



**Internal Audit of Public Bodies and Institutions of the Kyrgyz Republic
Development and Major Problems**

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Factors that conditioned development of internal audit in public bodies and institutions of the Kyrgyz Republic

- ❑ Decree of the President of the Kyrgyz Republic “On approval of the Action Plan for reforming the system of public finance management of the Kyrgyz Republic”, as of June 29, 2006, No. 337
- ❑ The Program of establishment and development of the internal audit system in public bodies and institutions of the Kyrgyz Republic for 2008 - 20013, approved by Decree of the Government of the Kyrgyz Republic No. 341, as of June 27, 2008.
- ❑ Medium-term action plan for reforming the system of public finance management in the Kyrgyz Republic for 2009 - 2013, approved by Decree of the President of the Kyrgyz Republic, as of October 22, 2009, PD No. 396.
- ❑ Medium-term action plan for reforming the system of public finance management in the Kyrgyz Republic for 2012 - 2015, approved by Decree of the Government of the Kyrgyz Republic, as of October 03, 2012, No. 675.

Legal framework of the internal audit system

- ❑ Law of the Kyrgyz Republic “On internal audit”, as of January 26, 2009, No. 25.
- ❑ Guidelines on internal audit, approved by Order of the Ministry of Finance of the Kyrgyz Republic, as of March 17, 2008, No. 54-II
- ❑ Decree of the Government of the Kyrgyz Republic “On establishment of internal audit services in public bodies and institutions of the Kyrgyz Republic”, as of March 13, 2009, No. 177.
- ❑ Regulation on the Internal Audit Board, approved by Decree of the Government of the Kyrgyz Republic, as of September 9, 2013, No. 498.
- ❑ Order of the Prime Minister of the Kyrgyz Republic, as of December 17, 2013, No. 568 “On approval of the personal composition of the Internal Audit Board”
- ❑ Ethic standards of internal auditors in public bodies and institutions of the Kyrgyz Republic, approved by Decree of the Government of the Kyrgyz Republic, as of December 31, 2013, No. 721
- ❑ Standards of internal audit in the Kyrgyz Republic, approved by Decree of the Government of the Kyrgyz Republic, as of June 27, 2008, No. 341, and as of June 3, 2014, No. 296.

The current system of internal audit

The decentralized model of internal audit

The Ministry of Finance is responsible for coordination and harmonization

- ❑ Number of internal audit services and the number of employees

Indicators	2009	2010	2011	2012	2013	2014	2015
Internal audit services (IAS) of ministries and agencies (units)	14	14	14	16	18	19	27
Number of employees of IAS (persons)	66	71	73	73	85	87	119 forecast

Functions of the internal audit methodology department (the central harmonization unit (CHU))

Functions

Strategic	<ul style="list-style-type: none">• Establishment and development of the internal audit system in public bodies and institutions of the Kyrgyz Republic
Regulatory	<ul style="list-style-type: none">• Creation of the regulatory legal and methodological base for internal audit, development of standards for internal audit.
Control	<ul style="list-style-type: none">• Monitoring of compliance of internal audit services with the internal audit standards• External evaluation of internal audit services;
Reporting	<ul style="list-style-type: none">• Receipt of the annual report on activities from the internal audit services• Preparation of the consolidated annual report on activities of internal audit services for the previous year for the Government of the Kyrgyz Republic
Coordination	<ul style="list-style-type: none">• Coordination of training and professional development of internal auditors.

Training, exchange of experience

Ministry of Finance



- ❑ Department of internal audit methodology – 2009, 2010, 2013.

Project
“Capacity building in public
finance management” of the
Multi- Donor Trust Fund



- ❑ International consultant Jean Pierre Garitte – 2011, 2012, 2013.
- ❑ International consulting company “America” – 2014.
- ❑ Institute of internal auditors of Bulgaria - 2014.
- ❑ International consultant Aram Ovannisyan – 2014, 2015.

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- ❑ Studying experience of countries with more advanced systems of the public internal audit for development of the internal audit system in the Kyrgyz Republic.
- ❑ The system of the public internal audit of the Republic of Bulgaria – 2012.

Internal Audit Board

Objectives of the Board are as follows:

- ❑ Making proposals related to development of the regulatory legal and methodological base for internal audit in public bodies and institutions;
- ❑ Presenting an opinion on the report of internal audit services for the previous year, prepared by the public body authorized in the sphere of internal audit.

The composition of the Internal Audit Board:

- ❑ The Minister of Finance is the Chairperson of the Board

The members are:

- ❑ An auditor from the Chamber of Accounts
- ❑ The head of the Department of finance and credit policy of the Administration of the Government
- ❑ The chairperson of the State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic
- ❑ The rector of the Academy of Public Administration under the President of the Kyrgyz Republic
- ❑ The head of the audit organization “Audit plus” Ltd.
- ❑ The head of the Internal audit methodology department of the Ministry of Finance

Public expenditure and financial accountability (PEFA)

- ❑ Public expenditure and financial accountability (PEFA) Indicator PI - 21 of 19 (nineteen) ministries and agencies of the Kyrgyz Republic with respect to compliance with the principle of independence, preparation of plans of works and actions taken by the head of the public body in 2014, from position “D” moved to position “C” according to the evaluation.

Cooperation between external audit and internal audit

- ❑ An agreement on cooperation between the Ministry of Finance and the Chamber of Accounts of the Kyrgyz Republic was concluded in June 2014.

- ❑ The goal:
 - more efficient audit of the organization;
 - improved coordination of activities of internal and external audit;
 - more possibilities for utilization of results, both for internal audit and for external audit;
 - exchange of skills and knowledge.

Major problems in the current system

- ❑ Insufficient staffing level of Internal Audit Services
- ❑ Giving non-typical audit assignments
- ❑ High turnover of trained specialists
- ❑ Lack of interest from the side of heads of ministries and agencies with respect to efficient implementation of the internal audit function.
- ❑ Cooperation of external and internal audit on efficient organization, based on clear understanding of relevant roles – and use of results, both in internal audit and in external audit.

Plans and challenges for the short-term and long-term perspective

- ❑ Implementation of the Program of guarantees and improvement of quality (internal and external quality assessments)
- ❑ Achievement of sustainable development of the internal audit system
- ❑ Better understanding from the side of heads of ministries and agencies
- ❑ Computerization of audit procedures
- ❑ Implementation of the system of electronic learning for training of internal auditors
- ❑ Implementation of a system of trainings and certification (advanced professional training of internal auditors)

Thank you