



Internal Audit Effectiveness – A Long Road to Improvements

CHUWG meeting

July 1, 2022, Tbilisi, Sakartvelo

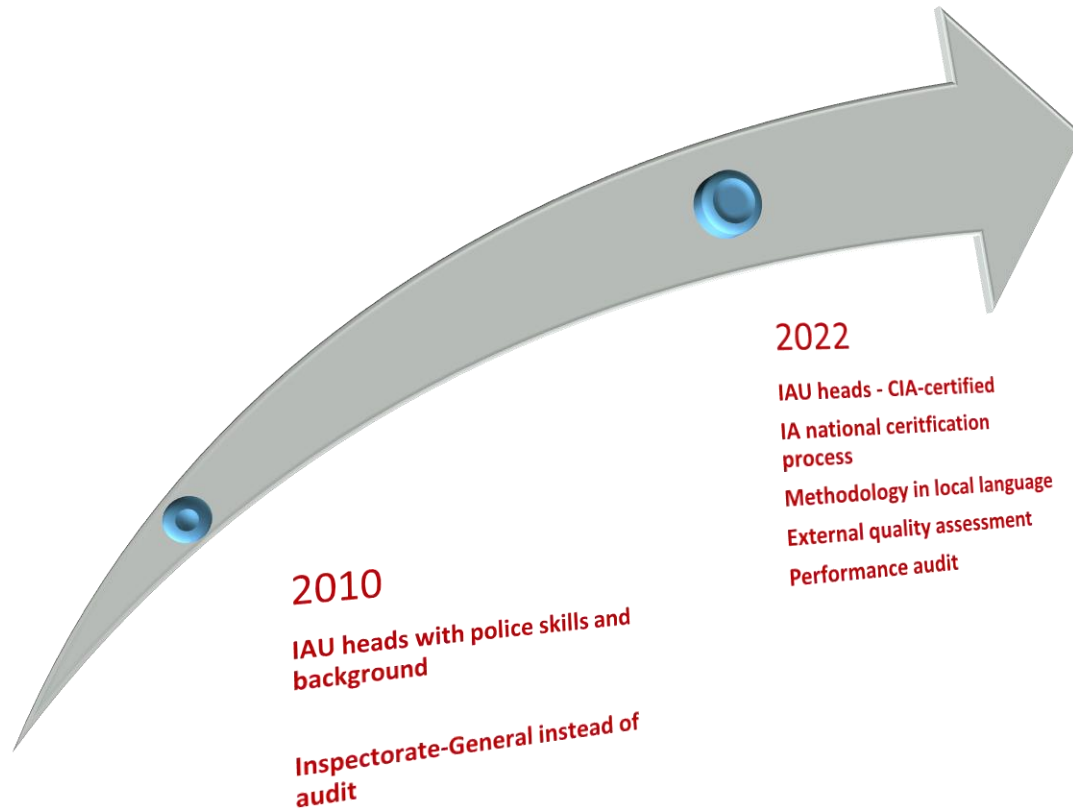
Irma Gelantia-Akhvlediani, *Ph.D.*

**Department of Public Internal Control (CHU), Ministry of Finance,
Georgia-
Sakartvelo**



Public Sector IAUs progress, 2010-2022

CHU Contribution



Three levels of Internal Audit Units

11 - Internal Audit Units (IAU) at the central level in Ministries



22 CBA in agencies

68 city councils



**68 – IAU in municipal
mayors' offices**

The Autonomous
Republic of Abkhazia
Supreme Council



IAU - 4 ministries

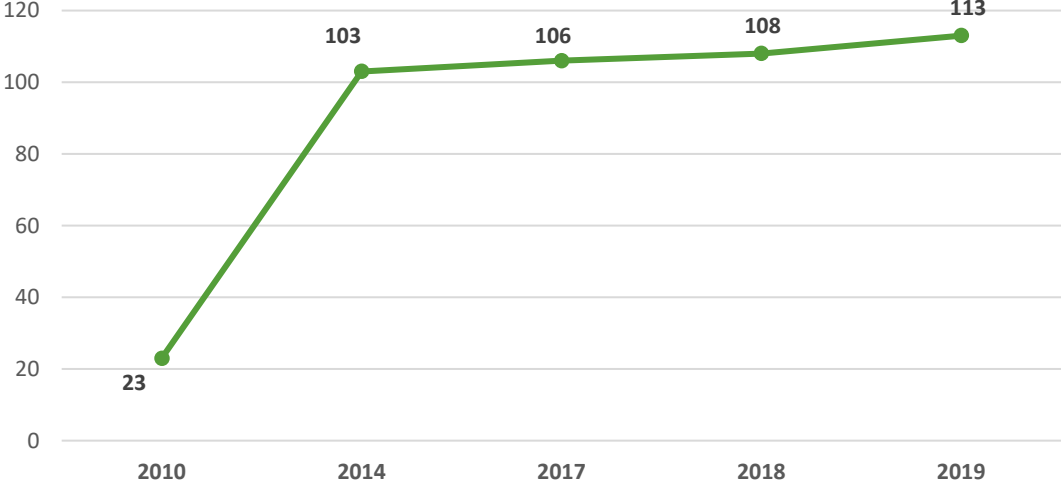
The Autonomous
Republic of Adzharia
Supreme Council



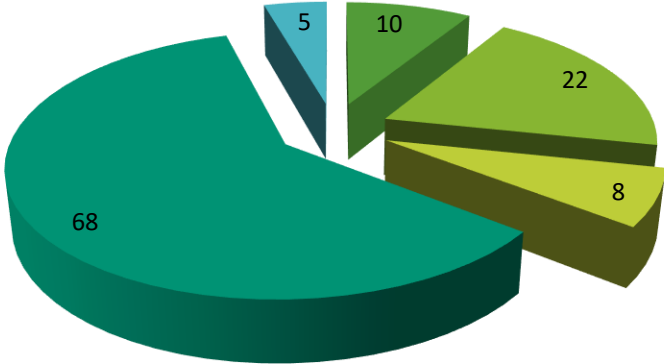
IAU - 4 ministries



Public Sector Internal Audit Function Developments



450 → Internal Auditors



CHU Challenges - Working Group



Meaningful action by CHU

to boost IA effectiveness

- ✓ 70 % of IAU covered by external quality assessment (2020-2021) → 2022 – assist in implementing recommendations (CHU)
2022 – in parallel – active monitoring of the recommendations implementation (CHU)

- ✓ A memo by deputy minister to mayors of 40 municipalities (2021-2022) → 2022 - assist in implementing recommendations (CHU)
2022 – monitoring fulfillment of duties (CHU)

- ✓ Country-wide regional meetings with top management → IAU independence, reporting and recommendations implementation

- ✓ Training events for IA jointly with the Chamber of Audits representatives
- ✓ Webinars, international training events and conferences (CEF, PEMPAL, Netherlands, GIZ, OESD/SIGMA)
- ✓ Performance audit pilots
- ✓ National IA certification (OESD/SIGMA , GIZ)



CHU Challenges in Effectively Moving Toward Progress

- IAU Charter regulates both IA function and inspections
- In reality, IAUs cover both: audit and inspections, with no clear separation
- IAU Charters and annual plans do not mention audit advisory function
- 90% of IAUs lack Quality Assurance and Improvement Programs (QAIP)
- Systemic accountability (KPI – Key Performance Indicators) re. quality of work to superior management is lacking
- Obstacles to structural independence and attempts of management to interfere with audit processes
- No Audit Committees in the public sector
- No procedure to address cases when IA independence and objectivity are constrained (how to regulate in practice?)



