

Public Sector Internal Audit Act

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Chapter One GENERAL PROVISIONS

Article 1. This Act shall regulate the nature, principles and scope of internal audit in public sector organisations, referred to hereafter "the organisations", the statute and functions of the structures and persons implementing it, as well as the activities related to the audit of European Union funds and programmes.

Article 2. The head of an organisation shall be responsible for the setting up and operation of adequate and efficient financial management and control systems and shall be supported by internal audit.

Article 3. (1) Internal audit shall be an independent and objective activity for providing assurance and consulting services designed to add value and improve the activities of the organisation.

(2) Internal audit shall assist the organisation in the achievement of its goals by applying a systematic and disciplined approach to evaluate and improve efficiency of risk management, control and management processes.

Article 4. Internal audit shall be performed in accordance with internal; audit standards, code of ethics of internal auditors and in compliance with the following principles:

1. Independence and objectivity;
2. Competence and due professional care;
3. Integrity and confidentiality.

Chapter Two NATURE, SCOPE AND ORGANISATION OF INTERNAL AUDIT

Article 5. Internal audit shall support the organisation in the achievement of its goals by:

1. Identifying and assessing the risks in the organisation;
2. Evaluating the adequacy and efficiency of financial management and control systems in terms of:
 - (a) risk identification, assessment and management by the management of the organisation;
 - (b) compliance with legislation and internal acts and contracts;
 - (c) reliability and comprehensiveness of financial and operating information;
 - (d) efficiency, effectiveness and economy of operations;
 - (e) Safeguarding of assets and information;

(f) performance of tasks and achievement of goals.

3. Providing recommendations for improving activities in the organisation.

Article 6. Internal audit shall be implemented through the performance of specific audit assignments for the provision of assurance services or consulting services.

Article 7. (1) An audit assignment for providing assurance shall consist of the provision of an objective evaluation of evidence by the internal auditor in order to provide an independent opinion or conclusion concerning a process, a system or another item covered by the audit.

(2) (Amended, SG No. 54/2010) The goal and the scope of each audit assignment for assurance services shall be defined by the head of internal audit.

(3) An audit assignment for assurance services shall be performed mainly through: systems-based audits, compliance audits, performance audits, financial audits, IT-audits, and current status reviews.

Article 8. (1) An audit assignment for consulting services shall consist in the provision of an advice, opinion, training and other services designed to improve the processes of risk management and control, without the internal auditor assuming any managerial accountability therefore. Audit assignments for consulting services shall be initiated by the head of the organisation.

(2) (Amended, SG No. 54/2010) The objective and the scope of each audit assignment for consulting services shall be set jointly with the head of the organisation.

Article 9. Internal audit under this Act shall be performed at:

1. Organisations spending funds from the state budget;

2. Organisations spending extra-budgetary funds;

3. Organisations spending funds from municipal budgets and funds;

4. Organisations spending independent and/or autonomous budgets, including the National Social Security Institute and the National Health Insurance Fund;

5. Organisations spending funds guaranteed by the Republic of Bulgaria;

6. Organisations spending funds from European Union funds and programmes;

7. Commercial companies referred to in Article 61 of the Commerce Act and state-owned enterprises in the meaning of Article 62, paragraph 3 of the Commerce Act.

8. Other organisations spending public funds by the virtue of statute.

Article 10. (1) The head of the organisation shall be responsible for introducing and ensuring the adequate operation of internal audit in compliance with the requirements set out in this Act.

(2) All units, programmes, activities and processes within the organisation shall be covered by the scope of internal audit.

Article 11. (1) (Amended, SG No. 54/2010) Internal audit shall be performed by an Internal Audit Unit, which shall consist of a head of unit and internal auditors, who shall report directly to the head of the respective organisation and shall be employees of the organisation.

(2) (New, SG No. 54/2010) The internal audit activity can be assigned to natural persons who are not employees of the respective organisation. The said persons shall meet the requirements referred to in Article 21, paragraph 1.

(3) (Renumbered from Paragraph 2, SG No. 54/2010) Internal audit shall be performed in compliance with the requirements of this Act and the bye-laws on its implementation issued by the Minister of Finance.

Article 12. (1) Internal Audit Units shall be set up in:

1. the administration of the President, the National Assembly, the Council of Ministers, the ministries, the National Social Security Institute and the National Health Insurance Fund;

2. the Supreme Judicial Council and the National Audit Office;

3. (amended, SG No. 54/2010) the municipalities which have budgets in excess of BGN 10 mln;

4. the administrations of the first-level spenders of budget appropriations under the national budget other than those referred to in subparagraph 1 whose budget exceeds BGN 5 mln;

5. (amended, SG No. 71/2008) the second-level spenders of budget appropriations and spenders of extra-budgetary funds listed in the Appendix.

