

Internal Control Working Group Internal Control System in Big vs Small organizations Georgian experience

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Internal audit units shall be established in:

Big organizations

- ❑ The Ministries of Georgia
- ❑ The Ministries of the Autonomous Republics of Abkhazia and Adjara
- ❑ A legal entity under private law (in which the State holds more than 50% of shares or ownership interest)
- ❑ Other budget agencies, at their request

Small organizations

- ❑ Legal entities under public law, the list of which is approved by the Government of Georgia (13)
- ❑ City Halls of municipalities – on the basis of a decision of a respective Sakrebulo

Article 4, PIFC law of Georgia

What should be taken into account while establishing the IA unit in L.E.P.Ls?

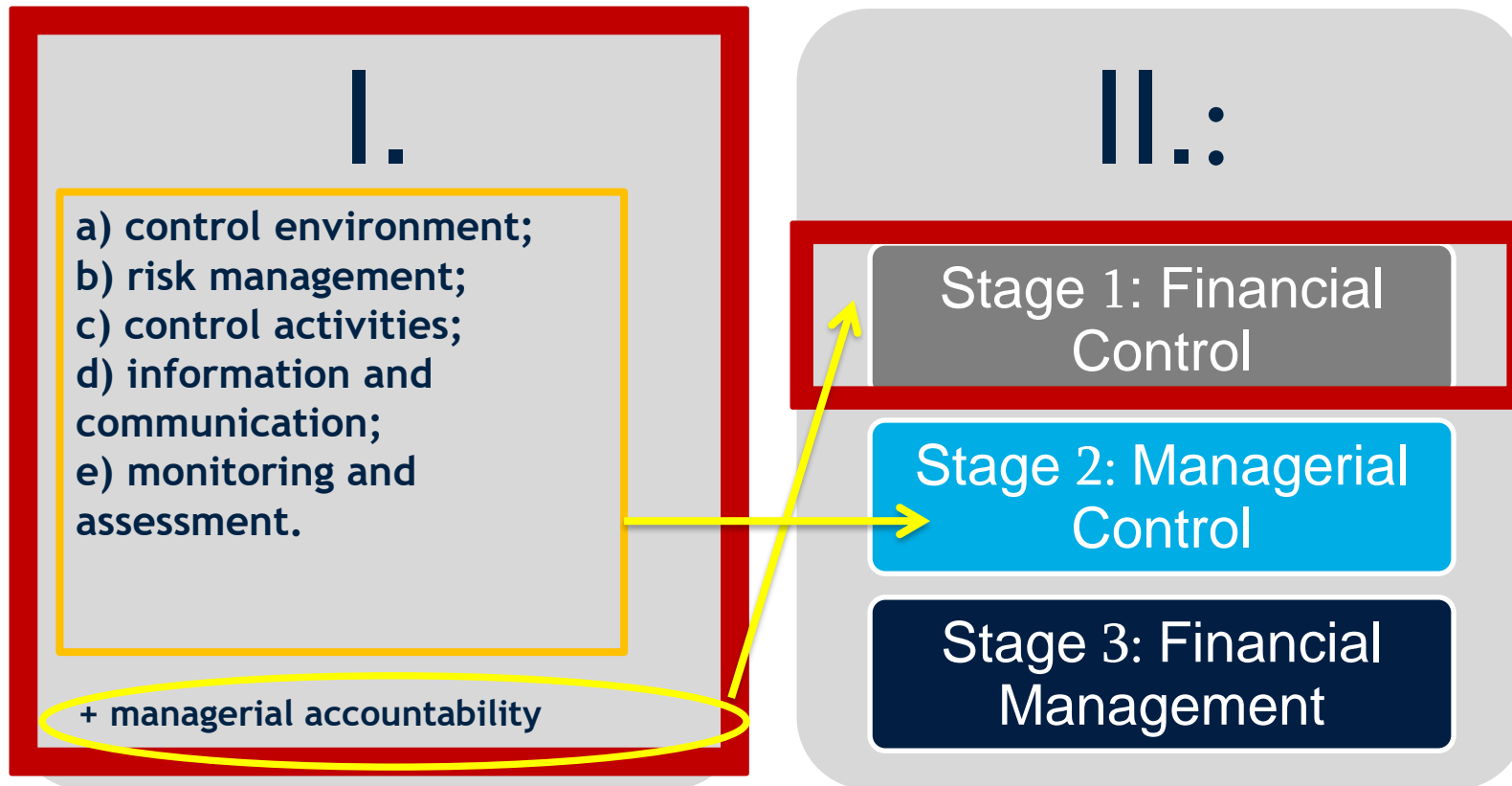
- ❑ The specifics of the institution
- ❑ The budget
- ❑ The number of employees in the institution

According to the Internal Audit Methodology:

- The minimum number of internal auditors in the internal audit entity is 3 employees
- However, at the level of ministries, the number of internal auditors in an internal audit entity is usually much higher, taking into account the size of the relevant institution

The authority of an internal audit unit shall cover the system of the institution in which it is established.

FMC systems implementation: 3 stage approach



Financial Control

- ❑ Improvement of current control mechanisms
- ❑ Introduction of **Managerial Accountability**
- ❑ Define FMC structure and responsibilities

Almost no difference between big and small organizations

Managerial Control

- ❑ Improvement of managerial responsibility structure
- ❑ Increase responsibility delegation line through Managerial accountability element
- ❑ Set Specific, Measurable, Achievable, Relevant and Time bound (SMART) goals, which are relevant to budget funds are achievable at given time period.

- ❑ Less second line activities in small organizations like: evaluators
- ❑ No requests to have separate unit for risk management
- ❑ No strong requirement for monthly reporting

Financial Management

Decentralization of Finance Management

- ❑ Most efficient use of resources (value for money)
- ❑ Identification of cost centers and cost analysis
- ❑ Strategic public finance management- budget formation based on strategic goals, not based on current limits. (advanced financial analysis)

Almost no difference between big and small organizations



Thank you for attention!

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