

C.V. Dolghi, Doctor, Associate Professor
E.G. Petreanu, Postgraduate, University Lecturer
Moldova State University

Internal audit in the period of economic changes and its role in evaluation of the entity's internal control. Theoretical characteristics and practical approaches

Internal control delivers guarantee and trust for investors, clients, suppliers, but also for the entity's employees and other interested parties. As a result, an effective internal control system has a significant impact on the credibility of a modern entity and its activities, which is ensured by the entity's management, through an appropriate process of evaluating the effectiveness of internal control. On the basis of those exposed, we sustain the opinion shared by many experts in the field, that the primary role in evaluating the internal control system is attributed to internal audit, because in line with current development trends, it supports the entity in maintaining effective controls by evaluating efficiency and effectiveness. As well as by promoting biased business actions. In this connection, the authors approach the study of the basic aspects of the internal control evaluation process in the light of the identification of the method, establishing and interpreting the indicators used in the evaluation, as well as determining the criteria and practical tools for evaluation. As a method of evaluation of internal control the systematic method of authors is proposed, which involves the evaluation of each component of it. This approach permits internal auditors to make an integrated consideration of the effectiveness of internal control in the entity of the internal control system in the good functioning of the entity, which contributes to the fulfillment of its strategic objectives. In addition, the research carried out highlights the performance of the assessment tool – the corresponding questionnaire, which was developed to evaluate the control environment of the entity and applied in the activity of public interest entities in the Republic of Moldova. This study offers the possibility to recognize the deficiencies within the control environment established at the entity and offers the possibility to the management of the entity to improve its functioning mechanism.

Keywords: *internal audit; internal control; control environment.*

Topicality. Internal audit activity is an autonomous activity, which is established by the management of the entity. A great interest in the implementation of internal audit as well belongs to the proprietors, who are interested in controlling the efficiency of material, financial and human resources within the entity. Aim of the internal audit is to examine and evaluate the risk management processes and control systems, but also to refer to its management contributing to the achievement of constant purposes. Internal audit within the modern economic entity not only has general management functions in providing and advising managers in order to achieve their objectives, but also, at the same time provides recommendations for consolidating the effectiveness of the activity result. Notwithstanding that internal auditors, in the exercise of their duties, unavoidably face the problem of independence, because they are hired by the management of the entity, from them the owners and interested parties expect an impartial opinion on the issues, for which the management of the entity is responsible, if they identify any deviations from obedience with internal policies, any other aspects related to the key activity of the entity, can be apprehensive to communicate them at the highest level, thinking of the consequences, which could involve significant losses. All this positions the internal audit within the contemporary entity at a high level in support of managerial decisions and evaluation of planned development strategies, but it is also an effective tool in evaluating the risks, to which the business is subject. Legal framework at national and international level guarantees the delivery of a high degree of control by internal auditors over the operations performed by the entity and guides it in terms of improving them, but also contributes to adding value to them; assists the entity in achieving its goals by evaluating, through a systematic and methodical approach, the entity's risk management, control and governance processes, with proposals to strengthen their effectiveness. From the foregoing, it turns out that one of the main areas of activity of internal audit within the entity is the systematic and methodical evaluation of internal control, applying a continuous process of its improvement, which is also provided by the International Standard for Professional Practice of Internal Audit (ISPPIA) 2130 – Control [15], which stipulates that the internal audit activity must support the entity in maintaining effective controls, by evaluating their effectiveness and efficiency, and by promoting continuous improvement actions.

In the given context, we mention that the Accounting and Financial Reporting Law No. 287 of 15.12.2017 of the Republic of Moldova [11, art. 18] stipulates the provisions related to the regulation of the internal control system, according to which the entity is obliged to organize an internal control system and the responsibility for the organization bears the persons responsible for keeping the accounting and financial reporting. According to

