GUIDELINES FOR THE ASSESSMENT OF THE INTERNAL CONTROL SYSTEM IN PUBLIC ENTITIES

INTERNAL USE

Bucharest, 2011
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Decision on the approval of the Guidelines for the assessment of the internal control system in public entities

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DECISION
on the approval of the Guidelines for the assessment of the internal control system in public entities

Considering the draft of the Guidelines for the assessment of the internal control system submitted in view of the debate by the members of the Plenum, based on Note no. 40226 of 21.02.2011, by Department I,

In consideration of the provisions of art. 58 letter c) of Law no. 94/1992 on the organisation and operation of the Court of Accounts, re-issued and of art. 5 item 5.3 of the own Rules of the Plenum of the Court of Accounts, approved based on Decision 153/15.12.2010,

In keeping with the provisions of art. 59 of Law no. 94/1992 on the organisation and operation of the Court of Accounts, re-issued,

The Plenum of the Court of Accounts, sitting in the meeting of February 24th, 2011, adopts this

DECISION

Art. 1 The Guidelines for the assessment of the internal control system, provided in the annex which is an integral part of this decision, are approved.

Art. 2 – The Guidelines for the assessment of the internal control system shall be posted on the web page of the Court of Accounts and printed as a brochure.

Art. 3 – The provisions of this decision shall be notified to all structures of the Court of Accounts and of the Audit Authority, to the county chambers of accounts and to that of Bucharest municipality, by the General Secretary’s Office.

PRESIDENT,
NICOLAE VĂCĂROIU

No. 23
February 24th, 2011
INTRODUCTION

The Court of Accounts plays a key part within the framework of the current Reform of the Public Administration in Romania, in which institutions such as the Parliament, the Ministry of Public Finances, and the Ministry of the Administration and of Home Affairs are involved. This reform mainly deals with the general efforts to improve management, administrative capacity and the way in which the overall public sector is organized. Furthermore, the Management of Public Expenses is especially focussed on the budget, accounting, financial management and internal control. In its turn, the Internal Control Environment currently approaches important issues such as national budget, accounting system, budget programs, external audit and fraud/irregularities fighting. In this context, a series of measures were taken for the improvement of the public external audit work quality, to strengthen the institutional capacity, permanently championed by the Court’s management. The Guidelines for the assessment of the internal control system in public entities are just one example of the progress attained.

Significant efforts were made to complete the methodologies and procedures applicable to the work of the Court of Accounts, these Guidelines being a top item of the pyramid featuring the improvement of the audit methods specific to a modern audit institution.

At the Conference on the Public Internal Financial Control (PIFC) hosted and organized by the European Commission in September 2009 at Brussels, it was mentioned that after accession, many of the 12 new member states of the European Union, respectively their central harmonisation units, did no more properly continue the development of the PIFC, even if this role was theirs.

That is the reason why the European Commission recommended that supreme audit institutions promptly intervene by assessing the PIFC implementation stage in their own countries and foster its continuous and more operative development.

These Guidelines, the first of this kind, were drafted also considering these recommendations and is indicative in nature, comprising a series of fundamental concepts on the internal control activity. Its main objective is to support the external public auditors of the Romanian Court of Accounts to
improve the assessment of the internal control system in place at the auditees’, which are to put in line the activity and behaviour of the own staff with the framework defined by the applicable legislation, values, norms and internal rules of the entity.

Internal control is a dynamic process, continuously adapted to the changes confronting an entity, based on direct participation of management and staff of all levels of the organisation, to identify and address risks and to reasonably ensure that the mission of the entity, as well as the general objectives, have been fulfilled. Irrespective of the nature and size of the entity, the efforts to conduct a satisfactory internal control are subject to the implementation of certain good practices, by permanently monitoring, assessing, adapting and updating their implementation.

Given the above, the guidelines are considered a “live document” which shall be updated whenever significant changes intervene in the field governing this subject matter.

GUIDELINES STRUCTURE

The first part of the guidelines highlights the history of the significant events that generated the need to implement a new internal control model within the private and public sector organisations.

The following chapter lists the general aspects of internal control systems, respectively the principles, definition, models and types.

The component parts of the new internal control system – as listed in the INTOSAI Guidelines for Internal Control in the Public Sector - are detailed in a distinct chapter, for a better understanding of the way in which it was established.

The way in which the public internal financial control was established in the national legislation is detailed in the following section of the Guidelines.

The most important part of the document is the one dealing with the stages of internal control system assessment by public external auditors.
In a world where trade and investment have extended at international level, multinational contracts or agreements have been concluded among various countries in the world, a wide range of programs have been implemented, communication is conducted rapidly via the INTERNET and the access to information is very easy, the necessity emerged to introduce strong internal control systems, within which standards acknowledged at international level may be enforced and which are understood consistently, both in the public sector and in the private one, to cure national economies and grant success on capital markets.

Due to the financial scandals of the 90s, which brought to light the behaviour devoid of ethics and transparency of big companies’ managers, the concept of corporatist governance, that is the mechanisms according to which a company is managed and controlled, is being increasingly discussed.

Many of the businesses of these organisations had a global impact. Some of them completely destroyed the faith in bankers, in the American historical financial centre – the Wall Street – and in the stock exchange.

These events drew the attention and appreciation of managers, the accountability of professionals and regulators of this domain in the whole world. In the USA, the Congress reacted by reforms in the field of audit, joint liability and management, which are elements of good governance.

Those proposals are now federal laws, such as the “Sarbanes-Oxley Law”, which was adopted in 2002. This legislative instrument had an impact in the whole world, both due to the fact that the own standards were enforced to foreign commercial companies on the American market and to the fact that other nations studied its provisions and acted in their own interest.

The reform in the private sector did not pass unnoticed by the public sector, which holds a significant share of the economy in most of countries.

Strong internal controls in the public sector have a huge impact on the credibility of a government and of the operations they unfold. They make up the international control environment in which all nations operate. The internal control standards provide a mechanism through which a nation may obtain a reasonable assurance that its assets are safeguarded, financial reporting is reliable and financial transactions observe ethical principles.

A strong internal control provides assurance and confidence to nations and international organisations with which a country relates, irrespective of the field (financial, economic, political, social or environmental). The use of common guidelines to develop sound internal control standards allows nations to consistently understand and to communicate this level of assurance and confidence to other nations, businesses and organisations.

In its turn, the European Parliament denied granting the management discharge to the European Commission for the Community budget pertaining to the year 1996 and requested the setting up of a commission of independent experts to analyse the way each body identifies and deals with fraud, financial contracts award, faulty management and nepotism.

The report issued by the independent experts on March 15th, 1999 triggered the following day the discharge of the Santer Commission. This moment crisis was acknowledged in point of financial management of Community budget and lack of transparency and accountability of the commissaries in the respective period.

Consequently, the new Prodi Commission, which followed the Santer Commission, launched a series of reforms and published, in March 2000, the “White Papers” of managerial reforms within the services of the European Commission, based on:
the "services culture" within the framework of an organisational culture, which involves the existence of accountable managers, who integrally undertake responsibilities and prove overall transparency;

- a strategic planning and programming of activities through prioritisation, resources efficient allotment and use;

- the human resources development, based on a new personnel policy;

- **the financial management, audit and control** which are considered fundamental reform issues.

In the introduction to the first volume of the White Papers, the members of the Prodi Commission stated, among others: “The challenges of globalisation and future extension require a better governance at all levels, including in the European Union. All European political institutions need to cope with these challenges, and so does the Commission. We want a competitive public administration within the Commission, capable of continuing the fulfilment with maximum efficiency of the duties imposed by treaties (...). The world around changes rapidly. The Commission itself changes and, consequently, it needs to be independent, responsible, efficient and transparent and to guide itself according to the highest accountability standards.”

The second report issued by the independent experts’ commission contains a series of recommendations on integrity, accountability and responsibility in the European political and administrative life. These also covered the code of conduct, collective accountability, independence and transparency of the commissaries’ offices, the role of the secretary general, the constitutional right of the Commission to provide the Parliament exhaustive, correct and reliable information and documents, the role of the Commission’s chairman in the organisation and consolidation of the individual political accountability of its members etc.

The principles of the White Papers triggered the complete change of the organisational culture; these principles are:

- **Openness** – institutions should function “much more transparently”, communicate actively and use an “accessible langue” from the point of view of civil society;

- **Participation** – quality, relevance and effectiveness of European Union policies depend on a wide citizen participation in all stages, from drafting and until implementation of policies.

- **Accountability** – there is a need to clarify the role of each Community institution in the legislative and executive process and for an enhanced accountability of member states and of all parties involved in the drafting and implementation of European Union policies.

- **Efficiency** – measures should intervene at the right moment and at the adequate level and be based on clear objectives and on an assessment of their future impact.

- **Consistency** – the policies promoted and the steps taken need to be consistent and perfectly intelligible, since the range of duties of the Union became wider and extension involves a larger diversity.

The reform of the European Commission practically involved the decentralisation of the control activities of its general directions, which were previously at the charge of the Commission’s Controller.

This way, each General Manager became accountable for the adoption of an internal control within the direction offices, thus promoting “accountability”. One can say that there was a transition from a “suspicion culture” to an “accountability culture”, with a focus on objective fulfilment, a reason why autonomy has been awarded to unit managers, who are also accountable for the allotted funds administration results.

Once new states became members of the European Union and funds were allotted to them, the principles listed in the White Papers were to be observed and a new internal control consistent framework was to be implemented at the level of all public entities, in order to analyse the way they were being managed.
Thus, in 2006, the European Commission established a reference document, mainly aiming at guiding the internal control and internal audit requirements implementation, called “Welcome to the World of Public Internal Financial Control (PIFC)”.

Opinions differ, one of them stating that the document originates in the internal control system adopted within the European Commission after the reform implemented based on the White Papers, the pillars of which were financial management, audit and control.

Consequently, a transition was made from the old approach to internal control, to a new one which involves transparency and understanding the fact that any government is accountable to civil society for the collection of revenues and the correct allotment of expenditure on behalf of the latter.

Sharing this concern, in 1999, the presidents of supreme audit institutions of Central and Eastern Europe, as well as the president of the European Court of Auditors, adopted a resolution listing various recommendations in key domains of European integration, which these institutions should consider, among which:

- improvement of the legal framework;
- adoption and enforcement of international audit standards;
- management of the supreme audit institution in the context of the new European integration requirements;
- the role of supreme audit institutions in the assessment and development of internal control in public institutions.

In this respect, the European Court of Auditors, in the meeting of March 18th, 2004, issued Decision no. 2/2004, on a model for “sole audit (and a proposal for a Community internal control framework)” the principle of which is a control system to be based on a chain structure and generating results to be recorded and forwarded in a common form.

To implement this desideratum, consideration was given to concrete duties and responsibilities of European authorities, as follows:

- **The European Parliament** and the **European Council**, for the approval of the European Union budget;
- **The European Commission**, for the management, coordination and implementation of internal control systems;
- **The European Court of Auditors**, the external auditor of internal control systems;
- **The Member States**, for the implementation and coordination of internal control systems, at central and local level.

The decision issued by the European Court of Auditors considered the following issues:

1. Designing an internal control framework involving common norms and principles, to be used as a starting point for the development of the existing control systems in countries acceding to the European Union or to create new control systems, to ensure an efficient control of Community funds;
2. Controls are to be conducted in a coordinated way, based on common norms/standards and avoiding overlapping activities;
3. These controls should be conducted and supported by documents, be the object of open and transparent briefing;
4. The norms regulating control policy and processes shall be clear and devoid of ambiguity;
5. The internal control system should be grounded on a chain of control procedures within which, at each level, certain specific objectives should be considered;
6. The European Commission should define the minimum conditions to implement the internal control system also considering the specific characteristics of various (budgetary) activity domains;
7. Internal control systems should include mechanisms to guarantee identification and correction of own weaknesses, as well as of the misstatements and irregularities of transactions conducted and, if applicable, recovery of the relevant amounts;
8. These systems require an adequate balance between the cost involved by the examination of a budget domain and the benefits of the respective control;
9. The European Commission jointly with the Member States, should kindle the enhancement of these control systems and, on the other hand, the European Council and the Parliament should set the value for money ratio for the various budget domains;

10. Internal control systems grounded by certain norms/standards and clearly defined targets should be an objective basis for the European Court of Auditors to assess in its audits the way these were drafted and how they operate;

11. Though many of the proposed principles and norms have already been set (partially or integrally) they need however to be further developed or updated. In this respect, work legislation and practice need to be changed, which shall lead to the acceptance of a considerable commitment, both from the part of European institutions and from Member States.
2.1 Internal control principles

Internal control should be conducted based on several principles, among which the specialised literature considers:

- **The principle of organisation**, involving adequate organisation of each entity, which supposes the drafting of:
  - the organisation chart covering and describing all structures;
  - procedures manuals, defining:
    - responsibilities;
    - competence delegations;
    - assignments;
    - information dissemination etc.;

Large entities involve the separate organisation of four fundamental functions, conducted by different persons and hierarchies:

  - the decision-making function involving commitment of the entity in relation to partners, employees etc.;
  - the function involving holding physical assets and monetary values (managers);
  - the accounting function, conducted by any person processing accounting data;
  - the control function which involves examination of decision-making operations, holding of assets, accounting.

Failure to segregate the four fundamental functions makes way for fraud.

- **The self-control principle**, which involves that the internal control procedures should include self-control procedures, meant to identify irregularities.

Self-control procedures suppose:

  - checking certain information with the help of other information supplied by various documents;
  - mutual control, that is examinations, correlations of the information obtained from two persons.

- **The permanence principle** involves stability of internal control procedures, while ruling out rigidity and providing for adaptation to emerging internal and external changes.

This principle allows for tracing:

  - internal control deficiencies;
  - the instances of failure to observe the internal control procedures.

- **The universality principle** which supposes internal control procedures:

  - for all the persons in the entity;
  - for all assets and liabilities held;
  - permanent ones.

- **The information principle** supposes that the information resulting following enforcement of internal control procedures should involve two qualities: be verifiable and be useful. A piece of information is verifiable when one can identify its sources, the documents from which it devolves, respectively it may be grounded and authenticated. This may be insured by adequately preserving the information, which involves:

  - numbering, sorting and archiving accounting documents;
  - adequate storage for the period provided by law.

An information item is considered useful if it is obtained from the source, it is not redundant and the cost to obtain it is lower than the benefits it generates.

- **The harmony principle** consists in the permanent adaptation of internal control, considering:

  - the risks that may impact the system;
the costs involved by the implementation of internal control procedures, as compared to the costs of deficiencies generated by the failure to conduct internal control.

The staff quality principle
A good quality internal control involves qualified staff, characterized by professional competence and morality. Professional competence involves an adequate policy for staff recruitment, ongoing professional training, motivation by remuneration and professional targets setting.

2.2 Definition of the internal control system and its models

The etymology of the word „control” is the Latin phrase „contra rolus” which means examining a duplicate made after an original. The control, in its semantic sense, is a permanent or periodic analysis of an activity or situation, to follow its unfolding and take measures to improve it.

The specialised literature though provides several meanings for control:
- in the francophone one, control is an examination, a careful inspection of the correctness of a deed;
- in the Anglo-Saxon one, control is the action involving supervision of someone, of something, a detailed examination meant to get acquainted with or to regulate the operation of a mechanism.

Internal control is defined by the Romanian legislation as the overall control forms conducted at the level of public entities, including internal audit, set by the management in keeping with its objectives and with the legal regulations, to insure public funds are managed economically, efficiently and effectively; it also includes the organisation structures, the methods and procedures.

In keeping with the International Audit Standards, issued by the International Audit and Assurance Standards Board (IAASB) of the International Federation of Accountants, internal control is defined as being the „Process conceived, implemented and maintained by the persons in charge of governance, management and other categories of personnel to provide a reasonable assurance on the effectiveness of transactions and compliance with applicable laws and regulations. The term “controls” refers to any aspects of one or more component parts of internal control.”

The main internal control models acknowledged at international level, conceived to organize the internal control system so that it answers risk management requirements are:
- COSO Model – USA;
- COCO Model – Canada;

COSO Model

The model name comes from the Committee of Sponsoring Organizations of Treadway Commission – COSO, a board set up in the USA upon initiative of Treadway senator who, in 1985, launched a research on internal control and its role in the life of organisations, establishing the “Treadway Commission” (also known as the National Commission against Fraudulent Reporting). Following the recommendations of this Commission, the Committee of Sponsoring Organizations was set up, which brought together professionals of important external audit offices and of big American companies. The results of the research were collected in the work “Internal control – an integrated framework”.

COSO defines internal control as a process conducted by the Board of Directors, the management and the overall staff of the entity, meant to provide a reasonable assurance on the fulfilment of the organisation’s objectives, considering:
- transactions’ efficiency and effectiveness;
- reality of financial reports;
- compliance with applicable laws and regulations.

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1 In keeping with Government Ordinance 119/1999 on internal control and preventive financial control, with the further modifications and completions
The definition of internal control provided by the COSO in 1992 reflects four fundamental principles:
- internal control is an overall process and not an additional activity, it is a means to an end and not an end in itself;
- internal control is conducted by people, which makes it imperfect and it does not only involve manuals, policies, forms and documents, but also people at all levels of the organisation;
- internal control may provide a reasonable assurance to the management and to the Board of Directors that the objectives of the organisation shall be fulfilled;
- internal control is involved in the fulfilment of the organisation’s objectives.

In the COSO model, internal control is represented by five interlinked elements:
- control environment;
- risk assessment;
- control activities;
- information and communication;
- monitoring.

Jacques Renard shows in its work “Internal Audit Theory and Practice” that internal audit may be added to the five internal control elements of the COSO model, since internal audit contributes to the improvement of internal control systems, without exonerating though the entity’s management from their duties and responsibilities to identify and prevent system frauds and misstatements.

**COCO Model**

It was established in 1995 by the Canadian Institute of Chartered Accountants (CICA) and is made up of the same elements as the COSO model, grouped differently.

COCO defines internal control as being the assembly including: resources, systems, procedures, structures, organisation culture and other elements which jointly contribute to objectives attainment.

In keeping with the principles of this model, the tasks fulfilled by the staff are based on:
- understanding the aim of these tasks (competences), respectively the objective to be attained;
- their capacity and competences;
- the commitment to fulfil the tasks well and timely;
- performance monitoring and environment supervision so as to learn to adapt to changes.

The COCO Model includes:
- the aim (to know what to do);
- the commitment, the involvement (to be willing to do);
- the capacity (to be able to do);
- the monitoring and the learning (to adapt to changes).

This internal control model is explained by: (1) model definition, (2) control criteria and (3) grouping these criteria.

