



Approved by,
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INTERNAL AUDIT CHARTER

Central Harmonization Unit for Public Internal Audit

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1. Foreword

The internal audit charter represents the document which presents the mission, competence and responsibilities of internal audit, the scope of activity, the position of the internal audit structure in the public entity, as well as the type of activities supplied by public internal audit.

The internal audit charter presents the objectives of internal audit, the rights and obligations of the internal auditors, authorizes access to data, information, documents or other goods necessary for implementation of the public internal audit activity.

The internal audit charter is elaborated in accordance with:

- art. 18 para. (1) in Law no. 672/2002 on public internal audit, republished, as subsequently amended and supplemented;
- Chapter VI and Annex 23 in the General norms of exercise of the public internal audit activity, approved through Government Decision no. 1086/2013.



This document presents the role, mission, competence, general objective and responsibilities of the Central Harmonization Unit for Public Internal Audit (CHUPIA), the relationship thereof with the functional structures of the ministry, as well

as the position thereof relative to the internal audit structures of public entities.

CHUPIA is a functional structure within the MPF; it is distinctively organized, directly subordinated to the minister of public finance, and exercises a separate and independent function from the ministry's activities, being one of the pillars of the implementation and monitoring of Internal Public Financial Control in Romania.

Through order of the minister of public finance, the coordination of CHUPIA's activity was delegated to one State Secretary.

CHUPIA operates on the basis of the duties and responsibilities established in accordance with the regulatory framework in force in the field of public internal audit.

CHUPIA's responsibility is very complex, with ***an impact at national level*** with respect to public internal audit.

Also, as of 2010, CHUPIA also fulfills the role of Audit Authority for the Financial Mechanism of the European Economic Area, the Norwegian Financial Mechanism and the Swiss-Romanian Cooperation Programme.



2. Mission and general objective

2.1. Mission

The role of CHUPIA is that of coordinating and monitoring the internal audit activity in the public sector of Romania and of periodically informing the management of the ministry and the Government on the registered progress.

In this respect, it ensures the development of the legislative, methodological and procedural framework adequate for performing the internal audit activity in public entities, it acts by elaborating and applying a unitary strategy in the field of public internal audit and monitors the manner of implementation thereof, including with respect to recruitment and continuous professional training of internal auditors.

CHUPIA exercises the role of Audit Authority for the Financial Mechanism of the European Economic Area and the Norwegian Financial Mechanism and the Swiss-Romanian Cooperation Programme.

By fulfilling its responsibilities, it contributes to the achievement of the ministry's duty established through Government Decision no. 34/2009 on the organization and operation of the Ministry of Public Finance, as subsequently amended and supplemented, namely: *"elaborates the general strategy and legislative framework, coordinates and evaluates public internal audit activity at national level, carries out public internal audit missions of national interest with multi-sector implications"*.

With CHUPIA operates the Internal Public Audit Committee, a consultative body which acts towards defining the strategy and improving the internal audit activity in the public system.



2.2 General objective

The general objective of CHUPIA is to ensure a legislative framework adequate for performing the internal audit activity in public entities, as well as for the application of a unitary methodology and practice at national level in the performance of this activity.

In its capacity as Audit Authority, it ensures the fulfillment of the responsibilities incumbent thereon from the Framework Agreement on the implementation of the Swiss-Romanian Cooperation Programme and of the Implementation Regulations of the Financial Mechanism of the European Economic Area and the Norwegian Financial Mechanism.



3. Scope of activity and duties

3.1. Scope of activity

CHUPIA operates on the basis of the duties established in accordance with the regulatory framework in force in the field of public internal audit, which assigns to it an extensive and complex scope of activity, with impact at national level.

The scope of activity of CHUPIA is extended over the internal audit activity organized and performed in all public entities which are required to establish this function in accordance with Law no. 672/2002 on internal public audit, republished, as subsequently amended and supplemented.

