CHAPTER ONE

General provisions

Article 1

(1) This Act shall define the scope and performance of the Public Internal Financial Control as well as the organisation and the powers of the authorities, which exercise it.

(2) Public Internal Financial Control shall be managed and exercised by the Public Internal Financial Control Agency, hereinafter referred to as the "Agency".

Article 2

(1) Public Internal Financial Control is control over the finance-related activity of the persons specified in Article 4 for the purpose of assessing legality and compliance with the principles of effectiveness, efficiency and economy.

(2) The principal goal of the Public Internal Financial Control is prevention, discovery and recovery of damages.

Article 3

In exercising Public Internal Financial Control, the control authorities shall observe the following principles:

1. Legitimacy - performing control activity on the basis of the Constitution, the laws and international treaties to which the Republic of Bulgaria is a party;

2. Independence in planning, assigning, performing and reporting the control activity from institutions, authorities and persons, whose activities is controlled, with the exception of the authorities stipulated in Article 8, para 2.

3. Objectivity and the ex-officio principle – establishing, objectively and upon the initiative of the control authorities, all the facts and circumstances regarding the activities controlled.
4. Confidentiality with respect to official secrets – refraining from disclosure and from provision of any information obtained in the course of conducting their official duties unless otherwise provided for by a law.

**Article 4**

(1) The scope of the Public Internal Financial Control shall cover the financial activities of:

1. spenders of budget appropriations under the republican budget and spenders of funds under European Union programmes;
2. the authorities administering revenues for the republican budget;
3. spenders of extra-budgetary accounts and funds in accordance with the State Budget Act of the Republic of Bulgaria for the respective year;
4. spenders of budget appropriations under municipal budgets and funds;
5. the State Social Security and the National Health Insurance Fund;
6. legal entities with a blocking quota of state or municipal equity in their capital, including when in insolvency proceedings, and legal entities whose obligations have been guaranteed with state or municipal property;
7. the spenders under international agreements, contracts, conventions and other international acts, when provided for by the respective act or entrusted by a mandated body.

(2) The scope of the Public Internal Financial Control extends also to the activities of the entities financed with funds from the republican budget and municipal budgets, and under European Union programmes, in respect of such funds.

**CHAPTER TWO**

Agency structure and powers of its authorities

**Article 5**

(1) The Agency shall be an administration under the Minister of Finance, and shall be a legal entity funded by the public budget. The Agency shall have local units enjoying the status of Regional Directorates.

(2) The structure and the number of staff of the Agency, as well as the territorial jurisdiction of its Regional Directorates shall be established in its Regulation on the structure adopted by the Council of Ministers.

**Article 6**

The authorities of the Agency shall be the Director of the Agency, the Deputy Director of the Agency, the Directors of the Regional Directorates and the internal auditors.

*In case of interpretation the Bulgarian text shall prevail.*
Article 7
(1) The Agency shall be represented and managed by a Director appointed by the Minister of Finance, with the approval of the Prime Minister, under an employment contract with a term of office of 4 years, without restriction to the number of re-appointments.
(2) The Director of the Agency shall be dismissed by the Minister of Finance with the approval of the Prime Minister, prior to expiry of the term under para 1:
   1. upon his/her written request;
   2. upon objective incapability to perform his/her duties which has lasted for more than 6 months;
   3. when he/she is convicted of deliberate indictable offence or has been deprived by court of the right to hold the respective position;
   4. upon serious and systematic violations of this act or normative acts for its implementation;
   5. upon regular failure to perform his/her duties.
(3) The Deputy Director of the Agency shall be employed under an employment contract. He/she shall be appointed and dismissed by the Director of the Agency with the approval of the Minister of Finance.
(4) The Director of the Agency or persons authorised by the Director shall appoint and discharge the other authorities and the officers of the Agency.

