



REPUBLIC OF SLOVENIA  
MINISTRY OF FINANCE

BUDGET SUPERVISION  
OFFICE OF THE REPUBLIC  
OF SLOVENIA



# INTERNAL CONTROLS AND AUDIT IN PUBLIC SECTOR - SLOVENIAN EXPERIENCES

**Nataša Prah**  
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# INTRODUCTION

1. General About Public Internal Control (PIC)
2. Internal Control System
3. Internal Audit System
4. Role of CHU in Slovenia



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# Slovenia



Area: 20,273 km<sup>2</sup>  
Population: around 2,000,000  
Budget organizations: cca 2.700  
Internal auditors: ca. 71  
Internal audit services: ca. 44



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# General About PIC

## The three pillars of PIC

- Responsibility of the highest management for the setting up of the appropriate and efficient system of FM/C
- Functionally Independent Internal Audit Service
- Central Body for Harmonization and Coordination of PIC



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# General About PIC

Managers of each Budget organization are **accountable** to:

- comply with laws and regulations,
- economic, efficient, effective, transparent and ethical performance,
- protect the resources against loss and misuse,
- timely and reliable reporting.

They are **responsible** to define the mission and goals of the organization.



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# Internal Control System

Decentralized system:

- Risk identification
- Risk evaluation (impact, likelihood)
- Risk management (avoidance, transfer, acceptance, mitigation)
- Risk register

on the level of each Budget organization.

- Depending on the assessed risks: designing a suitable internal control system.



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# Internal Control System

## INTERNAL CONTROLS:

- They don't refer to financial and accounting matters only but to all processes, procedures and situations
- Enable complete, timely and reliable reporting
- Enable compliance with laws and instructions
- Enable economic, efficient and effective use of resources
- Enable protection of funds against fraud and negligence
- Enable protection of goodwill, environment, equal opportunities

