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MATURITY ASSESSMENT OF THE INTERNAL AUDIT SYSTEM FOR FISCAL MANAGEMENT

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NATIONAL TRANSPARENCY AUTHORITY

Maturity Assessment of the Internal Audit System for Fiscal Management for the Bodies of the Central Administration



NATIONAL TRANSPARENCY AUTHORITY

GENERAL DIRECTORATE FOR INTEGRITY AND ACCOUNTABILITY

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EDITORIAL

The present research project "Maturity Assessment of the Internal Audit System for Fiscal Management" was conducted according to the directions of the Governor of the National Transparency Authority, Mr. Angelos Binis, and under the guidance and coordination of the Head of the General Directorate for Integrity and Accountability (GDALO), Mrs. Maria Konstantinidou, by the staff of the Directorate of Policies and Accountability Standards of GDALO: Melina Lampropoulou (Head of the Directorate of Political and Accountability Standards), Paris Zarnakupi, Ioanna Karagiorgou, Ioanna Lambraki, Angelos Vassiliou and Maria Sismanidou.

Thanks to

The important and innovative project implemented by the National Transparency Authority for the assessment of the current state of the Internal Audit System in Fiscal Management in the Ministries, was successfully completed with the preparation of the Report entitled "Maturity Assessment of the Internal Audit System for Fiscal Management of the Central Administration".

The Permanent Secretaries of the Ministries contributed significantly to this effort, who, through their willingness to participate in the interviews that were carried out and in the completion of a questionnaire and the provision of documentary material, contributed their valuable experience and expertise, which was used in the context of this project.

For this reason, we would like to thank the following Permanent Secretaries:

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From the Ministry of Education and Religious Affairs, due to the non-appointment of a Permanent Secretary during the period of the project implementation, the cooperation was conducted with the then Deputy General Director for Finance, Mr. Leandro-Vassilios Giannakouris.

Preface by the Governor

The National Transparency Authority, supporting the effort to strengthen the effectiveness of the operations of the National Internal Audit System in public bodies, issued in October 2020, a Manual entitled: "Recording Procedures of the Internal Audit System of Fiscal Management". This project was the basis for the mapping of the current state of the Internal Audit System in Fiscal Management of Central Administration bodies and in particular of the Ministries. This exercise was implemented in the context of the institutionalisation of the National Internal Audit System by Law no. 4795/2021, with the aim of assessing the level of maturity of the audit mechanism in the fiscal management system of the above-mentioned entities.

This project is a pioneering effort in our country, carried out entirely by a national body (the NTA), while it also constitutes a good practice of cooperation, as the contribution of the Permanent Secretaries of the Ministries and their staff was crucial in identifying opportunities for improving the current institutional framework and procedures for fiscal management, based on the principles of sound fiscal management, accountability and transparency.

In addition to the above, this Report was also a deliverable under the Enhanced Supervision mechanism. In the 11th Progress Report of our country, published on 23.09.2001, reference was made to the successful completion of this project and the recommendations made in it.



Angelos Binis

Governor of the National Transparency Authority

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Abbreviations

IAPR	Independent Authority for Public Revenue
DGF	Directorate General for Finance
GAOS	General Accounting Office of the State
FM	Fiscal Management
NTA	National Transparency Authority
HSPPA	Hellenic Single Public Procurement Authority
NTPALG	National Centre for Public Administration and Local Government
EDDS	Electronic Document Distribution System
CR	Commitment Register
IAU	Internal Audit Unit
MTFSF	Medium Term Fiscal Strategy Framework
LCS	Legal Council of State
IISFP	Integrated Information System for Fiscal Policy
JO	Jobs Outlines
PIP	Public Investment Programme
FMS	Fiscal Management System
IAS	Internal Audit System
IASFM	Internal Audit System for Fiscal Management
ICT	Information and Communication Technology
FAS	Fiscal Audit Services
PS	Permanent Secretary
EC	Employment Code
COSO	Committee of Sponsoring Organizations of the Treadway Commission
IIA	Institute of Internal Auditors
UPS	Uninterruptible Power Supply

Summary

The present project, carried out by the National Transparency Authority, constitutes a macroscopic investigation aimed at assessing the maturity level of the Internal Audit System for Fiscal Management (IASFM) in the main bodies of the Central Administration, the Ministries. The main objective was to understand and evaluate the level of development and operation of the Internal Audit System for Fiscal Management (IASFM), based on the structure of the Internal Audit System framework as well as the best practices developed by bodies such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Institute of Internal Auditors (IIA), in compliance with the provisions of Article 4 of Law No. 4795/2021¹, in order to identify opportunities for improvement.

For the implementation of the project, a tool was developed to capture the operation of the IASFM, which was used to collect information and documentation and to conduct interviews with the officials responsible for the financial management system of the ministries. The maturity level of the IASFM was then assessed using a model developed by the National Transparency Authority (NTA), based on a model for assessing the maturity of the individual elements and processes of the Internal Audit System at the level of each entity which has been developed as a best practice². The model uses internationally accepted best practices from the COSO Internal Control-Integrated Framework 2013, adapted to the context of the Greek Public Administration.

This project revealed that the ICSFM operates well in all Ministries, demonstrating satisfactory levels of management and supervision, though there is room for improvement. The required audit mechanisms are operating, there is a clear separation of duties, and incompatibilities are maintained. The clear lines of accountability, the institutionalisation of the Permanent Secretary as the head of administrative and financial Bureaus as well as the authorizing officer, the use of information systems or other automated tools, the establishment of the National Transparency Authority, the upgrading of Internal Audit Units to a Directorate level reporting directly to the Minister, and the new institutional framework for an integrated and cohesive Internal Audit System in the public sector³, are the main features of a functional and reliable Internal Audit System for Fiscal Management.

¹ Article 4(2) of Law No. 4795/21: "The Internal Audit System shall take into account the generally accepted Standards for the Professional Practice of Internal Auditing, the COSO Internal Audit System Framework, as well as the best practices developed by bodies such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Institute of Internal Auditors (IIA).

² Implementing COSO 2013 Internal Control-Integrated Framework, by Weaver's Alyssa Martin, partner in risk advisory services, published in the issue of Texas Society of CPAs Today's CPA magazine (July/August 2015).

³ Article 2 of Law no. 4795/2021.

1. Introduction

The National Transparency Authority, in the context of developing and monitoring the implementation of the National Internal Audit System, of which the Internal Audit System for Fiscal Management is a part, implemented this project. The project aimed to assess the maturity level of the individual elements and procedures of the Internal Audit System for Fiscal Management in the Ministries, in terms of governance, policies, practices, organization and structure, resources and operations.

This project unfolded in two phases:

In the first phase, the National Transparency Authority (NTA) developed a Standard Procedure Recording Template for the Internal Audit System of Fiscal Management. This template was based on the legislative framework which is in effect at the time of the project's⁴ execution. It recorded eleven (11) basic procedures of the existing Internal Audit System for Fiscal Management followed by the Central Administration. On the basis of a Risk Register, the audit mechanisms required by current legislation to face the inherent risks at each stage of the process were recorded. The Template was based on the Internal Audit System Framework and best practices, as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control-Integrated Framework 2013) and the Institute of Internal Auditors (IIA) taking into account the decisions⁵ of the Hellenic Court of Audit regarding the Internal Audit System, which are guiding principles for audits to be conducted in public entities.

In the second phase, which concerns the present, following the adoption of the new Law 4795/2021, which established a comprehensive and coherent legal framework for the Internal Audit System of the public sector, the structural and operational elements that comprise the Internal Audit System for Fiscal Management (IASFM) of the Central Administration, in particular of the Ministries, were identified and evaluated. This evaluation was carried out by the National Transparency Authority (NTA) through the development of a model for assessing the maturity of the IASFM, based on the corresponding assessment of the maturity of the individual components and processes of the Internal Audit System at the level of each entity. The model uses internationally accepted best practices from the COSO Internal Control-Integrated Framework 2013, adapted to the context of the Greek Public Administration. The purpose of this second present phase is to clearly outline the development and operation of the IASFM, in order to take advantage of opportunities for its improvement through targeted proposals, within the framework of the implementation of the provisions of the new Law 4795/2021.

At this point, we would like to thank the Permanent Secretaries as well as the staff of their Directorate General for Finance who participated in this project, both by completing the

⁴ October 2020.

⁵ No. Decisions FF8/55081/2020 (V' 4938) and FF8/28662/2020 (V' 2424).

questionnaire and by providing supporting documentation as well as with their comments in the interviews in a spirit of constructive cooperation.

2. Methodology

The methodology used in the present project was based on the structure of the COSO Internal Control-Integrated Framework 2013 of the Treadway Commission's Organizational Support Committee (COSO Internal Control-Integrated Framework 2013) as well as the best practices developed by bodies such as the COSO Commission and the Institute of Internal Auditors (IIA), in compliance with the provisions of article 4 of Law no. 4795/2021⁶.

According to the COSO 2013 standard, the Internal Audit System (IAS) refers to an organised matrix of operations and processes, which is based on five structural components - or pillars - the Audit Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring and Supervision as well as the 17 principles that govern the key components/pillars, as illustrated in the figure below and described in detail in [Section 4](#).

The 5 Pillars and 17 Principles of the Internal Audit System

Audit Environment	<ol style="list-style-type: none"> 1. Demonstrates commitment to integrity and ethical values 2. Supervise the Internal Audit System 3. Defines structures, powers and responsibilities 4. Demonstrates commitment to competences 5. Implementing accountability
Risk Assessment	<ol style="list-style-type: none"> 6. Identifies appropriate objectives 7. Identify and analyse risks 8. Assesses the risks of fraud/corruption 9. Identifies and analyses important changes
Control Activities	<ol style="list-style-type: none"> 10. Selects and develops audit processes 11. Selects and develops ICT controls 12. Implement specific policies and procedures
Information & Communicatio	<ol style="list-style-type: none"> 13. Uses qualitative and sufficient information 14. Communicates within the institution 15. Communicates externally to the operator
Monitoring Activities	<ol style="list-style-type: none"> 16. Conduct continuous and targeted evaluations 17. Evaluate and communicate the insufficiency of the IAS



⁶ Article 4 par. 2 of Law no. 4795/21: "The Internal Audit System shall take into account the generally accepted Standards for the Professional Practice of Internal Auditing, the COSO Committee's Internal Audit System Framework, as well as good practices formulated by bodies such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Institute of Internal Auditors (IIA).

The establishment of an Internal Audit System at organisation level ensures consistency and enhances its reliability in the event of an external audit. It also provides the basis for benchmarking, monitoring and improving its performance. It should be noted that an IAS helps the organisation to achieve its objectives, as a number of endogenous and exogenous factors can lead to deviation from them.