Article 8
(1) In performing its functions the Agency shall:
   1. plan, manage and implement an integrated policy in the Public Internal Financial Control and shall supervise the overall Public Internal Financial Control activity;
   2. define the functions of the internal auditors;
   3. provide instructions on the methodology of the exercise of the Public Internal Financial Control and be responsible for their uniform implementation;
   4. develop standards and manuals for the control activities under this Act;
   5. develop risk assessment mechanisms;
   6. provide guidance and recommendations to spenders of budget appropriations on the establishment of financial management and control systems, to internal control units and for the implementation of the ex ante control;
   7. check the correct application of financial management and control systems by the spenders of budget appropriations;

In case of interpretation the Bulgarian text shall prevail.
8. analyse and summarise the results of the control activities;

9. analyse the reasons and conditions for any breaches in financial discipline and propose corrective measures;

10. develop a system for reporting the results of its activity to the Council of Ministers and ensure feedback into the financial management and control systems of the Executive power;

11. conduct the activities for the certification of the accounts of the functional units spending financial resources under European Union programmes and funds and issue an annual certificate of assurance and a report under a procedure defined in a Regulation issued by the Minister of Finance;

12. exercise control over the privatisation proceeds, here being included those from the bank privatisation as well, and exercise control over their allocation and spending;

13. exercise control over the public procurement procedures;

14. organise and maintain an information system;

15. summarise and report to the European Commission the results of the Agency's activities related to the European Union funds;

16. co-operate and exchange information with the National Audit Office;

17. co-operate with the tax and customs administrations, the National Statistics Institute, the Financial Intelligence Agency, the State Receivables Collections Agency, the Privatisation Agency, the Post Privatisation Control Agency, the Ministry of Interior and the judiciary;

18. co-operate with the financial control authorities and organisations of other states and the European Union.

(2) The Council of Ministers and the Minister of Finance may assign the Agency to perform ad hoc audits.
(3) The Agency shall present an annual report on the results of its activities to the Council of Ministers via the Minister of Finance.

Article 9

(1) The Director of the Agency shall:

1. manage and supervise the activities of the Agency;

2. approve the plans for the control activity;

3. assign, by means of order, the conduct of planned and ad hoc control activities;

4. implement the training policy for the authorities and officers of the Agency;
5. represent the Agency and organise its international relations;

6. exercise other powers as provided for in this Act.

(2) The Director of the Agency may delegate the execution of his/her powers under para 1 to the Deputy Director of the Agency;

(3) The Minister of Finance and the Director of the Agency shall inform the public on the activities of the Agency.

**Article 10**

(1) The Director of a Regional Directorate of the Agency shall:

1. organise and supervise the implementation of methodological instructions of the Agency;

2. assign the performance of planned internal audits on the territory of the respective region;

3. report regularly to the Director of the Agency on the results of the activities of the Regional Directorate;

4. supervise the activities of the authorities and officers of the Regional Directorate;

5. represent the Regional Directorate.

(2) The Director of a Regional Directorate may delegate the execution of his powers under para 1 to officers selected by him.

**Article 11**

(1) In performing their official duties, the authorities of the Agency shall have the right to:

1. unrestricted access to the business premises and documentation of auditees;

2. check the assets and liabilities, financial management and control systems, information systems and all documents, e-documents inclusive, that are relevant to control activities;

3. demand officers to provide documents, certified copies of documents, information and statements related to the execution of the control activity within specified deadlines;

4. demand officers to declare all bank accounts held by the auditee both within the country and abroad;

5. demand information and certified copies of documents from legal entities and sole proprietorships other than the auditees, and to perform at them any financial and accounting cross-checks relevant to the control activities;

6. pursuant to permission from a court and authorities of pre-trial proceedings, have access to any investigation or other materials of relevance to the control activities.
(2) The Director of the Agency and the Directors of the Regional Directorates may appoint external experts, to the expense of the Agency, under terms and procedures as specified in the Regulation on the Implementation of this Act.

(3) Pursuant to a written request by the Director of the Agency or by the Directors of Regional Directorates, banks shall be obligated to provide information on the number of accounts and the numbers of any existing or closed accounts held by an auditee and by the persons referred to in Article 31 of this Act, and to provide under the terms of Article 52, para 5 of the Banking Act information on the transactions in these accounts.

Article 12

(1) In performing their official duties, the authorities of the Agency shall be obligated to:
   1. identify themselves by an official employment ID card and an order to perform the control activity;
   2. report objectively and accurately the results of their control activities any irregularities and damages established on the basis of the facts and circumstances checked officially and personally by them;
   3. refrain from disclosing any facts and circumstances that they have become aware of in the course of or in relation to the execution of their official duties;

(2) Internal auditors and the external experts referred to under Article 11, para 2 shall be obligated to recall themselves when over the last three years:
   1. they have worked at the auditee or have participated in its management or have any personal interest in the activities audited;
   2. their spouse, a direct relative without any limitation or relatives up to the fourth degree laterally have been employed as reporting officers or managers by the auditee.

