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PIFC Policy in MNE 2021: state of play and next steps

Presentation of the results of the 2021 SIGMA Monitoring Assessment

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Presentation- results of the 2021 SIGMA monitoring assessment

- Main developments since 2021 and regional comparison
- Summary of conclusions
- Recommendations





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Main developments since 2017

6.6.1. Adequacy of operational framework for IC

6.6.1.2. Completeness regulatory framework IC

| | ALB | BiH | XKV* | MNE | MKD | SRB |
|--|-----|-----|------|-----|-----|-----|
| Regulations applicable to all budget organisations | ✓ | | ✓ | ✓ | ✓ | ✓ |
| CHU has an up-to date analysis of coherence of PIFC legislation and other horizontal legislation | | | | ✓ | ✓ | |
| Regulations include provisions enabling delegation of authority in central gov. organisations | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Formal guidelines or instructions issued for all public sector organisations implementing IC | ✓ | | ✓ | ✓ | ✓ | ✓ |





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Main developments since 2017

6.7.1. Functioning of internal control

6.7.1.1. Number of 1st level organisations that are neither ministries nor constitutional bodies

| | 2017 | 2021 |
|------------------------------------|------|------|
| Albania | 18 | 21 |
| Bosnia & Herzegovina (state level) | 58 | 58 |
| Kosovo* | 29 | 23 |
| Montenegro | 19 | 23 |
| North Macedonia | 73 | 79 |
| Serbia | 10 | 21 |

