

Puntland Local Government Finance Policies Training of Trainers Manual

August 2016

Final

Glossary

COA	Chart of Accounts
DAF	Director of Administration and Finance
FIS	Financial Information System
ICT	Information and Communication Technology
IIA	Institute of Internal Auditors
IPPF	International Professional Practice Framework
IPSAS	International Public Sector Accounting Standards
IST	In-Service Training
LG	Local Government
LGPFM	Local Government Public Financial Management
MoF	Ministry of Finance
MoI	Ministry of Interior
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
OSR	Own Source Revenue
PEM	Public Expenditure Management
PFA	Public Financial Administration
PFM	Public Financial Management
PFMAA-2011	Public Finance Management and Accountability Act of 2011
PPE	Property Plant and Equipment
IFMIS	Integrated Financial Management Information System
PLGFP	Puntland Local Government Finance Policy
PLGFMM	Puntland Local Government Finance Management Manual
PLGIAM	Puntland Local Government Internal Audit Manual
PLGACM	Puntland Local Government Audit Committee Manual

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Introduction

This guide is aimed at introducing the following documents to participants:

- Puntland Local Government Finance Policy (PLGFP);
- Puntland Local Government Financial Management Manual (PLGFMM);
- Puntland Local Government Internal Audit Manual (PLGIAM); and
- Puntland Local Government Audit Committee Manual (PLGACM).

It is expected that at the end of the training, participants will be able to understand and apply District's financial management policies and procedures.

This ToT handbook has notes for twelve sessions. The first session covers training methods, and second session introduces PLGFP, sessions three to nine address the PLGFMM, and sessions ten to twelve address the PLGIAM and PLGACM.

Session design and duration

All workshop sessions are designed to be completed in 60 minutes (1hr), the contents of each session are presented in a table below.

No	Activity	Time Allocation
1	Getting started <ul style="list-style-type: none"> • Self-introductions and session expectations discussion 	5 minutes
2	Session objectives <ul style="list-style-type: none"> • The trainer presents the learning outcomes and objectives 	5 minutes
3	Key areas covered <ul style="list-style-type: none"> • Lecture/ presentation/ facilitator led discussions/ group discussions and plenary presentation on key areas covered 	25 minutes
4	Lessons learnt <ul style="list-style-type: none"> • Facilitator led discussion/ group work/ general discussions on the lessons learnt 	5 minutes
5	Application Facilitator led discussion/ group work/ general discussions on: <ul style="list-style-type: none"> • Questions about the relevance of the information to each participants job and responsibility: • How can you apply the information you have acquired? • What will you do differently when your return to your job? 	15 minutes
6	Summary <ul style="list-style-type: none"> • The trainer summarise the main issues/ideas of the session. 	5 minutes
	Total time allocation	60 minutes

Getting started

It is important to know your participant's background and their expectations from the course. This course is designed to be done in groups. The groups should be well represented by different teams/ departments to ensure that it reflects the actual setting as much as possible where groups departments are required to work together.

We have set out two activities below to help the trainer understand the participants' background and expectations and also set up the groups. Activity three involves coming up with ground rules for the training. These activities act as an ice breaker to help participants feel comfortable and start talking to each other and to encourage all participants to get involved.

Activity 1: Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their teams/ department of work and one interesting thing about them e.g. what is their favourite meal and why?

The trainer should ask participants to state the reasons why they have come to attend the course. The expectations should be written on a piece of paper/ post-sticks and displayed on a flipchart/ notice board after which the trainer will read a few of the expectations, and if appropriate draw out common themes.

Materials required: pen and paper/post-stick, markers and flip charts

Activity 2: Setting up groups

The trainer starts should ask participants to count from 1 to 4 (depending on the number of groups to be formed) from the person seated closest to them and then ask the participants to form groups based on the numbers. For instance, all number ones to form one group and the next numbers to form groups two, three and four group respectively.

To get the groups started on their first group activity, the trainer may ask participants to come up with names for their groups (if appropriate). Group names should be written on a flipchart and displayed on a notice board or wall

Materials required: pen and paper, markers and flip charts

Activity 3: Ground rules

It is important for the participants to comply with certain guidelines to ensure that the training runs smoothly. The trainer should ask participants to come up with the ground rules (for example no use of mobile phones when attending training, respecting others right to an opinion).

The rules should be written on a flipchart and displayed on a notice board for all to see.

Session One: Training Methods

1.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated).

The trainer then asks the participants to state their expectations for this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts

1.2 Learning objective

To understand and be able to apply the different training methods to aid the learning process and allocate training time effectively.

1.3 Learning outcomes

At the end of this session, the participants should be able to:

- Understand the different types of training methods; and
- Understand the activities to be carried out before, during and after the training.

In groups ask participants to discuss and present on the following:

- Types of training methods
- Activities to be carried out when planning for a training
- Activities to be carried out during a training
- Activities to be carried out after a training

Materials required: pen and paper, and markers and flip charts.

The trainer should summarise the points listed below on training methods, activities to be carried out before, during and after the training.

1.4 Training Methods

The methods of training which the trainer may decide to use in any particular session should be selected carefully, a number of training methods are available for the trainer to use. Among others the following methods can be applied by the trainer for District financial management training:

Lectures

A lecture is a talk given by the trainer to transmit facts and information to the participants. It involves the trainer talking without interruption for an extended period of time. The trainer may combine the talk with visual, graphic or other aids to complement the training.

Although using the lecture method limits active participation from the participants, the trainer should allow the participants (especially adults), to ask questions on any “burning issue”. This may be during the lecture itself or after. The trainer should always leave some time for the participants to ask questions at the end of the lecture. Lectures are particularly useful for large groups of participants, or when there is a need to convey information rather than the purpose being facilitated learning.

Group Work

The participants are divided into groups of three to seven persons and presented with a task (e.g. questions to be answered or issues to be discussed). The groups will then report back to a plenary session after which general discussion may follow. The trainer should always provide a summary of the discussion points. A common example of such group work is *sharing experiences* where the participants actually share their experiences on an actual “on the job” issue or challenge.

Case Study

The participants are given written information about an actual or imaginary event, situation or incident which they should analyse and come up with an agreement or solution. To encourage participation, the case study should be as close to real life situations as possible so that the participants can relate it to their working environment and think about how they could tackle such an issue/ problem. The method can be combined with group work by allowing small groups to handle a particular case study, and a case study can run through a number of learning sessions.

Brainstorming

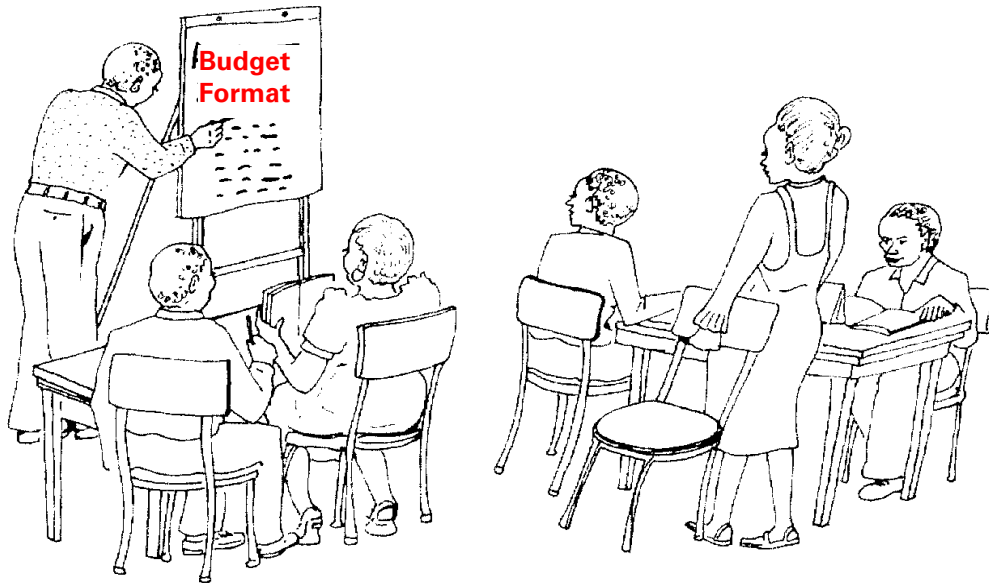
The trainer engages the participants in a brainstorming activity by asking them questions to which the participants respond by giving suggestions. It can be usefully used to determine the participants’ understanding of the subject matter before a lecture enabling moderation of lecture material.

Demonstration

This involves the presentation of a method of doing something. The trainer actually performs an act to show the participants how it is done. The method is usually combined with other methods, e.g. with a lecture. An example would be where the trainer demonstrates to the participants the format of a sector annual work plan as required by the budget guidelines.

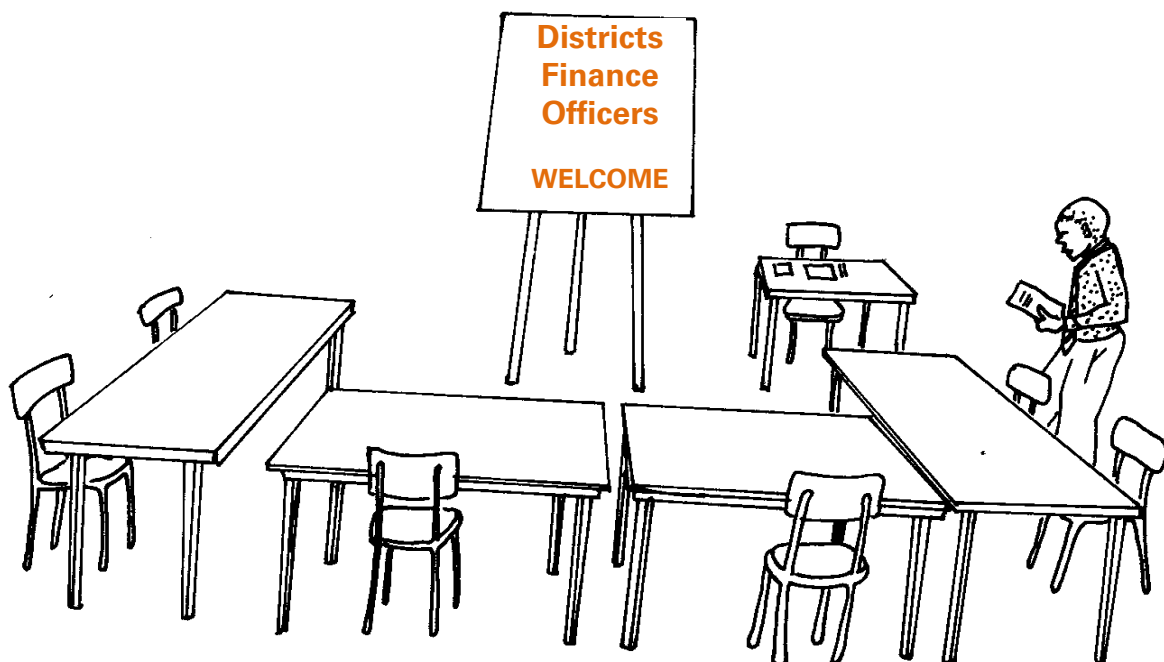
Role Play

The participants “act out” the situation or incident to test ideas, discuss problems and find solutions. The setting is done in such a way that some participants are actors while others are observers. The observers watch and give their feedback about the performance of the individuals. The aim of role plays is to allow people to experience being in, and observing, different situations leading to improvements in empathy and understanding.



1.5 Organising the training

The trainer should carefully consider the key things needed for a successful training activity well in advance if the training is to achieve its objectives. The first thing would be to plan for the number of participants. To enhance effective learning and participation, a range of 15 to 30 participants is recommended for each District financial management training workshop. Secondly, there is need to plan the physical setting. The trainer is responsible for creating a good atmosphere for the participants to be able to learn. Look for a pleasant place which is fully lit, clean, tidy and business like. Arrange the tables and chairs in a suitable way (you may come very early that day or the previous day to make your preparations) - an example is as below, however you should arrange the tables with due consideration for participants and learning objectives.



The trainer should be in the training room before the participants and make a final check from the list presented below.

The following checklist is useful as a guide, although the trainer will need to adapt it to the training and the resources available:

• Venue/ accommodation/ furniture	• Audio visual equipment
• Course publicity	• Masking tape
• Selection and confirmation participants	• Stapler
• Booking supporting trainers/ speakers	• Copies of exercises/ case studies
• Time tables – programme	• Copies of Participants’ Handbooks
• Registration list	• Copies of evaluation forms
• Folders	• Transport and logistics
• Name tags	• Special learning needs (if any)
• Markers/ chalk	• Evaluation materials
• Writing pads	• Coffee or refreshments have been arranged and booked for the right time
• Pens (stationery)	• Drinking water is provided for the participants throughout the day
• Trainer’s table	• There is enough furnished space (including other rooms) for group work
• Flip chart/ board	• Other administrative facilities are provided e.g. clean toilets, security, first aid

1.6 Training delivery

It is always important for the trainer and the participants to arrive on time. The trainer should always be at the venue in good time to ensure everything is set-up and to be ready to welcome the participants.