(3) The internal auditor or the external expert shall declare in written form the circumstances under para 2. The judgement as to the existence of private interest shall be made by the Director of the Agency.

(4) The authorities of the Agency shall not be involved in the management, accounting or control activity of commercial companies and sole proprietorships.

(5) Within three years time after the termination of the preventative control under Article 27, the officials that have performed it cannot be appointed to perform managerial, accountancy or control activities at the same organisation.

Article 13

(1) The Agency shall employ only legally able Bulgarian citizens who have not been convicted of any premeditated crimes of a public nature and have not been deprived, through court proceedings, of the right to occupy the respective position.

(2) The Agency shall appoint as authorities persons with university degree in economics or law and having experience as specified by the Agency’s Regulation on the structure.

(3) Upon a proposal by the Director of the Agency, the Minister of Finance or persons authorised by him/her shall designate the authorities and officers who are entitled to an extra pay for working in the Agency and the specific amount of such pay.

In case of interpretation the Bulgarian text shall prevail.
(4) The funds under para 3 shall be set at 25% of the annual amount of total salaries expenditure under the budget of the Agency and shall be included in the State Budget Act for the respective year.

**Article 14**

(Repealed)

**Article 15**

(1) All officials of an auditee shall be obligated to co-operate with and provide the conditions necessary for the authorities of the Agency in the exercise of their official powers.
(2) Managers of an auditee may not invoke arguments of official or proprietary secrecy with the authorities of the Agency in the exercise of their official powers.
(3) The authorities of the Public Prosecution, the Ministry of Interior and the Agency shall co-operate in the exercise of their respective powers.

**Article 16**

The Agency must obtain insurance cover for its authorities and officers as specified by the Regulation on the Implementation of this Act by means of life insurance policies and insurance against accidents at the expense of the Agency’s budget.

**Article 17**

(1) The Minister of Defence and the Minister of Interior, after coordination with the Minister of Finance shall organise directorates for financial control over the activities of their subordinate structures.
(2) The methodological guidance of the activities of the directorates under para 1 shall be provided by the Agency.
(3) The control under para 1 shall not exclude the control, exercised by the authorities of the Agency.

**CHAPTER THREE**

**Organisation of the Public Internal Financial Control**

**Article 18**

Public Internal Financial Control shall include:

1. financial management and control systems referred to in Article 19;
2. internal audit exercised by the authorities of the Agency;
3. preventive control, pursuant to Articles 27 and 28.

**Article 19**

(1) The spenders of budget appropriations referred to in Article 4, para 1, item 1, 3 and 4 and the managers of the auditees and authorities under Article 4, para 1, item 2 and 5 shall establish financial management and control systems as instructed by the Agency.
(2) The managers of the entities referred to in Article 4, para 1, item 6 shall establish financial management and control systems in respect of funds received from the republican or municipal budgets as instructed by the Agency.

(3) The financial management and control systems shall include a system for ex ante control and a system of “double signature” in respect of assuming any financial liabilities and incurring any expenses.

(4) Ex ante control shall be control for legality of all documents and actions related to financial activities and shall be performed through checks before making a decision to assume a liability and incur an expense.

(5) The ex ante control shall be function and responsibility of the spender or the manager of the spending centre and shall be performed by financial controller. When performing the ex ante control the financial controller shall approve or reject the draft decisions of the spender or manager for assuming liabilities or incurring expenses.

(6) When the spender or the manager disapproves the refusal of the financial controller to approve the draft decisions for assuming liabilities or incurring expenses, he/she shall submit a justified written statement. On the basis of the justified statement the financial controller shall give approval and shall be discharged from responsibility.

(7) The financial controller shall notify the delegated internal auditor to the spending centre or the Agency for the cases under para 6.

(8) The “double signature” system shall be an obligatory procedure under which no financial liability can be assumed or an expense incurred without the signatures of the manager and the chief accountant or another person – the one who shall draw the annual financial report under the Accountancy Act.

(9) The persons under para 8 may delegate their powers regarding the double signature system.

**Article 19a**

(1) The first level republican and municipal budget spenders, spenders of funds under European Union programmes and the managers of the auditees under Article 4, para 1, item 5 shall appoint financial controllers.

