2.1 Governments around the world are under increasing pressure to produce results. Much importance is being given to a focus for an effective public sector management. In Mauritius, in the 2006–07 Budget Speech, Government laid out its determination to launch the changes needed for a new era including the needs for better governance and transparency in public sector management. In the 2007–08 Budget Speech Government reiterated this determination and resolved to reengineer our statutory bodies to improve performance.

It is being proven that good governance leads to good management, good performance, good stewardship of public money and ultimately to good outcomes. Bad governance fosters low morale and adversarial relationships that lead to poor performance or even to dysfunctional organisations. Conscious of the importance and benefits of good governance I raised, in my Annual Report last year, some disturbing issues on the state of good governance in our State Owned Enterprises (SOE’s) and tendered some recommendations for improving same.

Based on a review of the situation it appears that there has been no improvement in this direction. Recurrent public expenditure in government reached Rs 47.628 billion in 2006/07 out of which Rs 7.6 billion were given as grants to statutory bodies. How Tax money is spent and the quality of services it provides is critically important to all taxpayers and users of services. Because of this, governance in the public services should be of a high standard.

Every SOE is established for a purpose. The function of governance is to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an effective and efficient manner. Consequently, good governance requires all concerned to be clear about their own roles and responsibilities and those of others, but also to behave in ways that are consistent with those roles. Clarity of roles increases the chance of performing the role well and helps stakeholders to understand how the governance system works and who is accountable for what.

2.2 Accountability for Reporting

A core principle of good governance is accountability. The public services productivity panel, HM Treasury UK argued that accountability involves an agreed process for both giving an account of one’s actions and being held to account. It is a relationship based on obligations to demonstrate, review, and take responsibility for performance, both for the results achieved in light of agreed expectations and the means used. It also underlines that effective accountability is not just reporting performance; it also requires review, including appropriate corrective actions and consequences for individuals.

SOE’s have multiple accountabilities: to the public and to those who have the authority and responsibility to hold them to account. These include the National Assembly, Ministries, regulators and so on. Consequently, they have a statutory duty to report on both the financial and non-financial results they have achieved with the authority and public funds entrusted to them.

The Statutory Bodies (Accounts and Audit) Act 1972 requires
(i) Every board to, as soon as practicable after the end of each financial year, furnish to the Minister

➤ a report dealing with the activities, policies and financial position of the statutory body during the year;

➤ a copy of the accounts of the statutory body for that year duly audited, together with the auditor’s report thereon.

(ii) The Minister to lay a copy of the annual report and annual accounts before the National Assembly, at the earliest possible opportunity.

Over the years I have been commenting on the number of statutory bodies not complying with the above provisions of the law. For example, in my Annual Report of last year I mentioned that as of 30 June 2006, 272 financial statements, in respect of 73 statutory bodies, already certified had not yet been laid before the National Assembly. Some of these financial statements relate to period, as far back as, financial year 1991-92. I also reported that 61 financial statements were not submitted within the statutory date limit.

The Statutory Bodies (Accounts and Audit) Act does not make provision either for a specific date by which the annual report should be submitted to the Minister, or a specific date by which the Minister should lay the annual report to the National Assembly. As the law does not provide for any sanction for non-compliance, Boards and management of statutory bodies have a free hand to decide as to the “practicable” date by which they can submit their annual report to the Minister. This inherent weakness of the law has bestowed upon them the impunity for getting away unscathed for non-compliance and also from their legal and moral responsibility for accountability.

The above may explain for the increasing number of statutory bodies not submitting their annual reports. This state of affairs has shed a cloud of discredit on the public sector, and should not be allowed to continue. Taxpayers are being denied the right to information about how their tax money are being spent.