Each training session should always start with personal introductions to ensure that everybody (the trainer and participants) know each other. Whenever other resource persons are involved, they should also be introduced.

Each training activity should then proceed with the participants’ identification of their expectations of the course or module. For each course, session, objectives should be shared taking into consideration the participants’ expectations. The trainer should explain the learning objectives and intended learning outcomes to the participants before proceeding to the actual training.

At the start of a training workshop agree the setting of norms (dos and don’ts), and ensure that each participant gets a copy of the programme/ timetable.

The trainer should follow the programme and materials provided to avoid going out of the scheduled times. In particular the breaks should be observed. Inform the participants of the time allowed for each session like group work and keep to time.

1.7 Assessing/Evaluating the training

It is important for the trainer to check on the progress of the training and examining performance i.e.

- Have the participants understood?
- Was the training effective?
- Did the course organisation and management run according to plan?

The trainer needs to evaluate the training in order to ensure that the objectives are being achieved and be able to correct any deviations or make changes for future use.

Evaluation can be formal, informal, or may take the form of exercises and multiple-choice questions, with free-text options.

Session Two: Introduction to Puntland LG Finance Policy

2.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated)

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts

2.2 Learning objective

To understand and apply District financial management policies and procedures.

2.3 Learning outcomes

At the end of this session, the participants should be able to:

- Understand the objectives and contents of PLGFP;
- Understand the legal framework of District financial management

2.4 Training method

The trainer will highlight key areas in PLGFP by giving a presentation on the areas listed below - details/ notes provided further below. Participants should be invited to contribute by asking relevant questions and to discuss key areas. The discussions should be interactive as much as possible.

- Parg. 2.4.1 Objective of PLGFP
- Parg. 2.4.2 Strategic policies for financial management
- Parg. 2.4.3 Cross-cutting financial policies
- Parg. 2.4.4 Objective of District financial management system
- Parg. 2.4.5 Organisation/Management of the District finance
- Parg. 2.4.6 District planning and budgeting
- Parg. 2.4.6 and 7 District accounting and Payroll management
- Parg. 2.4.9 and 10 District revenue and District borrowing
- Parg. 2.4.11 Procurement
- Parg. 2.4.12 Internal audit
- Parg. 2.4.13 District audit committee
- Parg. 2.4.14 District asset management

Materials required: PowerPoint, pen/markers and flip charts.

2.4.1 Objective of PLGFP

The objectives of PLGFP are to:

- a) Provide a clear guide for financially sustainable delivery of public services by Districts within Puntland;
- b) Facilitate the strengthening of District finance in order to achieve the goals of sustainable financing, greater accountability, trust in District administration, and good governance;
- c) Develop an efficient and sustainable resource mobilisation base for local communities;
- d) Provide the resources for balanced and equitable local development; and
- e) Strengthen planning and management capacity at the local level using a participative approach.

2.4.2 Strategic policies for financial management

- a) The strategic policies are the first order policies that need to be implemented for the PFM reform to rapidly proceed in an orderly manner and produce a coherent financial system. Four strategic policies must be agreed to:
 - b) Devolution and de-concentration of the financial function to Local Government;
 - c) The purpose of the financial reform;
 - d) Consistency of financial systems across the tiers of Government; and
 - e) Principles of financial reform.

2.4.3 Cross-cutting financial policies

A financial system is composed of sub-systems, for example, budgeting and accounting. All sub-systems need to have four supportive components:

- a) A legal framework;
- b) Comprehensive procedures;
- c) Automation where appropriate; and
- d) Adequate staff with adequate in-service training.
- e) These four components cut across the financial sub-systems and policies are needed to ensure that these are in place.

2.4.4 Objective of District financial management system

The objective of District financial management system is to:

- a) Plan its budget to meet national and local priorities;
- b) Promote the stewardship of public money;
- c) Adhere to legal requirements;
- d) Ensure that funds are used for their intended purposes in an efficient and economical way;
- e) Ensure that funds are available to execute the budget;
- f) Enable the preparation of accurate and timely financial reports;
- g) Safeguard the District assets; and
- h) Adhere to an authoritative financial calendar.

2.4.5 Organisation/Management of the District finance

The District finance function/management is based on its structure and how authority is assigned to officials for public money. In accordance with PLGFP:

- a) Districts are self-accounting units, the Executive Secretary being the accounting officer, reporting to the Council;
- b) Districts have authority to produce their development plans and approve their own budgets, guided by Ministry of Interior and Accountant General while recognising national priorities; and
- c) The Department of Administration and Finance has responsibilities for preparation of the District budget and for ensuring proper maintenance of accounting records and preparation of financial reports for the District's receipts and expenditure, and central government transfers.
(For details refer to PLGFP, 4.1)

2.4.6 District planning and budgeting

- a) District Planning shall be guided by the Public Expenditure Management (PEM) Guidelines (October 2011) which outline a three-part comprehensive planning process: long-term (five-year) District development plan; three-year rolling development plan and capital investment plan; and a District annual work plan and budget.
- b) The District Executive Committee (the Mayor, Deputy Mayor and Executive Secretary) have the responsibility of preparing and executing the District budget.
- c) The Executive committee should appoint four officials to form the District Budget Committee to handle the technical issues of consolidating the District draft departmental Budget Estimates and work plans; these may be the Heads of Departments.
- d) Every District department shall have a duty to draft its departmental annual budget estimates under the guidance of the Director of Administration and Finance (DAF).
- e) District Heads of Departments shall produce annual costed work and procurement plans.
(Refer to PLGFP chapter 5)

2.4.7 District accounting

- a) Districts shall maintain double entry book-keeping using a cash basis of accounting system, apply IPSAS's (cash basis) guidelines and in future plan to adopt a modified cash basis of accounting.
- b) The Executive Secretary is responsible for ensuring that funds are allocated and used to achieve agreed priorities and that information is available to enable Districts to plan and monitor the performance and expenditure of their programmes and activities.
- c) Districts produce annual financial reports to be audited by the Auditor General. District final accounts should be ready within four months of each financial year end.
- d) The DAF shall present to the Executive Secretary monthly and quarterly financial reports which should then be discussed in management staff meetings and by the Executive Committee.

2.4.8 Payroll management

- a) The Executive Secretary through the Human Resource Officer should establish a District staff roll showing details of all staff employed, including name, position, department, staff number and grade.
- b) The Executive Secretary shall annually present the current District staff roll to the Council for approval.
- c) The staff roll should be a tool which is derived from the organisational structure. It should enable staff to identify whether the current staffing structure is affordable, and whether positions need to be either created or abolished.

- d) The Human Resource Officer is responsible for the preparation and updating of the staff roll.
- e) The DAF has overall responsibility for payment of salaries to all District employees.

(Refer to Human Resource Management for Local Governments (*HRM 4: HR Budgeting and Payroll Management*), Participant Book (Draft), October 2014)

2.4.9 District revenue

- a) The District Tax / Revenue department under the supervision of the Accounting Officer has the duty to collect Council's Own Source Revenue (OSR).
- b) The District income (revenue) shall comprise OSR, Central Government transfers, donor grants (conditional and non-conditional) and loans.
- c) All revenues foreign exchange cash receipts should be converted to Somali shillings using the prevailing Central Bank rates.

2.4.10 District borrowing

- a) A situation may arise which may require Districts to borrow funds, such as an emergency, natural disaster or security issue.
- b) Districts should only borrow funds from recognised institutions/organisations, registered and regulated by the Central Bank.
- c) The Executive Secretary should obtain written authorisation to borrow funds from the Executive Committee if it does not exceed 10% of total annual OSR. If the amount to be borrowed exceeds 10% but is less than 20% of OSR, the Council's authorisation shall be required. The amount of borrowed funds in a financial year should not exceed 20% of a District's total OSR.
- d) Borrowed funds should be repaid preferably within the next financial year, and should be fully repaid within four years.

2.4.11 Procurement

- a) Districts have authority to procure goods, works and services in accordance with their procurement plans and approved budgets.
- b) The District procurement/tender committee shall be responsible for planning for procurement, preparing tender documents, opening and evaluating bids and awarding contracts.
- c) The Executive Secretary should ensure that only approved goods, works and services are procured.

2.4.12 Internal audit

- a) Every District should establish an internal audit department to handle the internal audit function.
- b) The Executive Secretary is responsible for establishing the District internal controls.
- c) The District internal audit should be independent and should produce quarterly audit reports which are submitted to the Council through the Executive Secretary. Copies of the reports should be submitted to the Minister of Interior, Auditor General, Accountant General and the Mayor.
- d) The District internal audit should report to the Executive Secretary for day to day administrative issues.

2.4.13 District Audit Committee

- a) Every District Council shall have an Audit Committee.
- b) The Mayor should have the responsibility of appointing members of the Audit committee for approval by the Council.

- c) The Audit Committee should be composed of members who have appropriate skills and experience in District financial management.
- d) The number of members of the Audit Committee should range from a minimum of three to a maximum of seven members, depending on the size and complexity of the District.
- e) The District Audit Committee does not have executive powers but shall play an advisory role and generally help to achieve the following: improved accountability; a strengthened control environment; and support to the Executive Secretary to fulfil his/her stewardship, leadership and control responsibilities.
- f) The Executive Committee is responsible and accountable for establishing an Audit Committee.

2.4.14 District asset management

- a) The Executive Secretary is responsible for asset management. The Executive Secretary should ensure good management of assets which is critical for the quality and sustainability of local service delivery.
- b) Valuation of District assets should generally be based on accepted accounting principles. IPSAS 17 - Property Plant and Equipment (PPE) and IPSAS 16 - Investment Property are important for guiding the District's valuation of assets.

2.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: "What have you learnt from this session?"
Application	<p>To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work):</p> <ul style="list-style-type: none"> • How can you apply the knowledge that you have acquired? • What will you do differently when you go back to your place of work?
Summary	The trainer concludes the session by summarising the main issues covered during the session.

Session three: Introduction to District Accounting

3.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated)

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts

3.2 Learning objective

To understand and apply District accounting.

3.3 Learning outcomes

At the end of this session, the participants should:

- Understand District accounting legal framework;
- Understand the objectives of District accounting;
- Understand basis of accounting for Districts; and
- Understand the basis of accounting applicable to Districts in Puntland.

3.4 Training method

The trainer will apply a facilitator led discussion to highlight key areas in PLGFMM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

- Parg. 3.4.1 Accounting legal framework
- Parg. 3.4.2 Purpose of District accounting
- Parg. 3.4.3 Basis of accounting
- Parg. 3.4.4 LG cash basis of accounting
- Parg. 3.4.5 Commitment basis of accounting
- Parg. 3.4.6 Accrued liabilities
- Parg. 3.4.7 Fixed assets

The trainer will summarise the responses while referring to PLGFMM from paragraph 8.1 to 8.36.

Materials required: projector, markers and flip charts.

3.4.1 Accounting legal framework

Accounting is part of budget implementation, which includes recording of all monetary transactions pertaining to District as and when they (transactions) take place and producing financial reports to

Executive committee, council and audit. The accounting system in Districts is principally a creation of the Law (Law No.7 Articles 39 and 40) and District Public Expenditure Management (PEM).

3.4.2 Purpose of District accounting

- a) Demonstrate compliance with the law and other conditional requirements;
- b) Show how much revenue was raised;
- c) Account to the public on the use of their taxes;
- d) Demonstrate equity in the use of resources;
- e) Show the financial strength of the local government (in terms of assets owned (e.g. cash) and liabilities due);
- f) Show the financial position of the local government;
- g) Demonstrate how resources were allocated to the different services;
- h) Be used as future reference in the budgeting process;
- i) Demonstrate that policy is being carried out effectively and efficiently; and
- j) Provide information to stakeholders.

3.4.3 Basis of accounting

There are four basis of accounting:

- a) **Cash basis** - The cash basis measures cash flows at the time those flows actually take place;
- b) **Modified cash basis** - The modified cash basis allows a short period of time after the year-end for settling liabilities of the year just ended (and treats this expenditure as occurring in the year just ended);
- c) **Modified accruals basis** - The modified accruals is similar to the full accruals basis, but it is simpler because it does not involve the capitalisation of fixed assets (nor the provision of depreciation of fixed assets); and
- d) **Full accruals basis** - The full accrual basis records expenditures and revenues when they become due (i.e. in many cases before the associated cash flows take place). It records assets and liabilities and is therefore associated with the production of a balance sheet. It is also associated with providing depreciation on assets with finite lives.