the provisions of the given law, but also of Law No. 407 of 21.12.2006 on insurance, with subsequent additions and amendments, public interest entities in the non-banking financial sector are obliged to establish an effective internal control system and to employ an adequate number of staff to verify the compliance of its activity with the principles and the legislation regulating the insurance activity. They are also obliged to calculate and validate on a quarterly basis the indicators established by the normative acts of the Supervisory Authority, issued for the application of law on insurance; are obliged to make available to the Supervisory Authority information and data on assets, including those held outside the territory of the Republic of Moldova, volume of obligations, guarantees granted, insurance and reinsurance transactions concluded, participation in the share capital of other legal entities; have a qualified actuary to produce a comprehensive report on financial situation at the end of the financial year, which will include information on technical and mathematical reserves, solvency, conformity of assets, compliance of premiums and an analysis of their surplus or deficit during the reporting year [12, art. 39]. We observe that all these public interest entities, whose annual financial statements are subject to statutory audit, also have the obligation to organize and ensure the exercise of internal audit activity. This was the inspiration of the authors to perform the given research among some entities in the given sector, which have already established internal audit functions, which in recent years has been and remains a strategic function that brings added value to the entity. In the light of ongoing developments of the insurance industry, along with the economic changes at national and global level, they have influenced the operational processes of the modern entity in this sector. Furthermore, the capacity of the internal audit functions to readjust their audit plans, verification techniques, and together with the need for qualified human resources to perform the efficient activity was forced. Thus, maximizing the benefit provided by the internal audit function within public interest entities becomes imperative in the context of maintaining its effectiveness. Consequently, it becomes necessary to identify innovative practices that support the internal audit function in its development process in the period of economic transformations.

In this regard, the results of the research conducted by the authors acknowledges the fact that in economic entities both in the private sector and in the public sector of the Republic of Moldova, there is a critical need to advance the quality of the internal control system. This conditions the increase of the role of internal audit in its evaluation. In these surroundings, it is essential to solve the problems related to the determination of the evaluation method and indicators, of the appropriate tools, which can be used in the process of their evaluation and application in the actual conditions of activity of the entities. The nominated aspects related to the role of internal audit in the efficiency of management processes within the modern entity, determined the choice of the research subject and the selection of entities in the real sector of the economy, which specified the formulation of the appropriate purpose of the study.

Analysis of current research and publications, which the author rests upon. A number of domestic authors approaches the studies related to the evaluation of the internal control of the entity from the Republic of Moldova, as well as from abroad. Therefore, the researcher A.Bircă in her works [1, 2] performs an ample study regarding the elements of internal control, at the same time, realizes a critical appreciation of the elements of the control environment, performed through the examination of its regulatory provisions. Economists I.Căprian, O.Covali [3], conduct a study related to the examination of basic principles in the organization of the control system of the modern entity. The scientist Jacques Renard [10] in his research concludes that the elements of internal control can also be documented in the internal audit, having a leading role in their evaluation. Moreover, we can mention the quality research conducted by economists in the Russian Federation, such as E.Zverev [16], who examines the impact of internal audit on internal control, and the authors G.Maksimova and K.Karetnikov [13] who set out the basic methods in evaluating internal control. Romanian authors C.Pirvan, I.Nișulescu [14] conduct extensive study, the results of which consist in clarifying the particularities of internal control systems in the European Union, and A.Ciuhureanu [4] highlights the need for internal control and audit for responsible reporting and helpfulness accounting information for management. Unquestionably, the nominated studies have made a substantial contribution to the progress of the methodology of internal control evaluation by internal audit. Simultaneously, we observe that there are questionable issues, one of which is the determination of evaluation methods, criteria, and indicators, also the establishment of appropriate evaluation tools, which can be applied in the concrete conditions of activity of the entity.