(2) The spenders and managers under para 1 shall specify at which of their subordinate structures the financial controllers shall be appointed.

(3) The criteria and terms for the implementation of para 2 shall be stipulated in the Regulation on the Implementation of the Act.

**Article 19b**

(1) The position of a financial controller shall be held by legally able Bulgarian citizens, who have not been convicted of deliberate indictable offence and have not been pronounced by court unable to hold the respective position.

(2) The financial controllers have to hold Master’s degree in Economics or Master’s degree in Law with acquired qualification and have professional experience in the field of accounting, finance, law, external audit or internal audit, as follows:

   1. in budget organisations – 3 years;

   2. in business or other field – 5 years.

(3) Financial controllers shall perform their functions under a labour contract or as civil servant.

**Article 19c**

*In case of interpretation the Bulgarian text shall prevail.*
(1) The financial controller shall perform the ex ante control under Article 19, para 4 according to procedures provided for in the Regulation on the Implementation of the Act.
(2) The financial controllers shall not perform simultaneously the control functions with spending unit functions and accounting functions.
(3) While performing his/her official duties the financial controller shall have the right to demand and receive all data and documents, including in electronic format, necessary to carry out his/her activities. Upon his/her own assessment the financial controller may perform on the spot checks.

Article 20

(1) Internal audit shall be performed by means of:
   1. systems audit;
   2. performance audit;
   3. financial audit;
   4. information technology audit.

(2) Internal audit shall be performed by:
   1. delegated internal auditors as provided for in Article 22 para 1;
   2. internal auditors, in performing specific financial control tasks.

(3) In conducting an internal audit, the following shall be examined:
   1. the legality of the collection, storage, managing, spending and reporting of the property of the auditee;
   2. the organisation, legality and reliability of its accounting;
   3. any failure to meet obligations to the state budget, municipal budgets and the extra-budgetary accounts and funds.

(4) The authorities of the Agency shall apply other forms of audit as well.
(5) The internal audit shall be exercised on the basis of an administrative act, issued by the authorities competent under this Act, for assigning, postponing, suspending or resuming the internal audit. This administrative act cannot be appealed.
(6) The procedures for the execution of an internal audit shall be arranged in the Regulation on the Implementation of this Act.

Article 21

(1) A report on the results of the internal audit shall be issued, which shall contain the findings and conclusions supported with evidence.
(2) The internal audit report shall be presented to the manager of the auditee for an opinion within 14 days from its preparation.
(3) Under the terms of para 2, the persons whose activities have been a subject of the internal audit shall receive the findings of the audit report, related to their activities, for an opinion.
(4) The opinions under para. 2 and 3, together with the internal audit report shall be submitted to the authority that has assigned the internal audit.

In case of interpretation the Bulgarian text shall prevail.
Article 22
(1) The Director of the Agency shall have the right to delegate an internal auditor to the auditees referred to in Article 4, para 1, items 1 - 5.
(2) The internal auditor shall be functionally independent from the manager of the auditee to which he/she has been delegated.
(3) Acting upon his/her own initiative, the internal auditor may advise the manager and the financial controller on all financial issues before a financial decision is made. Such advice shall not be compulsory.

Article 23
The internal auditor shall:
1. ensure the application of the Agency's methodological instructions;
2. ensure the implementation of the Agency’s written instructions on removing any established irregularities;
3. facilitate any other audit activity of the Agency.

Article 24
The managers and the financial controllers may ask for advice the internal auditor prior to the endorsement of any financial decision. This advice shall not be compulsory.

Article 25
(1) Upon establishing any errors or weaknesses in the financial management and control systems of the auditee, the internal auditor may obligate the financial controller to seek his consultation prior to endorsing any financial decision to assume a liability or incur an expense following the procedure set by the Regulation on the Implementation of this Act.
(2) In case of a negative opinion of the internal auditor under para 1, the manager and the financial controller of the auditee must state in written their arguments for any decision to neglect such opinion.
(3) The manager and the financial controller shall assume the respective liability in cases of neglecting such negative opinion where irregularities have occurred as a result.

Article 26
Any cases provided for in Article 25 para 2 shall be reported to the Director of the Agency by the internal auditor. The Director of the Agency shall notify the Minister of Finance of such cases.