Districts in Puntland currently primarily use the cash basis of accounting.

3.4.4 LG cash basis of accounting

Revenue under cash accounting is recognised and recorded in the books of accounts (i.e. cashbook, ledgers) only when it is paid to the District in cash or by cheque. Therefore, all those revenues which are due but have not yet been received by the District by the end of an accounting period are not recognised/recorded in the books of accounts and financial reports for that period.

Expenses under cash accounting are recognised and recorded in the books of accounts and reported only when payments are made in cash or by cheque. An expense is, therefore, included in the total expenditure for the period only if the money has been paid. Outstanding bills of the Council at the end of the financial year become domestic arrears – a situation currently prohibited.

All purchases of stocks of materials and fixed assets are immediately expensed in the financial year of purchase. Any stocks at hand or fixed assets do not appear in the balance sheet of the District as at the end of financial year.

The cash accounting basis has the following advantages:

- It is simple to use;

- It avoids estimations like depreciation expenses or bad debt provisions which are subjective;
- It is inexpensive to implement.

The method however has two limitations:

- It does not inform the user of the accounts about the full cost of running a District as some expenses are left out (not yet paid) and others incurred in earlier periods (but paid in the financial year for which the accounts are prepared); and.
- There is potential for abuse of the system through deliberate manipulation of the District accounts. For example, by delaying a major payment for some few days so that the accounts appear favourable, with the payment being made on the first day of the next period.

3.4.5 Commitment basis of accounting

This system is used by Districts in conjunction with either the cash or modified accrual basis of accounting. Its primary objective is to strengthen budgetary control by reinforcing the use of the vote book. Under this system, expenses are recorded and tracked in the vote book which is posted and updated as soon as a commitment is made.

3.4.6 Accrued liabilities

Under the cash accounting basis the unpaid expenses are recognised by listing them in memorandum registers as commitments. They are not recorded in the books of account. However, for information and planning purposes the schedules of the commitments and their values should be noted and appended to the financial statements.

3.4.7 Fixed assets

Under the cash accounting basis, expenditure incurred in acquiring assets is written off to the revenue account of the particular financial period. However, for their day-to-day management, the assets are recorded in books of accounts and their details are maintained in special registers.

3.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: “What have you learnt from this session?”
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none"> • How can you apply the knowledge that you have acquired? • What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Four: District Accounting Systems

4.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated)

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

4.2 Learning objective

To understand and apply District accounting systems.

4.3 Learning outcomes

At the end of this session, the participants should be able to:

- Understand District accounting systems (components of District accounting system);
- Understand the attributes of a good accounting system;
- Understand District chart of accounts, ledgers, cashbook, journals and bank reconciliations; and
- Understand District annual closing of accounts.

4.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGFMM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

- Parg. 4.1.1 Accounting system
- Parg. 4.1.2 Objective of District accounting system
- Parg. 4.1.3 Components of an accounting system
- Parg. 4.1.4 The chart of accounts
- Parg. 4.1.5 Journals and ledgers
- Parg. 4.1.6 Attributes of a good and efficient accounting system
- Parg. 4.1.7 Annual closure of accounts

The trainer will summarise the responses while referring to PLGFMM chapter 8

Materials required: projector, markers and flip charts.

4.1.1 Accounting system

The accounting system is an integral part of the internal control structure of a District. Without the information generated by the accounting system, management would lack the ability to plan and direct operations to achieve a District's objectives nor would management be able to report to other oversight organisations.

What is an accounting system?

An organised set of manual or computerised accounting methods, procedures, and controls established to gather, record, classify, analyse, summarise, interpret, and present accurate and timely financial data for management decisions.

(Source: **Business Dictionary** on <http://www.businessdictionary.com/definition/accounting-system>)

4.1.2 Objective of LG accounting system

The main objective of a District accounting system is to ensure that financial data and economic transactions can be properly entered into the accounting records and that useful financial reports that are necessary for the District management are accurately prepared and provided in a timely fashion.

4.1.3 Components of an accounting system

In simple terms, the accounting system consists of:

- a) A Chart of Accounts (COA) for a systematic classification of types of transaction and all accounts;
- b) Journals and ledgers which are accounting devices for recording, classifying and processing data (they can be manual or computerised);
- c) Trial balance and bank reconciliation for checking and maintaining the integrity of the accounting system;
- d) Internal control procedures to safeguard cash and other assets in which support accurate financial transactions being recorded in the accounting system; and
- e) Production of financial reports that support accountability and decision making.

4.1.4 The chart of accounts

- The COA is an organised and coded listing of all the individual accounts that are used to record transactions and make up the ledger system.
- It lists each item which the accounting system tracks, where each account is assigned an identification number for use within the accounting system.
- All Districts in Puntland should apply the COA that has been issued by the Accountant General to prepare and execute their budgets, maintain accounting records and for financial reporting.

4.1.5 Journals and Ledgers

Journals

A journal is one of the books of primary entry. The journal keeps a record of unusual movement between accounts. It is used to record any double entries made which do not arise from other books of prime entry. It can be used to record the following:

- Opening of the accounts at the beginning of the financial year;
- Closing of the accounts at the yearend;
- Supplementary provisions;

- Reallocations;
- Correction of errors; and
- Transfer between accounts.

All journal vouchers should be checked, before authorisation, by the DAF or an Officer authorised by him.

(Refer to paragraphs 8.4.1 – 8.4.6 of the PLGFFM for more details on the template and use of the journal voucher).

General ledger

- The general ledger organises information by account as listed in the COA.
- A summary of totals from all of the journals are entered into the general ledger, comprising both those journals that pass through the cashbook and those that do not, which maintains a year-to-date balance for each account.
- This is the key ledger because it provides the accounts information from which the accounts are prepared.

(Refer to paragraphs 8.7.1 and illustration A8 of the PLGFMM for illustrations on posting to the District's ledger)

Bank reconciliations

Bank reconciliations should be carried out monthly. At the end of each month, a District's bank statements of all bank accounts should be collected from the bank. The statements should be checked against entries appearing in the bank column of the respective cash books. Expenditure vouchers should be prepared to cover bank charges such as commissions, and receipt vouchers should cover credits such as interests on fixed deposits, if any. The expenditure/receipt vouchers should be posted in the cash book before the bank reconciliation is prepared. Bank reconciliations should be prepared by a finance officer of the District appointed by the DAF who is not the cashier. Bank reconciliations should be prepared within fifteen (15) days after the end of each month. The bank reconciliations shall be certified as correct by the DAF or his representative.

(Refer to paragraph 8.5.7 (illustration A6) of the PLGFMM for illustrations on preparation of bank reconciliations).

Cashbook

- This is the book in which movement of money (cash, cheques, money orders etc.) is recorded.
- Most financial transactions will pass through the cash book, where cash or bank receipts are deposited and from which disbursements are made.

(Further details on the cashbook covered under chapter six of the PLGFMM expenditure management)

4.1.6 Attributes of a good and efficient accounting system

A good accounting system is designed and maintained in consideration of the following principles:

A good accounting system is designed and maintained with consideration of the following principles:

- Cost-effectiveness balance:
 - Accounting systems are designed to produce information for users, however, the cost of developing and maintaining the system and producing the reports should not exceed the benefits received by those who use the reports.
- Flexibility to meet future needs:

- The environment and context within which a District operates is characterised by change, for example new accounting standards, government laws and regulations, environment, technology, and politics); and
- The accounting system must be flexible enough to meet the changing demands made of it, for example of accounting standards like IPSASs which may require a new format of financial reporting.
- Effective reporting:
 - Users of information provided by the District accounting system rely on various reports from the accounting system which need to be produced in a reliable and timely manner; and
 - The requirement and knowledge of users should be recognised.
- Internal controls:
 - An effective accounting system should also provide assurance that errors and fraud do not happen; and
 - Internal control within an accounting system may be achieved through, amongst others controls, having competent personnel, rotating duties, assigning responsibilities, separating responsibilities for related operations, separating accounting and asset custody, proofs and security measures.

4.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: “What have you learnt from this session?”
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none"> • How can you apply the knowledge that you have acquired? • What will you do differently when you go back to your job?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Five: The Framework for Puntland District Budgets

5.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated)

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

5.2 Learning objective

To understand and apply District budgeting framework.

5.3 Learning outcomes

At the end of this session, the participants should:

- Understand the importance of District budgeting;
- Understand key areas in budgeting – stakeholders, budget process, principles and committee;
- Understand the relevance of PLGFP (2016) and PLGFMM to District budgets;
- Identify the various stakeholders in the budgeting process;
- Identify the need to comply with national priorities in the budgeting process; and
- Introduce the main tools that enable District integrated planning and budgeting.

5.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGFMM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

- Parg. 5.4.1 Why budget?
- Parg. 5.4.2 District budget process key players and stakeholders and their roles
- Parg. 5.4.3 Laws and regulations guiding Districts' budget preparation
- Parg. 5.4.4 District budgeting principles
- Parg. 5.4.5 District budget process/calendar
- Parg. 5.4.6 Steps of District budget preparation
- Parg. 5.4.7 Tools of integrated planning and budgeting
- Parg. 5.4.8 Forecast/estimating the resource envelope for coming year
- Parg. 5.4.9 Forecast of expenditure
- Parg. 5.4.10 Contents/Formats of District budget estimates

- Parg. 5.4.11 Final stages of budget process
- Parg. 5.4.12 Budget revision

The trainer will summarise the responses while referring to PLGFMM chapter 4.

Materials required: projector, markers and flip charts.

5.4.1 Why budget?

The District council must produce a budget:

- Because the District has scarce resources which are not sufficient to carry out all its programmes and projects;
- Because it is a legal requirement;
- In order to identify and disclose sources of income;
- In order to cost the programmes and projects to be implemented;
- In order to requisition for funds to implement approved programmes and projects;
- In order to give an overview of past financial and output performance;
- In order to control the implementation of various programmes so that a particular programme does not encroach on the resources of others;
- Because it is a requirement of good governance and a political tool that provides overall guidance; and
- Because it is an information/communication tool for both the central government and donors detailing how transfers from them to the District will be utilised, and whether compliance with donor and national objectives is being met.

5.4.2 District's budget process key players and stakeholders and their roles

Player	Role
1. Ministry of Interior and Ministry of Finance	Responsible for managing the local government budget process nationally and setting national policies and guidelines to be applied during the process.
2. Ministry of Interior	Issues budget call circular to kick-start the budget process.
3. Ministry of Finance	Advises on all central government allocations to Districts.

Player	Role
4. District Council	<ul style="list-style-type: none"> • Sets policy objectives and determines the development goals of Districts. • Approves the Annual Work Plans and Budget (AWPB). • Ensures the budget is implemented according to priority areas.
5. The Mayor, The Executive Committee/ Permanent Council/ Economic and Development Sub-Committee and Planning Department	<ul style="list-style-type: none"> • Reviews costed priorities • Recommends policy to Council • Oversees implementation of Council policies • Evaluates performance against approved work plans
6. The Mayor, Executive Secretary	<ul style="list-style-type: none"> • Oversees revenue collection and expenditure according to approved budget • Oversees budgeting and budgetary control to ensure that planned activities proceed within the prescribed framework • Makes reports to the Executive Committee on the implementation progress of activities and projects • Gives technical guidance to Council
7. The Budget Committee, planning and finance departments	<ul style="list-style-type: none"> • Prepares the draft budget which must be balanced • Provides technical input to make revenue projections • Assists Heads of Departments in preparation of their departmental budgets and work plans • Ensures District departments observe the formal requirements for the budget including deadlines
8. Heads of Departments	Formulate departmental work plans and budgets

5.4.3 Laws and regulations guiding Districts' budget preparation

The following are the laws and regulations guiding Districts' budget preparations;

- a) District budgeting is provided for mainly in Article 33 of the Law No.7 of 18th September 2003 on the Laws of the District Councils of the Puntland State of Somalia. Districts have the right and obligation to formulate, approve and execute their budgets and plans provided the budgets shall be balanced.
- b) District Public Expenditure Management (PEM) Guidelines
- c) PLGFP (2016) chapter 5
- d) PLGFMM (2016) chapter 4

- e) Compliance with national priorities, Districts must operate realistic budgeting through an integrated five year budgeting and planning framework by recognizing national priorities and also focus on intended results of expenditure by setting objectives, targets and measuring performance.

5.4.4 District budgeting principles

The two main principles of the Districts' budgeting system are:

- a) Realistic budgeting through an integrated five – year budgeting and planning framework.
- b) Focusing on the intended results of expenditure.