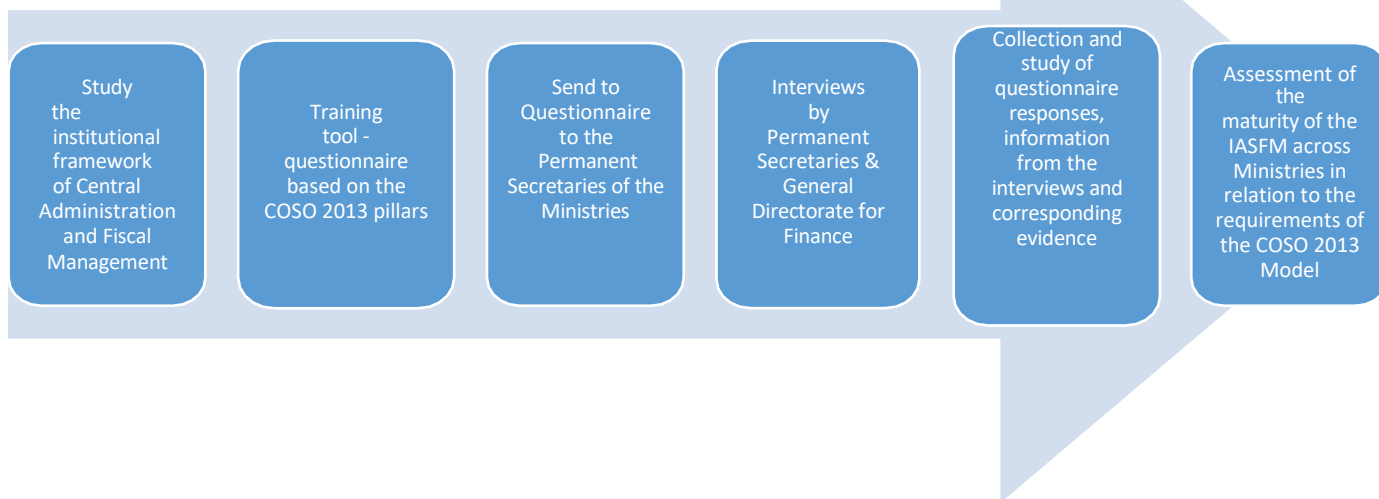
In an effort to understand the design, installation and operation of the components that make up the entire Internal Audit System for Fiscal Management, the research was conducted within specific parameters.

The field of investigation was the whole of the Ministries due to the common institutional framework governing their organization and management, as well as the uniformity in the organizational structure and operation of their financial services. Ministries under which the armed forces and security bodies fall were excluded from this exercise. Specifically, these include the Ministries of Citizen Protection, National Defense, Shipping, and Island Policy⁷, due to their unique organizational and operational characteristics.

The project investigated comprehensively, through questionnaires and structured interviews, not only the existing audit mechanisms as explicitly defined by the provisions of Law 4270/2014 but also those developed by the responsible parties of the Internal Audit System for Fiscal Management (IASFM) in each Ministry to strengthen compliance with the legislative and regulatory framework. Therefore, the scope of the review is determined by the framework that structures all processes, policies, guidelines, circulars, and legislation aimed at achieving the goal of sound fiscal management, as well as by all additional actions taken by the Administration to enhance the effectiveness of financial services. Any quantitative or qualitative assessment of the existing audit mechanisms of the IASFM or the entire Internal Audit System for each entity included in the review is not the subject of this project and falls outside the aforementioned scope.

The steps of the methodology followed are schematically depicted in the following graph:

⁷ These Ministries are differentiated in their administrative structure, since under Article 1 of Decree 8/2020, they are exempted from the organisational provisions of Article 35 par. 2 of Law No. 4622/2019, as well as from the provisions that introduce the institution of the Permanent Secretary and provide for the essential qualifications for his selection and his responsibilities (Articles 36 and 37 of Law 4622/2019).



For the preparation of the project, a tool was developed to assess the operation of the IASFM, which was applied for the collection of information and documentation as well as to conduct interviews with the officials responsible for the Fiscal Management System of the Ministries.

Questionnaire

The questionnaire **was structured on the basis of the 5 pillars** of the COSO IC-IF 2013 model, a set of twenty-five (25) questions, both closed and open-ended.

The questionnaire, accompanied by a letter from the Governor of the NTA, was sent to the Permanent Secretaries of the Ministries⁸, who are now the heads of financial management after Law No. 4622/2019, as principal authorising officers of the budget and institutionally responsible for monitoring the smooth and efficient administrative and financial operation of their Ministries.

Structured interview

Subsequently, and after the collection of relevant documentary material, **structured interviews were conducted** based on the data gathered from the aforementioned questionnaire. This approach ensured the ability to assess the completeness of responses, enabling horizontal conclusions to be drawn regarding the maturity of the Internal Audit System for Fiscal Management (IASFM).

Finally, following the processing of all the material resulting from the above process, the general conclusions were drawn that led to the assessment of the maturity of the IASFM in terms of its implementation by the Ministries, based on the requirements of the COSO IC-IF 2013 model⁹.

⁸ No.7692/10.3.2021.

⁹ See. See Section [4](#).

3. Summary presentation of the Internal Audit System for Fiscal Management (IASFM)

3.1 Institutional Background

The Internal Audit System in the public sector includes those operations, processes and audit mechanisms that an entity applies in its daily activities in order to achieve its objectives. The recent relevant legislation, Law no. 4795/2021 "Public Sector Internal Audit System, Integrity Advisor in Public Administration and other provisions for public administration and local government", regulates the issues concerning the Internal Audit System in all public sector entities, in accordance with international auditing standards and best practices. The Law also defines the concept and fundamental elements of the Internal Audit System, provides for its functional structure in three levels of roles (three-line model) and regulates a number of issues related to the organisation, responsibilities and operation of the Internal Audit Units. Among other things, it introduces, for the first time, the obligation of the entities to document the processes related to all their operations and actions, the associated risks, and the measures (mitigation strategies) they adopt to address these risks.¹⁰

At the same time, the IASFM constitutes a fundamental component of each entity operation, since it determines its ability to achieve its mission and objectives and its performance influences the fiscal planning and, in general, the fiscal policy of the state. The importance of the financial operation in the management of the entity's assets and liabilities requires the adoption of individual procedures and audit mechanisms focusing on the achievement of sound fiscal management in terms of compliance with the principles of economy, efficiency, effectiveness and transparency in the preparation and execution of the budget, the clearance of public expenditure, the maintenance of the commitments register and the production of fiscal reports.

In this context, the IASFM is being developed, which can be schematically depicted as a part of the entire Internal Audit System of the entity. Its purpose is, through the audit mechanisms, to achieve the fiscal objectives and to prevent fraud and corruption. By Law no. 4270/2014 "Principles of fiscal management and supervision (incorporation of Directive 2011/85/EU) - Public Accounting and other provisions", as in force, reorganized the fiscal management and audit system of the expenditure of the General Government bodies, in conjunction with a series of other reforms that have taken place in recent years. The provisions of the Law, as well as the Presidential Decrees, the Ministerial Decisions issued pursuant to it, the relevant bulletins and the documents of the competent Bureaus of the Ministry of Finance, outline the basic procedures and the fundamental components of the Internal Audit System of Fiscal Management that every public body is obliged to implement.

¹⁰ Article 5 of Law no. 4795/2021.

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On this basis, the framework of the provisions of Law 4270/2014 could be considered as a charter for the IASFM, as it introduces audit mechanisms to mitigate the possibility and impact of fiscal risks, systematises the operations of financial Bureaus, and directs them towards achieving their operational objectives efficiently and effectively.

The later n. 4622/2019 "Executive State: organization, operation and transparency of the Government, government bodies and central public administration", which codifies the provisions governing the organization, operation and transparency of the central public administration, introduces a series of institutional changes, that affect fiscal management and the Internal Audit System of entities. Specifically, this legislation defines the principles of good governance and sound administration, details the content of the Ministries Organisations, introduces the institution of the Permanent Secretary as the head of all Bureaus responsible for human resources management, and organizational and financial management of the Ministry By establishing the Permanent Secretary as the authorizing officer of the Ministry's budget, the involvement of the political leadership in purely administrative matters¹¹ is limited. Additionally, the National Transparency Authority is established, with the responsibility, among others, for developing the institutional, organisational and operational framework for the National Internal Audit System, the Internal Audit operations and the risk management for public administration and fiscal management. Furthermore, each Ministry is required to establish an Internal Audit Unit, at the Directorate level, reporting directly to the Minister. For these purposes, the NTA collaborates with the relevant Ministries¹².

Legislation	
Law 4270/2014 "Principles of fiscal management and supervision (incorporation of Directive 2011/85/EU) - Public Accounting and other provisions"	<ul style="list-style-type: none"> ➤ Provides for the establishment in each Ministry of a General Directorate for Finance, which brings together all the financial organisational units and all the competences of economic interest. ➤ Introduces audits to minimise fiscal risks, systematises the operations of the financial services.
Law 4622/2019 "Executive State: organization, operation and transparency of the Government, governmental bodies and central public administration"	<ul style="list-style-type: none"> ➤ It codifies the provisions governing the organisation, operation and transparency of central public administration. ➤ It introduces the institution of the Permanent Secretary. ➤ Establishes the National Transparency Authority.

¹¹ See in this respect the explanatory memorandum of Law no. 4622/2019.

¹² Articles 82 and 83 of Law No. 4622/2019.

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	<ul style="list-style-type: none"> ➤ Provides for the establishment of an Internal Audit Unit, at the Directorate level, reporting directly to the Minister
<p>Law 4795/2021 "Internal Audit System of the Public Sector, Integrity Advisor in the public administration and other provisions for the public administration and local government"</p>	<ul style="list-style-type: none"> ➤ Regulates the issues concerning the Internal Audit System in all public sector entities in accordance with international auditing standards and best practices. ➤ Defines the concept and the component elements of the Internal Audit System. ➤ Provides for its functional structure in three levels of roles (three-line model) ➤ It obliges, for the first time, organisations to record their procedures, operations, the risks that may threaten their actions, and the measures (audit mechanisms) they take to address them.

It is obvious that the institutional environment, as it has now been developed in the Greek public administration on the basis of the above provisions, defines the Internal Audit System of Fiscal Management of each Central Administration body. This system, with the clauses essentially established by the legislative framework itself, operates as a tool for prevention and deterrence of fraud and corruption. In a modern internal audit environment, the emphasis should not only be on the violation of public accounting principles and budgetary rules, but also on the adequacy of the accountability mechanisms, risk management, communication processes and supervisory practices that the body has developed to support its mission.

