

Report on the UNDP Training LGS Workshop on Public Financial Management for the 5 Pilot States 25th -29th June 2018 ,Koror, Palau

Background

The Government of Palau strongly recognizes the challenges and the need to strengthen capacities at local State Government level, especially since the government recognized the importance of Agenda 2030 and the need to localize the SDGs, in a phased approach with central government agencies remaining at the core of planning, budgeting, implementation and monitoring of service delivery. In early 2016, Palau Government requested technical assistance from UNDP to conduct a local governance needs assessment. UNDP conducted an assessment mission in February 2016 to gauge the current local government systems, capacity and needs to form a basis for local governance programming. The assessment outlined a number of challenges at local level and the current substantive fiscal policy, human resource and financial capacity gap at local government level to effectively progress towards sustainable development at local levels.

The Palau Local Governance Strengthening Project was launched in early October 2016 to provide support to the Government of Palau and State Governments in four states to strengthen capacities at both national and sub-national levels based on the capacity issues identified in the initial assessment conducted in February 2016. The Project has three key outputs: Output 1: Pilot States (Executive and Legislative branches) have enhanced capacities to plan and manage public resources to deliver basic services to their constituencies Output 2: The Ministry of State (Bureau of Domestic Affairs) has enhanced capacities to support State governments and facilitates relations and operations between central administrations, the Senate, the House of Delegates and State governments. Output 3: Local residents from Pilot States, including youth and women, have increased understanding of central and local governments' roles and responsibilities and participate more actively in local decision making and oversight

Main Objective of the PFM Workshop

The main objective of the PFM workshop is to ensure that state government staff understand the best practices relating to the key business processes that they are involved in on a daily basis.

Agenda

The agenda was informed by the operational and training needs assessment which was conducted prior to the training during the week of 18th -22nd of June 2018. The agenda for the work shop was based on expectations analysis on the first day of the training.

Time	Day 1	Day 2	Day 3	Day 4	Day 5
1:00pm – 2:00pm	Opening and Welcoming	Budgeting	Procurement	Revenue Management	Travel and Subsistence
2:00pm – 3:00pm	Overview of the Training Local Government and Accountability	Budgeting	Procurement	Revenue Management	Accounting Procedures and Preparation of Financial Statements
3:00pm – 4:00pm	Presentation by the Public Auditor	Internal Controls	Expenditure Management	Fixed Asset Management	Ethics
4:00 pm – 5:00pm	Discussion and Q&A	Procurement	Expenditure Management-Q&A	Fixed Asset Management Q&A	Q&A

Date and Venue

The workshop took place from 25th to 29th of June 2018. The training venue for the workshop was at the VIP guest hotel in the capital of Koror.

Training team

The team consisted of Henry McGregor the PFM expert Mrs Tarita Holm, project coordinator for the UNDP , Ruth Wong, the local PFM consultant who is a retired treasury official.

Gender Analysis

The participants were financial and administrative staff from the five pilot states, from:

- Aimeliik
- Hatohobei
- Kayangel
- Melekeok
- Ngerlengui

In total 25 participants were present throughout the week, the gender profile for the workshop were 20 female and 5 male participants. This included 1 member from the community of Melekeok.

Opening Remarks by Minister of Finance

The meeting was opened by Mr Elbuchel Sadang, the Minister of Finance of Palau. The minister emphasised the importance of good financial management with the view on achieving favourable audit outcomes through audit by the Public Auditor. He mentioned that Standard Operating Procedures (sop's) across states are critical to have uniform practices.

Mrs Eunice Akiwo , Director for the Bureau of Domestic Affairs. She explained the background of the programme as well as the planned activities. She encouraged the participants to actively participate and to give their full attention to the training. She also thanked UNDP for all their support.

Workshop Proceedings

Day 1 proceeded with the Public Auditors representative, Genesis Roberto giving an overview of the office ,the type of audits conducted, and the current status of the audits performed by the office. The latest audited results were for Hatohobei for the 2014/2015 year.