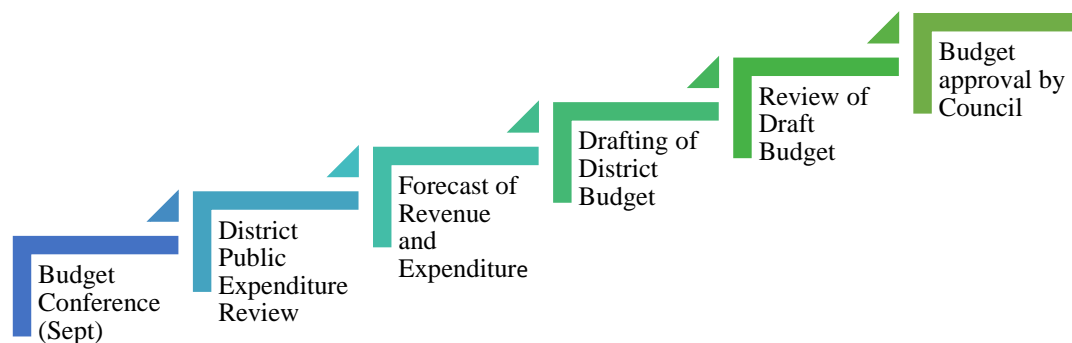
The objectives of expenditure must be clearly stated and measurable targets set.

5.4.5 District budget process/calendar

District's planning and budget preparation takes place between June and December¹. The budget process/calendar is part of the PEM cycle, is a schedule of events which every District should accomplish to complete its budget and the dates on which, or no later than which, these actions may occur. (Refer to PLGFMM 4.5.2, table B3)

5.4.6 Steps of District budget preparation

The following are the key District budget preparation steps:



(Refer to PLGFMM section 4.5.3)

5.4.7 Tools of integrated planning and budgeting

- a) **District Budget Framework Paper (DBFP)** - The DBFP is a tool that enables integrated planning and budgeting, articulating a District's five year budget strategy. The DBFP contains the District profile, revenue and sector/departmental performance, three year indicative sector/departmental allocation targets, annual work plan and budget estimates.
- b) **District Development Plan (DDP) D** – This refers to the three year rolling development planning and budgeting. The draft budget estimates, revenue and sector/departmental performance, three year indicative sector/departmental allocation targets shall be derived from the District three year rolling plan.

(Refer to PLGFMM section 4.2)

¹ Refer for to District Public Expenditure Management (PEM), Budgeting and Investment Programming module, 2012, pages 15

5.4.8 Forecast/estimating the resource envelope for coming year

District budget estimates should be based on realistic estimates of the revenue receivable from central government and to be collected from District OSR and other sources. Resource items shall be estimated/projected by staff from the Planning department and Finance and Administration department. (Refer to PLGFMM section 4.5.5)

5.4.9 Forecast of expenditure

After compiling data on the forecast of revenue/resource envelope, estimates and ascertaining the resource envelope, District officials should project expenditure. When estimating expenditure items, District officials should take a *non-conservative position*; thus expenditure estimates should be the highest *realistic unit cost* expected for each item. This is because underestimating unit costs may disrupt planned service delivery. However, being non-conservative does not mean exaggerating costs beyond reasonable increases.

(Refer to PLGFMM section 4.5.6)

5.4.10 Contents/Formats of Districts' budget estimates

The District budget estimates document to consist of the following chapters:

- (i) Background to the budget;
- (ii) Summary of the current budget statement (revenue and expenditure). The format for the summary of current budget statement is presented as Annex 1.1 of the Ministerial Decree of 2011, District Councils' Budgeting and Accounting Systems Regulations, and contains:
 - Main District OSR sources expected collections;
 - Transfers and grants from central government;
 - Funds from Donor, NGO and other sources; and
 - Borrowings.
- (iii) Recurrent and capital/development expenditure budgets; and

(Refer to PLGFMM sections 4.7.3 and 4.7.4)

5.4.11 The final stage of the budget process

The final stage of the budget preparation process is the finalisation of the work plan and budget estimates and the presentation to and approval by the Council.

The chairperson of Council or his/her representative will present the budget and annual work plan to the District Council. The budget meeting gives Councilors the opportunity to debate the budget proposals and the activities in the annual work plan. Once approved the budget becomes a legally binding document and should be submitted to Ministry of Interior and thereafter communicated to the public.

5.4.12 Budget revision

Budget revisions consist of virement, reallocation, and supplementary estimates (provisions). During budget implementation the approved District budget can be revised through virement, reallocation and supplementary estimates.

Virement: During budget implementation it may be necessary to transfer (vire) funds from one item (budget line) to another item under the same vote (department) of either the recurrent or capital development budget. The Executive Secretary authorises transfers.

Reallocation: During budget implementation it may be necessary to transfer funds (reallocation) from one vote (department) to another vote. The head of department should apply for authorisation of reallocation to the Executive Committee indicating the items and departments to be affected. The Executive Committee authorises the reallocation.

Supplementary estimates: Where a District receives more funds than were budgeted for, from either central government or from OSR, the Executive Secretary should produce supplementary estimates for Council's approval in order to use the funds. Upon approval of the supplementary estimates the Executive Secretary shall cause the revision of the original approved budget accordingly.

(Refer to PLGMM 4.9 and 4.10)

5.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: "What have you learnt from this session?"
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none">• How can you apply the knowledge that you have acquired?• What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Six: District Revenue

6.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated).

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

6.2 Learning objective

To understand and apply District revenue collection policies and procedures.

6.3 Learning outcomes

At the end of this session, the participants should:

- Understand District revenue collection legal framework;
- Understand District revenue sources; and
- Understand District revenue collection, recording and accounting policies and procedures.

6.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGFMM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

- Parg. 6.4.1 District revenue collection legal context
- Parg. 6.4.2 District revenue sources
- Parg. 6.4.3 District revenue collection
- Parg. 6.4.4 Revenue collection records
- Parg. 6.4.5 Revenue accountability
- Parg. 6.4.6 Arrears of revenue

The trainer will summarise the responses while referring to PLGFMM chapter 5.

Materials required: projector, markers and flip charts.

6.4.1 District revenue collection legal context

Districts derive authority to collect revenue from Law No. 7 of 2003. Every financial year the District shall produce a revenue budget, approved by the District Council, they shall collect as provided for in the approved budget and account for it accordingly.

6.4.2 District revenue sources

Districts have the following types of revenue sources:

- a) OSR - As provided for in Law No. 7 of 2003, Article 32 to 37, Districts income/revenue include taxes, values, daily charges, fixed asset fees, licensing, fines and interest rent;
- b) Central government transfers, conditional and unconditional; and
- c) Donor and NGO funds which may be conditional or unconditional.

6.4.3 District revenue collection

District revenue collection process consists of the following:

- Sensitisation and publicity;
- Identification and enumeration of tax payers;
- Assessment;
- Collection; and
- Enforcement

(Refer to paragraph 5.2 of the PLGFMM and Form R1)

6.4.4 Revenue collection records

Each revenue collector shall keep a ticket/receipt register showing:

- All tickets/receipts issued;
- Numbers of tickets/receipts of each denomination sold/issued each day;
- A cash register; and
- A file or binder containing copies of all revenue assessment forms or a register showing the following:
 - the names of all revenue payers;
 - their annual revenue assessment including permanent or temporary exemption;
 - the date on which they have paid their revenue and serial number of the ticket issued to them, or the date and number of any exemption ticket issued to them; and
 - A serial numbered register, being a copy book showing numerically the number of each ticket issued and the revenue payer's name.

Opening and recording of revenue registers by tax department, the following steps should be applied:

- Step 1: At the beginning of every financial year, the persons/organisations owing money to the District from the previous financial year should be brought into relevant revenue/income register by entering the columns for name of payer, address and amount due (brought across from the previous year).
- Step 2: Review the revenue/income registers on a regular basis.
- Step 3: The tax department should issue the financial year invoices/bills or assessment notes to customers or taxpayers, and the revenue (debtors) register officer should use duplicate copies of the invoices or assessment notes to enter columns for the names of the debtor, address, and invoice amount.
- Step 4: On payment by the individual customer/ tax payer, the debtors' register officer should update the accounts receivable/debtors register.
- Step 5: At the end of the financial year, the revenue/income register officer should complete end of the year closing entries by entering the columns for total received and written off, and the balance at the end of the financial year to be carried to the next financial year.

(Refer PLGFMM to Form R4: Revenue register).

6.4.5 Revenue accountability

The DAF is responsible for accounting for District revenue. The DAF shall prepare and submit monthly revenue accountabilities to the Executive Committee. This accountability shall contain all sources of revenue collected and expenditure of the funds received.

(Refer to PLGFMM section 5.5)

6.4.6 Arrears of revenue

One month from the end of each financial year, each revenue collector must prepare a draft list from each revenue register of revenue due but not collected. Items should be struck off the list during the last month of the financial year as they are collected.

At the end of the financial year a final list of arrears should be typed, totaled, certified by the DAF and submitted to Executive Committee not later than one month after the end of the financial year.

6.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: "What have you learnt from this session?"
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none"> • How can you apply the knowledge that you have acquired? • What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Seven: District Expenditure Management

7.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated)

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

7.2 Learning objective:

To understand and apply District expenditure policies and procedures.

7.3 Learning outcomes:

At the end of this session, the participants should:

- Understand District expenditure legal framework;
- Understand District expenditure principles;
- Understand how to open and post expenditure in vote books; and
- Understand the types of expenditure records maintained by Districts.

7.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGFMM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

Parg. 7.4.1 District expenditure - legal context

Parg. 7.4.2 District expenditure principles

Parg. 7.4.3 Commitment and payments

Parg. 7.4.4 Vote book

Parg. 7.4.5 Cash book

Parg. 7.4.6 Local purchase order

Parg. 7.4.7 Payment voucher

Parg. 7.4.8 Cash payments

Parg. 7.4.9 Payments of salaries

The trainer will summarise the responses while referring to PLGFMM chapter 6.

Materials required: projector, markers and flip charts.

7.4.1 District Expenditure - legal context

Articles 38 to 42 of Law No. 7 of 2003 bestows power to incur expenses on the Mayor and the Secretary for Local Government. The Secretary for Local Government is responsible for ensuring that the expenses are in line with the law, budget and the income of the District.

The finance department is responsible for making the initial budget implementation activities for the new financial year before making payments. These include opening of:

- Vote books;
- Cash books; and
- Ledgers and registers.

The Secretary for Local Government shall appoint Vote controllers, after the approval of budget estimates and issue them with Departmental warrants, indicate amount authorised to expend during the year.

(Refer to PLGFMM Form E1: Departmental warrant)

7.4.2 District Expenditure principles

The following principles should be observed:

- All local District recurrent and capital development expenditure transactions are processed through the Commitment Control System (CCS);
- No contract agreement, Local Purchase Order (LPO) or other commitments should be issued unless a proper commitment requisition, has been approved. Each commitment requisition should possess a reference number *(Refer to PLGFMM Form E3)*;
- All commitments must be entered into the vote book as soon as they occur and should be consistent with the approved annual budget and relate to activities in the annual work plan *(Refer to PLGFMM Form E6)*;
- Commitments should not be approved unless there is sufficient balance available under the commitment limit for the relevant budget item;
- No payment should be made unless it is based on a previously approved commitment;
- The DAF should produce a monthly/quarterly report on outstanding commitments unpaid and overdue bills by the 15th day of the following month;
- The DAF shall maintain a contract/commitment register *(Refer to PLGFMM Form E5)*;
- Executive Secretaries will be personally responsible for any over-commitment of the District, and should monitor commitments together with vote controllers; and
- When District staff process a payment, they should approve it only if the associated commitment has been approved as well.

7.4.3 Commitments and payments

A commitment occurs when a District enters into a legal obligation (signs a contract with a service/goods/works provider and or issues a LPO) that requires it to pay for services, goods or works either immediately or sometime in future.

It is very important that Districts make commitments within their approved budget estimate limits.

(Refer to PLGFMM Forms:

- *E3: Commitment requisition;*
- *E4: Approval of Commitment; and*
- *E5: Contracts/ Commitments Register.)*

7.4.4 Vote Book

At the beginning of each financial year, the department's approved budget provisions should be entered in the vote book by designated finance officers. During the year the approved estimates may be amended by authorised virements, reallocations and supplementary estimates.

(Refer to PLGFMM Form E6: Vote Book)

7.4.5 Cash book

At the beginning of each financial year, the cash book(s) should be opened with the previous year's balances of cash at hand or at bank. Each bank account should be maintained in its own cash book. The balance on each bank account should be entered individually. When a cheque is issued the cheque number should be entered in the cash book in sequential numerical order.