(2) (Supplemented, SG No. 54/2010) With a decision of the Minister of Finance, after a risk assessment is performed by the first-level spender of budget appropriations, Internal Audit Units shall be set up also in other organisations and spenders of budgetary appropriations under the national budget.

(3) (New, SG No. 54/2010) Beyond the cases referred to in paragraphs (1) and (2) the internal audit activity can also be performed according to the procedure referred to in Article 11, paragraph (2).

Article 13. (1) (Amended, SG No. 54/2010) The Internal Audit Unit shall perform internal audits of all units, programmes, activities and processes, including those of spenders of European Union funds and lower-level spending units within the organisation.

(2) (New, SG No. 54/2010) The Internal Audit Unit shall also perform internal audit in the commercial companies referred to in Article 61 of the Commerce Act, at the state-owned enterprises under Article 62, paragraph (3) of the Commerce Act and at the medical treatment facilities - enterprises with mixed state and municipal share in the capital, where independent Internal Audit Units have not been set up in the said organisations.

(3) (Renumbered from Paragraph 2, SG No. 54/2010) The Internal Audit Units of organisations, responsible for the management of interdepartmental programmes/projects, shall coordinate the work of the Internal Audit Units of the organisations participating in these programmes/projects.

(4) (Renumbered from Paragraph 3, amended, SG No. 54/2010) In relation to the execution of an audit assignment for providing assurance the Internal Audit Unit of the first level spender of budgetary appropriations can audit the second-level spenders of budgetary appropriations in which an independent Internal Audit Unit has been set up, as well as those of their lower-level spending units. The audits shall be performed following a written notification to and endorsement by the management of the structures and the persons wherein the said audits are to be performed.

(5) (Renumbered from Paragraph 4, SG No. 54/2010) The Internal Audit Unit of a first-level spender of budgetary appropriations shall monitor and coordinate the activities of the units of the second-level spenders of budgetary appropriations.

Article 14. (1) The heads of the organisations referred to in Article 12, paragraph 1, subparagraphs 1, 2, 4 and 5 shall comply with the following requirements for a minimum number of Internal Audit Unit personnel:

1. where the budget of the respective organisation, including the managed funds from European Union funds and programmes, is up to BGN 10 mln - not less than two internal auditors, including the Head of Internal Audit;

2. where the budget of the respective organisation, including the managed funds from European Union funds and programmes, ranges from over BGN 10 mln to BGN 50 mln - not less than four internal auditors, including the Head of Internal Audit;

3. where the budget of the respective organisation, including the managed funds from European Union funds and programmes, ranges from over BGN 50 mln to BGN 100 mln - not less than six internal auditors, including the Head of Internal Audit;

4. where the budget of the respective organisation, including the managed funds from European Union funds and programmes, exceeds BGN 100 mln - not less than ten internal auditors, including the Head of Internal Audit;

(2) (Amended, SG No. 54/2010) Internal audit at municipalities shall be performed by at least two internal auditors, including the Head of Internal Audit

(3) For the purposes of determining the minimum number of personnel for the Internal Audit Unit, the budgets of second-level spending units in which independent Internal Audit Units are set up shall be deducted from the budgets of first-level spenders.

(4) The minimum number of Internal Audit Unit personnel referred to in paragraphs 1 and 2 shall not include trainee auditors.

Article 15. Commercial companies referred to in Article 61 of the Commerce Act and state-owned enterprises referred to in Article 62, paragraph 3 of the Commerce Act may set up Internal Audit Units upon a decision of their governing bodies.

Article 16. (1) The head of an organisation shall ensure the independence of internal auditors in internal audit planning, execution and reporting and cannot assign to the Head of Internal Audit and internal auditors the performance of any functions and activities other than the activities involved in internal audit.

(2) In order to ensure the functional and organisational independence of the internal audit, the Head of the Internal Audit Unit shall report directly to the head of the organisation.

Article 17. The head of an organisation and other officials in the organisation shall be obliged to cooperate with internal auditors in the performance of their activities and shall not have the right to refer to a commercial or official secret of their entity or of another entity or to refuse access to any of the assets of the organisation.

Article 18. (1) (Amended and supplemented, SG No. 54/2010) The head of an organisation can set up an Audit Committee comprising of employees and of persons external to the organisation who hold a Master's degree and have at least 4 years of experience in the field of financial management and control, internal or external audit.