Public entities means the public authorities, the public institutions, the national companies/enterprises, the autonomous administrations, the trading companies where the State or an administrative-territorial unit is a majority shareholder and which have legal personality, as well as the entities financed over 50% from public funds.

To the aforesaid are added the associative structures of public utility of the local public administration which ensure the public internal audit activity for the public entities from the local public administration under a cooperation system.

For public entities and the associative structures mentioned above CHUPIA ensures the exercise of the duties incumbent upon it in accordance with the legal regulations in force in the field of public internal audit.

The scope of activity of CHUPIA also includes the activities carried out in its

capacity as Audit Authority for the Financial Mechanism of the European Economic Area, the Norwegian Financial Mechanism and the Swiss-Romanian Cooperation Programme.



3.2. Duties

The duties under the responsibility of CHUPIA, as established in accordance with the provisions of *art. 8 in Law no. 672/2002 on internal audit, as republished*, are the following:

- a) *to elaborate, manage and apply a unitary strategy in the field of public internal audit and to monitor this activity at national level;*
- b) *to develop the legislative framework in the field of public internal audit;*
- c) *to develop and implement uniform procedures and methodologies, based on international audit standards, including internal audit manuals;*
- d) *to develop the methodologies in the field of managerial risk;*
- e) *to elaborate the Internal auditor's code of ethical conduct;*
- f) *to endorse the methodological norms specific for the different activity sectors in the field of public internal audit, including the methodological norms specific for the public internal audit departments organized in the associative structures;*
- g) *to develop the reporting system of the public internal audit activity and to elaborate the annual report, as well as syntheses, on the basis of the reports received, including from the public internal*

audit departments organized in the associative structures;

- h) to carry out public internal audit missions of national interest with multi-sector implications;*
- i) to verify the observance by the public internal audit departments, including by those organized in the associative structures, of the norms, instructions, as well as of the Internal auditor's code of ethical conduct; to assess the activity thereof and it can start the necessary corrective measures, in cooperation with the manager of the public entity or, respectively, of the associative structure in question;*
- j) to establish the general framework of the cooperation agreement for assurance of the public internal audit activity in the local public entities;*
- k) to guide the local public entities and the associative structures in the implementation of the cooperation system, in order to ensure the public internal audit activity;*
- l) to establish, under the law, for the fields of the general framework of professional competences, the knowledge, skills, and values that a person must have in order to exercise the public internal audit activity;*
- m) to coordinate the recruitment system in the field of public internal audit, the system of national attestation of internal auditors from public entities, as well as the system of continuous professional training thereof;*
- n) to endorse the appointment/dismissal of the heads of department of public internal audit from public entities;*
- o) to cooperate with the Court of Accounts for assurance of the complementarity of public internal audit and public external audit activities and of the increase of their efficiency, as well as with other public authorities and institutions in Romania, under observance of the independence, functions, and specific requirements of every profession;*
- p) to cooperate with the public financial control authorities and organizations from other countries, including from the European Commission.*

Also:

To exercise the duties resulting from its capacity as Audit Authority for the Financial Mechanism of the European Economic Area and the Norwegian Financial Mechanism, respectively the Swiss-Romanian Cooperation Programme.

To ensure on the basis of a protocol the internal audit function for the central public entities which have annual budgets of less than 5 million Lei and have not established their own internal audit function.



4. Independence and authority

4.1 Independence

CHUPIA's positioning as a direct subordinate of the minister of public finance ensures the necessary independence for the exercise of its duties and responsibilities without limitations.

The delegation of the activity's coordination to one secretary of state does not affect its independence, because the activities performed by CHUPIA have an impact on the internal audit structures of the public entities, not on the ministry's functional structures.

CHUPIA is organized at directorate level and operates on the basis of multiannual and annual activity plans approved by the ministry's management.

The activities are included in the activity plans in an independent manner at the level of the directorate, considering the necessity

for them to cover all the duties under its responsibility.