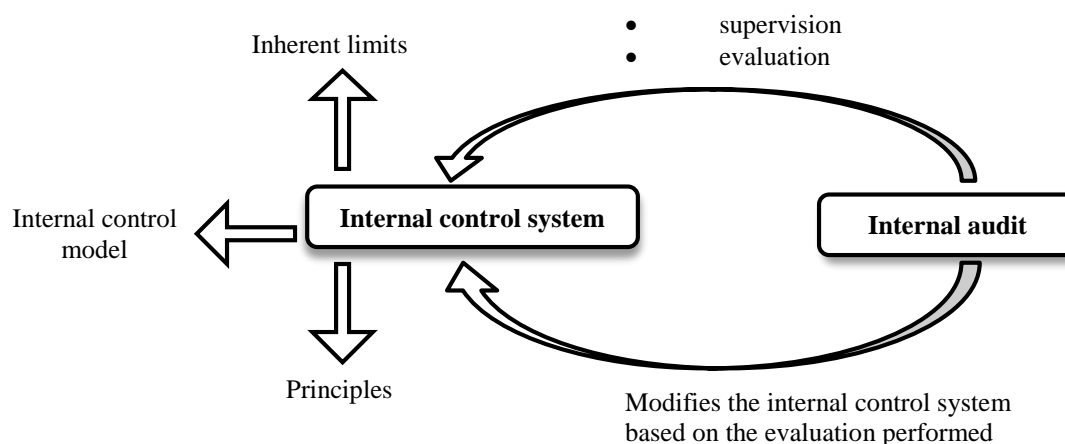
The aim of this study lies in illuminating the role, which the internal audit holds in the evaluation of the internal control of the modern entity in terms of revealing some basic features of the evaluation process: establishing the evaluation method and criteria, defining the appropriate evaluation tools and implementing them in the practical activity of economic entity. The information base of this research comprises the national and international regulatory framework in the field of internal audit and control, information flows related to internal audit of economic entities of public interest in the corporate sector of the Republic of Moldova.

Presentation of the main research material. Within the framework of clarifying the role of internal audit in the evaluation of internal control, we consider it opportune to concretize the content of the control concept, which allows us to understand the impact of internal audit on it. From a semantic point of view, control is a permanent, periodic, or unexpected check, made in a certain field in order to know the relationships and how the activity is

carried out in that field intended to prevent or eliminate possible deficiencies and improve the activity. Furthermore, control means continuous moral and material supervision, like mastering an activity, a situation [3].

According to International Standard on Auditing (ISA) 315 «Identifying and evaluating the risks of material misstatement by understanding the entity and its environment» [10] internal control represents a process designed, implemented and maintained by management in order to provide reasonable guaranty about the fulfillment of an entity's objectives regarding the credibility of financial reporting, the efficiency and effectiveness of operations and compliance with applicable law. Simultaneously, in compliance with the ISPPIA glossary [15], internal control is any measure taken by management to manage risks and increase the probability that the objectives and targets set will be achieved. The study of the Guide on the implementation of internal audit [8] reveals the aspect that internal control can be seen as an attribute of management, a management function, or as a means of knowing the reality and correcting inaccuracies.

The analysis of the definition of control concept performed above, allows us to conclude that the application of the internal control system within the entity and guaranteeing that internal control policies are adequate to achieve its objectives and they are the responsibilities of management, and providing guaranty to management on functionality and monitoring the effectiveness of the internal control system rests with the internal auditor. In this regard, the opportunity of improving internal control evaluation techniques contributes to increasing the significance of internal audit in achieving the entity's objectives. Accordingly, the impact of internal audit on internal control can be interpreted through the following figure:



Source: drawn up by the author based on the [16]

Fig. 1. The impact of internal audit on internal control

Internal auditors need to acknowledge that the operation of the internal control system is effective if the following basic principles are guaranteed [3, 4]:

- organization principle, which implies the proper organization of each entity through the elaboration of the entity's organizational chart and internal procedures, which establish the responsibilities, the delegations of competencies, the tasks, and the way of transmitting the information;
- self-monitoring principle, which establishes in the control procedures self-monitoring procedures, and is intended to detect distortions;
- permanence principle, which involves stability for internal control procedures, also specifies the adaptation to both internal and external changes. Nevertheless, this principle contributes to the delimitation of the deficiencies of internal control and cases of failure to comply with internal control procedures;
- universality principle, stating that the establishment of internal control procedures for all employees of the entity and for all assets and liabilities held;
- information principle, which states that the information obtained following the application of internal control procedures, is verifiable and useful. In the meantime, the information is useful if it is obtained from a concrete source and is clearly revealed;
- staff quality principle, which provides that internal control, involves staff with appropriate professional skills and ethical values;
- independence principle, which requires that whatever methods, means, or procedures are used by the entity to perform its business, the objectives of internal control to protect assets and improve performance must be achieved.