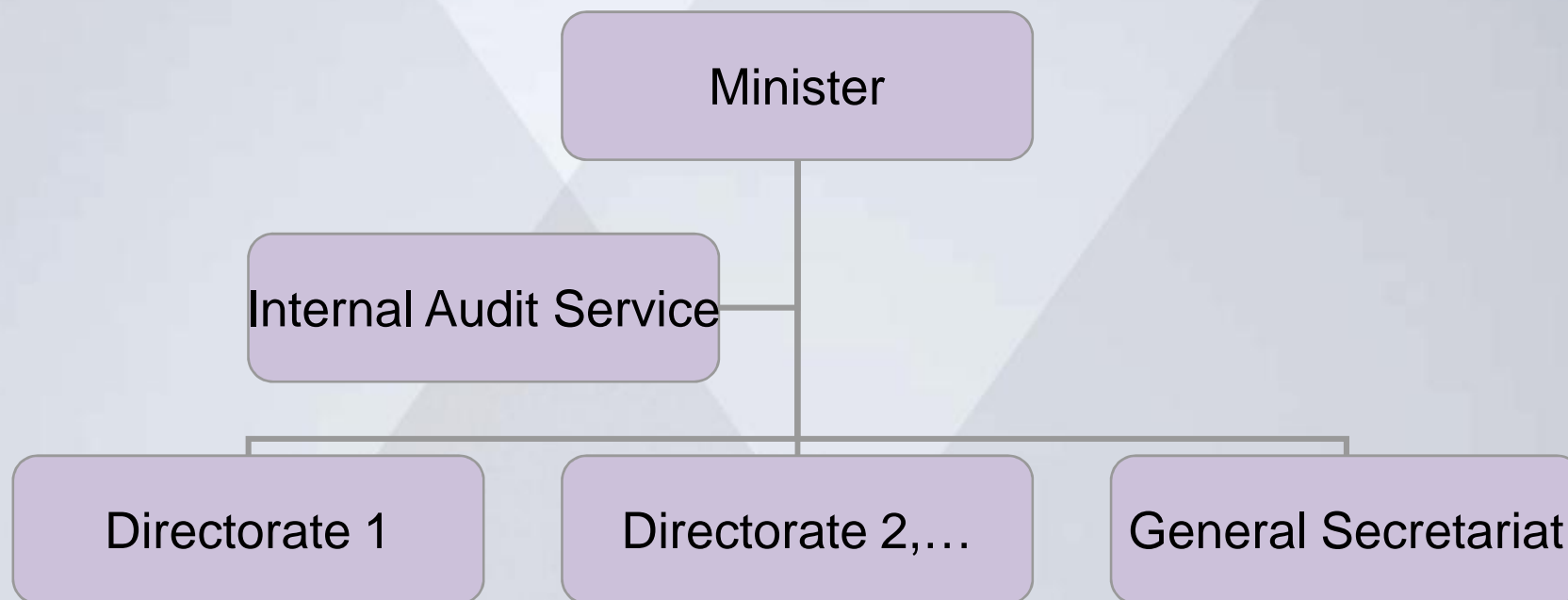


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# Internal Control System

## Ministries



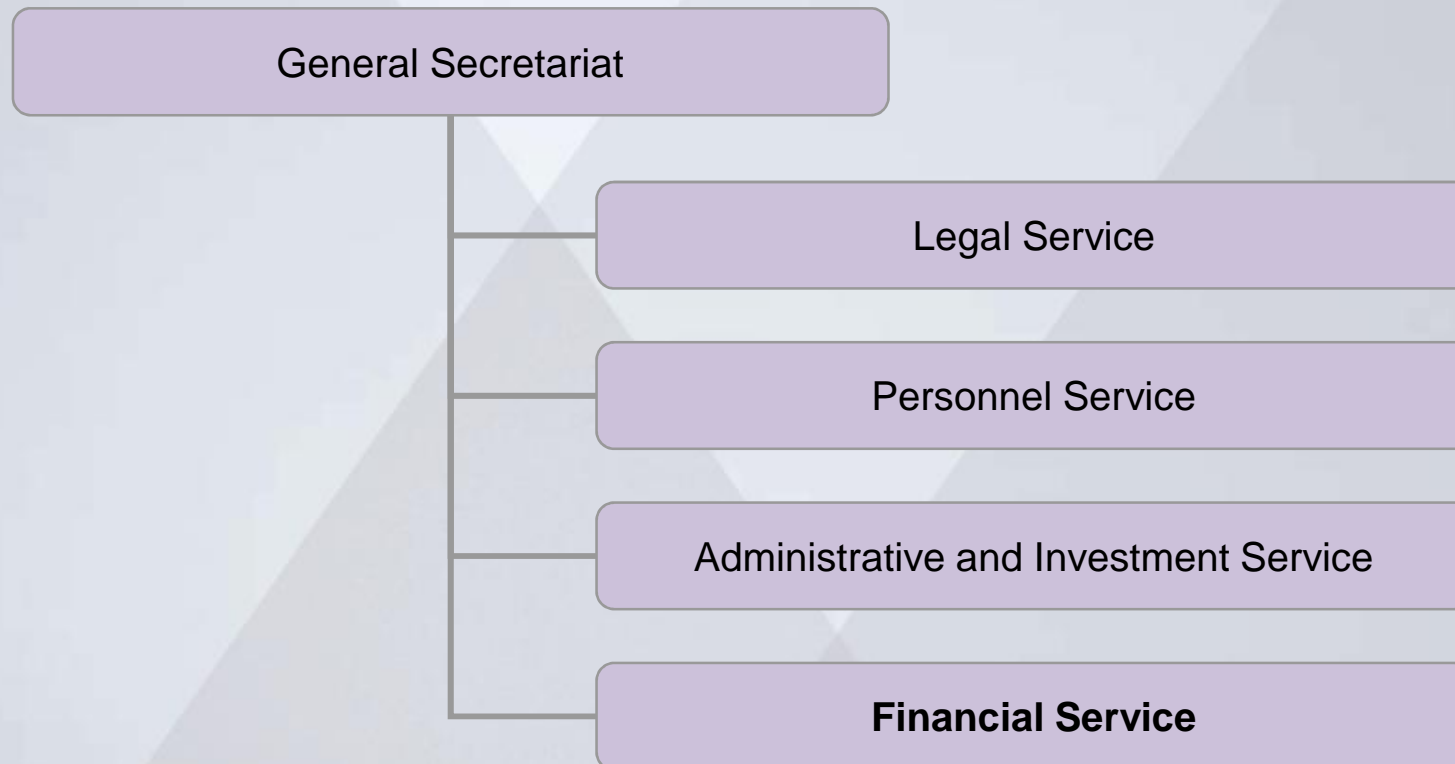


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# Internal Control System

## Ministries





# Internal Control System

- Managers should organize financial services to assure:
  - Transparency, reliability and accuracy of all the evidences of his/her resources,
  - Prevent errors, fraud and misuse of resources,
  - Secure financial operations,
  - Continuously monitor financial operations,
  - Assure ongoing information regarding incomes and expenditures,
  - Assure ongoing information regarding commitments and spending rights on specific posts
