

# **MONITORING THE INTERNAL AUDIT ACTIVITY**

## **Bulgarian experience**

PEMPAL IACOP, SIT, 02.11.2020

Svilena Simeonova

# Establishing of CHU IA in Bulgaria

- ▶ Public sector Internal audit act - year of 2006 - launching **decentralized Internal audit** function in all ministries, most of municipalities and agencies, and **CHU** (directorate) for IC and IA in the public sector at the Ministry of Finance
- ▶ This happened **after** a transitional period 2000-2006 when the internal audit was centralized in an Agency at Ministry of Finance and mixed with inspection function
- ▶ The reason for the creation of CHU is to set up an central contact point charged with the functions of coordination and harmonization of IC and IA. All areas of competence and duties are regulated by the law, Structure regulation of the Ministry of Finance, approved by Council of Ministries, other regulations of the Minister of Finance and Council of Ministers, IIA Standards, national methodology - Manual, instructions, guidelines

# Monitoring as an wide function

MONITORING IS A CORE, ESSENTIAL, BROADLY AND PERMANENT FUNCTION,  
EMBADENED IN ALL ACTIVITIES of the CHU

- ▶ CHU is responsible for the entire IA system, its permanent improvement in terms of fulfilling the role and mission of IA in the public sector-to deliver independent assurance and consulting services, to add value to governance, risk management and internal control;
- ▶ For this reason CHU is obliged to have an overview on the whole system, to observe, monitor it and to take a corrective measures when necessary
- ▶ All duties and activities of the CHU are aimed to assure the monitoring function

# Duties of the CHU

- ▶ CHU duties and tasks depend on the IA system maturity, therefore:
- ▶ During the first period of 3-4 years (2006-2009) the priorities of activities of the CHU were:
  - ✓ Building the entire IA Public sector system;
  - ✓ Drafting and dissemination of IA legislation (regulations, ordinances), Standards(based on the IIA Standards) and Methodology(Manual, instructions, guidelines);
  - ✓ Training and certification of Internal auditors;
  - ✓ Promoting the Internal audit function and the IA profession
- ▶ Second period (2009-2016 and continues today) was focused on continuously improvement of the IA system with stress on:
  - Compliance with the Law and Standards
  - Quality of IA work
  - Planning and reporting of IA function
  - Upgrading of the methodology

# Activities of the CHU

- ▶ The tools and activities for implementation of the duties are:
- ▶ Permanent interaction - by working meetings, trainings, spatial electronic information system, questions and answers
- ▶ Training and certification of the new candidates
- ▶ Collecting of information through the annual reporting in terms of preparation of Consolidated annual report on FMC condition, including IA (from minister of finance to Council of ministers)
- ▶ Collecting and analyzing of information on the results of implementation of Quality assurance and improvement program of IAUs - all reports for External Quality assessments are submitted to the CHU (regulated in the special ordinance);
- ▶ Collecting and analyzing of information on the activities of Audit committees (regulated in the special ordinance)
- ▶ “SYSTEM MONITORING”

# “System monitoring” - one of the activities of CHU

System monitoring (SM) is a special procedure performed on the spot at IAU, by questionnaires, review of the documentation, interviews

The purposes of the SM are to discover a good practices, to spread them and to improve the common Methodology

NO assessment, NO recommendations (possible but not official), the results are used for common purposes related to the whole system, not only to the relevant IAU

There is an internal guideline - rules and procedures - for planning and performing the SM

SM looks like EQA, but is not the same as regards a procedure, purpose, consequences

**Differences** with the **External Quality Assessment** as a type of Quality assurance and improvement mechanism (IPPF Standards 1300 - 1322) - external assessors; requirements for periodically (at least once of 5 years) recommendations for improvement; using the statement “Conforms with ISPPIA”

**Exception** - Bulgarian CHU was assigned to carry out the external quality assessments of IAU’s temporary from 2012 till 2016 due to financial reasons. During this time “system monitoring” function was absorbed by EQA

**Similarities** - the scope (all aspects of IA work - from the position and authority to a practical issues; criteria's;

**Conclusions** - positive site of SM - direct professional contact, possibility to exchange ideas for improvement, collect of an information, discussions about possible problems; negative site - possible burden over IA, especially small IA units