

Internal Audit Training for Saccos

The joint internal audit training/workshop for Saccos is an assignment within the framework of project 17at-7036, Governance and leadership - East Africa. The Agriterra business advisor responsible for this assignment is Henry Mpanga

BACKGROUND- (training and for participating Saccos)

In August 2016, a mission intended to induct a new internal auditor (then) for Rukiga Sacco was carried out and was very much appreciated by the Sacco team and also by Agriterra business Advisor Henry Mpanga, it's from this background that the idea of having this benefit other internal audit departments/staff was hatched and this time to be done by bringing participating Saccos together in a joint session. Participating saccos will be Rushere, Kigarama, Buyanja and Lyamujungu.

Rushere SACCO business was started in 2001 under a legal framework of a private Company limited by shares with 50 shareholders with the major objective to empower the community to eradicate poverty in Nyabushozi County. With coming in force of the Microfinance Deposit Taking Institutions Act 2003 which outlawed deposit taking from the public if not licensed by Bank of Uganda or if not registered as a Cooperative under the Cooperative Societies' Act CAP 112, Rushere was transformed and was registered as Rushere Cooperative Savings and Credit Society Limited Registration Certificate No.7139.

Although initial mobilization was done in Rushere Catholic Church parish spearheaded by Fr. Tomaino Paolino, the founding chairperson, membership in Rushere SACCO is open to any eligible legal person, or similar association whose membership is made up primarily of individuals who meet the eligibility requirements for the society membership and all individuals who are of good character and able to buy at least one share in addition to meeting the membership profile as defined by the society committee in line with Cooperative Principles. The Sacco has a one man internal audit department whose roles are often infused into management.

Kigarama Peoples Saving and Credit Cooperative Society Limited (KPSCSL) was registered on 11th April 2005. It started out of a need by members to access better financial services in the form of savings and credit facilities to effectively utilize the money that they received from collective marketing of their agricultural products. The SACCO operates through 5 branches which cover Sheema, Buhweju, parts of Bushenyi and Mbarara districts in Western Uganda.

KPSCSL vision is "To become a Model SACCO in Uganda in terms of member service provision". Its mission is "To provide high quality financial services to meet members' needs". KPSCSL had 5,388 members by the end of 2013. The members elected a competent and experienced Board of 9 members. The SACCO is managed by 23 qualified and highly skilled staff who provide both savings and loans products in addition to money transfer services to the members. Kigarama also has a one (wo)man internal audit department.

Buyanja Sacco (Busacco) is located in the Southwestern part of Uganda, near Rukungiri. Buyanja presently has a membership base of 4,415 members (+993 in 2016), of which the largest group are smallholder farmers (dairy, fruit, coffee, bananas, and vegetables). Some 800 groups and around 100 institutions (schools, churches, SME) are also part of the 4,415 members.

The governance health shows that Buyanja is well structured in terms of transparency, fairness equitably and performance management, capacity/business development, in short we qualify the management of the cooperative as quite well developed and capable. Items that need to be taken care of are (among others): formulate SMART objectives, update policies & procedures, training of young members, assessment of member's needs, and future payment of BoD. The monitoring and evaluation system is less suitable for informing the BoD about the actual situation and near future of Busacco and to base decisions on: there is a need for a proper functioning dashboard. We qualify overall the management and governing of this SACCO as quite well. There is still room and a need for the finishing touches. Buyanja also has a one (wo)man internal audit department.

Lyamujungu Cooperative Financial Services Limited (LCFSL) started in 1984 with 16 members with the goal to provide a cheap source of funds to members. It's a member based and member owned financial institution. In 1990 the group was registered as a Co-operative Savings and Credit society (No. 5695) and covered three Parishes. In 1998 the Sacco was officially inaugurated as LCFSL and the area of operation was extended to two sub counties. Two years later the Sacco bought the current compound and built the head office. In the next twelve years 4 new branches were opened. In 2011 the Sacco switched from manual to pc (stand-alone) and in 2014, they started to link the branches. To date, the Sacco had 13,340 individual members.