I therefore recommend that the Statutory Bodies (Accounts and Audit) Act be amended to make provisions for

➤ a specific period be given to the Boards for submission of their annual report to the Minister say within eight months after the end of the financial year;

➤ a specific period be given to the Minister for the laying down of the annual report to the National Assembly;

➤ making it an offence with penalties imposed against each director and the chief executive for failing

   ▪ to produce and submit to the Director of Audit financial statements complying with applicable financial reporting standards within the statutory date limit

   ▪ to submit to the Minister the Annual Report together with the audited financial statements within the statutory date limit.
2.3 Internal Audit

A marked improvement has been noted in the attitude of Accounting Officers with regards to internal audit. All of them have signed their Internal Audit Charter, and except one, all have had meeting(s) with their Internal Control Unit (ICU) to review their Annual Audit Plan before signing. The internal audit staff is no longer requested to do assignments other than those related to internal audit. Their whole time is devoted to internal audit works.

Nevertheless, the Internal Control Cadre still suffers from understaffing. Out of an establishment of 117, only 69 are in post. The number of officers on leave without pay has increased from 15 last year to 26, while the number of posts vacant has increased from 14 to 22. I am informed that the scheme of duties had to be reviewed and that the recruitment exercise is in process.

An improvement has been noted in the quality as well as in the monitoring of the work of the ICU. However, there is still room for improvement. Consequently, I recommend that more in depth training be provided to them. In addition the quality of work would be enhanced if appropriate audit packages are made available to them.

2.4 Audit Committee

Audit Committees were originally set up in five Ministries and Departments in June 2006 and four months later, extended to another five Ministries and Departments. These Committees were composed of public officers in service. Interested public officers were invited by the Ministry of Finance and Economic Development (MOFED) to join a pool of qualified officers to form part of Audit Committees. In particular, the Ministry was looking for Senior Officers having good knowledge and understanding of the government environment, the nature of work of the Ministries concerned, general management, finance, human resource management, relevant legislations and so on. There were not many officers who showed interest. As a result MOFED had to constitute the Committees with those officers who volunteered. Hence, the setting up of the ten Audit Committees.

However, after one year, it is being recognised that these Committees have faced certain constraints and have not functioned as expected. Some of the reasons for this state of affairs are:

- Audit Committee being a new concept in the civil service, it will 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 MOFED had to intervene on numerous occasions to have the Internal Audit Charter and the Annual Audit Plan of their ICU signed, as required by circulars from MOFED.

- 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.

Based on the lessons learned, MOFED has recently reorganised the set up of the Audit Committees. These have been re-established in six Ministries only and the membership re-constituted so as to have the right mix of skills and experience.

With a worldwide increased emphasis on accountability in the public sector, the role of the Audit Committee has become increasingly important. The responsibilities of the Audit Committee, amongst others, include the review of the internal control systems and the effectiveness of the internal audit functions. To significantly increase the integrity and efficiency of the system of internal control, financial reporting and audit process, the Audit Committee must be effective and independent both in fact and appearance. Also, researches have established that, to effectively support Accounting Officers in the discharge of their accountability and management responsibilities, the Audit Committee must devote whatever time is necessary.

The composition of the Audit Committee is therefore a key determinant of its effectiveness. It is important that the Audit Committee, collectively, has the skills, knowledge and experience necessary to allow it to competently and efficiently undertake the functions assigned to it. Given the traditional roles assigned to it, at least one member should have a background in accounting and auditing. It is also appropriate to include a member with qualification and/or experience in the disciplines related to the operation of the entity. In the case of the public service it is often recommended to have a member outside the public sector to provide an external and independent perspective as well as to bring to the Committee, skills and knowledge it does not otherwise possess.

Based on the experience acquired since the establishment of the Audit Committees, I propose that (i) the Annual Audit Plan be signed by the management of Ministries, the Chairperson of Audit Committee, the Officer in Charge of Internal control Unit and MOFED, and (ii) MOFED to follow the above guidance on the composition of the Audit Committees. To ensure the effectiveness of the Audit Committees, I also suggest:

- 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.