Therefore, each entity becomes accountable for managing its own Internal Audit System, a responsibility that lies with both its head and senior management, as well as every executive who must contribute to the effective operation of audit mechanisms. This obligation arises from the obligation of the bodies to manage the resources allocated to them properly. Moreover, the principle of sound fiscal management constitutes a fundamental element of public accountability

3.2 The role of the Directorate General for Finance (DGF)

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Law 4270/2014 establishes the General Directorate for Finance in each Ministry, which brings together all economic organizational units and responsibilities of financial interest. The critical role of these Bureaus is evident from the legislator's intention to place them as a distinct unit at the highest hierarchical level of administration and to assign to their Heads extended authorities, duties and obligations. This legislation defines the roles, responsibilities and incompatibilities of the bodies involved in fiscal management, establishes fiscal principles and rules and outlines procedures for monitoring and controlling the actions of entities. Additionally, entities are required to establish and implement internal controls for fiscal management concerning expenditures, accounting systems, and financial reporting systems.¹³

The establishment of the DGF in each Ministry and transferring to them the responsibilities of the General Accounting Office of the State(GAOS) regarding the preparation, execution and monitoring of the budget, as well as the obligation to submit relevant reports, aimed at assigning responsibility to the Ministries for the administration of their financial affairs. The disjunction of GAOS's Fiscal Control Services from the monitoring of public expenditure and the focus of fiscal audits at the repressive level brought about radical changes in the role and responsibility of the Heads of the Ministries' DGFs. This is significant because the system of preventive audit provided financial bureaus with assurance regarding the legality and regularity of expenditures.

The role of the Director-General for Finance

The role of the Director General for Finance becomes particularly critical as he/she is called upon to operate on a dual level:

- (a) as the "representative" of the Ministry of Finance/GAOS for monitoring budget execution and compliance with its guidelines; and
- (b) as the person responsible for intra-ministerial sound fiscal management.

The executive role of the Heads of the DGFs has created a new situation in the Greek public administration, since it constitutes the pillar supporting fiscal consolidation, adaptation and discipline. They operate as an important "audit mechanism" that acts proactively to avoid the risk of non-compliance with the budget and expenditure ceilings. The most important dimension of the fiscal reform is that a senior administrative official acts as an institutional counterweight to the political leadership by setting limits to its fiscal behaviour and by putting a brake on its possible inclination to not adhere to a strict fiscal framework.

¹³ Articles 24 and 168 of Law No. 4270/2014.

4. Analysis of the data of the IASFM based on the COSO IC-IF 2013

Model

As mentioned in Section 2, this project followed the generally accepted COSO Internal Control-Integrated Framework 2013 of the Treadway Commission's Organizational Support Committee (COSO Internal Control-Integrated Framework 2013) as well as the best practices developed by bodies such as the COSO Commission and the Institute of Internal Auditors (IIA). Based on this, the questionnaire was structured, which is the main tool for assessing the maturity of the IASFM in the Ministries.

This section is divided into subsections with reference to the five pillars of the COSO 2013 model, where the key points that are expected to be included in the Ministries' IASFM are developed. This is followed by the findings of this research and the corresponding recommendations for improvement.

4.1 Audit Environment IASFM

4.1.1 Key points of the Audit Environment

The Audit Environment is the set of behavioural standards, processes and structures that provide the basis for auditing the Ministry's organisational and operational systems and governance mechanisms.

A properly structured Audit Environment, following the implementation guidelines of the COSO IC-IF 2013 model: the entity **demonstrates its commitment to integrity** and ethical values; establishes **monitoring** procedures for **the Internal Audit System, defining structures** and clearly delineating the responsibilities of each organizational unit as well as the duties of employees; **ensures adequate staffing of its organizational units** with a commitment to staff competencies and training; **promotes accountability** by developing job descriptions.

Although the Internal Audit System may differ depending on the operational activity of each Ministry and the objectives pursued, there are nevertheless basic public governance practices that are common. For example, the organizational structure, management approach, governance principles, staffing, codes of conduct and accountability obligations share common characteristics because they are governed by a common institutional framework.

In particular, with regard to the Audit Environment, which is the basis for the Internal Audit System of every public body, and in particular the fiscal management:

- **The Ministry's policies - or at least its priorities - are guided by national strategic objectives**, which are usually reflected in the Annual Action Plan and, by extension, in its budget. The budget is used to allocate available resources to specific activities in order to achieve the operational objectives and ensure the smooth operation of the Ministry.

- **The Ministry' organisational structure, structure and responsibilities are reflected in its Statute.** The administrative organisation of the Ministries shows similarities, while the staff and support Bureaus have the same structure in all Ministries¹⁴ .
- **Special services are provided for** to assist the work of the Administration in the supervision and monitoring of the Internal Audit System¹⁵ : the Coordination Department under the authority of the Service Secretary and the Internal Audit Unit under the authority of the Minister.
- **The recruitment, status, duties and obligations of employees are governed by the Civil Servants Code,** while staffing issues are coordinated centrally through transfers or secondments, through the National Single Mobility System. Each Ministry must have job descriptions, which are posted in the Human Resources Register of the Hellenic State.
- **Accountability is achieved through hierarchical control** and job descriptions. The reporting lines are analogous to the hierarchical structure governing the organisation of the entire public administration, which creates a special legal relationship between superior and subordinate.
- **Delegation of responsibilities to subordinate bodies is carried out by the Minister or the Permanent Secretary,** in accordance with the applicable provisions of administrative law and the organisational structure of the Ministry, through delegation decisions and signature authorisations, in order to ensure operational qualification.
- **The position of the Ministry's Permanent Secretary is a fundamental element of the Internal Audit System for Fiscal Management.** He is the Head of all departments that carry out administrative and financial management, has the task of ensuring the smooth and efficient operation of his organization and is the authorizing officer of the Ministry's budget¹⁶ .
- **The Head of the DGF is responsible for ensuring sound Fiscal management** ¹⁷, under the supervision of all financial units. In fact, he/she becomes the institutional head of the Internal Audit System with regard to financial management.
- **There is a clear separation between the duties of** the authorising officer (Minister or Permanent Secretary) and the duties of the head of the DGF and, correspondingly, between the authorising officer and the duties of the liable accounting officer. These incompatibilities are explicitly provided for in analogy, with the distinction between auditor and auditee¹⁸ .

¹⁴ Article 35 of Law No. 4622/2019.

¹⁵ Articles 38 and 39 of Law No. 4622/2019.

¹⁶ Article 36 of Law No. 4622/2019.

¹⁷ Article 24 of Law no. 4270/2014.

¹⁸ Articles 65 and 151 of Law No. 4270/2014.

All of the above, in essence, constitute the audit mechanisms of each Ministry's Internal Audit System stemming from the applicable legislation and regulations that it must comply with, and apply by analogy to the IASFM as a subset of it.

4.1.2 Findings

4.1.2.1. Each Ministry's organizational structure describes the operational objectives per organisational unit, the structure, hierarchy and responsibilities of the heads. Also, it ensures accountability and segregation of duties between organisational units and provide for supervision by the hierarchically superior administrative bodies. The organizational structure constitutes the Statutory Charter of each Ministry and is the basis for the development of specific policies and audit mechanisms at all levels of the administration. **Following the adoption of Law no. 4622/2019, the Ministries have proceeded to implement its provisions regarding the institution of the Permanent Secretary and the establishment of the new Bureaus (Coordination Department and Internal Audit Unit), but the majority of them have not reflected these changes in their organizational structure.** This observation also applies to the IASFM, as the institution of the Permanent Secretary pertains to the financial operation of the Ministry.

4.1.2.2. Job descriptions are an important audit mechanism to ensure and monitor the segregation of duties between the employees of each organisation. Management has an obligation to prepare Job Descriptions ¹⁹. In fact, the preparation and registration of these in the digital organisation chart is a prerequisite for the participation of the bodies in the Single Mobility System²⁰. The majority of the Ministries **do not have Job Descriptions for all their departments, while those that do, although they do not include them in their organizational structure, post them in the "Human Resources Register of the Hellenic Public Sector"**. However, in many cases, they need to be updated. On the contrary, for the jobs of the DGFs, Job Descriptions are found in almost all Ministries. However, **the Job Descriptions that do exist focus on the description of formal qualifications, with no reference to the specific skills and competences that the post may require.**

4.1.2.3. The Management must ensure that the departments of the organization are adequately staffed with qualified personnel, by determining the level of knowledge and skills required for each job, making good use of the possibilities provided by the Single Mobility System. **Understaffing of financial departments seems to be a common challenge for all Ministries.**

Following the transfer of the responsibilities of the Fiscal Audit Services to the financial departments of the Ministries and the consequent increase in the workload, without the corresponding reinforcement of these departments with appropriate staff, **there is a strong trend of outflow of staff from the DGFs** (either through transfers or secondments). This, combined with the freeze on recruitment and the

¹⁹ Article 16 of Law no. 4440/2016.

²⁰ N. 4440/2016.

lack of incentives to retain or attract new staff to these organizations, affecting their operational qualification, while creating institutional memory gaps. On the other hand, **staffing through mobility does not seem to help** solve the issue, as the duration of the secondment²¹ of the officials concerned is short, which means that they do not have the necessary time to familiarise themselves with the DGF's objects.

In addition, the Ministries **do not have a specific policy on internal transfers from one organisational unit to another** and any organisational needs are addressed on an ad hoc basis to fill vacancies.

4.1.2.4. It was found that while attention is paid to the training of the officials who staff the DGFs, there is no systematic training in specialised subjects. More generally, **Ministries have not developed a training policy to identify staff needs so** that training actions respond both to the professional development of staff and to improve the operation of the departments to achieve the objectives of the organization.

4.1.2.5. The Directorates General for Finance operate in accordance with the principles of sound fiscal **management and comply with the instructions of the Ministry of Finance/General Accounting Office of the State. The responsibilities, obligations and rights of each employee are clearly defined, both by the legislation and the roles they assume within the Integrated Fiscal Policy Information System and by the Job Descriptions.** Furthermore, the separation of duties excludes an employee involved in the process of making the expenditure from also being involved in the fiscal control procedures, i.e. the financial commitment, the settlement of the expenditure or its payment.

According to the provisions of article 5 of Law No. 4795/2021, the organizations are required to **fully record and regularly update all procedures related to their operations and actions. In the context of the IASFM, it has been identified that the Ministries' DGFs have not yet recorded the procedures for the production or execution of operations with financial consequences**, including an assessment of risks and the provision of safe nets to address them, in line with the relevant legislation and the decision of the Plenary of the Court of Audit²².

4.1.2.6. The appointment of the Permanent Secretary as the head of the administrative, support, financial and coordination departments, as well as an Authorising Officer is in line with the structure of an effective Internal Audit System. This structure requires that senior management bodies possess the necessary knowledge of the organisation, expertise and independence to exercise supervision. As it emerged from discussions with senior officials in the Ministries, the **appointment of the Permanent Secretary is well received, as a permanent official** selected through a merit-based selection process, he is in a position to

²¹ Article 12 par.5 of the law. 4440/2016.

