Standard Summary Project Fiche for Transition Facility

1. BASIC INFORMATION

1.1. CRIS Number: 2004/016-764.02.03
1.2. Title: Capacity building in the area of internal audit - Completion of the Permanent Training System for Internal Auditors
1.3. Sector: Financial Control
1.4. Location: Slovak Republic

2. OBJECTIVES

2.1. Overall Objective: To further strengthen the system of internal audit at the Ministry of Finance, line ministries and spending centres in compliance with relevant EU regulations.

2.2. Project Purpose:

To provide an assurance that the Slovak Republic has developed and properly implemented legislative and guidance framework needed for performing internal audit and to assist in building, completing and implementing the permanent training system for internal auditors.

2.3. Comprehensive monitoring report on Slovakia’s preparations for membership:

Under Chapter 28 – Financial control the following has been underlined:

1) “The newly set-up internal audit units need to be adequately staffed with well-trained and experienced personnel.”

2) “On the issue of protection of the EC financial interests, the legal framework must be further refined and administrative capacities must be substantially strengthened.”

3) “The acquis requires the existence of adequate ex ante financial control and functionally independent internal audit systems;”

3. DESCRIPTION

3.1. Background and justification:

When the Slovak Republic started its negotiation process for becoming a Member State of the European Union, it became apparent that certain organisational structures and competencies had to be modified and adjusted. In the process of transposing the *acquis communautaire* into the Slovak legislation it was necessary to complete the system of the Public Internal Financial Control by introducing new elements into it i.e. *internal audit*, designation of a single centre for harmonisation of financial control and internal audit methodologies, and creation of a contact point with the Directorate General for Budget of the European Commission.

The above-mentioned requirements, comprising of course other important issues, were included into the new general binding legal regulation, the Act No. *502/2001 Coll. on Financial Control and Internal Audit* which entered into force on 1 January 2002. Having been named in the Act the Ministry of Finance has become the central authority for financial control and internal audit. In order to have the same administrative structure as all other candidate countries, and based on the recommendation of the European Commission, the Ministry of Finance created the Department of Methodology for Financial Control and Internal Audit as the Central Harmonising Unit (CHU) which came into being on 15 October 2001.

The CHU is responsible for co-ordinating and introducing systems and principles of Public Internal Financial Control through harmonising control and internal audit methodologies.
Moreover, it is responsible for the permanent education system of both internal auditors and financial controllers.

Its competence is also underpinned by Article 280 of the Treaty of the European Community laying down that all Member States have an obligation to prevent fraud and other unlawful acts damaging financial interests of the Community, by measures in accordance with the Article that have to safeguard efficient security. The Member States shall adopt the same measures for preventing frauds damaging financial interests of the Community as they adopt for preventing frauds damaging their own interests.

To get the complete picture, however, one has to take into account a number of other Council Regulations and documents that are listed as follows:

- 2988/95 Council Regulation of 18 December 1995 on the protection of the European Community’s financial interests;
- Council Regulation 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect European Communities’ financial interests against fraud and other irregularities;
- 438/2001 Commission Regulation of 2 March 2001 laying down the rules for the application of Council Regulation 1260/99 regarding management and control systems Moreover, establishing relevant administrative structures responsible for financial control and internal audit is given by the following SR Government Resolutions:
  - Government Resolution No. 702 of 18 July 2001 on the Analysis of the requirement for ensuring the administrative needs and new institutions in terms of implementation of the EU law for 2002;
  - Government Resolution No. 947 of 21 August 2002 on the Analysis of the requirement for ensuring the administrative needs and new institutions in terms of implementation of the EU law for 2003;
  - Government Resolution No. 133 of February 13, 2002 on Draft decision on the final version of National Plan for Regional Development of the Slovak Republic;

Other Documents:

- Decree of the Ministry of Finance No. 286 of June 6, 2002 laying down details on the content of the annual report on activities of an internal auditor and on performing internal audit;
- Manuals for performing internal audit according to the Act No. 502/2001 Coll. issued by CHU;
- Report of SIGMA1 Peer Assistance to the Public Internal Financial Control System in the Slovak Republic (October 2002 – February 2003);
- Comprehensive monitoring report on Slovakia’s preparations for membership 2003;
- Government Resolution No. 406 of May 28, 2003 to the Report on introducing of internal audit in the Slovak Republic public service;
- Government Resolution No. 290 of April 15, 2004 to the Concept of education of internal auditors and financial controllers;

Current state of affairs in the relevant sector:

The CHU pays great attention to creating training modules and providing training to internal auditors and financial controllers. Despite this determination training processes and modules are not fully developed yet.