Control criteria are grouped according to the four elements of the COCO model, as follows:
- criteria related to aim contribute to the orientation of the organisation and refer to: its objectives, risks and opportunities, policies, planning, aims and performance indicators;
- criteria on commitment contribute to the affirmation of the entity’s identity and values and refer to ethical values, integrity, human resources policies, accountability and responsibilities and reporting obligation;
- criteria on capacity contribute to the assertion of the entity components and refer to knowledge, competences, information and communication, coordination process and control activities;
- criteria on monitoring and learning contribute to the assertion of the entity’s evolution and refer to the supervision of the internal and external environment, performance monitoring,
review, reassessment of information requirements and of the related systems, control
effectiveness monitoring and assessment process;

**The comparison of the two internal control models results in the following conclusions:**

a) in keeping with the COSO model, internal control:
   - is a process implemented by all the employees of an entity;
   - is relative in character, offering a reasonable assurance in point of objectives fulfilment.

b) the COCO model provides that internal control:
   - places a higher emphasis on implementation means than on employees;
   - is relative in character, does not provide an absolute assurance, considering that it
     “helps attaining objectives”.

### 2.3 Types of internal control

Internal control may be structured according to several criteria, as follows:

a) According to the nature of the activities examined (examinations conducted), internal
   control may be classified as follows:
   - The internal administrative control – a hierarchical control, conducted by persons in
     managerial positions over subordinated compartments or persons; it is an assignment
     resulting from the job assignments and is permanently enforced;
   - The management financial control – the examination of the way legal provisions
     relating to management of material and money means, based on primary and
     accounting documents;
   - The own preventive financial control – the control enforced to prevent the conduct of
     operations infringing the legality, regularity conditions and the classification within
     the budget credits limits or credit engagements, according to case, provided by law;
   - The mutual control conducted among compartments or employees of the entity as a
     result segregation of duties, of the own objectives and of the participation to the
     generation of the same assets and information flows;
   - Self-control of employees for the activities they unfold;
   - Internal public audit;

b) According to the moment examinations have been performed, internal control is classified
   as follows:
   - Preventive control – performed before the transactions are conducted;
   - Concomitant control – performed during transactions unfolding;
   - Subsequent control – performed after the transactions have been concluded.

c) According to the domain over which it is enforced, internal control may be classified as
   follows:
   - Organisational control – the control that aims at highlighting the way the entity’s
     organisation plan is enforced, the way authority and responsibilities are allotted, the
     way the hierarchical pyramid operates;
   - Segregation of duties control – the control aiming at diminishing the risks to cumulate
     responsibility, which involves reducing possibilities that an employee fulfils more
     operations related to a transaction (authorisation, payment, management, accounting),
     a situation which would allow a person to conceal/make errors, irregularities, within
     the assignments he/she had;
   - Physical control – the control which considers management, security of assets and
     authorisation of access to assets;
   - Authorisation and approval control – the control of whether transactions are
     conducted in keeping with the decisions of entity management;
   - Arithmetic and accounting control – the control that follows whether the recording
     and processing of economic transactions was authorised, whether all transactions
     were recorded, whether recordings are exact and correct. The control includes
examination of the accuracy of arithmetic recordings and the checking of accounting
correlations (accounts, checking balances, financial statements etc.);

- **Staff control** – the control of the way recruitment, professional training and
  assessment of the professional performance correspond to the entity needs, as well as
  whether staff integrity and competence reflect the responsibilities assigned;

- **Supervision control** – the control aiming to highlight whether the persons in charge of
  supervision and recording of the daily transactions fulfil their duties.
In 2001, at the Congress of the INCOSAI it was decided to update the *INTOSAI Guidelines for internal control standards in the public sector*, initially issued 1992, by including in the document all issues relating to recent evolutions in the field of internal control and to integrate a series of the COSO model elements (*Internal control – Integrated framework*).

By integrating it in the Guidelines – a work conducted by the INTOSAI Committee for Internal Control Standards’ task force - an attempt was made that representatives of SAIs gain a consistent understanding of the way the new internal control system operates.

"*INTOSAI Guidelines for internal control standards in the public sector*” belong to the category of **INTOSAI GOV** (guidelines for good governance) and are considered extremely useful both to public sector managers, who are to implement the internal control system, and to public external auditors, who have to be acquainted with this system and assess it.

Internal control in public sector organisations should be understood in the light of its specific characteristics, such as:

- fulfilment of social and political objectives;
- the way public funds are used;
- the importance of the budgetary process;
- the accountability of public sector managers for the implementation of internal control systems.

In keeping with *INTOSAI Guidelines for internal control standards in the public sector* (INTOSAI GOV 9100), internal control is made of five interlinked component parts (identical to the ones of the COSO model):

- CONTROL ENVIRONMENT
- RISK ASSESSMENT
- CONTROL ACTIVITIES
- INFORMATION AND COMMUNICATION
- MONITORING

Internal control is designed so as to provide a reasonable assurance relating to the institution’s general objectives attainment. That is why, clearly set objectives by entity managers and proper budget planning are mandatory conditions for an effective internal control.

**The relation between general objectives and the five component parts of internal control**

There is a direct relation between the general objectives (what an institution proposes to achieve) and the five component parts of internal control (what is required in order to attain them).

The four general objectives – **accountability** (and reporting), **compliance** (with laws and regulations), **transactions** (orderly, ethical, economical and effective) and **resources safeguarding** - are represented in the chart below by **vertical columns**. The five component parts are represented by **horizontal lines**, and the institution or entity and its departments are presented by a **third dimension of the matrix**, on the lateral part.

Here are the five component parts of COSO model, taken over in INTOSAI GOV 9100
Each row representing the component parts of internal control applies to all the four general objectives set for the entity.

Internal control is relevant for the overall institution and for each individual department.

While the internal control system is relevant and applicable to all institutions, the way it is implemented by the management varies a lot in relation to the nature of the entity and depends on a series of specific factors. These factors include the organisation structure, risks genre/profile, the work environment, the size and complexity of activities and the applicable regulatory system. In relation to the specific of the institution, the management considers a series of options regarding the complexity of the process and methodologies used to enforce the component parts of the internal control system.

3.1 Control environment

The control environment includes the general attitude, the awareness raising and the measures taken by the management and by the persons in charge with governance relating to the internal control system and its significance within the entity.

The control environment sets the tone of the organisation, influencing the control conscience of its staff. It is the foundation for all the other components of internal control, providing discipline within the organisation which has to be observed and a structure of the entity, so that the internal control system may be enforced effectively.

Moreover, the internal control environment is an efficient instrument in corruption and fraud prevention.

The elements defining control environment are:
personal and professional integrity\(^2\) and ethical values (moral principles) set by the management for the overall staff, including a permanent supportive attitude toward internal control;

- a permanent commitment of management to competence at the level of all the staff;
- the “tone at the top” (management’s philosophy and operating style);
- the entity’s organisational structure;
- the human resources policies and practices.

### 3.2 Risk assessment

In keeping with INTOSAI GOV 9130\(^3\), the aim of entity risk management is to allow the management to identify the uncertainty element relating to attaining the objectives set and the risk associated to such (deciding on the actions to hedge or remove it) and have the opportunity to increase the capacity to add value or, in the terms used in the public sector, to offer more efficient, economic and effective services and to consider values such as equity and rightfulness. Risk may be associated - in the negative sense - with uncertainty, threat, obstacle or - in the positive sense - with an opportunity.

The risk management process involves:

1. **identification of risk** associated to the institution’s goals, including those due to internal and external factors, at institution level and at activity level.
2. **risk assessment**:
   - estimating risk significance;
   - assessing the likelihood of risks occurrence.
3. **assessment of the degree to which management of the institution accepts certain risks**;
4. **development of responses /setting the actions to be implemented**;

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\(^2\) Integrity – the quality involving sound moral principles; verticality, honesty and sincerity; the wish to do well, to work and live in keeping with a set of values and hopes (COSO 1992)

\(^3\) Additional data on entity’s risk management
- four types of responses to risk need to be considered: transfer, tolerance, treatment or termination. Of these, risk treatment is the most relevant since effective internal control is the major mechanism to treat risk;
- the appropriate controls to be implemented in order to avoid risk can be either detective or preventive.

Considering the latest economic developments, the most important challenge involves organisations’ finding a balance among risk, costs and value, given that **significant value for money** consists in **having as many outcomes as possible with little resources**, but which involves clearly setting key risks confronting entities.

### Aspects to be considered to balance risk, cost and value

<table>
<thead>
<tr>
<th>Does the entity management understand risks confronting it?</th>
<th>Is attention focussed on significant risks?</th>
<th>The risks undertaken reflect the set strategic objectives?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does it know key risks?</td>
<td>Are there overlapping risks?</td>
<td>Are adequate benefits obtained in the risky investments made?</td>
</tr>
<tr>
<td>Are key risks reported to management?</td>
<td>Are automated controls or manual controls used?</td>
<td>Are improvement solutions obtained following the risk management process?</td>
</tr>
<tr>
<td>Is the correct risk level accepted?</td>
<td>Is there the required combination of adequate competences attained based on correct costs?</td>
<td>Does risk management help to obtain a more rapid progress or to the slowing down of the activity?</td>
</tr>
<tr>
<td>Is it known whether own risks are adequately managed?</td>
<td>Is the technology for risk management optimized?</td>
<td></td>
</tr>
<tr>
<td>Is there a specific document relating to risk (record book)?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 3.3 Control activities

Control activities are the policies and procedures established to address risks in order to attain institutional objectives (Work significant for the entity → Objectives → Risks → Controls).

To be effective, control activities need to be appropriate, operate consistently according to plan throughout the period and be cost effective, comprehensive, reasonable and directly relate to other components of internal control.
Control activities unfold throughout the institution, at all levels and in all functions. There is a wide range of control activities that may be used to detect and prevent, such as:

1. authorisation and approval procedures;
2. segregation of duties (authorising, processing, recording, reviewing);
3. controls over access to resources and recordings;
4. verifications;
5. reconciliations;
6. reviews of operating performance;
7. reviews of transactions, processes and activities;
8. supervision.

Control activities under (1) – (3) are preventive, those under (4) – (6) are more detective, while (7) and (8) are both preventive and detective.

Preventive controls are conducted during transaction unfolding, before passing to the following stage and, as a rule, before recording the respective transaction. These controls are materialised by a signature or an endorsement affixed on the document by the persons in charge. Detection controls are conducted relating to a group of transactions of the same nature (by sampling), in order to find malfunctions in the system operation or to make sure that there are none.

Institutions need to attain the right balance between detection and preventive control activities and frequently a combination of controls is used to compensate for particular weaknesses of individual controls.

Corrective measures are a necessary complement to control activities, in order to attain objectives.

Information technology control activities

As information technology has advanced, institutions became increasingly dependent on computerized information systems to carry out their operations and to process, maintain and report essential information. Consequently, the reliability and security of IT data and of the systems that process, maintain and report this data are a major concern to both management and auditors of institutions.

Although IT systems involve specific types of control activities, information technology is not a “standalone” control issue.

Using automated systems to process information introduces several risks that need to be considered by the institution. These risks stem, among others, from:

- uniform processing of transactions;
- IT systems automatically initiating transactions;
- increased potential for undetected errors;
- the nature of hardware and software used;
- recording unusual or non-routine transactions.

For example, an inherent risk from the uniform processing of transactions is that any error arising from computer programming issues will occur consistently in similar transactions. Effective information technology controls can provide management with reasonable assurance that information processed by its IT systems meets desired control objectives, such as assuring exhaustiveness, timeliness and validity of data and preserving its integrity.

IT systems involve special types of control activities.
3.4 Information and communication

Information and communication are essential to attain all internal control objectives in an entity.

Information
Timely recording and proper classification of transactions and events represent a prerequisite of reliable and relevant information. Pertinent information needs to be identified, captured and communicated in a form and timeframe that enables staff to conduct internal control and their other responsibilities (timely communication to the right people).
That is the reason why the internal control system as such and all transactions and significant events need to be fully documented.
IT systems generate reports that contain operational, financial, non-financial and compliance-related information that make it possible to run and control the transaction. They deal not only with internally generated data, but also with information relating to external events, activities and conditions required to enable decision-making and reporting.
The management’s ability to make appropriate decisions is impacted by the quality of the information, which implies that the information should be appropriate, timely, current, accurate and accessible.

Communication
Effective communication should flow down, across and up the institution, throughout all components and the entire structure. All staff members should receive from top management the clear message that control responsibilities should be taken seriously. They need to understand their individual role within the internal control system as well as how their individual activities relate to the work of others. Effective communication with external parties is also required.

3.5 Monitoring
Internal control systems should be monitored to assess the quality of the system’s performance over time. Monitoring is unfolded through routine activities, separate evaluations or a combination of both.

i. Ongoing monitoring
Ongoing monitoring of internal control is built into normal, recurring operating activities of the institution. It includes regular management and supervisory activities and other measures taken by the staff in performing their duties.
Ongoing monitoring activities cover each component part of internal control and involve actions against irregular, unethical, uneconomical, inefficient and ineffective control systems.

ii. Separate evaluations
The scope and frequency of separate evaluations will primarily depend on risk assessment and on the effectiveness of ongoing monitoring procedures.
Specific separate evaluations cover the assessment of the internal control system effectiveness and ensure that internal control achieves the results targeted based on pre-defined methods and procedures.
Internal control deficiencies should be reported to the appropriate management level. Monitoring should ensure that audit findings and recommendations are adequately and promptly settled by internal audit function of the respective entity.

**Internal control limitations**

Internal control, no matter how well conceived and operated, can provide only a reasonable assurance and not an absolute one that the objectives of the entity have been fulfilled. The probability to fulfil them is impacted by the inherent limitations of internal control. This is due to internal and external factors which have not been and could not have been considered upon designing internal controls, such as:

- human errors: negligence, inattention, erroneous interpretations, judgement errors etc;
- abuse of authority by members of management, coordination or supervision;
- limitation of independence in the conduct of work assignments;
- frequent changes in the entity’s internal and external environment;
- inadequate control procedures;
- control procedures which have not been adapted or have been adapted and not enforced;
- internal control costs.

Internal control needs to be efficient, not to generate additional costs and allow saving material, financial and human resources.

There may also exist instances when a good internal control system has been designed, but it was wrongly understood and implemented by the parties involved (staff wrongly trained to implement internal control) or it may be formally approached. \(^4\)

In conclusion, there are many factors outside the direct influence of managerial decision or design of products or services within the entity – human errors, judgment errors, wrong decisions, lack of discipline or ill-will. That is why, a reasonable and flexible control system, which my be modified according to realities, succeeds, not absolutely, but within certain limits, to grant fulfilment of managerial objectives with a higher probability and in better conditions.

As a conclusion to the above, control activities are an integral part of internal/managerial control, based on which the entity aims at attaining the proposed goals. Control aims at enforcing internal control norms and procedures, at all hierarchical and operational levels: approval, authorisation, examination, operational performance assessment, securitisation of assets, segregation of duties.

Managerial responsibility involves accountability for the good financial management and performance at all entity levels, respectively for all five components of internal control. This also involves the fact that managers are kept to report on the actions taken and on decisions made to fulfil the objectives of the entity they manage.

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\(^4\) In keeping with ISA 240 – the risk of not detecting a material misstatements resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve sophisticated and carefully organized schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations being made to the auditor. Such attempts at concealment may be even more difficult to detect when accompanied by collusion. (…) While the auditor may be able to identify potential opportunities for fraud to be perpetrated, it is difficult for the auditor to determine whether misstatements in judgement areas such as accounting estimates are caused by fraud or error. Moreover, the risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud.
Community acquis is the set of rights and liabilities undertaken by member states of the EU, the legal norms regulating the work of European Communities and of the European Union institutions, the Community actions and policies.

It includes the following:
- the content, principles and political objectives under the initial and subsequent treaties of the European Community;
- the legislation adopted by the European Union institutions to enforce the treaties provisions (regulations, directives, decisions, opinions and recommendations);
- the case law of the Court of Justice of the European Community;
- the declarations and resolutions adopted within the European Union framework;
- the international agreement to which the European Community is a party, as well as the ones concluded among European Union member states relating to the work unfold;
- joint actions, joint positions, conventions signed, resolutions, declarations and other instruments adopted within the framework of the joint external and security policy and of the cooperation in the field of justice and foreign affairs.

Community acquis corresponding to Chapter 28 – Financial control – through the intermediary of which the PIFC concept was introduced, mainly includes public internal financial control principles, accepted internationally, complying with European principles and that need to be transposed to control and audit system of the overall public system.

As provided in the Yellow Papers of the European Commission “Welcome to the world of PIFC”, modern internal control is oriented towards transparency, clear responsibilities, standards and methodologies harmonised with the Community acquis. Transparency is the manifestation of the governance principle involving the responsibility civil society assigned to state administration to increase revenues and make expenses on its behalf/in its interest. Transparency means that decisions made and their implementation agree with the existing rules and norms, involving free circulation of information and making it available to the ones targeted by the respective decisions and by their implementation. Information is comprehensible and supplied in and by intelligible forms and means.

The Yellow Papers also provides:

“Countries that have received the status of “Candidate Country” by the European Union enter into negotiations on a number of chapters that aim at transposing the European Union “Community Acquis” into national law.

Chapter 32 (previously Chapter 28) of the Community Acquis consists in three elements: public internal financial control (PIFC), external audit and the safeguard of the European Union’s financial interests/fight against fraud. The first two elements are not covered by the European Union regulation as the Member States have always been free to make their own arrangements in the area of controlling national budgetary means. However, the management and control of EU-funds are subject to specific European Union regulations that have to be implemented by Candidate countries.

Since the accession negotiations with the EU-10 countries started around 2000, PIFC and external audit were regarded as “soft” acquis, i.e. there is no specific European Union legislation on these subjects. However, the European Institutions (Council, Parliament, Court of Auditors and the Commission) have agreed that in this Chapter, the Candidate countries have to reform their public internal control and external audit systems in such a way as to follow and implement international standards and European Union best practice.”
As a matter of principle, PIFC is a pre-accession framework model, which each country may develop in relation to its own culture, observing though the best practice in the field of public administration management. It is worth considering that the Accession Treaty is a loyalty one and involves the fact that the countries integrated in the European Union observe negotiations and focus on national public administration which is a common concern.

The same Yellow Papers defines PIFC around three pillars:

a) **managerial accountability** (to introduce financial management and managerial control systems);
b) **functionally independent internal audit** (to introduce internal audit in public entities);
c) **central harmonisation unit** (CHU) for developing methodologies and standards relating to the first two pillars (managerial accountability and internal audit).

The following stages should be considered in implementing PIFC: conceptualisation (transposing theory into concepts), development of the organisational framework, development of the legal framework and setting a staff development policy. In practice, these stages are interconnected and experience proves that PIFC implementation begins as soon as the concept has been agreed in the respective country.

As provided in the specialised literature, the duties of a central harmonisation unit are the following:

- enforce the policy in the field of internal control (the PIFC strategy document),
- make a comparative analysis of the internal control framework with the relevant international standards,
- draft the legislation and regulations in the field, in keeping with the policies set,
- coordinate managers, internal auditors and financial controllers training.

After having covered this initial stage, the persons working with the central harmonisation unit shall focus on supervising the way the new systems and structures operate, on the strengthening of the existing internal and external capacity, to support the ongoing development of the public internal auditor profession and on managers maintaining a positive attitude for a sound financial management, as well as on continuing to develop internal control standards in the public sector.