Standard for max score according to SIGMA methodology – **fewer than 10!**



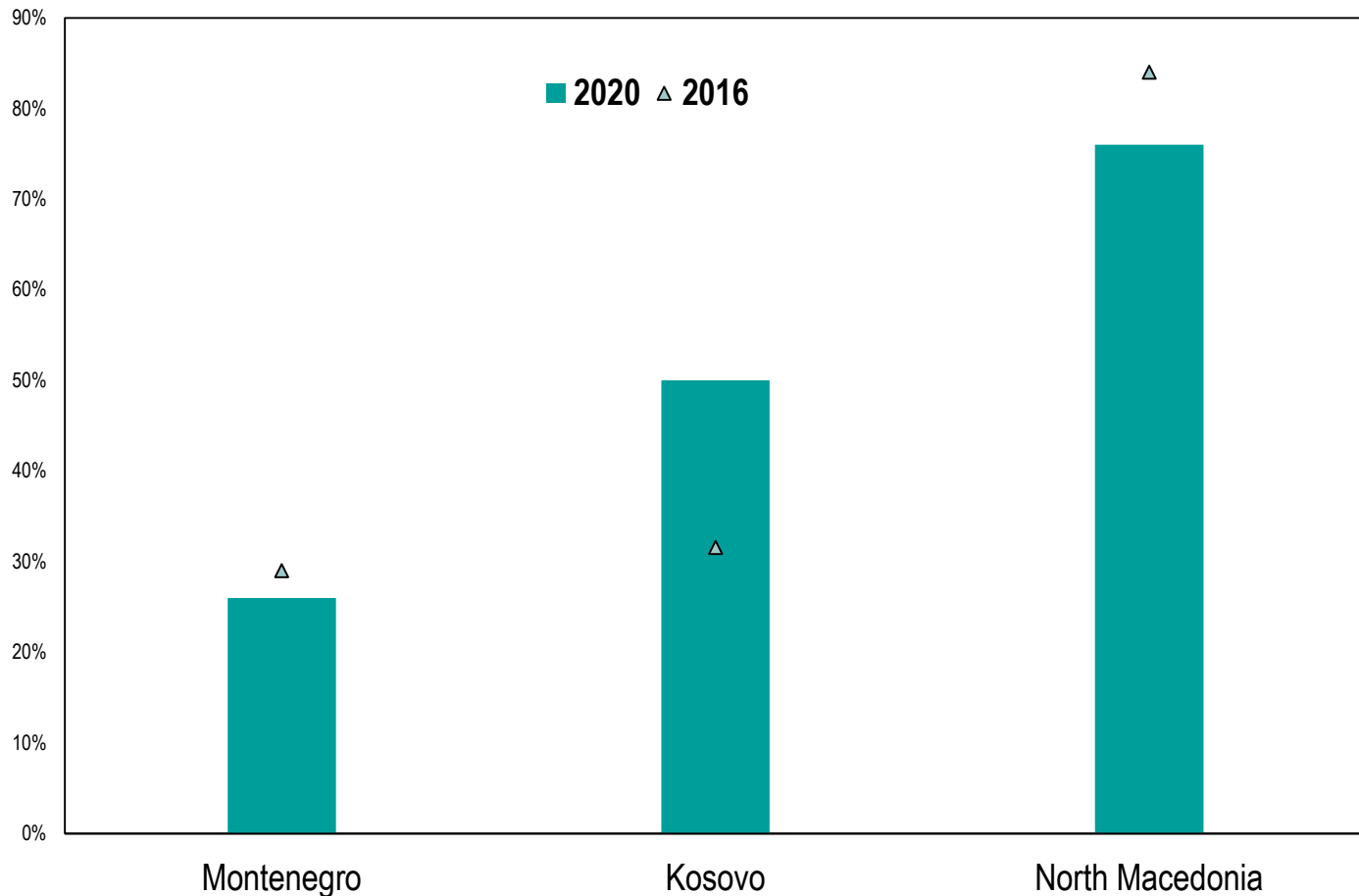


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Main developments since 2017