The first Basic Level - Internal Audit in the Public Administration developed by the CHU and accredited by the Ministry of Education of the Slovak Republic (on 16 December 2002),

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1 SIGMA – Support for Improvement in Governance and Management in central and eastern European countries – is a joint initiative of the Organisation for Economic Co-operation and Development and the European Community, principally financed by the EC
covers themes such as the Act on Budgetary Rules, the Act on Financial Control and Internal Audit, the Act on Accountancy, selected internal audit procedures, part of the International standards for professional practice of internal auditors, European Communities funds and their internal audit and methods and techniques employed in internal audit. It is intended for those who are interested in becoming internal auditors as well as for former ex-post financial controllers who have become internal auditors. The Basic Level, as its name implies, provides only basic knowledge needed for starting to perform internal audit. Till today two trainings for internal auditors have taken place; the first one in March 2003. The second one, for newly recruited internal auditors, was organised by the CHU in November 2003. Eighteen internal auditors and one official of the CHU successfully passed the course and got certified.

Within the Twinning Project SR 0109-01 – Public Internal Financial Control (PIFC) the 2nd level – Intermediate Level – Internal Audit in the Public Administration of the permanent training system is being developed. Although it is not ready yet, training of internal auditors, provided by the Swedish twinning partner, took place in September 2003. The aim of the 2nd level of training is to train internal auditors in legal instruments of internal audit, selected international standards for professional practice of internal auditor, part of the International standards for professional practice of internal auditors as well as selected accounting standards of the Slovak Chamber of Certified Accountants. A graduate of the Intermediate Level training course should be able not only to perform internal audit independently but also to supervise an internal auditor who has passed the Basic Level - Internal Audit in the Public Administration - training course. One of the preconditions for taking part in the Intermediate Level training is at least one year working experience in performing internal audit. The Intermediate Level shall provide a solid foundation for those involved in the profession.

The SIGMA Peer Assistance, carried out in September 2003 was focused on the overall evaluation of PIFC. It also examined the system for providing training for internal auditors safeguarded by the CHU. In addition, attention was paid to the Twinning Project Public Internal Financial Control (see above), having as one of its results the drawing up of the second module of permanent training system for internal auditors. According to the SIGMA Report, these are themes which have to be covered within second and third levels of the permanent training system:

- Corporate governance;
- The nature of systems auditing;
- The impact of risk on audit planning and audit assignments;
- Control evaluation and assessment;
- Elements of a systems audit and audit procedures;
- Business communications;
- Fraud and irregularities;
- Statistical methods.

Regardless of how much effort has been put into the permanent training system for internal auditors, it is far from being perfect. Therefore, commitment in terms of financial means, knowledge and expertise is needed for creating a third, advanced, training level. This 3rd level – Advanced Level - Internal Audit in the Public Administration aims at providing training of internal audits in particular in international standards, part of the International standards for professional practice of internal auditors (not considered in the 1st level and in the 2nd level), international accounting standards (IAS), international standards ISACA (Information Systems Audit and Control Associations) for audit of information technologies, comprehensive European legislation in the field of financial control and internal audit and management of internal audit unit and its development. Yet again the precondition for taking part in the Advanced Level training is the successful completion of the 1st and in the 2nd level of training and at least one year working experience in performing of internal audit.
3.2. Linked Activities:

**SR0109 Public Internal Financial Control**

The Twinning Project SR 0109-01 Public Internal Financial Control deals with the strengthening of institutional structures aimed at achieving, upon accession, sound and efficient management. It especially focuses on the completion of harmonisation tasks related to the strengthening of the present internal financial control system (covering ex-ante financial control, ex-post financial control and internal audit) in the Slovak Republic and thus supporting adequate utilisation of public funds in compliance with EU standards. The project is implemented with France, senior twinning partner, and Sweden, junior twinning partner. In January 2004 an extension of the legal duration of the project till 11 July 2004 was approved by the EC Delegation in the Slovak Republic. In addition to the activities mentioned in the Twinning Covenant the following activities will be performed:

- Up dating of the manual for the internal audit in accordance with recommendations of the Deloitte & Touche Audit Report of the Third Stage of EDIS Compliance Assessment;
- Elaboration of internal audit manual for public procurement;
- Elaboration of internal audit manual for Structural Funds and Cohesion Fund;
- Joint Slovak – Swedish, Slovak – French audits of the Central Financing and Contracting Unit and selected ministries;
- 5% sampling control training for ex-post financial controllers.