### 4.2 Organisation of public internal financial control in Romania

Before accession to the European Union, Romania adopted the Community acquis in the field of financial control, pertaining to chapter 28 of the European Accession Agreement. In the period previous to accession, Romania continued the harmonisation of national legislation with the Community acquis and the development of institutional infrastructure required to implement it, in keeping with the engagements undertaken based on the European Agreement.

The Monitoring Report of the European Commission of 2006 on the stage of preparedness of Romania to obtain the status as a member of the EU, relating Chapter 28, provides: “Romania has adopted and overall strategy to develop public internal financial control in keeping with Community standards and practices. PIFC is in the implementing process, in an advanced stage, unfolding as per the acquis. The preventive financial control has been progressively integrated in the sphere of managerial accountability.”

Romania needs to assure a rigorous financial management in all public institutions, transparency and control of European Union funds use, as well as the safeguarding of the latter’s interests, after accession as well.

Public internal financial control is implemented in the public sector to promote good governance; it includes:

- internal/managerial control,
- internal audit,
- centralised coordination and harmonisation of the above mentioned items.

"Public internal financial control is the overall internal control system in the public sector, made of control systems of public entities, of other structures habilitated by the Government and of a central unit, responsible for the harmonisation and implementation of the control and audit principles and standards".5

In keeping with the Strategy to develop public internal financial control in Romania, for the period 2010 – 2013, drafted by the Ministry of Public Finances, here are the types of public internal financial control:

- **Public internal audit**, an activity coordinated by the Ministry of Public Finances (MPF), is organized through:
  a) **The Central Unit for Public Internal Audit Harmonisation (CUPIAH)** – a specialised direction within the MPF, representing an important instrument to create and ensure a consistent framework in the field of public internal audit, in the drafting of the strategy and of the general regulatory framework, in the coordination and assessment of the public internal audit work at national level, as well as in the implementation of public internal audit missions of national interest;
  b) **The Committee for Public Internal Audit (CPIA)**, a consultative body, set up near the CUPIAH to act so as to define strategy and enhance public internal audit activity, in the public sector;
  c) **Independent public internal audit structures**, organised at the level of each public entity, directly subordinated to the latter and which, due to their competences, are not to be involved in the drafting of the internal control procedures and in the unfolding of the activities subject to internal audit.

The public internal audit operational structure set up in a public institution may be: general direction, direction, service, office or compartment. The head of this structure is appointed by the head of the public entity upon endorsement of the CUPIAO. In the instance of local public entities, which are not subordinated to other public entities and which annually unfold a budget of up to the equivalent of 100,000 EURO, internal audit is limited to regularity audit and is conducted by the internal audit territorial structures of the Ministry of Public Finances.

In keeping with applicable international standards (INTOSAI GOV 91506), internal auditors contribute to the continuance of the efficiency and effectiveness of the internal control system based on assessments and recommendations and that is why they have a key role in the good conduct of internal control and stand for its critical side.

- **The preventive financial control**, coordinated by the Ministry of Public Finances, is organised and carried out in the following forms:
  a) **the own preventive financial control (OPFC)**, is an independent activity, organized within public entities (as a general rule, within financial-accounting compartments, still the entity management may decide to extend it to other specialised compartments as well), which consists in the systematic examination of the transactions drafts which involve financial and/or patrimonial decisions. Examination covers legality, regularity and observance of the budget credits and engagement credits ceilings, according to case, set in keeping with law, relating to the transactions subject to control. The work is conducted by visa, respectively visa denial. The assessment of the activity of the person conducting OPFC work is done on an annual basis by the head of the public entity, upon agreement of the public entity which endorsed the appointment – by grades – based on the information included in the public internal audit reports and in the reports of the Court of Accounts, where applicable;

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5 Law no. 672/2002 on public internal audit, with the subsequent modifications and completions
6 INTOSAI GOV 9150 – standard included in the guidance for good governance, on the cooperation between internal and external auditors.
b) the delegated preventive financial control (DPFC) is conducted by the intermediary of the delegated controllers of the MPF, set up as a distinct compartment (within the Central Harmonisation Unit of Financial Management and Control Systems – the CHUFMCS) subordinated to the Minister of Public Finances. Delegated control is independent of the public entity’s managerial structure where it conducts the visa process. The controller conducts a re-examination of those transactions drafts considered to involve a high risk level.

The DPFC is conducted at important public institutions (main certifying officers), the State Treasury and for the transactions regarding public debt, for those financed from external funds, as well as at other public entities or private law entities which manage public funds and/or manage public patrimony or in case of high risk transactions. Currently, there are 73 certifying officers and structures within such, where preventive delegated financial control is being carried on.

Moreover, delegated control involves counselling, a reason why it issues consulting visas and it also has the role to guide and monitor the entity in the implementation of internal/managerial control.

Preventive financial control shall gradually integrate in the managerial accountability sphere, while public internal/managerial control shall ensure removing risks from public funds administration (art. 8 paragraph 4 of Government Ordinance no. 119/1999). Integrating preventive financial control in the sphere of managerial accountability and withdrawal of delegated financial controllers, as required by the European Commission, shall continue to be implemented based on the assessment made by the internal public audit function within the MPF (CUPIAH).

The financial management and control systems (FMCS) represent the set of managerial instruments implemented at the level of the whole public sector according to the hierarchical principle, which allow for the conduct of control over all kinds of transactions.

Persons managing public funds or public patrimony are to conduct a good financial management by assuring legality, regularity, economy, effectiveness and efficiency in the use of public funds and in the administration of public patrimony.

The Ministry of Public Finances is the specialised central public administration authority in charge of drafting and implementing policy in the field of internal/managerial control systems, as well as in that of financial management. The Ministry of Public Finances methodologically guides, coordinates and supervises the implementation of the internal/managerial control systems, as well as the insurance of good financial management in the use of public funds and in the administration of public patrimony.

This way, the possibility emerged that a specialised body, respectively the CHUFMCS, ensures the coordination of financial management and control systems (FMC) by:

- defining a consistent strategy in the field of FMC;
- internal control standards drafting;
- harmonising methodological norms with financial implications by including control procedures to ensure good financial management of public funds and patrimony;
- coordinating the professional training system of specialists involved in financial management and control;
- developing the system to report the results of internal control activities of public entities.

The basic internal control of public entities, includes the set of all internal control typologies which may operate within an organisation.

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7 Article 5 of Government Ordinance (G. O.) no. 119/1999 was modified by Law no. 234/2010 for the modification and completion of G. O. no. 119/1999 on internal control and preventive financial control.

8 Based on Law no. 234/2010 for the modification and completion of G. O. no. 119/1999 on internal control and preventive financial control, the phrase "internal control" is replaced with the phrase "internal/managerial control".
The CHUFMCS drafted, in keeping with the recommendations of the European Commission, a general internal control model based on the COSO one, regulated by Order of the MPF no. 946/2005 for the approval of the Internal Control Code, which comprises the standards for internal management/control at public entities and for the development of the managerial control systems. This model also represents the criteria in relation to which the quality of the internal control systems within public entities is assessed/self-assessed and risks areas and necessary change directions are identified.

The aim of the PIFC, as set by law, is to examine the legality, regularity and compliance of transactions, while identifying the weaknesses of the internal control system that generated misstatements, the irregular or fraudulent management and to propose steps to remedy them. Examinations are conducted in the following domains:

- public income (setting, recording debts and following up collections);
- public expenditure (management and use of funds to finance these expenses from the state budget, the state social assurance budget, the budgets of special funds, the state treasury budget, the local budgets, external credits funds budget, public institutions budgets etc.);
- public external funds management, reimbursable and not reimbursable, including European Union funds;
- income and expenditure of national enterprises and companies, self managed entities and commercial companies where the state or an administrative and territorial unit is a majority shareholder.

The terms making up the phrase Public Internal Financial Control System, as presented at the conference organised by the European Commission on PIFC, essentially represent:

- **the system:** the institution, the staff, the training, the methodology, the reporting, the responsibilities and the sanctions;
- **the control:** the activities involving supervision of the overall field of financial management and which allow government to control all financing actions;
- **financial:** underlines the financial character (administrative, management or budgetary) of the examined activities;
- **public:** control activities unfold in the public sector;
- **internal:** within each public entity.

PIFC shall be understood as being a part of a consistent ensemble, a wide conceptual area of public finances, which includes preparation of the national budget, budget approval and enforcement, treasury, public debt management, taxation, consolidated accounting, financial reporting, public procurement and internal control (which also includes internal audit).

The Romanian legislation (Order of the MFP no. 946/2005) took over the five elements of internal control (detailed in the previous chapter) and 25 management/internal control standards applicable to public entities were drafted based on them, as follows:

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9 The internal control standards define a minimum set of management rules which all public entities need to implement and are meant to create a consistent internal/managerial control model. The responsibility to set the internal control system rests with respective public entity management and shall be based on these standards drafted by the MPF.

10 As stated at the conference organized by the European Commission on the PIFC, the PIFC concept was adequately set, but its understanding may be limited. For it to be sustainable, the concept should be correlated with the Reform of Public Administration and with Public Financial Management. The confusion is certainly generated by the “F” letter in the PIFC, as it may give the impression that only financial compliance is required, and not also the issue of good management/value for money (performance). That is the reason why the Ministry of Public Finances cannot bear alone the responsibility for the assurance of the concept implementation success. The other ministries need to identify persons in sufficiently high managerial positions that would supervise the introduction of this concept.
MANAGEMENT/INTERNAL CONTROL STANDARDS AT PUBLIC ENTITIES
- standards lists -

- Control environment
  Standard 1 – ETHICS, INTEGRITY
  Standard 2 – DUTIES, FUNCTIONS, TASKS
  Standard 3 – COMPETENCE, PERFORMANCE
  Standard 4 – SENSITIVE POSITIONS
  Standard 5 - DELEGATION
  Standard 6 – ORGANISATION STRUCTURE

- Performance and risk management (COSO and INTOSAI GOV – Risk assessment)
  Standard 7 - OBJECTIVES
  Standard 8 - PLANNING
  Standard 9 - COORDINATION
  Standard 10 – PERFORMANCE MONITORING
  Standard 11 – RISK MANAGEMENT
  Standard 15 – HYPOTHESES, RE-ASSESSMENT

- Information and communication
  Standard 12 - INFORMATION
  Standard 13 - COMMUNICATION
  Standard 14 - CORRESPONDENCE
  Standard 16 – IRREGULARITIES NOTIFICATION

- Control activities
  Standard 17 - PROCEDURES
  Standard 18 – SEGREGATION OF DUTIES
  Standard 19 - SUPERVISION
  Standard 20 – DEVIATIONS MANAGEMENT
  Standard 21 – GOING CONCERN
  Standard 22 – CONTROL STRATEGIES
  Standard 23 – ACCESS TO RESOURCES

- Auditing and assessment (COSO and INTOSAI GOV - Monitoring)
  Standard 24 – CONTROL EXAMINATION AND ASSESSMENT
  Standard 25 – INTERNAL AUDIT

In keeping with the same document:
- **Standard title** – specifies the management domain to which the standard refers.
- **Standard description** – details the entity’s policy in the field to which the standard refers.
- **General requirements** – list the specific directions in which action is required to observe the standard.
- **Main references** – list the relevant legislative documents which include provisions applicable to the standard.

This legislative document is very significant for Romanian public entities’ managerial culture, since based on those standards it was possible to adhere to best practices and to the European values system in point of public internal financial control.

As also provided by international regulations, these internal control standards refer to a managerial approach of internal control.
Mention shall be made that small entities (commune mayoralties, territorial units of certain ministries) cannot implement all these internal control standards. This would involve introducing an ideal system supposing too high costs as compared to the values resulting from the implementation of a rigorous control system (staff: higher education graduates vs. secondary education ones).

For example, it is not reasonable to require the management of a small entity to additionally employ several persons to slightly improve the reliability of accounting data.

In keeping with the internal legislation in force and as provided by INTOSAI GOV 9100, the basic objectives of all public entities may be grouped into three categories:

- **The operational efficiency and effectiveness** – includes the objectives related to the goals/mission of the public entity and to the efficient use of financial and human resources. Moreover, the objectives to safeguard the entity’s resources from inadequate use or from loss due to error, waste, abuse or fraud as well as the identification and management of liabilities are included under this same heading;

- **The reliability of internal and external information** – includes the objectives involving adequately keeping accounting books and reliability of information used in the public entity or disseminated to third parties. In this respect, reference is made to the development and maintenance of systems for the financial and management data collection, storage, processing, updating and dissemination, as well as to systems and procedures for public information through periodical reports.

- **The compliance with laws, regulations and internal policies** – involves objectives to ensure that the public entity’s activities unfold in keeping with the obligations provided by laws and regulations, as well as with the observance of internal policies and management decisions.

Based on the legal provisions in force, the entity’s managers (certifying officers) undertake the responsibility to set objectives at all levels. Objectives setting is a balanced, downward and upward process, within which managers reflect Government priorities, but do not enjoy the flexibility to identify own objectives and the most efficient ways to attain them, while observing approved budget ceilings.

Consequently, internal/managerial control targets:

- **the general objectives** – provided by the entity’s head, in keeping with the specific work and assignments and included in a policy and strategy document, approved and disseminated to all employees.

- **the means** – represent the set of human, financial, material and informational resources, seen in close connection with the entity’s objectives.

- **the information system** - the set of operations involving information and data collection, processing, systematisation, capitalisation and dissemination;

- **the organisation** – the managerial function involving a set of measures, methods, techniques and operations through which the entity’s management sets the entity’s operational and structural components to fulfil proposed objectives and in keeping with certain principles, rules, norms and criteria. The procedures, representing the set of steps to follow, the work methods and the rules to enforce so as to fulfil activities, competences or assignments are listed under this item. Procedures may be operational (they relate to the operational aspect), decisional (they refer to competence exercise) and jurisdictional (they target commitment). Procedures shall be defined for each individual activity of the entity, integrated in the entity’s organisation system, detailed in written documents, simple, exhaustive, precise and adapted to the specific objective, regularly updated, notified to the staff involved, well understood and well enforced. Appendix no. 9 contains an operational procedure model, for exemplification purposes;

- **the control** – consists in comparing results to objectives, identifying the causes triggering the irregularities found, taking the required corrective or preventive measures.

To conclude, internal control is a process unfold by all the employees of the entity and is coordinated by the persons in charge of all compartments within an entity, based on work operational
procedures and is at the charge of the general management/certifying officer, which has to implement and monitor it.

Moreover, internal control does not diminish the accountability of each individual employee and neither does it infringe the authority of management to exercise competences and does not replace it either. The enforcement of procedures, policies, internal regulations and decision-making rests with each individual employee. Work relations of staff unfolding internal control are set within the public entity, so as to fulfil several requirements: control effectiveness, maximum capitalisation of results, confidentiality of results and secrecy keeping, risk and malfunctions prevention.

Here is a brief table comparing the component items of internal control with national legislation in the field, in keeping with COSO and INTOSAI GOV 9100, to clarify issues listed above.

<table>
<thead>
<tr>
<th>Internal control components – COSO/INTOSAI GOV 9100</th>
<th>National legislation¹¹</th>
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</thead>
<tbody>
<tr>
<td>Control environment</td>
<td>“a clear definition of responsibilities, adequate resources and procedures, information modalities and systems, adequate tools and practices”</td>
</tr>
<tr>
<td>Risk assessment</td>
<td>“a system aiming, on the one hand, at analysing the main identifiable risks in point of entity goals and on the other, at putting into place procedures to manage these risks”</td>
</tr>
<tr>
<td>Control activities</td>
<td>“adequate control activities for each process, conceived to mitigate risks susceptible to impact on the fulfilment of the entity’s goals”</td>
</tr>
<tr>
<td>Information and communication</td>
<td>“internally disseminating pertinent, reliable information, the knowledge of which enables everyone to conduct their responsibilities”</td>
</tr>
<tr>
<td>Monitoring</td>
<td>“a permanent supervision of the internal control function, as well as the examination of its operation”</td>
</tr>
</tbody>
</table>

¹¹ Section 11 – Internal control, Order of the MPF no. 3055/2009, for the approval of the accounting rules complying with European directives, with the subsequent modifications and completions.
Public internal financial control is a priority of the public external audit conducted by the Romanian Court of Accounts to find whether public managers enforce the legal provisions of the internal/managerial control system.

It is important to assess internal control (and internal audit) activities when public external auditors conduct examinations so as to ensure that both internal control and public external audit act synchronically, while observing the responsibilities set for the two parties and the independence characteristic to each.

In this respect, public external auditors should be familiar with the way in which the overall internal/managerial control system is designed and operates.

When documenting the examination actions, public external auditors collect a series of information and documents required to know/understand the work of the respective entity and the analysis of risks confronting it. This information may involve:

- the main elements of the institutional context in which the entity operates (identifying the laws and regulations applicable to the entity and the significant issues on its operation environment and conditions);
- the way the public entity is organised (obtaining the organisation chart, the organisation and operation rules, job descriptions, written procedures of the audited entity, various manuals and guidelines established in keeping with the internal control requirements);
- the list of the staff in charge of control issues;
- the identification of the documents circuit within the entity;
- the minutes of the management bodies meetings;
- the project/programme documentations;
- the previous internal and external audit reports;
- other reports, documents of habilitated institutions and organisations (e.g. Sigma).

Public external auditors need to identify the weaknesses of public institutions’ internal control system and support the internal audit structures in this respect so as to rule out these weaknesses and deficiencies (based on recommendations), assess whether the work carried out by public entities complies with specific regulations, with manuals and guidelines drafted for internal control and internal audit by the persons in charge of internal control implementation.

In this process, the Court of Accounts is interested to set up an effective internal control system in the verified entities, given that:

- this may anticipate and prevent misstatements and omissions, frauds and irregularities in a timely manner as compared to the moment a public external auditor may do it;
- the effectiveness and confidence in the operation of the internal control system may generate significant resources savings for the Court of Accounts (less time allotted for an examination, smaller auditors teams etc.).

The relevant specialised materials mention that the supreme audit institution has the competence:

- to make sure that there exist norms/regulations as a general basis to maintain an effective internal control in the public sector;
- to focus public managers’ attention on the implementation of effective internal control and on the ongoing maintenance of a positive internal control environment;

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12 SIGMA – Support for Improvement in Governance and Management – a joint initiative of the European Union and of the Organisation for Economic Cooperation and Development, mainly financed by the EU.
to highlight the importance of preventing internal control operation gaps, by asking public managers to conduct periodical self-assessments of internal control activities;

- to highlight the role of internal audit as a decisive part of the organisation of the internal control system;

- to make sure that the own institution (SAI) plays a key role in:
  a) enforcing internal control standards in public entities;
  b) supporting
  c) establishing a sound internal control environment;
  d) assessing the internal control system of the entity;

Audit objectives in the public sector often go beyond the mere statement of an opinion on financial statements, respectively whether they have been established, in all significant aspects, in keeping with the applicable financial reporting framework. For example, the obligations of public entities devolving from the applicable legislation, from various regulations, ministry directives or requirements of government policies, which may lead to the establishment of additional objectives and which may also include issues such as internal control effectiveness may be examined.

