
MANAGE TRASITION

IMPLEMENTING INTERNAL AUDIT IN ROMANIA

Public financial control environment in Romania

- 1. Court of Accounts**
- 2. Ministry of Public Finance (MPF)**
- 3. The public internal financial control in the other public entities**
- 4. The financial control system of local communities**

Ministry of Public Finance assures:

- **the co-ordination of the preventive financial control activity**
- **the co-ordination of the public internal audit activity**

Organization of the decentralized preventive financial control:

- Own preventive financial control, integrated into the scope of management responsibility, at all public entities and for all operations with financial impact on public funds and public patrimony (regulated by Governmental ordinances from 1999)
- ✓ the objectives of this control are exclusively;
- ✓ lawfulness;
- ✓ regularity;
- ✓ compliance with the limits of budgetary credits.

Strategic vision: PIFC Policy Paper

- was approved by Romanian Government on October 11, 2001
- is a document with a strategic significance, developed by the Ministry of Public Finance, regarding the public internal financial control in Romania

Primary legislation and responsibility for harmonization of Public internal audit

- was approved by Romanian Government on October 11, 2001
- **The Central Harmonisation Unit for Public Internal Audit (CHUPIA)** is organised on the specialised compartments, subordinated straight to the Minister of the Public Finance, and managed by a general director. CHUPIA was established within Ministry of Public Finance, as general directorate, and it is fully operational at this time

Public internal audit unites

- At the level of public institutions is started a large process for administrative reorganization, by creating the **public internal audit compartments** according to the new legal framework. Thus, the audit activity from control activity was separated, and both are subordinated to the highest level of management
- At the level of Ministry of Public Finance, the public internal audit is organized both to the central level (Public Internal Audit Directorate – MPF) and at the level of secondary and third spending centres.

Secondary and tertiary regulation of Public internal audit (MoF Orders)

- 2002 - The Code on Ethical and Professional Conduct of the Public Internal Audit
- 2003 - General methodological norms on public internal audit
- 2003 - Methodological norms for assessing the public internal activity
- 2004 Public internal audit norms of the Ministry of Public Finance
- 2004 Government Ordinance modifying and completing the regulations regarding the internal audit
- General manual for public internal audit accomplished





The Public Internal Audit Committee

- **The Committee for Public Internal Audit (CPIA) is established beside CHUPIA. Has a consultative role and actions to improve the internal audit activity, was established and became operational since 2003.**

- **The main responsibilities of CPIA are:**
 - **Endorsing the legal framework, the annual report before to be sent to the Government;**
 - **Analysing the recommendations, if the auditors and auditee have different opinions about the same issue, informing the Government about the situation of non achievement of the recommendations**

 - **CPIA contains 11 members, as follows:**
 - **the president of Chamber of Financial Auditors from Romania;**
 - **the university teachers specialized in public internal audit - 2 persons;**
 - **the specialists with high qualification in the public internal audit field - 3 persons;**
 - **the general director of CHUPIA;**
 - **the experts from other fields as: public accounting; law; IT - 4 persons.**

Professional training

-  The Ministry of Public Finance has been the beneficiary of a twinning project and of a technical assistance project during 2003, from PHARE 2000
-  Were organized training programmes for 200 public internal auditors.
-  The training programmes will continue, under PHARE 2002 programme, through a technical assistance project "Strengthening the audit system and performance audit within Ministry of Public Finance".
-  All these training programmes receive the support of the School of Public Finance; in this way the programmes will be extended at the central and territorial level.

Challenges and opportunities

- In the beginning (2002 adoption of Public Internal Audit Law) when setting up this activity in public entities, a big problem was lack of specialists in internal audit
- A compromise solution was found in converting financial controllers into internal auditors
- After continuing professional training of internal auditors, every year, the lack of experience issue was solved

Challenges and opportunities

- **Total dissolution of control activity in the public entities, lead in the first years internal auditors carry out inspection assignments**
- **In recent years this problem was solved by setting up inspection and control units in public entities**
- **Internal auditors submit to inspection and control units all the irregularities found as a result of audit assignments**

Challenges and opportunities

- Nevertheless, recruitment of internal auditors in public entities is still an issue because of lack of trained staff
- Another major problem was the degree of understanding of internal audit activity (role and purpose) by managers
- Organizing awareness seminars for managers on the relevant topics related to the internal audit activity (regularly)

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- *Thank you for your attention!*