**SR0003.01. TA for the Project of State Treasury System at the Ministry of Finance of the Slovak Republic (EUR 2.3 mln)**

The project had the objective to provide strategic advice to the ST and the DLMA (Debt and Liquidity Management Agency), which consisted of consultations, preparation of documents, training and seminars and study tours for the staff involved. It finished in December 2003; it was broken down into nine blocks, the main results of which were:

- Financial planning – recommendations for breakdown, execution and updating of financial plans on the basis of best practice; simulation of forecasts of revenues and expenditures based on cash flows.
- Cash management – clarification and extending the multi-level expenditure process in budget execution; daily cash-flow projections of outstanding debt and money market investments and information on deals concluded.
- Medium term financial framework – preparation of methodologies, impact and involvement of treasury operations, competence framework, tasks on various levels, responsibilities and relations between different levels of fiscal indicators and data.
- Debt management – internal procedures, review of procedures for borrowing instruments, back office methodology, new instruments for risk management – procedures and manual, support in trading with debt instruments, auction procedures, regulations for primary market for decentralised government securities, marketing and investors communication, proposals for strategy and investors database.
- Expenditure management control – analysis of expenditure framework and expenditure patterns, improving ST’s cash flow forecasts for expenditures, relation to global forecasts on the basis of MOF models; web based training facility.
- Financial management accounting and reporting – proposals for extended reporting, linkage with tax and customs accounting to obtain aggregated data on ongoing payables and receivables; solutions for banking reconciliation for payment data and balances.
- State payment system – alignment of notification of credit advices and payment orders sending, bank keeping Nostro accounts, workflow for DLMA with connection to ST payment system BIPS, cut-off time for standard clean payment (foreign payment system); relevant mechanisms and definitions.
- Sound financial management and control – design of a monitoring tool.
• Management integration and co-ordination – liaison with the World Bank Public Finance Reform Project; training needs analysis.

Other projects


The project supports introduction of multi-year program budgeting (EUR 3 mln), strengthening of macroeconomic analysis and management (EUR 0.8 mln) and specific aspects covered by the State Treasury and the DLMA (EUR 1.2 mln), including, inter alia, the following modules:

• Development of a training system for State Treasury clients (EUR 0.5 mln).
• Diagnostics and design of a monitoring system for contingent liabilities (EUR 0.15 mln).
• Training for State Treasury and DLMA (EUR 0.2 mln) – based on training needs analysis from project SR0003.01.
• Diagnostics on public finance accounting and road map to accrual system (EUR 0.1 mln) – the planned results include an analysis of the present cash based public finance accounting system and a proposal for a migration plan to extend public finance accounting to accrual accounting.

3.3. Results:

1. EU compliance review of legislation (primary, secondary and tertiary) issued by CHU for performing internal audit carried out; audit report with findings, conclusions and recommendations for elimination of ascertained shortcomings elaborated;
2. Internal on the spot audit jointly performed with the Internal Audit Departments of the Ministry of Finance and line ministries;
3. Third level – Advanced Level – Internal Audit in the Public Administration of permanent education system of internal auditors of central administration authorities designed and implemented;
4. Trained staff (36 internal auditors) able to use methodologies and procedures for transparent and efficient internal financial control system; trained trainers (6) within the third level of permanent education system of internal auditors;
5. CHU assisted in the implementation of recommendations from SIGMA Peer Report.

3.4. Activities:

The specific activities of the project are as follows:

I. Revision and assessment in terms of new trends in the internal audit development and related improvements of the Law on Financial Control and Internal Audit, Decree of the Ministry of Finance laying down details on the content of the annual report on activities of an internal auditor and on performing internal audit and the following manuals for performing internal audit:

a) Statutory audit (audit of accounting and financial statement).
b) Operational audit (function of the system);
c) Compliance audit (fulfilment of an assignment);
d) Performance audit;
e) Audit of IT systems.

II. Reports including the opinion on and recommendations for improving primary, secondary and tertiary legislation of internal audit taking into account EC legislation and recommendations specified in the SIGMA Peer Review Report inter alia:

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2 Manuals listed under activities I. were not elaborated with the assistance of the previous Twinning Projects.
- achieving best practice in internal audit performance;
- meeting professional standards;
- carrying out ongoing quality assurance to ensure standards are being met and maintained.

III. Modification of internal audit legislation according to findings and recommendations;

IV. Jointly perform internal audit on the spot, i.e. Slovak internal auditors under the supervision of experts;

V. Creation of the 3rd level – **Advanced Level – Internal Audit in the Public Administration** of the permanent training system. (Annex 5)

VI. Implementation of the 3rd level – **Advanced Level – Internal Audit in the Public Administration** of the permanent training system.

After obtaining 3rd level accreditation awarded by the Ministry of Education the training of the **Advanced Level – Internal Audit in the Public Administration** will be organized. The training will be provided by the assistance of the experts to following participants:

a) Internal auditors (internal auditors of the Ministry of Finance, internal auditors of line ministries).

b) Training of trainers – 6 employees of CHU dealing with internal audit methodology will undergo training within the third level of permanent education system of internal auditors.