These additional objectives may lead public external auditors to an assessment of additional risks of significant misstatement (risks involving non compliance with legislative requirements or ineffectiveness of the internal control system).

The following are also relevant for public external auditors in the examinations conducted:

- assessing the way the internal control system has been drafted and establishing how it operates;

- assessing the capacity of the internal control system to prevent, identify and correct the significant errors/deviations (for example an error or a fraud between compartments/departments generates erroneous accounts and implicitly influences financial statements);

- the way the work results of the examined entity’s internal audit structure ensure a credible information basis (for public external auditors) so as to diminish the audit procedures used.

Public external auditors should consider the following when assessing the drafting and operation/implementation of internal control:

- the objective of a control work /control procedure;
- the importance of the respective control work /procedure within the overall internal control system of the entity;
- the risk which the respective control diminishes;
- the way the control is unfold;
- the frequency of the control (daily, monthly, quarterly)
- the period during which the control activity operated properly;
- the amplitude and the type of processes relating to which the control is enforced;
- whether it is established based on documents by the entity management;
- the knowledge, experience of the person carrying out the control work (whoever conducts the respective control has the required competences?);
- whether the respective internal control work has an IT component.

Public external auditors shall analyse, when assessing the work of an entity, whether the internal control requirements are observed, respectively whether managers/the persons managing public funds or the public patrimony, unfold a good financial management ensuring the legality, regularity, economy, efficiency and effectiveness in the use of public funds and in the administration of the public patrimony (e.g. – only the transactions drafts which integrally observe the legality, regularity, economy etc. requirements are subject to the approval of the certifying officer).

In this respect, the following issues should be analysed:

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13 Operation – any action having a financial and patrimonial impact
To what extent did the public entity develop and maintain systems for financial and management data and information collection, storage, processing, updating and dissemination as well as adequate systems and procedures for public information by means of periodical reports.

Whether the entity manager fulfilled the legal obligation to provide for the drafting, approving, enforcing and improving the organisation’s structures, the methodological regulations, the assessment procedures and criteria, in order to cover the general and specific internal control requirements (it will be checked whether persons in charge were appointed to draft these regulations, and so will the deadlines for the fulfilment of such).

Whether the entity managers provided for the fulfilment of the general objectives by systematically assessing and maintaining risks associated to structures, programmes, projects or transactions at an acceptable level.

Whether the entity manager provided for the existence of a cooperative attitude of the management and execution staff, which has the task to answer the requirements of the manager at any time and whether he/she has actually supported the internal control by training the staff to ensure this attitude.

Whether the manager of the entity fulfilled the legal requirement to ensure the integrity and competence of the managerial and execution staff, the knowledge and understanding of the internal control importance and role, including by training the staff in this respect.

Whether the managerial staff unfolds a permanent supervision of all activities and whether they act correctly, timely and responsibly (training the staff to unfold corrective actions) whenever violations of the legality and regularity are found in the conduct of certain transactions or in the implementation of activities in a non economic, inefficient or ineffective way.

Whether the public entity manager established the internal control specific objectives so that they are adequate, exhaustive, reasonable and integrated to the entity mission (SMART objectives) and in its overall objectives (which are integrated in the institution’s strategy and exist in the entity’s establishment deed, respectively the manager should integrate the internal control specific objectives in the overall objectives of the entity).

Whether the public manager observed the obligations provided by the internal control requirements relating to the specific objectives of the internal control, respectively:

- the timely and correct recording of all significant transactions and events;
- making sure that transactions are approved and conducted exclusively by specially habilitated persons;
- the segregation of duties, so as the approval, control and recording tasks are, to an adequate extent, entrusted to different persons;
- assuring a competent management at all levels (directions/departments/compartments);
- the access to resources and documents granted only to specific persons, answerable for their use and safekeeping.

14 SMART - specific, measurable, approachable, realistic, timely
Whether the public manager fulfilled the legal obligation to reflect internal control organisation in written documents which are timely available for examination by the habilitated persons.

Whether the preventive financial control involved a systematic examination of the transactions drafts in point of legality, regularity and observance of budget credit ceilings, of engagement credit ones, according to case, as provided by law.

Whether the public manager (together with the economic manager, the chief accountant, the head of the internal audit compartment and the preventive financial controller) fulfilled the obligation to organise and conduct the preventive financial control, respectively whether he/she fulfilled the legal duty to establish the drafts of the transactions subject to preventive financial control according to legal provisions (public external auditors should consider the fact that the **observance of the legal provisions** supposes that, before submitting the transaction drafts for the financial control visa, the strategy should be established at the level of the public entity, covering the SMART objectives for each individual compartment/direction, service, office, and that work procedures manuals per activities are in place, a risk record book is established, the mandatory minimal standards and the results and efficiency indicators are implemented and that the actions, the associated costs and the objectives set are specified).

Whether transactions, before being endorsed by the heads of the specialised compartments, receiving the preventive financial control visa and being approved by the head of the public entity, fulfilled the provisions of the legislation in the field (Government Order no. 119/1999, Order of the MPF no. 946/2005, Order of the MPF no. 1389/2006, Law no. 500/2002 on public finances, Law no. 273/2006 on local public finances). Public external auditors should consider the fact that the specialised compartments heads answer for the reality, regularity and legality of the transactions the grounding documents of which they have certified. They shall submit for visa only those drafts of transactions certified in point of legality and under their signatures.

Whether the legal structure applied the legal visa on documents observing all the legal provisions in the field. The internal control organised at the level of the public institution also includes the legality visa by the legal adviser on legal documents, before they are approved by the head of the public institution. It is mandatory to ask for this visa, but this does not involve the obligation to comply from the part of the approval competence holder. In case the latter does not answer the request, then the transaction is conducted on his/her own responsibility.

Whether the manager of the public entity, the economic manager and the chief accountant have drafted the budget project based on programmes grounded on precise objectives and results and efficiency indicators.

Whether during the transactions drafts unfolding the risk that budget funds are blocked by the habilitated bodies was avoided, as well as other major risks identified and approached based on the implementation of the internal control system.

Whether the entity manager ordered the required measures for the drafting and/or development of the internal control system including the documents for the activities procedures.

Whether the entity manager introduces the objectives, actions, responsibilities and enforcement deadlines in the managerial control systems development programmes.
Whether the public entity manager established monitoring, coordination and methodological guidance relating to the own managerial control systems, based on an internal decision deed.

Whether the public entity manager reported the progress recorded relating to the managerial control systems, as well as the special situations noticed during the monitoring, coordination and methodological guidance actions unfold by the specialised structures, to the due persons, as provided by the legislation on internal control.

Public external auditors should also consider that the person managing the public entity drafts a report on the internal control/management system on a yearly basis, which is appended to the financial statements of the concluded budget exercise.

This report is expected to trigger awareness of the institutional management at all levels relating to the responsibilities they have in implementing internal management/control standards.

It should also be known that the failure of the certifying officer to fulfil the obligations to draft and submit the annual report on the internal management/control system is a contravention, unless it is done in conditions that make it a crime, in keeping with criminal law.

Public external auditors shall cover the following stages in the internal control system assessment process:
- knowing and understanding the entity and its environment, including internal control;
- assessing internal control risk;
- testing internal control mechanisms (control tests).

To implement this assessment process, they should conduct risk assessment procedures. These are audit procedures carried out to obtain an understanding of the entity and of its environment, including the internal control.

5.1 Knowing and understanding the entity and its environment, including the internal control

According to the ISSAI 1315[16] “Identifying and assessing the risk of material misstatement through understanding the entity and its environment”:

"Auditors should obtain the understanding of the internal control relevant for the audit work. The extent to which an individual control or a combination of controls is relevant for the audit action depends on the auditor’s professional judgment”.

The essential issues that should be considered by public external auditors when they obtain an understanding of the entity and its environment are the establishment law, the regulations or other legislative requirements which may impact on the economic transactions of the entity.

Examples of issues that need consideration to obtain the understanding of the entity nature:
- activities such as:
  - nature of the income sources, of products or services,
  - the way transactions are unfold (activities subject to environment risk),
  - externalised activities (internal audit contracts),
  - research and development activities and related expenses.
- investment and investment-like activities:
  - planned procurements or recently made ones,
  - investment, titles and values assignments and loans,
  - capital investment activities.
- financing and activities:
  - debts structures and loans terms, leasing contracts,
  - usufructuaries (persons who may use assets which are owned by third parties).
- significant modifications undergone by the entity in recent/previous periods.

After understanding the work unfold by the entity, the auditor needs to know and understand well enough the internal control of the entity:

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15 Law no. 234/2010 for the modification and completion of the Government Ordinance no. 119/1999 on internal control and on preventive financial control
16 ISSAI – International Standards of Supreme Audit Institutions
- to make sure that the evidence obtained is sufficient and grounded;
- to identify the potential types of errors and frauds that may impact financial statements and to assess the risk that these may emerge;
- to assess/evaluate the control risk;
- to design effective audit tests for the information listed in the financial statements.

This involves that the auditor understands the control environment, the risk assessment procedures implemented in the entity, the information and communication system (including the accounting one) and the methods to monitor and assess the internal control system.

Furthermore, for a better understanding of the internal control, the auditor should analyse the following for each of the five components of the internal control (COSO model):

1. the way control mechanisms were drafted,
2. whether these mechanisms were in place (used).

The following procedures may be used to analyse control mechanisms drafting and implementation:

- **Updating and using the previous experience at the respective entity**

  Except for initial audits, the auditor starts the audit relating to the information on internal control accumulated in the previous missions, conducted at the respective entity and documented in the previous audit reports. This information may be updated and taken over as a starting point of the examination actions.

- **Inquiring the entity’s employees**

  This procedure may be used by asking certain employees of the examined entity, holding key positions both at execution level and at management level, fill in questionnaires.

- **Consulting procedures manuals**

  Examining grounding documents and accounting records helps the auditor understand the content of procedures manuals, because these make the information in manuals more concrete.

  At the same time, the examination of documents and records offers evidence that internal control mechanisms were put into place. The auditor may observe the entity staff both while establishing documents and records and during unfolding of accounting and control operations.

  Documentation/establishing documents relating to internal control understanding may be carried out based on one of these methods:
  
  - narrative documentation – a written description of the internal control mechanisms;
  - sequential chart – a graphical presentation of the documents and of their circuit within the entity;
  - internal control questionnaires contain questions established by auditors to clarify certain possibly inadequate issues in the control mechanisms enforcement. Based on questionnaires the auditor may conduct a rigorous and rapid analysis of each examined domain, however these do not offer an overall image of the control systems, but only of certain parts of such. Answers to questionnaires may not replace direct estimation by the auditor, conducted by findings on site, by interviews, consultation of the relevant documentation, as well as the examination of the data and information.

  Audit evidence to understand the work of the examined entity and the one for the assessment of its internal control system are obtained from the information, deeds, documents, answers to questionnaires an the statement of the auditee management, provided to the at the beginning of the mission, subsequent to the request made in this respect based on the notification, as well as during the whole control/audit mission unfolding.

5.2 Assessing the internal control environment

The assessment of the internal control environment is the first stage of control risk assessment.

The control environment, generated to a great extent by the managerial policies and by the operation style of the entity, is fundamental to control unfolding in a public entity.
That is the reason why the public external auditor needs to understand the way the entity management established and maintained a culture of honesty and ethic behaviour and whether they set up adequate controls to prevent and detect frauds and errors in an entity.

**Annex no. 1** includes the Checklist on the organisation and operation of the PIFC.

**Annex no. 2** includes a questionnaire sample (no. 1) for the internal control environment assessment.

**Annex no. 3** includes a questionnaire sample (no. 2) established to support public external auditors in the assessment of the internal control standards implementation, in keeping with the five elements of internal control (based on the Internal Control Code, approved by Order of the MPF no. 946/2005). This shall be used in relation to the size of the public entity and to the work it unfolds.

Annexes no. 1 and no. 3 are not exhaustive, they can justly undergo modifications in the sense of the limitation or increase of the number of questions, in relation to the perception and professional judgment of the public external auditor.

- In case the public external auditor decides that there exists a satisfactory control environment at the level of the entity, he/she may consider that this is a positive factor for the assessment of the significant misstatement risk, while the nature, duration and extent of additional audit procedures to be enforced is also influenced. Furthermore, a satisfactory control environment may lead to the conclusion that the fraud risk is more limited, but this is not necessarily an absolute obstacle to fraud. In this case, the prerequisite is created according to which control activities set up at the level of the entity operate efficiently in practice and the public external auditor focuses on those questions in the questionnaire (no. 2) which cover the control activities/control procedures pertaining to the economic transactions categories to be analysed. Mention shall be made that the auditor needs to select only those questions in example no. 2 which are relevant for the examined entity.

- In case the auditor establishes that the entity has a weak control environment he/she shall consider that this can undermine the efficiency of the internal control being a negative factor in the assessment by public external auditors of the significant misstatements, especially in point of fraud. Consequently, the auditor does not need to individually assess the control activities/control procedures established by the entity, because he/she shall establish the fact that the control risk is high and shall perform more detailed tests. In this case, the public external auditor needs to discuss with the entity management the weaknesses of the control environment and to make recommendations for its strengthening.

### 5.3 Assessing control risk

When public external auditors assess the significant misstatement risks and conduct an analysis of such, they need to consider audit risk\(^{17}\) and the one involved by the entity work, which result from the objectives and strategies\(^ {18}\) set up within it and which may lead to significant misstatements in financial statements (financial risk, operational risk, compliance risk).

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\(^{17}\) audit risk = inherent risk x control risk x non-detection risk. Inherent risk and control risk make up together the risk of material errors/financial inconsistencies.

Example of control risk – unoperated customers/suppliers balances, absence of supervision in the accounting function.

\(^{18}\) The entity unfolds its activity in the context of the factors pertaining to the domain of activity, of the regulation factors and of other internal and external factors. To consider these factors, the entity management defines the objectives which represent the general plans of the entity. Strategies are approaches base on which the management intends to attain the objectives. Objectives and strategies may change in time.
Public external auditors assess the potential deficiencies that may emerge in the entity’s work and in the financial statements, considering the following elements:

a. the misstatements/deviations found during the examinations made in the previous years by the bodies habilitated in this respect;
   a. the results of the internal control system assessments (control risk);
   b. professional judgment.

As mentioned in the previous chapter, the risk assessment process by the entity is a continuous one, aimed at identifying and reacting to risks and to their consequences.

In the instance of financial statements, risks include internal and external events and circumstances that may impact the entity’s capacity to launch, record, process and report information which reflect a true image.

The public management is kept to identify these risks and to assess their size and significance, to assess the probability of their emergence and to impose measures for their administration.

The auditor must understand the extent to which the entity has a process in place to:
- identify entity risks,
- estimate risks significance,
- assess the probability that they occur,
- make decisions on addressing these risks.

If the entity set up such a process, the public external auditor should understand both the process and its results.

In the opposite case, the public external auditor should discuss with the entity management the extent to which work risks were identified and the way they were addressed.

Here you have the “Elements of risks management process” to exemplify the above:

19 In keeping with the Methodology for the implementation of the internal control standards "Risk management", drafted by the Ministry of Public Finances.
I. Risk identification

Approaches

Risk self-assessment by the persons involved in the implementation of the respective objectives/activities, according to hierarchical levels, by diagnosing the risks they are confronted to on a daily basis

Risk analysis conducted by a specially set up compartment or by an external team that would assess all organisation’s activities and attach to them the corresponding risk.
II. Risk evaluation

- **Internal factors**
  - Nature of entity activity and complexity of operations conducted by employees
  - Staff qualification
  - Changes in the organisation
  - Staff performance

- **External factors**
  - Variation of economic conditions
  - Legislative modifications
  - Changes in technology

A good risk assessment involves knowing:
- The entity
- The associated risks
- The control activities in place

III. Attitude toward risk. Risk control

- **Risk tolerance**
  - Risks may be accepted without the need to take steps

- **Risk treatment**
  - Most risks are controlled so as to be treated

- **Risk transfer**
  - This is a beneficial option especially in the instance of financial or patrimonial risks

- **Ceasing of activities**
  - Certain risks may be ruled out or maintained within reasonable limits only by reducing activities or giving them up

- **Opportunities**
  - This option needs to be considered whenever a risk is tolerated, treated or transferred
IV. Monitoring, reviewing and reporting risk

Risk identification and assessment at the level of the auditee are conducted by the auditor for each economic transaction under audit.

Understanding risks confronting entity enhances the probability for the auditor to identify significant misstatements risks, since most risks pertaining to work development shall finally have financial consequences and implicitly an impact on financial statements.

Here are some examples of elements that should be evaluated:
- the way the entity analyses risks related to the conduct of own activities;
- the plans established by the entity to hedge the consequences of risk emergence;
- the management’s approach to the enforcement of the plans established to hedge the consequences of risk emergence.

Annex no. 4 lists questionnaire example no. 3 on risk evaluation process at the level of the entity.

Annex no. 5 presents a model of Risks record book, which public external auditors shall request and which helps them understand both risks identified by the entity in the conduct of their own activities and the auditor’s own perception of the control risk within the organisation.

The Risks record book is attached to the risk management process conducted by the entity in order to establish an action plan to monitor them.

Public external auditors need to consider the fact that the responsibility to establish risks record books stays to each level of the line management (specialised compartments). Thus, each chief/director should establish, for the compartment they coordinate, the own risks record book, and by centralising them, the “Risks register book at the general level of the entity” is obtained. The entity management should appoint a person in charge of establishing the entity’s Risks record book and who is also kept to systematically up-date it, at least annually.

Consequently, the public entity must have in place the “Procedure on the establishment and updating the Risks record book”. Within this procedure, public external auditors shall focus on the analysis of the “action plan to minimize inherent identified risks” and on the “Stage of implementation of the actions to minimize and assess residual risks” which are included in the
content of the Procedure annexes (which are in fact stages to be covered by the examined entity in the implementation of the procedure). Broadly, these Annexes refer to:
- the list of the activities carried out within the compartment,
- the specific objectives and the inherent risks associated to such,
- setting risk factors, weights and levels of risk appreciation,
- setting risk level and the overall risk score in the compartment work,
- the strengths and weaknesses of the work of the compartment,
- action plan to minimize identified inherent risks,
- the implementation stage of the actions to minimize and assess residual risks within the compartment,
- Risks record book model.

Each entity has certain own characteristics and in relation to its specific character, various risks may be highlighted.

As a general rule, the risk concept refers (but is not limited) to:

✓ incorrect use of financial (internal and external), human, material and technical resources;
✓ failure to enforce normally and efficiently the budget or other types of decisions;
✓ fraud and error;
✓ failure to generate/to process and to communicate timely and reliable information on the administration of material and money resources;
✓ risks related to the nature of data subject to accounting, which may be:
  * risks owed to the processing of repetitive data (purchase, sales etc.),
  * risks owed to the processing of punctual data, at certain deadlines (inventory minutes),
  * risks owed to the processing of exceptional/unusual data (re-assessments, mergers).

