

COOPERATION AGREEMENT BETWEEN MINISTER OF FINANCE AND SUPRIME AUDIT INSTITUTION IN BULGARIA

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PEM PAL IACOP, 25-26 May 2014, Moscow**

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LEGAL FRAMEWORK

- National Audit Office Act
- Public Sector Internal Audit Act
- State Financial Inspection Act
- Regulations, ordinances, standards,
- Methodology – manuals, instructions

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EXTERNAL AUDIT (EA)

Bulgarian National Audit Office

- Subordinated to the Parliament
 - reports, audit assignments
- Scope of responsibilities
 - state budget
 - local budgets
 - Central bank
 - all public entities
 - state enterprises

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EXTERNAL AUDIT

- 520 auditors and administration staff
- Directly applies INTOSAI Standards
- Types of Audit activities:
 - financial audit
 - compliance audit
 - performance audit
 - specific audit
- Measures performed after audit engagements – recommendation, dissemination of information, sanctions

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INTERNAL AUDIT (IA)

- Subordinated to the Head of the relevant organization
- Internal Auditors work in compliance with National IA Standards, Code of Ethics, Methodology, issued by Minister of Finance
- Mandatory setting up of IAU in Ministries, Larger Municipalities, other state organizations
- Minister of Finance is responsible for IA coordination and harmonization through Internal Control Directorate

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INTERNAL AUDIT

- Total number of internal audit units in the public sector in Bulgaria – 173
 - In Ministries and central administration – 15 / 36
 - In Municipalities – 122
- Total number of the internal auditors in the public sector – 440
- Staff of Central Harmonization Unit in the Ministry of Finance – 14 (director, two heads of units, 11 experts)

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CENTRA HARMONISATION UNITS

ROLE AND FUNCTIONS

- Internal Control Directorate - directly subordinated to the Minister of Finance
- Legislation development
- Methodology development and dissemination
 - Guidelines and instructions on the Internal control components, risk assessment, ex-ante control, managerial accountability
 - Public Sector Internal Audit Manual
 - Public Sector Internal Audit Standards

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CENTRA HARMONISATION UNITS

ROLE AND FUNCTIONS

- Coordination between internal audit units
- Professional training and certification of internal auditors
- System monitoring
- External quality assessment of the IA activity
- Information System

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FINANCIAL INSPECTION (FI)

State Financial Inspection Agency

- Subordinated to the Minister of Finance,
190 inspectors and administration staff
- Scope of activities
 - budget organizations – ministries, agencies, municipalities
 - state enterprises
 - other organizations

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FINANCIAL INSPECTION

- Types of Inspection engagements
 - according Annual plan
 - on the requests of the Council of Ministries, Minister of Finance, Prosecutor Office
 - complaints and signals from the citizens
- Responsibilities and powers
 - written instructions
 - recommendations to the competent bodies
 - information to the Prosecutor Office
 - administrative and property sanctions

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OTHER BODIES

- Audit Authority – Executive Agency “Audit of the EU funds” – performs audits only towards European funds
- Internal Inspectorate divisions in the Ministries and Central Inspectorate in the Council of Ministry administration – anti – corruption, case of conflict of interest, non-financial internal investigations

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LEGAL AND METHODOLOGICAL REQUIREMENTS

- Public Sector Internal Audit Act
- IIA Standards, National Standards for Public sector Internal Audit
- INTOSAI Standards
- Manual for Public sector Internal Audit

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COOPERATION AGREEMENT

Parties of the Agreement: Minister of Finance, State Financial Inspection Agency, Executive Agency “Audit of EU Funds” and National Audit Office

Objectives:

- to minimize the burden on the organizations audited
- to lower the cost for the society - improve the cost-benefit analyses
- to avoid overlapping as to the timing and scope of control and audit, which will allow to expand the scope and enhance the effectiveness of external and internal audit

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COOPERATION AGREEMENT Contents

- objectives
- responsible persons for implementation
- scope of the cooperation
 - exchange of information
 - coordination of the Annual Plans
 - development of methodology
 - unifying of the terminology
- steps for exchanging of information and coordination procedures

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MEASURES AND ACTIONS TO IMPLEMENT THE AGREEMENT

- Regular meetings
- Ad hoc meetings
- Trainings
- Consultation and mutual working groups for development and amendment of the methodology
- Coordination of the opinion on the draft legislation

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Cooperation Agreement between the Ministry of Finance and the National Audit Office

Indicative questionnaire to assess interaction

COOPERATION SUPPORTED BY THE MANAGEMENT	
Does management support effective cooperation?	
Do internal auditors participate in the meetings between the management and the National Audit Office?	
MAKING USE OF THE WORK OF INTERNAL AUDITORS	
Are the use and the reference thereto provided for in the external audit plans and programmes?	
Do external auditors discuss the results of the assessment of the portion of IA work they intend to use?	
COOPERATION AND CONSULTATION	
Do external auditors and IA have regular meetings to discuss progress, solve problems and exchange feedback?	
Is there an agreement in writing for cooperation and use of IA work?	
Do external and internal auditors coordinate the timing of audits?	
Does the management discuss audit plans together with external and internal auditors?	

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Cooperation Agreement between the Ministry of Finance and the National Audit Office

Indicative questionnaire to assess interaction

Are there any potential problems that hinder cooperation?	
Is a joint action plan to solve those problems prepared?	
Are joint trainings to mutually present their methodologies conducted?	
Do external and internal auditors discuss and reach agreement on rules to exchange information and working documents?	
COMMUNICATION	
Is there communication on issues of mutual interest and is it maintained constantly?	
Is there an agreed between the management and IA procedure for provision of IA reports to external auditors?	
How do external auditors submit/present their findings and conclusions to the management and IA?	

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DIFFICULTIES AND LESSONS LEARNED

- mistrust and even jealousy between IA, FI and SAI, lack of positive approach
- immaturity of the systems, bad practices
- no appropriate methodology, lack of reforms
- lack of staff with appropriate qualifications and experience
- different opinions on the same cases
- administrative burden on the audited/inspected organizations

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CHALLENGES AND RECOMENDATIONS

- Establishment of clear rules
- Written agreements and procedures for interaction and regular updating
- Active position of all parties
- Transparency and publicity
- Ongoing development of the methodology
- Common understanding of the legal requirements and terms

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CHALLENGES AND RECOMENDATIONS

In the future

- to build clear, coordinated and uncomplicated audit and inspection system
- possibility for reliance to one another's work
- single audit approach



as a result

more useful and cost-effective Audit and Inspection System

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Thank you
for your attention!