  - Analyze budget execution,
  - Regularly report on budget execution.



# Internal Control System

- Accounting system:
  - Centralized in a special Directorate in the Ministry of Finance
  - Centralized IT system
  - For each ministry special team of accountants
  - CIPFA training for certified public accountants
  - Professional training on voluntary basis, not required yet (legal basis, influence on salaries,..)

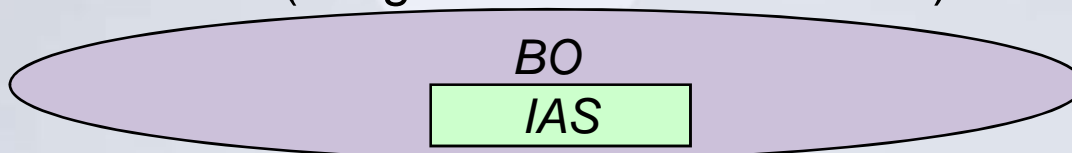


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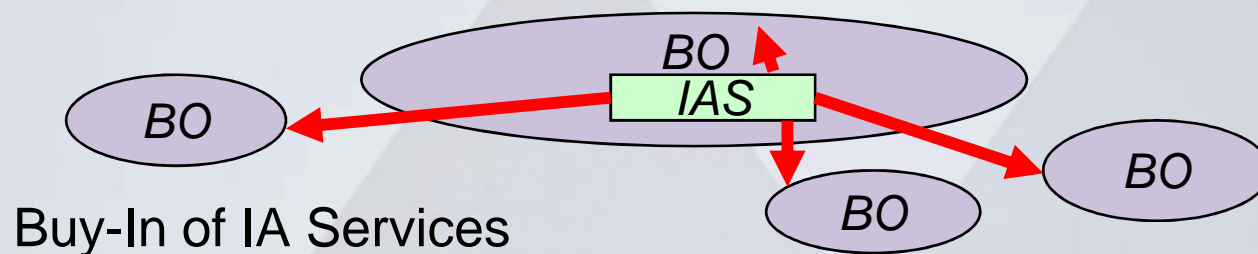
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# Internal Audit System

In-House IAS (obligation for the ministries)



Consortium IAS (recommended for smaller BO)