**Figure no. 4:** Examples of key risk categories that may emerge within an entity:

![Risk Categories Diagram]

Here are some of the risks to be considered by auditors relating to the entity’s management:

✓ they do not have the training and skills required to manage the entity;
✓ there were changes of key managers during the examination conducted by the auditor;
✓ they have the tendency to involve the entity in high risk activities or associations;
✓ risks related to the entity management attitude – hedging/increasing the risks involved by the observation of accounting rules and principles;
instances when the reported results have a personal significance for managers (for example, output related bonuses).

When the public external auditor has obtained an understanding of the internal control within the respective entity, he/she shall conduct an initial assessment of control risks. This assessment involves the conduct of specific estimates, respectively:

- **the initial estimation of the control risk**;
- **assuming that the actual control risk is smaller/bigger than the one estimated initially**;
- **setting the actual control risk level**.

The answers obtained by the public external auditor (when using example no. 2 questionnaire) are used to assess the control risk and should be a preliminary assessment evidence on the entity’s internal control system design and operation. The final assessment of the control risk shall be made when the auditor tests the internal control /the internal control procedures/activities. The auditor may reconsider the initial control risk assessment after having ascertained the way in which the internal control activities actually operate and whether they really diminish significant risks.

To conclude, if the auditor initially establishes that the control risk is low or medium, he/she shall test the control activities implemented by the entity to make sure they operate. The auditor shall obtain sufficient persuasive audit evidence, the more it relies on the effectiveness of internal control, given that there is a reversed proportionality between the degree of confidence in the internal control and the sample volume set by the auditor.

Here are some control risk assessment procedures:

- asking questions to the management and to other staff categories who, in keeping with the auditor’s judgment, hold information that may help identify significant misstatement risks due to fraud or error;
- analytical procedures;
- observation and inspection.

The initial control risk assessment expresses the extent to which the auditor expects that internal control mechanisms either do not prevent the emergence of significant misstatements, or do not detect and correct the errors that emerged. This estimation is conducted for each type of economic transaction.

In practice, the initial estimation involves considering the control environment. If managers think that internal control is not important, the probability that control activities be adequate is very low and there results a high initial risk. If the manager of the entity has a positive attitude towards internal control then the auditor shall analyse the way in which the other elements of internal control are implemented (the four remaining ones) to ground the risk estimation at medium or low level.

In practice, there are two variants in the initial risk estimation:

- the auditor estimates the initial risk at a high level, irrespective of the actual situation, so as not to proceed to initial detailed estimations, considering that it is safer/more economic to conduct a thorough audit (detail tests and analytical procedures) than to test internal control mechanisms. This type of assessment is used especially when auditing small entities, which have not implemented an adequate internal control system at standard level.
- if the auditor considers that the initial risk is low, he/she shall collect a sufficient volume of evidence to ground this judgment.

The author appreciates that the control risk is much lower than the initial estimate

After covering the first stage of the internal control system assessment (getting acquainted and understanding internal control) the auditor may reach the conclusion that he/she has identified and tested additional internal control mechanisms that would ground the reduction of the control risk estimated initially.

**Establishing the actual control risk level**

After having assessed the initial risk and analysed whether a lower control risk is possible, the auditor may decide which of these two should be used. To make this decision, the auditor shall
consider the costs of the internal control tests, as compared to the costs involved by detail tests, which shall be avoided in case control risk is diminished.

The assessment of the internal control risk involves covering the following steps:
- identifying the audit objectives for each type of economic transaction under analysis;
- identifying the internal control mechanisms, which supposes that auditors need to identify the internal control policies, procedures and activities applied to the endorsed transactions. This analysis does not necessarily involve approaching each control mechanism, but only those which the auditor considers relevant to fulfil the audit objectives;
- identifying the internal control weaknesses as a result of the absence of adequate control mechanisms, which may generate the risk that significant misstatements emerge in the financial statements. This step may be implemented by covering the following stages:
  a. establishing those internal control key-mechanisms that are missing;
  b. finding the significant mismanagement that may emerge in the absence of the key-mechanisms.

After the identification of internal control mechanisms and of the internal control system weaknesses, correlated with the identified audit objectives, the auditor can estimate the control risk. When assessing control risk for each type of transaction, the auditor looks for answers to the following two questions: (1) which is the probability that a significant misstatement may not be prevented or identified and corrected by the internal control system and (2) which is the impact of the respective misstatements. If the probability is high, then the control risk is high.

5.4 Testing control mechanisms (conduct of control test)

By testing internal control, public external auditors should obtain the confirmation of the way in which these controls have operated. Public external auditors should decide, based on their professional judgement, the number of economic transactions to examine, so as to have enough evidence to assess the proper operation of the control activities of the entity. They should focus their tests on those control activities that diminish risk and that were identified in the risk assessment stage.

Consequently, to ground the medium or low control risk level which was set initially by the auditor, the latter shall test the effectiveness of control mechanisms and whether in practice these mechanisms operate as they were designed. As mentioned previously, if the auditor set a high (maximum) control risk level, this stage (control mechanisms testing) shall no more be covered and detail tests shall be used. This stage should be covered only to confirm or contradict the internal control risk level set by examining the way control mechanisms were enforced, how they operated in the audited entity. If the auditor, following control tests, finds that they operated efficiently, he/she shall use the control risk level initially estimated.

In this respect, the public external auditor tests the controls to obtain evidence showing that they operate, respectively:

✓ the control operated adequately and without deficiencies during all the examined period (special attention should be paid to the periods in which the entity key staff was absent);
✓ the controls of all existing transactions categories operated adequately and flawlessly (special attention should be paid both to controls that concern a high number of transactions, and to controls covering those transactions which are material by context and nature);
✓ managers ordered correction of misstatements, where applicable.

20 The fundamental procedures include: detail tests (other economic transactions categories, the accounts balances and presentations) and analytical procedures.
However, if following control tests conduct there results that control activities did not operate properly or that the persons involved in their enforcement made many mistakes, then the auditor should set a higher control risk level than the initially assessed one.

Four types of procedures are used in practice to test the operation of internal control mechanisms:

a) inquiring the entity staff;

b) examining documents, records and reports; this is used for control mechanisms that result in documents;

c) observing the control related activities; it is used for control mechanisms that do not result in documents;

d) reconstructing the entity procedures involves the auditor’s re-making of the control work. This procedure generates much more conclusive and reliable evidence than the one obtained by examining documents. Auditors may combine the two procedures. Example: a certain person within the entity is appointed to endorse invoices involving purchase of works in point of compliance and reality, as an internal verification procedure, while the auditor finds out that in certain cases these invoices are not endorsed by the respective person. In this instance the auditor should reconstruct the control procedure, comparing the prices listed in the invoices with the ones provided in the purchase contracts.

Following assessment of the internal control system of the public entity under examination, public external auditors conclude whether this has been designed and operates in keeping with legal requirements, awarding grades (very well, well, satisfactory, unsatisfactory).

The following table is used to set the level of confidence public external auditors have in the internal control system of the entity under examination:
<table>
<thead>
<tr>
<th>Assessment of the internal control system before conducting control tests</th>
<th>The level of confidence in the internal control system of the entity, set after conducting control tests, in relation to the deficiencies identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>The result of the internal control system assessment</td>
<td>The grade awarded to the internal control system</td>
</tr>
<tr>
<td>The internal control system was adequately designed and operates well</td>
<td>very well</td>
</tr>
<tr>
<td>The internal control system was adequately designed and seems to operate well</td>
<td>well</td>
</tr>
<tr>
<td>The internal control system seems to have been designed adequately, but however there is a danger that these controls may fail in certain cases</td>
<td>adequate</td>
</tr>
<tr>
<td>The internal control system has not been designed and does not operate adequately</td>
<td>inadequate</td>
</tr>
</tbody>
</table>

Though the examination of public entities’ internal controls generate most of the time negative evidence, the public external auditor should also consider the possibility to bring positive evidence for the efficient operation of the internal control system. One of the possibilities would be finding out instances where misstatements or exceptions have been identified by enforcing internal controls.

Public external auditors may also consider assessing the adequate character of internal control systems may also be obtained by self-assessment, respectively self-appreciation. The specialised departments/employees may assess themselves their internal control instruments. Questionnaires, reports of the work groups and management analyses are some of the methods they may use.

The self-assessment conducted by the staff and management of the public entity may not however replace the verification conducted by the internal audit department/structure or the one conducted by public external auditors.

As mentioned before, the information obtained by the public external auditor following assessment of internal control shall be used as audit evidence meant to ground the assessment of risks at the level of the entity. All this information on the assessment of the internal control system should be included in a distinct section of the control/audit report.
The grades awarded and the levels of confidence in the internal control system represent a conclusion which results from their assessment.

The conclusions drafted by public external auditors resulting from the assessment of the internal control system organisation and operation at the level of each examined entity (including by using the charts no. 4 and no. 5 of the Regulation on the organisation and conduct of the activities specific to the Court of Accounts, as well as the follow up of the acts resulting from these activities) and the grades awarded to these systems should be uploaded in the INFOPAC application, so as to be centralised according to specialised structures and to types of entities and control/audit actions.

In case a public entity is subject to several examinations (financial audit, control, performance audit) provided in the work programme for the respective year, the assessment of the internal control system should be conducted **one single time**, as a rule, within the framework of the financial audit action.

Department I of the Court of Accounts shall unfold an analysis of the information contained in the INFOPAC and shall forward comments and, where applicable, additional instructions regarding this section to the departments and chambers of accounts, to improve the capacity to assess the internal control system of public entities by public external auditors. Furthermore, an annual report shall be drafted on the situation of the internal control system in public entities, which shall be submitted to the Parliament, Government and other stakeholders. That is why it is very important that, when conclusions are drafted by public external auditors, they include sufficient information to support an adequate analysis on the design and operation of the internal control system of the Romanian public entities.
6.1 Generals on internal audit

The conceptual framework of professional practices drafted by the IIA (the Institute of Internal Auditors of the USA) includes two large component parts, respectively Mandatory Guidance and Strongly Recommended Guidance.

The Mandatory Guidance includes:
- the Definition of Internal Auditing;
- the Code of Ethics;
- the International Standards for Internal Audit Professional Practice (Standards).

The Strongly Recommended Guidance includes:
- the Position Papers;
- the Practice Advisories;
- the Practice Guides.

The Definition of Internal Auditing: an independent, objective assurance and consulting work designed to add value and improve the organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Code of Ethics includes two main components:
- the fundamental principles for the internal audit profession and practice: integrity, objectivity, confidentiality and competency;
- Rules of conduct.

The International Standards for the Professional Practice of Internal Auditing (the Standards) include the professional guidance applicable in the professional practice of internal audit, namely:

✓ Attribute Standards (the 1000 series):
  ◆ characteristics of the organisations and parties conducting internal audit activities

✓ Performance Standards (the 2000 series):
  ◆ they describe the types of internal audit activities and offer quality criteria to assess the results

✓ Implementation Standards:
  ◆ the continuation of the Attribute and Performance Standards,
  ◆ requirements applicable to assurance (A) and counselling (C) activities.

The Position Papers: assist a wide range of interested parties, including those not in the internal audit profession, in understanding significant governance, risk, or control issues and delineating related roles and responsibilities of internal auditing. They represent the position of the IIA on the competences and responsibilities of the internal audit profession relating to a certain issue.

The Practice Advisories: do not list detailed processes and procedures, but are a guidance assisting internal auditors in enforcing the Code of Ethics and Standards and include practices relating to:

✓ specific issues at international, national level or at the level of a different sector of work,
✓ specific types of missions,
✓ legal or regulatory issues.

The Practice Guides: present in detail the unfold of certain internal audit activities, include detailed processes and procedures, as well as instruments and techniques, programmes and step by step procedures, including examples of documents that are to be forwarded to the mission’s beneficiary.
The International Standards on auditing issued by the IFAC (ISA 610) defines the internal audit function as "an appraisal work established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control".

In the national legislation, Law no. 672/2002, public internal audit is defined as “the functionally independent and objective activity, which provides assurance and counselling to the management for the good administration of public income and expenditure, improving the activities of public entities; it helps the public entity to fulfil its goals by a systematic and methodical approach, which assesses and enhances the efficiency and effectiveness of the management system based on risk management, on control and administration processes”.

The role of internal audit spectacularly increased during the latest decades due to the ever more complex activities carried on by entities. Its existence is justified by the added value obtained by diminishing or ruling out entities’ risks.

Internal audit is a structure that supports the entity management’s efforts to implement the objectives and a very important tool to improve the internal control system. It contributes to disclosing the activities/transactions elements having a special importance within the entity. It analyses the weaknesses and strengths of an entity, by considering the way the latter is managed, the organisational culture, the opportunities and threats which may have an impact on the fulfilment of the set objectives. Though internal auditors may represent a valuable resource in training and counselling, being at the same time a change fostering factor within the entity, they should not be substituted to a sound internal control system, they should not have operational or managerial duties.

For the internal audit function to be efficient, it is vital that internal audit structures operate and are organised independently, a requirement provided by the Lima Declaration. This thing supposes that the audit staff is independent both in relation to the operative departments and to the accounting department, as well as the fact that internal auditors are directly subordinated to highest possible level of authority in the entity, that is either to top management, to the audit committee or to the board of directors.

The following aspects are regulated by Law no. 672/2002 on public internal audit, with the subsequent modifications and completions:
- objectives and scope of internal audit;
- organisation of internal audit;
- types of internal audit;
- conduct of internal audit;
- statute, appointment, obligations and interdictions of internal auditors.

Internal audit of economic entities with private equity is regulated by the Emergency Government Order no. 75/1999 on financial audit work, approved by Law no. 133/2002 and modified and completed by Law no. 26/2010.

6.2 Assessment of internal audit

The objectives of the audit function are different and depend to a great extent on the size and structure of the entity. The internal audit activities may include the following issues:
- Monitoring internal control,
- Examining financial and operational information of the entity,
- Reviewing operational activities in point of economy, efficiency and effectiveness,
- Reviewing activities for compliance with laws and regulations, management policies etc.,
- Managing risk – identification and assessment of significant risk exposure and improving risk management and internal control systems,
- Assessing the governance/management process in point of the fulfilment of objectives related to ethics and values, performance and accountability, communication efficiency etc.

21 The Lima Declaration of guidelines on auditing precepts, drafted by the INTOSAI and adopted at the 9th Congres of this organisation which unfold in Lima, Chile, in 1977.
The legal entities under the examination competence of the Court of Accounts are kept to submit to the latter, in keeping with the legal provisions in force, by the end of the 1st quarter, for the previous year, the report on the conduct and implementation of the internal audit programme. These reports represent sources of information for public external auditors in the unfold of their control/audit competences.

Public external auditors need to assess the work of the internal audit function of public entities, for the following reasons:

1. internal audit is part of the internal control system;
2. the work of internal auditors may be used to obtain a part of the audit evidence required to fulfil the objectives of the public external audit mission.

In order to establish the extent to which the internal audit function can be relevant for the own work, the public external auditor needs to obtain an understanding of:

a) the nature of the responsibilities of the internal audit function and of the extent to which the internal audit function is adequate to the entity’s organisation structure;

b) The activities carried out or to be carried out by the internal audit.

The internal audit standard ISA 610 “Using the work of internal auditors” issued by IFAC and ISSAI 1610, drafted by the INTOSAI, established the objectives of the external auditor, where the entity has an internal audit function that the external auditor has determined it is likely to be relevant to the audit, are:

a) to determine whether and to what extent to use specific work of the internal auditors; and
b) if using the specific work of internal auditors, to determine whether that work is adequate for the purposes of the audit.

To determine whether and to what extent to use the work of internal auditors, the public external auditor shall establish:

- the objectives of the internal audit function;
- whether the work of the internal auditor has been conducted with due professional care (planning, supervision, existence of audit files etc.)
- whether it is likely that there is an effective communication between internal auditors and the external auditor.

To determine the adequacy of specific work performed by internal auditors for the external auditor’s purposes, the external auditor shall evaluate whether:

- the work was properly supervised, reviewed and documented;
- adequate audit evidence has been obtained to enable the internal auditors to draw reasonable conclusions;
- the causes that generated the irregularities notified by the internal auditors are actual, but are only the effects of other causes and if the latter were hedged/ruled out following the enforcement of certain corrective measures by the management;
- the recommendations made are pertinent in the given circumstances and whether the reports drafted are in keeping with the results of the activity;
- any reported finding by the internal auditor was adequately addressed by the audited organisation.

The following issues need to be considered to adequately assess the internal audit function:

- the strategic plan (three-year plan),

- the annual audit plan,

- the internal audit reports of the previous years,

- unfolding the audit work in keeping with the audit plan,

- unfolding the audit work in keeping with the audit mission programme,

- the evidence grounding the audit findings,
• conclusion on the result of the public internal audit,
• the existence and adequacy of the regulations on audit quality assurance and their implementation,

The public external auditor should analyse whether the internal audit was focused strictly on its sphere of activity, respectively:

• the financial activities conducted by the public entity,
• the establishment of public income,
• the administration of public patrimony,
• the financial management and control systems.

In order that public external auditors may use the specific work of internal auditors, they need to assess and enforce audit procedures relating to these activities, so as to establish its adequacy to the purpose of external audit.

In case the public external auditor determines that the internal audit is not satisfactory, following enforcement of audit procedures, he/she should notify the findings to the management of the entity. A conciliation meeting with the internal audit structure manager is also an option, to avoid possible perception errors by the public external auditor (good practice). Subsequently, if the public external auditor maintains the opinion on the internal audit work this shall also be mentioned in the public external audit report under the heading “internal control”.

If the work of internal auditors does not cover all domains or is not trustworthy, then the public external auditor should carry out additional work.

Annex no. 6 contains a model of a questionnaire on the assessment of the internal audit function in a public entity.

If public external auditors use the specific work of internal auditors, they need to include the conclusions on the assessment of the adequacy degree of these activities and the audit procedures used in this respect, in the audit documentation.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Audit documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding the internal audit work</td>
<td>The understanding of the internal audit function has been obtained and documented until it operates as part of the monitoring system of the internal control system.</td>
</tr>
<tr>
<td>Conduct of an assessment</td>
<td>Case 1. If it has been established that the use of the internal audit work shall have a significant impact on the audit planning and objectives, the way the work was conducted by the internal audit function shall be documented, highlighting how it influences the nature, planning and extent of the audit procedures. Case 2. The use of the internal audit specific work is not considered.</td>
</tr>
<tr>
<td>Internal audit work testing</td>
<td>Case 1. When consideration is given to using the internal audit work, the testing and assessment of the internal audit work effectiveness is documented. Case 2. The use of the internal audit specific work is not considered, so there is no testing.</td>
</tr>
<tr>
<td>Comment – internal audit is developing, in the process of recruiting new auditors</td>
<td>The internal audit work cannot be used.</td>
</tr>
</tbody>
</table>
In conclusion:

- The assessment of the internal audit function influences the conclusion on the possible use of internal audit work by the public external auditor and, consequently, triggers the modification of the nature, planning and extent of the subsequent audit procedures.
- The public external auditor enforces the following audit procedures:
  - observing the procedures carried out by internal auditors etc.,
  - interviewing on the nature of the internal audit work,
  - analysing the elements/documents which have already been examined by internal auditors,
  - reiterating audit procedures conducted by the internal auditor (e.g. testing the same controls, transactions or balances),
  - enforcing different audit procedures (e.g. testing controls, transactions or balances, other than the ones tested by internal auditors),
  - checking the internal audit work papers,
  - other relevant documents existing in the internal audit mission’s current file.