²² Id. Decision FG8/55081/2020 (B' 4938) and par. 5 of Law no. 4795/2021.

to act as an important audit mechanism for the Ministry's Internal Audit System and, in particular, for the Ministry's IASFM. Especially, the exercise of the authorizing officer's duties by the Permanent Secretary has made a number of contributions. The Minister is relieved of administrative and financial procedures, allowing him to concentrate on achieving the strategic objectives of the Organisation and these procedures are processed more quickly as the levels of approval of these are reduced. Furthermore, an integrated and more effective fiscal management of all Ministries' special bodies is achieved. The Permanent Secretary, acting as the Authorising Officer for all expenditure and as the decision-making body in the context of conducting procedures for awarding and executing public contracts of the respective Ministry, has overall supervision and monitoring. This ensures the implementation of consistent methods and policies for effective fiscal management. From the interviews with the Permanent Secretaries, it emerged that the institution needs to be supported and further strengthened in order to clarify their critical role and the executive nature of their duties within the Ministry.

4.1.2.7. There was a "hesitation" by the **Permanent Secretaries regarding the delegation of responsibilities or the delegation of signature to lower - level hierarchical bodies, which is justified** by the fact that, as a newly established institution in the public administration, there is a necessity to become familiar with its operational environment and to integrate it into the public servant culture. Additionally, in many Ministries the Coordination Departments have not been staffed and according to the Article 38 of Law No. 4622/2019, are responsible for coordinating the various actions and programs of the Ministry and report directly to the Permanent Secretary. Furthermore, there was an expressed need for additional administrative support for the Permanent Secretary in the performance of their duties.

However, in cases where both the Authorising Officer (PS) and the Head of the DGF have delegated responsibilities or delegated signature authority to lower - level hierarchical bodies, it was found that **the relevant incompatibilities were taken into account**. However, it was observed that their supervision of **both the exercise of delegated responsibilities and the adoption of decisions following delegated signature authority is fragmented** and based on personal initiatives, which deviates from the supervision of all operations in an IAS²³ by the competent bodies within the lines of accountability. (see sections [4.5.2](#) and [4.5.3.4](#)).

Furthermore, regarding the Permanent Secretary's authority as Authorizing Officer, there was confusion, caused by the ambiguity of the provisions concerning his ability to designate Secondary Authorizing Officer and to delegate the signature authority to other bodies²⁴. In particular, according to a relevant bulletin²⁵ of the General Accounting Office of the State, it is provided that the Permanent Secretary, as Principal Authorising Officer, may not designate as Secondary Authorising Officer an officer not hierarchically subordinate to him.

²³ Principle 2 for oversight of the COSO IC-IF 2013 Model Internal Control System.

²⁴ Article 37 n. 4622/2019 and 65 of Law No. 4270/2014.

²⁵ No. 358 EX 14.04.2020.

Regarding this issue, a relevant opinion of the Legal Council of State (LCS) has been issued²⁶ and its acceptance is pending. This interpretative issue is causing inefficiencies in the effective financial management of the Ministry, due to the significant administrative burden on the central department and the subsequent delay in undertaking and executing expenditures, especially in the case of Ministries with a large network of regional departments.

4.1.2.8. Apart from the Code of Proper Administrative Conduct, there is no Code of Ethics and Conduct governing the behaviour of employees within an organisation, particularly those serving in the Directorate General for Finance (DGF). The Code of Ethics sets out the fundamental principles, rules and values that shape the framework of activities and determine the daily behaviour and working practices of the organisation's staff, ensuring that all activities are conducted with integrity. It is important to note that the existence of such Codes has not been part of the public administration culture so far. This is because they are not legally binding (soft law provisions) and there are other legal documents, such as the Civil Servants Code, that regulate relevant issues.

4.1.3 Suggestions

4.1.3.1. The Ministries should **update their Organizational Structure** in order to incorporate the changes brought about by Law No. 4622/2019, especially regarding the institution of the Permanent Secretary and the establishment of new organisational units, the Coordination Department and the Internal Audit Units.

4.1.3.2. It is proposed to **update the Job Descriptions and enrich them with descriptions of specific skills**, beyond the formal qualifications required for each position, so that the main criterion for hiring is the suitability of the employee. To ensure that job descriptions are an effective tool for mapping human resources and their work tasks, **it is essential to review and revise them on a regular basis.**

4.1.3.3. The understaffing of financial departments and indeed the lack of qualified and skilled staff should be a central concern in order to find solutions. **Providing Incentives** for staff in the DGFs (e.g. additional compensation linked to the achievement of targets, merit pay, etc.) could act as a factor in attracting more employees to these departments. This is crucial because the breadth of responsibilities, the possibility of being held liable for damages, and the excessive workload in these departments deter both the retention of existing employees in the financial departments and the attraction of new ones.

4.1.3.4. It is proposed that the interpretative issue regarding the appointment of a Secondary Authorizing Officer by the Permanent Secretary be settled, and that the latter be allowed to appoint even an official not administratively subordinate to him.

²⁶ Opinion NCC 186/2020 Second Ordinary Plenary Session.

4.1.3.5. In the context of the actions of the National Integrity System, and in particular in an action concerning the development of a Code of Ethics for civil servants, it is proposed to introduce more specific obligations for those serving in financial management units.

4.1.3.6. It is recommended that the DGFs of the Ministries document the procedures for the production and execution of actions with fiscal implications, including a risk assessment and corresponding audit mechanisms to address these risks. In line with this approach, the NTA has developed a Template entitled "Recording of Internal Audit System procedures in Fiscal Management Systems", to be used by public bodies as a guideline for the development of their own IASFM.

4.2 Risk Management

4.2.1 Key points of the Risk Management operation

The Risk Assessment should cover to a satisfactory extent the significant activities and processes of the organisation.

Following the implementation guidelines of the COSO IC-IF 2013 model, a prerequisite for **identifying, assessing and addressing risks** at the various organizational levels is the establishment of clearly defined objectives. In addition, Risk Management distinctly includes the **assessment of fraud/corruption risks**, which requires particular attention. Finally, the **identification and evaluation of changes (in the internal and external environment of the organisation) with a serious impact on the Internal Audit System** are part of the regular risk management process.

In particular, effective Risk Management in an organisation is carried out through procedures, which are required to focus on the following key points:

- **With regard to the action plan and target setting**, each organisation is required to have an updated operational action plan and specific and clear goals, which should be aligned with the National Action Plan. These should be communicated to ensure they are understood by all personnel and distributed hierarchically among the organization's units through the assignment of specific responsibilities and individual goals. These goals should be Specific, Measurable, Achievable, Realistic and Time-bound (SMART) and monitored through appropriate performance indicators that are acceptable, reliable, verifiable and reasonable²⁷. The goals associated with financial reporting must be consistent with the guidance and direction of the GAOS and financial and non-financial reports must provide the accurate and complete information that management needs to manage risks and achieve its objectives.

²⁷ N. 3230/2004 and 4369/2016.

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- The responsibility for the **process of identifying, assessing and addressing risks** as well as defining the corresponding methodology lies with the organisation's management. Risks should be identified concerning the processes, including those linked to strategic and operational goals, and communicated to the organisation's staff through established reporting lines. Management should establish a risk register, based on an appropriate process, and design a Risk Management Programme, which should be periodically evaluated, applying the necessary measures on a case-by-case basis, depending on the level of risk appetite accepted. The identification of risks, their assessment and the selected actions to address the should be reflected in the organisation's Risk Register and Action Plans.
- Fraud/corruption risks must be assessed and addressed, both individually and as a whole, through the process followed for all types of risks. When **identifying, assessing and addressing fraud/corruption risks**, mainly related to financial and fiscal processes, it is important to consider the possibility of corruption acts, fraud, misuse of public assets and other irregular behaviours related to the management of public resources. It is essential to consider potential opportunities, pressures, incentives, and perceptions when assessing fraud and corruption risks. This requires gathering information from both internal and external sources, such as auditing, judicial, or law enforcement authorities. To effectively address these risks, organisations must implement anti-corruption safe nets throughout the entire organisation.
- In order to **identify and assess changes**, which signal new risks and may have a significant impact on the organisation, it is necessary to develop an early warning and control system, which should be communicated to the relevant staff through reporting lines and organizational hierarchy. Subsequently, management should design appropriate assessment procedures and effective actions to address significant changes in internal conditions and the external environment in order to achieve the organisation's objectives.

4.2.2 Findings

4.2.2.1. Each year, the Ministries prepare and submit their **Annual Action Plans**, which are approved every December by the Council of Ministers. These plans collectively form the [Consolidated Government Policy Plan](#), which is prepared annually by the General Secretariat for Coordination of the Prime Minister's Office ²⁸. **Each Action Plan follows a basic template** which includes in a uniform and concise manner the **objectives** of each Ministry for the reference year, along with an overview of how these objectives align with the **government's strategic choices**. These objectives are further specified in actions, which constitute the main policy pillars for each objective.

²⁸ The Annual Action Plans of the Ministries for the year 2021 have been posted on the [Government's website](#).

The description of each action also includes the main measurable expected outcomes and the main projects, i.e. the actions through which they are to be implemented.

From the information provided in the interviews and a sample review of the Ministries' Annual Action Plans, indicate that it is standard practice for the management of each Ministry to consider the strategic and operational objectives set out in its organisational structure when establishing its goals.

In the majority of Ministries, it was found that **the Action Plan, the individual objectives and priorities of the organization do not appear to be understood** by all its staff, and that the hierarchical distribution and **specification of goals do not follow the "top-down" approach**. Usually, it only reaches up to the top management level (Directorates-General or in some cases Directorates) and does not reach the hierarchically lower level of the employees of the respective organisational units. This means that specific responsibilities and commitments to actions based on written individual goals are not clearly established at the lower levels.

Although the concept of the **"Management by Objectives" system** was introduced in the Greek public administration several years ago²⁹, it does not appear to have been sufficiently developed. This conclusion is also supported by the fact that **most organisations have not recorded and implemented such processes in practice, As a result there is essentially no effective internal process established for monitoring the implementation of each organisation's objectives**, which is a key measure for assessing its effectiveness and efficiency.

4.2.2.2. The development of an integrated risk identification and assessment mechanism is at an early stage, both in general and in particular in fiscal management and financial reporting. This prevents management from assessing the significance of each risk and designing adequate and effective audits to address it (Risk Management Programme). The typical approach involves identifying risks on an ad hoc basis and implementing measures to address them as they arise. This is often done through suppressive and less preventive measures. To identify risks or deal with them, most organisations hold meetings between supervisors and/or officials, both within and outside the DGF.

