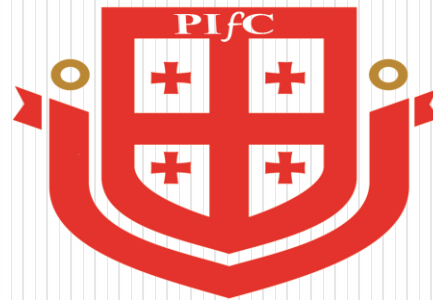


Internal Audit VS Inspection

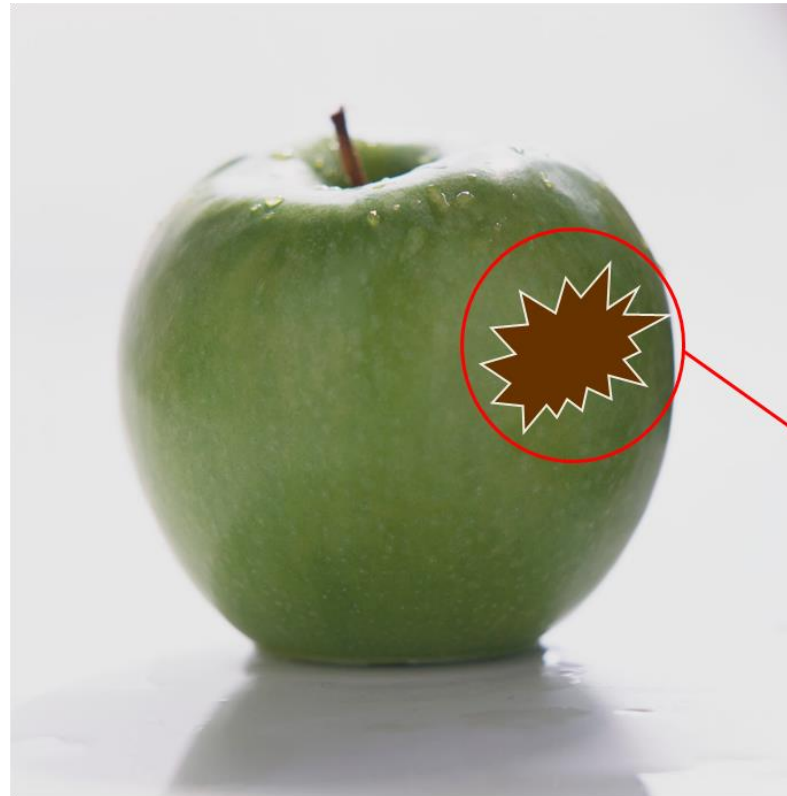
Georgian case



Central Harmonization Unit

Giuli Chkuaseli
April, 2013

Difference between IA and FI



Bad Apple Theorie



Main Challenges:



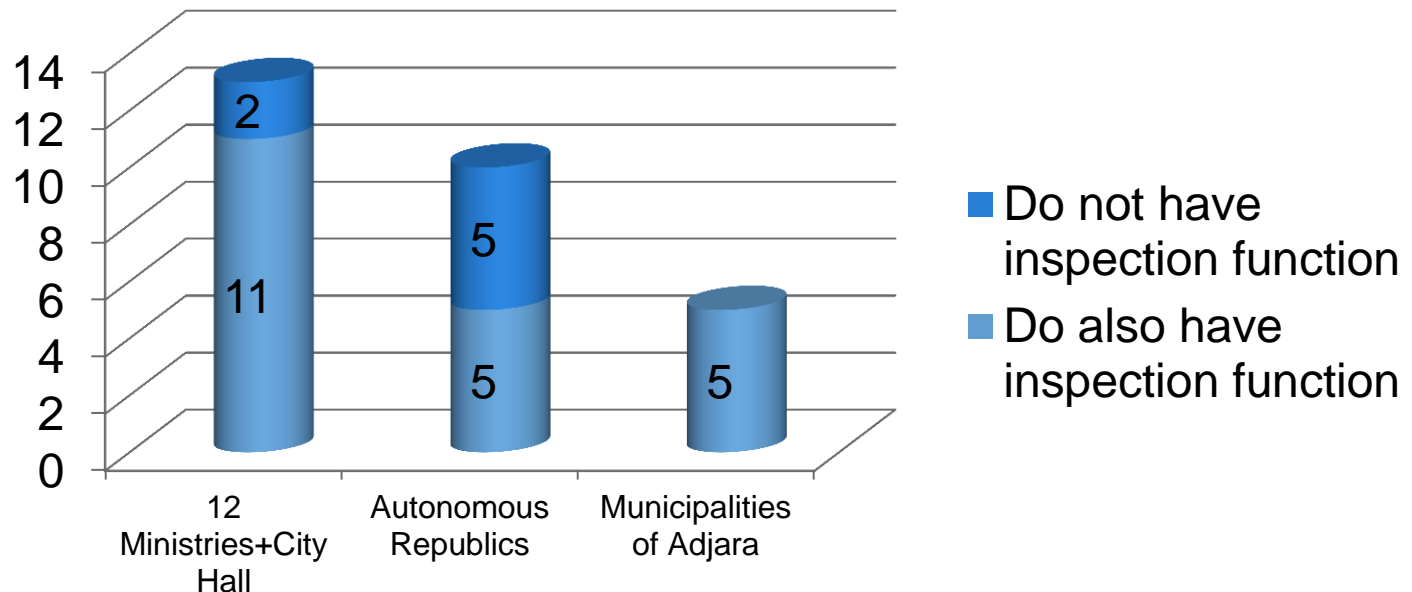
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- ❑ **Law of Georgia “On State Internal Audit and Inspection” adopted in 2010;**
- ❑ **Formations of internal audit units, in certain institutions, were carried out on the basis of general inspections;**