The **INTOSAI GOV 9150 Coordination and cooperation between supreme audit institutions and internal auditors in the public sector** also provides:

"In their capacity as external auditors, SAIs have the additional responsibility of evaluating the effectiveness of the internal audit function. If the internal audit is judged to be effective, the cooperation between supreme audit institutions and the internal auditor will likely benefit both parties...

When the supreme audit institution uses the work of an internal auditor, it performs procedures to obtain assurance that the internal auditor has exercised due care and complied with relevant auditing standards. The supreme audit institution may review the work of the internal auditor to satisfy itself as to its quality ...

When an supreme audit institution has determined that an entity’s internal audit function is likely to be relevant to its audit, the supreme audit institution will determine (a) whether, and to what extent, to use specific work of the internal auditors; and (b) if so, whether such work is adequate for the purposes of the audit...

The supreme audit institution has sole responsibility for audit opinions it expresses and that responsibility for audit opinions it expresses and that responsibility is not reduced by its use of the work of the internal auditor."

The same documents also describes the "**BENEFITS OF COORDINATION AND COOPERATION:**

"A range of benefits may be obtained from coordination and cooperation between supreme audit institutions and internal auditors, including:

- An exchange of ideas and knowledge;
- Strengthening their mutual ability to promote good governance and accountability practices and enhancing management understanding of the importance of internal control;
- More effective audits based on:
  - Promoting a clear understanding of respective audit roles and requirements,
  - Better informed dialogue on the risks facing the organisation leading to a more focused audit and, consequently, more useful recommendations,
  - Better understanding by both parties of the results arising from each other’s work which may have an impact on their respective future work plans and programmes.
- More efficient audits based on:
  - Better coordinated internal and external audit work resulting from coordinated planning and communication,
  - Refined audit scope for supreme audit institutions and internal auditors.

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supreme audit institution – instituții supreme de audit
• Reducing the likelihood of unnecessary duplication of audit work (economy);
• Minimizing disruption to the audited entity;
• Improving and maximising audit coverage based on risk assessment and identified significant risks; and
• Mutual support on audit recommendations which may enhance the effectiveness of audit services.

The following are also provided in the document "POTENTIAL RISKS OF COORDINATION AND COOPERATION":

"Inherent in the coordination and cooperation process are certain risks which should be managed, such:

• Any compromise of confidentiality, independence and objectivity;
• Possible conflicts of interest;
• Dilution of responsibilities;
• Use of different professional standards relating to independence of audit;
• Misinterpretation of conclusions when using each other’s work;
• Possible difference of conclusions or opinions on the subject matter;
• The possibility that potential findings of the other auditor may be prematurely communicated to an external party, before sufficient audit evidence exists to support those findings; and
• Not considering constraints or restrictions placed on the other auditor in determining the extent of coordination and cooperation.

Internal audit work in an organisation can also be performed by a service provider. In some cases the same audit firm provides both external and internal audit service. The service provider should not perform internal audit work if they are also the external auditor or if they provide non-audit consulting services to that organisation as it endangers independence and objectivity.

The external evaluation of public internal audit compartments conducted by the CUPIAH, respectively by the audit compartment/structure at a higher hierarchy level, based on the provisions of Law no. 672/2002 on internal public audit, is part of the quality programme global efficiency assessment and monitoring process, provided by the IIA standards. The main aim of the assessment conducted by the CUPIAH (at least once every 5 years) is to measure the effectiveness of the audit structure and to propose improvements. In the process of assessing the activity quality guarantee of an internal audit structure, the CUPIAH analyses each stage of the internal audit mission and looks for evidence to establish whether internal auditors within the respective entity have observed the IIA standards, the acknowledged practices in the field and the normative framework in force.

Public external auditors should also analyse the work of the Public Internal Audit Harmonisation Central Unit, both at central and at territorial level, as well as the one of the Control and Financial Management Systems Harmonisation Central Unit, to establish whether they operate within the parameters provided by the European Commission.

Central harmonisation units are the mechanisms that should promote standards on public internal financial control and should support internal control systems to enforce their role to strengthen and coordinate the public sector effort to improve economy, efficiency and effectiveness in the field of public finances.

The Yellow Book of the European Commission also provides relating to the Central Harmonisation Unit: "the Ministry of Public Finances, in its capacity as a key financial management public institution should act, through the intermediary of Central Harmonisation Units, as an interface between supreme audit institutions and the PIFC system. The close cooperation and a constructive dialogue between the supreme audit institution as an external auditor and the Ministry of Public Finances at the top of the PIFC is essential to attain a complex and efficient state budget resources management and control system. To reach and maintain such a cooperation and dialogue,
it is suggested that contacts are organised between the supreme audit institution and the Ministry of Public Finances at a high level, by a consultative work group that should meet periodically to discuss issues related to Financial Management and Internal Control as they emerge and draft the relevant solutions.”

Based on all recommendations from international bodies such as the INTOSAI, the European Commission or SIGMA, the Romanian Court of Accounts concluded with the Ministry of Public Finances a Protocol to cooperate and collaborate in the strengthening of the public internal financial control system.

Yet another Agreement for cooperation in the process to strengthen the internal audit and the public external audit functions was concluded between the Romanian Court of Accounts and the Internal Auditors’ Association of Romania.

. The legislative modifications on the internal/managerial control which emerged in 2011 will be considered upon review of this guide.

***

A series of specialised works, as well as national legislation in the field were consulted for the establishment of this guide:

- Audit – an Integrated Approach – 8th issue, Arens Loebbecke;
- Financial Audit – Theory and Practice Convergences - 2006, Tatiana Dănescu;
- Materials provided to the Court of Accounts by the Institute for Public Management and by KPMG;
- Government Ordinance no. 119/1999, on internal control and preventive financial control, re-issued;
- Order of the Ministry of Public Finances no. 946/2005 for the approval of the Internal Control Code, including internal management/control standards at public entities and for the development of managerial control systems;
- Law no. 234/2010, for the modification and completion of Government Ordinance no. 119/1999 on internal control and preventive financial control;
- Law no. 672/2002, on internal public audit, with the subsequent modifications and completions;
- Order of the Ministry of Public Finances no. 38/2003 for the approval of the General Norms on the Conduct of Public Internal Audit Activity;
- Order of the Ministry of Public Finances no. 522/2003, for the approval of the General Methodological Norms for the Conduct of the Preventive Financial Control;
- International Professional Practices Framework, The Institute of Internal Auditors, 2009;
- Ernst & Young – The Future of Risk.
## Annex no. 1

### Checklist - Organisation and Operation of the OPFC

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Questions</th>
<th>YES</th>
<th>NO</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Has the public entity management issued the decision/order nominating the persons to conduct the OPFC?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Has the order been drafted in keeping with annex no. 2 of Order of the MPF no. 522/2003?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Has the replacement or dismissal of the persons in charge with the conduct of the OPFC been enforced based on the agreement of the institution higher hierarchically?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Has the assessment of the activity of the person conducting the OPFC been unfold based on the agreement of the public entity that endorsed the appointment?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>In the instance of public entities provided under item 2.2 of the Order of the MPF no. 522/2003, have specific OPFC norms been drafted?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Have these norms been endorsed by the MPF?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Have personal seals been made for the persons empowered to conduct OPFC?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Is there a Record book listing the transactions submitted for the OPFC visa?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Are the drafts of the transactions submitted for the OPFC visa accompanied by the relevant grounding documents drafted by the specialised compartments within the entity?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Are these documents certified in point of reality, regularity and legality by the heads of the issuing specialised compartments?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Is there a chart of documents’ circuit?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Have all transactions drafts which were awarded the OPFC visa been recorded in the “Record book listing the transactions submitted for the OPFC visa”?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Have the quarterly reports on the OPFC activity been drafted and forwarded to the higher hierarchical body / the MPF in keeping with items 12.4 and 12.5 of the Order of the MPF no. 522/2003?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Have checklists been established detailing the examination objectives, for each transaction included within the entity’s specific framework?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Annex no. 2

**Example no. 1 – Questionnaire to assess the control environment**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>Questions</th>
<th>Documents grounding the answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Has the public entity established a Code of Ethics applicable to all staff?</td>
<td>Code of Ethics</td>
</tr>
<tr>
<td>2.</td>
<td>Do all employees know the provisions of the Code of Ethics and procedures to identify and report regulations infringements?</td>
<td>Reporting procedures</td>
</tr>
<tr>
<td>3.</td>
<td>Is there a procedure to assess the deviations from the Code of Ethics (irregularities/frauds), to investigate them and to enforce measures?</td>
<td>Assessment procedures</td>
</tr>
<tr>
<td>4.</td>
<td>Is the Code of Ethics reviewed and updated periodically?</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Are there procedures in place to assess the levels of competence, respectively the knowledge and skills required to fulfil tasks?</td>
<td>Assessment procedures</td>
</tr>
<tr>
<td>6.</td>
<td>Does the management at all levels have the qualification and experience required to fulfil specific tasks, as well as in the process of risk undertaking and management?</td>
<td>HR file</td>
</tr>
<tr>
<td>7.</td>
<td>Are procedures in place to delegate responsibilities?</td>
<td>Delegation procedures</td>
</tr>
<tr>
<td>8.</td>
<td>Are sensitive positions established, which are these and is there a policy in place to rotate persons working in such positions?</td>
<td>Procedures to identify and approach sensitive positions</td>
</tr>
<tr>
<td>9.</td>
<td>Is there a procedure to assign authority, authorisation hierarchies, authority hedging and of the reporting relations?</td>
<td>Reporting procedures</td>
</tr>
<tr>
<td>10.</td>
<td>Are there internal regulations drafted relating to employment, salary setting, performances assessment, sanctions for non-performance, promotion?</td>
<td>Employment, promotion, sanctioning procedures</td>
</tr>
<tr>
<td>11.</td>
<td>Are there job descriptions drafted clearly defining assignments, functions and responsibilities?</td>
<td>Job descriptions</td>
</tr>
<tr>
<td>12.</td>
<td>Is there an organisation chart which clearly defines the responsibility and authority lines?</td>
<td>Organization chart</td>
</tr>
</tbody>
</table>
### Annex no. 3

**Example no. 2 – Questionnaire to assess the internal control standards implementation in keeping with the five internal control elements**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Has a code of conduct been drafted, which sets the ethic behaviour rules to be observed in the conduct of work assignments, applicable both to management and to execution staff in the compartment?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>If the previous answer is affirmative, is it notified to the staff?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Do employees benefit from ethic counselling?</td>
<td>NA23</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Is a system to monitor the observance of the norms of conduct applied to employees?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Are duties clearly defined in an internal document of the entity?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Is the staff informed on the updated documents on: a) the main objectives (aim) of the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) the internal regulations?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) the job descriptions?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Have employees signed the job descriptions for acknowledgement?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>The tasks/assignments associated to the jobs are set in keeping with the decision-making competences involved?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Does the entity have sufficient human resources to conduct the transactions in various stages (at various levels)?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Have the requirements relating to professional responsibilities and competences for positions at various levels been set?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>The above mentioned requirements are: a) set in writing?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) approved by the entity management?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Are the above mentioned requirements periodically reviewed by the line management (heads of compartments/directions)?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Is there a staff replacement system at entity level for the instance they are absent from work (staff replacement matrix)?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Does the staff replacement system consider the qualifications, skills, technical skills, as well as the incompatibilities of the employees?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Are staff replacements recorded in writing?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Have the required knowledge and skills been analysed and established so as to fulfil the tasks/duties associated to each position?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Have the staff professional further training needs been identified?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Has a staff professional training programme been drafted?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>If the previous answer is affirmative, is the professional training programme: a) annual?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) multiannual?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Is the staff professional training programme adapted to the fulfilment of the entity’s assignments and objectives?</td>
<td>YES</td>
<td></td>
</tr>
</tbody>
</table>

23 Not applicable
<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Does the entity’s financial plan (budget) include the necessary resources to implement the professional training programme?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Does the professional training system also consider newly employed?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Does the trainer_supervisor offer on-the-spot training for the newly employed?</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Are employees assessed periodically?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Are the results of the employees’ periodical assessment documented?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Are employees informed on the results of their periodical assessment?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Are the results of an employee’s activity subject to a periodical assessment by the supervisor?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Are tasks allotted by the manager equally among the employees of a compartment?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Do managers offer relevant instructions on the activity completion?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Are employees informed systematically by the supervisor on the results and quality of their activity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Is there a written record kept at the level of the entity of the sensitive positions and of the managerial ones?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Is there an adequate policy in place to rotate employees in sensitive positions?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Is there a system in place for the supervision of employees in sensitive positions?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Is the system to supervise employees in sensitive positions documented?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>If yes, please mention the documents drafted and the periodicity of drafting.</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Have the necessary measures been taken to avoid conflict of interests?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Are employees in sensitive positions aware of the actions/activities that may go under the conflict of interest heading?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Are competences and responsibilities being delegated established and notified?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Is competence delegation/sub-delegation conducted based on specific, approved procedures?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Has the entity concluded cooperation/delegation protocols with delegated/cooperation bodies?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Does the protocol concluded with the delegated body specify:</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) the type of information and the grounding documents that have to be forwarded by the delegated body to the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) the deadline to send each item of information to the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Does the protocol contain provisions that the technical services and the internal audit structure have access to documents and procedures of the delegated body?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Have the responsibilities and obligations of the delegated body been clearly defined in the protocol, especially relating to control and examination of the compliance with laws and regulations in force?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Does the delegated body have written procedures describing the fulfilment of the delegated tasks by the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>Is the fulfilment of the delegated tasks currently and periodically controlled by the structures in charge within the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Do technical services and internal audit function assess the delegated tasks to check the compliance with the laws and regulations in force?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Does the entity inform the delegated body on the modifications to the legislation with an impact of the delegated tasks fulfilment?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Does the entity receive a confirmation relating to the fulfilment of the responsibilities and a description of the resources used from the delegated body?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>49</td>
<td>Has the entity made sure that the delegated body has efficient and adequate control systems in place to properly fulfil the tasks?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Has the organisation structure been approved based on an official document?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>Does the organisation structure provide for a clear allotment of authority and responsibility at all operational levels?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>Does the organisation structure provide for segregation of duties?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Item no.</td>
<td>General criteria to assess the standard implementation stage</td>
<td>Answers</td>
<td>Remarks</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------------------------------------</td>
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<td>---------</td>
</tr>
<tr>
<td>53</td>
<td>Does the organisation structure include an independent audit department?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>54</td>
<td>Does the organisation structure allow for an operative exchange of information within the organisation, both at horizontal and at vertical level?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>Have changes to the organisation structure been reviewed by internal audit to check compliance with the internal control system requirements?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>Are analyses conducted at the level of the main activities to identify possible malfunctions in setting individual tasks based on job descriptions and in the establishment of the compartment’s duties and responsibilities?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>Does the organisation’s structure provide for the operation of the information circuits and flows required for the supervision and completion of own activities?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**II. PERFORMANCE AND RISK MANAGEMENT**

**Standard 7 - Objectives**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>58</td>
<td>Are specific objectives set at the level of the compartment?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>Are objectives set so as to be S.M.A.R.T.? Where: S-specific; M-measurable; A-attainable; R-relevant; T-time-oriented.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>Are individual activities set for each employee so as to grant attaining the specific objectives of the compartment?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Standard 8 – Planning**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>Are resources allotted so as to provide for the activities required to attain the objectives specific to the compartment?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>62</td>
<td>In case the specific objectives are changed, are measures set up so as to avoid exceeding the allotted resources?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Standard 9 – Coordination**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>63</td>
<td>Are measures adopted to coordinate the decisions and activities of the compartment with the ones of the other compartments, so as to provide for their convergence and consistency?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>64</td>
<td>Is there a document/procedure in place listing the deadlines and the decisions coordination responsibilities, as well as the persons that have to enforce them?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>Are these measures notified to all persons that need to enforce them?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>66</td>
<td>Are assignments recorded in the job descriptions of the persons that shall enforce the respective measures?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>67</td>
<td>Is there a previous consulting at the level of the compartment to coordinate the own activity?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Standard 10 – Performance monitoring**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>Is there a performance monitoring and reporting system in place which considers the indicators associated to the specific objectives?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>69</td>
<td>Is there a re-assessment conducted of the relevance of the indicators associated to specific objectives, when necessary, so as the required corrections are made?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Standard 11 – Risk management**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>Are main risks characteristic to the activities at the levels of the compartment identified and assessed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>71</td>
<td>Are measures in place to manage risks identified and assessed at the level of the activities within the compartment?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>72</td>
<td>Are provisions made for the completion/up-dating of the risks registry book?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Standard 15 – Hypotheses, risks**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>73</td>
<td>Is specific objectives setting based on mutually agreed hypotheses/premises?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>74</td>
<td>Are specific objectives re-assessed when significant changes of the hypotheses/premises which grounded them are found?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**III. INFORMATION AND COMMUNICATION**

**Standard 12 – Information**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>Have information type, content, quality frequency, sources and addressees been established so as the management and execution staff, may fulfil their assignments based on receipt and transmission of information?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>Is information collection, processing, centralisation and storage conducted based on the information technology?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>77</td>
<td>Have documents been established to describe the way information exchanges are conducted within the entity?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no.</td>
<td>General criteria to assess the standard implementation stage</td>
<td>Answers</td>
<td>Remarks</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------</td>
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<td>---------</td>
</tr>
<tr>
<td>78</td>
<td>Do information circuits (the routes along which information circulates) insure a rapid, fluent and precise information dissemination, so that it timely reaches the end user?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>79</td>
<td>Are adequate communication channels in place by means of which managers and execution staff within a compartment are informed on the decisions/initiatives drafts or on the decisions adopted at the level of other compartments, which would impact on their tasks and responsibilities?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>Has the entity adopted the required procedures to make sure that any modification of the applicable regulations is recorded in data bases and up-dated?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>81</td>
<td>Are legislative modifications communicated at the level of the entity to implement them in procedures, instructions, checklists, and the IT system and job descriptions?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>82</td>
<td>Is the process of implementation of the alterations that occur following alterations at the legislative level adequately described and documented?</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>83</td>
<td>Has the entity organised a system: a) to internally monitor the legislative changes? b) to communicate the changes to relevant organisation units?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>84</td>
<td>Are there procedures enforced for the receipt/sending, recording, allotting and archiving correspondence?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>85</td>
<td>Are legal regulations in force on handling and archiving classified information known and enforced in practice?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>86</td>
<td>Is there a list of the persons authorised to handle and archive classified information?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>87</td>
<td>Is there a procedure in place to deal with irregularities notified?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>88</td>
<td>In case irregularities have been notified, has the head of the compartment: a) launched adequate research to elucidate them? b) enforced the required measures?</td>
<td>NO</td>
<td></td>
</tr>
</tbody>
</table>

**IV. CONTROL ACTIVITIES**

<table>
<thead>
<tr>
<th>Standard 17 – Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>89</td>
</tr>
<tr>
<td>90</td>
</tr>
<tr>
<td>91</td>
</tr>
<tr>
<td>92</td>
</tr>
</tbody>
</table>

A. Payment authorisation procedures for entities that have the following main objects of activity: payment activities representing welfare, pensions, subventions for agriculture etc.)