As follows from figure 1, internal auditors must take into account the inherent limitations of internal control, independent of how it is designed and implemented. The inherent limitations of internal control shall be conditional upon some internal or external factors that could not be taken into account when designing and implementing internal control. It should be mentioned that the practice of internal audit denotes the following factors [8]:

- human errors: negligence, inattention, misinterpretations, errors of reasoning;
- abuse of authority manifested by some persons with management, coordination or supervision functions;
- limiting independence in the exercise of working attributions;
- frequent changes in the internal and external environment of the entity;
- inadequate control procedures;
- non-adapted or adapted and not implemented control procedures;
- internal control costs.

Thereafter, the internal auditors must take into consideration the internal control model established at the entity. Let it be said that some of the internationally recognized internal control models designed to organize the internal control system are the COSO Model (USA) and the COCO Model (Canada). They currently meet the requirements of risk management, in particular the COSO model. This model is also the basis of the internal managerial control system, implemented in the public sector in the Republic of Moldova, but some aspects of it are used by the Basel Committee on Banking Supervision. In the assertion of the COSO model [5], internal control is presented as a process performed by the Board of Directors, management, and all staff of the entity, intended to provide reasonable guaranty as to the achievement of the organization's objectives, taking into consideration:

- efficiency and effectiveness of operations;
- reality of financial reporting;
- compliance with applicable laws and regulations.

By considering the COSO model, we find that internal control is represented by five elements, which interact with each other, namely: the control environment; risk evaluation; control activities; information and communication; supervising. Despite their importance, next, we will show a brief characteristic of each element.

1. The control environment represents the general attitude, integrity, ethical values, and ethical behaviors of employees; management style, together with the management measures taken regarding the internal control system and its importance within the entity.

2. Risk evaluation. Any entity is subject to risks, which may be risks specific to the operation of the entity itself, risks specific to each activity, but also external risks. Entities shall establish an internal control system that allows them to avoid unacceptable risks or to maintain them at an acceptable level and, at an optimal level, to maintain acceptable risks in order to achieve the objectives they have set.

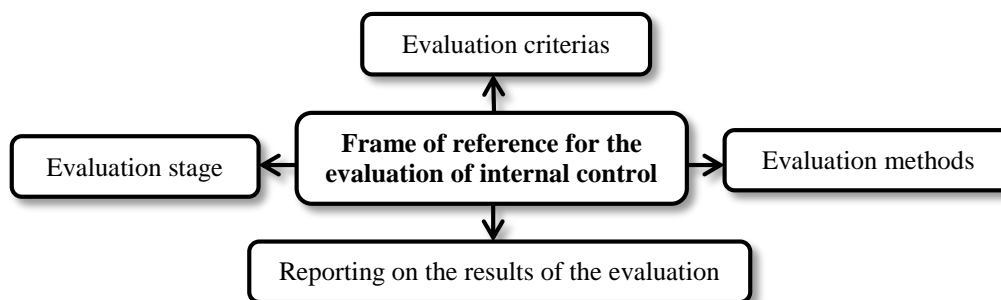
3. Control activities represent measures of accomplishment of tasks and provide a reasonable guaranty that the assets will be protected, and the operations performed will be performed as scheduled.

4. Information and communication. Management's aptitude to make suitable conclusions is influenced by the quality of the information, assuming that the information is satisfactory, timely, up-to-date, precise and available. Effective communication must include all activities and structures of the entity and take place from top to bottom and from bottom to top through all components and its entire structure.

5. Supervising denotes the permanent monitoring of the internal control system, as well as to the examination of its operation. This comprises defining the tasks of each employee, establishing the techniques and tools of work, the professional training of employees, supervising the activity of the staff.

Having studied the elements of internal control according to the COSO model, but also the results of the research of the scientist Jacques Renard [10], we note that these elements can be recorded in the internal audit.

The authors also noted in previous research that internal audit makes an essential contribution to improving the internal control system, while the management of the entity is not relieved of its responsibilities for preventing and detecting errors and fraud in the system. For instance, in the public sector of the Republic of Moldova, internal audit is a basic element of Public Internal Financial Control, and in the private sector, internal audit is an independent function within the entities, performed by creating and operating internal audit subdivisions. In order for the internal audit to fulfill its role in the context of the internal control evaluation, we propose a frame of reference for its evaluation, which can be applied by the entities in the corporate sector of the country and which can include the elements, presented in figure 2.