(2) (New, SG No. 54/2010) Audit Committees can be set up at municipalities by decision of the Municipal Council.

(3) (Renumbered from Paragraph 2, amended, SG No. 54/2010) The Audit Committee shall adopt rules within one month after it has been set up.

(4) (New, SG No. 54/2010) The rules of operation of the Audit Committee at municipalities shall be endorsed by the Municipal Council

(5) (Renumbered from Paragraph 3, amended, SG No. 54/2010) The Audit Committee shall support the internal audit by expressing opinions on the structure of the Internal Audit Unit, the strategic and annual plans for the internal audit activity; becoming familiar with and expressing opinions on the annual activities report and all significant issues related to the internal audit.

Chapter Three

STATUTE OF INTERNAL AUDITORS

Section I

Requirements for Appointment

Article 19. (1) Internal auditors shall be appointed by the head of the organisation in an employment arrangement regulated by the Labour Code or the Civil Service Act.

(2) Individuals who meet the following requirements shall be eligible for employment as internal auditors:

1. to be a legally capable Bulgarian citizen;

2. Not to have been convicted for any premeditated crime of a public nature and not been deprived of the right to hold the respective position by a court ruling;

3. to have completed a programme of higher education and hold a master's or bachelor's degree;

4. (amended, SG No. 54/2010) to hold a certificate for "internal auditor in the public sector", issued by the Minister of Finance after having successfully passed the exam as referred to in Article 53 or to hold a valid internationally accredited certificate for internal auditor.

Article 20. (1) Individuals who do not meet the requirements specified in Article 19, paragraph 2, subparagraph 4, may be appointed as trainee auditors for a period of two years.

(2) Within the time period specified in paragraph 1, a trainee auditor should meet the requirements of Article 19, paragraph 2, subparagraph 4, and can then be appointed as internal auditor.

Article 21. (1) The Head of Internal Audit shall be appointed in an employment arrangement regulated by the Labour Code or the Civil Service Act and must meet the requirements set out in Article 19, paragraph 2, subparagraphs 1, 2 and 4, and the following additional requirements:

1. to have completed a programme of higher education and hold a master's degree;

2. To have at least three years of service experience in the field of internal or external audit.

(2) The following cannot be appointed as Head of Internal Audit:

1. persons who have been appointed in the organisation during the last year in an employment arrangement regulated by the Labour Code or the Civil Service Act, in a position other than internal auditor or employee in an inspectorate referred to in Article 46 of the Administration Act ;

2. persons who have been appointed during the last two years in an employment arrangement regulated by the Labour Code or the Civil Service Act as heads of the organisation or its subordinate units;

3. (supplemented, SG No. 42/2009) persons whose spouses, domestic partners, relatives in a direct line without limitation, in a collateral line up to the fourth degree, or by marriage up to the fourth degree are or have been employed in a managerial position in the organisation over the past 2 years.

(3) The circumstances defined in paragraph 2 shall be declared in writing by any applicant for the position of Head of Internal Audit before the head of the organisation at the time of appointment.

(4) (New, SG No. 54/2010) The Head of the Internal Audit Unit position shall be equivalent in rank to the "Director of Directorate" position on the respective administrative level.

(5) (Renumbered from Paragraph 4, amended, SG No. 54/2010) Heads of Internal Audit in the organisations referred to in Article 12, paragraph 1, subparagraphs 1, 3, 4 and 5 and paragraph 2 shall be appointed and dismissed after receiving agreement in writing from the Minister of Finance.

(6) (Renumbered from Paragraph 5, amended, SG No. 54/2010) The Minister of Finance shall make a pronouncement under paragraph 5 within 14 days of receiving a request.

(7) (Renumbered from Paragraph 6, SG No. 54/2010) The Minister of Finance cannot refuse to appoint a person meeting the requirements set out in paragraphs 1 and 2.

Section II

Rights and Responsibilities

Article 22. (1) The Head of Internal Audit and the internal auditors shall be entitled to:

1. unlimited access to the management, all members of staff and all assets of the organisation in connection with carrying out their audit activities;
2. access to all information, including classified material, as per their respective level of clearance, and to all records, including electronic ones, kept by the organisation and necessary for the performance of the audit;
3. request from the responsible officials any data, summary statements, opinions, documents and other information necessary in connection with the audit activities.

(2) The Head of Internal Audit and the internal auditors shall receive the necessary support from the management and all members of staff of the organisation in the course of the audit.