Steps for improving the situation:



- ❑ Amendments were made to the existing law:
 - Law of Georgia “On Public Internal Financial Control”
 - inspecting function was taken out
- ❑ Suggestion to review the necessity of Inspection



Separation of duties



□ Main Challenges:

- separate unit of internal audit could not be established;
- majority of employees were former Inspectors.

□ Requirement:

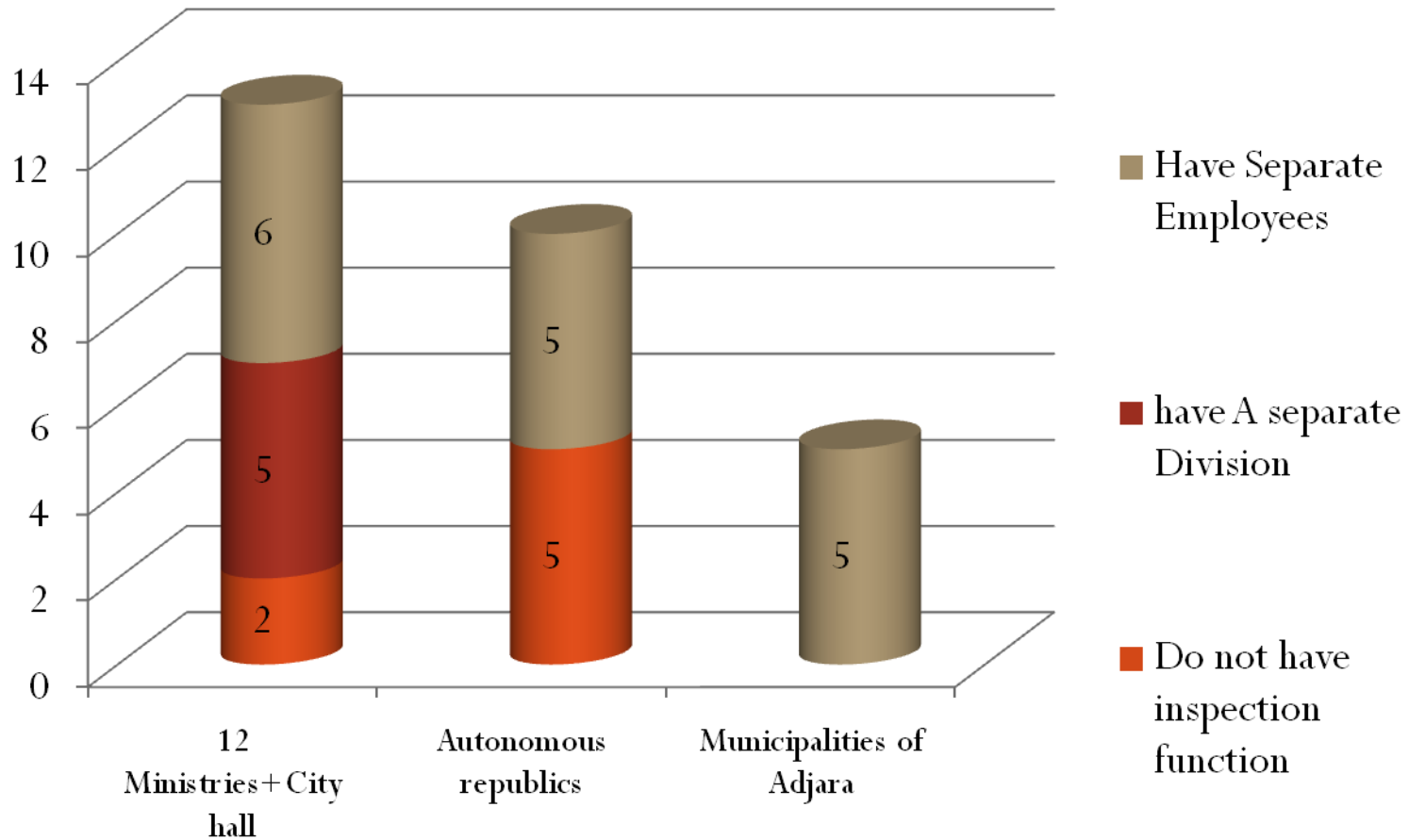
- separate these two functions within the unit in order to avoid conduction of both audit and inspection by the same person;
- Trainings for changing the mentality of former inspectors.

