MINISTERUL FINANȚELOR
AL REPUBLICII MOLDOVA

PIFC and IA reform progress in the Republic of Moldova

General context on PIFC development; Recent grades and Strategic response;
Statistics and challenges

Ludmila POPA
Head of Central Harmonization Unit
Ministry of Finance of the Republic of Moldova

General context on PIFC development

2014

RM-EU Association Agreement

Art. 49

2022

Application for EU membership

Chapter No 32

"Financial control"

General context on PIFC development

Development Direction

-1-

Accelerate the transition to managerial accountability, focusing on performance and risk management

Development Direction

-2-

Improve the quality of Internal Audit activity and efficiency of using limited allocated resources

Development Direction

-3-

Strengthen the Central Harmonization Unit for effective coordination of PIFC development

Phase I (2010-2017)

Phase II (2018-2020)

Phase III (2021-2024)

Legal and institutional foundation

Main responsibilities and stakeholders set

Legal and institutional development

Main laws and regulations defined and responsibilities assigned

Continuous capacity building

Strengthening institutional and administrative capacity and implementation of quality assurance mechanisms

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT REPORT, July 2022

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	C+	

Conclusion:

- ✓ Improvements were noted in the internal audit function following adoption of an improved methodology and standards, and certification of internal auditors
- ✓ There is a strong legislative framework for enabling internal audit, but half of the internal audit units in the central government are not operational, mostly because of the lack of qualified personnel
- ✓ The internal audit function requires consolidation by high-level authorities to rationalize the sizing of the internal audit units and to ensure effective implementation of quality assurance mechanisms

Source: https://www.pefa.org/node/4990

SIGMA Report on Public administration in the Republic of Moldova, October 2023

Conclusion

Although legislation for internal control is well developed, implementation is lagging. Key aspects for adequate functioning of internal control – such as delegation of decision making and risk management – are deficient. Irregularity management and reporting are also weak, as no clear procedures are in place for public sector entities. Furthermore, limited capacity awareness and commitment hamper the implementation of efficient internal control systems.

Indicator 6.7.1. Functioning of internal control

This indicator measures the extent to which internal control systems are implemented in practice within the budget organisations and between ministries and their subordinate organisations, and the immediate results in terms of improved managerial accountability and governance arrangements between ministries and subordinated bodies.

2023 indicator value	0	**1**	2	3	4	5

	Points 2023
1. Number of first-level budget organisations that are neither ministries nor constitutional bodies	1/3
2. Alignment between management and budget structures (%)	3/3
3. Credibility of controls for avoiding commitments above the expenditure ceilings	2/2
4. Availability of reporting of total cost and physical progress of major investment projects	1/2
5. Effectiveness of basic managerial accountability mechanisms for central government bodies	0/4
6. Delegation of decision-making authority within ministries	0/4
7. Regularity and completeness of risk management practices	0/3
8. Existence of reporting on irregularities	0/2
Total	**7/23**

Indicator 6.6.1. Adequacy of the operational framework for internal control

This indicator measures the extent to which the operational framework for internal control (financial management and control) is established, in terms of policy and strategic content, the regulatory framework, and adequate review and reporting mechanisms.

A separate indicator measures the implementation of the operational framework for internal control.

2023 indicator value	0	1	2	3	**4**	5

	Points 2023
1. Existence of policy for the development of internal control	3/6
2. Completeness of the regulatory framework for internal control	4/5
3. Comprehensiveness and regularity of the annual review and reporting on internal control	5/5
Total	**12/16**

Source: https://www.sigmaweb.org/countries/moldova-sigma.htm

SIGMA Report on Public administration in the Republic of Moldova, October 2023

Conclusion

The legislative framework for internal audits is well defined. National Internal Audit Standards are in place and aligned with internationally recognised (Institute of Internal Auditors) standards, and related guidance and training have been developed to support internal audit implementation. However, internal audit units are significantly understaffed. Additionally, the CHU undertakes only a limited number of external quality assessments and only one-third of active internal auditors are certified.

Indicator 6.8.1. Adequacy of the operational framework for internal control

This indicator measures the extent to which the operational framework for internal audit (IA) has been established, assessing the adequacy of the regulatory framework, the institutional set-up, and co-ordination and quality assurance mechanisms.

A separate indicator measures the implementation of the framework and the results achieved.