VII. Two 5 day study tours each for 8 participants to the National Audit Office. The aim of the study visits is to enable BC officials to gain experience on the implemented 3rd level Internal Audit in the Public Administration directly in the parallel MS administration. The visits will be focused mainly on auditing information system, quality assessment of the audit activity, fraud detection for internal auditors.

VIII. Regular meetings of the Steering Committee

To implement all activities a pool of short term experts will be needed. The range of knowledge of individual experts should cover different fields to fully accomplish the objectives of the project. Expected experience and number of experts are specified as follows:

- **Resident Twinning Advisor** – he/she shall act in the terms of Twinning Manual; he/she shall have a University degree in Business Administration and hold a Certificate of IA; specialisation in one or more of the following types of audits - compliance audit, financial audit, performance audit and system audit - is required, he/she shall have at least 10 years of working experience, posses good knowledge of English Language and be able to explain subjects in an understandable and concise way; RTA mission – 13 man/months (in the period April 2005 – April 2006, or according to the signature of the Twinning contract)

- **Project leader** – senior expert of the partner administration – he/she shall have practical experience in project management and international cooperation, organizational communication and presentation abilities; fluent English. He will perform according to the Twinning Manual.

- **1 short term expert, 4 man/months (in the period April 2005 – April 2006, or according to the signature of the Twinning contract)** – shall have a University degree in Information Technology or Business Administration, hold a Certificate of Internal Auditing, specialised in auditing information systems, have at least 5 years of working experience, posses good knowledge of English Language and be able to explain subjects in an understandable and concise way;
• 2 short term experts, 6 man/months (3 man/months each in the period April 2005 – April 2006, or according to the signature of the Twinning contract) – shall have a University degree in Business Administration, hold a Certificate of Internal Auditing, specialisation in one or more of the following types of audits: compliance audit, financial audit, performance audit and system audit is required, have at least 8 years of working experience, possess good knowledge of English Language and be able to explain subjects in an understandable and concise way;

• 2 short term experts, 8 man/months (4 man/months each in the period May 2005 – April 2006, or according to the signature of the Twinning contract) – shall have a University degree in Business Administration, hold a Certificate of Accountancy, have at least 8 years of working experience as an accountant, possess good knowledge of English Language (knowledge of Slovak, or Czech language will be an advantage – with respect to his/her requested expertise on the activity IV. Joint internal auditing) and be able to explain subjects in an understandable and concise way;

• 1 short term expert, 2 man/months (in the period May 2005 – January 2006, or according to the signature of the Twinning contract) – shall have a University degree in Business Administration, hold a Certificate of Auditing, have at least 8 years of working experience as an auditor/accountant, have a basic knowledge of Pre-Accession Funds, possess good knowledge of English Language (knowledge of Slovak, or Czech language will be an advantage – with respect to his/her requested expertise on the activity IV. Joint internal auditing) and be able to work in a multinational environment;

• 1 short term expert, 2 man/months (in the period May 2005 – January 2006, or according to the signature of the Twinning contract) – shall have a University degree in Business Administration, hold a Certificate of Accountancy, have at least 8 years of working experience as an accountant, have a basic knowledge of Pre-Accession Funds, possess good knowledge of English Language (knowledge of Slovak, or Czech language will be an advantage – with respect to his/her requested expertise on the activity IV. Joint internal auditing) and be able to work in a multinational environment.

• 1 assistant, 13 man/months, in the period April 2005 – April 2006, or according to the signature of the Twinning contract) – shall have a University degree in Business Administration, have good organizational skills and sense of responsibility, possess good knowledge of English language and be able to work in a multinational environment.

3.5 Lessons learned

The Interim Evaluation Report No. R/SK/INT/03.047 evaluating the SK 0104.02 Public Internal Financial Control Twinning Project recommended that better sustainability for project results should be secured. The aim of the Project Fiche Capacity building in the area of internal audit - Completion of the Permanent Training System for Internal Auditors is to focus on meeting recommendations of Interim Evaluation Report on providing training to the community of internal auditors and finishing the third level of permanent training system for internal auditors. These results are believed to fit the overall policies of the Ministry of Finance for financial operation management. They shall also provide another foundation for having consolidated structures in terms of human resources and skills necessary for effective financial management control.

4. INSTITUTIONAL FRAMEWORK

Administrative capacities of the CHU and respective central authorities which are according to the Act No. 502/2001 Coll. obliged to establish internal audit are continuously build up and strengthened. Currently 36 internal auditors in central authorities are appointed. The capacity is continuously being filled up to 42 internal auditors.
According to Article 27 of the Act No. 502/2001Coll. internal audit is performed at the audited subject. The Act also defines the central authorities of the state administration which are obliged to perform internal audit by their own employee, i.e. internal auditor/auditors. Those having such an obligation created internal audit positions or units of internal audit.