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# Internal Audit System

## INTERNAL AUDIT SERVICES:

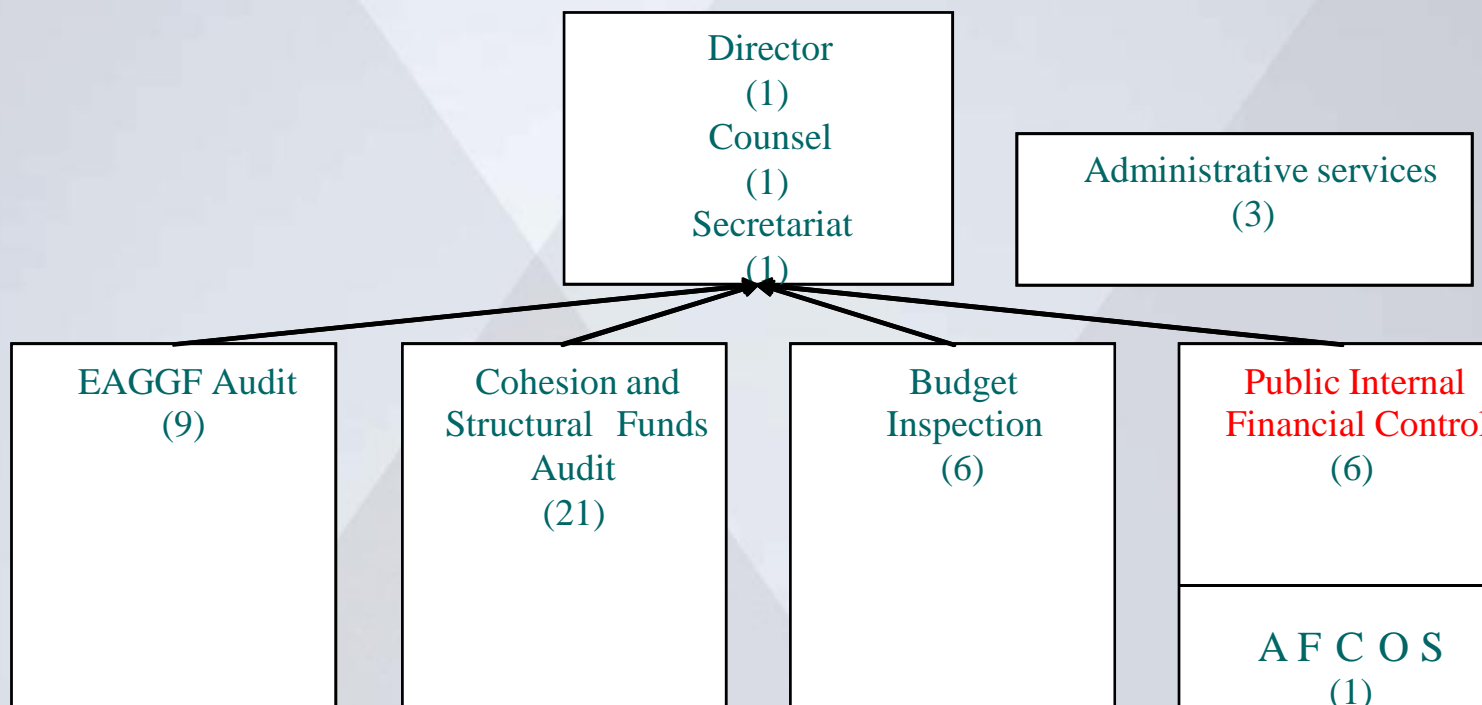
- Subordinated directly to management (In-house IAS)
- Internal Audit Charter
- Compliant with Guidelines for State Internal Auditing (Code of Ethics, IIA Standards)
- Free of executive tasks
- Providing assurance, consulting
- Reporting to the management on detected weaknesses and giving recommendations
- Yearly Reporting to the management on FM/C and to the CHU



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# Role of CHU in Slovenia





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# Role of CHU in Slovenia

## MISSION:

1. Taking care of professional development in the area of FM/C and IA
2. Proposing systemic solution in the area of FM/C and IA