Article 23. (1) The internal auditors shall, upon the endorsement of the Head of Internal Audit and the head of the organisation, have the right to carry out checks at structures and parties outside the organisation, in which they perform their activities.

(2) The structures and parties referred to in paragraph 1 shall be related to the activities of the organisation and/or receive budgetary funds or funds under European Union programmes and funds.

(3) The checks referred to in paragraph 1 shall be carried out if necessary in the course of the execution of a specific audit assignment.

(4) The checks referred to in paragraph 1 shall be carried out after a prior notification of and in coordination with the management of the structures and parties where such checks are to be carried out.

Article 24. In addition to the rights referred to in Article 22, the Head of Internal Audit shall have the following rights:

1. to report to the head of the organisation on all matters relating to the performance of audit;
2. to propose to the head of the organisation to appoint an expert, where special knowledge and skills related to the performance of internal audit are needed;
3. to have access to the chairman and the members of the Audit Committee referred to in Article 18, if such a committee has been set up, and to take part in its meetings.
4. (amended, SG No. 54/2010) to determine the objectives, scope, frequency, audit procedures and resources, required for the implementation of each audit assignment.

Article 25. The Head of Internal Audit and the internal auditors shall be obliged to comply with the Internal Auditing Standards, the internal auditors' Code of Ethics, the Internal Audit Charter and the methodology for internal audit in the public sector approved by the Minister of Finance.

Article 26. The Head of Internal Audit and the internal auditors shall be obliged not to disclose and not to provide any information they have become aware of in the course of or in connection with the performance of their activity, with the exception of the cases provided for by law.

Article 27. (1) (Redesignated from Article 27, SG No. 54/2010) The Head of Internal Audit shall be responsible for the overall activity of the Internal Audit Unit, including:

1. (supplemented, SG No. 54/2010) he/she shall: prepare and present for endorsement to the head of the organisation and to the head of the Audit Committee referred to in Article 18, if such a committee has been set up, a draft Internal Audit Charter, a strategic and an annual plan for internal audit activities;

2. organise, coordinate and distribute tasks among internal auditors for implementation, in accordance with their knowledge and skills;

3. approve specific audit assignment plans;

4. monitor the implementation of the annual plan for internal audit and the application of the methodology for internal audit in the public sector at the unit he/she manages;

5. prepare and present for approval by the head of the organisation a plan for the professional training and development of internal auditors in order to maintain audit personnel with sufficient knowledge, skills, experience and professional qualifications;

6. develop specific methodologies where needed for the activities of the Internal Audit Unit;

7. organise the assessment of all new financial management and control systems, as well as of all changes in the structure and functions of the organisation.

(2) (New, SG No. 54/2010) The Head of Internal Audit at a municipality shall present a strategic and annual plan for the internal audit activity for endorsement to the Municipal Council.

Article 28. (1) (Redesignated from Article 28, SG No. 54/2010) The Head of Internal Audit shall be accountable to the head of the organisation, and to the Audit Committee referred to in Article 18 if such a committee has been set up for:

1. (Amended, SG No. 54/2010) Presenting the annual internal audit activity report;

2. (Amended, SG No. 54/2010) Reporting the results of audit assignments, all cases of detected indications of fraud, recommendations made and actions undertaken to improve the organisation's activity;

3. Reporting on progress made in implementing the annual internal audit activity plan;

4. Reporting on the adequacy of internal audit resources;

5. Reporting on all cases where the activity of the head of internal audit and internal auditors had encountered restrictions;

6. coordinating the interaction with external auditors.

(2) (New, SG No. 54/2010) The Head of Internal Audit at the municipality shall present to the Municipal Council the reports as referred to in paragraph (1), subparagraphs 1, 3 and 4.

Article 29. (1) The Head of Internal Audit shall develop and implement an audit quality assurance programme including internal and external evaluations.

(2) Internal evaluations shall include progress reviews of the work of the Internal Audit Unit and periodic reviews through self-evaluation or through peer review by others who are familiar with internal audit practices and Internal Auditing Standards and meet the requirements set out in Article 19.

(3) (Supplemented, SG No. 54/2010) External evaluations shall be made at least once every five years by parties external to the organisation who hold certificates for "internal auditors in the public sector" or valid internationally accredited certificates for internal auditor.

(4) (New, SG No. 54/2010) External evaluations under paragraph (3) shall be made under conditions and by a procedure determined by the Minister of Finance.

Article 30. (1) When indications of fraud have been identified internal auditors shall immediately report to the Head of Internal Audit. The latter shall immediately notify the head of the organisation and make a proposal for taking steps and notifying the competent authorities.