(Refer to section 8.5.5 illustration A5 of PLGFMM for postings to a cashbook)

7.4.6 Local purchase order

All goods and services procured in Puntland must be ordered by means of an LPO, prepared in quadruplicate and signed by either the head of department or vote controller. The original should be sent to the supplier, the duplicate sent to finance department and the triplicate sent to the stores. The quadruplicate should remain in the book being used by the vote controller to update and record the commitment in the vote book.

All LPOs should be signed by the vote controller, counter signed by the Executive Secretary and the DAF and entered in the department vote book as a commitment.

(Refer to PLGFMM Form E8)

7.4.7 Payment voucher

The DAF shall ensure that the voucher and any supporting documents, invoices or musters-rolls are correct in all relevant particulars, and that each voucher has been entered in the Vote book, and that sufficient provision is available in the relevant item to meet the expenditure.

The DAF shall certify the voucher for payment. Such certification shall be that the payment is in order and that sufficient provision is available in the relevant item in the estimates to meet expenditure.

The Vote book shall be adjusted for the paid transaction.

The paid cheques register shall be completed each payment bank account maintained by the District shall have a separate payment register/cash book. *(Refer to PLGFMM Form E11).*

7.4.8 Cash payments

When the Executive Secretary deems it necessary, she/he may permit a vote controller to operate a cash payment system. If cash requirements are of a regular nature, it is advisable for the vote controller to operate an imprest cash system. In this case the Executive Secretary in conjunction with the vote controller will determine the maximum cash limit that should not be exceeded at any one time. Imprest warrant shall be produced.

(Refer to PLGFMM Form E12).

7.4.9 Payment of salaries

Employees' salaries shall be as per the proposed and approved salary structure and paid at the end of every month or at an earlier date in case of holidays. The following shall be observed:

- Preparation of payroll -The payroll shall be arranged according to departments. *(Refer to PLGFMM Form E13);* and
- Salary advance - The salary advance should not exceed 50% of the monthly salary and it should be recovered in full during the financial year.

7.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: “What have you learnt from this session?”
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none">• How can you apply the knowledge that you have acquired?• What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Eight: Internal Controls

8.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated).

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

8.2 Learning objective

To understand and apply District internal controls.

8.3 Learning outcomes

At the end of this session, the participants should:

- Understand the components of an internal control system; and
- Understand the importance and application of internal controls in the Districts.

8.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGFMM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

Parg. 8.4.1 Internal control system

Parg. 8.4.2 Why do Districts need internal controls

Parg. 8.4.3 Objectives of internal controls

Parg. 8.4.4 District organisational and internal controls

Parg. 8.4.5 Application of internal controls in Districts

The trainer will summarise the responses while referring to PLGFMM chapter 3.

Materials required: projector, markers and flip charts.

8.4.1 Internal control system

Internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:

- executing orderly, ethical, economical, efficient and effective operations;
- fulfilling accountability obligations through reports;
- complying with applicable laws and regulations; and
- safeguarding resources against loss, misuse and damage.

(Guidelines for Internal Control Standards for the Public Sector, The International Organisation of Supreme Audit Institutions (INTOSAI), 2004)

A system is a set of things working together as parts of a mechanism.

In this case, an internal control system is a set of related control elements working together to control all of the District's functions.

Internal controls include both accounting and administration that is applicable within the District;

Examples of such control elements:

- Policies, guidelines, and laws applicable to the District;
- Procedures for carrying out different processes and tasks in the District; and
- Expected behaviours by code of conduct and other aspects that are applicable within the District.

8.4.2 Why do Districts need internal controls

Districts need internal controls due to the following:

- Controls are needed in order to prevent, detect or correct errors;
- With the best of intentions, most people make mistakes. The mistakes may be errors in the end results of their work, or sometimes, without the best intentions, a few people deliberately falsify;
- In this case, therefore, any District wishing to conduct its business in an orderly and efficient manner and to produce reliable financial accounting information, both for its own and for others' use, need some control to minimise the effects of these endemic human failings;
- When such controls are implemented within the organisation's systems they are describe as internal controls;
- Therefore, internal controls, taken together, facilitates the effectiveness and efficiency in operations by enabling the District to respond appropriately to significant business, operational, compliance and other risks to achieving its objectives, and to ensure the quality of internal and external reporting.

8.4.3 Objectives of internal controls

The overall objective of internal control is to provide assurance that the District will achieve its objectives. Internal controls have the following objectives:

- To ensure ethical, economical, efficient and effective execution of operations:
 - The District's operations should be orderly, ethical, economical, efficient and effective;

- The terms economical, efficient and effective are also known as the 3Es, the necessary components in achieving value for money; and
- This objective is mainly to ensure that there is value for money in Districts' operations.
- To ensure production of reliable reports so as to fulfil accountability obligations:
 - Accountability is the process whereby Districts and individuals within them are held responsible for their decisions and actions, including their stewardship of public funds, fairness, and all aspects of performance; and
 - This will be realised by developing, maintaining and making available reliable and relevant financial and non-financial reports to stakeholders (e.g. Councillors, Executive Secretary, heads of departments, internal and external auditors and parliamentary committees etc.)
- To ensure there is compliance with applicable laws and regulations:
 - Districts are required to follow many laws and regulations.
- Resources and assets are safeguarded against loss, misuse and damage:
 - The significance of safeguarding resources in Districts needs to be stressed. This is due to the fact that resources in Districts generally embody public money and their use in the public interest generally requires special care;
 - Therefore, controls should be embedded in each of the activities related to managing the District's resources from acquisition to disposal; and
 - Safeguards are usually against loss, misuse and damage due to waste, abuse, mismanagement, errors, fraud and irregularities.

HINT:



Internal controls are designed to ensure that:

- There is value for money in operations (i.e. economy, efficiency, and effectiveness);
- Reports are reliable;
- Laws and regulations are complied with; and
- Assets and resources are safeguarded.

8.4.4 LG organisational structure and internal controls

- An accounting system must provide reasonable assurance to the achievement of objectives, and effectiveness and efficiency in operations (i.e. value for money). This is achieved by having appropriate controls.
- The first step in developing an effective internal accounting control system is to identify those areas where abuses or errors are likely to occur (this is called the risk assessment part of the elements of internal control).
- Specific job descriptions should be developed to match the roles and responsibilities of each individual/officer holding a position in the organisational structure. Job descriptions work as a

control tool that shows activities and the boundaries which facilitate segregation of duties and internal check.

8.4.5 Application of internal controls in Districts

The following accounting controls should be in place at the minimum:

- Approval and control of documents;
- Segregation of duties;
- Reconciliation statements;
- Internal check;
- Comparison of internal with external data;
- Serially numbering all accounting documents;
- Maintenance and review of control accounts; and
- Restricting unauthorised access.

8.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: “What have you learnt from this session?”
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none">• How can you apply the knowledge that you have acquired?• What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Nine: District Financial Reporting

9.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated)

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

9.2 Learning objective:

To understand and apply the District financial reporting procedures.

9.3 Learning outcomes:

At the end of this session, the participants should:

- Understand the District financial reporting legal framework;
- Understand the objectives of District financial reporting;
- Understand the basis of accounting applicable to Districts; and
- Understand the reporting requirements of Districts – monthly, quarterly and annual financial statements.

9.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGFMM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

- Parg. 9.4.1 Legal reporting requirements
- Parg. 9.4.2 Objective of record keeping
- Parg. 9.4.3 Monthly financial statements
- Parg. 9.4.4 Quarterly financial statements
- Parg 9.4.5 Annual financial statements
- Parg. 9.4.6 Additional financial statements (optional)

The trainer will summarise the responses while referring to PLGFMM chapter 9.

Materials required: projector, markers and flip chart

9.4.1 Legal reporting requirements

According to Puntland Law No.7 of 2003, the Secretary for Local Government is supposed to prepare the final (annual) accounts and the financial report.

Districts shall produce monthly, quarterly and annual financial statements using the principle of a cash basis of accounting.

9.4.2 Objective of record keeping

The objective of financial record keeping is to be able to provide financial accountability for the actions of the different managers and staff within a District. Financial accounting systems must ultimately end with relevant and reliable information in the form of financial reports. The reports will be read and used by the different stakeholders to make decisions. Given the stewardship role, whereby the District Council is entrusted with public funds the financial reports should be simple, comprehensive, and standardised for purposes of comparability and for ease of understanding by the reader.

9.4.3 Monthly financial statements

Every Executive Secretary is required to produce monthly financial statements not later than the 15th of the following month, and submit the following to the Executive Committee (formats presented below):

- a) District Consolidated Statement of Cash Receipts and Payments;
- b) District Statement of Comparison of Budget and Actual Amount;
- c) District Statement of Payments by Programmes/ Activities/ Functions; and
- d) District Consolidated Cash Flow Statement for the Month.

9.4.4 Quarterly financial statements

Every Executive Secretary is required to produce quarterly financial statements following the end of every quarter, and not later than the 15th of the month following the end of the quarter. They should submit the following to the Executive Committee (formats presented below):

- a) District Consolidated Statement of Cash Receipts and Payments;
- b) District Statement of Comparison of Budget and Actual Amount;
- c) District Statement of Payments by Programmes/ Activities/ Functions; and
- d) District Consolidated Cash Flow Statement for the Quarter Ended.

9.4.5 Annual financial statements

Every District Executive Secretary is required to produce annual financial statements within three months after the end of each accounting period in question, for submission to the Auditor General and must include the following:

- a) District Consolidated Statement of Cash Receipts and Payments;
- b) District Statement of Comparison of Budget and Actual Amount;
- c) District Statement of Payments by Programmes/ Activities/ Functions; and
- d) District Consolidated Cash Flow Statement for the Year Ended.

(For more details Refer to PLGFMM Chapter 9, Illustration F1: Financial Statement)

- a) Districts consolidated statement² of cash receipts and payments for Year ended December 31, 20xx
- b) District's statement of comparison of budget and actual amount
- c) Statement of Cash Receipts by Fund Classification
- d) Proceeds of borrowings
- e) District's statement of payments by programs/ activities/ functions
- f) District's Cash Flow Statement³ (Direct Method)

9.4.6 Additional Financial Statements (optional)

Additional financial statements may be prepared to provide details of amounts included in the consolidated statement of cash receipts and payments, for example, to disclose information by major fund groups, to disclose expenditures by major functions or programmes and to provide details of sources of borrowings. Columns disclosing budgeted amounts may also be included.

9.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: "What have you learnt from this session?"
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none">• How can you apply the knowledge that you have acquired?• What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

² For more details refer to Cash basis IPSAS 1.

³ For details refer to cash basis IPSAS 2.

Session Ten: Organisation and Management of District Internal Audit

10.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated).

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

10.2 Learning objective

To understand and apply District internal audit procedures.

10.3 Learning outcomes

At the end of this session, the participants should:

- Understand the legal framework of District internal audit work;
- Understand the purpose of District internal audit;
- Understand District internal audit and its scope of work (internal audit charter and roles of the Head of Internal Audit (HIA)); and
- Understand the District internal audit structure and reporting.

10.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGIAM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

Parg. 10.4.1 Definitions

Parg. 10.4.2 Internal audit legal framework

Parg. 10.4.3 Internal audit charter

Parg. 10.4.4 Internal audit structure

Parg. 10.4.5 Benefits/Purpose of internal audit to the District

Parg. 10.4.6 Nature of internal audit work (governance and internal control)

Parg 10.4.7 Attribute standards

Parg. 10.4.8 Role of HIA unit; and

Parg. 10.4.9 Internal audit reporting

The trainer will summarise the responses while referring to PLGIAM chapter 1.

Materials required: projector, pen and flip chart

10.4.1 Definitions

- **“Internal Audit”** is a dynamic profession involved in helping organisations achieve their objectives. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organisation.
- **“Internal Control”** Internal control is an integral process that is effected by an entity’s management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity’s mission, the following general objectives are being achieved: executing orderly, ethical, economical, efficient and effective operations; fulfilling accountability obligations; complying with applicable laws and regulations; safeguarding resources against loss, misuse and damage.⁴
- **“Risk Management”** a process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the District’s objectives.
- **“Head of Internal Audit (HIA)”** is a person in a senior position responsible for effectively managing the District internal audit function in accordance with the internal audit charter.

10.4.2 Internal audit legal framework

District internal audit is provided for in chapter 10 of the Puntland Finance Policy (2016). The District internal audit shall perform the following key functions:

- Assessment of the efficiency and effectiveness with which the operations of the District are conducted;
- Assessment and providing reasonable assurance about the reliability of District financial reporting;
- Providing assurance on procedures in place to deter fraud as well as to investigate fraud;
- Assessment of and providing assurance about the procedures in place for safeguarding District assets; and
- Measuring and providing assurance about District’s compliance with laws and regulations.