The materials elaborated by CHUPIA which refer to the strategic plans, to the draft legislative acts in the field of public internal audit, the reporting of the public internal audit activity performed, the plan and reports of multisector audit missions, the concluded cooperation agreements, shall be subject to analysis and debate by the Public Internal Audit Committee before being subject to the ministry's approval.

The leader of CHUPIA is appointed/dismissed by the Minister of Public Finance, based on the endorsement of the Public Internal Audit Committee.

CHUPIA's activity is not subject to internal and external interference with regard to the definition of the scope of competence, the performance of its works or the communication of the results thereof.



4.1.1. Public Internal Audit Committee

The Public Internal Audit Committee (PIAC) includes 11 members expressly appointed under art. 5 para. (2) in *Law no. 672/2002, republished, as subsequently amended and supplemented*, namely:

- a) *The President of the Chamber of Financial Auditors in Romania;*
- b) *University teachers specializing in the field of internal public audit – 2 persons;*
- c) *Highly qualified specialists in the field of public internal audit – 3 persons;*
- d) *The Director of CHUPIA;*

- e) *Experts from other fields, like public accounting, legal and computer systems – 3 persons;*
- f) *Representative from the management of the associative structures of the local public authorities – 1 person.*

PIAC currently consists of 8 members, as follows:

- a) *The President of the Chamber of Financial Auditors in Romania – 1 person;*
- b) *University teachers specializing in the field of internal public audit - 2 persons;*
- c) *Highly qualified specialists in the field of public internal audit – 1 person;*
- d) *The Director of CHUPIA;*
- e) *Experts from other fields, like public accounting, legal and computer systems — 2 persons (one public accounting expert and one legal expert);*
- f) *Representative from the management of the associative structures of the local public authorities – 1 person.*

PIAC exercises the following duties:

- a) *Debates the strategic development plans in the field of public internal audit and issues an opinion on the directions of development thereof;*
- b) *Debates and issues an opinion on the legislative act elaborated by CHUPIA in the field of public internal audit;*
- c) *Debates and endorses the annual report on the public internal audit activity and presents it to the Government;*
- d) *Endorses the plan of public internal audit mission of national interest with multisector implications;*
- e) *Debates and issues an opinion on public internal audit reports of national interest with multisector implications;*
- f) *Analyses the importance of the recommendations formulated by internal auditors in the case of differences of opinion between the leader of the public entity and the internal auditors and issues an opinion on the consequences of failing to fulfill the recommendations formulated by them;*

ethical conduct. If the time and human resources available thereto do not allow it to carry out these verifications, it may request to the public internal audit structure of the hierarchically superior body to verify the notified issues;

- requesting to the internal audit structures from public entities to include in the audit plans missions on different fields of activity;

- issuing opinions/circulars related to the enforcement of the specific public internal audit methodology, etc.

In the fulfillment of its duties and responsibilities, CHUPIA:

- a) *observes the principles of legality, economy, efficiency and effectiveness;*
- b) *has access to all activities, records and information it considers relevant for implementing the activities;*
- c) *requests information and explanations necessary in performing the activities;*
- d) *communicates efficiently and presents in a clear and effective manner the issues and results;*
- e) *requests, if applicable, specialty assistance from specialized persons in the ministry/or outside of the ministry, if lacking the knowledge and abilities necessary to perform the activities;*
- f) *elaborates specific methodologies and instructions;*
- g) *observes the principles and practice specific for the field of internal audit, as well as the rules of professional conduct;*
- h) *develops the knowledge, skills and abilities of the personnel through adequate professional training.*

According to the Order of the Minister of Public Finance no. 768/2003, CHUPIA delegated some of its duties to the internal audit services of the general regional directorates of public finance, so that they should be exercised by the local public administration, namely:

- a) *the endorsement of the methodological norms specific for main spending authorities who operate at territorial level;*

- b) *the endorsement of the appointment/revocation of the heads of public internal audit departments of the main spending authorities which operate at territorial level;*

- c) *the verification of the observance of the norms, instructions, as well as of the Code of ethical conduct of internal auditors and the initiation of corrective measures in cooperation with the main spending authority that operates at territorial level;*

- d) *the coordination of the reporting system of the results of the public internal audit activity carried out by the main spending authorities who operate at territorial level.*



5. Responsibilities of the internal auditors

The personnel of CHUPIA has the capacity of public servant and is subject to the legal regime regarding incompatibilities, it has the rights and obligations provided by the Administrative Code and by Law no. 672/2002, republished, as subsequently amended and supplemented.