Source: drawn up by the author

Fig. 2. Structure of the frame of reference for the evaluation of internal control

An important matter of the evaluation process, in our opinion, constitutes the identification of appropriate criteria for the evaluation of internal control by internal auditors. Originally, they must determine whether senior management has established criteria for evaluation, because in their absence, according to established requirements of in ISPPIA 2210 – Objectives of the mission, internal auditors must identify appropriate evaluation criteria through discussions with the entity's board or executive management. Examples of internal control evaluation criteria are laid down in the nominated standard, which may include:

- internal criteria (the entity's policies and procedures);
- external criteria (laws and regulations imposed by statutory bodies);
- best practices (specific activity or professional guidelines).

We believe that, the classification of evaluation criteria, presented in the nominated standard is adequate and can be used to establish the criteria for the evaluation of internal control in the entities in the corporate sector of the Republic of Moldova. Likewise, it is necessary to specify the content of the evaluation criteria, which would highlight the guaranty of meeting the performance, information and compliance objectives of the internal control. In this respect, the author presents in table 1 – evaluation criteria, used by internal auditors in the concrete conditions of activity of a public interest entity in the corporate sector in the country.

Table 1

Establishing the evaluation criteria of the internal control

Internal criteria	External criteria
Ensures the achievement of both performance and information objectives and compliance with: <ul style="list-style-type: none"> ▪ bank status; ▪ bank's corporate governance code; ▪ bank Board Regulations; ▪ regulations of the Bank's Management Committee; ▪ regulation on the bank's transactions with its affiliates; ▪ internal regulations, instructions and procedures on the risk management function; ▪ internal regulations, instructions and procedures regarding the compliance function; ▪ international Financial Reporting Standards; ▪ bank's accounting policies; ▪ chart of accounts of the economic-financial activity of the bank 	Ensures compliance with conformity objectives with: <ul style="list-style-type: none"> ▪ Law on financial institutions; ▪ Law on joint-stock companies; ▪ Law on the banking activity; ▪ Law on the recovery and resolution of banks ▪ Corporative Governance Code issued by NCFM; ▪ regulation on the management framework of the banks' activity; ▪ Regulation on the requirements for preventing and combating money laundering and terrorist financing in the activity of banks; ▪ Methodological guide for implementing anti-fraud policy and programs in banks in the Republic of Moldova
Best practices	
Ensures compliance with conformity objectives with: <ul style="list-style-type: none"> ▪ recommendations of the Basel Committee on Banking Supervision; ▪ ISPPIA recommendations; ▪ audit company's recommendations; ▪ recommendations of international bodies (FATF, Wolfsberg Group) 	

Source: drawn up by the author based on the information flows of BC «Moldindconbank» S.A.

A further, important matter, presented in the reference framework proposed by the authors (fig. 2) deals with the establishment of the method of evaluation of internal control. The results of the study of the literature show that, currently, this topic is of major interest for research in the field of internal audit in other countries and is less raised by domestic scientists, it was also found that there is no single approach to evaluation methods of the internal control established within the entity.

Therefore, the authors of the Russian Federation G.Maksimova and K.Karetnikov established the following approaches [13, p. 374]:

- functional approach, which is based on the analysis of the connection of the functions of the internal control system and its correspondence with the dimensions of the entity;
- operational approach, which is directed at improving the internal control procedures at the entity;
- normative approach, which reflects compliance with regulations in the field of internal control;
- systematic approach, which is oriented towards the evaluation of each element of the internal control system.

Within this framework, we consider it appropriate to use the systematic method in the entities of the corporate sector of the Republic of Moldova, which evaluates each element of internal control. In our view, the systematic approach is current in the evaluation of internal control, because it is based on the concept of internal

control of the COSO model. Moreover, the evaluation of each element of the internal control system allows internal auditors to make an integrated evaluation of the effectiveness of internal control at the entity. However, it allows evaluating the contribution of each element of the internal control system in its proper functioning, which contributes to the achievement of the objectives set for the internal control of the entity. In the meantime, the timely identification and liquidation of the deficiencies of the constituent elements of internal control, offers the possibility for the management of the entity to improve its functioning mechanism.

