



**Lebanese Association of Certified Public Accountants**



**LACPA 21<sup>st</sup> International Congress**

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# Significance of Governance in Municipalities and Non- Profit Organizations

**Sustainability through Governance**  
**#National\_Interest**

# Tone at the Top - #1



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# Tone at the Top - #1

- The concept of tone at the top originated in audit firms.
- It was strongly emphasized in the Sarbanes-Oxley Act of 2002 as important in the prevention and detection of fraud and other unethical financial practices.
- The tone at the top is often considered to permeate an entire organization, and good tone at the top is considered a prerequisite for solid corporate governance

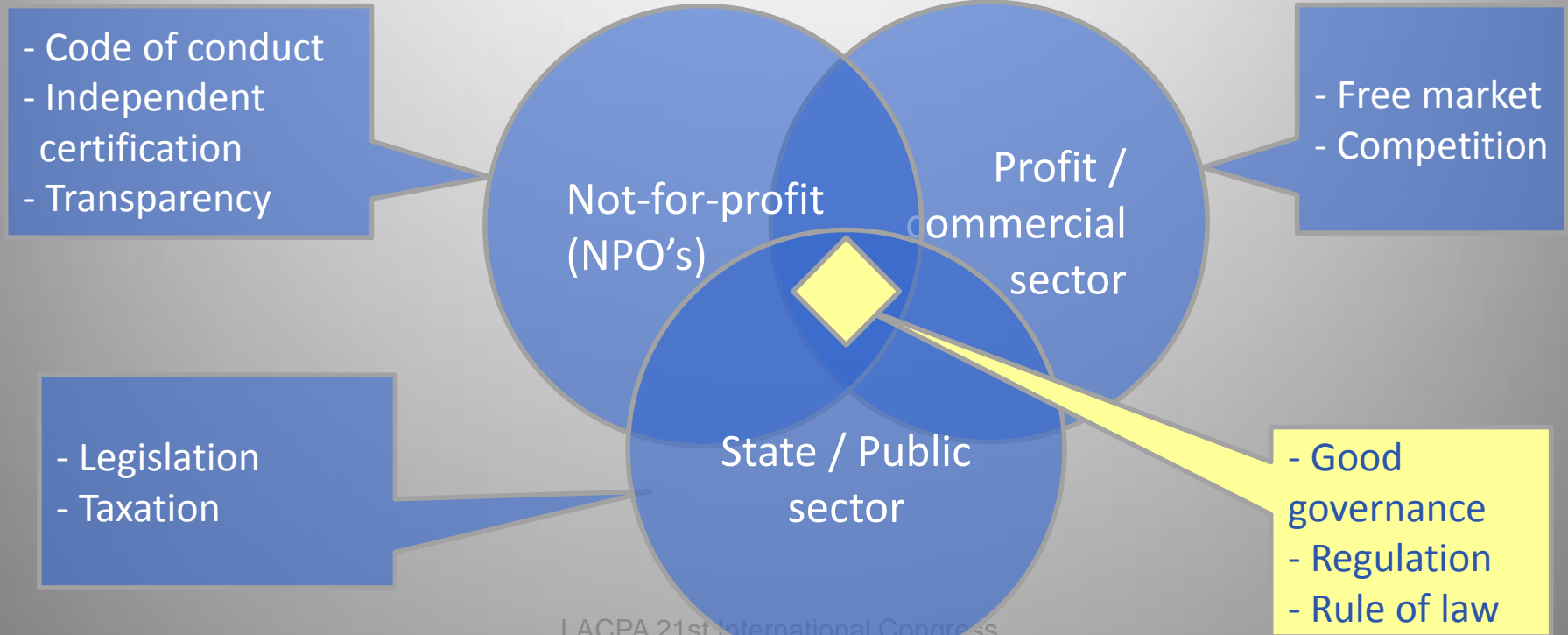
# Good Governance



# Good Governance



# Good Governance



# The “ARC” Principle

## Authorization

- General authorization
- Specific authorization

## Recording

- Preparing source documents
- Maintaining journals, ledgers
- Preparing reports

## Reconciliation

## Custody

- Handling cash, inventories, fixed assets
- Writing and receiving checks

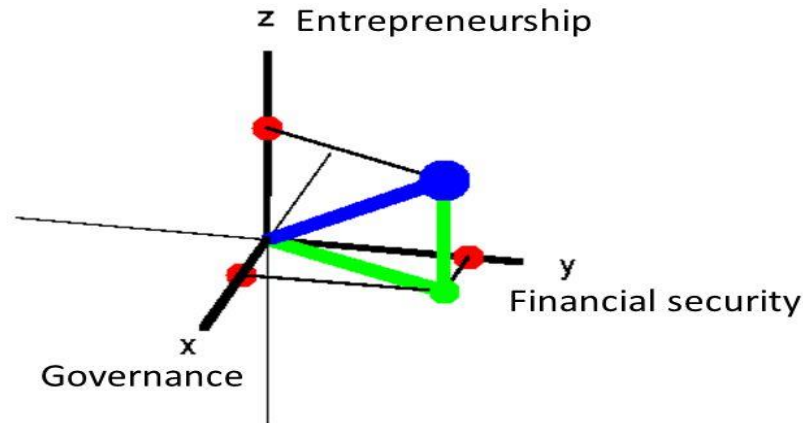
# Main Risky Areas

- In many municipalities and non-profit organizations, cash transactions are a major element and a high-risk area.
- The controls over the receipt, banking, payment and authorization of cash must be strong, as there is a risk of misusing the funds entrusted by the public/donors.



# Non-Profit Organizations Governance

Three Dimensions  
to characterize NPOs



# Example of Governance in Municipalities

- In Limpopo, South Africa, MPAC simply refers to the Municipal Public Accounts Committee. It is the Committee established to hold the Mayoral Executive Council accountable for the use of public resources. The idea is to promote transparency, accountability, good governance, effective financial management, and quality service delivery at municipalities.
- It is also essential that MPAC Councillors represent a wide range of experience, expertise, political affiliation, and gender equity.
- MPACs should therefore be established in order to achieve, amongst others the following:
  - Strengthen oversight and accountability,
  - Improve compliance to legislations,
  - Eliminate element of fraud, corruption and maladministration,
  - Promote transparency and good governance,
  - Deliver quality service to the people, and