**Contracting Authority:** Central Financing and Contracting Unit – Ministry of Finance of the Slovak Republic

**Final Beneficiary:** Department of Financial Control and Internal Audit Methodology– Ministry of Finance of the Slovak Republic

**Recipients of the project:** Annex 4

The whole project will be run and coordinated by the final beneficiary the Ministry of Finance. To make sure the project is all the time kept on the right course a Steering Committee chaired by the Director of the Department of Financial Control and Internal Audit Methodology of the Ministry of Finance and consisting of representatives of the Ministry of Finance and other beneficiaries, and contractor’s representatives will be set up. Representatives of the EC and the CFCU may take part in meetings as observers. The Steering Committee will convene its session at the latest two weeks after submission of Inception Report and then quarterly. The Steering Committee will approve reports (Inception Report, Quarterly Reports and Final Report), discuss progress of the project in view of its specific objectives and recommend changes to the contractor if needed.

### 5. DETAILED BUDGET

<table>
<thead>
<tr>
<th>Transition Facility Support</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Transition Facility ((=I+IB))</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>Twinning</td>
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<td>670,000</td>
<td>670,000</td>
<td>10,000</td>
<td>€ 680,000</td>
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<tr>
<td>TOTAL</td>
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<td>670,000</td>
<td>670,000</td>
<td>10,000</td>
<td>€ 680,000</td>
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</table>

The proposed budget for the twinning project is € 670,000 including € 5,000 allocated for performing audit at the end of the project, € 5,000 for translation of working materials and results of the project and € 5,000 for organising training and seminars including handouts and interpretation. Two 5 day study tours each for 8 participants to the National Audit Office will be organised and co-financed from the state budget in the amount of € 10,000.

Co-financing will be provided from the state budget and secured by the Ministry of Finance.

### 6. IMPLEMENTATION ARRANGEMENTS

#### 6.1. Implementing agency

Ministry of Finance of the Slovak Republic  
Central Financing and Contracting Unit  
Mrs. Sylvia Czuczurova, Director  
Ph.: +421 2 5958 2546  
Fax: +421 2 5958 2559  
sczuczorova@mfsr.sk  
Štefanovičova 5  
817 82 Bratislava, Slovak Republic

Final Beneficiary:  
Ministry of Finance of the Slovak Republic
6.2. **Contracts:**

Twinning Contract € 670,000

7. **IMPLEMENTATION SCHEDULE**

7.1. Start of Tendering / Call for Proposals: 1.Q of 2005  
7.2. Start of Project Activity: 2.Q of 2005  
7.3. Project Completion: 2.Q of 2006

8. **SUSTAINABILITY**

The final beneficiary commits itself to providing sufficient number of staff for project implementation. All employees of the CHU at disposal in the time of the project implementation will take active part in all activities.

9. **CONDITIONALITY AND SEQUENCING**

Full capacity (minimum 42 internal auditors appointed) should be guaranteed as per Act 502/2001 Coll.
## Transition Facility Log Frame

### Annex 1

#### LOGFRAME PLANNING MATRIX FOR

**Project:**
- Programme name and number: **2004/016-764.02.03**
- Capacity building in the area of internal audit - Completion of the Permanent Training System for Internal Auditors

**Contracting period expires:** 15 December 2006
**Total budget:** € 680,000
**TF budget:** € 670,000
**Disbursement period expires:** 15 December 2007

### Overall objective
- To further strengthen system of internal audit at the Ministry of Finance, line ministries and spending centres in compliance with relevant EU regulations.

### Project purpose
- To provide an assurance that the Slovak Republic has developed and properly implemented legislative and guidance framework needed for performing internal audit and to assist in building, completion and implementation of the permanent education system for internal auditors.

### Results
- Review of legislation (primary, secondary and tertiary) issued by CHU for performing internal audit on their compliance with EU carried out; an audit report elaborated;
- Internal audit performed on the spot jointly with the Internal Audit Departments of the Ministry of Finance and line ministries;
- The third level- Advanced Level – Internal Audit in the Public Administration of permanent education system of internal auditors of central administration authorities designed and implemented;
- Trained staff able to use methodologies and procedures for transparent and efficient internal financial control system; trained trainers within the third level of