CHU Challenges in Effectively Moving Toward Progress

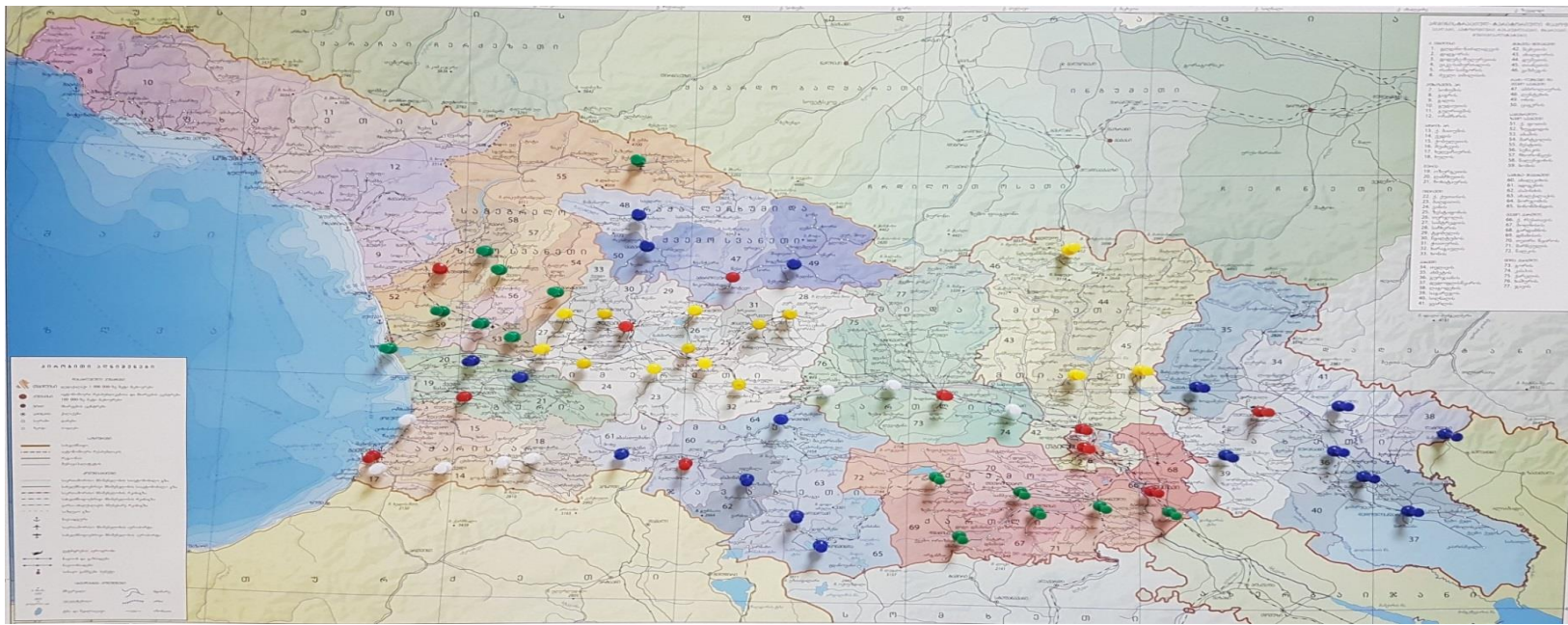
- Majority of IAUs lack additional documents describing “audit policy and procedures”
- No practice of IA acknowledging and signing compliance with the Code of Ethics as well as absence of conflict of interest and independence declaration
- Quality of individual plans, audit program, audit reports needs further improvement
- Analytical review procedures and approaches require improvement and are to be documented to ensure traceability
- Annual plans often include unsubstantiated amendments or unscheduled inspections



CHU Challenges in Effectively Moving Toward Progress

- General principles of producing working documents are not defined, additional attention is needed, IA files/documentation
- Ministries and municipalities lack risk management systems which are evolving; IA advisory function needs to be strengthened here
- No formalized and regular meetings with the Second Line of Defense.
- Lack of skills to do **performance, systems and IT audit** (however, progress is obvious)
- No practice to include **culture, ethics, values, human resources audit** in annual plans
- No systematic continuous development program for internal auditors
- **Poor IA motivation and support from superior management! Drain of skilled IA from public to private sector!!!**





მადლობა!
THANK YOU!

Irma Gelantia-Akhvlediani / CHU

+995 591 100 825, i.gelantia@mof.ge

www.pifc.gov.ge

www.mof.ge