Article 27
(1) On the basis of a proposal made by the internal auditor, on the basis of a risk assessment, the Director of the Agency may, under an assigning act, establish and implement a preventive control system in the auditees under Art 4, para 1, items 1-5 for a specified period of time. Such an assignment act cannot be appealed.
(2) The preventive control system under para 1 shall remain in place until the Agency has obtained satisfactory guarantees that the financial management and control systems of the auditee are functioning adequately.
(3) The delegated internal auditors shall not perform simultaneously preventive control and internal audit.

In case of interpretation the Bulgarian text shall prevail.
(4) Criteria for the establishment of preventive control systems shall be the principles of sound financial management and transparency.
(5) Criteria and methods for risk assessment shall be set in a Regulation issued by the Minister of Finance.

**Article 28**

(1) In exercising preventive control, any assumption of a liability, conclusion of contracts, their implementation and the incurring of any expense shall be checked in advance and approved following a procedure established in the Regulation on the Implementation of this Act.
(2) The Director of the Agency shall report to the Council of Ministers via the Minister of Finance on the results from the preventive control within three months from establishing such control.

**CHAPTER FOUR**

**Property liability and measures for correcting irregularities**

**Section One**

**Property liability**

**Article 29**

(1) For any damages caused to the auditees through malfeasance and established during a financial audit that are the direct or indirect result of the behaviour of the perpetrator the latter shall bear property liability under this Act when such damages:
   1. have been caused deliberately;
   2. result from a deficit;
   3. have been caused otherwise than in the course of or in relation to the execution of official duties.

(2) Any officials who have ordered or allowed illegal payments shall bear property liability for what they have personally received as a result of these payments.
(3) In case several persons caused the damage, they will be held liable jointly and severally.
(4) The persons who have received anything in the absence of legal grounds or as a donation as a result of the perpetrator’s actions shall be obligated to return that thing.
(5) The persons referred to in para 4 shall be held liable jointly and severally with the perpetrator of the damage up to the amount of the thing received.

**Article 30**

(1) When the conditions for property liability under Article 29, para. 1 and 2 are in place, the internal auditors shall draw up a deficit deed.
(2) The perpetrators shall provide written explanations on the deficit deed issued within a deadline set by the internal auditor which cannot be earlier than 7 days after the presentation of the deed.

*In case of interpretation the Bulgarian text shall prevail.*
(3) The internal auditor shall make his statements on the explanations thus provided making a written and justified conclusion.

(4) The findings of facts in the deficit deed must be supported with evidence and shall be considered true until proven otherwise.

**Article 31**

The following persons may be held liable for property damages:

1. those who collect, store, spend or account for property;
2. those who supervise the persons referred to under item 1;
3. those who manage and dispose with property;
4. those referred to in Article 29, para 4.

**Article 32**

The amount of the damage shall be determined as of the date on which it was incurred, and if that date cannot be identified, as of the date it was discovered, at market or book value, whichever is higher.

**Article 33**

A damage caused in foreign currency shall be recovered in the same foreign currency or in BGN, using the highest central rate of the Bulgarian National Bank as of the date of the incurring, discovery or recovery whichever is the highest.

**Article 34**

The persons responsible for the damage shall be charged the interest stipulated by law as of the date of incurring the damage and, if such a date cannot be identified, as of the date of discovery, until the day of recovery of damages.

**Article 35**

(1) Property liability including interest shall expire with the expiry of a period of prescription of 5 years as of the date the damage was incurred, and if this cannot be identified, as of the date of discovery of such damage.
(2) Except for cases subject to the provisions of the Obligations and Contracts Act, the duration of the period of prescription under para 1 shall be interrupted also by the issuance of a deficit deed.
(3) Regardless of any stays and suspensions in the period of prescription, the property liability shall expire with the elapse of ten years following the incurring of the damage.

**Article 36**

Deficit deed issued shall be reviewed by court following the procedure stipulated in Chapter 31, “Proceedings for Statements of Financial Deficit” of the Code of Civil Procedure.
Article 37
The persons under Article 4, para 1, items 1 - 5, and also item 6, where the equity participation of
the state or municipality exceeds 50%, cannot file a rejection under the claims lodged under a
deficit deed, including in respect to any interest due.

Article 38
The provisions of this Section shall be enforced also by the control authorities referred to in
Article 17, para 1 of this Act.

