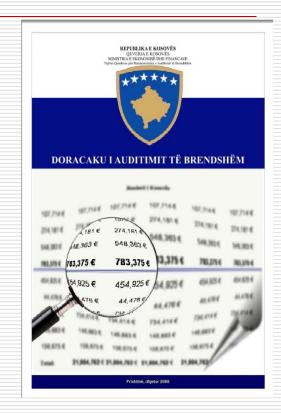




Developing the Government of Kosovo Internal Audit Manual

Presentation to PEM-PAL Date 2009
Location- Armeny







Introduction

- Background of internal audit on Kosovo
- Background of internal audit manual
- Scope of Manual
- Format
- Sources of content
- Quality assurance
- Future development





Internal audit in Kosovo

- □ IA. In Kosovo started in 2000
- Low of financial public management and responsibility nr. 2003/02 article 8





History of internal auditing in Kosovo

- Establish internal audit Unit in CFA March 2000
 - Role and responsibility of internal audit unit in CFA
 - Creating a legal infrastructure audit
 - Perform internal audits in all budget organizations
 - Creation of capacity to audit





History of internal auditing in Kosovo

- ☐ The documents that are created by the Department of Internal Audit are:
 - Internal audit manual,
 - Code of Ethics,
 - Framework for better professional practices,
 - Statute of Internal Audit Department,
 - The document on internal control policies of public finance,
 - Regulation on Internal Audit Law no. 2007/19 and
 - Strategy for the functioning of internal auditing in the public sector of Kosovo.





History of internal auditing in Kosovo

CHU was established on 01.04.2008 under Article 6 of the Regulation on the law on internal audit no. 2007/19,

CHU/ KOSOVA Octobar 2009





Background

- Version 1 of Internal Audit Manual (IAM) produced by an working team project and EUfunded in 2005
- Follow-up EU-funded project "Support to Public Internal Financial Control and Internal Audit", 2007, required improvement to the IAM
- The project team took responsibility for updating the IAM
- This presentation describes the process they followed.





Scope of Manual

- ☐ Reviewed existing IAM:
 - Brief (around 50 pages) and fairly general
 - Focused on conducting individual audits
 - Did not address strategic or annual planning, human resource management, and other important issues
 - Few tools and templates
- Consultants and working team decided to create a new IAM from scratch rather than working with the existing one





Scope of Manual contd

- ☐ First issue decide on general approach:
 - "Textbook", covering theory and practice or
 - Practical audit processes and templates or
 - Detailed audit programme guide.





Scope of Manual contd

- Decided on textbook approach, because:
 - There are no existing texts on internal audit in the Albanian language that focus on the public sector
 - Internal auditors needed guidance on both theory and practice
 - A single audit programme guide approach would not be useful as internal audits cover diverse fields (HR, Procurement, business systems, IT, etc.) that cannot be addressed by a standard approach.





Format

- The textbook approach requires the IAM to meet various needs:
 - Provide a basis for training
 - Guide audit managers (i.e. Directors of Internal Audit Units) in planning and managing the audit function
 - Guide auditors in planning and conducting individual audits
- Such comprehensive coverage leads to a big document





Format contd.

- Challenge: a big book could discourage auditors from using it.
- Solution: split the IAM into 3 separate volumes:
 - Vol 1 Management of Internal Audit
 - Vol 2 The Audit Process
 - Vol 3 Tools and Techniques
- Each section would be smaller and could be published and used separately





Sources of content

- 1. Model from another country that followed the EU-PIFC approach
- 2. International practices
- 3. IIA Standards
- 4. Project team and working team

Details follow ...





Sources of content

- 1. Manuals from Country in the region, for example Albany, Bulgaria ect.
 - input from Sigma
 - in a CHU environment





- 2. Research international practices:
 - CIPFA (UK)
 - Neighbourhood countries

To ensure comprehensive coverage of important topics





3. IIA Standards

- International Professional Practices Framework (IPPF "Redbook"):
 - Definition of Internal Auditing.
 - Code of Ethics.
 - International Standards for the Professional Practice of Internal Auditing
 - Practice Advisories.
 - Practice Guides





Sources 1 to 3 provided the base for Volumes 1 and 3

In addition ...





- 4. Working team and Project developed:
- Techniques and working paper templates
- For planning and conducting individual audits
- To fit local circumstances, legislative framework

These formed the basis for Vol 2 on specific audits





- 1. Review by the consultant experts
- All qualified auditors
- Reviewed each other's input to the IAM
- Group meetings to challenge the content
- Introduced improvements





- 2. Field testing
- 25 pilot audits across ministries and municipalities
- Tested the proposed methods in the field
- Led to changes in some working papers and other content to simplify and clarify procedures





3. Peer review

- by an independent international expert
- verified manual complies with
- IIA standards
- Kosovo laws and regulations





- 4. Working group
- Government of Kosovo internal auditors
- Checked manual for contents and ease of understanding
- Much of the Working Group's time was spent agreeing on Albanian glossary and checking the translation





Future development

- One year later, conduct a survey of auditors and trainers to see how the IAM is used and how effective it is
- Consider publishing Volume 2 as a separate document as it was originally designed
- Consider developing a set of audit programmes to guide different kinds of audits (HR, procurement, IT, etc.)