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# Role of CHU in Slovenia

## ACTIVITIES

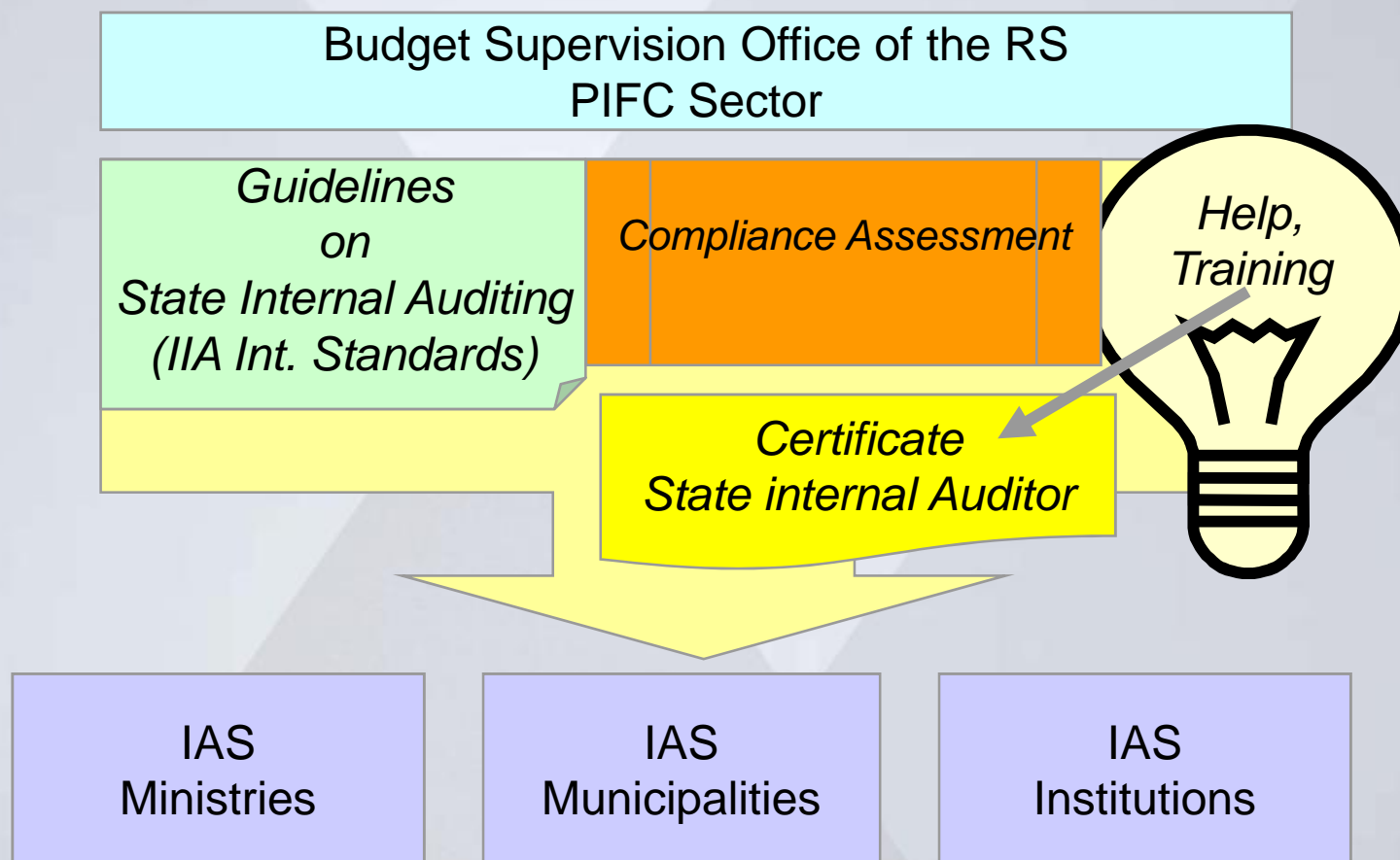
1. Drafting Guidelines on IA and FM/C
2. Compliance Assessment with the guidelines & external quality assurance of IAS's
3. Annual Report on PIFC
4. Monitoring & Promotion of the implementation of the PIFC, Position Papers on FM/C Issues, Help Desk
5. Organization of Training, Keeping the Register of SIA and VSIA



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# Internal Audit





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# Financial management

Budget Supervision Office of the RS  
PIFC Sector

*Guidelines  
on  
Internal  
Controls*

*Draft  
Regulations*

*Help,  
Training*

Ministries

Municipalities

Institutions

*Internal Audit*

*Audit Trails*  
*Internal Controls*

*Objectives* *Risk Registers* *Risks*



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# Role of CHU in Slovenia

Annual Report on PIFC:

A. Sources

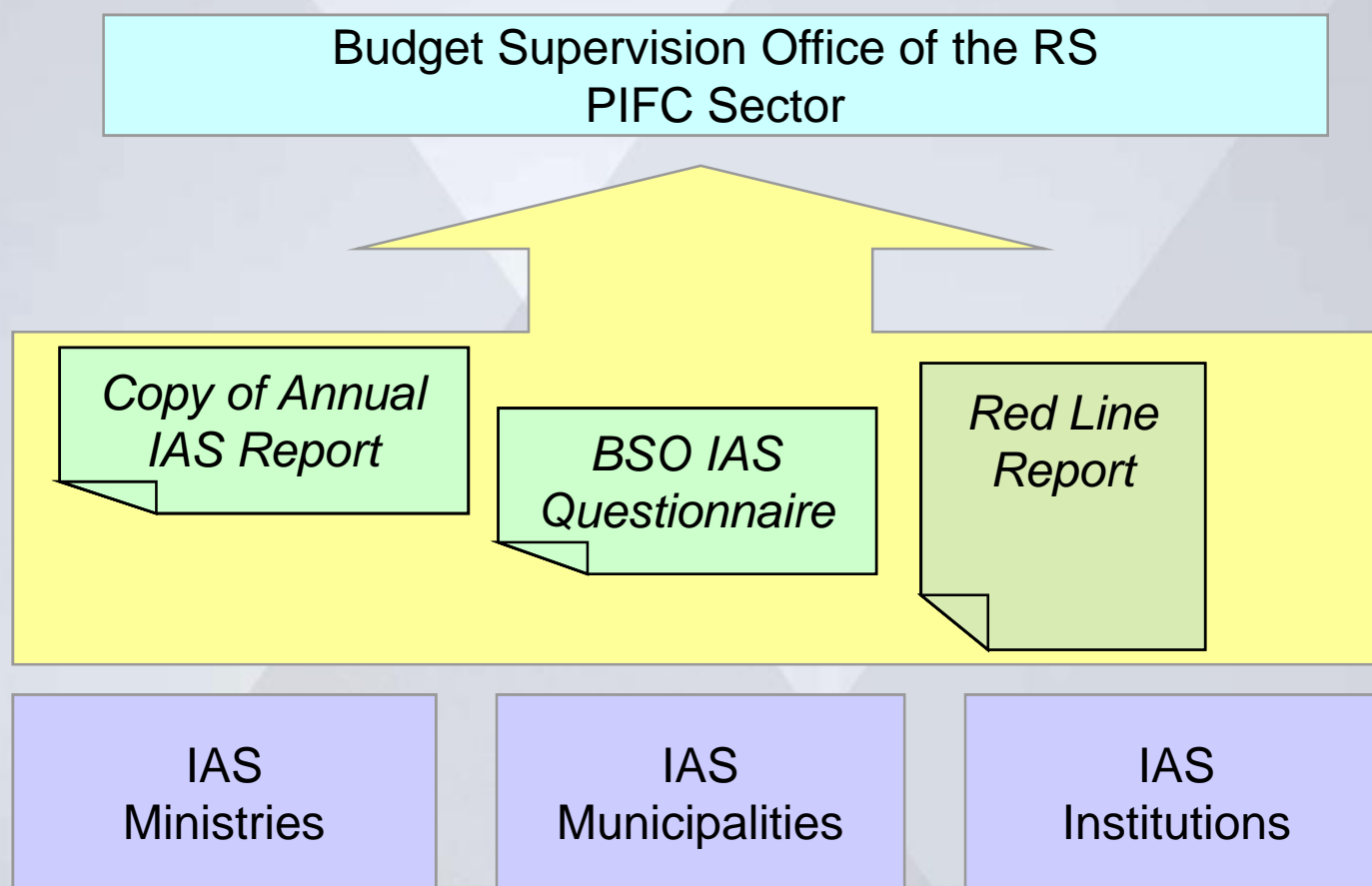
B. Recipients



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# Sources - Internal Audit





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# Sources – Financial management

Budget Supervision Office of the RS  
PIFC Sector

*Annual Declaration on Internal Controls,  
Weaknesses and Improvements  
(an obligatory component of the Business Report)*