The responsibilities of the management personnel are established through the job descriptions, in accordance with the duties that result from the legal regulations in force in the field of public internal audit and the Regulation of Organization and Operation.

These responsibilities are structured on the management's functions, namely planning, organization, coordination, assessment, and control.

The responsibilities of the internal auditors are established through their job descriptions, in accordance with the duties of the structure they are part of.

The management personnel evaluates periodically the degree of implementation of the activities included in the activity plans and monitors to see if they ensure the fulfillment of the established objectives, under conditions of efficiency and effectiveness.

The internal auditors of CHUPIA collaborate in accordance with the operational procedures, and their collaboration with persons from other operational structures of the ministry or outside the ministry is made on the basis of their assignment order or assigned mandate.

6. Activity planning

The activity of CHUPIA is carried out on the basis of the *Multiannual activity plan* and of the *Annual activity plan*, endorsed by the ministry's management.

The Multiannual activity plan comprises the activities under CHUPIA's responsibility, in accordance with the duties established by the legal regulations in force.

The substantiation of the activities in the *Multiannual activity plan* is made on the basis of the *Justification report*, which describes the manner of selection and inclusion thereof into the plan.

The Multiannual activity plan includes:

- the denomination of the planned activity;
- the year of performance;
- the operational structure responsible for the activity's performance.

The Multiannual activity plan is updated according to the amendments that are made to the structure of the processes/activities/programmes carried out by CHUPIA.

The Annual activity plan includes the activities that can be carried out in the year for which the plan was elaborated, according to the available audit resources. It is elaborated on the basis of the *Multiannual activity plan*.

The substantiation of the activities included in the *Annual activity plan* is made on the basis of the *Justification report*, which describes the manner of selection and prioritization thereof into the plan.

The Annual activity plan is updated according to new priorities which intervene, to the change of the framework of risks associated with the activities, to other demands.



7. Access to data and information

For the performance of the audit/assessment/counselling missions, CHUPIA has access to the data, documents, information, records, accounting and patrimony registrations, including those in electronic form that it considers relevant in reaching the purpose and objectives of the mission.

In the implementation of their duties, internal auditors may request from the people responsible from the audited structure data, information, as well as copies of the documents, certified as true to the original, which are related to the objectives of the internal audit mission.

The management and/or executive personnel of the audited/assessed/counselled structure is

required to present the requested data, documents or information within the established terms and to grant the necessary support, including verbal or written explanations, for the mission's performance under good conditions.



8. Performance of the audit missions

CHUPIA is performing the following types of missions:

- a) *Audit missions performed as Audit Authority*
- b) *Missions of assessment of the public internal audit activity at the main spending authorities, including at the associative structures which ensure the internal audit function under cooperation system;*
- c) *Counselling missions for the public internal audit departments, including the associative structures which ensure the internal audit function under cooperation system;*
- d) *Audit missions of national interest with multisector implications;*
- e) *Missions of assurance/counselling at public institutions which manage budgets of less than 5 million Lei, with which were concluded protocols of collaboration for assurance of the internal audit function by CHUPIA;*
- f) *Ad-hoc audit mission carried out on the basis of petitions or notifications received.*

8.1. Mission preparation

Assignment order. The missions of audit/assessment/counselling are carried out on the basis of the assignment order approved by the management of CHUPIA.

