

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. (Amended, SG No. 51/2016) Internal audit shall be performed in accordance with the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics of internal auditors and 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. (Amended, SG No. 15/2013, effective 1.01.2014, repealed, SG No. 51/2016).

Article 10. (Repealed, SG No. 51/2016).

Article 11. (Amended and supplemented, SG No. 54/2010, repealed, SG No. 51/2016).

Article 12. (Amended, SG No. 71/2008, amended and supplemented, SG No. 54/2010, amended, SG No. 15/2013, effective 1.01.2014, SG No. 51/2016) (1) (Supplemented, SG No. 95/2016) Internal audit in the public sector shall be performed by an internal audit unit within the structure of the organisation, which is directly subordinate to the head of the organisation or the collective body of government. The unit shall consist of internal auditors who are employees of the organisation, one of whom is the head. The internal audit in the Ministry of Finance can be performed by internal auditors within the unit referred to in Article 16 (2) of the Financial Management and Control in the Public Sector Act, where in such a case the head of the unit shall also be head of the internal audit at the Ministry of Finance and must meet the requirements of Article 21, Paragraphs 1 and 2.

(2) 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, the National Health Insurance Fund and State Fund Agriculture;
2. the Supreme Judicial Council and the National Audit Office;
3. the municipalities which have budgets in excess of BGN 10 million;

4. other organisations whose heads are budget authorisers by delegation and their budget exceeds BGN 10 million;
5. organisations listed in the annex, whose heads are budget authorisers by sub-delegation;
6. companies, including medical institutions, with over 50 per cent state and/or municipal participation in the capital and with annual turnover exceeding BGN 10 million for each of the past three years;
7. companies whose capital is owned by the companies under item 6 with annual turnover exceeding BGN 10 million for each of the past three years;
8. state-owned enterprises under Article 62, paragraph 3 of the Commerce Act with annual turnover exceeding BGN 10 million for each of the past three years.

(3) A common unit for internal audit may be set up in a municipality upon consultation with the Minister of Finance on the basis of an agreement concluded by two or more municipalities that are adjacent or fall within the boundaries of a single administrative region and the budget of each of them shall not exceed BGN 10 million. The said unit shall perform its internal audit activity in the municipalities participating in the agreement.

(4) With the written consent of the Minister of Finance, on the basis of a reasoned proposal of the relevant budget authoriser, an internal audit unit may be set up in other organisations as well.

(5) Besides the cases under paragraphs 2, 3 and 4, the internal audit activity may be performed by persons who are not employees of the respective organisation and who meet the requirements under Article 21, paragraph 1.

(6) An internal audit unit may be set up in companies with state and/or municipal participation in the capital and in state-owned enterprises under Article 62, paragraph 3 of the Commerce Act, other than those referred to in paragraph 2, items 6 – 8, by a decision of their management bodies.

(7) When the budget or the annual turnover of the organisations under paragraph 2, items 3, 4, 6, 7 and 8 respectively falls below BGN 10 million for two consecutive accounting periods, the internal audit unit shall not be closed, and the relevant competent body shall adopt a decision on the functioning of the internal audit.

Article 13. (1) (Amended, SG No. 54/2010, SG No. 51/2016) The internal audit unit shall conduct internal audit of:

1. all the structures, programmes, activities and processes in the organisation, including operations financed with funds from the European Union;
2. organisations whose heads are lower level budget authorisers, where there is no internal audit unit;
3. companies with more than 50 per cent state and/or municipal participation in the capital and companies whose capital is owned by such companies, in which there is no internal audit unit;
4. state-owned enterprises under Article 62, paragraph 3 of the Commerce Act, in which there is no internal audit unit;
5. medical institutions – companies with 100 per cent state or municipal participation in the capital, as well as with mixed state and municipal participation, in which there is no internal audit unit.

(2) (New, SG No. 54/2010, amended, SG No. 51/2016) At the initiative of the budget authoriser by delegation or the body exercising the ownership rights in the capital respectively, the internal audit unit may conduct audit engagements of all organisations and legal entities in its system, when they have internal audit units as well.