4.2.2.3. On the issue of managing the risks of fraud and corruption, the Ministries focus mainly on the separation of duties among employees, respecting the incompatibility obligations set out by law, conflict of interest control and the protection of confidential and proprietary information. However, these measures are not sufficient to

²⁹ L.3230/2004 and n. 4369/2016.

effectively address the risks involved, as there are no actions to inform and raise awareness among staff on fraud/corruption issues, assigning responsibility, applying sanctions, etc.

Moreover, although the Ministries as a whole comply with the recommendations of the Hellenic Court of Audit and also evaluate any complaints that may have been submitted regarding their services/functions, **they have not implemented a standardised system for utilizing information coming either from internal or external sources** (e.g. audit, judicial or police authorities), which identifies and evaluates possible opportunities, pressures, incentives and perceptions that may lead to such incidents, in particular in the area of public resource management.

4.2.2.4. The most important changes that have taken place in the DGFs in recent years come primarily from the external environment of the organisations, without overlooking the changes that have taken place internally. With regard to the external environment, the majority of Ministries highlighted **a lack of timely information and communication on key reforms that have taken place in recent years in the area of fiscal management**, while it was pointed out that **often the instructions given by the responsible Ministry are not fully understood by the organisations and that there is no possibility to raise** objections, comments and suggestions that could lead to improvements and facilitate the adaptation of procedures to ensure effective and efficient **budget** management.

In terms of the internal environment, the **main changes are in structural/organisational areas**, due to mergers or the creation of new units, and result from changes in the legislative framework that cannot be foreseen by the organisations. This has become particularly evident in the context of the health crisis and the new circumstances brought about by the spread of COVID-19, such as the introduction of new working methods (teleworking) and changes in the institutional framework, which also affect fiscal management issues such as procurement contracts.

The organisations **have not developed and implemented a Business Continuity Plan**. This is a critical step that would allow them to establish prevention and recovery systems to deal with potential threats. At the Ministry level, security and preparedness measures typically focus on physical security (e.g., fire safety), securing buildings (e.g., from damage or theft), securing information systems (e.g., cybersecurity), and ensuring appropriate sanitary conditions (e.g., health protocols).

4.2.3 Suggestions

4.2.3.1 The action plan and target setting of each organisation must be communicated, under the responsibility of the management, so that it is understood by all staff and hierarchically distributed to the individual organisational units, by defining specific responsibilities and individual objectives. These objectives should be Specific, Measurable, Achievable, Realistic and Time-bound (SMART), and

be monitored through appropriate performance indicators that are acceptable, reliable, verifiable and reasonable³⁰. Objectives related to financial reporting must align with General Accounting Office of the State (GAOS) guidance and direction. Both financial and non-financial reporting should provide the accurate and complete information to the Management enabling effective risk management and achievement of objectives. This is particularly important in support of the Performance Budget, which is directly related to the expenditure and revenue review. These tools aim to increase the efficiency and effectiveness of financial resources and rationalise public expenditure.

4.2.3.2. It is the responsibility of each entity to develop and implement a **Risk Management System**. This system should identify, assess and address the risks threaten the entity, thereby supporting the management team in making strategic decisions. It is of particular importance for the IASFM to identify financial risks, especially in light of the Hellenic Court of Audit's decision³¹.

In the short term, it is proposed that a working group be established under the Minister to coordinate the overall risk management effort, which will result in the development of a risk register at the level of each Ministry. In the longer term, it would be beneficial to establish a dedicated organisational unit for risk management, in line with the size and operational function of the organisation.

4.2.3.3. The management of each institution should take actions to prevent fraud and corruption, in order to reduce the likelihood of such phenomena occurring and to mitigate the consequences they could bring. In terms of prevention, management plays an important role in fostering a strong organisational culture of integrity and commitment to ethical values. In addition, special attention should be given to activities such as training and awareness-raising of the organisation's employees against corruption and fraud. In the context of adopting good practices and implementing internationally recognised standards, **organisations could make use of the**

"Guide to Corruption and Fraud Risk Management" of the NTA, as well as to seek the assistance of the Authority as a specialised body. The NTA is responsible for the central planning and coordination of all necessary actions related to strengthening transparency and accountability throughout the public sector. It has the necessary expertise and can make a significant contribution to the training of the staff, as well as to the provision of tools and standard forms.

4.2.3.4. The Organisations should develop and implement a Business Continuity Plan, which should include the establishment of prevention and recovery systems to deal with potential threats.. Therefore, it is necessary to design suitable evaluation procedures and effective actions to deal with significant changes identified in both internal conditions

³⁰ Law 3230/2004 and Law No. 4369/2016.

³¹ Am. Decision FG8/55081/2020.

(such as changes in institutional programmes or activities, organisational structure, personnel, technological tools and information systems) and the external environment (environmental, governmental, economic, technological, legal and regulatory changes), in order to achieve the objectives of the organisation. For these procedures to be effective, they should be standardised, implemented on a continuous basis and communicated to all staff through reporting lines and hierarchy of the organisation, in line with its organisational structure.

4.3 Safety nets

4.3.1 Key points of the Safety nets

Safety nets are the actions defined through policies and procedures that **contribute to the execution of management's directives to address and mitigate the consequences of risks** and achieve the entity's objectives. It is vital that **encompass all levels of the organisational hierarchy** and operational processes, including **information systems and communications technology controls**. These must be aligned with applicable legislation and regulatory frameworks, and tailored to the nature, scope of activities and specific characteristics of each Ministry. Safety nets are required to cover a wide range of processes, both manual and automated, in order to ensure appropriateness, seamless integration, cost-effectiveness and completeness. The Safety net system should include both preventive and detective audit activities, as well as incorporating corrective actions and ad hoc procedures where appropriate.

Management is responsible for selecting, developing, updating and monitoring appropriate safety nets. In particular:

- **The DGF Head is responsible for establishing and implementing internal safety nets in the fiscal management of their Ministry**, both in terms of expenditure and revenue³².
- **The DGFs of the Ministries should record in detail the procedures for the procedures for producing or executing operations with financial consequences**, including a risk assessment and safety nets to address them. This must be done in compliance with the relevant decision of the Plenary of the Hellenic Court of Audit³³ and the legislation on the Internal Audit System³⁴.
- The design of the safety nets should ensure the segregation of duties as described in the Job Descriptions, the internal rules of operation and the organisation chart.
- The Administration team, having understood the close relationship between the public sector's procedures and technology and information systems, selects and develops

³² Article 24 par. 4 of Law no. 4270/2014.

³³ Am. Decision FG8/55081/2020 (B' 4938) and par. 5 of Law no. 4795/2021.

³⁴ Article 5 of Law No. 4795/2021.

relevant safety nets in the accounting and financial reporting systems³⁵. The main concern is to ensure the reliability and security of the data and the systems themselves.

- The internal audits are evaluated by the Internal Audit Units of each organisation.

The findings and recommendations relating to the specific section of the Safety Nets have been included in the corresponding sections of the other pillars of the Internal Audit System for Fiscal Management given that these constitute the set of audit mechanisms that governs the overall operation of the organisations DGF.

4.4 Information and Communication

4.4.1 Key Information and Communication Points

Information is considered an intangible asset for any public body and is crucial for the implementation of the Internal Audit System (IAS). Accurate, comprehensive and timely information is vital for decision-making and contributes to the achievement of the organisation's mission and objectives.

The effectiveness of the IAS is determined by the **capacity of organisational units to produce, utilize and disseminate accurate and dependable information regarding their business operations**. This encompasses their **capability to convey this data, both internally and externally**, through suitable and secure communication channels or IT systems. It is crucial for management to have access to, and receives, **timely and accurate information from reliable sources and to have appropriate information systems in place to** ensure the confidentiality, integrity and availability of information. To this end, it is necessary to implement all technical and organisational measures to guarantee the secure and uninterrupted operation of communication systems and the protection of information.

The effectiveness of the IASFM is contingent upon the satisfaction of the following requirements:

- **The Head of the DGF is responsible for maintaining accurate and reliable financial records** of the activities of the Ministry and its supervised entities. They must also prepare reliable financial reports³⁶ free of errors and undue interference and keep a correct register of commitments.
- **The Head of the DGF has access to the necessary information systems³⁷** required to support financial management activities.

³⁵ Article 168 of Law No. 4270/2014.

³⁶ Article 24 par. 4 of Law No. 4270/2014.

³⁷ Article 24 par. 5 of Law no. 4270/2014.

- **The DGF Head of is responsible for providing the Minister and the Permanent Secretary³⁸ with accurate and up-to-date budget information.** This ensures that the IASFM is subject to effective oversight, as well as facilitating communication with staff and relevant organisational units in order to achieve objectives and manage risks. The Head of DGF selects the most appropriate method of communication for the circumstances.
- To ensure accountability and effective monitoring of the entity's performance, the competent body of the Ministry of Finance (General Accounting Office of the State) provide timely, accurate and qualitative information that reflects the progress of budget execution and the amount of the entity's obligations³⁹ (summary table-summary of the Commitment Register and monthly and quarterly reports).
- The organisation implements measures to protect critical information records, whether in paper or electronic format, from unauthorised physical or electronic access in order to ensure their reliability.
- The organisation implements, on the basis of the National Cyber Security Strategy, technical and organisational measures that guarantee operational continuity from the adverse effects of an incident threatening the security of financial data ((such as procedures for IT infrastructure maintenance, backup creation, and information recovery, etc.).

4.4.2 Findings

4.4.2.1. The implementation of Information and Communication Technology (ICT) in public administration has enhanced the quality of services and facilitated the organisation of information, which was previously scattered and underutilised. However, the growing demand for the production of reliable reports has led to the necessity for the interoperability of the information systems in use.

A review of the **Ministries' information systems and supporting applications in the context of fiscal management revealed a multitude of autonomous systems, lacking interconnectivity.** This presents an opportunity to enhance data and information transfer and exchange. In particular, all Ministries are connected to the Integrated Information System for Fiscal Policy (IISFP)-SAP, which is centrally monitored by the competent Directorate of the Ministry of Finance and serves as the primary information system for recording, monitoring, and controlling the budget, as well as for executing fiscal management procedures. "Papyros" is the electronic document management system of the IISFP. The procedures of the Public Investment Programme (PIP), which have been digitalized, are executed through the Integrated Information System e-PIP. The Electronic Document Distribution System is used for the clearance and payment order of regular budget expenditure. Also, the majority of Ministries, in the context of the mandatory recording and maintenance, in

³⁸ Article 24 par. 24 Article 24 24 (4) (a) of Law No. 4270/2014.

³⁹ Article 8 of decree 80/2016.

of all their obligations⁴⁰ in a special book or electronically (commitment register), **have accounting monitoring applications from external contractors**, Meanwhile, a small number of them have not acquired a specialized accounting monitoring information system and maintain the commitment register in spreadsheet applications (Excel).