### Objectively verifiable indicators

<table>
<thead>
<tr>
<th>Objective</th>
<th>Verifiable Indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td><strong>Overall objective</strong></td>
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<tr>
<td>• To further strengthen system of internal audit at the Ministry of Finance, line ministries and spending centres in compliance with relevant EU regulations.</td>
<td>• Increased expert level of internal audit in the Slovak Republic meeting Intl. standards</td>
<td>• Internal audit reports</td>
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<tr>
<td><strong>Project purpose</strong></td>
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<tr>
<td>• To provide an assurance that the Slovak Republic has developed and properly implemented legislative and guidance framework needed for performing internal audit and to assist in building, completion and implementation of the permanent education system for internal auditors.</td>
<td>• Follow up report on implementation of all recommendations of the Audit report</td>
<td>• Ministry of Finance</td>
<td>• Line ministries have the information on and the resources for utilising knowledge and experience available</td>
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<td></td>
<td>• Training centre at the Ministry of Finance SR established in the first quarter of 2005</td>
<td>• Ministry of Education</td>
<td>• Retention of trained and qualified internal auditors by way of sufficient remuneration based on qualification, working experience and quality of work</td>
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<td></td>
<td>• Accredited the Third Level-Advanced Internal Audit course</td>
<td>• Unit B3-Control of Traditional Own Resources and Assistance to the Application Countries/Brussels</td>
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<td></td>
<td>• Certificates of competency of internal auditor</td>
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<tr>
<td><strong>Results</strong></td>
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<tr>
<td>• Review of legislation (primary, secondary and tertiary) issued by CHU for performing internal audit on their compliance with EU carried out; an audit report elaborated;</td>
<td>• Revision Report stating findings, conclusions and recommendations.</td>
<td>• Audit report filed with the Ministry of Finance, Dep’l of Internal Audit, CHU</td>
<td>• Support from other relevant institutions</td>
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<td>• Internal audit performed on the spot jointly with the Internal Audit Departments of the Ministry of Finance and line ministries;</td>
<td>• Audit reports</td>
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<td></td>
<td>• The third level- Advanced Level – Internal Audit in the Public Administration of permanent education system of internal auditors of central administration authorities designed and implemented;</td>
<td>• Curriculum of individual subjects available</td>
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<td></td>
<td>• Trained staff able to use methodologies and procedures for transparent and efficient internal financial control system; trained trainers within the third level of</td>
<td>• Premises available and equipped</td>
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<td></td>
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<td>• Third Level-Advanced Internal Audit course submitted to the Ministry of Education for accreditation</td>
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<td></td>
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<td>• 36 internal auditors trained and certified</td>
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<td>• 6 trained trainers</td>
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permanent education system of internal auditors;
• The CHU assisted in the implementation of recommendations from SIGMA Peer Report.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>• Revision and assessment of primary, secondary and tertiary legislation as specified in the Project Fiche; • Reports including the opinion on and recommendations for improving primary, secondary and tertiary legislation of internal audit taking into account EC legislation and recommendations specified in the SIGMA Peer Review Report; • Modification of internal audit legislation according to findings and recommendations; • Perform internal audit jointly on the spot i.e. Slovak internal auditors under the supervision of experts • Creation of the 3rd level – Advanced Level – Internal Audit in the Public Administration of the permanent training system; • Implementation of the 3rd level – Advanced Level – Internal Audit in the Public Administration of the permanent training system. The training will be provided by the assistance of the experts to following participants: a) Internal auditors (internal auditors of the Ministry of Finance, internal auditors of line ministries). b) Training of trainers – 6 employees of CHU dealing with internal audit methodology will undergo training within the third level of permanent education system of internal auditors. • Two 5 day study tours each for 8 participants to the National Audit Office. The aim of the study visits is to enable BC officials to gain experience on the implemented 3rd level Internal Audit in the Public Administration directly in the parallel MS administration. The visits will be focused mainly on auditing information system, quality assessment of the audit</td>
<td>• Twining Covenant (one RTA, Project Leader, seven short term experts, one RTA assistant) € 670,000</td>
<td>• Recruitment and retention of adequate staff • Effective cooperation with other institutions</td>
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<td>activity, fraud detection for internal auditors.</td>
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<td>Regular meetings of the Steering Committee</td>
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### Preconditions
- Finished second level of permanent education system of internal auditors;
## Time Implementation Chart

**CRIS number:** 2004/016-764.02.03

**Project title:** Capacity building in the area of internal audit - Completion of the Permanent Training System for Internal Auditors

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td></td>
<td>J</td>
<td>F</td>
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<tr>
<td>Revision and assessment of legislation</td>
<td>x</td>
<td>x</td>
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<tr>
<td>Reports/SIGMA Recommendations</td>
<td>x</td>
<td>x</td>
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<tr>
<td>Modification of internal audit legislation</td>
<td>x</td>
<td>x</td>
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<tr>
<td>Joint internal auditing</td>
<td>x</td>
<td>x</td>
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<td>Two study visits</td>
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<td>Steering Committee</td>
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Annex 2
Cumulative Contracting and Disbursement Schedule