Section Two

Measures for correcting irregularities

Article 39
The Director of the Agency or any persons authorised by him/her shall have the right to:

1. provide written instructions for the elimination of established irregularities and define a
deadline for their implementation;

2. make proposals to the competent authorities to put a stay on activities leading to
irregularities and to causing damages to the auditees whose activities are being checked;

3. make proposals to the competent authorities to repeal any illegal administrative acts of
managers of auditees;

4. to propose seeking property and disciplinary liability according to the relevant
procedures.

Article 40
(1) In the existence of data indicating the commitment of a crime, the Agency shall send the
deficit deed and the internal audit report to the authorities of the Public Prosecution.
(2) The Agency shall inform the competent authorities of any liabilities of the auditee to the state
and municipal budgets established and not paid during the internal audit.
(3) The Agency shall inform the authority exercising the ownership rights of the state or a
municipality in commercial companies about the results of any internal audit performed in the
latter.
(4) The Agency shall notify the next superior spender of budget appropriations about the results
of an internal audit, performed at spenders of lower level.
(5) The audit report regarding audit on spenders of funds under European Union programmes and
persons funded under European Union programmes shall be sent to the European Commission.
CHAPTER FIVE

Administrative penal provisions

Article 41

In exercising control activities under this Act, officers accountable for irregularities, where such irregularity does not constitute a crime, shall be penalised in the following cases:

1. for a violation of a normative act dealing with the budget, financial, economic and reporting activity, unless a penalty is provided in the respective normative act, with a fine from BGN 100 to BGN 1 000;

2. for presenting statements, declarations and other documents as a result of which subsidies, bonuses, and other payments from the state or municipal budgets have been received without proper justification with a fine from BGN 200 to BGN 1 000;

3. for a failure to provide the control authorities, within the set deadlines, with information, statements, declarations, documents, certified copies of the documents under Article 11, para 1, items 3, 4, and 5, with a fine from BGN 50 to BGN 300;

4. for presenting inaccurate information, statements, declarations, documents, certified copies of the documents under Article 11, para 1, items 3, 4, 5, with a fine from BGN 80 to BGN 400;

5. for a failure to comply with the instructions under Article 39, item 1, with a fine from BGN 50 to BGN 1 000;

6. for obstruction of the control authorities in the exercise of their powers under Article 11, para 1, items 1 and 2, with a fine from BGN 50 to BGN 1 000.

Article 42

Any authority or official of the Agency who violates or fails to perform any of his official duties or exceeds his powers shall be penalised with a fine from BGN 200 to BGN 1 000.

Article 43

(1) The violations under this Chapter shall be established by acts issued by the internal auditors, and the penal decrees shall be issued by the Director of the Agency or officers authorised by him/her.

(2) For violations under Articles 41 and 42 established by authorities of the control directorates under Article 17, para 1, the acts shall be drawn up by these authorities, and the penal decrees shall be issued by the respective Minister or by an officer authorised by him.

(3) The preparation of the acts, the issuance, appeal and execution of the penal decrees shall be performed under the procedure prescribed by the Administrative Violations and Penalties Act.

Article 44

Fines imposed under this Act shall be collected under the procedure set in the Code of Tax Procedure.
ADDITIONAL PROVISIONS

§ 1. In the meaning of this Act:

1. “Audit” is the examination, which includes the activities of collecting and analysing financial and non-financial information in order to evaluate the management of the financial resources and the accounting system of the auditee with the aim of improving them.

2. “Internal audit” is the audit performed by an authority of the executive power, which is independent from the auditee.

3. “Performance audit” is the examination of planning, performance and control at all levels of management in terms of their efficiency, effectiveness and economy:

   a) “Effectiveness” is the degree of realisation of goals in comparing the expected and the actual outcome of the activity;

   b) “Efficiency” is the relation between the actual outcome and the means used for its achievement.

   c) “Economy” is the minimisation of the costs of acquiring resources needed for the realisation of the activity, in keeping with the quality requirements.

4. “Financial audit” is the examination of the accounts and the financial documentation of the auditee in order to establish its legality, truthfulness and regularity of the accounting, and the legality of collecting, storing, managing, spending and reporting of the property.

5. “Systems audit” is the examination of the financial management and control systems of the auditee in order to establish their advantages and shortcomings and identify the audit activities that need to be performed.

6. “Information technology audit” is an evaluation of the computer environment, which includes software products and applications and management systems.

7. “Auditee” is the authority or person, programme, activity, function or project subject to the audit.