2023 indicator value 0 1 2 3 **4** 5

	Points 2023
1. Adequacy of the regulatory framework for internal audit	5/5
2. Organisational capacity for internal audit	3/5
3. Co-ordination, development and guidance of the internal audit system	4/5
4. Existence of a system for quality assurance for internal audit	1/3
Total	**13/18**

Indicator 6.9.1. Functioning of internal audit

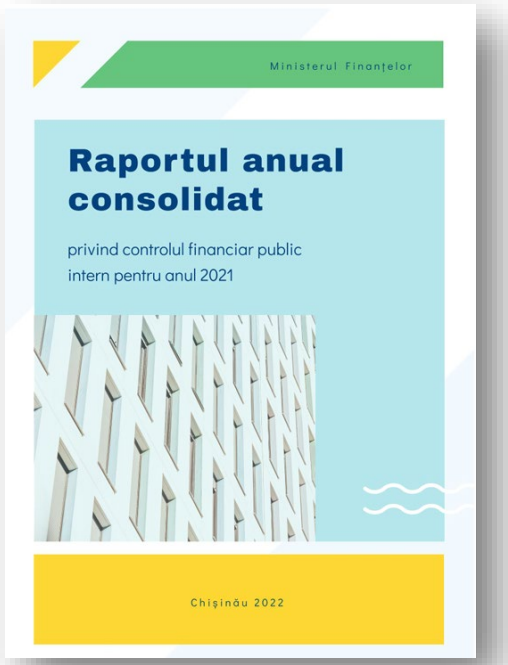
This indicator measures the extent to which internal audit is implemented and whether activities effectively contribute to improved management of public finances within the budget organisations.

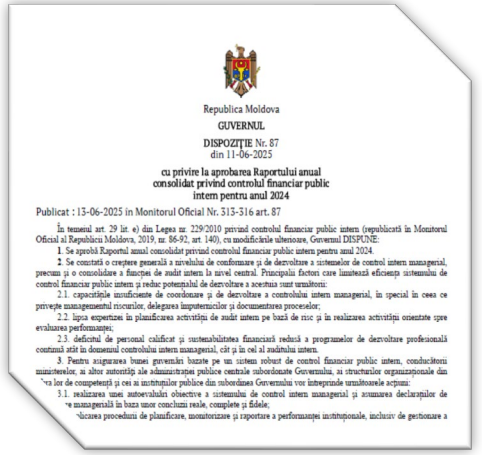
2023 indicator value 0 1 **2** 3 4 5

	Points 2023
1. Strength of planning of internal audit in budget organisations	0/7
2. Quality of audit reports	5/6
3. Follow-up and implementation of audit recommendations (%)	2/3
Total	**7/16**

Source: https://www.sigmaweb.org/countries/moldova-sigma.htm

MoF Annual consolidated Report on public internal financial control





Source: https://mf.gov.md/ro/content/controlul-financiar-public-intern

Linkages of PIFC with PAR and PFM Strategies

Public Administration Reform Strategy of Republic of Moldova for years 2023-2030

Strengthening of the IC in public administration, by increasing the result-oriented managerial capacity, and improving the reporting mechanisms, based on sound KPIs

Regular assessment of governance, risk management and control systems by efficient and consolidated internal audit function

Public Finance Management Development Strategy for years 2023-2030

Use of public funds according to the principles of good governance, by implementing IC and IA based on EU standards and good practices

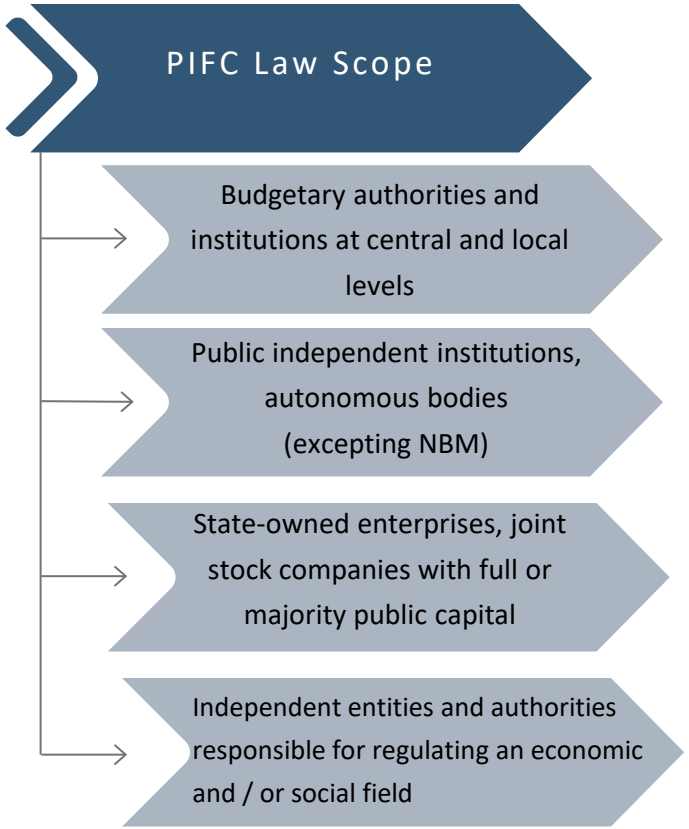
PIFC Development Program for years 2024-2027