(2) (Amended, SG No. 54/2010) If the head of the organisation fails to undertake action within 14 days of the reporting referred to in paragraph 1, the Head of Internal Audit shall notify the Audit Committee referred to in Article 18 if such a committee has been set up.

Article 31. (1) Internal auditors cannot perform audit assignments for providing assurance, relating to activities and structures on which he/she has provided consulting services or in which he/she had been employed over the past one - year period. They shall declare any existence of such circumstances in writing to the Head of Internal Audit.

(2) The head of internal audit and the internal auditors shall not have the right to perform functions and activities in the organisation other than the internal audit activities.

(3) (Amended, SG No. 54/2010) Trainee auditors shall have the same rights and responsibilities as the internal auditors, with the exception of the right to prepare and sign independently plans and reports, related to the implementation of a specific audit assignment.

(4) The Head of Internal Audit and the internal auditors shall bear disciplinary liability for failure to discharge their responsibilities under this Act.

Chapter Four

INTERNAL AUDIT PLANNING, PERFORMANCE AND REPORTING

Article 32. Internal audit planning shall be carried out on the basis of risk assessment and shall be set out in a three-year strategic plan, on the basis of which an annual internal audit activity plan shall be developed.

Article 33. (1) The strategic plan shall be developed by the Head of Internal Audit following a discussion with the head of the organisation and other persons in managerial positions; it shall be guided by the long-term goals of the organisation and shall set strategic development objectives in the field of internal audit.

(2) The strategic plan shall be endorsed by the head of the organisation and by the Audit Committee referred to in Article 18 if such a committee has been set up.

Article 34. (1) The annual plan containing specific audit assignments shall be developed by the Head of Internal Audit following a discussion with the head of the organisation and the other persons in managerial positions.

(2) If the audit assignments planned are related to interdepartmental programmes or projects, the annual plan shall be co-ordinated with the annual plans of the Internal Audit Units of the organisations participating in these programmes or projects.

(3) The annual plan of Internal Audit Units of second-level spenders of budgetary appropriations shall be coordinated with the annual plan of the Internal Audit Unit of the higher-level spender.

(4) (Amended, SG No. 54/2010) The annual plan shall be endorsed by the head of the organisation and by the chairperson of the Audit Committee referred to in Article 18 if such a committee has been set up.

Article 35. Any modifications to the strategic and the annual plans shall be made on the basis of risk assessment, upon a proposal by the Head of Internal Audit and shall be endorsed by the head of the organisation and by the Audit Committee referred to in Article 18 if such a committee has been set up.

Article 36. (Amended and supplemented, SG No. 54/2010) For each audit assignment for provision of assurance, an

audit plan shall be developed, indicating the scope, objectives, duration and allocation of resources for implementing the assignment.

Article 37. An audit assignment shall be performed by identifying, analysing, evaluating and documenting sufficient information to express an opinion as to the objectives set.

Article 38. (1) (Amended, SG No. 54/2010) The results from an audit assignment shall be presented to and discussed with the head of the organisation and with the heads of the units the activity of which is being audited.

(2) (Amended, SG No. 54/2010) For every audit assignment performed for provision of assurance, an audit report shall be prepared which shall include an executive summary, objectives and scope of the assignment, findings, conclusions and recommendations.

Article 39. (1) (Amended, SG No. 54/2010) The head of the organisation shall endorse an action plan in relation to the recommendations made in the audit reports, which he/she shall submit to the Head of Internal Audit.

(2) Follow-up activities for monitoring the implementation of the recommendations made in audit assignments shall be included in the annual plan referred to in Article 34 and shall consist of an evaluation of the adequacy, efficiency and timeliness of the actions taken.

Article 40. (1) The Head of Internal Audit shall prepare an annual internal audit activity report which shall cover:

1. the audit assignments performed, the cases in which limitations to the scope have occurred and the reasons for any failure to fulfil the plan;

2. the main conclusions regarding the operation of the financial management and control systems within the organisation, and recommendations made to improve the activity of the organisation;

3. actions undertaken to implement recommendations, and any recommendations not fulfilled;

4. (amended and supplemented, SG No. 54/2010) any cases of violation of laws and regulations, any indications of fraud and the actions undertaken by the head of the organisation and the Head of Internal Audit;

5. proposals for the development of internal audit.

(2) The annual report shall be submitted to the head of the organisation and the Audit Committee referred to in Article 18 if such a committee has been set up.

(3) The heads of second-level spenders of budgetary appropriations, which have set up Internal Audit Units, shall send the annual reports referred to in paragraph 1 to the first-level spenders by 31 January of the following year.