Another important issue of the evaluation process, as shown in figure 2, is the establishment of stages in the evaluation of internal control. Establishing, properly understanding, and performing the evaluation stages of internal control in the use of the systematic method, contributes to achieving the objectives set out in it. In order for the internal auditors properly evaluate the internal control of the entity, we propose the planning of the following steps:

Step 1. Attaining an overview of the internal control system of the entity. At this stage, the objectives submitted to the internal control will be described, identified and studied by the regulatory framework both internally and externally of the functioning of internal control;

Step 2. Establishing and analyzing the content of the constituent elements of the internal control mechanism. At this stage, the internal auditors determine the elements that underlie the internal control system of the entity; they must also gain an understanding of their content and basic characteristics. Simultaneously, it must determine the participants and specify their role in the entity's internal control system;

Step 3. Evaluation of the elements of the internal control system identified at the entity. At this stage, the internal auditors must determine the techniques and tools for evaluating the elements of the internal control system. Besides, at this stage, the internal auditors study the compliance of these elements with the established evaluation criteria, test the factual elements of the internal control system, in order to identify deficiencies in their operation, and must issue recommendations to remove deficiencies found after the realized evaluation.

One of the main elements of internal control is the control environment. The internal auditor in his evaluation should consider that the control environment includes the general attitude, awareness and action taken by the entity's management regarding the internal control system and its importance within the entity. The control environment sets the tone of the entity and influences the awareness of its staff that the control process is essential in the activity of the entity. In the meantime, it forms the basis of all other components of internal control, ensures discipline within the entity, its structure, so that the internal control system can be effectively applied, and add value to the successful development of the entity.

Concurrently, we note the significant contribution in the study of internal control, brought by the domestic researcher A. Bîrcă [2], who makes a critical evaluation of the elements of the control environment, made through the examination of its regulatory provisions.

In evaluating the control environment, internal auditors are to identify and understand the elements that define it. In the COSO assertion [5], the elements of the control environment take the form of well-defined principles, and in the Recommendations of the Basel Committee on Banking Supervision [6] some principles of the COSO model are generalized. Furthermore, some of the recommendations reveal the principles of the COSO model thoroughly. In these circumstances, we believe that the elements that may be relevant in obtaining an understanding of the control environment include the following:

- communicating and enforcing integrity and ethical values;
- commitment to competence, human resources policies and practices;
- participation of those in charge of governance;
- working style of the management;
- organizational structure, attribution of authority, and responsibility.

Further, once the relevant elements in understanding the entity's control environment have been established, the internal auditors must identify the audit techniques that they will use in the evaluation process. Among the relevant audit techniques in the evaluation process, the control environment of the entity distinguishes and proposes the following:

1. Document analysis. In this regard, the internal auditors are to examine the information base related to the control environment of the entity. Thereby, for each element of the control environment, the suitable sources of information are to be determined, which will then be used in the evaluation process. The relevant sources of information are generalized on the basis of information from a public interest entity in the country and presented in table 2.

Sources of information attached to the entity's control environment

Elements of the control environment	Information sources
1. Communicating and enforcing integrity and ethical values	Code of ethics of the entity; Corporate Governance Code; internal procedures for assessing violations of the Code of Ethics, investigating and enforcing measures; individual employment contracts; the collective labor contract; the minutes of the meetings of the management bodies of the entity; the minutes of the meetings of the structural subdivisions of the entity
2. Commitment on competence, policies and human resources practices	Personal files of employees; job descriptions; internal procedures for recruiting qualified and experienced people; employee training and promotion policies; internal procedures for assessing employees' skill levels; information on the entity's new areas of activity
3. Participation of those in charge of governance	Declarations of conflicts of interest; internal procedures for reporting irregularities; job descriptions
4. Working style of the management	Corporate Governance Code; the minutes of the meetings of the Board of Directors and of the Management Committees of the entity; job descriptions; individual employment contracts; results of the verification by the state bodies empowered with financial control functions
5. Organizational structure, attribution of authority, and responsibility	Corporate Governance Code; organizational chart of the entity; internal rules setting out the procedures for designating the authority, responsibilities, and reporting relationships; job descriptions

Source: drawn up by the author based on the information «Intact Asigurări Generale» S.A.