Henry subsequently introduced himself and an gave an overview of the agenda. The training then commenced with an ice breaker, each participant was asked to introduce themselves and to state their expectations for the week, the facilitator (Henry) the pointed out in which session the expectations will be met and where appropriate amended the agenda to include the item if not already addressed. There was an emphasis on procurement and it appeared more time would be spent on this as this is a major part of the work that state governments do. A few participants also wanted to know more about budgeting.

The discussion proceeded with defining accountability and the roles and responsibilities of each staff member. Linking organisational accountability to Individual accountability. A quick survey of job descriptions was also done asking the participants, if they know what is expected of them and whether the job description is formalised. Three aspects of accountability were discussed – roles and responsibilities, performance orientation and reporting and discloser. Melekeok indicated that they have recently undertaken an exercise to define the roles and responsibilities.

What followed was a case study describing a fictitious state government and a accountant that goes on sick leave. The resulting effect on the municipality was that waste removal did not take place. Based on this case study participants were asked to draw their organisational chart for their state government and indicate who is accountable to who and where in the case study the accountability chain broke down, various answers were given, and good debates were put forward by the different state governments. The exercise was good to allow participants to think about how their jobs fit in with the broader accountability framework of public financial management. There was a clear misunderstanding of the role of the senior leadership and what is expected from them.

Day 2 started off with a discussion on basic internal controls such as record keeping, segregation of duties, safe keeping of assets and documentation. Controls over accounting, budgeting and procurement was also mentioned and discussed at a broad level. The COSO framework was discussed to the extent applicable focusing on record keeping. The participants were tasked with drawing their organisational chart and identifying what type of documents they produce, indicating how they archive the documents, the teams were also tasked with writing their job descriptions. Most of the job descriptions dealt with procurement of goods and services. The teams presented their assignments, and it was clear from the presentation that segregation of duties was not respected. A discussion followed on the importance of segregation of duties -approval, authorisations, certification and recording cannot be done by the same individual. The need for record keeping and ideas on how adequate record keeping could be achieved were shared amongst states through discussion. The job descriptions formed the basis of the SOP's presented on Day 3.

The presentation that followed discussed budgeting at a state government level. A discussion followed on their role in budgeting through discussing the different stages of budgeting preparation, planning, approval, execution and reporting. Most participants were only involved in the execution phase. The importance of community involvement during the planning and reporting phase was discussed, budget calendars and traditional vs performance budgeting.

Day 3 commenced with a presentation of procurement at a local government level. Best practice in procurement were discussed and typical procurement methods such as informal -3 quote systems, formal procedures and petty cash transactions. The discussion was then lead by the BDA staff who presented the procurement system at a national level they also presented their forms used during the procurement process. The states agreed that the forms for national government can be implemented at state level with minor modifications. The participants were also asked to present their systems and explain the forms they use in the process, the states critiqued each other's systems and documents and made suggestions on how they can improve. Some states had a few forms and promised to implement the forms from national government or to develop their own forms.

The session was summarised in plenary the facilitator stressed the importance of segregation of duties.

On Day 4 the facilitator presented a "model" procurement system to the states based on the previous day's activities. The states reviewed the documents and recommended improvement. They also added names to the different tasks while respecting the segregation of duties. The accounting responsibilities were separated from procurement and discussed in more detail. The states appreciated the documents.

The discussion then moved to Revenue, different types of revenues were discussed, Henry presented an SOP and the teams started amending and customising it for the local environment.

On Day 5 the Public Auditor's office joined the discussion to facilitate the accounting and reporting aspect of the agenda. A list of documents required for audit was discussed to ensure audit readiness. Furthermore, month end and year end procedures were discussed with the teams to ensure that they understood what will be expected when an audit is conducted. Fixed asset management and travel allowances were also briefly discussed.

A brief discussion on ethics followed the participants watched a video on the differences between ethical and legal accountability. Values and principles were discussed, the teams were tasked with identifying 5 values that they regard as important in the work place. Respect, honesty and integrity were the most common.