(4) (Amended, SG No. 54/2010) The Head of Internal Audit Units at the organisations referred to in Article 12, paragraph (1), subparagraphs 1, 3 and 4 and paragraph (2) shall prepare and present to the head of the organisation the summary annual internal audit activity report by February 20 of the following year.

(5) (New, SG No. 54/2010) The head of the organisation shall send the report referred to in paragraph 4 to the Minister of Finance by February 28 of the following year.

(6) (Renumbered from Paragraph 5, SG No. 54/2010) The Heads of Internal Audit Units at the organisations referred to in Article 12, paragraph 1, subparagraph 2 shall prepare and submit to the head of the organisation annual internal audit activity reports, which shall be included in the reports referred to in Article 20, paragraph 3 of the Financial Management and Control in the Public Sector Act.

Chapter Five

SPECIFIC AUDIT ACTIVITIES RELATED TO THE AUDIT OF

EU FUNDS AND PROGRAMMES

Article 41. The activities under this Chapter shall include:

1. (amended, SG No. 54/2010) audits of systems and audits of operations under all operational programmes co-financed by the Structural Funds and the Cohesion Fund, of the European Union and under the ISPA/Cohesion Fund and SAPARD programmes.

2. issuing a certificate or declaration of winding up a project or programme under European Union funds and programmes.

Article 42. Such certificate or declaration, as the case may be, shall be based on an evaluation of the management and control systems, the results of previous checks and, where necessary, additional checks of transactions.

Article 43. The activities referred to in Article 41 shall be performed in compliance with the International Agreements for the provision of European Union funds, and the respective European Union Regulations dealing with the management and control of funds provided from the EU Structural Funds, the EU Cohesion Fund, and the EU pre-accession funds.

Article 44. (1) The Minister of Finance shall determine the authority, or the persons, respectively, which or who shall perform the activities referred to in Article 41.

(2) The Minister of Finance shall issue a Regulation on the procedure for and method of implementing, coordinating and harmonising the activities referred to in Article 41.

Article 45. (1) (Amended, SG No. 110/2008, effective 1.01.2009, SG No. 54/2010) Auditors performing activities under this Chapter must satisfy the requirements of Article 19, paragraph 2, subparagraphs 1-4.4.

(2) (Amended, SG No. 110/2008, effective 1.01.2009, SG No. 54/2010) Audit team leaders must satisfy the requirements of Article 19, paragraph 2, subparagraphs 1, 2 and 4, hold a higher education degree for acquired education and qualification degree "Master" and have at least 2 years of experience in the field of auditing European Union funds.

(3) (New, SG No. 110/2008, effective 1.01.2009) In the Regulation referred to in Article 44, paragraph 2 the Minister of Finance can specify additional requirements that shall be satisfied by the auditors referred to in paragraph 1 and the audit team leaders referred to in paragraph 2.

Article 46. Auditors performing activities under this Chapter shall have the rights specified in Article 22 and can perform checks at structures and parties outside the auditee, where necessary for the purposes of implementing the activities referred to in Article 41.

Article 46a. (New, SG No. 44/2009, effective 12.06.2009) (1) The Minister of Finance shall set up an audit committee at the authority referred to in Article 44(1).

(2) The audit committee shall be a specialised body with supervising and consultative role in respect of the activities under Article 41. The audit committee shall be independent of the authority under Article 44(1).

(3) The audit committee shall comprise a chairperson and two members with proven experience in the field of finance and auditing. No employee of the authority under Article 44(1) may be appointed chairperson or member of the audit committee.

(4) The Minister of Finance shall appoint and dismiss the chairperson and members of the audit committee and shall determine their remuneration. The Minister shall also endorse the rules of operation of the audit committee.

(5) (Repealed, SG No. 54/2010).

Chapter Six COORDINATION AND HARMONISATION OF INTERNAL AUDIT

Article 47. (1) The Minister of Finance shall be responsible for the coordination and harmonisation of internal audit in the organisations referred to in Article 9.

(2) In the performance of his/her functions under this Act, the Minister of Finance shall be supported by an Internal Audit Central Harmonisation Unit directly reporting to him/her.

(3) The persons appointed in the Internal Audit Central Harmonisation shall satisfy the requirements of Article 21, paragraph 1.

Article 48. (1) Following a proposal by the Minister of Finance, the Council of Ministers shall adopt standards for internal audit in the public sector in line with the International Standards for Internal Auditing.