(3) (Renumbered from Paragraph 2, SG No. 54/2010) The Internal Audit Units of organisations, responsible for the management of interdepartmental programmes/projects, shall co-ordinate 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, SG No. 15/2013, effective 1.01.2014, SG No. 43/2016, SG No. 51/2016) The internal audit unit of the organisation whose head is a budget authoriser by delegation, or the body exercising the rights of ownership in the capital respectively, shall monitor and coordinate the planning, conduct and reporting of the activities of the internal audit units of the organisations whose heads are budget authoriser by sub-delegation, and of companies and state-owned enterprises under Article 12, paragraph 2, items 6 – 8.

(5) (Renumbered from Paragraph 4, SG No. 54/2010, amended, SG No. 15/2013, effective 1.01.2014, SG No. 51/2016) In connection with the performance of an assurance audit engagement the internal audit unit may carry out audits of structures and parties outside the organisation where it carries out its activities.

(6) (New, SG No. 51/2016) The structures and parties referred to in paragraph 5 shall be related to the activities of the organisation and/or receive budgetary funds or funds under European Union programmes and funds. The checks referred to in paragraph 5 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 14. (1) (Amended, SG No. 95/2016) The heads of the organisations referred to in Article 12, paragraph 2, items 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) (Amended, SG No. 15/2013, effective 1.01.2014, SG No. 43/2016) For the purposes of determining the minimum number of personnel for the Internal Audit Unit, the budgets of budget authorisers by sub-delegation at which independent Internal Audit Units are set up shall be subtracted from the budgets of the budget authorisers by delegation.

(4) (Amended, SG No. 51/2016) The minimum number of the internal audit unit personnel referred to in paragraphs 1 and 2 shall include trainee auditors.

Article 15. (Repealed, SG No. 51/2016).

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) (Repealed, SG No. 51/2016).

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. (Amended and supplemented, SG No. 54/2010, amended, SG No. 51/2016) (1) Audit committees shall be set up in the ministries, municipalities with existing internal audit units and in the State Fund Agriculture – Paying Agency, which shall consist of 3 to 5 members, including the chairperson, and at least two-thirds of them shall be external persons to the organisation. Members of the audit committees shall:

1. have completed an education and qualification master's degree;
2. have at least 5 years of experience in the field of management and control, internal or external audit;
3. not participate in more than two audit committees.

(2) The members of the audit committees shall be determined after conducting the procedure under the ordinance referred to in paragraph 11 for a three-year period, as follows:

1. in the ministries – by the Minister in consultation with the Minister of Finance;

2. in the Ministry of Finance – by the Minister of Finance;

3. in the municipalities – by the municipal councils;

4. the State Fund Agriculture – by the Management Board in agreement with the Minister of Finance.

(3) The municipalities shall send annually information on the composition of audit committees to the Minister of Finance.

(4) In the organisations outside those under paragraph 1, in which there is an internal audit unit, may set up audit committees by a decision of the management of the organisation.

(5) The audit committee shall have the following powers:

1. to reconcile the status and size of the internal audit unit, strategic and annual plans for internal audit activity;

2. to examine and adopt, by decision, the annual internal audit report;

3. to meet, where appropriate, and to give opinions on audit reports on conducted audit engagements and on all significant matters related to internal audit in the organisation;

4. to monitor the risk management process in your organisation and deliver opinions with recommendations for improvement;

5. to interact with external auditors;

6. to monitor the financial reporting processes in the organisation and give opinions with recommendations for improvement;

7. to monitor the efficiency of the internal control systems within the organisation and give opinions with recommendations to improve them.

(6) The Audit Committee shall meet at least once every two months, when more than half of its members are present.

(7) The decisions and opinions of the Audit Committee shall be taken by a majority of more than half of all its members. The Committee may not take decision in absentio. Refraining from voting shall be prohibited.

(8) The opinions of the Audit Committee under paragraph 5, items 3, 4, 6 and 7 shall be sent to the head of the organisation, who shall perform the recommendations contained therein. On failure to comply with the recommendations made by the head of the organisation and non-reconciliation of the internal audit unit's status with the strategic and annual plans for internal audit activities the Audit Committee shall send information to the Minister of Finance.

(9) The members of the Audit Committee shall receive remuneration for participation in the meetings of the Audit Committee, equal to half the minimum wage, but not more than one minimum wage per month.

(10) The Audit Committee shall be chaired by the chairperson, who shall organize and convene the meetings of the Committee.

(11) The Council of Ministers shall adopt an ordinance establishing the procedure for the determination of the composition and activities of the audit committees in public-sector organisations.

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.