Implementation of a decentralized management system, strengthening performance-based planning and reporting, and risk management improvement

Consolidation of IA function at both levels of administration – central and local, promotion of innovative practices in IA, developing quality assurance, as well as training and certification mechanisms

Awareness and understanding of PIFC value, including the consolidation of CHU capacities and resources in coordination of PIFC reform. Expanding the PIFC Council role in supporting IA independence and objectivity

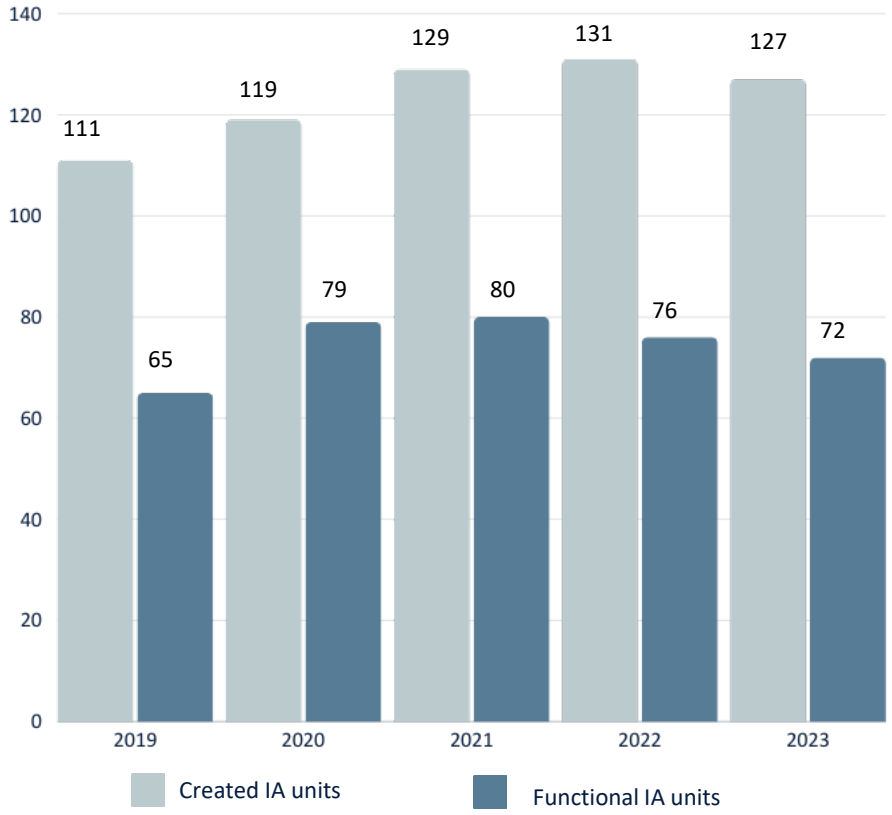
Organisation of Internal Audit



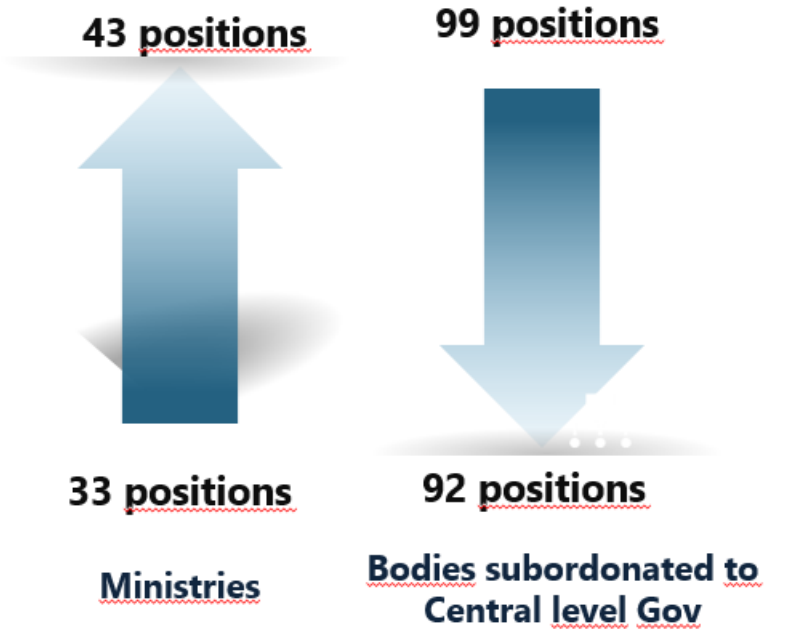
- Law on PIFC No. 229/2010 , establishing a single legal framework
  - IA unit in structural organisation of public entity
  - Shared IA services
  - Outsourced IA services
- Minimum staffing requirements and sizing criteria
- Increasing salaries and resources for internal audit at Central Government level
- Development of capabilities for sharing internal audit at local administration level