Separation of duties



- ❑ a separate structural unit is formed in internal audit unit, (for example, in the form of division), employees of which carry out only inspection;
- ❑ an employee or employees are separated in internal audit unit that have only inspecting function;

Separation of duties



Trainings for changing the mentality of former inspectors

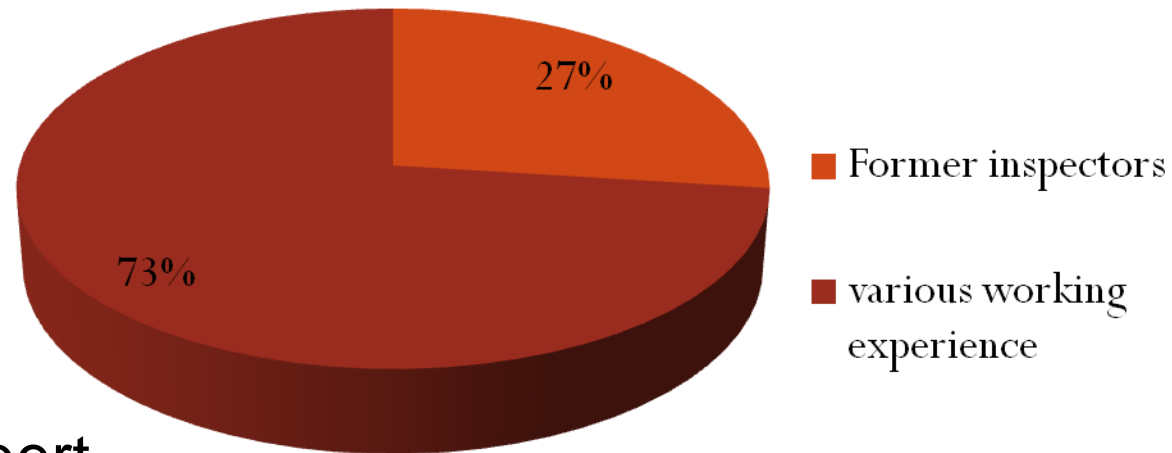


Central Harmonization Unit

- institutional memory
- qualified Financiers

percentage of former inspectors

- Trainings
 - International Expert
 - Local Trainers (ToT)
- Case Studies
- Pilot Audits



Present and Future



- **Today's result:**

EU Mission stated that 6 Internal Audit reports (selected by sampling) were in compliance with international auditing standards

- **Future Perspective:**

- complete separation of these two institutions

Main Questions

- How to regulate functions of Inspection?
- Who should deal with this issue? (CHU, MoF, Government?)
- How IA should cooperate with Inspection?
- Where will this cooperation stated? In the Law, legal acts ..?
- How should newcomers establish this function?
- Etc.

Thank you for your attention

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