The maintenance of financial data in non- Integrated Information System for Fiscal Policy (IISFP) accounting monitoring applications and the use of spreadsheets (Excel) are manual procedures, with the risk of incorrect entries and possible intentional intervention. It was found that most organisations **cross-check the data recorded with the information in the (IISFP)**, but few have implemented a more systematic procedure, with the appointment of a person responsible for this check.

In addition, it was found that the **IISFP does not support all the financial reporting and obligations required by the legislative and regulatory framework**.

4.4.2.2. Effective internal communication and the provision of relevant and appropriate information to interested parties at each level of the organisational structure are essential for the achievement of sound fiscal management. It is the responsibility of the DGF Head to provide timely and reliable information on the budget of the relevant entity to the hierarchical head⁴¹ of the Permanent Secretary and the Minister. It is also essential to maintain communication channels to keep the DGF Head informed of developments and performance of the Fiscal Management System. It is also important for Heads of organisational units to keep staff informed about key financial figures, challenges, results achieved and progress in achieving the objectives of the Directorate or Department⁴².

It has been determined that informal meetings between supervisors and/or employees are held to facilitate communication regarding financial matters within the organization. These meetings allow for the prompt addressing of individual problems as they arise. In many cases, employees work individually, with a “silo” mentality that prevents them from having a global view of the issues. This is due to the lack of information being communicated to the various organisational units. To illustrate, those responsible for finance do not have access to information regarding the progress of key financial indicators as set out in the Commitment Register report (commitments, payments and obligations). The Service Secretary, Heads of DGs and the official responsible for maintaining the register are the main points of contact for information on its current status.

The budgeting process also revealed issues in communication and cooperation between the organisational units. The correct allocation of appropriations and the absence of frequent reprogramming depend to a large extent on constructive communication of the programme of activities by the other units. **The financial departments often face the inability of other departments to plan their needs**

⁴⁰ Article 8 of decree 80/2016.

⁴¹ Article 24 par. 4 of Law No. 4270/2014.

⁴² Article 23 of Law no. 4369/2016.

and to make realistic forecasts due to external factors (e.g. emergencies). **It is therefore important to establish communication channels between the DGF and the organisational units** of the body, especially in order to support the Performance Budget, which focuses on presenting the budget in a programme structure and requires the active involvement of the organisational units in monitoring the target setting and indicators of each programme.

4.4.2.3. The survey findings indicate that the majority of Ministries are compliant with the financial data submission requirements to the relevant authorities (General Accounting Office of the State, Hellenic Court of Audit) **within the specified deadlines**. This demonstrates a commitment to providing timely information. While there are instructions on how to maintain the Commitment Register, the decision on how to do so is currently at the discretion of each entity. It is, however, the responsibility of each entity to adapt its information systems to any legislative changes.

4.4.2.4. An effective IASFM ensures the security of data and financial management information systems, as well as the accuracy of information. Security is about authorising access for only those with the appropriate credentials, as well as implementing measures to protect against unauthorised access, which could compromise the integrity, availability and confidentiality of information. Despite this, Law no. 4270/2014 makes no reference to the security of information and systems used to store and process financial data. The issue of security and access to digital governance systems is addressed by Law no. 4727/2020 on digital governance, which delegates this responsibility to the relevant organisations.

The survey results indicate that the creation of users and the granting of access rights to the IISFP are carried out in a consistent manner across all organisations. This process typically involves the submission of a special form or electronic request (via email) by the Head of the DGF or the Head of the Directorate to the relevant helpdesk. **The users created are assigned specific roles in the system based on their official duties, which entitle them to access classified data and processing rights.** Based on the users of the ERP system, the corresponding access rights to the accounting monitoring applications available to each Ministry are granted. This is done with a similar request to the e-government department of the organisation or to the technical support of the external application contractor. Furthermore, it was observed that **no specific policy regarding periodic password changes is applied** to the individual information systems held by organisations. In contrast, the IISFP requires that passwords be changed automatically every six months.

⁴³ Law 4727/2020 art. 5 "Entities that design and implement digital government systems shall ensure security and access to them and shall ensure the security of the information, data and electronic documents they produce, register, store, distribut or in any way manage, as well as the security of the ICT and the services they provide in the exercise of the responsibilities assigned to them".

4.4.2.5 It is vital that the appropriate technical and organisational measures for the security of network and information systems are adopted in order to ensure business continuity, as this forms a critical aspect of information security in support of the Internal Audit System. **The majority of Ministries, as indicated by the responses received, have software that is both genuine and up-to-date, along with malware protection** (on employees' personal computers and servers), antivirus software, firewalls, and regular backups of critical resources. Additionally, **they take the appropriate measures to ensure the integrity and reliability of the system and the security of critical resources.**

It is equally important to control physical access to the storage and archiving area of the DGF documents and to ensure the security of the physical archive against unauthorised access, destruction, leakage or loss of documents. **It was determined that the majority of organisations lack a specific archiving policy and documented instructions/procedures. However, they ensure the protection of their physical archives by following the procedures provided for by legislation⁴⁴.** The organisations themselves confirm that the physical archives are stored per organisational unit in specific and appropriate locations, which remain locked. Some of them have also appointed an employee responsible for their safekeeping. In the context of financial management, it is essential to store and protect sensitive departmental records (payment orders, invoices, supporting documents for expenditure, contracts, etc.) with care. This is to ensure the integrity of the documentation, facilitate verification, guarantee availability and enable easy retrieval for the convenience of the relevant audit bodies.

4.4.3 Suggestions

4.4.3.1 The accurate recording of financial data and the provision of reliable financial reporting are contingent upon the utilisation of efficient information systems. The full exploitation of the potential offered by ICTs **requires the modernisation of the existing IISFP into a Centralised and Unified Financial Policy System (GovERP)⁴⁵.** This will extend and upgrade existing functions, eliminating the need to keep the same information in various disconnected systems. A key feature of the new integrated system is its capacity **to serve as a central repository for economic data and its integration with other supporting systems. The new PFMIS must be capable of interfacing with other systems related to public fiscal management** e.g. systems of

⁴⁴ Decree 162/1979 and Law No. 4727/2020 Art. 4.

⁴⁵ The project "Reform of the Financial System in Central Administration and other General Government (gov-ERP)" is ongoing.

tax authorities, insurance institutions such as the Hellenic Single Public Procurement Authority and the Bank of Greece, etc. **The implementation of interoperable information systems** will streamline processes, enhance data quality and reporting, and optimise fiscal management efficiency through reduced man-hour costs from eliminating cross-checks for correct entry and multiple entry of the same information in different systems..

The new information system must support all stages of the expenditure cycle, from budget preparation and execution, cash management, to financial accounting, procurement and reporting. This will entail monitoring the entity's financial management data and limiting human intervention. It is crucial to record the stage between commitment and receipt of the invoice in order to maintain centralized records of contracts, document invoices, receipts of goods or services, and so on. This functionality enables **the automatic maintenance of data in the Analytical Commitment Register Book**, the automatic production of the Summary Commitment Register, and the elimination of the entry of questionable data quality in the central portal. This ensures the timely and accurate provision of information on the entity's obligations.

4.4.3.2 In the context of simplifying procedures and establishing safe nets to guarantee accountability and transparency, the implementation of the **Electronic Document Distribution System (EDDS) should be fully automated** and incorporate interoperability with other systems linked to fiscal management. The full implementation of the EDDS means the abolition of the paper file with digitisation of all paper files and physical signatures and stamps, which should be supported by similar legislative changes.

4.4.3.3. To achieve the most realistic financial forecasts, it is essential to allocate appropriations based on documented needs and to prepare and implement the budget of each body in a more accurate and timely manner. Effective communication within the body is also crucial. In this context, it is proposed that **documented and time-bound procedures be established, including the use of a methodology for the collection and analysis of data and historical data. Furthermore, meetings of the organisational units involved** (e.g. at the level of Directorates-General) should be held to discuss relevant issues (e.g. binding budget ceilings, accounting data, functional/operational needs of the units and the expenditure required to serve them). The ultimate aim of this is to ensure efficient and effective communication. Furthermore, **the introduction of performance indicators** aligned with the established objectives will facilitate this process.

4.3.3.4. **To enhance internal communication within the DGFs, it is recommended the development of an intranet** to facilitate the dissemination of information and address the needs of all staff and interested parties at each level of the hierarchy,

particularly in the context of financial management. Information should be provided in a timely manner and in a format that is accessible to all relevant parties. This should include details of target setting, financial reports, budget implementation progress, legislative changes, risk identification, findings of internal and external audit mechanisms, data from the Commitment Register, and the value and evolution of KPIs (key performance indicators). It is essential to ensure that officials are kept informed about issues related to their responsibilities. This will enable them to have a representative view of the financial situation of the institution and to actively participate in the achievement of its financial objectives.

4.3.3.5 At the same time, and in line with the need to disseminate information and adopt an information policy that ensures compliance by entities, it is useful to consider the possibility of creating, at central level, **a closed network on the website of the Ministry of Finance for financial departments staff. This network would contain information** on (updated) legislation, directives and measures relating to financial management, a guide to frequently asked questions, and would also support horizontal communication between entities for discussion and exchange of views through a platform. In addition, the creation of a help desk at the Ministry of Finance for operational issues, in addition to IT issues, would increase the flexibility of the financial departments in dealing with urgent and unforeseen cases in real time.

4.3.3.6 It is recommended that **communication channels be established** to ensure the flow of information and that **procedures be put in place for reporting incidents of corruption and fraud occurring within the organisation** (e.g. complaint hotlines or confidential reporting platforms). Currently, there is no integrated system in place to manage reports of fraud incidents and corruption. The development of an effective framework for organisations to respond to integrity breaches requires the **integration of a systematic methodology for managing such incidents into their governance context**. This should include defined principles, a sequence of management actions and whistleblower protection measures, which are tailored to the specific needs of each entity. This proposal is aligned with Directive (EU) 1937/2019 (to be transposed into national legislation in 2021) and pertains to the requirement to establish reporting channels and procedures. Similarly, the introduction **of the new Integrity Advisor⁴⁶ in the public sector is anticipated to have beneficial effect by enhancing the existing communication channels**.

4.4.3.7. Entities must **take technical and organisational measures to achieve a fundamental level of security**, based on the National Cybersecurity Strategy, for the development of the public "cyberspace" governance system.

This includes ensuring the integrity, availability and resilience of critical infrastructure and the confidentiality of information in transit.

⁴⁶ Article 23 of Law no. 4795/2021.

Furthermore, the institutions must guarantee that **the contracts signed with external providers of information systems (contract audits)** are evaluated for adherence to their commitments regarding technical assistance and maintenance. The implementation of **a set of procedures for the protection of data and information systems** ensures the reliability of financial data, enhances the responsibility and accountability of the actors and contributes to the effectiveness and efficiency of operational functions.