The missions of assurance, which are carried out for entities with budgets of less than 5 million Lei, are carried out on the basis of the assignment order approved by the person who fulfills the role of head of the public internal audit structure, a person from CHUPIA.

When planning the missions, internal auditors take into account the following:

- the activities of the audited/assessed/counselled structure;
- the significant risks related to the audited/assessed/counselled activities;
- the adequacy and effectiveness of risk management and activity control systems.

Mission notification. For every audit/assessment/counselling mission performed, the CHUPIA notifies in advance the audited/assessed/counselled structure, by sending a notification thereto.

The notification generally contains information related to the denomination of the mission, the period of performance thereof, the period subject to assessment, the audit/assessment/counselling team, and the documents that shall be placed at disposal.

The notification shall be sent 15 calendar days before the start of the mission. The ad-hoc audit missions are an exception to this, since their notification is sent at most 3 days before the start of the mission.

Mission opening. The opening session has the role of providing information with respect to the audit mission, the scope of intervention and the objectives of the mission, of establishing the manner of communication between the internal auditors and the audited/assessed/counselled structure,

including with respect to obtaining data and information.

The opening session concludes with a minute thereof.

When appointing the teams shall be considered the nature and complexity of the mission's objectives, the time limits and the available audit resources.

When appointing the teams for performance of the audit missions as Audit Authority shall be considered the time budget, the available audit resources and the responsible people appointed for every programme.

The scope of the audit missions is established so as to ensure that the mission's objectives are reached under conditions of efficiency.

For the activity performed as Audit Authority, the scope of the missions is established in accordance with the provisions of GD no. 1065/2010 approving the Framework Agreement between the Government of Romania and the Swiss Federal Council on the implementation of the SRCP and of the Implementation Regulations of the EEA and Norwegian Financial Mechanisms. The missions that are performed can be missions of compliance audit, system audit or missions related to the audit of operations.



8.2. Mission performance

For the implementation of the audit/assessment/counselling mission are used adequate audit techniques and

instruments, which allow the performance of audit activities under conditions of efficiency and effectiveness. The tools and techniques used are presented in the programs and tests made.

The findings and recommendations that are formulated during the audit missions are brought to the knowledge of the audited/assessed/counselled structure as they are obtained and during the performance of the intervention on the spot.

The intervention on the spot is completed by the organization of a closing session during which are presented the findings, the recommendations that were formulated and the conclusions reached by the internal auditors after performing the planned tests.



8.3. Result communication

After the intervention on the spot is completed shall be elaborated a draft report for every mission, which shall be sent to the audited/assessed structure.

After it analyzes the draft report, the audited/assessed structure may formulate possible opinions with respect to the things from the draft report it considers irrelevant.

The opinions shall be sent to CHUPIA within 15 days.

The formulated opinions shall be discussed with the audited/assessed structure during a conciliation meeting, if this is expressly

requested. The meeting shall be organized within 10 days as of the receipt of the opinions.

Based on the results of the conciliation shall be elaborated the audit/assessment mission report, which shall be endorsed by the ministry's management and shall be sent to the audited/assessed structure to implement the recommendations.

In the case of counselling missions shall not be elaborated a draft report, but directly the counselling mission report, which shall be sent to the counselled structure after it is endorsed by the entity's management for the purpose of implementation of the proposals of solutions formulated therein, if considered acceptable.

In the case of assurance missions carried out at the public entities which ran annually budgets of less than 5 million Lei, the public internal audit report shall be endorsed by the management of the entity in question.

The ad-hoc audit missions are carried out in accordance with the Framework methodology on verification of the aspects notified with respect to the internal auditors' failure to observe the norms, the instructions and the Internal Auditor's Code of ethical conduct, an instruction published on the website of the MPF, CHUPIA's page.



8.4. Recommendation follow-up

The recommendations formulated through the audit/assessment/counselling reports are periodically monitored by CHUPIA with respect to their implementation.