6.7.1. Functioning of internal control

6.7.1.2. Alignment between management and budget structures (% of organisations)



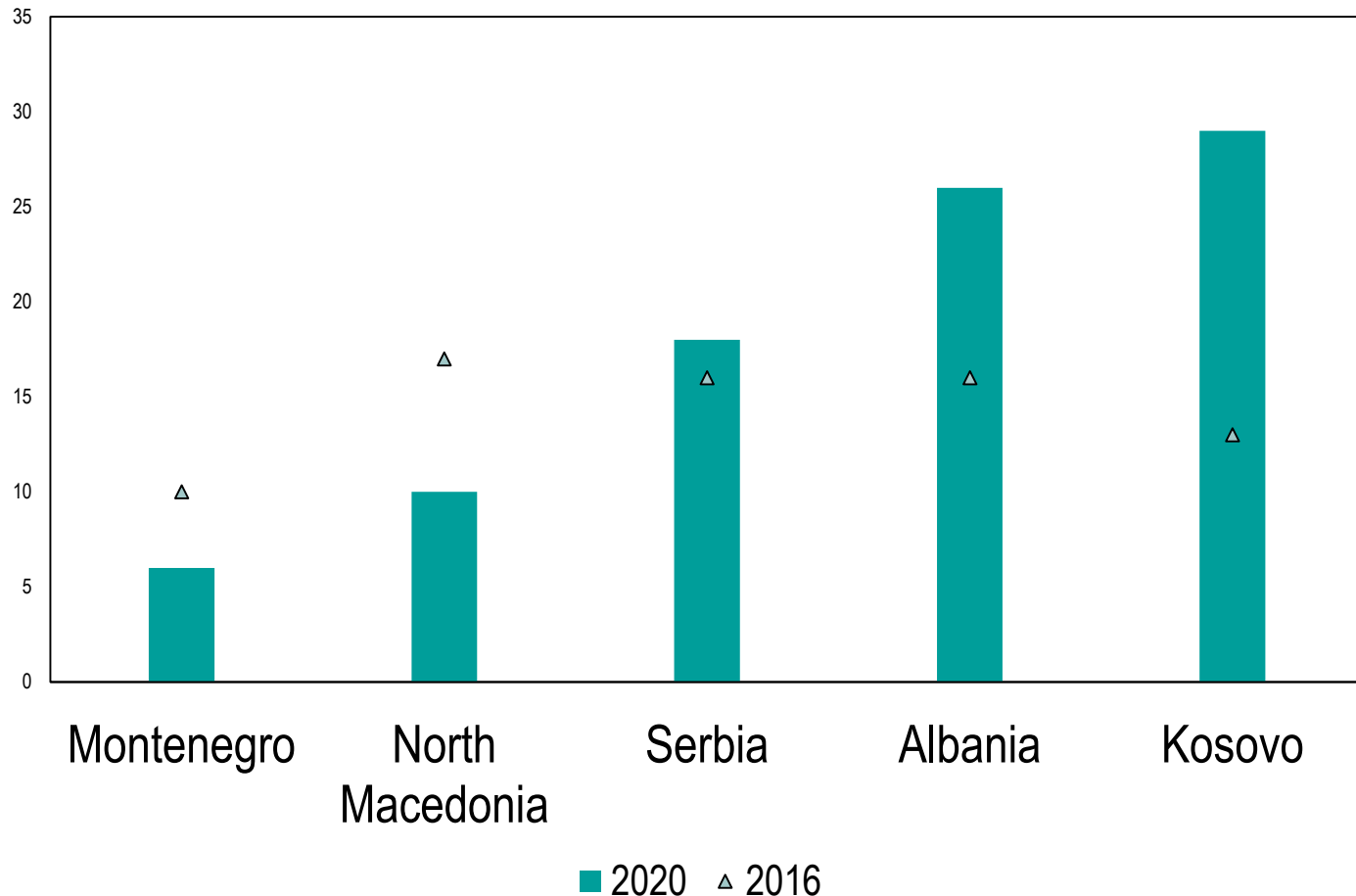


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Main developments since 2017

6.7.1. Functioning of internal control

6.7.1.6. Delegation of decision-making authority within ministries (sample of 5 ministries)





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Main developments since 2017

6.7.1. Functioning of internal control

6.7.1.7. Regularity and completeness of risk management practices

- Deterioration of risk management: annual assessment of risks, risk assessment against all objectives agreed.

6.7.1.8. Existence of reporting on irregularities

- Improvement in the framework for reporting of irregularities (procedure defined), but implementation not yet completed





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Main developments since 2017

6.8.1. Adequacy of the operational framework for internal audit

6.9.1. Functioning of internal audit

6.8.1.3. Coordination, development and guidance of the internal audit system

- Improvement of the % of planned activities implemented

6.9.1.1. Strength of planning of internal audit in budget organisations

- Improvement of the % of organisations with an IA function that prepare strategic and annual audit plans (close to 100%)





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Main developments since 2017

6.9.1. Functioning of internal audit

6.9.1.2. Quality of audit reports

| | 2017 | 2021 |
|--|------|------|
| Nr. of organisations (out of 5) that have produced audit reports during the last full year | 5 | 4 |
| Nr. of audit reports (out of 5) that include objective and scope definitions | 4 | 4 |
| Nr. of audit reports (out of 5) that include audit recommendations, references and explanations of the evidence backing up the recommendations | 4 | 3 |
| Nr. of audit reports (out of 5) prepared on the basis of a methodology that addresses systematic weaknesses in IC systems | 0 | 4 |
| Nr. of audit reports (out of 5) that address weaknesses in achieving value for money | 2 | 2 |





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Summary of conclusions

- Legislative framework for **internal control** is largely in place, but implementation lags behind. Managerial accountability is the main issue. Risk management and reporting of irregularities also have to be improved
- The legal and operational framework for **internal audit** has been further developed since 2017. Some challenges remain, such as widening the scope of the audits (performance) or improving quality assurance

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Recommendations (MoFSW)

- Ensure that public entities put into practice arrangements for delegation of authority + harmonizing management & budget structures.
- Consider enhanced training in identifying and reporting irregularities + developing guidelines with an inventory of potential irregularities
- Issue additional guidance on performance auditing and develop IA capacity in this area
- Undertake regular IA quality-assurance arrangements in accordance with international standards.





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Thanks for your attention!

