SUCCESS STORIES

GEORGIA

HISTORY OF ENGAGEMENT WITH PEMPAL

Georgia Ministry of Finance has been actively using PEMPAL to advance reforms in public financial management since 2012. It is represented on the TCOP and IACOP Executive Committees; has also shared its approaches with other countries; and has hosted PEMPAL meetings across all three Communities of Practice on the following PFM issues in the last four years:

- Internal audit quality assurance (shared with 13 other Internal Audit COP member countries).
- IT systems for treasury planning (shared with 9 Treasury COP member countries of Albania, Azerbaijan, Belarus, Kazakhstan, Moldova, Montenegro, Russian Federation, Tajikistan, and Turkey).
- IT systems for budget planning (shared with six Budget COP countries of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia).
- Accounting and reporting approaches (shared with 18 TCOP member countries).

Nodar Khaduri
Georgian Minister of Finance

“Georgia highly appreciates PEMPAL activities. My country has benefited from participating in this program directly.”
POLITICAL AND ORGANIZATIONAL SUPPORT OF PEMPAL

The opening session for TCOP Workshop in Tbilisi, February 2014 was attended by the whole leadership team of the Georgia MoF, including: Mr. Nodar Khaduri – Georgian Minister of Finance, Mr. Giorgi Tabuashvili – First Deputy Minister of Finance, Mr. David Lezhava – Deputy Minister of Finance, Mr. Lasha Khutsishvili – Deputy Minister of Finance, Mr. Tsotne Kavlashvili – Head of the State Treasury Service.

RESULTS ACHIEVED IN TREASURY REFORMS THROUGH PEMPAL

Resulting from the PEMPAL TCOP Kiev plenary meeting in 2013 devoted to Treasury Control issues, Georgia shifted emphasis from the routine operation controls towards integration of all PFM operations in a single treasury system with IT functionality for all treasury processes and requirements. PEMPAL assisted with the decision for this reform, through providing access to international approaches and challenges, and peer advice providing possible options. As a result, integration of local levels of budgets (municipalities’ budgets) as well as non-profit non-business legal entities in the Public Finance Management Information System was launched. Respective legal acts and regulations were passed through in 2014 and came into force in 2015.

Georgia used PEMPAL as a valuable resource in the design and implementation of an integrated FMIS.

Through PEMPAL, the modules being used by other countries was closely examined, both those developed in-house or bought off-the-shelf such as Oracle and SAP. How modules were organized and implemented to ensure they provided the necessary functionality was considered including peer advice from other PEMPAL member countries on the benefits and costs of each. International studies and trends provided through PEMPAL were also used to ensure decisions could be made with all the relevant information considered. For example, PEMPAL facilitated meetings in Russia and Azerbaijan, which enabled Georgia to examine the FMIS requirements for budget and treasury functionalities in revenue accounting area, which generated a lot of ideas on possible approaches. This then directly led to a more effective design of FMIS modules for the revenue management. PEMPAL also facilitated meetings with Azerbaijan, and through a TCOP workshop held in Baku, Georgia examined their SAP module for the general ledger, which gave information and ideas that were directly fed into the design of the operating cycle and proposed system configuration for the general ledger module. In the future, PEMPAL will also continue to be a valuable resource particularly through the work of the thematic working group on the strategic development of the treasury function and the new thematic working group on liquidity management.

“PEMPAL has been used by the Georgian MoF as a source of treasury related international standards and norms, backed up with advice and experience on regional practical implementation. It is a valuable tool that I use for both my personal and professional development, and the advancement of PFM reforms in my organization.”
RESULTS ACHIEVED BY GEORGIA IN INTERNAL AUDIT THROUGH PEMPAL

PEMPAL has been a key strategy used by Georgia MoF to develop and implement internal audit reforms. As a reform roadmap, it used the PEMPAL internal audit manual template developed by members that incorporated international and regional best practices and guidelines. As a result, the internal unit function, and specifically the Central Harmonization Unit, has been established in accordance with an Association Agreement signed with EU and progress has since been assessed as positive and compliant by EU, with the EU acknowledging Georgia’s involvement and leadership in PEMPAL as a key support to those reforms.

A representative from Georgia has been one of the leaders of the PEMPAL Working Groups on quality control and risk assessment, and has used the collection of experiences gathered by countries participating in this working group to strengthen the capacity of Georgia’s Central Harmonization Unit. It has also used the risk matrix and case studies developed by the Working Group on risk assessment for training of internal auditors within the Georgian Government, which also included capacity building in risk assessment tools and techniques through a study visit to Bulgaria, organized through PEMPAL.

Georgia MoF has also used PEMPAL peer review approach to ‘road test’ potential reforms. For example, the MoF wanted to determine whether internal audit committees should be established, and it sought peer advice from other PEMPAL member countries through proposing their country for an in-depth case study. As part of considering issues, the IACOP created hypothetical policy panels, comprising judges and court officials to debate the advantages and disadvantages of the policy reform drawing on international and regional norms and implementation experiences. The Georgian Minister of Finance decided not to adopt this reform, based on the advice received through this peer review process in PEMPAL. PEMPAL will continue to be used as a valuable resource in the future, for example the new PEMPAL knowledge product on Quality Assessment Guidelines will be used to assess the internal audit function to determine its effectiveness in several aspects (e.g. independence, audit qualifications).

Nino Eliashvili
Former Deputy Head, Public Internal Control Department, Ministry of Finance of Georgia

“Through developing manuals and guidelines on reform implementation with my peers from 23 IACOP member countries, this has enabled me to undertake evidence based policy making, drawing not only on best international standards and norms, but on piloted and tested regional practice. Translation into the PEMPAL official languages also facilitates debate of issues in a broader regional group and access to materials that would otherwise not be possible. Thus involvement in PEMPAL has been an essential part of reform development and implementation in my Ministry, and personally it has also been a significant driver of my professional development.”