The audited/assessed/counselled structure elaborates and sends to CHUPIA an action plan which also includes a schedule of implementation of the recommendations. It also periodically provides informative reports with respect to the recommendations' status of implementation.

The informative reports received are analyzed by the audit/assessment/counselling team, which seeks to find if the actions established for implementation of the recommendation are actually taken.

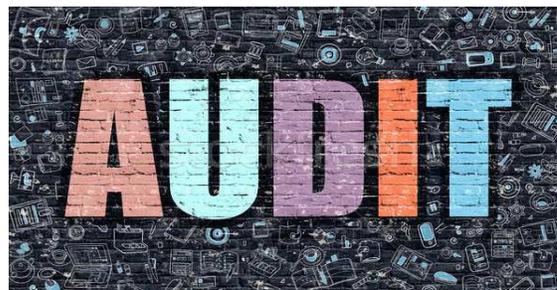
On a yearly basis, usually at the end of the year, CHUPIA:

- plans and performs follow-up missions, through which it exclusively monitors the manner of implementation of the recommendations

- or
- requests from the audited/assessed/counselled structures the status of implementation of the recommendations formulated through the public internal audit reports.

For both situations shall be analyzed the status of implementation of the recommendations.

In the case of activities performed in the capacity of Audit Authority, the follow-up on the status of implementation of the recommendations shall be made within the following system audit missions or at the request of the National Focal Point.



9. Rules of conduct

In the exercise of their responsibilities, the internal auditors of CHUPIA observe the principles and rules of ethical conduct defined by the *Internal auditor's Code of ethical conduct*, as well as by the *Public servant's Code of ethical conduct*.

Also, they keep professional secrecy and ensure the confidentiality of all data and information they become aware of during the exercise of their activity.

If, following the performance of activity, are found irregularities or possible prejudices, they shall be reported to the manager of the public entity where the audit/assessment/counselling mission is performed and to the authorized control structure, within 3 business days as of ascertaining, and said manager shall be required to continue the verifications and establish the necessary measures.

The reporting of irregularities or possible prejudices shall be made by using the *Form of ascertaining and reporting of irregularities*.

It is not the internal auditors' responsibility to research or investigate the irregularities found or the possible prejudice.

During the performance of activity, the internal auditors of CHUPIA have an adequate professional behavior, they observe the rules of integrity, impartiality and objectiveness.



10. Collaboration with the external auditors and other authorities and bodies

CHUPIA collaborates with Romania's Court of Accounts to ensure the complementarity of public internal audit and of public external audit activities and the increase of their efficiency.

Collaboration is based on the *Protocol of collaboration in the field of public external audit and public internal audit* updated in 2019, which establishes the organizational and procedural framework for cooperation between the Ministry of Public Finance and the Court of Accounts of Romania for the purpose of consolidating and strengthening the public internal audit function, as well as for improvement of the efficiencies of the activities performed in the two institutions.

Through the implementation of the protocol it is sought to ensure a complementarity between the public external audit activity and the public internal audit activity to the benefit of public entities, with respect to the elaboration of audit plans, the avoidance of double efforts or the formulation of different conclusions for the same identified issues.

CHUPIA collaborates with public authorities and institutions from Romania in the field of public internal audit, under observance of the independence of functions and of the specific requirements of every party in order to develop the public internal audit activity or to establish this activity in an adequate manner in public entities.

CHUPIA also collaborates with similar organizations and authorities from other countries, including with the European Commission, on the field of internal audit.

11. Final aspects¹

¹ This document was subject to debate in the Public Internal Audit Committee in the meeting of 24 June 2020 and was endorsed with favorable opinion no. 459603/24 June 2020

The provisions of the Internal Audit Charter originate in the duties and responsibilities established for CHUPIA in accordance with the legal regulations in force in the field of internal audit.

The purpose of the Charter is to raise awareness with respect to the role and mission of CHUPIA, as well as to the authority and responsibilities thereof.

The Internal Audit Charter shall be published on the website of the MPF, page of CHUPIA.