8. “Financial management and control systems” are all procedures and the overall internal organisation of planning, activity performance and execution of internal control, which contribute to achieving the auditee’s goals.

9. “Preventive control” is the ex ante control exercised by the authorities of the Public Internal Financial Control Agency.

10. “Risk assessment” is the method for identifying areas of potentially high level of risk in order to plan and execute the control activity properly.

In case of interpretation the Bulgarian text shall prevail.
11. “Satisfactory guarantees” under Article 27, para 2 are in place when the manager and the chief accountant of the auditee have undertaken the necessary actions to optimise expenditures and to prevent, discover and correct any errors and irregularities.

12. “Sound financial management” is the management process aimed at maximising the utilisation of resources and organising the activities so that the goals of the auditee can be achieved while observing the principles of efficiency, effectiveness, and economy.

13. “Certification” is the activity for reviewing all financial documents of the functioning units which are responsible for spending resources under European Union funds and programmes; providing assurance that the accounts to be sent to the European Commission are true, complete and accurate; preparing of a report which certifies that the management and internal control procedures function in a satisfactory manner and guarantee the appropriate spending of the funds.

14. “Blocking quota” is the equity participation of the State or municipality in the capital of a company which amounts to no less than 34%, or a participation which enables them to prevent decisions which they find unacceptable and which deal with the increase or decrease of capital, transformation and termination of the company, amendments to its articles of incorporation.

**TRANSITIONAL AND CONCLUDING PROVISIONS**


§3. The Public Internal Financial Control Agency is the legal successor of the State Financial Control.

§4. The existing financial control units in the ministries, commissions and other institutions under Article 12, para 3 of the repealed State Financial Control Act shall be closed down, with the exception of those under the Ministry of Interior and the Ministry of Defence.

§5. (1) The structure and the activity of the Internal Control Directorate of the Ministry of Interior shall be brought into compliance with the provisions of Article 17 within 3 months after this Act becomes effective.

(2) A directorate shall be established under the Ministry of Defence to perform the control under Article 17 within 3 months after this Act enters into force.

§6. All spenders of budget appropriations under Article 4, para 1, item 1 - 4 shall establish financial management and control systems within 6 months after this Act enters into force.

§7. All pending litigation initiated prior to the entry into force of the present Act shall be tried under the preceding legislation.

_In case of interpretation the Bulgarian text shall prevail._
§8. Property liability actions for damages caused prior to the entry into force of the present Act shall follow the provisions of the preceding legislation.

§9. In the Banking Act (promulgated, State Gazette No. 52 from 1997, amended SG, Nos. 15, 21, 52, 70 and 89 from 1998, Nos. 54, 103 and 114 from 1999, Nos. 24, 63 and 84 from 2000), the following amendments shall be made:

1. Article 52 para 5, item 3 shall be amended to read:

   “3. The Director of the Public Internal Financial Control Agency and Directors of Regional Directorates, when, under an act issued by authority of the Public Internal Financial Control, it has been established that:

   a) The management of the auditee prevents the performance of a control activity by the Agency’s authorities;

   b) The auditee does not maintain any accounting, or it is incomplete or untruthful;

   c) There are indications of deficit;

   d) An instrument of a government authority has established the occurrence of an incident that has resulted in the destruction of the books of the auditee.”

2. In §45 para 2 of the Transitional and Concluding Provisions of the Act Amending the Banking Act (promulgated, State Gazette No. 54 from 1999, amended, SG No. 103 of 1999 and No. 1 of 2000), the words “the State Financial Control Act” shall be replaced by “the Public Internal Financial Control Act”.

§10. In §17 of the Transitional and Concluding Provisions of the State Budget of the Republic of Bulgaria for 2000 Act (promulgated, State Gazette No. 1 from 2000, amended, SG No. 31 of 2000), the words “the authorities of the State Financial Control” shall be replaced by “the authorities of the Public Internal Financial Control Agency”.

§11. In Article 50 of the Health and Safety at Work Act (promulgated, State Gazette No. 124 from 1997, amended, SG No. 86 of 1999, No. 64 of 2000), the words “General Department of State Financial Control with the Ministry of Finance” shall be replaced by “Public Internal Financial Control Agency”.

§12. In Articles 57 and 58 para 1 of the Public Procurement Act (promulgated, State Gazette No. 56 from 1999), the words “State Financial Control” shall be replaced by “Public Internal Financial Control Agency”.