Ministries

Municipalities

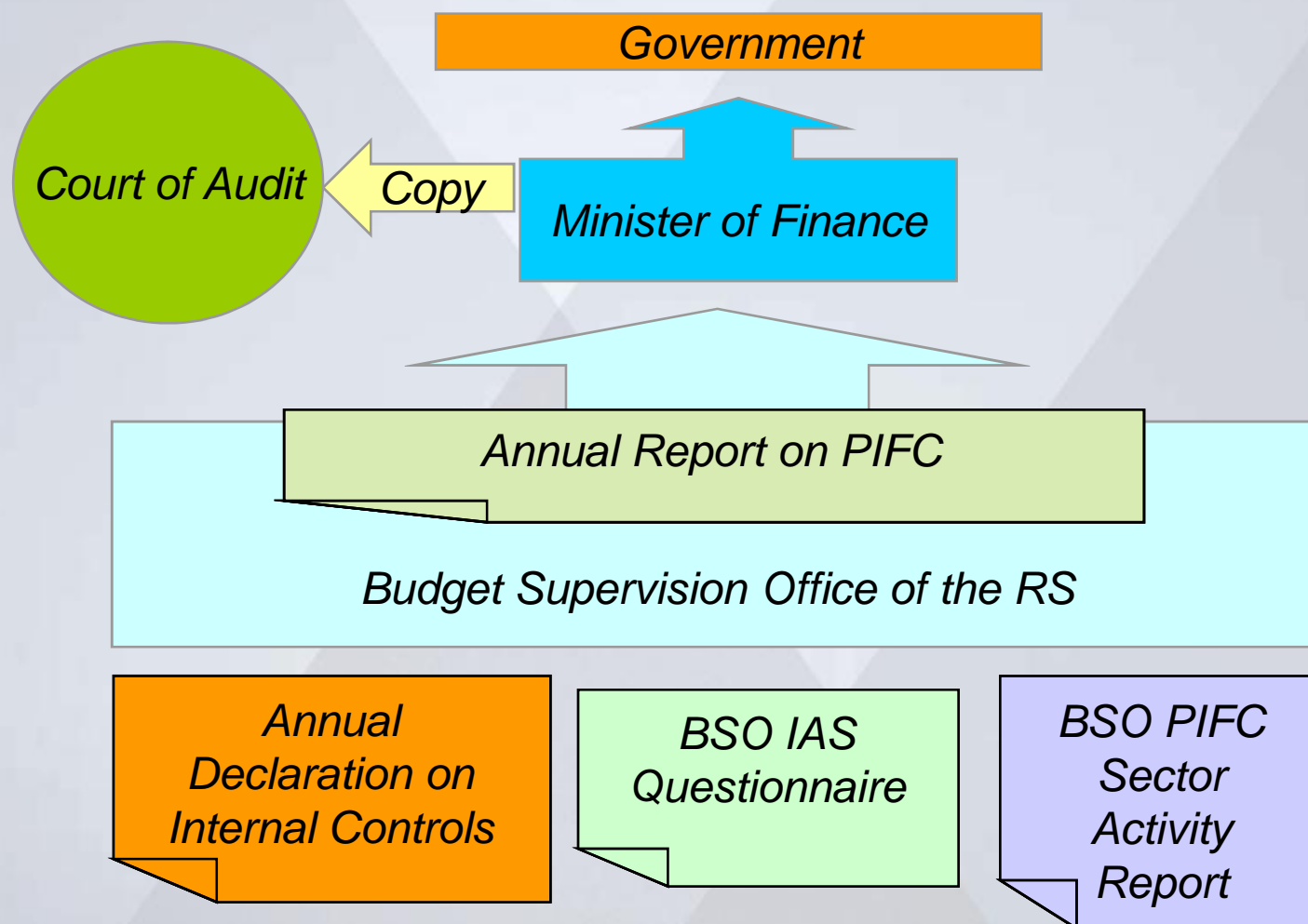
Institutions



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# Annual Report on PIFC





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# The end

- QUESTIONS
- REMARKS
- COMMENTS

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*Thank you very much for the attention*