on the needs

4.1.3.1.   The needs to be kept as they are expressed

The general content: The general content of the training scheme must be kept as it is because it is exhaustive and corresponds to the expected knowledge to be borne by an internal auditor.

The initial requirements to access the profession: The initial requirements expressed in terms of experience and education background are also a classic approach almost universally accepted nowadays.

However, an alternative to the university degrees[3] should be left opened to the public servants who have a longer experience and in particular in the field of audit and control. A provision may impose an oral examination in addition to a minimum of 10 years of experience in case of absence of university degree.

The standardization by the inclusion in the legal framework: It is also recommended to include the criteria for the recruitment of the internal auditors in the legal framework. However, it is not necessary to impose it at the legislative level.

4.1.3.2.   The needs that may be revised

The distribution of the training items: It would be worth to split the training items into a two-category distribution that would be meaningful for a large number of countries: the items related to international practices and regulations (a) and the items in relation with the domestic legal framework and administrative organization (b). The interest of this change is that the categories address different natures of training inputs instead of consecutive stages in the training syllabus.

The same items would then be classified as follows:
- items related to international practices and regulations:
    - standards – role and application of the IIA and INTOSAI standards (including guidelines), other standards;
    - risk/control models – Internal Control Framework (COSO I) and Enterprise Risk Management (COSO II), types of control;
    - audit processes – long range planning, project planning, field work, reporting, follow up;
    - audit engagements – compliance, Financial, Performance, IT, fraud investigations, consulting, Control & Risk Self assessment;
    - audit techniques – quantitative and qualitative methods, data collection techniques;
    - management techniques – human resources management, performance management, strategic and operational management, project management;

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[3] Reference to the so-called « Bologna Agreement » dealing inter alia with the notion of degrees equivalence.

- o financial Reporting and Accounting – Government budgeting, activity based costing, financial reporting;
- o EU affaires – EU budget, EU policies, Legal framework, EU institutions, Public Internal Financial Control;
- o legal system – Sources of law, constitution, taxation;
- o control system – Supreme audit institution, other control/inspection/audit functions, public scrutiny and accountability.

- items in relation with the domestic legal framework and administrative organization:
  - o public procurement and service delivery – legal framework, types of contracts, public private partnership, other service delivery methods;
  - o public finance – State budget – development, structure, execution and monitoring, types of public budgetary organization, public incomes and expenditures, public finance principles;
  - o local Accounting Rules – financial reporting, controls over financial reporting, characteristics of public sector accounting;
  - o public administration – organization and structure of the government administration, separation of powers, civil service, parliament, president office, ministries, government agencies, local government;
  - o public policies – key public policies (e.g. public health, energy, social policy, regional development policy, state aid, competition).

The meaning of the examination: two complementary types of examination should be envisaged:
- the examination prior to accessing a level – aiming at verifying that the applicant has the requested level and potential to attend the level, gain all the benefit from the training and meet the final criteria after completion of the training obligations;
- the examination at the end of a level – focusing on the abilities and skills to be held at the end of the given stage.

The number of levels and their duration: one year is a good average duration for a professional training level as it allows continuity at work, sufficient motivation and necessary time to assimilate dense content.

Nevertheless, the first shank of items as listed above would require a too high level of commitment to be covered within a single year. It is recommended to split the internationally provided items into two levels with a sufficient consistency to allow an exam at the end of each and the possibility to gain additional experience in the fields during the break imposed in between the two levels. The content would then be:
- Level 1 – the internal auditor's basics, tools and methods
  - o standards – role and application of the IIA and INTOSAI standards (including guidelines), other standards;
  - o risk/control models – Internal Control Framework (COSO I) and Enterprise Risk Management (COSO II), types of control;
  - o audit processes – long range planning, project planning, field work, reporting, follow up;

- o audit engagements – compliance, Financial, Performance, IT, fraud investigations, consulting, Control & Risk Self assessment;
  - o audit techniques – quantitative and qualitative methods, data collection techniques;
- Level 2 - advanced internal auditor's practice
  - o management techniques – human resources management, performance management, strategic and operational management, project management;
  - o financial Reporting and Accounting – Government budgeting, activity based costing, financial reporting;
  - o EU affaires – EU budget, EU policies, Legal framework, EU institutions, PIFC;
  - o legal system – Sources of law, constitution, taxation;
  - o control system – Supreme audit institution, other control/inspection/audit functions, public scrutiny and accountability.

