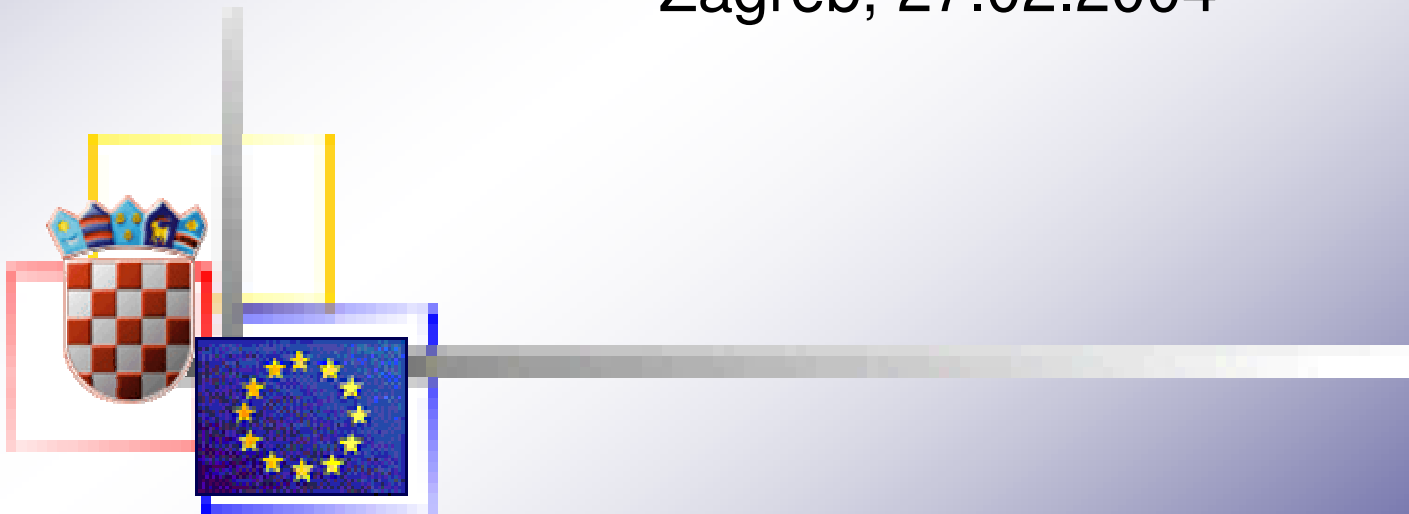


The European Union's CARDS 2002  
Programme for Croatia:  
**“Development of Public Internal  
Financial Control and Internal Audit”**

Zagreb, 27.02.2004



# Legal Framework

- The project for establishing internal audit function is founded upon Article 137 of the Budget Law.



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# Article 137 of the Budget Law

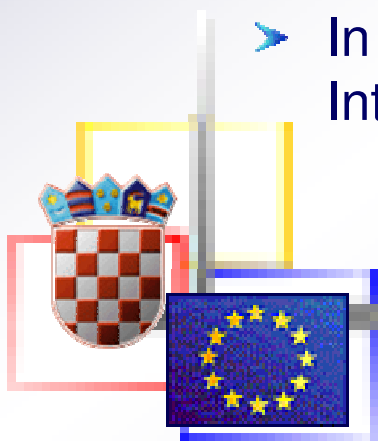
- “Internal audit shall be a body of the budget user that shall establish, independently and objectively, the realization of comprehensive tasks and functions of budget users, pointing out to the irregularities and non-compliance with legal and other regulations established for their operation, and propose actions for their elimination and for the **improvement of the budget user's business operation.**”



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# Government Internal Auditor

- Necessary amendments to the Decree on Job Titles and Government Service Jobs Complexity Coefficients
  - Defining a ***new job position of “government internal auditor”***
  - Jobs description, coefficients and professional conditions
- A Government Internal Auditor examines and evaluates the validity and purposefulness of internal and management controls systems, and budget users’ accounting systems
- In their work, government internal auditors apply International Internal Audit Standards (IIA standards)



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# Internal Audit and Control Department

- The Ministry of Finance is a coordinator for the development of PIFC and internal audit in the public sector.
- The Department consists of:
  - The Ministry of Finance's Internal Audit Division
  - Internal Control Division – Central Harmonisation Unit
- Accomplishment of this goal with EU assistance through CARDS 2002.



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# Implementing Company and the Project Team

- An international consortium led by SOFRECO (FR) in association with Helm-Corporation Ltd (UK) is implementing the project.
- The expert team consists of a long-term international expert (Team Leader), three medium-term international experts, three long-term local experts and a pool of international and local short-term experts.



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# Key Figures on the Project

- This project of € 1,38 million started in October 2003 and will last 24 months.
- The first year is dedicated to the conception, the legal framework updating and a wide training programme.
- The second year is focused on the transfer of know-how through a sound on-the-job assistance



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# Three Pillars of Implementation

- To spread a new concept : managerial accountability
- To create a new profession : functionally independent Public Internal Auditor
- To install a new way of coordination : the Central Harmonisation Unit (CHU)



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# Managerial Accountability and Financial Management Control (FMC)

- The implementation of FMC requires an update of legal framework of the existing controls.
- As a new concept, it also requires a clear understanding be widespread through seminars and workshops.
- The project experts will also provide the Ministry of Finance and the line ministries with practical solutions adapted to the Croatian context.



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# Public Internal Audit ... ... a Functionally Independent Responsibility

- Project experts will transfer a high level of professionalism to internal auditors in accordance with a certification scheme complying with international standards.
- The certification includes a sound practice of internal audit for at least one year and the project team will coach the new trainees when carrying out their first audits ( $\geq 27$  audits)



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# Central Harmonisation Unit (CHU) ... ... a Key Stone for a Successful Implementation

- The CHU is the core of the development of PIFC as a new way of coordination
  - Based in the Ministry of Finance, the CHU will provide all the decentralised units with guidance, updated materials and training programmes
  - The CHU will also produce the annual report consolidating activities of Internal audit and PIFC.
- The CHU is the guardian of the code of ethics and the sustainability of the process initiated by this project



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# Key Dates of the Project

P I F C	Presentation seminar	31/03/04
	Policy paper + action plan	30/04/04
	Submitted legal framework	31/05/04
	PIFC training	31/10/04 →
	Support to implementation	31/10/04 →
A U D I T	Manuals, books of rules...	31/03/04
	Certification scheme	31/03/04
	training	02/05/04 -----→
	implementation	←-----→
	practice	15/06/04-----→



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# Thank you for your attention !

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