Statistics and challenges

Evolution of IA units across public sector



Results of Consolidation of IA reform at Central level



Training and Certification of Internal Auditors

Competence requirements for Internal Auditors

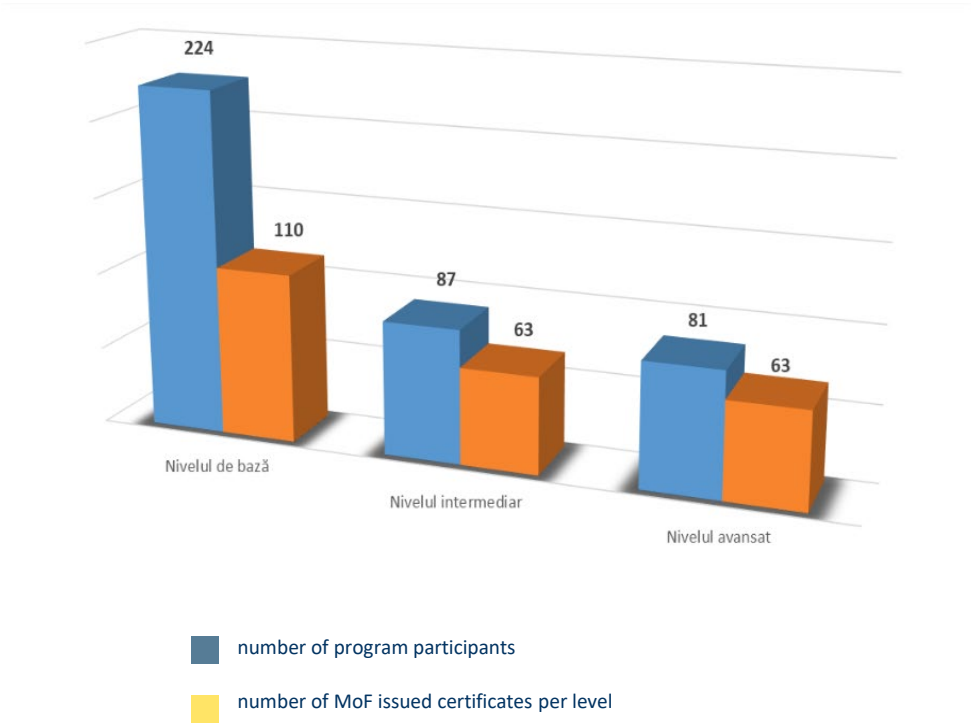
Law on PIFC No. 229/2010 and Unique Classification of public functions, Law No. 155/2011, setting requirements for the public functions of "head of IA unit" and “principal internal auditor" - holding the Certificate of Professional Qualification in the field of IA in the public sector, issued by the Ministry of Finance, or the certificate of qualification with international

Strategies for continuous improvement in audit quality and effectiveness

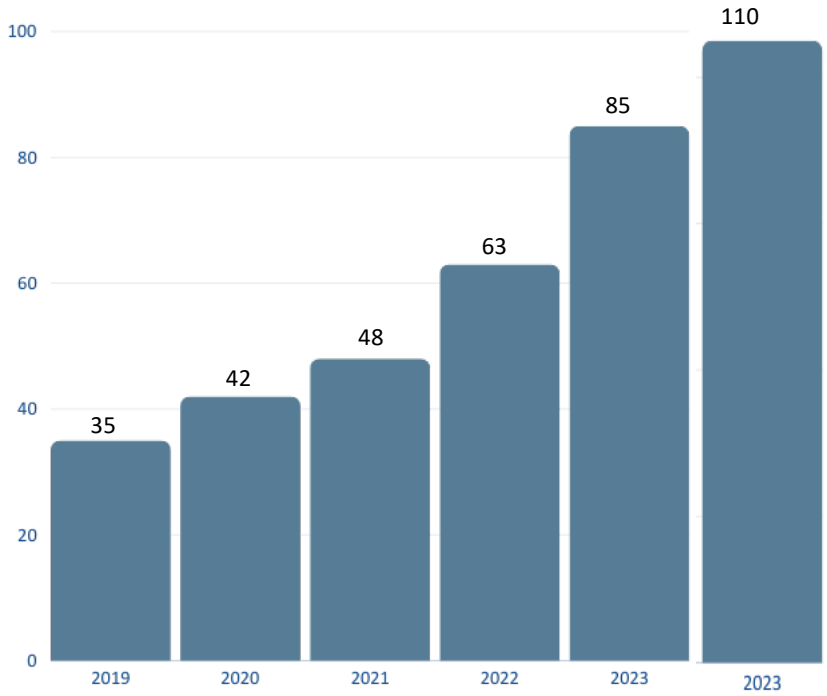
- basic level – the professional competence required for the position of internal auditor
- intermediate level – the professional competence requirement for the position of superior internal auditor
- advanced level – the professional competence requirement for the position of principal internal auditor and head of IA unit