Director Akiwo then closed the meeting thanking all staff for their lively participation and

Lessons learnt

The following lessons were learnt during the workshop:

- Procedures are not formalised at a state level
- There is very little understanding from the staff on their roles and responsibilities as they do not have job descriptions
- Staff do not have employment contracts as a result they could be replaced at the discretion of the Governor, at any time this creates a problem within the accountability framework.
- There are handover issues from old to new governor this includes continuity of staff employment and basic operational procedures and loss of institutional memory.
- The Palauan staff were very proactive in their participation during the workshop ,they enjoy practical exercises as opposed to more formal presentations. They were very open to sharing their practices with the facilitator and with other states.
- The staff have a genuine interest in doing things right and to comply with the law or procedures that are formalised. The SOP's that are developed will definitely assist the staff.
- There is a misunderstanding on what a formal procurement process entails.
- Very few staff members within the finance teams have access to quick books (the accounting software) or know the basic functionalities of quick books. For example, printing financial statements or viewing available funds for each budget code.
- There are no disaster recovery plans ,and no data back-up procedures in place.

- Quick books are loaded on individuals' laptops in some cases ,data are transferred using memory sticks. This is a huge risk for data security.
- States need to work together and have more opportunities to meet and share knowledge

Recommendation for future Interventions

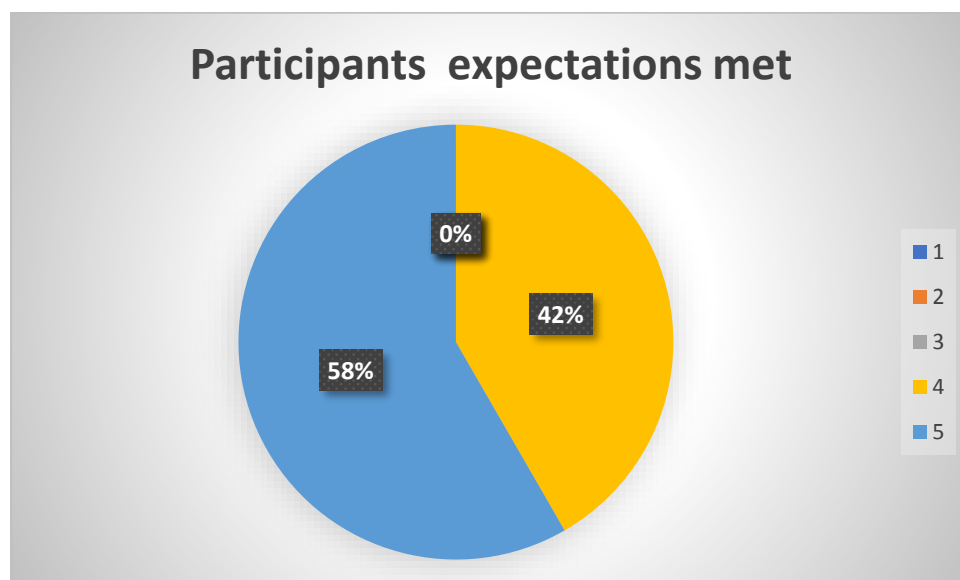
- Include more practical exercises in future engagements in any workshops held under the LGS Programme.
- Local resource persons for example Ruth Wong could be a key person to engage in future programmes to strengthen local government finance. She has good knowledge of the local situation and have experience with the processes within the national government.
- There is a need to have a workshop on budgeting which should include Governors and state level staff.
- There is a need for governance, ethics , leadership and strategic planning workshop.
- A key indication from the staff is to have ethics training for government leaders.
- It security and data back up plans need to be developed and more broader IT governance.

Evaluation Results

An evaluation form for the workshop was distributed. The following questions included in the evaluation form:

1. What were your expectations and were those expectations met? Rate 1-5
2. Have you acquired new knowledge? Rate 1-5
3. Were the contents of practical use and related to the work you do? Rate 1-5
4. Rate the facilitators knowledge and facilitation skills , Rate 1-5
5. Which areas could be addressed in future? Rate 1-5
6. What other aspects should be considered when developing the SOP's? What would you like it to contain?
7. General comments?