Lyamujungu Sacco is a well-run Sacco, which has established its name in Kabale district as a role model Sacco. The challenges for this Sacco are to maintain their leading role and maintain and extend their high service level to the clients. Technical developments in banking and the partnership with Equity Bank will probably give a boost to this on short-term. Inter alia due to these developments, Lyamujungu Sacco asks for more training and education on all kind of levels, mostly for members and BoD, but also for staff and management.

AGRITERRA

Agriterra supports farmers' organizations in fighting poverty, with advice from experts from the Dutch agricultural sector and with finance from the Dutch government. Our opinion is that strong farmers' organizations lead to more democracy, economic growth and a better distribution of income. We focus on economic development and work closely together with the Dutch agribusiness.

The aim of Agriterra is making cooperatives bankable. By focusing on few clients within a limited number of countries, Agriterra is able to target those cooperatives or other farmer owned enterprises, who are ambitious, have good management, have been economically active, have more than 1,000 members and who have plans to invest in order to expand their business. Agriterra's support is especially based on technical support from experts from the Dutch agricultural and cooperative sector combined with limited project financing. The advisory services can be applied to all aspects of the business planning process, access to finance trajectory or the implementation phase.

OBJECTIVES

Currently all the participating Saccos have a one (wo)man department and largely /often their roles are infused into management. There's a general misconception from the board, management and internal audit staff regarding the positioning and role of this function in the governance structure and flow of communication.

The objectives of this mission are:

- Discuss and make clear to staff, board and supervisory board the overall function and objective of the internal audit function
- Develop and discuss a logical frame work for the internal audit function in relation to management, Board and Supervisory Board. Clear reporting lines and procedures
- Review and stream line roles and responsibilities of the internal auditor with clear deliverables and basic training on each deliverable process
- Develop an Annual audit plan to be executed and followed up by the internal auditor to focus on areas of review. Reporting etiquette, format and structure. Coaching on handling reporting and effective communication drawing action points to management.

Mission

Agriterra will bear all the costs for the daily subsistence of the mission team, incl. hotel and transport.

- Composition of the mission: The mission will be executed by an Agripooler, an expert on this subject, with good communication skills, and Henry Mpanga a business advisor of Agriterra in Uganda.
- Duration of the mission: The mission will take place for nine days (including travelling, excluding one day preparation and one day reporting) in September or October 2017.

ACTIVITIES/ PROGRAM

Date	Day	Activities
	Saturday	Flight to Entebbe, transfer to Kampala; transfer to hotel
	Sunday	Transfer Mbarara, Oxford Inn Hotel
	Monday	Morning: Introduction meeting with management, some Board members and Supervisory Board. Afternoon: Meeting with internal auditor
	Tuesday	Develop a logical framework
	Wednesday	
	Thursday	Session with Supervisory Board and internal auditor (workshop)
	Friday	Afternoon: final presentation conclusions, recommendations and action plan with management, some board members and Supervisory Board
	Saturday	Transfer to Entebbe; flight to Amsterdam
	Sunday	Arrival Amsterdam

Expected results

The expected results of this mission are:

- A logical framework of interaction between the Internal auditor, Management, BoD and Supervisory Board
- Clear Roles and responsibilities of the internal audit function
- An annual Audit plan (areas to be audited/appraised for effectiveness and efficiency per interval throughout the year, most risky areas to focus on, and these may also be suggested by the Board discussed and agreed with the internal auditor, management and BoD, supervisory Board with agreed reporting timelines and follow ups
- Clear performance objectives and reporting reviews with the internal auditor
- A mission report including the objectives and explanation about the expected results.

Lay out mission report

- Front Page
- Executive Summary
- Description of activities and conclusions
- Recommendations to all participating Saccos and Agriterra
- Follow up action plan.

Annex:

Annex 1 Company assessment reports for Buyanja, Lyamujungu, Rushere and Kigarama.