



Historical Background

2000-2005

- Internal auditors carry out audit and impose sanctions
- Report both to the PIFCA Director and to the manager of the organization
- Centralized Internal Audit
- FMCS and managerial accountability rules - insufficient to bring improvements and development

2005-2006

- New legislative framework
- Decentralization of internal audit in the public sector
- Establishment of CHUs for FMC and Internal Audit
- Division between inspection and audit functions

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Legislative Framework and Methodology

- FMC in the public sector act
- Ordinance on format, contents, procedures and deadlines for the presentation of information
- Methodological guidelines on FMC components
- Instructions for implementation of managerial accountability in public sector organizations
- Instructions for exercising ex-ante control
- Guidelines to introduce risk management in public sector organizations
- Annual questionnaires and report on the state of financial management and control systems

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Basic Definitions

Financial Management and Control

- Integral process within the activities of organizations, executed by their staff and management
- Implemented through financial management and control systems including policies and procedures established by the management of the organizations

Managerial accountability

Heads of organizations (managers):

- Should follow the principles of sound financial management, legality and transparency
- Are held accountable for their decisions/actions and the attained results

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FMC components / COSO MODEL

- 1. Control environment**
- 2. Risk management**
- 3. Control activities**
- 4. Information and communication**
- 5. Monitoring**

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The Role of the Treasury in Financial Management and Control

- cash management**
- financial planning and forecasting of cash flows**
- short-term budget forecasts and analyses**
- management of government bank accounts**
- accounting and reporting methodology and guidelines**
- monitoring of the current budget execution**
- reports on the budget execution**
- compilation of data on Government Financial Statistics in compliance with the EU statistical standards**

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Treasury Single Account and Bank Service

The Minister of Finance and the Governor of BNB define:

- **rules and conditions for bank servicing**
- **submission of regular information by banks for transactions and cash balances on the accounts**
- **payment procedures for the centralization of resources**
- **centralization of budget receipts through the “transit accounts” regime**
- **concentration of all payments through the First Level Spending Units (FLSU) account**

The Bulgarian National Bank serves all accounts and payments of the FLSU except those of the municipalities

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Treasury Single Account and SEBRA

System for Electronic Budget Payments (SEBRA) - automatic control and management of payments in the TSA:

- **aggregate control on the expenditures by setting limits for payments on the accounts in the system**
- **monitoring, management and control of the limits**
- **monitoring on daily expenditures of the FLSU**
- **access of MoF to the SEBRA data base on the level of each individual budget payment order**
- **decentralized payments management and control - FLSU allocate limits and authorize the payments of their spending units**

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Reporting Issues and Coverage

Ministry of Finance receives:

- monthly quarterly and annual cash reports
- quarterly trial balances and annual balance sheets
- data through the web-based system and processes it in a data warehouse

Ministry of Finance compiles:

- GFS data - national methodology
- GFS data for Government deficit and debt according ESA 95

Coverage of the Institutional Units:

- As a rule is equal to the General Government defined in ESA95

Coverage of the SEBRA:

- All FLSU except the municipalities

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Approach to IFMC within Treasury

Control environment

- Organic Budget Law → Public Finance Act as of 2014
- Rules of Organization of the MoF - Treasury responsibilities
- The Code of Ethics of the MoF
- MoF internal rules for selection, assignment, remuneration and assessment of personal performance
- Job descriptions - comply with the functions of the Treasury and are coordinated by the Human Resources Directorate
- Personal training plans - within the MoF Training Program
- Management training - FMC legislation, methodology and implementation

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Approach to IFMC within Treasury

Risk assessment

- **MoF Risk Management Strategy** – setting a common language
- **Government Programme** → **MoF Programme Budget** →
→ **Treasury Annual plan** → **Treasury Goals**
- **Treasury Risk Register** - identification and analysis of risks
 - internal and external factors / impact and probability
 - bottom up communication
- **MoF Risk Committee** - coordination of all RA issues
 - portfolio view of risks – assessment of the risk appetite
 - risk responses
 - top down communication
 - report to the Minister of Finance

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Approach to IFMC within Treasury

Control Activities

- **Internal financial controls** - financial transactions are appropriately authorized, processed and recorded
- **Non-financial controls** - used to achieve the objectives
 - internal accounting controls (guidelines and procedures related to the keeping of books and records)
 - administrative accounting controls (ensure transactions are processed in accordance with relevant authorizations)
- **Scope of internal control activities**
- **Management responsibility** - cost-effective and consistent with operational needs control activities

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Approach to IFMC within Treasury

Information and Communication

- **Ensured access to IT systems through a specified user profile enabling staff to carry out their responsibilities**
- **Access to the INTRANET system within MoF containing all administrative documents, rules, procedures, instructions**
- **Statistical data, methodology guidelines and other relevant information are publicly available under appointed timetable**
- **Permanent communication with FLSU**
- **Quarterly and ad hoc meetings of the Risk Committee**

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Approach to IFMC within Treasury

Monitoring

- **Achievement of goals - six months progress report of the Programme Budget**
- **Internal and external audit recommendations - action plan for implementation**
- **Ongoing monitoring activities**
- **Discussions on the state of the revealed risks between the heads of the units and the director**
- **Regular meetings and reports within Risk Committee - quarterly as well as ad hoc**

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Lessons Learnt

Consistency in the process of the targeting

Establishment of a common language to identify and assess risks

Formal procedures properly documented

Generating organizational culture

Control of Commitments and Liabilities

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Further Steps in the Area of PIFC

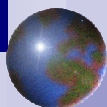
New Strategy for the development of financial management and control and internal audit

- **Reinforcing managerial accountability**
- **Improving the risk management process**
- **Strengthening the ex-ante control**
- **Increasing the quality of internal audit in the public sector**
- **Strengthening the position of CHUs**
- **Development of additional methodology for FMC and IA**
- **Additional practical training modules**

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QUESTIONS



April, 2013