10.4.3 Internal audit Charter

The internal audit charter is a formal document that defines the authority, purpose and responsibility of internal audit. The internal audit charter establishes the internal audit function's position within the District, including the nature of the HIA functional reporting relationship with the District Audit Committee (DAC).

The internal audit department/unit should prepare the internal audit charter which is endorsed by the Executive Secretary and approved by the Mayor.

(Refer to PLGIAM Table 1: District internal audit charter template)

10.4.4 Internal audit structure

The internal audit unit in Districts shall be headed by a HIA reporting to the DAC, and to the Executive Secretary on administrative issues.

⁴ (Guidelines for Internal Control Standards for the Public Sector, The International Organisation of Supreme Audit Institutions (INTOSAI), 2004)

(Refer to PLGIAM section 3.1).

The DAC is responsible for providing oversight to the internal audit unit, monitoring and providing supervision and quality assurance, in order to ensure that the unit undertakes its work in accordance with the guidelines provided in the PLGIAM.

10.4.5 Benefits/Purpose of internal audit to District

An effective internal audit function will:

- a) Provide greater assurance to Executive Secretaries, management and the DAC that systems of internal control are effective, efficient and economical and that District operations are performed properly;
- b) Enhance the quality of management processes;
- c) Improve the quality of management's understanding of internal control and risk management and provide assistance to management on the clear identification of risks across the total spectrum of the District or department
- d) Strengthen the financial discipline, control environment and operational controls within the District or department;
- e) Improve the District's organisational performance by taking timely corrective action based on evaluations and recommendations;
- f) Ensure more efficient and economical application of resources (e.g. through the identification of surplus or under-utilised assets);
- g) Enhance fraud prevention, detection and investigation, thus minimising risk and error;
- h) Improve communication in the District by sharing examples of effective controls used between departments;
- i) Strengthen the control-conscious culture within the District by providing feedback on the quality of operations and control as well as recommending improvements where necessary;
- j) Produce actual savings where, if control breakdowns are identified, recoveries are made or redundant business processes are eliminated; and
- k) Improve compliance with good governance requirements, such as ethics, standards and performance.
- l) Produce actual savings where, if control breakdowns are identified, recoveries are made or redundant business processes are eliminated; and
- m) Improve compliance with good governance requirements, such as ethics, standards and performance.

10.4.6 Nature of internal audit work (Governance and internal control)

In accordance with the Institute of Internal Auditors (IIA) Performance Standard 2100, the internal audit activity must evaluate and contribute to the improvement of *governance*, *risk management* and *control* processes using a systematic and disciplined approach.

Governance

IIA's Practice Advisory 2110-1 defines governance as: "the combination of processes and structures implemented by the board (Council) to inform, direct management, and monitor the activities of the organisation towards the achievement of its objectives."

Internal control activities

Internal control activities entail the whole system of controls, financial and otherwise, established by the District's management to carry out the tasks of the District in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its records.

Examples are payment procedures, ledger account reconciliation, segregation of duties, authorisation and approvals, system access controls etc.



The District Council and other key stakeholders should recognise internal audit as an independent appraisal function that examines and evaluates the financial and operational activities of the District by maintaining compliance with rules, regulations, systems, policies, and procedures prescribed by the Government and other regulatory authorities and professional bodies.

Internal auditors are not responsible for the execution of District's activities; they advise management and the Executive Secretary regarding how to better execute their responsibilities.

10.4.7 Attribute standards

Internal audit independence

To discharge his/her responsibility effectively, the HIA must have free and unrestricted access to the internal auditors. Internal audit independence is reinforced further through a properly structured and effective DAC.

The HIA must also establish effective communication with, and have free and unrestricted access to, the Chairperson of the DAC.

Due professional care

Internal auditors shall apply care and skill expected of a reasonably prudent and competent internal auditor. They shall exercise professionalism in carrying out their work.

10.4.8 Role of the Head of Internal Audit Unit

The HIA must effectively manage the internal audit activity to ensure it adds value to the organisation.

This means that the internal audit activity is managed when:

- (i) The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;
- (ii) The internal audit function conforms with the definition of internal auditing standards; and
- (iii) The individuals who are part of the internal audit function demonstrate conformity with the code of ethics and the standards.

The internal audit function adds value to the District (and its stakeholders) when it provides objective and relevant assurance and contributes to the effectiveness and efficiency of governance, risk management and control processes.

The HIA should properly manage the internal audit unit and should:

- (i) Ensure that a strategic plan is devised and implemented through annual plans for the District;
- (ii) Ensure that financial and human resources are allocated for the effective implementation of the annual audit plans;
- (iii) Ensure that audit planning, fieldwork, reporting and follow-up are performed in accordance with the standards as outlined in the internal audit manual;
- (iv) Review and evaluate the internal audit quality assurance policy for internal and external reviews;
- (v) Share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts:
 - Often internal auditors meet with the external auditors and the internal auditors may be requested to share internal audit reports with the external auditors; and

- Internal audit produce a report to the Audit Committee and assists it where necessary.
- (vi) Review to find out if the working papers contain a time budget analysis for the project that identifies:
- Hours budgeted by audit segment;
 - Actual hours by audit segment; and
 - Variances between budget and actual hours with explanations of material variances.
- (vii) Analyse time summaries to decide whether the total hours are reasonable for the number of staff auditors. Based on this analysis, determine if total hours seem accurate and complete; and
- (viii) Prepare Internal Audit Activity Report.

Audit Assignment

It is the responsibility of the Head of Internal Audit to allocate the audit tasks taking into consideration the factors which influence the scheduling and assignment of audits as follows:

- Degree of risk or exposure to loss;
- Type of audit;
- Availability of appropriate audit staff resources;
- Skills and availability of Internal Audit staff;
- Reduced availability of staff resources due to unanticipated audits; and
- Nature and complexity of the audit engagement.

Audit Policies and Procedures

The operation of the internal audit functions to be carried out must be consistent with:

- The Internal Audit Charter;
- The Internal Audit Manual;
- Statement of responsibilities (Job Descriptions);
- Code of Ethics of the Institute of Internal Auditors and the Internal Auditors General Code of Ethics⁵; and
- The Standards for the Professional Practice of Internal Auditing (IPPF)⁶.

Audit Control

The HIA shall check the compliance of the completed work with the standards, the conclusions and evidence to the audit findings, as well as ensure that the planned time-table is met and the time allocated for the audit is used effectively.

Personnel Management and Professional Development

In order to sustain the professional developed capacity of Internal Audit, the Head of Internal Audit establishes a programme of personnel development to include:

⁵ <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Mandatory-Guidance.aspx>

⁶ <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Mandatory-Guidance.aspx>

- Training and continuing education opportunities;
- Appraising each auditor's performance at least annually;
- Providing counsel to auditors on their performance and professional development on an on-going basis.

The HIA should ensure that there are detailed job descriptions for audit staff at each position.

10.4.9 Internal audit reporting

The internal audit unit shall produce quarterly and annual audit reports and submit them to District Council through the Executive Secretary, copy reports to the Mayor, Ministry of Interior, Auditor General, DAC and Ministry of Finance.

10.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: “What have you learnt from this session?”
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none"> • How can you apply the knowledge that you have acquired? • What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Eleven: Audit Planning and Testing Techniques

11.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated).

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen and paper, markers and flip charts.

11.2 Learning objective

To understand and apply District audit planning and testing techniques.

11.3 Learning outcomes

At the end of this session, the participants should:

- Understand the different types of audit testing techniques;
- Understand the annual planning process;
- Understand the cycle of an audit/assurance engagement; and
- Understand the use of various internal audit forms/ templates

11.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGIAM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

Parg. 11.4.1 Risk based approach

Parg. 11.4.2 Risk assessment and audit planning

Parg. 11.4.3 Overview of an audit / assurance engagement cycle

Parg. 11.4.4 Types of audits

Parg. 11.4.5 Types of audits tests

Parg. 11.4.6 Audit evidence gathering techniques

Parg. 11.4.7 Audit templates

The trainer will summarise the responses while referring to PLGIAM chapter 6.

Materials required: projector, pen and flip chart

11.4.1 Risk based approach

The Districts shall adopt a risk based audit approach and use the other audit approaches described below where appropriate to meet specific audit objectives. A risk based approach focuses on the areas of highest risk to attaining the District's objectives. Furthermore, a District internal audit unit may not have sufficient resources to carry out 100% audit of every transaction therefore the HIA has to decide how best to determine audit priorities, and where to allocate scarce resources.

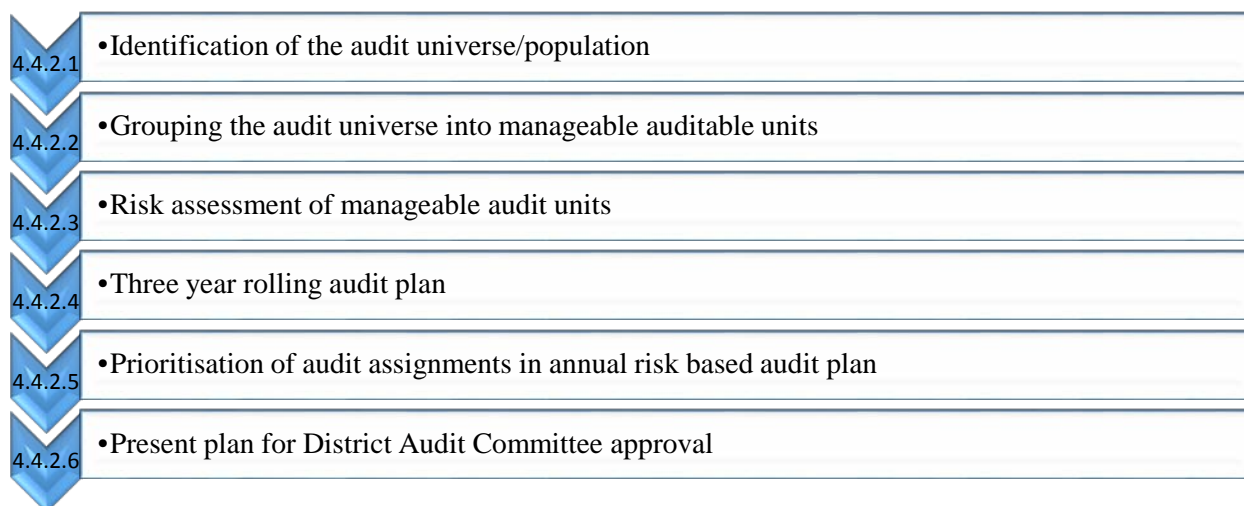
The determination of audit priorities entails carrying out an assessment of relative risk of loss or error in each audit area, and assessment of the possible value and impact of the loss/error. Those areas which are considered high risk/value must receive higher priority and an appropriate allocation of the department/unit's resources. This is called the risk based approach to internal audit.

The steps involved in the risk based approach to auditing can be summarised as follows:

- (i) Identify key risks and controls – what could go wrong;
- (ii) Prioritise the risks and controls by assessing the importance of each risk focusing on their likelihood; and
- (iii) Assess the effectiveness of the identified controls in addressing risks – assess control coverage.

11.4.2 Risk Assessment and audit planning

Below is an overview of the audit planning process:



Identification of the audit universe and grouping into manageable auditable units

Internal audit shall identify all budget lines, departments, programmes, systems, assets, resources and processes that are within internal audit potential scope. New activities, programmes and changes within the existing District or operating units which may impact the audit universe are considered.

The District management of auditable areas should be consulted. Budgets, strategic and operational plans should be reviewed to identify key District objectives.

Internal audit should then group the components of the audit universe into manageable auditable units.

Risk assessment of manageable auditable units

Each auditable unit is assessed and ranked based on its significance to the achievement of the District's objectives, its complexity in terms of ensuring that intended outcomes are achieved, and its sensitivity in terms of the public or the intended beneficiaries.

The following steps are followed to assess the risks in each auditable unit.

(i) Understanding the processes and objectives

Assessment of each auditable unit risk assessment begins with an understanding of the District and departments, units, activities or processes.

(ii) Identifying risks

The District's strategic, financial, operational, regulatory and reputational risks at both a District-wide and operational level are identified. Risks from external and internal sources are categorised using a suitable risk model.

Information on risks can be gathered through:

- Interviews of District management;
- By consulting external auditors;
- By reviewing recent audit reports;
- From planning documents such as budgets and the strategic plan;
- From the external environment; and
- From other stakeholders.

(iii) Risk analysis

- **Inherent risk assessment** - Risks are identified and assessed before considering the controls management has put place. Inherent risk should additionally be informed through use of a risk matrix, such as is included in Table 2.