2. Interviewing the management of the entity. Via interview, internal auditors must evaluate the extent to which both government and the management of the entity have established and ensured a culture based on honesty and ethical behavior. Simultaneously, it must be ensured that the elements of the control environment provide an adequate basis for the other components of internal control. The information obtained from the interview is to be confirmed by other types of evidence, for example, with the analysis of documents related to the internal control of the entity.

3. Utilization of the evaluation technique of the effectiveness of the control environment through qualitative indicators. The given technique involves the development of qualitative indicators of evaluation of the effectiveness of the control environment of the entity and the use of the appropriate tool – its evaluation questionnaire. In our view, evaluation indicators should be grouped, using the constituent elements of the control environment as a classification criterion. In such a way, the internal auditor has the opportunity to make a qualitative evaluation of each element of the entity's control environment and, consequently, to argue recommendations for improving its effectiveness.

To rule out the subjectivity of evaluation of the entity's control environment, the questions in the questionnaire need to be formulated clearly and precisely. Each answer to the questions of the questionnaire is given a certain score, in the range from 0 to 3 points. The rating scale looks the following way:

- 3 points – elements of the control environment fully correspond to the regulations in the field;
- 2 points – elements of the control environment are largely in line with the regulations in the field;
- 1 point – elements of the control environment partially correspond to the regulations in the field;
- 0 points – elements of the control environment do not correspond to the regulations in the field.

Based on the answers obtained through the questionnaire, the effectiveness of the control environment is assessed according to the following formula:

$$\varepsilon = \frac{\sum_{i=1}^n i}{n}, \quad (1)$$

where i – the score awarded to the state corresponding to the analyzed element;
 n – number of analyzed items.

If the result obtained following the evaluation is within the range from 2 to 3 points according to the norm established in our opinion, control environment is considered to be effective. If the evaluation is within the range from 1 to 2 points, then the control environment is considered to be inefficient. In this respect, the authors developed a set of qualitative indicators for evaluating the control environment of public interest entities in the corporate sector of the Republic of Moldova. They have also developed and proposed for implementation a model of control environment evaluation questionnaire. The authors in table 3 present the testing of the application in practice of the instrument given in the evaluation of the control environment of the entities in the corporate sector.

Evaluation of control environment of the entity

Components of the control environment / questions / answer to questions / awarded score		
Questions	«Intact Asigurări Generale» S.A.	«Orizont» S.A.
I. Communication and application of ethical integrity and values		
1. Is the Code of Ethics applicable to all employees developed at the entity?	3	0
2. Do employees know the provisions of the Code of Ethics?	3	0
3. Are concrete procedures developed to evaluate deviations from the Code of Ethics, to investigate, to apply measures?	3	0
4. Do management and employees comply with fraud and corruption prevention legislation?	3	3
II. Commitment on competence, policies and human resources practices		
1. Are procedures developed at the entity to evaluate the levels of skills required to perform tasks by employees?	3	3
2. Do management at all levels have the necessary qualifications to perform the tasks submitted for the risk management process?	3	3
3. Are there qualified recruitment procedures and professional experience at the entity?	2	2
4. Are employee training and promotion policies established?	3	0
III. Participation of persons entrusted with governance		
1. Are the responsibilities of the persons entrusted with governance related to the development and implementation of irregularity reporting procedures established?	3	3
2. Are the responsibilities of persons entrusted with governance to review the effectiveness of the entity's internal control established?	3	2
3. Is the way of interaction of people entrusted with governance established?	3	3
IV. Management work style		
1. Is the entity's management involved in assuming and managing business risks?	3	3
2. Is the financial reporting decision-making a collective one?	3	3
V. Organizational structure, attribution of authority and responsibility		
1. Is the organizational structure approved by an official document?	3	3
2. Are job descriptions developed and brought to the attention of staff?	3	3
3. Are there internal regulations that clearly set out the procedures for designating authority, responsibilities and reporting relationships?	3	3

Source: drawn up by the author based on the information «Intact Asigurări Generale» S.A. and «Orizont» S.A.