  - Promote effective, efficient and economically (EEEs) sound systems for financial control and management.

# Cooperation between Municipalities and Non-Profit Organizations (NPOs)

- Municipalities and NPOs can benefit from each others to bring benefits to the community
- Wealthy municipalities can support NPOs that need contributions
- NPOs can support municipalities to achieve a certain social project

# SDGs - UNDP Role

- The Sustainable Development Goals “SDGs” work in the spirit of partnership and pragmatism to make the right choices now to improve life, in a sustainable way, for future generations.
- They provide clear guidelines and targets for all countries to adopt in accordance with their own priorities and the environmental challenges of the world at large.
- The SDGs are an inclusive agenda. They tackle the root causes of poverty and unite us together to make a positive change for both people and planet.

# Municipalities Models to Follow

- Seoul
- Prague
- Singapore
- Madrid

# Accounting Standards

- The International Public Sector Accounting Standards Board<sup>®</sup> (IPSASB<sup>®</sup>) works to improve public sector financial reporting worldwide through the development of IPSAS<sup>®</sup>, international accrual-based accounting standards, for use by governments and other public sector entities around the world.

# Role of the Auditor

- Audits can be performed/required by:
  - State agencies (e.g. Ministry of Interior)
  - Donors
  - Independent auditors

# Role of the Auditor

## Different Types of Audits

- Financial
  - Fair presentation in conformance with Accounting Standards
- Attestation Engagements
  - May be financial or non-financial
  - Assertion about a matter and reporting thereon
- Performance Audits
  - Systematic examination that assesses performance of management and organizations toward meeting objectives; Aims are to improve programs (Effectiveness and Efficiency)
  - Service Efforts and Accomplishments Trend



# Added Value by Independent Auditors

- Auditors will suggest ways to improve existing controls and specific measures to implement.
- Auditors will protect donors and public interests
- Auditors will identify risk mitigation opportunities
- Auditors will ensure the implementation of early warning systems
- Auditors will help in cost reduction
- Auditors increase the trust in the audited entity, resulting in higher donations



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