Table 2: Risk Matrix

(i)	Risk factors							
	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)
Risk level	Prior audit work	Complexity	Control environment	Operating management	Changes	Sensitivity	Budget	Staff
High	> 7 years	Very high	Very weak	Low perform.	New	Front line	>25 %	>25 %
Medium	5-6 years	Medium	Weak	Limited perform.	Many	Significant	25 to 15%	25 to 15%
Low	4-3 years	Low	Moderate	Satisfactory	Some	Important	<15 %	<15 %

- **Residual risk assessment** - The controls to mitigate the risks are mapped and their effectiveness considered in determining the residual risk rating based on management’s perception and the auditor’s professional judgement.

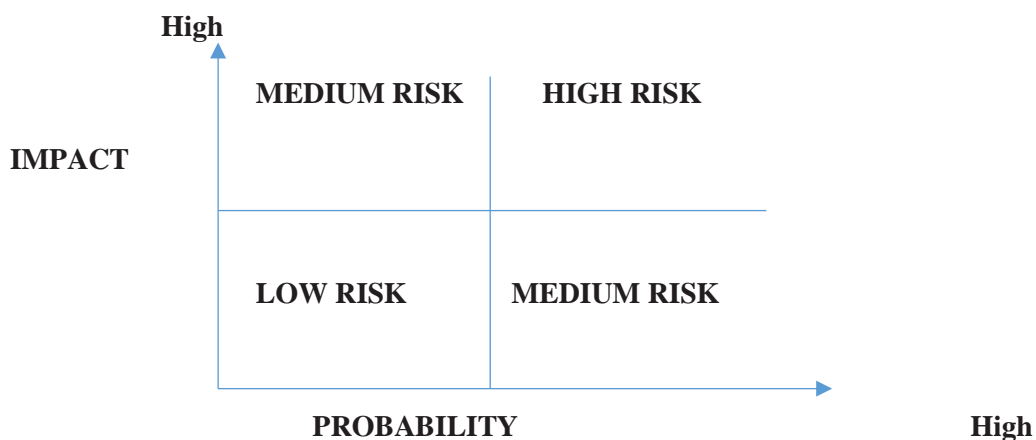
Risks shall be assessed as high, medium or low, based on the following guidance:

- **High** – There is a critical weakness in controls. Resolution would help avoid a potentially critical negative impact involving loss of material assets, reputation, critical financial information, or ability to comply with the most important laws, policies, or procedures.
- **Medium** – There is a significant weakness in controls. Resolution would help avoid a potentially significant negative impact on the unit’s assets, financial information, or ability to comply with important laws, policies, or procedures.
- **Low** – There are no material weaknesses in controls, however, enhancement of the control environment is possible. Resolution would help improve controls and avoid problems in the unit’s operations. Individual risk scores are grouped for each auditable area (process) to give the relative significance of each auditable area in the audit universe.

Residual risks need to be rated in order to rank them according to the degree of severity. Risk is assessed in terms of the likelihood or probability of an event happening, and the degree of the impact if that event happens. For the purposes of preparing the annual audit plans, risks will be rated as High, Medium or Low. If the probability or likelihood of an event happening is high and its likely impact is also high, then the overall risk would be assessed as being high. Whereas, if the likelihood is low and the impact is also

low then the overall risk of the event would be rated as low. Figure 1 below illustrates the relationship between the two factors, which determine the severity of risks.

Figure 1: Risk Rating



Three Year Rolling Plan

A rolling three year strategic audit plan shall be developed by the HIA in collaboration with management and approved by the DAC. The plan should take into account the following factors:

- (i) Existing controls;
- (ii) Expertise of management;
- (iii) Historical problems;
- (iv) Interval since the last audit review;
- (v) Conditions found during recent reviews;
- (vi) Adherence to the budget;
- (vii) Complexity of operations and technology; and
- (viii) Overall effectiveness and efficiency of operations.

Other considerations for selecting assignments include:

- (i) Audits requested by management and DAC;
- (ii) Emerging issues;
- (iii) High monetary value; and
- (iv) Follow up audit (on high risk recommendations).

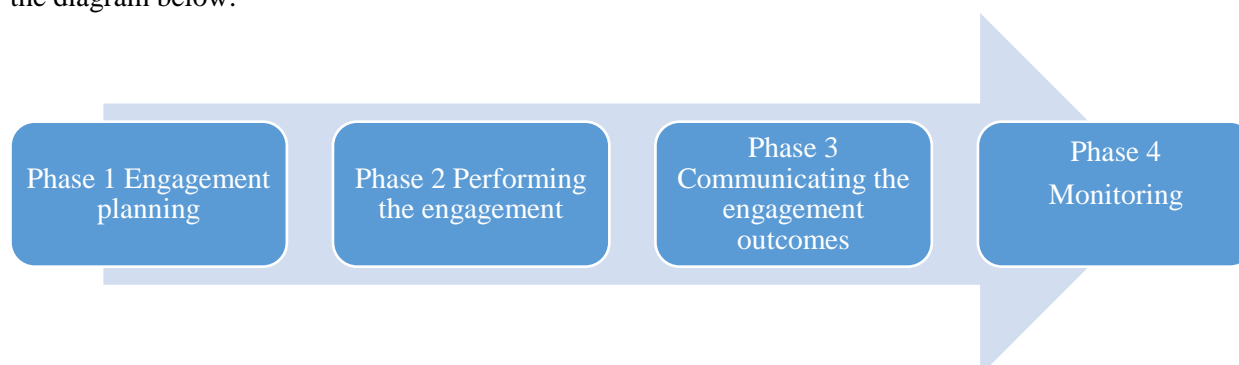
Prioritisation of audit assignments in annual risk based audit plan and presentation of plan to the DAC

Audit assignments are proposed for areas that are of high or moderate risk and that can be performed with the available resources. Carry-over assignments that are in progress and will be completed during the period of the audit plan should indicate the remaining number of man days required to complete the assignment.

Once the plan has been prepared it should be presented to the DAC for their approval.

11.4.3 Overview of an assurance engagement cycle

A well conducted assurance engagement is carried out through 4 fundamental phases as illustrated in the diagram below:



Audit engagement consists of the following four phases:

Phase 1: Risk based audit engagement planning:

- Understand the District or system's objectives and operations;
- Define audit objectives and scope;
- Select key areas of inquiry and key controls;
- Evaluate the adequacy of control design; and
- Develop audit plan and programme.

Phase 2: Performing the engagement:

- Hold opening meeting;
- Identify sources of audit evidence;
- Gather audit evidence;
- Analyse audit evidence;
- Document audit evidence;
- Form preliminary audit findings; and
- Hold exit meeting.

Phase 3: Communicating the engagement outcomes:

- Prepare and submit the draft internal audit report;
- Hold closing meeting;
- Obtain written management comments; and
- Prepare and submit the final internal audit report.

Phase 4: Internal audit monitoring

- Follow up survey and tests; and
- Report on status of implementation of required actions

Forensic, consulting and other audit assignments would follow a separate approach, but delivered in line with the principles detailed in this section.

11.4.4 Types of audits

There are various types of audits that are performed by internal auditors. They include the following:

a) Financial Audits

These audits examine the accounting and reporting of financial transactions of the District to determine the fairness, accuracy and reliability of financial data.

b) Compliance Audit

These audits determine if Districts are complying with applicable laws, regulations, policies and procedures. Recommendations usually require improvements in processes and controls used to ensure compliance with regulations.

c) Operational Audit

These are audits of key functional areas such as human resources, procurement etc. to determine if goals and objectives are being met in the most effective and efficient manner.

d) Performance (Value for Money) Audits

These are audits concerning three (3) E's: Economy; Efficiency; and Effectiveness. (a) Economy determines whether the District is acquiring, protecting, and using its resources (such as personnel, property, and space) economically, (b) Efficiency determines the causes of inefficiencies or uneconomical practices, and (c) Effectiveness determines whether the intended goals and objectives of the District are being met.

e) Information System Audits

These audits review the internal control environment of automated information processing systems and how people use these systems. The audits usually evaluate system input, output, processing controls, backup and recovery plans, system security, and computer facilities. These audits need specialised auditors.

f) Investigative Audits

These audits are performed when there is a suspicion or allegation of fraud, theft, waste, or other "improper activities within the District." Investigations involve the examination of records and interview of employees to determine if improper activities have taken place.

11.4.5 Types of audit tests

a) Walk through tests

The purpose of walk through tests is to confirm the correct recording of an accounting system and the auditor's understanding of that system and the related controls.

b) Compliance tests

Compliance tests are usually carried out at the interim audit visit and up-dated at the final visit to ensure that the whole period has been covered. The sample should be representative of the whole year's transactions.

c) Substantive tests

These tests are applied to:

- Transaction records where internal controls are weak or non-existent or where the system cannot be relied upon;
- Unusual, extraordinary or one off transactions, or transactions which are not covered by the system; and
- All assets and liabilities at the balance sheet date.

Therefore, substantive tests are usually carried out at any time during the audit but mostly concentrated at the final visit.

11.4.6 Audit evidence gathering techniques

There are various techniques which the auditor can employ in gathering evidence. The application of technique or combination thereof, are decided upon with due consideration for the type of audit assignment.

Techniques include:

- **Interviews:** face to face discussions with identified respondents;
- **Analytical reviews:** consideration of different sets of data or data over different time frames, usually to identify usual and unusual trends;;
- **Surveys:** asking selected people for their views in a structured and formal manner;
- **External confirmation:** seeking independent confirmation from external sources, for example, from vendors so as to avoid distorted internally generated information;
- **Examination:** scrutinizing, checking, inquiring and reviewing a transaction;
- **Verification:** finding out if something exists and establishing its status;
- **Reconciliation:** checking figures from one account to another and to ensure physical items correspond to the amount on record;
- **Observation:** for implicit controls e.g. behaviour or to observe actions when performing control procedures;
- **Inspection:** conducted by people who have formal expertise in the matter inspected e.g. use of experts and third party opinion;
- **Re-performance:** conducted by the internal auditor re-doing the routine and weighing the results; and
- **Vouching:** checking one record against another that should correspond with the first.

11.4.7 Audit templates

Internal audit forms are included in appendix 2 of the PLGIAM. The forms are as detailed below:

<ul style="list-style-type: none"> Form 1 - Statement of auditor's objectivity and ethics 	<ul style="list-style-type: none"> Form 14 – Engagement work program template
<ul style="list-style-type: none"> Form 2 - Audit notification letter 	<ul style="list-style-type: none"> Form 15 – Sampling template
<ul style="list-style-type: none"> Form 3 – Request for audit information 	<ul style="list-style-type: none"> Form 16 – Quality control checklist
<ul style="list-style-type: none"> Form 4 – Information request monitoring checklist 	<ul style="list-style-type: none"> Form 17– Review notes working paper
<ul style="list-style-type: none"> Form 5 – Opening meeting template 	<ul style="list-style-type: none"> Form 18 – Record of control weaknesses template
<ul style="list-style-type: none"> Form 6 – Internal control questionnaire 	<ul style="list-style-type: none"> Form 19 - Internal audit report template
<ul style="list-style-type: none"> Form 7 – Business process analysis template 	<ul style="list-style-type: none"> Form 20 – Quality control section of report pre-issuance review
<ul style="list-style-type: none"> Form 8 – understanding the IT environment template 	<ul style="list-style-type: none"> Form 21 – Example of audit opinions
<ul style="list-style-type: none"> Form 9 – Assessing IT general controls and application controls template 	<ul style="list-style-type: none"> Form 22 – Issue tracking database
<ul style="list-style-type: none"> Form 10 – Fraud risk assessment template 	<ul style="list-style-type: none"> Form 23 – DAC report template
<ul style="list-style-type: none"> Form 11 - Risk control matrix 	<ul style="list-style-type: none"> Form 24 – Work Allocation and time budget
<ul style="list-style-type: none"> Form 12 – Audit objectives and criteria template 	<ul style="list-style-type: none"> Form 25 – Resource calendar
<ul style="list-style-type: none"> Form 13 – Audit planning memorandum template 	<ul style="list-style-type: none"> .

11.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: “What have you learnt from this session?”
Application	<p>To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work):</p> <ul style="list-style-type: none"> How can you apply the knowledge that you have acquired? What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

Session Twelve: Organisation and functions of District Audit Committees

12.1 Introduction

The trainer starts by asking the participants to introduce themselves individually. They should state their names, their places of work and the reasons why they have come to attend the course (if already done not required to be repeated).

The trainer then asks the participants to state their expectations from this session. The expectations should be written on a flipchart and displayed on a notice board or wall after which the trainer presents the learning objectives and intended learning outcomes.

Materials required: pen, papers, markers and flip charts.

12.2 Learning objective:

To understand the role and composition of the District Audit Committee (DAC).

12.3 Learning outcomes:

At the end of this session, the participants should be able to:

At the end of this session, the participants should:

- Understand the District Audit Committee charter and its importance; and
- Understand the roles and responsibilities of District Audit Committees.