CRIS number: 2004/016-764.02.03

**Project title:** Capacity building in the area of internal audit - Completion of the Permanent Training System for Internal Auditors

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Annex 4

Final Beneficiaries:

1. Ministry of Finance
2. Ministry of Construction and Regional Development
3. Ministry of Transport, Posts and Telecommunications
4. Ministry of Economy
5. Ministry of Agriculture
6. Ministry of Environment
7. Ministry of Interior
8. Ministry of Defence
9. Ministry of Justice
10. Ministry of Health
11. Ministry of Labour, Social Affairs and Family
12. Ministry of Education
13. Ministry of Culture
14. Ministry of Foreign Affairs
15. General Prosecution Office
16. Office of Government
17. Office for Public Procurement
18. Office for Standards, Metrology and Testing
19. Office for State Service
20. Office of Nuclear Supervision
21. Industrial Property Office
22. Office of Geodesy, Cartography and Cadastre
23. Management of State Material Reserves
25. Antimonopoly Office
26. Slovak Academy of Science
27. Slovak Information Service
28. Supreme Audit Office
29. Statistical Office
30. Chancellery of the President of the Slovak Republic
31. Chancellery of the National Council of the Slovak Republic
32. Constitutional Court
33. Supreme Court
34. Ombudsman
Annex 5

The prospective Twinning Partner shall draw the curriculum of the **Advanced Level – Internal Audit in the Public Administration** focusing on the following major areas:

A) **Excerpts of International Accounting Standards applicable for Public Sector**

   The curriculum should be drawn to:

   1. Provide insight into International Accounting Standards (IAS).
   2. Teach how audit departments are using IAS.

   In drafting the curriculum the following IAS have to be taken into account:
   - IAS 2: Inventories
   - IAS 7: Cash Flow Statements
   - IAS 10: Events After the Balance Sheet Date
   - IAS 11: Construction Contracts
   - IAS 16: Property, Plant and Equipment
   - IAS 18: Revenue
   - IAS 32: Financial Instruments: Disclosure and Presentation
   - IAS 34: Interim Financial Reporting
   - IAS 36: Impairment of Assets
   - IAS 37: Provisions, Contingent Liabilities and Contingent Assets
   - IAS 38: Intangible Assets
   - IAS 40: Investment Property
   - IAS 41: Agriculture

B) **Evaluating Internal Controls: A COSO-based Approach**

   The curriculum should be drawn to:

   1. Teach how audit departments are using COSO to reengineer their audit practice.
   2. Teach how to tailor COSO-based evaluation tools to your own environment.
   3. Receive “best practice” evaluation tools to use as models in creating your own tools.

   In drafting the curriculum the following themes have to be taken into account:
   - COSO's Internal Control - Integrated Framework
   - Key concepts and implications
   - Using the COSO report as an "idea generator" to identify key points of focus for a given audit assignment
   - Designing an activity-level evaluation technique for your own organisation
   - Risk-based auditing under COSO
   - Two central COSO implementation principles and how to apply them
   - The challenges COSO presents to the internal audit profession
   - Application to your own department: new practices, potential barriers, critical success factors

C) **Assessing Risk in the Public Sector**

   The curriculum should be drawn to:

2. Identify the auditable activities and risk factors as they relate to performance, information systems, regulatory issues, and program objectives.
3. Align your risk assessment with management's goals, objectives, and risk assessment processes.
4. Discuss the methodology for successful risk assessment within an audit.
5. Find out how to measure and prioritise risks and understand how they impact an audit.
6. Practice the techniques through case studies and examples that exemplify public sector auditing.

In drafting the curriculum the following themes have to be taken into account:

⇒ Overview of internal audit's risk assessment at the organisation level
⇒ The role of risk assessment within the COSO framework
⇒ Terminology of risk
⇒ Process of risk assessment
⇒ Identification of audit area
⇒ Choosing of risk factors
⇒ Assessment of risk factors
⇒ Priority of the audit project
⇒ Performance of audit
⇒ Understand the importance of risk assessment
⇒ How the risk assessment process works within the company
⇒ How to use the risk assessment to evaluate key controls
⇒ How to use the risk assessment to develop more effective audit programs

D) Quality Assessment of the Audit Activity

The curriculum should be drawn to:

1. Teach about the new Professional Practices Framework including the new Standards for the Professional Practice of Internal Auditing.
2. Understand the impact of the new Quality Assurance Standards and the mandatory external assessment requirements.
3. Discover quality assessment techniques and processes.
4. Identify best practices and key benchmarking criteria that separate top performing internal audit activities from the rest of the pack.
5. Develop or enhance a department's internal quality assessment program.
6. Prepare a department for a future external assessment.
7. Explore the new Self-Assessment with Independent Validation option and process.