(3) (New, SG No. 103/2017, effective 1.01.2018) Circumstances under Paragraph 2, item 2 shall be established officially by the head of the organization under Article 12, Paragraph 2, items 1 – 5, and for foreign citizens – with the certificate of conviction or a similar document.

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, SG No. 51/2016) Heads of internal audit and internal auditors in the organisations referred to in Article 12, paragraph 2, items 1, 3, 4 and 5, paragraphs 3 and 4 shall be appointed and dismissed upon a written consent by the Minister of Finance. The request for appointment and dismissal shall be accompanied by reasons and copies of relevant documents.

(6) (Renumbered from Paragraph 5, amended, SG No. 54/2010, SG No. 51/2016) The Minister of Finance shall make a pronouncement under paragraph 5 within 7 days of receiving a request.

(7) (Renumbered from Paragraph 6, SG No. 54/2010, amended, SG No. 51/2016) The Minister of Finance shall not refuse to appoint a person meeting the requirements set out herein.

Section II

Rights and Responsibilities

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

1. (supplemented, SG No. 51/2016) unlimited access to the management, the audit committee, all members of staff and all assets of the organisation in connection with the performance of their audit activities;
2. (amended and supplemented, SG No. 51/2016) access to all the information and all the documents, including electronic ones, stored in the organisation and which are necessary for the performance of the audit activities, subject to compliance with the legally set restrictions or special procedure for access;
3. request from the responsible officials any data, summary statements, opinions, documents and other information necessary in connection with the audit activities.

(2) (Repealed, SG No. 51/2016).

Article 23. (Repealed, SG No. 51/2016).

Article 24. (Amended, SG No. 54/2010, repealed, SG No. 51/2016).

Article 25. (Amended, SG No. 51/2016) The Head of Internal Audit and the internal auditors shall comply with the International Standards for the Professional Practice of Internal Auditing, Code of Ethics of Internal Auditors, the statute of the internal audit unit 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) (Previous text of Article 27, SG No. 54/2010, amended, SG No. 51/2016) The Head of Internal Audit shall be responsible for the overall activity of the internal audit unit, including:

1. (supplemented, SG No. 54/2010, amended, SG No. 51/2016) to prepare and present for endorsement to the head of the organisation and to the head of the Audit Committee or to the collective management body a draft internal audit statute, a strategic and annual plan for internal audit activities;
2. to organise, coordinate and distribute tasks among internal auditors for implementation, in accordance with their knowledge and skills;
3. to approve specific audit assignment plans;
4. (amended, SG No. 51/2016) to monitor the implementation of the annual plan for internal audit and the application of the methodology for internal audit in the public sector;
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. (amended and supplemented, SG No. 51/2016) to develop procedures and specific methodology for the activities of the internal audit unit;
7. (amended, SG No. 51/2016) to offer to the head of the organisation to assign specific tasks to an expert from the organisation or outside it where employees of the internal audit unit do not have special knowledge and skills required for the performance of the audit engagement;
8. (new, SG No. 51/2016) to report the results of the audit engagements, the recommendations made and the results of the follow-up of the recommendations to the head of the organisation, and, where necessary, to the Audit Committee or the collective management body;

9. (new, SG No. 51/2016) to submit an annual report on internal audit activities to the head of the organisation, the Audit Committee or the collective management body;
 10. (new, SG No. 51/2016) to report all cases with a restricted scope of internal audit activities to the head of the organisation, the Audit Committee or the collective management body;
 11. (new, SG No. 51/2016) to have access to the chairperson and the members of the Audit Committee and to take part in its meetings;
 12. (new, SG No. 51/2016) to coordinate the interaction with external auditors.
- (2) (New, SG No. 54/2010, repealed, SG No. 51/2016).

Article 28. (Amended and supplemented, SG No. 54/2010, repealed, SG No. 51/2016).

Article 29. (1) (Supplemented, SG No. 51/2016) The Head of Internal Audit shall develop and apply an audit quality assurance and improvement programme, including internal and external assessments.

(2) (Amended, SG No. 51/2016) Internal assessments include ongoing monitoring, periodic self-assessments and periodic assessments by others in the organisation who know the internal audit practice and meet the requirements of Article 19, paragraph 2.

(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) (Amended and supplemented, SG No. 51/2016) The internal auditor may not perform an audit assurance engagement relating to activities that he/she has consulted, or structures in which he/she has worked in the last one year. The internal auditor shall declare in writing presence of these circumstances 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.

