



# Central Harmonization Unit Monitoring of Internal Audit Activity

## Croatian Case

PEM PAL  
Smart Interactive Talk  
2 November 2020



## Regulatory framework

PIC Act

CHU performs quality assessment of internal audit activity

Rulebook on  
Performing Quality  
Assessment of  
Internal Audit Activity

CHU performs:

regular annual quality assessment  
periodic quality checks



## Rulebook on Performing Quality Assessment of Internal Audit Activity

### Regular ANNUAL quality assessment

- ✓ All IA units
  
- ✓ Objective
  - regular monitoring of internal audit activities and the effects of internal audit work

### PERIODIC quality check

- ✓ According Annual plan
- ✓ On request of minister of finance
  
- ✓ Objective
  - determining the state of the IA system and the level of compliance of activities with the PIC Act and other regulations and with the methodology of IA and making recommendations for improvement, where necessary
  - gathering information to improve the methodology of internal audit work

CHU staff performs monitoring



# Monitoring of IA Activities: Regular annual quality assessment

desk review

## Quantitative data

- number of performed audits
- number of given recommendations
- status of implementation of recommendations
- number of certified internal auditors
- number of training hours



## Data on impacts of implementation of IA recommendations on

- operation revenue increase
- operation expenditures decrease
- return of funds to the budget
- improving accounting records (making more comprehensive and accurate) etc.

## Consolidated Annual Report on Internal Audit System

- submitted to Government
- published on web page of Ministry of Finance

# Monitoring of IA Activities: Periodic quality check

**Data on the state of IA and compliance of IA activities** in the following areas

- Establishment of internal audit
- Internal audit resources
- Internal audit management (including QAIP)
- Performing internal audit
- Reporting, Follow up



**Includes qualitative data on/from**

- internal audit reports
- interviews with management
- anonymous questionnaire for audited entities
- anonymous questionnaire for internal auditors



**Report on performed quality check**

- submitted to head of IA unit and head of institution

**Annual Report on the Execution of the Annual Plan**

- submitted to minister of finance
- published on web page of Ministry of Finance



# Monitoring of IA Activities

- **Performing quality assessment encourages the development of IA activities**

- through **regular** annual quality assessment (Government conclusions)
  - head of budget user must implement certain activities
- through **periodic** quality assessment
  - head of internal audit unit
    - gets information on the areas that should be improved
    - must implement the recommendations in case of identified nonconformance
    - is encouraged to perform really value added audits
  - head of institution
    - gets information on functioning the IA unit
  - Central Harmonization Unit
    - collects information needed for development of IA work methodology
    - improves and enhances training materials

- **Challenges for CHU**

- processing large amounts of data in regular annual reporting
- finding solutions to increase the number of performed audits that are focused on important and risky areas
- insufficient number of competent employees





REPUBLIC OF CROATIA  
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**Thank you for your attention!**