12.4 Training method

The trainer will apply a facilitator led discussion or presentation to highlight key areas in PLGACM listed below - details/notes provided further below. Participants should be encouraged to participate and invited to contribute to discussions relating to the following key areas:

Parg. 12.4.1 What is the DAC?

Parg. 12.4.2 Legal framework

Parg. 12.4.3 Functions of the DAC

Parg. 12.4.4 DAC charter

Parg. 12.4.5 Functions of the DAC Chairperson

Parg. 12.4.6 DAC Secretariat

Parg. 12.4.7 Functions of the DAC Secretariat

Parg. 12.4.8 Principles for effective working of a DAC

Parg. 12.4.9 Other recommended good practice for a successful DAC

Parg. 12.4.10 DAC relationship with Executive Secretary, DAF, HIA and HoDs

The trainer will summarise the responses while referring to PLGACM chapter 1 and 2.

Materials required: projector, pen and flip charts.

12.4.1 What is the DAC?

The DAC is a specialist and independent oversight body of a District designed to improve the District's overall governance framework. In a District Council, the Audit Committee plays an advisory role as provided for in Chapter 11 of the Puntland Local Government Finance Policy (2016).

12.4.2 Legal Framework

The DAC is provided for in Chapter 11 of the Puntland Local Government Finance Policy (2016). It states that the DAC shall play an advisory role and generally help in achieving the following:

- Improved accountability;
- Strengthening the internal control environment; and
- Supporting District Councils and/or Executive Secretary to fulfil their stewardship, leadership and funds control responsibilities.

12.4.3 Functions of the DAC

a) Internal control oversight

The DAC will generally be responsible for reviewing the adequacy of the District's internal control environment to provide assurance that the District's key controls are designed appropriately and are operating as intended. In fulfilling this responsibility the DAC will obtain information from management and also from internal and external audit on the design and operation of key financial controls and assurance processes.

To do this effectively, DAC members are expected to have a good understanding of the District's internal control framework, including its internal policies or equivalent, and mechanisms in place to periodically assess compliance with the District's financial management responsibilities.

b) Financial reporting oversight

The DAC's reporting oversight responsibilities include but are not limited to:

- (i) Obtaining assurance from management that the financial statements comply with all prescribed accounting requirements, regulations and are materially correct prior to recommending the financial statements for certification by the accountable officer;
- (ii) Assessing the appropriateness of the District's internal accounting policies;
- (iii) Assessing the process used by management in making material estimates and judgments in financial reports, for example, writing-off bad debts;
- (iv) Identifying and actively assessing any unusual financial or operational trends or variations from forecasts;
- (v) Reviewing the impact of any materially adverse audit findings on the integrity of the District's financial statements; and
- (vi) Performing other due care and diligence processes, including whether the statements are complete and operationally accurate and provide a 'true and fair view' of the activities of the District for the period under review and the state of its affairs at balance date, and with particular consideration for the various notes and other disclosures that complement the statements, including any performance indicators.

c) Internal audit oversight

The key role of internal audit is to provide greater assurance to the Executive Secretary, management and the DAC that a District's internal controls and governance systems are effective, efficient and economical and that its operations are performed properly.

In general, the DAC should assume the following responsibilities in relation to the internal audit function:

- (i) Act as a forum for communication between the Executive Secretary, senior management and internal and external audit;
- (ii) Review internal audit coverage and ensure the internal audit plan is aligned with the District's risks;
- (iii) Advise the Executive Secretary on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- (iv) Review all audit reports and provide advice to the Executive Secretary on significant issues identified and action to be taken on issues raised that are relevant to the District, including the identification and dissemination of good practice;
- (v) Monitor management's implementation of internal audit recommendations;
- (vi) Review the internal audit charter to ensure appropriate authority, access and reporting arrangements are in place; and
- (vii) Periodically review the performance of internal audit.

d) External audit oversight

The DAC's responsibility to the external audit process include:

- (i) Acting as a forum for communication between the Executive Secretary, senior management and external auditors;
- (ii) Liaising with external auditors regarding the progress of the audit and monitoring issues that may impact on the external audit's ability to complete the audit within agreed timeframes;
- (iii) Reviewing all external audit reports in respect of planned or completed audits and monitoring management implementation of audit recommendations; and
- (iv) Providing advice to the Executive Secretary on action to be taken on significant issues raised through external audits, cross-institutional reports, or better practice guides.

e) Compliance oversight

The DAC should oversee compliance matters beyond those relating to the integrity of published financial information. Whilst the DAC's charter determines the extent to which the DAC needs to consider legislative compliance, non-financial areas of possible legislative compliance can include the District's enabling legislation, environmental laws, code of ethics, occupational health and safety.

In general, the DAC should consider the following responsibilities in relation to compliance:

- (i) Review the system for monitoring compliance with laws and regulations and the results of the management's investigation and follow-up on any fraudulent acts or accounting irregularities;
- (i) Obtain regular updates from management regarding compliance;
- (ii) Assess whether all regulatory compliance matters have been considered in the preparation of the financial statements;
- (iii) Review the findings of any examinations by regulatory/inspection agencies; and

- (iv) Review any steps taken by the management to establish, implement and monitor a formal written code of conduct/ customer charters.

f) DAC's other responsibilities

Other responsibilities of DAC include the review of overall District's governance arrangements/issues which include the following:

- (i) District has appropriate mechanisms in place to review and implement projects;
- (ii) District has a performance management framework that is linked to its objectives and outcomes; and
- (iii) District management has in place appropriate processes to develop performance indicators and procedures to report against them in its annual report.

In order to discharge effectively its roles and responsibilities, the DAC needs to have a District Audit Committee charter as well as a clear understanding of its roles and responsibilities. The key responsibility of the DAC falls in the functional areas of internal control, financial reporting, internal and external audit, compliance and other governance arrangements of the District Council.

12.4.4 The DAC charter

Before the DAC commences its duties and functions, it must prepare its terms of reference (also known as DAC charter). The DAC charter provides the mandate, scope and guidance for the overall functioning of the DAC.

(Refer to PLGACM table 1: District Audit Committee charter template)

12.4.5 Functions of the DAC Chairperson

The Chairperson plays a pivotal role in the effective functioning of any committee, with particular responsibilities to set the tone and direction of a committee's deliberations.

The Chairperson of the DAC is the most important appointee. The DAC Chairperson needs to have expertise and experience in governance and to bring personal qualities and independence to the role that will openly and effectively involve all those the DAC needs to work with.

The DAC Chairperson's responsibilities will generally be to:

- (i) Assist DAC members to maintain a good understanding of the District's objectives, operational needs, risks and priorities;
- (ii) Settle the agenda for each meeting with the Committee Secretariat;
- (iii) Lead discussion and encourage the participation of other members, and focus the DAC's deliberations on the most important issues;
- (iv) Seek the input of observers or other experts to maximise their contribution to the deliberations of the DAC;
- (v) Summarise discussion outcomes and actions, including assigning responsibility and timeframes for actions;
- (vi) Report formally and informally to the Executive Secretary;
- (vii) Attend formal and informal meetings with senior management, the DAF, the internal auditor and external auditors as may be required;
- (viii) Sign/approve DAC minutes, and quarterly and annual DAC reports;
- (ix) Ensure quarterly DAC reports are submitted in a timely to the relevant authorities (within 15 days after the meeting); and

- (x) Arrange for a periodic review of the effectiveness of the DAC against its charter.

To be effective, it is important that the DAC operates in an environment of cooperation and trust. This is generally achieved when the DAC Chairperson promotes an open and cooperative relationship with senior management, other District committees, and the internal and external auditors.

12.4.6 The DAC Secretariat

The internal audit department shall be the DAC Secretariat and shall be available to record and produce necessary documents for the DAC.

12.4.7 Functions of the DAC Secretariat

Effective functioning of the DAC Chairperson is largely obtained through the support of effective Secretariat arrangements. It is expected that the Secretariat works closely with the DAC Chairperson and secretary to assist in ensuring that:

- (i) All DAC papers are of an appropriate standard and are available to DAC members sufficiently in advance of meetings to allow members appropriate timeframes for review and consideration;
- (ii) Minutes for meetings are properly and systematically documented and maintained; and
- (iii) Members are kept abreast of key developments in the District.

The responsibilities of the DAC Secretariat are:

- (i) Liaising with the DAC Chairperson to prepare meeting agendas and the DAC action plan;
- (ii) Coordinating the preparation and circulation of DAC papers (with invitation letters) to DAC members within agreed timeframes;
- (iii) Preparing minutes of DAC meetings, including action points arising from meetings and details of actions to be undertaken by management;
- (iv) Supporting the DAC Chairperson in the preparation of DAC reports for submission to the Executive Secretary with copies to relevant officials or entities specified in the laws and regulations;
- (v) Maintaining a record of when members' terms of appointment are due for renewal or termination;
- (vi) Ensuring that new members receive appropriate induction training, and that all members are supported in identifying and participating in on-going training; and
- (vii) Managing expenditures relating to the DAC's operations.

The Secretariat also has an important role in assisting the DAC to maintain communication channels between the internal and external auditors and to assist the DAC in keeping the Executive Secretary informed of the DAC's activities.

The Secretariat can also assist the DAC by providing members with progress reports for internal and external audit, as outlined below:

- (i) A progress report from the District's internal auditor summarising:
 - Work performed (and a comparison with work planned);
 - Key issues emerging from internal audit work;
 - Management responses to audit recommendations; and
 - Any resourcing issues affecting the delivery of internal audit.
- (ii) A report from external audit summarising work done, financial statements, performance audits, cross-institutional audits, better practice guides and emerging findings.

12.4.8 Principles for the effective working of a DAC

There are four key principles for ensuring the effective working of a DAC:

- (i) **Independence:** most of the members of a DAC need to be independent of the management team;
- (ii) **Competence:** Members need to have relevant expertise and experience. The personal qualities, skills, experience in governance and independence of the Chairperson are important;
- (iii) **Clarity of purpose:** A DAC needs to be clear about its mandate, purpose, and role in the organisation and within the governance structure as a whole; and
- (iv) **Open and effective relationship:** A DAC needs to encourage open and transparent communication and effective ways of working with its stakeholders.

12.4.9 Other recommended good practice for a successful DAC

- (i) The Chairperson being responsible for setting and approving the agenda, which would have been prepared with senior staff;
- (ii) The Chairperson and the HIA scheduling meetings regularly, outside DAC meetings;
- (iii) The DAC ensuring that requests it makes of management are reasonable and cost-effective to implement; and
- (iv) The DAC members shall observe the code of ethics provided in the Local Government Human Resources guidelines.

12.4.10 DAC relationship with the ES, DAF and external auditor

a) Executive Secretary

The Executive Secretary has a key role in supporting the effectiveness of the DAC. The relationship between the DAC and the Executive Secretary may include:

- DAC meetings with the Executive Secretary, to share strategic issues that have impact on the District;
- The DAC Chairperson arranging formal and informal meetings with the Executive Secretary before and / or after each DAC meeting to discuss key issues; and
- The DAC Chairperson meeting the Executive Secretary at the end of the year to discuss performance and achievements of the audit committee.

b) DAF

There should be open and effective relationships between the DAC and the DAF as one of the DAC's roles is financial reporting oversight.

- The DAF presents the financial reports as well as having face to face discussions with the members of the DAC regarding financial reporting and other related matters, for example, challenges encountered in the preparation of financial reports of the District; timings and timetable for preparing financial statements; and
- The DAF may arrange formal and/or informal meetings to discuss issues relating to financial reporting for the benefit of the District.

c) HIA

- The relationship between the DAC and the HIA should be bilateral and symbiotic; and

- The head of internal audit should present internal audit reports as well as matters relating to improving effectiveness of the internal audit function in the District.

d) External auditors

- The external auditor should normally be invited as an “observer” in the DAC meetings on an on-going basis, for instance, giving technical advice on matters relating to external audit but should not be allowed to vote; and
- The DAC Chairperson may arrange both informal and formal meetings with the external auditor to discuss matters geared towards improving the District’s functions.

e) Heads of Departments

Heads of Departments, being part of management, are responsible for the establishment of the whole system of internal controls. The DAC has the responsibility of advising management on matters of internal control.

12.5 Evaluating learning outcomes

Evaluating Learning outcomes	
Lessons learnt	To evaluate the achievement of the session objectives, the trainer asks the participants the following question: “What have you learnt from this session?”
Application	To help the participants focus on how they might use the information and knowledge gained from this session, the trainer asks the participants to reflect on the following questions (consider general discussions or group work): <ul style="list-style-type: none"> • How can you apply the knowledge that you have acquired? • What will you do differently when you go back to your work place?
Summary	The trainer will conclude the session by summarising the main issues covered during the session.

