Challenges in implementing FMC

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Introduction

• Challenges and Successes of FMC has been chosen as key topic for this third Regional Seminar

• Hands on experience and best practices will be provided through the case studies of Albania, Montenegro and Turkey
Introduction

- FMC as key component of PIFC
- The challenges of implementing FMC successfully
FMC as key component

- Successful implementation of *FMC* is based on the concepts of managerial accountability and delegation all through the public administration

- FMC = IC under COSO

- From "CONTROL" towards "BEING IN CONTROL"
State of play

- In most Candidate countries and potential candidates, fair progress has been noticed in implementing an Internal Audit system.
- However, the day to day implementation of FMC is still in its early stages.
- In most countries, PIFC is complemented with Financial Inspection.
Scope of FMC

FMC = IC under COSO and covers:

- Control
- Risk Management
- Governance
Challenges of FMC

• The move from centralised to decentralised structures and monitoring progress

• Delegation of powers and tasks – use of balanced score cards

• Resistance to change – absence of political support

• Lack of sufficient understanding and awareness
Key messages to managers

- Get out of the comfort zone
- Adapt from centralised structures to decentralised
- To move from "Do it yourself" to delegation of powers and tasks
- Set off cost of decentralization against cost of not introducing it
- From "INPUT" to "OUTPUT" management
Conclusions

- PIFC is "built-in", not "built-on"
- Choice between controlling or being in control
- FMC and IA are equally important: *no FMC without IA and no IA without FMC*
- FMC, IA and EA are key layers of defence
- COSO/IPPF compliant environment is key