§13. In Article 9 para 2 of the Sovereign Liability for Damages Caused to Citizens Act (promulgated, State Gazette No. 60 from 1988, amended, SG No. 59 from 1993, No. 12 from 1996, No. 67 from 1999), the words “State Financial Control” shall be replaced by “Public Internal Financial Control Agency”.

§14. In Article 31 para 1 of the National Audit Office Act (promulgated, State Gazette No. 71 from 1995, amended, SG No. 83 from 1999), the words “financial control” shall be replaced by
“Public Internal Financial Control Agency”; and the words “the Financial Control Act” shall be replaced by “the Public Internal Financial Control Act”.

§15. In the Accountancy Act (promulgated, State Gazette No. 4 from 1991, amended, SG No. 26 from 1992, No. 55 from 1993, Nos. 21, 33, and 59 from 1996, No. 52 from 1997, No. 21 from 1998, Nos. 57, 81, 83 and 103 from 1999, No. 1 from 2000), the following amendments shall be made:

1. Article 45, item 3 shall be amended to read:

   “3. Documents for tax control and financial audit, until the execution of the next tax inspection, internal audit and audit by the National Audit Office;”

2. In Article 57 para 1, the words “State Financial Control” shall be replaced by “Public Internal Financial Control Agency”.

§16. In Article 15 para 2 of the Settlement of Unserviced Debt Contracted prior to 31 December 1990 Act (promulgated, State Gazette No. 110 from 1993, amended, SG No. 112 from 1995, No. 55 from 1997, Nos. 12, 90, 103 and 111 from 1999, No. 1 from 2000), the words “State Financial Control” shall be replaced by “Public Internal Financial Control Agency”.


§18. In Article 71, para 6 item 3 of the Public Offering of Securities Act (promulgated, State Gazette No. 114 from 1999, amended, SG Nos. 63 and 92 from 2000, Nos. 28, 61 and 93 from 2002 ), the words “the managers of General Department of State Financial Control and of the Local Departments of State Financial Control” shall be replaced by “the Director of the Agency and Directors of Regional Directorates of the Public Internal Financial Control Agency”; and the words “an authority of the state financial control” shall be replaced by “an authority of the Public Internal Financial Control Agency”.

§19. In the Co-operatives Act (promulgated, State Gazette No. 113 from 1999), Article 63 shall be amended to read:

   “Article 63. Financial control in co-operatives, co-operative and inter-co-operative enterprises and co-operative unions shall be performed by the specialised financial control authorities with the co-operative unions”.

§20. In §8 para 1 of the Transitional and Concluding Provisions of the Small and Medium Sized Enterprises Act (promulgated, State Gazette No. 84 from 1999, amended, SG No. 80 from 2000), the words “the State Financial Control Act” shall be replaced by “the Public Internal Financial Control Act”.

In case of interpretation the Bulgarian text shall prevail.

§22. The implementation of this Act shall be assigned to the Council of Ministers, which shall adopt the Implementing Regulations on the Act within 3 months of the effective date of the Act.

§23. This Act shall enter into force as of 1 January 2001.

This Act was adopted by the 38th National Assembly on 27 October 2000 and the State Seal of the National Assembly was affixed to it.

TRANSITIONAL AND CONCLUDING PROVISIONS

of the Law on the Amendments and Supplements to the Public Internal Financial Control Act

(promulgated, State Gazette No. 101 from 2002, in force as of 1 January 2003)

§22. The appointment of the financial controllers shall be performed under the number of the personnel of the relevant structure approved by the date of enforcement of this Act.


§24. In Article 71, para 6 item 3 of the Public Offering of Securities Act (promulgated, State Gazette No. 114 from 1999, amended, SG Nos. 63 and 92 from 2000, Nos. 28, 61 and 93 from 2002), Letter (a) - the word “revised” shall be replaced with the word “audited” and the words “financial revision” shall be replaced with “internal audit”. Letter (b) - the word “revised” shall be replaced with the word “audited”. Letter (c) – the word “revision” shall be replaced with the word “internal audit”. Letter (d) – the word “revised” shall be replaced with the word “audited”.

§25. This Act shall enter into force as of 1 January 2003.

The amendments to this Act were adopted by the 39th National Assembly on 16 October 2002 and the State Seal of the National Assembly was affixed to it.

In case of interpretation the Bulgarian text shall prevail.