In drafting the curriculum the following themes have to be taken into account:
⇒ New mandatory requirements for external assessment
⇒ Quality Assessment tools and references
⇒ Quality Assessment related standards
⇒ Internal assessment program: overview and details
⇒ Alignment with external assessments
⇒ Other references
⇒ Best practices
⇒ Major case study: planning and preparation

E) Fraud Detection for Internal Auditors

The curriculum should be drawn to:

1. Partner with management to create an environment hostile to fraud.
2. Incorporate fraud detection into routine audit activity.
3. Teach how to use computer techniques to detect fraud.
4. Master approaches and techniques to conduct effective fraud detection, from
discovery through dealing with law enforcement.
5. Understand practical approaches to preventing dishonest and fraudulent activity.

In drafting the curriculum the following themes have to be taken into account:
⇒ Fraud-related challenges and dangers Auditors’ fraud responsibilities
⇒ Establishing fraud policy and response; practical approaches to prevention,
detection and response
⇒ How fraud surfaces
⇒ What can go wrong - case examples
⇒ Building fraud considerations into the audit program
⇒ Why auditors don't detect fraud, why auditors fail to detect fraudulent financial
reporting
⇒ Computer crime examples
⇒ How to use computer audit retrieval for detection
⇒ Exploring fraud in contracting
⇒ Interviewing tactics and techniques
⇒ Interview forms and checklists
⇒ Reporting to the audit committee

F) Auditing Information System

The curriculum should be drawn to:

1. Understand physical and logical security and contingency-planning issues needed
to protect your organisation’s electronically stored assets.
2. Acquire knowledge about the computer platforms established in today’s
environment.
3. Review risks and exposures related to distributed and networked systems.
4. Teach the typical functions performed by operating systems.

In drafting the curriculum the following themes have to be taken into account:
⇒ IS environment controls, organisational structure, segregation of duties, & financial
responsibilities
⇒ Equipment, software, and modes of operation
⇒ Definition and objectives of distributed computing
⇒ Physical security control objectives and concerns
⇒ The IS auditor’s role in physical security
⇒ Access controls to specific areas: output and offsite storage facility
⇒ Source document controls and documentation concerns
⇒ Information security concepts, threats, and policies
⇒ Information security roles, responsibilities, classifications, and protection
strategies
⇒ Access control software: authentication, authorisation, and non-repudiation
⇒ Security strategies on the Internet
⇒ Importance of contingency planning and stakeholders
⇒ Contingency planning objectives, process, and concepts
⇒ IS auditor’s role in contingency planning
⇒ Business resumption planning: identification of key systems, priority level
definitions, key teams and personnel, recovery locations, vendor participation, and
testing of the plan
⇒ Telecommunication vulnerabilities, distributed computing challenges and
strategies, and insurance coverage
⇒ Database administration, controls, objectives, and risks
⇒ Organisation structure of databases
⇒ Database change control, security considerations, application integration, and
performance tuning
⇒ Operating systems concepts, functions, and threats
G) Internal Auditing with Information Technology

The curriculum should be drawn to:

1. Provide information what Internal Auditing with Information Technology means and why internal auditors should care.
2. Understand new ways of using ITs for internal audits.
3. Teach Learn concepts of trend analysis using software to extract historical data.
4. Work with setting objectives, data analysis, creating reports, using the Internet, and using software for risk assessment.

In drafting the curriculum the following themes have to be taken into account:

- General tests
- Transaction tests
- Audit objectives
- Data analysis
- Data mining: warehouses and databases
- How can auditors test advanced systems
- Choosing the right tool for the job
- Audit software designed for auditors
- Database packages: Access, Approach, Foxpro
- Ways of using audit software, utilities, spreadsheets, and databases
- Types of files: Record layouts, data fields, defining data fields, dates in systems and their effects
- Typical commands and their function: Extract, append, index, sort, join, compare, link
- Other commands - auditing: Include/exclude, sampling techniques, random samples, interval sampling, dollar unit sampling,
- Duplicates
- Using the software tools to produce reports: Formatting, changing fonts, using charts and graphics and enhancing presentations with other tools, and common formatting types
- Best applications of Internet searches: Information searches and retrieval, references and newsgroups, user groups and mail server
- Sources of shareware and other software: Downloading tools and what you need to know, risks and responses
- Security problems, viruses and more
- Protecting yourself and your data
- Research and analysis on the Internet
- Charting and development of a risk-assessment process
- Risk-related applications: Finding best practices, using rankings, tracking findings
- Sources of software: Developing a database using PC tools, purchasing applications from others - sources
- Control self-assessment: Facilitation tools, recording, and analysis
⇒ Using historic data: Information retrieval, references, user groups, sources of information