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>93</td>
<td>Has the entity set detailed procedures (including office instructions) for the activities and transactions it conducts?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>94</td>
<td>Do the above mentioned procedures include and describe all internal and external documents used?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>95</td>
<td>Have procedures/instructions been communicated to the employees concerned?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>96</td>
<td>Are procedures/instructions reviewed: a) periodically? b) whenever they undergo significant changes?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>97</td>
<td>Is procedures/instructions updating communicated to the employees involved in the conduct of the respective activities?</td>
<td>NO</td>
<td></td>
</tr>
</tbody>
</table>

**Physical inspections** (a component part of the authorisation procedure)

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>Has the entity adopted written procedures that would guarantee that all physical inspections are conducted in keeping with the regulated requirements?</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>99</td>
<td>Have these procedures been observed during the conduct of the on-the-spot inspections?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>Do technical services of the entity establish a report on the inspection activities conducted?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>101</td>
<td>Are required steps taken when irregularities have been found during the inspection?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>102</td>
<td>If corrective measures are taken, is this aspect recorded in a formal document (other than the report)?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>103</td>
<td>If corrective measures are taken, is this mentioned in the report?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>104</td>
<td>Is the above mentioned report promptly forwarded to the directly concerned departments?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>Item no.</td>
<td>General criteria to assess the standard implementation stage</td>
<td>Answers</td>
<td>Remarks</td>
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<tr>
<td>---------</td>
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</tr>
<tr>
<td>105</td>
<td>Is the entity management regularly informed relating to the results of the controls conducted, so that the sufficient character of controls is efficiently monitored</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td><strong>B. Payment procedures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>106</td>
<td>Are there control mechanisms in place to guarantee that only legal payments are accepted?</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>107</td>
<td>Are there control mechanisms in place to assure that all legal payments are made?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td><strong>C. Accounting procedures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>108</td>
<td>Are the accounting procedures used by the public entity in keeping with the legal provisions?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>109</td>
<td>Are adopted accounting procedures applied adequately?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td>110</td>
<td>Do accounting procedures offer assurance relating to the detection and correction of any misstatements or omissions?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td>111</td>
<td>Are the data listed in the accounting books the object of periodic examinations and reconciliations (weekly, monthly, quarterly, annually)?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td>112</td>
<td>Are all transactions recorded in the accounting books on a daily basis?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td>113</td>
<td>Are there enough resources to provide for the timely and accurate drafting of the checking balances?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td>114</td>
<td>Are the accounts balances subject to sound analysis?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td>115</td>
<td>Are there sufficient controls to ensure the timely and accurate drafting of balance sheets?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td>116</td>
<td>Is there an audit trail (the possibility to follow all transactions in all stages)?</td>
<td>YES</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Standard 18 – Segregations of duties</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>117</td>
<td>Are the launching, examination, endorsement and approval transactions separate functions and conducted by different persons??</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>118</td>
<td>Does the drafting and enforcing of procedures ensure the segregation of duties?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td><strong>Standard 19 – Supervision</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>119</td>
<td>Do managers survey and supervise the activities under their direct responsibility?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>120</td>
<td>Is supervision of activities that involve a high exposure to risk conducted based on pre-established procedures?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>121</td>
<td>Is the activity of each employee in charge of authorisation, execution or payment accounting supervised by another employee?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>122</td>
<td>Is there an official acknowledgement that this supervision has actually been conducted?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td><strong>Standard 20 – Deviations management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>123</td>
<td>Are adequate documents established, approved at the relevant level, before the transactions are conducted, whenever, due to special circumstances, deviations from the set procedures emerge?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>124</td>
<td>Is there a periodical analysis conducted of the circumstances and the way in which deviations have been managed, in order to draw good practice conclusions for the future?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td><strong>Standard 21 – Going concern</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>125</td>
<td>Are situations generating or potentially generating interruptions in the unfolding of the activity inventoried?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>126</td>
<td>Are measures set and enforced to ensure the going concern in case a situation generating interruptions emerges?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td><strong>Standard 22 – Control strategies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>127</td>
<td>Have proper control strategies been drafted to attain the specific objectives?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>128</td>
<td>Do the enforced control strategies provide a reasonable assurance relating to the attainment of the specific objectives?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>129</td>
<td>Are control strategies permanently adapted to external and internal changes which impact the activities of public entities?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td><strong>Standard 23 – Access to resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>130</td>
<td>Are administrative documents issued which regulate the compartment employees’ access to material, financial and information resources?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>131</td>
<td>Are employees informed on the administrative documents regulating employees’ access to material, financial and information resources?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>132</td>
<td>Is employees’ access to resources implemented with the strict observance of norms included in the relevant regulatory administrative documents?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td><strong>V. AUDITING AND ASSESSING</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Standard 24 – Control examination and assessment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item no.</td>
<td>General criteria to assess the standard implementation stage</td>
<td>Answers</td>
<td>Remarks</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>133</td>
<td>Does the head of the compartment conduct, on an annual basis, the self-assessment of the internal/managerial control sub-system existing at that level?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>134</td>
<td>Does self-assessment of the internal/managerial control sub-system result in pertinent data, information and findings required in the operational decision-making and reporting process?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>135</td>
<td>Does the entity conduct control activities, on-going monitoring and other tasks to ensure adequate implementation of regulations and procedures?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>136</td>
<td>Does on-going monitoring represent a component part of operational procedures relating to the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>137</td>
<td>Does the entity initiate modifications of procedures or instructions to improve control systems?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>138</td>
<td>Is there a system in place to record modifications included in the procedures manuals?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>139</td>
<td>Does the entity unfold on-going monitoring activities relating to daily operations or the control activities unfold at all levels?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>140</td>
<td>Is this monitoring process documented (is there a detailed audit trail ensured)?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>141</td>
<td>Does the entity have a record of the requests/demands/petitions and claims filed for settlement?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>142</td>
<td>Are the requests/demands/petitions and claims filed to the entity analysed and reviewed periodically?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>143</td>
<td>Are the activities conducted following requests adequately documented?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>144</td>
<td>Does the entity keep a record of the information related to irregularities/frauds?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>145</td>
<td>Are the instances of irregularities/frauds found reported and monitored?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>146</td>
<td>Are irregularities/frauds identification activities adequately documented?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>147</td>
<td>Have preventive measures been implemented relating to possible irregularities?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>148</td>
<td>Does the internal audit structure conduct counselling missions relating to the internal/managerial control sub-system?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>149</td>
<td>Is the internal audit structure sufficiently staffed to integrally implement the annual audit programme?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>150</td>
<td>Is the internal audit structure independent from other structures within the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>151</td>
<td>Does the internal audit structure report directly to the head of the entity?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>152</td>
<td>Does the internal audit structure examine:</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- the adequate character and the compliance of internal procedures adopted by the entity with internal control regulations?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- the correctness of the entity’s accounts?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>153</td>
<td>Does the internal audit structure analyse and report on a regular basis the timeliness of internal controls?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>154</td>
<td>Does the internal audit plan ensure coverage of all significant domains for a three-year period?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>155</td>
<td>Does the staff of the internal audit structure have a sufficient independence degree relating to the audited departments?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>156</td>
<td>Does the internal audit structure have audit files for all audit missions conducted?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>157</td>
<td>Does the internal audit structure draft periodical reports on the stage of the activities conducted?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>158</td>
<td>Does the internal audit structure draft periodical reports for top management on the identification of recommendations to improve the internal control system?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>159</td>
<td>Are audit plans, current files or reports obtained following audit activities conduct available to the external audit services?</td>
<td>YES</td>
<td></td>
</tr>
</tbody>
</table>

**OTHER ASPECTS/ISSUES WHICH THE AUDITEE DEEMS NECESSARY TO MENTION**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>General criteria to assess the standard implementation stage</th>
<th>Answers</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>..................................................................................</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**

The management of the examined public entity shall append any documentary evidence supporting the answers to the questionnaire and also being a useful element of the external public audit analysis.

Furthermore, please fill this questionnaire integrally and submit it by ../../....
## Example no. 3 Questionnaire on the entity risks assessment process.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a procedure been drafted on risk management at the level of the main certifying officer and of the subordinated public entities?</td>
<td>Risks management procedure</td>
</tr>
<tr>
<td>Has a list been established of the risks which may emerge in the unfolding of the entity’s activities to attain the latter’s objectives?</td>
<td>e.g.</td>
</tr>
<tr>
<td></td>
<td>– changes in economy and their impact on the entity’s activity;</td>
</tr>
<tr>
<td></td>
<td>– legislative or structural changes;</td>
</tr>
<tr>
<td></td>
<td>– staff’s lack of IT user’s skills;</td>
</tr>
<tr>
<td></td>
<td>– absence of a specialised staff;</td>
</tr>
<tr>
<td></td>
<td>– inadequate management of public funds and incorrect reporting;</td>
</tr>
<tr>
<td></td>
<td>– flaws emerging in the entity’s logistic;</td>
</tr>
<tr>
<td></td>
<td>– lack of funds for professional training;</td>
</tr>
<tr>
<td></td>
<td>– errors made due to employees’ working under the pressure of unrealistic deadlines.</td>
</tr>
<tr>
<td>Does the entity analyse the risks related to the unfolding of its own activities on a yearly basis?</td>
<td>Risk analysis reports</td>
</tr>
<tr>
<td>Does the entity draft plans to hedge the consequences of these risks emergence?</td>
<td>Plans to hedge the consequences of risks emergence</td>
</tr>
<tr>
<td>Does the entity appoint persons in charge with the enforcing of these plans?</td>
<td>Decisions to appoint persons in charge</td>
</tr>
<tr>
<td>Is the Risks register book filled in keeping with the procedure on risk management?</td>
<td>Risks record book</td>
</tr>
</tbody>
</table>
## Annex no. 5

### Risks record book (model)

<table>
<thead>
<tr>
<th>Risk area (compartment)</th>
<th>Objectives</th>
<th>Risk description</th>
<th>Circumstances fostering risk emergence</th>
<th>Persons in charge with risk management</th>
<th>Inherent risk</th>
<th>Strategy adopted (risks approach actions)</th>
<th>Internal control tools</th>
<th>Residual risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial – Accounting Compartment</td>
<td>Due and correct payment of invoices</td>
<td>Late payments and erroneous payments</td>
<td>Incomplete IT application relating to suppliers (absence of the analytical record of suppliers)</td>
<td>Head of Financial-Accounting Compartment</td>
<td>M</td>
<td>H</td>
<td>M</td>
<td>Establishing a data basis with suppliers analytical record</td>
</tr>
<tr>
<td>H.R. Compartment</td>
<td>Setting staff tasks by correctly and exhaustively drafting job descriptions</td>
<td>Failure to adequately fulfil job duties</td>
<td>Impossibility to establish the accountable persons</td>
<td>Deficiencies in the drafting of job descriptions</td>
<td>Head of H.R. Compartment</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>H.R. Compartment</td>
<td>Compatibility between professional competence and tasks</td>
<td>Failure to adequately fulfil tasks</td>
<td>Deficiencies in the selection process. Absence of a professional training programme</td>
<td>Head of H.R. Compartment</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>Risks approach</td>
</tr>
<tr>
<td>Public Procurement Compartment</td>
<td>Drafting the public procurement plan and following the award procedures</td>
<td>Non-observance of the necessity and timeliness criteria, respectively non-observance of law in selecting the award procedures</td>
<td>Insufficient, incomplete analyses of the investment requirements</td>
<td>Head of Public Procurement Compartment</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>Risks approach</td>
</tr>
<tr>
<td>Taxes and Charges Compartment</td>
<td>Record keeping and surveying taxes and charges collection</td>
<td>Diminishment of income collected by the local budget</td>
<td>Incomplete records of taxpayers and of the taxable base</td>
<td>Head of Taxes and charges Compartment</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>Risks monitoring</td>
</tr>
<tr>
<td>Social welfare Compartment</td>
<td>Record of persons benefiting from social welfare</td>
<td>Payment of social welfare premiums to persons who are not entitled to it</td>
<td>Superficial or missing social inquests</td>
<td>Head of Welfare Compartment</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>Risks monitoring</td>
</tr>
<tr>
<td>Patrimony Compartment</td>
<td>Setting a data basis with the entity’s patrimony and record keeping of such</td>
<td>Alienation of goods belonging to the entity’s patrimony</td>
<td>Incomplete inventory of the patrimony</td>
<td>Head of Patrimony Compartment</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>Risks approach</td>
</tr>
</tbody>
</table>

**Legend:** L=low; M=medium; H=high

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**Questionnaire on internal audit activity assessment in public entities**

<table>
<thead>
<tr>
<th>Item no.</th>
<th>Objective</th>
<th>Answer</th>
<th>Explanations/documents grounding the answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Is an internal audit compartment organised within the public entity? If not, which are the causes and how is the internal audit function conduct insured?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Is the internal audit compartment part of a structure having internal control tasks?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Has the appointment/dismissal of the head of the internal audit compartment been made based on the previous visa of the CUPIAH/of the hierarchically higher body?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Was the appointment/dismissal of internal auditors made based on the previous visa of the audit compartment head?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Have own methodological norms and the Internal Audit chart been drafted?</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Have these norms been endorsed by the CUPIAH/the hierarchically higher body?</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Has the internal audit strategic plan been drafted (for a three-year period)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Has the annual internal audit plan been drafted?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Is the drafting of the internal audit plans based on an analysis of the risks associated to the entity’s activities?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Is the selection of the missions included in the annual plans made in relation to the size of the risks associated to the activity?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Have all missions been included in the annual plan conducted in the financial year under examination? If not, what is the fulfilment percent and which were the causes of the failure to fulfil it?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Have there been recommendations not endorsed/not undertaken by the head of the entity?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>If the answer is affirmative, which are the recommendations not undertaken?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>In the instance of the recommendations not undertaken, has the CUPIAH/the hierarchically higher body been informed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Have internal auditors been involved in non-audit actions (inspections, theme examinations etc.)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Is there a system in place to periodically follow up the implementation of the recommendations included in internal audit reports?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Have there been instances of limitation or interference in the internal audit activity?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Have annual activity reports been forwarded to the CUPIAH/the hierarchically higher body (and the Court of Accounts, beginning with the activity pertaining to 2009)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Have missions been conducted to assess the degree of implementation of the managerial control system in the entity?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Head of Internal Audit Compartment/Internal auditor,*  
.................................................
## List of procedures (examples) according to domains of activity

<table>
<thead>
<tr>
<th>Item no.</th>
<th>Field</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Audit</td>
<td>Risk management procedure</td>
</tr>
<tr>
<td>2.</td>
<td>Audit</td>
<td>Internal audit procedure</td>
</tr>
<tr>
<td>3.</td>
<td>Audit</td>
<td>Counselling activity procedure</td>
</tr>
<tr>
<td>4.</td>
<td>Legal</td>
<td>Contentious-administrative cases management procedure</td>
</tr>
<tr>
<td>5.</td>
<td>Contentious</td>
<td>Legal visa award procedure</td>
</tr>
<tr>
<td>6.</td>
<td>H. R.</td>
<td>Conflict of interests avoidance procedure</td>
</tr>
<tr>
<td>7.</td>
<td>H. R.</td>
<td>Professional training procedure</td>
</tr>
<tr>
<td>8.</td>
<td>H. R.</td>
<td>Staff recruitment and selection procedure</td>
</tr>
<tr>
<td>9.</td>
<td>H. R.</td>
<td>Professional performance assessment procedure</td>
</tr>
<tr>
<td>10.</td>
<td>H. R.</td>
<td>Sensitive positions policy standard procedure</td>
</tr>
<tr>
<td>11.</td>
<td>H. R.</td>
<td>Staff movement management procedure</td>
</tr>
<tr>
<td>12.</td>
<td>Internal</td>
<td>Classified information procedure</td>
</tr>
<tr>
<td>13.</td>
<td>Security</td>
<td>Archiving procedure</td>
</tr>
<tr>
<td>14.</td>
<td>Public</td>
<td>Public relations activity procedure</td>
</tr>
<tr>
<td>15.</td>
<td>IT</td>
<td>IT security plan procedure</td>
</tr>
<tr>
<td>16.</td>
<td>IT</td>
<td>Users’ accounts administration procedure</td>
</tr>
<tr>
<td>17.</td>
<td>IT</td>
<td>Security policy procedure</td>
</tr>
<tr>
<td>18.</td>
<td>IT</td>
<td>IT strategy procedure</td>
</tr>
<tr>
<td>19.</td>
<td>Car fleet</td>
<td>Car fleet maintenance procedure</td>
</tr>
</tbody>
</table>
General norms framework of the PIFC