(5) (New, SG No. 51/2016) The traineeship of individuals with higher legal education, acquired at an audit position, shall be counted for a traineeship under Article 164, paragraphs 1 – 7 of the Judicial System Act and Article 8, paragraph 1, item 3 of the Notaries and Notarial Practice Act.

Chapter Four

INTERNAL AUDIT PLANNING, PERFORMANCE AND REPORTING

Article 32. (Amended, SG No. 51/2016) Planning of internal audit activities shall be carried out on the basis of a risk assessment and in accordance with the instructions of the Minister of Finance under Article 48, paragraph 2, item 3. The results of the planning shall be reflected in a three-year strategic plan and in an annual plan.

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) (Amended, SG No. 51/2016) The strategic plan, and the changes therein shall be agreed with the Audit Committee or the relevant collective management body and shall be approved by the head of the organisation.

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) (Amended, SG No. 15/2013, effective 1.01.2014, repealed, SG No. 51/2016).

(4) (Amended, SG No. 54/2010, SG No. 51/2016) The annual plan, and the changes therein shall be agreed with the Audit Committee or the relevant collective management body and shall be approved by the head of the organisation.

(5) (New, SG No. 51/2016) The strategic and annual internal audit plans of the municipalities shall be submitted for take note to the municipal councils.

Article 35. (Repealed, SG No. 51/2016).

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. (Repealed, SG No. 51/2016).

Article 38. (1) (Amended, SG No. 54/2010, SG No. 51/2016) The results of each audit assurance engagement shall be presented to and discussed with the head of the organisation and with the heads of audited entities and, if necessary, and the Audit Committee or the appropriate collective management body.

(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.

(3) (New, SG No. 51/2016) The results of each audit engagement for consultation shall be documented, discussed and reported depending on the nature of the engagement.

(4) (New, SG No. 51/2016) Reports on audit engagements completed in accordance with the instructions of the Minister of Finance under Article 48, paragraph 2, item 3 shall be sent to Minister of Finance.

Article 39. (Amended, SG No. 54/2010, SG No. 51/2016) (1) As a result of the implementation of each audit assurance engagement the heads of the audited entities shall draw up an action plan for the implementation of the accepted recommendations, which shall be approved by the head of the organisation.

(2) Internal auditors shall follow up the implementation of the recommendations of the audit assurance engagement by assessing the adequacy, efficiency and timeliness of the actions taken and shall discuss with the management of the organisation, and, if necessary, with the Audit Committee, the risk of not taking actions.

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) (Amended, SG No. 51/2016) The annual report shall be submitted to the head of the organisation and the Audit Committee, or the collective management body, as the case may be.

(3) (Amended, SG No. 15/2013, effective 1.01.2014, SG No. 43/2016) Budget authorisers by sub-delegation, which have set up Internal Audit Units, shall send the annual reports referred to in paragraph 1 to the budget authorisers by delegation by 31 January of the following year.

(4) (Amended, SG No. 54/2010, SG No. 51/2016) The head of the internal audit unit in an organisation whose head is a budget authoriser by delegation, with the exception of the Supreme Judicial Council and the National Audit Office, shall prepare and submit to the head of the organisation a summary annual report no later than 28 February of the following year. The summary report shall contain information from the annual reports of the internal audit units of the budget authorisers by sub-delegation, the companies and state enterprises within the organisation.

(5) (New, SG No. 54/2010, amended, SG No. 51/2016) The head of the organisation shall send the report referred to in paragraph 4 to the Minister of Finance by 10 March of the following year.

(6) (Renumbered from Paragraph 5, SG No. 54/2010, amended, SG No. 51/2016) The Heads of Internal Audit Units at the organisations referred to in Article 12, paragraph 2, item 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.

(7) (New, SG No. 51/2016) Heads of internal audit in the companies and in state-owned enterprises under Article 12, paragraph 2, items 6 – 8 shall draw up an annual internal audit report, which shall be sent to the internal audit unit of the authority concerned, which exercises the rights of ownership, by 31 January of the following year.

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, SG No. 101/2015) audits of systems, audits of operations and audits of reports under all operational programmes co-financed by the European Regional Development Fund, the Cohesion Fund, the European Social Fund, the European Maritime and Fisheries Fund, and the Fund for European Aid to the Most Deprived;
2. (amended, SG No. 101/2015) issuing a declaration of winding up a programme co-financed by funds of the European Union.