(2) The Minister of Finance shall:

1. be responsible for the development and updating of a strategy and common methodology for internal audit in the public sector and for auditing EU programmes and funds, including manuals and guidelines for development of Internal Audit Unit Charters;

2. approve the Code of Ethics of internal auditors;

Article 49. (1) The Minister of Finance shall perform, after a prior notification in writing, systematic monitoring of the implementation of this Act and the bye-laws issued in connection with it in the ministries and municipalities, with a view to updating and further development of the methodology.

(2) The heads of the organisations referred to in paragraph 1 shall provide support in the course of this systematic monitoring.

Article 50. The Minister of Finance shall make provisions for setting up and keeping a database of Internal Audit Units, a register of the auditors who have successfully taken the examination for internal auditors in the public sector referred to in Article 53, as well as a register of Charters of Internal Audit Units.

Article 51. (Amended, SG No. 54/2010) The Minister of Finance shall provide, co-ordinate and support the professional training of the heads of internal audit and the internal auditors in the public sector and shall organise meetings on and discussions of common issues related to the strategy, the application of the methodology and the execution of internal audit in the public sector.

Article 52. (Supplemented, SG No. 54/2010) The Minister of Finance shall prepare annual reports on the status of internal audit in the organisations referred to in Article 12, paragraph 1, subparagraphs 3 and 4 and paragraph 2 as part of the consolidated annual report on the status of internal control, in compliance with the requirements of Article 20 of the Financial Management and Control in the Public Sector Act.

Article 53. (1) (Redesignated from Article 53, SG No. 54/2010) The Minister of Finance shall issue a Regulation on the procedure and methods for conducting and organisation of examinations for obtaining a certificate for "internal auditor in the public sector".

(2) (New, SG No. 54/2010) For sitting for an examination which grants certificate or duplicate for internal auditor in the public sector a fee shall be paid in the amount defined at rate, approved by the Council of Ministers.

Article 53a. (New, SG No. 54/2010) The Minister of Finance shall issue a Regulation on the procedure and method of conducting external evaluations to ensure the quality of audit activity.

Article 54. The Minister of Finance shall cooperate with institutions and parties in the field of internal and external audit from this country and from other countries and exchange information on internal audit developments.

Chapter Seven

(New, SG No. 54/2010)

ADMINISTRATIVE PENAL PROVISIONS

Article 55. (New, SG No. 54/2010) For non-performance of the obligation under Article 40, paragraphs 1 and 4 the heads of Internal Audit Units shall be fined with a penalty in the amount from BGN 200 to BGN 600.

(2) The heads of the second level spenders of budgetary appropriations who have received annual reports of internal audit activity and have failed to comply with their obligation to send the said reports to the first level spender within the term referred to in Article 40, paragraph 3 shall be fined with a penalty in the amount from BGN 200 to BGN 1000.

(3) Heads of organisations who have received summary annual reports of internal audit activity and have failed to comply with their obligation to send the said reports to the Minister of Finance within the term referred to in Article 40, paragraph 5 shall be fined with a penalty in the amount from BGN 200 to BGN 1000

Article 56 (New, SG No. 54/2010) (1) Acts for ascertaining of violations referred to in Article 55 shall be drawn up by officials from the unit referred to in Article 47, paragraph 2 designated by the Minister of Finance.

(2) The penal decrees for the violations referred to in Article 55 shall be issued by the Minister of Finance.

(3) Ascertainment of violations, issuing, appeal and execution of the penal decrees shall be carried out under the conditions and by the procedure set forth in the Administrative Violations and Penalties Act.

ADDITIONAL PROVISION

§ 1. For the purpose of this Act:

1. "Competency" shall mean the possession by the internal auditors of the knowledge, skills and other abilities required for discharging their personal responsibilities, proved by a certificate for a successfully passed examination;

2. "Indications of fraud" shall be actions or inactions, from which a conclusion can be drawn for inaccurate or incorrect presentation of material or financial facts.

3. "Code of Ethics" includes principles which apply to the internal audit profession and practices, and rules of conduct for internal auditors. The Code of Ethics shall apply both to individual internal auditors and to organisations providing internal audit services;

4. "Internal Audit Charter" is an internal act executed between the Head of Internal Audit and the head of the respective organisation, which establishes the goal, authority and responsibilities of internal audit.

5. "Budget" under Article 14 shall mean the latest approved budget of the organisation.

6. (New, SG No. 54/2010) "Valid, internationally accredited certificate for internal auditor" shall mean the Certified Internal Auditor (CIA) and the Certified Government Auditing Professional (CGAP) certificates, the validity of which shall be certified by the issuer of the said certificates - Institute of Internal Auditors, the international professional association of internal auditors.