1. Accounting law no. 82/1991, re-issued;
2. Law no. 94/1992 on the organisation and operation of the Romanian Court of Accounts, re-issued;
3. Law no. 90/2001 on the organisation of the Government of Romania and of ministries;
4. Law no. 215/2001 on the local public administration, re-issued;
5. Law no. 672/2002 on internal public audit, with the subsequent changes and completions;
6. Law no. 500/2002 on public finances, with the subsequent changes and completions;
7. Law no. 340/2004 on the prefect institution, re-issued;
8. Law no. 273/2006 on local public finances, with the subsequent changes and completions;
9. Law no. 195/2006 the Framework-law on decentralisation;
10. Law no. 69/2010 on the tax-budgetary accountability;
11. Government Ordinance no. 119/1999 on internal control and preventive financial control, re-issued;
12. Government Ordinance no. 79/2003 on the control and recovery of Community funds, as well as of pertaining co-financing funds used inadequately, with the subsequent changes and completions;
13. Government Ordinance no. 81/2003 on the re-assessment and harmonisation of fixed assets belonging to the public institutions patrimony, with the subsequent changes and completions;
14. Government Emergency Ordinance no. 2/2010 on certain measures for the organisation and operation of the Government’s work body and for the documentation of certain norms;
15. Government Decision no. 235/2003 for the approval of the Norms on the appointment of the Public Internal Audit Committee Members;
17. Government Decision no. 457/2008 on structural instruments coordination and management institutional framework;
18. Government Decision no. 34/2009 on the organisation and operation of the Ministry of Public Finances, with the subsequent changes and completions;
19. Order of the MPF no. 1.792/2002 for the approval of the Methodological Norms on the engagement, liquidation, ordering and payment of public institutions expenses, as well as the organisation record keeping and reporting of budget and legal engagements, with the subsequent changes and completions;
20. Order of the MPF no. 38/2003 for the approval of the General Norms on the conduct of the internal public audit activity;
22. Order of the MPF no. 769/2003 for the approval of the procedure to endorse the appointment/dismissal of the heads of public internal audit compartments of public entities;
23. Order of the MPF no. 252/2004 for the approval of the Code on the ethical conduct of internal auditors;
24. Order of the MPF no. 445/2004 for the approval of own Norms on the conduct of public internal audit within the Ministry of Public Finances;
25. Order of the MPF no. 946/2005 for the approval of the Internal control Code, which includes management/internal control standards relating to public entities and for the development of the managerial control systems development, with the subsequent changes and completions;
26. Order of the MPF no. 1.917/2005 for the approval of the Methodological Norms on the organisation and conduct of public institutions accounting, the Accounts plan for public institutions and the instructions for the latter’s implementation, with the subsequent changes and completions (Order of the MPF no. 556/2006, Order of the MPF no. 2.169/2009, Order of the MPF no. 529/2009);
27. Order of the MPF no. 1.954/2005 for the approval of the Classification of the indicators relating to public finances, with the subsequent changes and completions;
28. Order of the MPF no. 139/2006 on the establishment of the Commission for the monitoring, coordination and methodological guidance of the MPF managerial control system development, with the subsequent changes and completions;
29. Order of the MPF no. 1.702/2005 for the approval of the Norms on the organisation and conduct of the counselling activity unfold by internal auditors within public entities;
30. Order of the MPF no. 538/2008 for the approval of the System Procedure on PS-12 risk management;
31. Order of the MPF no. 2.426/2008 for the approval of the operational procedures on: “The organisation and conduct of the delegated preventive financial control”; “The organisation and conduct of monitoring at the level of public entities where preventive control was integrated in the sphere of managerial accountability”; Issuing the agreements MPF – CHUFMCS on the appointment, suspension, dismissal or change of the staff unfolding own preventive financial control activities”; “Issue of the visas MPF – CHUFMCS on the specific methodological norms on the organisation and unfold of the own preventive financial control”; “The reporting and analysis system relating to the results of the actions to introduce the financial management system and control at the level of public institutions, reviewed in 2009.
LIST OF OPERATIONAL PROCEDURES (OP) – PUBLIC PROCUREMENT SERVICE

<table>
<thead>
<tr>
<th>OP No.</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Procedure on the drafting and up-dating of the Annual Procurement Programme (model below);</td>
</tr>
<tr>
<td>02.</td>
<td>Procedure on the enforcement of the negotiation procedure without the previous issue of a participation notice;</td>
</tr>
<tr>
<td>03.</td>
<td>Procedure on the enforcement of the negotiation procedure with the previous issue of a participation notice;</td>
</tr>
<tr>
<td>04.</td>
<td>Procedure on the enforcement of the restricted tender;</td>
</tr>
<tr>
<td>05.</td>
<td>Procedure on the enforcement of the open tender;</td>
</tr>
<tr>
<td>06.</td>
<td>Procedure on the enforcement of the competitive dialogue;</td>
</tr>
<tr>
<td>07.</td>
<td>Procedure on direct purchase;</td>
</tr>
<tr>
<td>08.</td>
<td>Procedure on the enforcement of the invitation to quote;</td>
</tr>
<tr>
<td>09.</td>
<td>Procedure on the settlement of claims submitted in keeping with the Law on the contentious administrative, against the documents issued relating to the procedures on public procurement contracts award;</td>
</tr>
<tr>
<td>10.</td>
<td>Procedure on the relations to the C.N.S.C\textsuperscript{24} for the settlement of the claims submitted on administrative – jurisdictional way against the documents issued relating to the procedures for the award of public procurement contracts.</td>
</tr>
</tbody>
</table>

\textsuperscript{24} The National Council for Claims Settlement
OPERATIONAL PROCEDURE
on the annual procurement programme drafting and updating

1st Issue, dd.mm.yyyy, Review 0

Checked
Commission Secretariat

Drafted
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Title page form

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Procedure analysis form

Procedure dissemination list

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## CHANGES RECORD FORM

<table>
<thead>
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<th>Item no.</th>
<th>ISSUE No.</th>
<th>Date</th>
<th>REVIEW No.</th>
<th>Date</th>
<th>Page</th>
<th>CHANGE DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I</td>
<td></td>
<td>0</td>
<td></td>
<td></td>
<td>First version drafting</td>
</tr>
</tbody>
</table>

Compartment head signature
1. Aim
The procedure establishes a unique mode to launch, draft and approve the Public Procurement Annual Programme, a document representing a budgetary expenditure planning and monitoring tool used within the framework of the public entity’s managerial control system.

2. Scope
This procedure has been established to promote transparency in the budgetary planning and execution by setting a consistent way to draft the Public Procurement Annual Programme, which includes all public procurement contracts and the framework agreements to be awarded (concluded) during the following budget year.

3. Reference documents
Law no. 500/2002, modified and updated, on public finances;
Government Emergency Ordinance no. 34/2006, modified and updated, on the award of public procurement contracts, of the public works assignment contract and of the services assignment contracts, approved based Law no. 337/2006 with the subsequent modifications and completions;
Government Decision no. 925/2006, modified and updated, for the approval of the norms to enforce the provisions relating to the award of public procurement contracts of Government Emergency Ordinance no. 34/2006 on the award of public procurement contracts, of the public works assignment contract and of the services assignment contracts

4. Definitions and abbreviations
A.P.P.P. = Annual Public Procurement Programme
P.P. = Public Procurement
P.P.S. = Public Procurement Service
F.A.S. = Financial Accounting Service
I.D. = Investment Direction
E.D. = Economic Direction

5. Procedure description
This part of the procedure description may be narrative in kind (logical and chronological listing of the steps to be followed to fulfil the assignments and duties, considering responsibility undertaking) or under the form of a table – including in a table the same elements of the procedure (steps, person(s) in charge, deadline).

5.1. Narrative description
The Annual Public Procurement Programme (A.P.P.P.) is established each year, in a first form in the period October-December and is finalised after approval of the public entity’s budget, in January the following year, as a general rule.

The A.P.P.P. is established considering the objective necessities for products, works and services, as well as the priority of these requirements. Thus, these requirements, as well as their priority are notified to an appointed person in charge within each direction/department of the institution by filling in the document called Purchase Requisition and forwarding it to the public procurement structure (Service, in this instance).
Following consultations, the person in charge within the P.P.S. and the appointed person in charge within the specialised compartment set the final form of the Purchase Requisition document. The P.P.S. identifies the objective requirements and their priority and establishes, considering the anticipations relating the budget funds, a first version of the Annual Public Procurement Programme, by cumulating the Purchase Requisition forms forwarded by each compartment of the institution.

Anticipations relating to funds to be allotted by means of the annual budget, based on requirements, are forwarded by the budget responsible within the Financial-Accounting Service, as soft or hard copies, under signature, to the person in charge within the Public Procurement Service.

The annual programme is drafted within the P.P.S., checked by the head of the P.P.S., endorsed by the Director of the Economic Direction and approved by the main Certifying Officer or by the person to whom this competence has been delegated.

The A.P.P.P. may subsequently be modified/completed if there are requirements which have not been included initially. Including the latter in the programme depends on the provision of financing sources.

5.2. Table-like description

See next page.

---

25 Funds identification represents the operation to ensure the financing required to complete the contract. The following possible financing sources are considered, according to case: state budget, local budget, Community funds, funds from international financial bodies, bank credits, grants, sponsors and other attracted sources.

26 In keeping with art. 20, paragraph (2) of Law 500/2002 on public finances, with the subsequent modifications and completions.
<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Person(s) in charge</th>
<th>Term (days)</th>
<th>Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Drafting the Information Note listing instructions and terms to fill in the Purchase Requisition form relating to the products, services, works to be procured the following budget year</td>
<td>The employee in charge of drafting the A.P.P.P. within the P.P.S.</td>
<td>1</td>
<td>Procurement requisition model</td>
</tr>
<tr>
<td>2</td>
<td>Forwarding the Information Note to the head of the P.P.S. for analysis and approval</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Analysis and approval of the Information Note, as well as of the Purchase Requisition model</td>
<td>Head of the P.P.S.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Recording the Information Note in the Correspondence Record Book of the P.P.S.</td>
<td>The employee in charge of correspondence forwarding/collection within the P.P.S.</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Forwarding the Information Note to the specialised directions/ compartments</td>
<td>The employee in charge of correspondence forwarding/collection within the P.P.S.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>6*</td>
<td>Collecting and recording the Information Note in the Correspondence Record Book of the specialised directions/ compartments</td>
<td>The employee in charge of correspondence forwarding/collection within the specialised directions/compartments</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>7*</td>
<td>Forwarding the Information Note to the employees having competences to fill in and ground the Purchase Requisition form within specialised directions/compartments for analysis and settlement</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Identifying and centralising the specialised direction/compartment operation requirements for the following year</td>
<td>The employees in charge of drafting the Purchase Requisition form within specialised directions/compartments</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

**Detailed presentation:** Establishment of the Purchase Requisition form on the products, services, works for the following budget year, also prioritising them.

The Purchase Requisition form should also consider the analysis of each identified requirement, listing:

- where, why and when;
- consistency with the general objectives of management policy;
- whether there are new requirements or whether they ensure the replacement or enhancement of the existing resources;
- whether they involve use of existing resources.
- the Purchase Requisition form shall include/append:
  - products, works, services names;
  - all data that provide a most precise description/characterisation of the products, works, services;
  - the estimated value of the products, works, services;
  - the date when the products, works, services are required.

9* Forwarding the Purchase Requisition form for analysis and approval to the heads of the specialised directions/compartments | The employees in charge of drafting the Purchase Requisition form | - |
<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Person(s) in charge</th>
<th>Term (days)</th>
<th>Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Analysing and approving the Purchase Requisition form</td>
<td>Manager/Head of specialised compartment</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Forwarding the Purchase Requisition form to the Public Procurement Service</td>
<td>The employee in charge of correspondence forwarding/collection within specialised directions/compartments</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Collection/recording/forwarding the Purchase Requisition forms to the person(s) competent to centralise data sent by the specialised directions/compartments</td>
<td>The employee in charge of correspondence forwarding/collection within the P.P.S.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Centralising data on the required products, works, services for the following budget year sent by the specialised directions/compartments</td>
<td>The employee in charge of drafting the A.P.P.P. within the P.P.S.</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Requiring in writing the Accounting-Financial Service the anticipations relating to the funds(^{27}) to be allotted based on the annual budget</td>
<td>The employee in charge of drafting the A.P.P.P. within the P.P.S.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Forwards the P.P.S. hard and soft copies the anticipations relating to the funds to be allotted by means of the annual budget</td>
<td>The employee in charge of the F.A.S.</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Collecting the anticipations relating to the funds to be allotted by means of the annual budget</td>
<td>The employee in charge of drafting the A.P.P.P. within the P.P.S.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Re-analysing data in the light of the information obtained from the F.A.S.</td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Consulting with the specialised directions/compartments to complete the Purchase Requisition of each compartment</td>
<td>The employees in charge of drafting the A.P.P.P. within the P.P.S. and the appointed persons in charge within specialised directions/compartments</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Completion of the A.P.P.P. draft for the following budget year, considering the following:</td>
<td>The employees in charge of drafting the A.P.P.P. within the P.P.S.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- the objective requirements for products, works, services;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- the prioritisation of these requirements;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- the anticipations relating to the funds to be allotted based on the annual budget;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- the conclusions of the consultations with the appointed persons in charge within specialised directions/compartments.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>For each individual contract, consideration shall be given to the following:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- establishing the most competent person who shall be appointed in charge to award the contract (and implicitly, chairman of the assessment commission);</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- selecting the type of award procedure – setting and taking down the reasons that shall ground the establishment of the next grounding note on procedure selection (a key instrument of the procurement file);</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- setting the calendar of the contract award procedure.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Forwarding the A.P.P.P. draft for analysis and endorsement</td>
<td>The employee in charge of drafting the A.P.P.P. within the P.P.S.</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

\(^{27}\) Funds identification represents the operation to ensure the financing required to complete the contract. The following possible financing sources are considered, according to case: state budget, local budget, Community funds, funds from international financial bodies, bank credits, grants, sponsors and other attracted sources.
<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Person(s) in charge</th>
<th>Term (days)</th>
<th>Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Recording the A.P.P.P. draft</td>
<td>A.P.P.P. within the P.P.S.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 22   | Completion of the A.P.P.P., after budget approval, in relation to the following:  
- approved funds;  
- possibility to attract other funds.  
*One of the most frequent modifications within the A.P.P.P. is made by removing from the programme certain products/services/works for scarcity of approved funds (upon notification of the respective compartments).* | The I.D. Director  
Heads of the specialised directions/compartment  
The Head of the P.P.S.  
The employee in charge of drafting the A.P.P.P. within the P.P.S. | 1           |          |
| 23   | Forwarding the A.P.P.P. to the Economic Direction for analysis and endorsement                                                                                                                                  | The employee in charge of correspondence forwarding/collection within the P.P.S.     |             |          |
| 24   | Analysis and endorsement of the A.P.P.P.                                                                                                                                                                          | Economic Director                                                                   | 1           |          |
| 25   | Forwarding the A.P.P.P. to the certifying officer/manager of the public entity for a final analysis and approval                                                                                                  | The employee in charge of correspondence forwarding/collection within the E.D.      |             |          |
| 26   | Acceptance and recording of the A.P.P.P.                                                                                                                                                                          | The employee in charge of correspondence forwarding/collection                      |             |          |
| 27   | Analysis and endorsement of the A.P.P.P.                                                                                                                                                                          | Certifying officer                                                                  | 1           |          |
| 28   | Forwarding the approved A.P.P.P. to the P.P.S. and to the directions/compartment with implementation/monitoring and control competencies                                                                          | The employee in charge of correspondence forwarding/collection                      |             |          |
| 29   | Accepting the approved A.P.P.P. by the competent the directions/compartment                                                                                                                                     | Certifying officer                                                                  |             |          |
| 30   | Forwarding the A.P.P.P. against signature to all persons with competences in its implementation, monitoring and control within the respective directions/compartment                                                | The employees in charge of correspondence forwarding/collection of the specialised directions/compartment |             |          |

**II. UPDATING THE ANNUAL PUBLIC PROCUREMENT PROGRAMME**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Person(s) in charge</th>
<th>Term (days)</th>
<th>Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Identifying and drafting the Purchase Requisition form relating the products/services/works which were not initially included in the A.P.P.P.</td>
<td>The employee in charge within the specialised compartment</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Forwarding the Purchase Requisition form to the Financial-Accounting Service to analyse the financing possibility</td>
<td>The employees in charge of correspondence forwarding/collection within specialised directions/compartment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Analysis and endorsement of the Purchase Requisition form, according to case, in the sense of mentioning whether there exist adequate financing sources</td>
<td>The employee in charge within the Financial Accounting Service</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Forwarding the certifying officer/the manager of the public entity the A.P.P.P. with the modifications subject to approval, for analysis and approval</td>
<td>The employee in charge of correspondence forwarding/collection of the F.A.S.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step</td>
<td>Description</td>
<td>Person(s) in charge</td>
<td>Term (days)</td>
<td>Document</td>
</tr>
<tr>
<td>-------</td>
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<td>---------------------</td>
<td>-------------</td>
<td>----------</td>
</tr>
<tr>
<td>35-39</td>
<td>(Operations under steps 26-30 are reiterated)</td>
<td></td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:**
1) The steps marked “*” belong to the internal procedure of other directions/compartments, which means that they should be part of internal procedures of these directions/compartments, but which have been addressed within this operational procedure to have a smooth flow of data and information required for the analysis of this activity (*Drafting and updating the Purchase annual Programme*).
2) «Days» are calendar days.
6. Responsibilities

a) Head of the beneficiary direction or compartment:

- All steps to be covered by the procedure to attain the specific activity results have been correctly identified;
- The legal instruments covering the activity described by the procedure and the legal terms have been correctly identified;
- The terms set by the procedure are feasible;
- The time required by the staff to fulfil the tasks provided by the procedure has been correctly estimated;
- All potential and relevant risks that may emerge during the procedure steps have been identified;
- The procedure observes the quality standards provided by the Order of the MPF no. 946/2005.

b) Other directions/compartments the activity domain of which is covered by the procedure:

- All steps to be covered by the procedure to attain the specific activity results have been correctly identified;
- The legal instruments covering the activity described by the procedure and the legal terms have been correctly identified;
- The terms set by the procedure are feasible;
- The time required by the staff to fulfil the tasks provided by the procedure has been correctly estimated;
- All potential and relevant risks that may emerge during the procedure steps have been identified;
- The procedure observes the quality standards provided by the Order of the MPF no. 946/2005.

c) The Commission for Managerial Control Development Monitoring, Coordination and Methodological Guidance:

- The procedure observes the standard form and structure. The legal instruments covering the activity described by the procedure and the legal terms have been correctly identified;

d) The Secretary General (the Chairman of the Commission for Managerial Control Development Monitoring, Coordination and Methodological Guidance):

- Analysis of the procedure and approval of its listing on the agenda of the Monitoring, Coordination and Methodological Guidance Commission for Managerial Control Development.

7. Forms

F-PO-00.01 – Title page
F-PO-00.02 – Contents page
F-PO-00.03 – Modifications record form
F-PO-00.04 – Procedure-proper form
F-PO-00.05 – Procedure analysis form
F-PO-00.06 – Procedure dissemination list
Legend 00 = reviews number

8. Annexes

………..

28 The name of the direction/compartment shall be mentioned. These verification criteria shall be included in the Check list, for each individual compartment. The endorsement by these directions/compartments shall be considered especially in the specific activity domain for which they are in charge.
## Procedure Analysis Form

<table>
<thead>
<tr>
<th>Compartiment</th>
<th>Head of Compartiment - Name</th>
<th>Replacement /Delegated person – Name</th>
<th>Favourable opinion</th>
<th>Unfavourable opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Procurement Service</td>
<td></td>
<td></td>
<td>Yes</td>
<td>Signature</td>
</tr>
<tr>
<td>Investment Direction</td>
<td></td>
<td></td>
<td></td>
<td>Date</td>
</tr>
<tr>
<td>Economic Direction</td>
<td></td>
<td></td>
<td>Remarks</td>
<td>Signature</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Date</td>
</tr>
</tbody>
</table>

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F-PO-00.05 Ed. I
## Procedure Dissemination List

<table>
<thead>
<tr>
<th>No. copies</th>
<th>Compartment</th>
<th>Name</th>
<th>Date of receipt</th>
<th>Signature</th>
<th>Withdrawal date</th>
<th>Procedure coming into force date</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Public Procurement Service</td>
<td>XXXXXXXX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Economic Direction</td>
<td>YYYYYYYYY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Investment Direction</td>
<td>ZZZZZZZZZZ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>………………………………</td>
<td></td>
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</tr>
</tbody>
</table>