

GREED

Pressure from politics to  
meet expectations

Incentive Compensation

Above the Law

"Enormous  
cascade of control  
- does it work in  
practice?"

Power

Lack of  
Ethics

Lavish Life Style  
Corporate Governance  
Breakdown

The ROOT  
CAUSE

Lack of Accountability

*Unwillingness to Stand up Against The  
Leaders*

# National Audit Office - NAO

NAO is a public authority responsible for the external audit of the public budget and other public resources and activities in accordance with the NAO Act.

- General Auditor Model - President and 2 Vice-presidents;
- Audit Scope - budget entities, municipalities, state-owned companies, political parties;
- Implementing ISSAI;
- Risk-based audit planning;
- Report to the Parliament;
- Publicly announced audit reports;
- Certification requirements for the BNAO auditors.

# Public Financial Inspection Agency

The main purpose of public financial inspection shall be to protect the public financial interests.

Financial inspections shall be conducted:

- upon received requests, complaints or alerts for violations of the budget, financial, economic or accounting activities of the organizations and entities under article 4, submitted by state authorities, natural persons and legal entities;
- upon a request by the Public Procurement Agency or the National Audit Office in the cases stipulated by law;
- for checking the use of state aid and the spending of target subsidies, provided under the State Budget of the Republic of Bulgaria Act for the respective year and Decrees issued by the Council of Ministers;
- upon request by the Council of Ministers or the Minister of Finance;
- upon assignment by the Prosecutor's Office

# Internal Audit in Bulgaria

IA helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- Internal Audit in the Public Sector Act (2006);
- Organizational independence of the IA - functional reporting line;
- Certification requirements for the internal auditors - **CIAPS** (issued by the Minister of Finance); **CIA**, **CGAP** (issued by The IIA);
- Central Harmonization Unit (CHU) - responsible for coordination and harmonization of the internal control and internal audit in the public sector; updating and improving the IA methodology

# Here comes IA team...

Could you ever change your style?!

We're so busy all the time....



Why always us?!

Thanks for your help – it was really helpful!

In the moment we've got NAO team, FINS team, and ... now you !

# Grounds for cooperation NAO - IA

- SAI Model;
- IA Maturity Level;
- INTOSAI Guidelines: 2010 GOV 9140 - Internal Audit Independence in the Public Sector; 2010 GOV 9150 - Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector;
- 2011 - Cooperation Agreement between BNAO and Ministry of Finance/Internal Control Directorate/;

# Factors for success

- Common understanding - objectives, scope, techniques, methods, terminology;
- Mutual respect and effective coordination;
- Clear distinction of SAI/IA roles and responsibilities;
- Avoiding audit fatigue;
- Better risks knowledge leading to more effective use of audit resources and consequently to more useful advice to management.

# Evolution steps

- **Communication** - exchanging information, ad hoc meetings, communication between auditors;
- **Cooperation** - exchanging of ideas and knowledge, regular meetings for coordinating the annual plans and programs, consulting audit methodology development, joint initiatives;
- **Synergy** - focus on the effect, joint activities, providing assurance to the public and the Parliament that public funds are used in accordance with the principles of legality, effectiveness and efficiency.



# Methodology

What has been done so far...

- Roundtable discussion of current issues, challenges, and emerging practices;
- Advance review of manuals and guidelines;
- Mutual "Observer" roles;
- Mutual consultation ...

Possible Joint Initiatives:

- Reinforce internal control set-ups in relation to risk assessment and risk management;
- Internal audit structure at ministerial level, including as appropriate audit committees and IA units with overall competencies;
- Audit committee to ensure consistency of internal audit policy development and implementation;

# Promoting Good Governance

- Promoting internal control principles, good models and practices during conferences and meetings;
- Improve management understanding of the Public Financial Management and Control Framework;
- Overall opinion on the state of public internal financial control system, particularly IA;
- Surveys on the state of internal control system in the public sector;
- Meetings for exchanging ideas and good practices, discussing different problems and identifying areas for improvement.

# Goals of the cooperation between SAI and CHU

- Promoting and encouraging the principles of the good governance in the public sector;
- Improving audit methodology;
- Coordination during the entire audit process - planning, performing, reporting;
- High quality of the training and certification programs.

# Audit Activity

## Cooperation between SAI/CHU:

- Examining risk areas, identified by IAs - *What areas to cover ?  
Where is it justified ?*
- Meetings for coordinating of the annual plans and discussing audit strategies.

## Cooperation during the audit process:

- The external auditors rely on the work done by the internal auditors;
- The external auditors assess the quality of internal audit activity as part of the internal control assessment;
- BNAO has to be alert to the development and new trends of the internal audit activity.

# Training

## What has been done so far...

- Workshops, training courses;
- Certification programs - Internal auditor qualifications for external auditors;
- Promote proper use of audit standards - ISSAI and IPPF;
- Knowledge and experience sharing.

## Possible Joint Initiatives

- Training Centre for external and internal auditors;
- Common certification programs for auditors in the public sector;
- Newsletter .....

# Potential Risks of Cooperation

- Possible impairment of objectivity and independence and confidentiality issues;
- Possible conflict of interest;
- Dilution of responsibilities;
- Use of different professional standards;
- Possible difference of conclusions or opinions on the subject matter;
- Reliance on audit findings that are not supported by sufficient audit evidence