Question number 1: What were your expectations and were those expectations met?



The majority of the participants indicated that their expectations were met 42 percent rated the question a 4 and 58 percent rated the question a 5.

Not all participants indicated their expectations, but the following are excerpts from responses received:

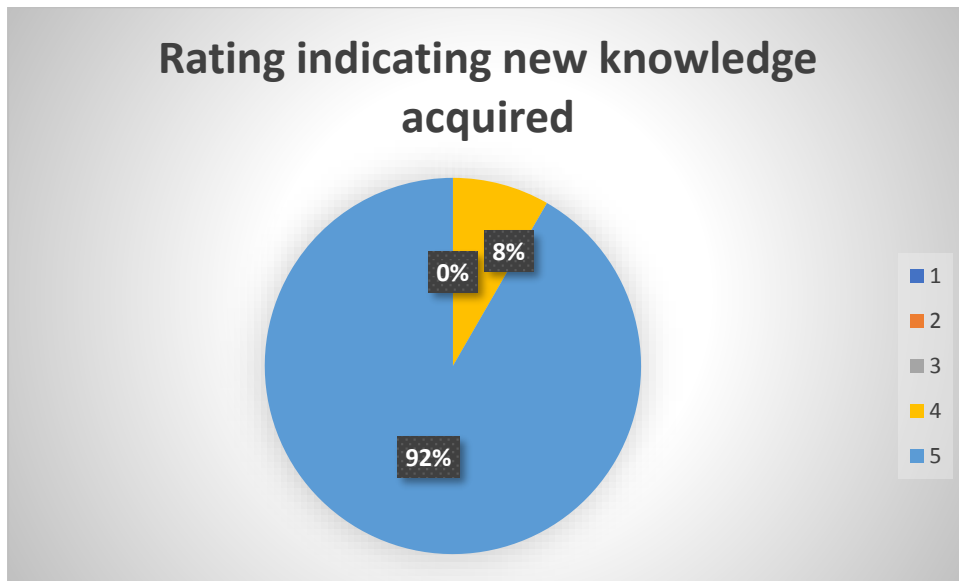
"my expectations were to learn more on planning and budgeting. I learned more than expected"

"Organisation ,procurement process ,ethics"

"my expectation was to know more about the process and do's and don'ts in managing /handling public funds"

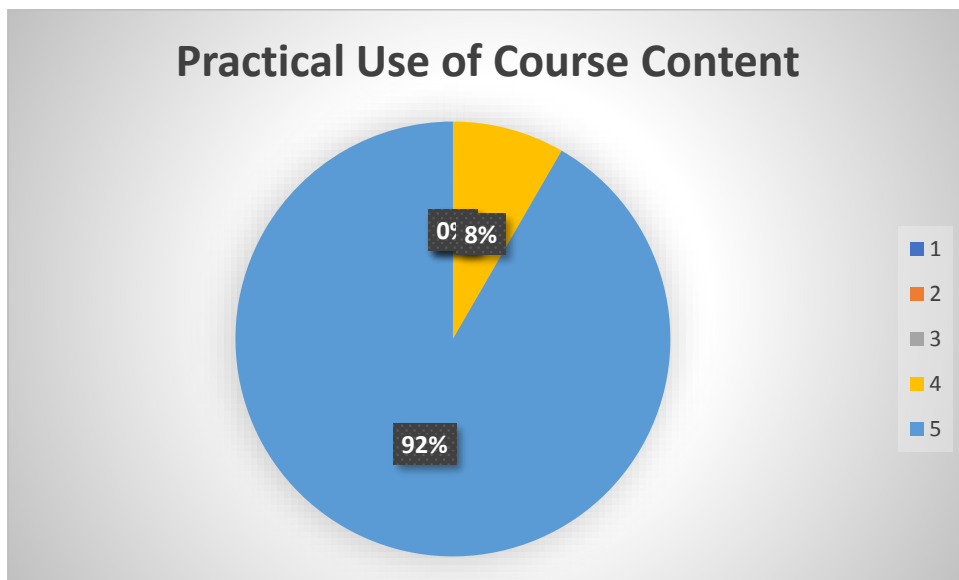
"The workshop met my expectations and more. This workshop on SOP's and policies to regulate has moved us towards a clearer direction of management"

2. Have you acquired new knowledge? Rate 1-5



Majority (92 percent) of the participants indicated that they have acquired new knowledge and rated a 5.