Article 42. (Amended, SG No. 101/2015) Such 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. (Amended, SG No. 101/2015) 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 European Regional Development Fund, the Cohesion Fund, the European Social Fund, the European Maritime and Fisheries Fund, and the Fund for European Aid to the Most Deprived.

Article 44. (1) (Repealed, SG No. 101/2015).

(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, amended, SG No. 54/2010, repealed, SG No. 98/2011, effective 1.01.2012).

Chapter Six

COORDINATION AND HARMONISATION OF INTERNAL AUDIT

Article 47. (1) (Amended, SG No. 51/2016) The Minister of Finance shall be responsible for the coordination and harmonisation of internal audit in the organisations referred to in Article 12.

(2) (Amended, SG No. 95/2016) In fulfilling the duties under this act, the Minister of Finance shall be assisted by employees of the unit under Article 16 (2) of the Financial Management and Control in the Public Sector Act.

(3) (Amended, SG No. 95/2016) The employees referred to in Paragraph 2 must meet the requirements of Article 21 (1).

Article 48. (1) (Repealed, SG No. 51/2016).

(2) The Minister of Finance shall:

1. (supplemented, SG No. 101/2015) 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 for Internal Auditing and guidelines for development of Internal Audit Unit Charters;

2. approve the Code of Ethics of internal auditors;

3. (new, SG No. 51/2016) give instructions for the priority objectives and areas of audit in the planning of internal audit activities, with the exception of the Supreme Judicial Council and the National Audit Office.

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. (Amended, SG No. 51/2016) The Minister of Finance shall ensure the setting up and keeping of database of internal audit units and a register of auditors who have successfully taken the examination for internal auditors in the public sector referred to in Article 53.

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, amended, SG No. 51/2016) The Minister of Finance shall prepare an annual report on the status of internal audit in the organisations referred to in Article 12, paragraph 2, items 1,3 and 4, and paragraphs 3 – 5 as part of the consolidated annual report on the status of internal control, in compliance with the requirements of Article 20, paragraph 2 of the Financial Management and Control in the Public Sector Act.

Article 53. (1) (Previous text of Article 53, SG No. 54/2010, supplemented, SG No. 51/2016) The Minister of Finance shall issue an ordinance on the terms, procedure and methods for conducting and organizing 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) (Amended, SG No. 15/2013, effective 1.01.2014, SG No. 43/2016) Budget authorisers by sub-delegation who have received annual reports of internal audit activity and have failed to comply with their obligation to send the said reports to the budget authoriser by delegation within the term referred to in Article 40, paragraph 3 shall be fined with a penalty in the amount from BGN 200 to BGN 1,000.

(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) (Amended, SG No. 51/2016) Acts for ascertaining of violations referred to in Article 55 shall be drawn up by officials designated by the Minister of Finance.

(2) (Supplemented, SG No. 51/2016) The penal decrees for the violations referred to in Article 55 shall be issued by the Minister of Finance or by officials designated thereby.

(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. (Amended, SG No. 51/2016) "Budget" 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.
7. (New, SG No. 51/2016) "Annual turnover" is the total amount of revenues, including from financing, according to the annual financial statements.
8. (New, SG No. 51/2016) "International Standards for the Professional Practice of Internal Auditing" are the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, Altamonte Springs, Florida, United States, and their translation into Bulgarian, published by the Institute of Internal Auditors in Bulgaria.

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.



TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Public Sector Internal Audit Act

(SG No. 54/2010)

§ 30. The requirement to the auditors, performing specific audit activities under the European Union funds and programmes to hold a "Public 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.

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FINAL PROVISIONS

§ 34. The Council of Ministers shall approve the rate referred to in Article 18, paragraph 11, within a six-month period after this Act becomes effective.

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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,

amended, SG No. 8/2011, effective 25.01.2011,

SG No. 50/2012, SG No. 51/2016)

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. 51/2016)
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.	(Repealed, SG No. 51/2016)
11.	(Repealed, SG No. 50/2012)
12.	(Repealed, SG No. 102/2006)
13.	(Repealed, SG No. 82/2009, effective 16.10.2009)
14.	(Repealed, SG No. 78/2009, effective 2.10.2009)
15.	(New, SG No. 71/2008) The Prosecution Office of the Republic of Bulgaria
16.	(New, SG No. 99/2009, effective 1.01.2010) Road Infrastructure Agency