4.1 Improving Good Governance in Public Services

In the Annual Audit Report 2005-06, I raised some disturbing issues on the state of good governance in our State Owned Enterprises (SOE’s) and tendered some recommendations for improving same. Last year I reported that no improvement was seen in that direction. This year, regrettably, I have again to report that no action was seen to have been taken to improve the situation. In fact the situations have been allowed to persist.

4.2 Accountability and Reporting

Laying of Annual Reports of Statutory Bodies before the National Assembly

Last year I reported that 272 financial statements already certified were not laid before the National Assembly. In addition 61 financial statements were not submitted within the statutory date limit. I therefore proposed certain amendments to the Statutory Bodies (Accounts and Audit) Act to hold Statutory Bodies to account for non-submission of accounts for audit and for not laying down their Annual Reports to the National Assembly. No measures have been taken in this direction.

With regard to certified financial statements not laid before the National Assembly, it has been noted with concern that quite a number of these financial statements were in fact already submitted to the parent Ministries. The latter had not taken any action to enable the Minister to cause these financial statements to be laid before the National Assembly (Appendix IV B refers).

Compliance with Financial Reporting Act 2004

Within each country, financial statements are prepared in accordance with local regulations. Such local regulations include accounting standards, which are promulgated by the regulatory body in the country concerned. With the proclamation of the Financial Reporting Act, financial statements of organisations in Mauritius should be prepared in accordance with International Financial Reporting Standards. In the case of Statutory Bodies in Mauritius, the Act applies as from accounting period starting 1 July 2006. However, many of the financial statements submitted to NAO for audit purposes were not prepared in accordance with International Financial Reporting Standards. As a result, I had to return these financial statements to be prepared according to the above Standards for re-submission.
The International Financial Reporting Standards are quite complex and preparers of financial statements and auditors around the world are encountering practical implementation problems. The same situation is prevailing in Mauritius. Therefore, there has been considerable delay in the re-submission of the financial statements. Some of the financial statements that were returned have still not been re-submitted. Consequently, most of these financial statements have not yet been audited.

4.3 Internal Audit

Contrary to what was reported last year about the improvement in Internal Audit, this year the situation has degenerated. With exception of a few Ministries/Departments, the same situations as have been reported in my Annual Audit Reports, since 2002-03, were noted:

- Lack of involvement/interest of Accounting Officers in the work of the Internal Control Unit (ICU).
- Lack of supervision and control over ICU staff.
- Passing the buck by management for responsibility for Internal Audit.
- No real review of the plan, work and reports of the ICU.
- “Blind” signing, by Accounting Officers, of the Internal Audit Charter.
- Limited audit coverage of the accounts of the Ministry.
- Lack of adequate staff.
- Standards and quality of audit need to be improved.
- ICU carrying out audit of the same accounts even after NAO staff have already audited them.
- Inadequacy of training with respect to modern internal auditing.
- The Ministry of Education has restarted to shift their roles to that of “fire fighting”, by attending to minor problems that arise now and then in schools and colleges.

Internal audit has changed significantly during its history from its first appearance. Globalisation, new technologies, and the development of e-business are just a few examples of the forces driving change in internal audit.

The scope of internal audit has enlarged and the place of internal audit has moved to higher levels of management. Nowadays, internal audit covers, not only compliance audits, evaluating internal controls, fraud investigations, assessing operating processes, but also consultations with the senior management and participation in risk management.
They increasingly need to provide value adding support to managements across all areas of operation, for example, Information Technology, Purchase-to-Cash process, regulatory compliance, etc.

Finally the Internal Audit Function is expected to be:

- **Proactive** - establishing itself as a change agent throughout the organisation.
- **Innovative** - searching out the most valuable use of its resources.
- **Focused** - be responsive to the organisation it serves. It must understand and focus on management and audit committees priorities.
- **Motivated** - having a sense of mission, teamwork, and organisational pride.

The staff of the Internal Control Cadre, being under the aegis of the Ministry of Finance and Economic Empowerment (MOFEE) are still left to themselves. They are not being adequately staffed, trained and equipped to enable them to add value and to meet the expectations of the various stakeholders of this present era. There is perhaps the need to review the structure of the Cadre. Keeping in view the importance of the Internal Audit Function, there is an urgent need for MOFEE to take more interest and commitments to improve the role, quality of audit and performance of the Cadre.

### 4.4 Audit Committee

Audit Committees were originally set up in five Ministries and Departments in June 2006 and then, extended to another five Ministries and Departments. However, after one year, these Committees faced certain constraints and had not functioned as expected. Some of the reasons for this state of affairs were:

- Audit Committee being a new concept in the Civil Service, it would take some time before achieving the targeted objectives.

- These Committees could not be constituted with the right mix of skills, because of non-availability of volunteers to form part of the Committees.

- Certain lack of commitment from Accounting Officers. For example, the Audit Monitoring Committee at MOFEE had to intervene on numerous occasions to have the Internal Audit Charter and the Annual Audit Plan of their ICU signed.

- Most of the committee members were very busy officers, and could not find the time to devote to the Committee.

- Contrary to other Committees, members of the Audit Committee are not remunerated for the extra effort and time spent.
Because of the constraints faced, MOFEE had to re-establish Audit Committees in six Ministries only.

I pointed out that the composition of the Audit Committee is a key determinant of its effectiveness and that its members need to have the skills, knowledge and experience necessary to allow the Committee to competently and efficiently undertake the functions assigned to it. To ensure the effectiveness of the Audit Committees, I also suggested

- the enlistment of retired experienced senior public officers
- appointment of one person from outside the public sector on each committee, and
- payment of at least a sitting allowance to each member.

A review of the above situation shows that no consideration has been given to the recommendations made to MOFEE. In fact, it seems that the Ministry does not believe in Audit Committee and therefore, is paying only lip service to this important function. The situation has worsened. There is no Audit Committee at MOFEE. The Audit Committee at the Ministry of Health is no more functioning, its members having resigned. A member of the Audit Committee at the Ministry of Public Utilities has resigned. The remaining Committees do not submit reports on a regular and timely basis to the Audit Monitoring Committee (AMC). Even then, despite all the efforts made by the Audit Committees and AMC, on a voluntary basis, no action is taken by MOFEE on the recommendations made by AMC, based on the reports submitted to it by the Audit Committees.

Audit Committees are of an increasingly important component of effective accountability and governance. An effective Audit Committee shows that an organisation is committed to a culture of openness and continuous improvement. In Ministries and Government Departments, an Audit Committee provides the Supervising Officer with independent advice on strategic, performance, assurance, and compliance matters.

In view of the importance of Internal Audit and Auditing Committees in the Public Sector, MOFEE should take them seriously. The recommendations made in this regard in my previous Audit Reports are still valid. Implementation of these recommendations will lead to improvement in their performance and this will in turn improve the performance of Government and good governance.

4.5 Services of passenger motor vehicles in Government

No consideration has been given to the recommendations made in this respect in the Audit Report 2006-07.