TRANSITIONAL AND CLOSING PROVISIONS

§ 2. (1) Internal auditors employed by the Public Internal Financial Control Agency who as of the date of entering of this Act into force are delegated pursuant to Article 22, paragraph 1 of the Public Internal Financial Control Act to the organisations referred to in Article 12 and Article 14 shall be transferred to these organisations, in observance of Article 87a of the Civil Servants Act, not later than 1 May 2006.

(2) If the respective positions in the organisations referred to in paragraph 1 are not envisaged to be taken by civil servants, the employment arrangements, regulated by the Civil Service Act, shall be transformed into employment

arrangements, regulated by the Labour Code and the persons shall be appointed under labour agreements.

§ 3. The Minister of Finance shall determine the authority/persons referred to in Article 44, paragraph 1 within one month of entering into force of this Act.

§ 4. The Minister of Finance shall issue the regulations referred to in Article 44, paragraph 2, and Article 53 within three months of entering into force of this Act.

§ 5. The Minister of Finance shall issue the guidelines for development of Charters of Internal Audit Units referred to in Article 48 within six months of entering into force of this Act.

§ 6. (1) The requirement under Article 19, paragraph 2, subparagraph 4 in connection with the Heads of Internal Audit and the internal auditors shall become effective two years after the effective date of the regulation referred to in Article 53.

(2) The requirement under Article 19, paragraph 2, subparagraph 4 in connection with the staff of the Internal Audit Central Harmonisation Unit shall become effective three months after the effective date of the regulation referred to in Article 53.

(3) Article 20 shall become effective two years after the effective date of the regulation referred to in Article 53.

§ 7. The Minister of Finance shall submit the standards to the Council of Ministers and endorse the Code of Ethics referred to in Article 48 within three months of entering into force of this Act.

§ 8. The following amendments shall be made in § 1, subparagraph 2 of the additional provision of the National Audit Office Act (Promulgated, State Gazette, No. 109/2001, amended No. 45/2002, No. 31/2003, No. 38/2004, No. 34 and 105/2005):

1. Letter "a" shall be amended as follows:

"a) "efficiency" shall mean the degree to which the auditee has achieved its objectives comparing the actual and expected results from its activity;

2. Letter "b" shall be amended as follows:

"b) "effectiveness" shall mean the achieving of maximum results from the resources used in the implementation of the activities of the auditee."

§ 9. The Minister of Finance shall be responsible for the implementation of this Act.

This Act was passed by the 40th National Assembly on 17 March 2006 and was sealed with the official seal of the National Assembly.

Act to Amend and Supplement the Public Sector Internal Audit Act

TRANSITIONAL AND FINAL PROVISIONS

(SG No. 54/2010)

§ 30. The requirement to the auditors, performing specific audit activities under the European Union funds and programmes to hold a YPublic sector internal auditor certificate shall become effective as of January 1, 2011.

§ 31. (1) The Minister of Finance shall issue the Regulations referred to in Article 53a within a six-month period after this Act becomes effective.

(2) The Council of Ministers shall approve the rate referred to in Article 53, paragraph 2, within a six-month period after this Act becomes effective.

**Annex
to Article 12, paragraph 1, item 5
(Amended, SG No. 64/2006,
SG No. 102/2006,
SG No. 43/2008,
SG No. 69/2008,
supplemented, SG No. 71/2008,
amended, SG No. 78/2009, effective 2.10.2009,
SG No. 80/2009,
SG No. 82/2009,
effective 16.10.2009,
supplemented, SG No. 99/2009,
effective 1.01.2010,
SG No. 8/2011,
effective 25.01.2011)**

Organisations with Internal Audit Units	
No	Position
1.	Social Support Agency
2.	Employment Agency
3.	Customs Agency
4.	National Revenue Agency
5.	(Repealed, SG No. 78/2009)
6.	(Amended, SG No. 64/2006, repealed, SG No. 69/2008)
7.	(Amended SG No. 43/2008) Agricultural Academy
8.	(Amended SG No. 80/2009) Executive Forestry Agency
9.	(Amended, SG No. 8/2011, effective 25.01.2011) Bulgarian Food Safety Agency
10.	Agriculture State Fund
11.	Fund Tobacco
12.	(Repealed, SG No. 102/2006)
13.	(Repealed, SG No. 82/2009)
14.	State Agency for Information Technology and Communications

15	(New, SG No. 71/2008) The Prosecution Office of the Republic of Bulgaria
16.	(New, SG No. 99/2009) Road Infrastructure Agency