4.4.3.8. It is also important to ensure the security of paper files, which contain critical documents such as purchase documents, acceptance unique numbers from the competent committee, original contracts, and so on. It is therefore essential to ensure the physical archives are stored securely, to appoint an official responsible for archiving and to take care of the archives, and to draw up instructions on archiving policy, which codify the relevant legislation. These measures represent the minimum but necessary safe nets for the security of the physical archives.

4.4.3.9. It is essential to reinforce the measures in place to secure access to information systems. In this context, it is recommended that user identifiers and related system access rights be reviewed on a periodic basis. It is essential to automate procedures wherever possible to guarantee that privileges remain aligned with the current needs of users. The recording and monitoring of incidents and unsuccessful access attempts enables security engineers to detect cyber-attacks or insider threats. **Heads of DGFs** are responsible for maintaining reliable information on the budget and the proper maintenance of the Register of Commitments. To this end, they **should establish a policy on access and security of the information they hold and process.** This policy should include the roles and responsibilities of each individual user, a description of the authorisation management procedures (granting and terminating access based on administrative changes, etc.), as well as a description of the technical measures taken to ensure the security of the information they hold and process.

4.5 Monitoring

4.5.1 Key Monitoring Points

The continuous monitoring and evaluation of the audit mechanisms ensures that each of the other components of the IAS is in place and functioning as intended. The continuous evaluation process is integrated into the procedures of each organisational unit, providing timely information on any deficiencies, shortcomings or weaknesses that may exist. **Findings are assessed and any identified deficiencies are communicated and corrected** within a reasonable timeframe. **Ongoing assessments** must be integrated into existing procedures and adapted to changing circumstances, and individual **specific assessments shall** be carried out where necessary.

The assessments will enable the Ministry's management to monitor the performance of the Internal Audit System on an ongoing basis.

Entities may select and implement a range of monitoring procedures, including the following options: **periodic assessment** and testing of audit mechanisms through the Internal Audit Unit's assurance projects, **continuous monitoring programmes** (transactions, entries, operations, orders, reports) integrated in the information systems, **analysis and monitoring of errors or exceptions** through specific reports (exception reports) or metrics that may be indicative of ineffective operation of an audit mechanism, **monitoring the results** of hierarchical control as part of the organisation's operational procedures and **self-assessments** (in the form of self-assessment questionnaires or meetings between managers) of the organisation's management tone and the effectiveness of its supervisory procedures.

The COSO IC-IF 2013 model guidelines suggest that the most effective monitoring is achieved by:

- **Tone on the top**, i.e. practical evidence that the actions taken are committed to the proper function of the Internal Audit System,
- **An effective organisational structure that assigns supervisory tasks to individuals** with appropriate skills, objectivity and the appropriate level of responsibility,
- **Designing and executing monitoring processes focused on gathering convincing evidence of the** operation of key/critical audit mechanisms that address the significant risks that threaten the achievement of the Ministry's objectives,
- **Evaluation and reporting of results**, which includes assessing the severity of any identified deficiencies and reporting the results of monitoring to the relevant staff and senior management for timely action and follow-up where necessary.

4.5.2 Findings

4.5.2.1. An independent internal audit function can play an important role in the governance and accountability process of public sector entities by assessing the effectiveness of key organisational, operational and risk management processes. In particular, where entities have not yet developed another instrument or management tool to propose risk management strategies to management and provide assurance that risks are being mitigated and objectives are being achieved. (see Section [4.2](#)).

Positive steps are being taken in the axis of activation of the Internal Audit Units (IAUs) in the Ministries. In application of the provisions of Article 39 of the

Law 4622/2019 **the Ministries have set up Internal Audit Units (IAU) at the Directorate level, directly reporting to the Minister. Some of these units have already commenced operations, providing advisory or assurance services.** It should be noted that the above provision, which applies only to Ministries, also provides for the IAUs to have responsibilities related to the conduct of investigations and the investigation of complaints. As a result, the organisational structure of the IAUs usually includes two distinct units at the departmental level, in order to separate the pure internal audit function from the investigation of complaints. This has led to difficulties in staffing these units. In addition to outlining the procedure for the establishment and staffing of these units, the new legislative framework (Law 4795/2021) defines the functioning and responsibilities of the internal auditors, following best international practices and standards.

In this context, significant progress has been made in training the staff of the IAUs. The National Transparency Authority, in line with its remit for developing the National Internal Audit System, is working with the Ministry of the Interior and the National Centre for Public Administration and Local Government (NCPALG) to certify the audit competence of public sector internal auditors. These auditors will staff internal audit units and enhance their work.

4.5.2.2. In the context of hierarchical control, **there does not appear to be a defined evaluation methodology to assess the operational effectiveness of the fundamental components of the Internal Audit System.** The evaluation is limited to a sample examination of individual processes and results and appears to be based on the experience and knowledge of the organisation's internal environment. Consequently, **there is also a lack of qualitative information on the organisation's operational perspectives,** e.g. what are the main risks it will face, what are the most important opportunities, what are the strengths/weaknesses and possible plans to address threats. The frequency of this phenomenon is also intensified by the prevailing working culture where **each unit in the organisation operates in isolation without awareness of the progress and completion of processes beyond its narrow remit** (the 'silo' mentality). Combined with the bureaucratic procedures that characterize the Greek Public Sector, it is clear that **the Management lacks a timely and comprehensive view of the issues to be monitored, and** thus the of the overall picture of the risks that critically threaten the achievement of its objectives.

4.5.2.3 Through the monitoring reports, the political and administrative leadership of the Ministries or the heads of the organisational units monitor the development of the financial and non-financial figures. This ensures they have comprehensive and accurate information, which is essential for making proper operational decisions. Furthermore, they receive timely information on any deficiencies or failures and immediately implement corrective measures. In this way they maintain full control of the Internal Audit System. **It was found that monitoring in the DGFs is mainly repressive and based on reports, which are limited in number and content,** as determined centrally, by the Ministry of Finance/General Accounting Office of the State.

The consolidation of all reports according to legislative requirements **at the Ministry of Finance/General Accounting Office of the State** offers significant advantages for the state's fiscal management. This is due to the achievement of uniform implementation of policies and guidelines, as well as centralised control of expenditures. However, this **does not provide the administration of each respective organisation with the necessary information in a timely manner**, which limits the ability to make decisions based on documented facts rather than scattered, fragmented data. The aforementioned centralized monitoring, when combined with the understaffing of the General Directorates of Economic Services (GDOE), as previously mentioned (see Section [4.1.2.3](#)), prevents organisations from developing and implementing audit safe nets that exceed the scope of those outlined in the existing legislative framework. Even when, due to these centralised reports defined by law, deficiencies in the Internal Audit System for Fiscal Management (IASFM) are identified, the overall duration of the process of recording, informing the relevant parties, responding, or correcting the negative phenomena can make the corrective measures taken untimely.

4.5.3 Suggestions

4.5.3.1. The Internal Audit function can play a pivotal role in monitoring and overseeing the management of delegated responsibilities across all functions by the relevant bodies within the lines of accountability. It can also provide additional assurance to the head of the organisation on the adequacy and effectiveness of governance and risk management processes, which in turn support the achievement of business objectives and promote continuous improvement. The Head of the organisation relies on reports from the Internal Audit Unit to ensure effective oversight. **The provisions of Law no. 4795/2021 established a comprehensive and coherent framework for IAS in the public sector**, with a distinct and important role reserved for the IAUs. **This provides an important opportunity for their full activation, both by certifying all their executives and by utilising the expertise that the NTA can provide** based on its competences to make them fully operational. **However, there is a need to increase efforts to staff the MSEs of the Ministries and to entrust them with advisory and assurance tasks, particularly in relation to the functioning of the DGFs.**

4.5.3.2. It is recommended that a checklist-type guide for the clearance and payment of expenditure be created for each DGF, based on the instructions posted on the relevant Ministry of Finance website. This work is vital for the continued operation of an effective Internal Audit System. **Standardising the required clearance documents** is an effective way to reduce errors and the likelihood of breaches of legality and regularity issues. This makes it easier for the official who assumes the relevant responsibilities to carry out their work immediately.

4.5.3.3. In order to establish realistic financial forecasts for the planning and effective implementation of the budget, it is proposed that

a system for monitoring errors or exceptions through specific reports be set up. The objective of this reporting system is to identify errors, prevent their recurrence and reduce the likelihood of inaccurate forecasts. The reporting system could be developed either within the Integrated Information System for Fiscal Policy (IISFP) or within the supporting applications of each ministry. **A specific report could highlight instances of budget overruns** or inform the DGF of pending court decisions and the potential financial impact on budgeting. This would also enable the Head of the DGF to comply with the requirements of Article 24 of Law No. 4270/2014, to establish and develop an Internal Audit System based on documented procedures. As the individual responsible for monitoring the system, **he/she will be able to oversee all aspects of the system and, through the appropriate delegation of responsibilities, achieve the objectives assigned to him/her.**

5. General Conclusions and maturity level of the IASFM

5.1 General Conclusions

The Internal Audit System for Fiscal Management (IASFM) is a structured model for the creation of an integrated internal audit mechanism for the management of public resources and the protection of public money and public property. It enables each body to design its procedures and operations in accordance with the principles of sound financial management (economy, efficiency, effectiveness) and transparency, as well as with the relevant legislation. Furthermore, a mature and advanced internal audit environment is an effective tool for preventing and deterring corruption and fraud.

The IASFM is a preventive measure designed to guarantee the implementation of robust systems and secure processes to prevent mismanagement, inefficiency and corruption. The individual elements and procedures of an integrated IASFM are subject to an external assessment by the Hellenic Court of Audits to ensure they are adequate and effective.

In recent years, Greece has implemented a series of reforms in the management of public finances, significantly reshaping all stages of the cycle. The adoption and implementation of Law no. 4270/2014 provided for the IASFM at the institutional level for all General Government entities. This was done in order to ensure the sound management of public resources and the protection of public money and public property in terms of compliance with the principles of economy, efficiency, effectiveness and transparency.

The reforms in the fiscal field were later followed by similar reforms in the administrative field. Law No. 4622/2019 introduced a series of institutional changes regarding the organisation, operation, accountability and internal audit of the central administrative bodies, in particular by introducing the institution of the Permanent Secretary and his position as authorising officer for the budget and as head of all the departments responsible for the management of human resources and the organisational and financial management of the ministries, as well as the establishment of the National Transparency.

Finally, with the adoption of the new law. 4795/2021, the existing legislative framework was enriched with the integrated regulation of issues related to the Internal Audit System and the accountability mechanisms within public sector entities were strengthened.

The above-mentioned legislative measures are a step in the right direction and reflect the will to improve the fiscal framework on the one hand, and to put in place the necessary structures for the efficient functioning of the State, based on best international practices, on the other.