3. Were the contents of practical use and related to the work you do ? Rate 1-5



On the practical use and whether the content covered is related to the work state governments do the majority scored a 5 (92 percent) and a 4 (8 percent).

4. Rate the facilitators knowledge and facilitation skills , Rate 1-5

All the participants rated this question a 5.

5. Which areas could be addressed in future?

The following responses were received for this question:

-Deposit (banking policy)

-Employee performance evaluations

-Clarrification of the leaders (governors and legislators) role in public financial management, concern expressed of the leaders influence over staff.

- Filling for state legislators

-Code of Ethics Budget law

-Explore the mindset of Governors and legislature to work together forming SOP's and regulations

-New government transition policy

-Team work between managing bodies and accountants

-Complete set of SOP's

6. What aspects should be considered when developing SOP's ?What would you like it to contain ?

The following responses were obtained:

Transparency for the managing bodies to have access to the accountant's work -Read only rights

Major responsibilities and accountabilities

Personell hiring ,Dress coded ,Punctuality ,Record keeping

Inputs from the community to have a sense of ownership

Ethics and documentation

Transition Policy for outgoing and incoming governors

Ethics

Deposit policy

Performance evaluations

7. General comments

The following general comments were obtained from the participants:

“I have worked off island I think we need to have the SOP’s ,Disaster Plans, most importantly a code of ethics ,I am thankful that Aimeliik is one of the pilot states to address these “

“ I found the workshop very educating ,I can’t wait for another”

“The overall workshop was excellent, and I have gained more knowledge and understood my field and my responsibility”

“for me ,it was really good helped me to widen my knowledge about how government works”

“ We hope the 5 states will continue to work together for common understanding and practices, and to continue to enlist participants of the remaining 11 states to work together for the benefit of our citizens”

“the workshop should have included PAN ,executive ,legislature and all managers”

“Great hope there will be more workshop like this”

Annex 1: List of participants

	Name and Surname	Male/Female	State	Position
1.	Fae Gibson	Female	Melekeok	Accountant Assistant
2.	Ray Orgino	Male	Melekeok	
3.	Omar Faustino	Male	Melekeok	Programme Manager PAN
4.	Noe Yalap	Male	Melekeok	Accountant
5.	Jennifer Emywo	Female	Ngeremlengui	Accountant
6.	Amelia Franz	Female	Ngeremlengui	Treasurer
7.	Katsumi Abia	Female	Ngeremlengui	Assistant Accountant
8.	Kyle Franz	Male	Ngeremlengui	Legislature Admin
9.	Glenda Rechelied	Female	Ngeremlengui	Legislature
10.	Christine Nakamura	Female	Aimeliik	Legislature Department Clerk
11.	Mercy Simmer	Female	Aimeliik	Accountant
12.	Sherry Koshiba	Female	Aimeliik	Admin Officer
13.	Jennine Geraldio	Female	Kayangel	Assistant Accountant
14.	Loirainne Bandarii	Female	Kayangel	Legislature Department Clerk
15.	Jane Reconose	Female	Kayangel	Accountant
16.	Gracia Sabadoquia	Female	Hatohobei	Admin Officer
17.	Lina Kintoki	Female	Hatohobei	Legislature
18.	Abraham	Male	BDA	
19.	Loi Kingto	Female	BDA	
20.	Eunice Akiwo	Female	BDA	
21.	Tarita Holm	Female	UNDP	
22.	Ruth Wong	Female	Local Consultant	
23.	Rhealyn Pojas	Female	Journalist /Island times	
24.	Souang Tellei	Female	Community Melekeok	
25.	Lulu Masayos	Female	Kayangel	Legislature Admin