Using the data from table 3 we can evaluate the efficiency of the control environment through qualitative indicators, assembled according to its constituent elements. Applying formula 1, we obtain the following results:

- √ for the control environment of «Intact Asigurări Generale» S.A. – 2,93 points;
- √ for the control environment of S.A. «Orizont» – 2,13 points.

As we can see, the result acquired after the evaluation is within the range of 2 to 3 points, the control environment is estimated to be effective for both entities. At the same time, we can also perform a detailed analysis of the state of the control environment of the entities, because the qualitative evaluation indicators have been classified according to their constituent elements. The given circumstances give us the opportunity to identify the deficiencies within the control environment established at the entity. Therefore, for S.A. «Orizont» are notified deficiencies at the elements «Communication and enforcing integrity and ethical values» and «Commitment regarding competence, human resources policies, and practices».

Conclusions and prospects for subsequent research. From the research conducted, the authors acknowledge that one of the main areas of activity of internal audit within the entity is the systematic and methodical evaluation of internal control, an aspect which is in accordance with ISPPA 2130 – Control, according to which the internal audit activity must support the entity in maintaining effective control, by evaluating their effectiveness and efficiency, together with promoting ongoing improvement actions. In the

context of permanent economic changes at the national and global level and influencing the operational processes of the modern entity, the ability of internal audit functions to readjust audit plans, verification techniques, and providing qualified human resources to conduct its business efficiently, the authors have determined the fact that economic entities in both the private and public sectors are acutely aware of the need to increase the quality of the internal control system by identifying innovative practices to support the internal audit function in its development process in the period of economic transformations. These deductions condition the growth of the role of internal audit in the evaluation of internal control, the opportunity to identify deficiencies within the control environment established at the entity and offer the possibility for the entity's management to improve the internal control mechanism in order to provide guaranty and confidence for investors, clients, suppliers, and other interested parts, because the process of establishing effective internal control has a substantial impact on the reliability of a modern entity and the activities it carries out.

In the present research, the authors have illuminated the solution of the problems related to the determination of the criteria; stages; evaluation method and indicators of modern tools, which can be used in the process of evaluating and applying them in the concrete situations of activity of the entities. Consequently, as a method of evaluation of internal control is suggested the systematic method, which permits the evaluation of each element of it. It follows that the systematic approach is current in the evaluation of internal control within a modern entity operating in the era of contemporary economic change, because it is based on the concept of internal control of the COSO model. Along with that, the separate evaluation of each element of the internal control system assumed by the COSO model, allows the internal auditors to make a combined assessment of the effectiveness of the internal control at the modern entity.

One of the core elements of internal control represents the control environment. In this respect, maximizing the benefit provided by the internal audit function within the entity becomes imperative in the context of using techniques to evaluate the effectiveness of the control environment through qualitative indicators. The given technique involves the development of qualitative indicators for evaluation and use of the appropriate tool – its evaluation questionnaire, which was applied in two public interest entities in the Republic of Moldova. The results obtained prove the fact that the evaluation indicators must be grouped, using as a classification criterion – the constituent elements of the control environment. Thus, the internal auditor has the possibility to make a qualitative assessment of each element of the entity's control environment, offering the possibility for the management of the modern entity to identify deficiencies within the control environment established at the entity and the possibility to improve the operating mechanism and implement some innovative practices.

Identifying aspects related to the evaluation of other elements of internal control, such as risk evaluation, control activities, information, and communication, also monitoring, is the perspective for future research, which will be addressed by the authors in the continuation of the study on the evaluation of internal control.

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Dolghi Cristina Vasile – PhD in Economics, Associate Professor, State University of Moldova.

Scientific interests:

- problems of accountancy and financial reporting statements, the implementation of accounting policies according to IFRS, and the particularities of the accounting methodology in insurance companies;
- evolution of the quality control system for companies that performs audits and reviews of financial statements;
- development of internal audit and its role in the management processes of the modern entity;
- role of accounting information in the decision-making process;
- directions for the development of insurance markets in developed countries.

Petreanu Elena Gheorghe – Postgraduate, University Lecturer, State University of Moldova.

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- evolution and development of internal audit;
- evaluation of internal control, risk management and corporate governance by internal audit;
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