The items in relation with the domestic legal framework and administrative organization would remain as a comprehensive set that will be treated in chapter 5 below.

4.2. The solutions proposed by the IIA and the CIPFA

4.2.1. They do not fully satisfy the need

At this stage none of the documents prepared either by the IIA or by the CIPFA fully satisfy the needs. This situation is due to several reasons that are interrelated:
- the two well-known institutions, namely the IIA and the CIPFA, were only asked to provide comments on the report. The exercise was difficult.
- the need was still too vague to be really budgeted and open the ground for a more thorough consideration of a fully customized response. The suggestions are still very close to what is already on the shelves.

4.2.2. They are complementary but not comparable

The philosophy of the two institutions is fairly different and the documents perfectly reflect this difference:
- the IIA is first of all a professional institution which has acquired a recognized role in setting professional standards and the best placed to assess the understanding of them by the applicants. Provision of training is an additional service aiming at helping individuals to more successfully pass the exams.
- the CIPFA is primarily a training institution that undertakes to build capacity for newly recognized professions in the public sector. The exams are part of the service, as the closing phase of the process that they carry out.

4.3. The gap that still needs to be filled

Beside the need to make choices on principles as presented in chapter 3 above, there are two areas within which further consideration must be paid:

- the contribution to nationally provided training,
- the level of flexibility and customization.

Some inputs or additional thoughts are provided in the paragraphs below, but this will have to be deeper defined in time.

4.3.1. The contribution to the nationally provided training

The nationally provided training items, as expressed in the Knedler report and differently gathered in the paragraph 4.1.3.2. above, compose Level 0 of the system presented in chapter 5 below.

The basic idea that led to this change is that these items constitute the basics that every auditor should be aware of before starting the training syllabus. The access to level 1 is conditioned by the success to an exam focusing on the skills to be acquired through this level 0.

Nevertheless, the T&C program must consider various options proposed to the countries from the full autonomy to prepare the applicants to level 1 (in this case the content of the level 0 is only an indication on what has to be known by applicants at end of the level 0), to full dependence for the countries which can ask for technical assistance to also undertake the delivery of the level 0. The range of possibilities between these two extremes is quite broad and further investigations must be carried out.

4.3.2. The level of flexibility and customization

The second point refers to the question: do we consider the group of countries pertaining to the IA regional Community of Practice as a confederation or as a federation? In other words, do these countries share exactly the same vision and a fully harmonized set of tools from training in level 0 to certification and even further career perspectives? Or do they only share a general will to optimize their existing possibilities and just use what can be taken in the T&C basket?

At this stage, it appears that it is possible to better define what the needs are in the absolute, but a large flexibility of the offer must be envisaged and the size of each component kept at a reasonable level. This level stands between the minimum requirements for the survival of the notion of community and the maximum freedom to be necessarily left to countries that have different background and objectives. From this perspective, the formulation of group 1's objective (§ 4.1.1.) appears as over-ambitious and might be misleading.

5.   An attempt of third way

The syllabus developed in this chapter does not constitute a total revision of the notions presented in the Knedler report. It tries to be a new step in the process of definition that takes account of the lessons learnt in various similar situations. It also tempts to solve some of the difficulties presented in this report.

5.1. The conceptual basics

The quality of the internal audit function does not only depend on the quality of training. It also refers to:
- the understanding of internal audit and more generally speaking of the concept of public accountability by officials and senior public managers;
- the background and the managerial understanding of business processes by the internal auditors themselves,
- the motivation of highly skilled public servants to join the IAs' profession.