From the macroscopic examination of the IASFM horizontally across the Ministries, conducted in this study, it was found that:

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- The audit safety nets established by the legal framework are proving effective. The Ministry of Finance has a central supervisory and regulatory role, while the General Directorates of Financial Services operate in accordance with the principles of sound fiscal management and in compliance with the instructions of the Ministry of Finance/General Accounting Office of the State. The responsibilities, obligations and rights of each employee are clearly defined, both by the legislation in force and the roles they assume within the Integrated Information System for Fiscal Policy (IISFP) and by the Job Descriptions. In certain instances, employees receive training on matters pertaining to their responsibilities, even if it is on an ad hoc basis. Moreover, the segregation of duties ensures that an official involved in the expenditure process is not involved in the financial activities, such as financial commitment, clearance or payment of the expenditure. In instances where the authorising officer (Permanent Secretary) and the Head of the DGF have delegated responsibilities or delegated signature authority to lower hierarchical bodies, the relevant incompatibilities are taken into account.
- However, it would appear that understaffing of financial departments is a common issue affecting all Ministries. The additional workload and responsibilities assigned to the DGFs have created a disincentive to recruit new staff and constitute a drain on their existing personnel. It appears that the Single Mobility System of public sector is not adequately addressing this issue. Furthermore, there is a requirement for specialist training of DGS personnel to enable them to perform their duties more effectively and acquire the necessary skills. It is also essential that they are kept informed by the relevant Ministry of Finance of developments and changes in matters relating to their duties. This issue should be given high priority and solutions (e.g. incentives, bonuses, etc.) should be implemented to ensure the proper operation of the DGFs.
- The institution of the Permanent Secretary both as head of the administrative, support, financial and coordination departments and as authorising officer, is consistent with the structure of an effective IASFM (whereby senior management bodies must possess the necessary operational knowledge of the organisation, as well as the relevant expertise and independence, to effectively monitor it). This structure has been well received by the public administration. In the majority of cases, the institution is fulfilling its intended purpose. This is demonstrated by the limited instances in which the channel provided by the institutional framework for resolving disagreements between the Authorising Officer and the Head of the DGF (Article 26 of Law 4270/2014) has been activated. It is therefore recommended that the role of the Permanent Secretary be further reinforced and, at the same time, provided with the necessary administrative support to enable him/her to fulfil the important tasks assigned to him/her by virtue of his/her institutional role.

The Ministries have a wide range of information systems and supporting applications in place for fiscal management. The Integrated Information System for Fiscal Policy (IISFP)-SAP, which is centrally monitored by the competent Directorate of the Ministry of Finance, is the main information system for recording, monitoring and controlling the budget, as well as for the execution of fiscal management procedures, does not fully meet the operational needs of the Fiscal Management System. As a result, organisations are required to use other information systems in parallel. This results in an additional administrative burden and a time extension for executing the procedures, as multiple checks are required to cross-check data and avoid errors and minimise operational risks. *It is crucial to implement an integrated and fully functional Fiscal Management Information System, as this will significantly improve the entire process and provide substantial support to the DGFs, ensuring greater reliability of the outputs.*

In this direction, the project for the new Government Resource Management System (Gov-ERP) is underway, which includes an integrated ERP system, providing a significant opportunity to improve payment processes by supporting all stages of the expenditure process. In the above context, a Working Group was set up and appointed by the Minister of Finance, with the relevant Permanent Secretary as its chairperson to reform, update, and simplify the legislative framework governing fiscal management in the Central Administration⁴⁷.

- All Ministries prepare and submit their Annual Action Plans each year, following a **basic template** that presents the **goals** of each Ministry for the reference year in a unified and concise manner, along with their connection to the corresponding **strategic choices** of the Government. These goals are then broken down into detailed actions, which form the main policy axes for each goal. Each action is also described in detail, including the key measurable expected outcomes and the main projects, i.e. the actions through which their implementation is pursued.

However, the organisations have not yet developed a corresponding process for identifying, assessing and addressing the risks that threaten the achievement of these goals. In general, potential risks are identified on an empirical and fragmented basis, and problem-solving is approached ad hoc. The establishment of a working group, comprising organisation employees under the Minister, with the objective of risk management within the organisation and the creation of a risk register, would represent an appropriate solution in the short term. Similar practices are already in place at other organisations, such as the Independent Authority for Public Revenue (IAPR). Moreover, the National Transparency Authority has developed a as developed a Corruption and Fraud Risk Management Guide,

⁴⁷ S.A. No. 141238 EX 2020 (YODD 1047/21.12.2020).

in order to encourage and facilitate public bodies in adopting a systematic approach to managing these risk. NTA is already collaborating with bodies to support them in this process.

In this direction, the new legislative framework (Law 4795/2021) comes to support the operation of the JITs, providing for their independence, competences and the framework in which they will provide their work. The National Transparency Authority, within the framework of its responsibilities for the organization and operation of the National Internal Audit System, coordinates, together with the Ministry of Interior and in cooperation with the National Audit Office, the "Certification of Audit Competence Program for Internal Auditors of the Public Sector", for the executives serving in the Internal Audit Units, strengthening their work. At the same time, through a series of partnerships developed between the NAO and the Ministries, advisory support and expertise is provided to the staff of the Internal Audit Units. *In any case, however, the Ministries' administrations should support the functioning of the IACs, so that they are significantly strengthened to enable them to contribute to the exercise of effective oversight over the institutions' Internal Control System.*

Positive steps are being taken with regard to the operational activity of the Ministries' Internal Audit Units (IAUs). In accordance with Law 4622/2019, which requires the creation of IAUs at the Directorate level, the relevant decisions have been made and advisory and assurance projects are actively being developed in several Ministries. However, there is still a general concern regarding the issue of staffing these units, primarily with appropriately trained and educated personnel.

To address this, the new legislative framework (Law 4795/2021) provides for the operation of IAUs by ensuring their independence, defining their responsibilities, and outlining the framework within which they will operate. The National Transparency Authority (NTA), in its capacity as the organiser and operator of the National Internal Audit System, coordinates with the Ministry of Interior and collaborates with the National Centre for Public Administration and Local Government (EKDDA) to implement the program " Certification of Audit Competence for Public Sector Internal Auditors." The objective of this programme is to enhance the capabilities of personnel serving in IAUs. At the same time, advisory support and expertise is being provided to the staff of the Internal Audit Units (IAUs) through a series of collaborations between the National Transparency Authority (NTA) and the Ministries. However, it is essential that the Management of the Ministries support the functioning of the IAUs in order to significantly improve their capacity to contribute effectively to the monitoring of the organisations' Internal Audit Systems.

5.2 Maturity Assessment of the IASFM in the Ministries

The IASFM is a set of safe nets set by the legislative framework and by bulletins and directives issued by the competent Ministry of Finance, which has a central supervisory and regulatory role. In the context of the NTA's operations, it has become evident that the Ministries' DGFs adhere to the principles of sound fiscal management and align with the directives of the Ministry of Finance. There is a distinct separation of duties and incompatibilities are respected. There are clear lines of accountability, particularly with the role of the Service Secretary as head of the administrative and financial services and as authorising officer. This reduces the possibility of political interference in

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purely administrative and financial matters. Financial management is supported by a variety of information systems and supporting applications, which produce financial reports. However, these are not interoperable. The annual action plans of the Ministries include their objectives, which are further specified in further actions with key measurable expected results. However, these are not specified at the hierarchical subordinate level. Following the establishment of the IAUs, the level of supervision is satisfactory and ensures their independence. In accordance with the new Law 4795/2021, the relevant personnel are provided with specialised training, including the issuance of certification for the audit competence of internal auditors in the public sector. Furthermore, the establishment of Audit Committees is expected to provide additional assurance of the independence of the Internal Audit Units. However, the Ministry's Management must provide support to strengthen staff and ensure smooth operation.

Consequently, the IASFM are operating effectively, with satisfactory management and supervisory processes, although there is room for improvement.

ANNEXES

ANNEX I

Ministries involved in the project

Ministries

Ministry of Finance

Ministry of Development and Investment

Ministry of Foreign Affairs

Ministry of Education and Religious Affairs

Ministry of Labour and Social Affairs

Ministry of Health

Ministry of Culture and Sport

Ministry of Justice

Ministry of Interior

Ministry of Digital Governance

Ministry of Infrastructure and Transport

Ministry of Rural Development and Food

Ministry of Tourism

Ministry of Immigration and Asylum

Ministry of Environment and Energy

ANNEX II**Maturity model of the Internal Audit System for Fiscal Management**

In order to present the maturity level of the Internal Audit System for Fiscal Management, the present project was based on a maturity model of Internal Audit Systems in different and consecutive levels. This model uses the internationally accepted best practices of the COSO Internal Control-Integrated Framework 2013, adapted to the Greek Public Administration. Each system is classified at the corresponding maturity level, which contains these types of characteristics, according to the characteristics that it presents.

It is important to note that these models cannot have a fixed and predetermined form that remains unchanged when applied to each system being examined. Conversely, they are adaptable and flexible in their application, taking into account the specific characteristics of each system under review.

The maturity levels of the IASFM are listed below, in ascending order from lowest to highest:

Operates Informally and on an Ad Hoc Basis: Audit safe nets are in place, either by law or through daily administrative practice. However, they are scattered and managed and applied sporadically by the individual organisational units of the entity, which are limited to the boundaries defined by their legal responsibilities. The management of audit safe nets is not conducted in a unified manner, and relevant information is not disseminated to more co-responsible organisational units, resulting in the creation of silo situations. The current documentation, reporting and monitoring/supervision methods are inadequate.

Operates Normally: The entity's management and staff are aware of the operation of the audit safe nets. The control safe nets are either required by law or designed as part of administrative practices and have been approved by management. These safe nets are in place and operating, mostly in a consistent manner, in line with the overall responsibilities they encompass. There is some methodology/standardisation for documentation and reporting. Automated tools and other control measures exist but are not integrated across all functions of the entity. Monitoring/supervision of performance and accountability needs improvement.

It is Operational and has Satisfactory Management and Supervision Procedures: There is a clear, known, and understood chain of accountability by the management and staff of the entity. An official framework exists, including bulletins and written instructions, which establish and specify audit safe nets beyond those already established by the entity's legislative and regulatory framework. Technological tools and other audit measures are utilized to produce more standardised assessments. Key performance indicators (KPIs) have been satisfactorily defined for monitoring the effectiveness of the entity's operations.

It operates efficiently and only targeted improvements are required: The audit safe nets are defined by the relevant legal and regulatory framework , as well as within the hierarchical and supervisory function of the organisation's governing bodies, with written instructions and mandates. There is a largely automated infrastructure for the operation of the audit mechanisms. Benchmarking, best practice and elements of continuous improvement have been integrated into the supervision/monitoring activities of the relevant management bodies, which attach great importance to the effectiveness, efficiency and cost-effectiveness of the organisation's operations. Monitoring and control are carried out in real time.

ANNEX III

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