

Report on Study visit to Chisinau, Republic of Moldova

16-19th of March, 2015

PEM PAL Internal Audit Community of Practice

Host country: Republic of Moldova

Hosting institutions:

- ❖ CHU of Ministry of Finance
- ❖ Internal Audit Unit of Ministry of Finance
- ❖ Strategic Management Division of Ministry of Finance
- ❖ Internal Audit Unit of Tax Inspectorate
- ❖ Internal Audit Unit of Customs Service
- ❖ Internal Audit Unit of National Social Insurance House
- ❖ Internal Audit Unit of City Hall
- ❖ Financial Inspection
- ❖ Internal Audit Unit of National Health Insurance Company
- ❖ Court of Accounts

Country participants:

- ❖ Armenia
- ❖ Kazakhstan
- ❖ Russia
- ❖ Ukraine

Objectives:

- To share Republic of Moldova experience FMC and IA implementation Moldova as well as the role and activities of CHU ;
- To learn from RM experience how to create IA function in the beginning of reform and how to divide and coordinate the evolution of two functions: new IA and existing financial revision
- To study the regulation and normative framework on internal audit ,financial management and control on the state and local level;
- To learn from Republic of Moldova training, certification and continuous development system.
- To learn about strategic and annual planning (based on risk assessment) and carrying out an internal audit engagement and follow up;
- To exchange the views between the invited participants and the host on the difficulties and risks in the implementation of the internal audit function, as well as during the implementation of appropriate reforms (risks of the initial stage and further promote the reform).

Topics covered:

Day 1:

- **CHU in Moldova** – Presenting Concept, model and normative framework in the field of PIFC in the Republic of Moldova. Discussions regarding the creation of internal audit units in the public sector - Central and Local level (obligation of creation IAU);
- **Internal Audit Division, MoF and Tax Inspectorate** – Presenting the development of a Strategic plan (including SWOT analysis and Risk Assessment), Annual Plan and audit engagement;
- **Analysis, monitoring and assessment of politics Division, MoF** – sharing experience in the implementing of Financial Management and Control system in the MoF;
- **Strategic Management Division, Customs Service** – presenting the organization of Financial Management and Control system in Customs Service;
- **IAU, Customs Service** – presenting Risk based strategic and annual planning of audit activity.

Day 2:

- **IAU in the National Social Insurance House:** presenting the Planning of internal audit activity and carrying out of internal audit engagement. It was a very interactive presentation, because of the presence of the Vice- president. So participants could ask the manager from his perspective about the role of IA, and internal auditor was asked about the role of the manager in implementing of audit recommendations;
- **IAU in the City Hall** – Presenting the Follow-up of internal audit recommendations IT program and Quality assurance improvement program. The IT program for follow-up of IA recommendations was considered to be a very useful instrument, where you can see the responsible person for implementing the recommendations, the level of implementing, total amount, etc.

Day 3:

- **Representatives of Financial Inspection** – presenting Experience of the development and transformation of Financial Control and Revision Service into Financial Inspection<

- **Representatives of National Health Insurance Company** - Audit cycle approach in National Health Insurance Company;
- **Members of Court of Accounts** – presenting Reform of Court of Accounts including Meeting with PIFC Council and Certification Committee representatives;

Day 4:

- **CHU Moldova** - Training and Certification of internal auditors;
- **Meeting with PIFC Council and Certification Committee representative** and sharing experience with beneficiary countries (reform challenges at different stage of PIFC implementation).

Summary of the presentations and discussions:

Central harmonization unit (CHU) CHU in Moldova was established in the Ministry of Finance in 2009 and it is harmonizing both Internal Audit and also Financial Management and Control. Previously Central Harmonization Unit had been established in Financial Control Service in 2006. It is for sure that for better promotion of the reform CHU should be established in Ministry of Finance.

Central harmonization unit is responsible for drafting regulation and methodology, training and certification, reporting to the Government.

Financial management implementation experience were presented and participants saw the process of implementing Internal control standards and methodological norms.

The legislation in Moldova is very comprehensive. There is Public Internal Financial Control Law and also few others normative acts, such as Code of Ethics, Internal Audit Charter, Internal audit standards, and the methodological norms of application of internal audit standards. Also financial management control is regulated in the same way.

Training and certification process is organized by the CHU, and in the certification process as a certifying body is The Certification Commission. In this commission there are engaged experience people in internal audit field, such as CHU representatives, academia representatives, internal audit practitioners and Court of Accounts representative.

The exam consists from two parts, theoretical which is in written and practical one, which is verbal. For the practical part the candidates should present one of the internal audit reports with all the working files attached. Only the candidates with an experience of not less than two years in public internal audit are accepted to the exam.

The participants found out how internal auditors produce the annual and strategic plan and their link with the operational processes and risks. All participants agreed that the approach used in Moldova is aligned to good practices.

The collaboration and segregation of duties between the CHU, Internal audit units and Financial Inspection and also Court of Accounts were highly appreciated by the participants.

During all presentations, there were addressed a lot of questions regarding training and certification of internal auditors, PIFC Law, creating of IAU, audit engagement process etc. The main method of learning and getting experience was *strong interactive communication* between all participants and lecturers too.

Outputs:

- Participants understand PIFC – public internal financial control reform implementation process in Moldova;
- Participants can learn from the Moldovan legislation (because it is available in Russian language)
- Participants established peers professional contacts;
- Participants will carry on best IA – internal audit practices applied in participants and host countries.