5.1.1.   The understanding of internal audit and more generally speaking of the concept of public accountability by officials and senior public managers

5.1.1.1.   A step towards an increasing ownership

The political and high-level managerial decisions to be made might be seen either as a problem potentially harming the implementation of the PEMPAL-IA/CoP or the opportunity to disseminate understanding of what Internal audit is and how it may be used amongst officials and public senior-managers.

Therefore, the obligation made to applicants to reach a high level of skills and motivation prior to applying for participation to the first level will enable a better perception of the required professionalism.

The regionalization of the T&C syllabus will create a kind of competition amongst and within the countries that will stimulate the implementation of a good preparation in each of the countries represented in Group 1.

5.1.1.2.   The possibility to use trainees after the completion of each stage of the process

It would be worth to appoint potential auditors in IA units as soon they complete level 0, regardless where the delivery of this level is organized. These trainees will be sufficiently knowledgeable to usefully second internal auditors and then, acquire a first experience that will enhance the understanding of level 1.

At the end of level 1, the public servants will be skilled internal auditors able to carry out simple audits under the supervision of certified elders or to be part of larger teams performing more complex audits. The period of one year in this intermediary situation would be at the same time, helpful for the institution that will not lose the resource for a too long period of time at once and for the internal auditor who will acquire additional experience.

The exam opening the access to level 2 will include questions about the experience gained during this internship period. After completion of the level 2, the internal auditor will be certified and ready to perform all types of audits including in specific areas such as EU-funded projects.

Officials and senior-managers will experience the benefits of the progress made by the internal auditors throughout the syllabus and during the periods on the job. They will get convinced of the usefulness of the function.

5.1.2. The background and the managerial understanding of business processes by the internal auditors themselves

Level 0 and the mandatory practice period between levels 1 and 2 should strengthen the internal auditors' ability to understand the business orientation in the audits they will have to carry out.

5.1.3. The motivation of highly skilled public servants to join the IAs' profession

The acquisition of three successive degrees should be an asset for the motivation as it:
- clearly shows the progress made,
- displays outside the profession the fact that degrees are not easily granted,
- it opens perspective of career development.

5.2. The model proposed

The model presented hereafter comprises in fact 4 levels and each of them is presented in the table below.

In this model, each country keeps at its level the responsibility of:
- selecting the personnel authorized to apply for level 1 regardless if the entrance exam or the training delivery is decentralized in the country or not;
- preparing the selected candidates for a successful access to level 1;
- undertaking or the outsourcing of the preparation courses included in level 1;
- enabling level 1 graduated auditors to gain experience during the one-year internship prior to joining level 2;

- eventually postponing access to level 2 for the purpose of regulating the distribution of seniority amongst the profession at national level;
- rewarding its auditors through the authorization to apply for specialties or international certifications.

All examinations at the entrance and at the exit of the levels 1, 2 and for international certifications are kept at the international level.

level	Conditions of access	Added value	Level acquired
Level 0[4]	Nationally managed	Acquire excellent knowledge about organization, legal framework and administrative background at national level	1. Able to apply for Level 1 2. Able to be assistant-internal auditor
Level 1	Successfully pass the admission exam based on good knowledge of all items pertaining to level 0	Acquire understanding of international standards and toolbox for internal audit	1. Degree in internal audit 2. Readiness to be appointed as junior internal auditor
Level 2	Successfully pass the admission exam based experience gained during the one-year practice period	Consolidate skills and acquisition of advanced ones in complex areas.	1. Certified internal auditor 2. Readiness to be appointed as senior internal auditor
Additional certifications	1. Certified internal auditor 2. Application approved by the hierarchy 3. Foreign language skills	Career perspectives and reward from the management And International level certifications	- Internationally recognized auditor - Specialized auditor - Certified head of IA unit

The model is also presented in the next page from the point of view of a bottom-up timeline.