Statistics of Training and Certification Program Implementation

Implementation of National Trainings and Certification Program in IA, November 2021 - June 2025



Evolution of IA Qualification Certificates Issued by MoF, period 2020-2024



Statistics and challenges

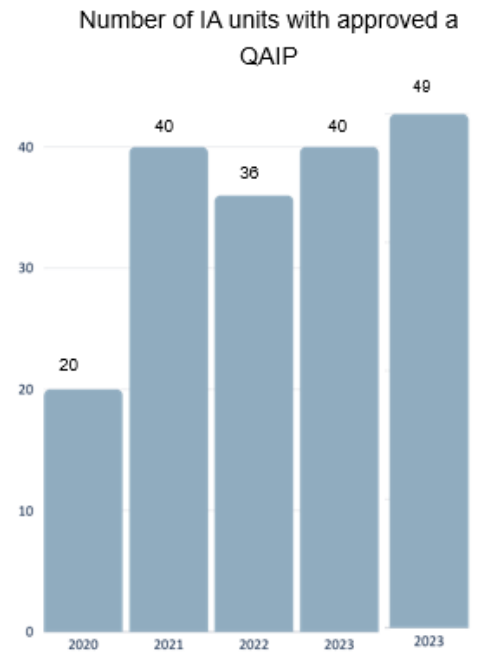
Quality Assurance and Internal Audit Effectiveness

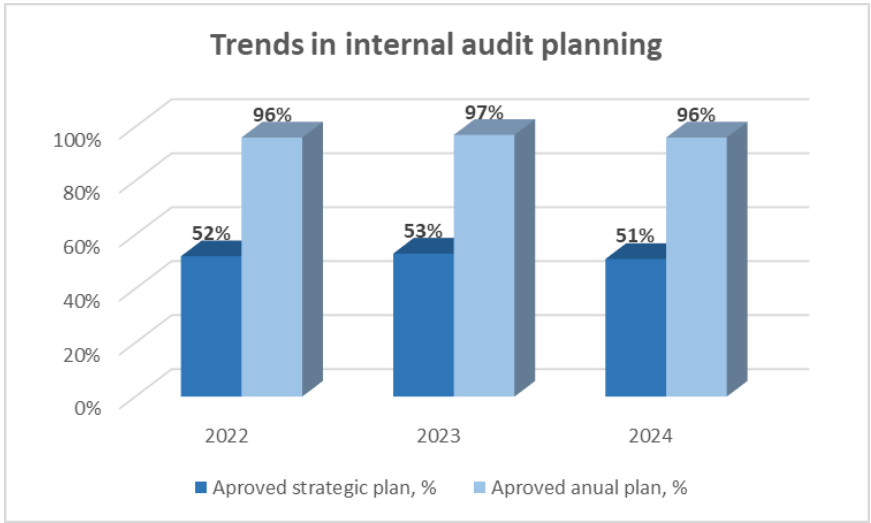
Processes in place for assuring quality and effectiveness in IA

- implemented via both internal assessment, through continuous monitoring and self-assessment, as well as with external assessment, through full assessment and external validation. Difficult to ensure supervision of activity in One Single Auditor units

Outcomes of internal and external quality processes

- in 2024, positive trends with around 66% of IA units having drafted and approved a QAIP
- Only 50% of IA units perform their activity based on developed IA Strategic Plan





Challenges to overcome...

Weak expertise in strategic planning of the internal audit units

Limited capacity of CHU to ensure sistematic EQA of incresing number of IA units

Weaknesses in sustainability and expertise in delivery of Traning and Certification Program in IA

Complexity of alignment of normative and methodological framework to newly issued GIAS

Thank you for your attention!

Public Internal Financial Control Policy Division