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[4] The attendance to the level 0 is not mandatory. This level comprises a series of localy provided courses that applicants may attend in order to fill the gaps between their actual skills and knowledge and what is expected for admission to the level 1. It is then of the joint responsibility of the applicants and of the national authorities to decide if and which courses of the module 0 should be attended. Moreover, countries may decide not to organise Module 0 and only select already sufficiently skilled applicants.
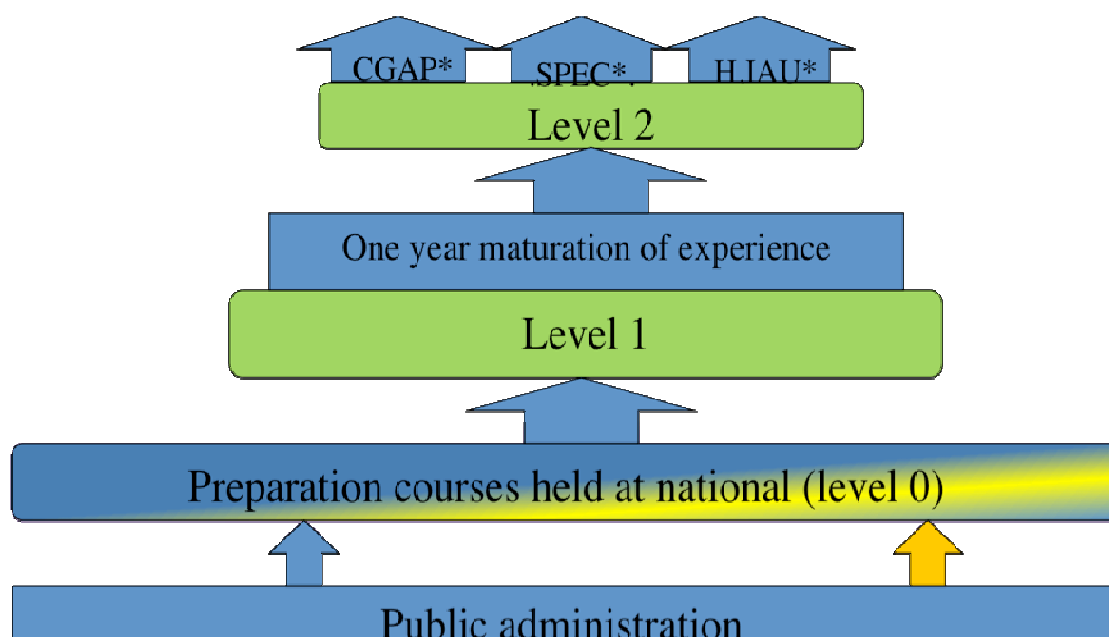
5.3. The measures to avoid possible conflicts of interest

In order to avoid potential conflicts of interest, it would be also advisable to implement a segregation of duties between the two different tasks: training delivery and examination. These would be awarded to two different institutions (respectively the CIPFA and the IIA, for instance) coordinated by a third one in charge of the logistics, pedagogical implementation and coordination (the CEF for instance).

This framework is robust to eventual decentralization up to the full decentralization unless the quality control is adapted to the circumstances. The role of the coordination function becomes a major key for success.

6. The work to be completed prior to making further decisions

As shown by the present report, the maturity of the project is still not sufficient for a more detailed design of the T&C program and for submitting the related request for budget.

The additional maturation will only be possible if Group 1 recovers the same level of commitment as when it was decided to undertake the definition and the implementation project of the T&C program.

In order to mobilize again the same quorum, a new working seminar must be scheduled no later than six month from now. By then, the present report should be circulated among the members of group 1 for approval and as a vector of awareness rising for the representatives who did not attend the seminar held in Ljubljana on April 1st, 2009.

In the meantime, a taskforce may undertake a "road show" to assess the level of willingness of the decision makers in the key-countries to move ahead and in which conditions.

A finalized version of this report is expected by mid-May including translation time into Russian and Serbo-Croatian (Albania considering that there is no need of translation at the moment prior to presenting it to the relevant decision makers) and feedback from the participants in the last seminar.

The immediate objective of the sponsors is to confirm the existence of a proper *buy-in by* July 2009 and if it is so, to schedule and organize a new gathering in September 2009 with the clear target to complete the work initially assigned to the Ljubljana group meeting.