



REPUBLIC OF MAURITIUS

NATIONAL AUDIT OFFICE

PERFORMANCE AUDIT REPORT

ASSET MANAGEMENT IN LOCAL AUTHORITIES

Ministry of Local Government and Outer Islands

DECEMBER 2017



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ABBREVIATIONS AND ACRONYMS

LA	Local Authority
MoLG	Ministry of Local Government and Outer Islands
NAO	National Audit Office
FMM	Financial Management Manual for Local Authorities

EXECUTIVE SUMMARY

Local Authorities (LAs) in Mauritius are mandated to promote social, economic, environmental and cultural well-being of the local community by using of a range of facilities which are under their control. The Ministry of Local Government and Outer Islands (MoLG) is responsible to provide legal framework and general policy guidance to empower LAs to deliver their services efficiently and effectively.

As of 30 June 2016, costs of assets reported in the financial statements of one City Council, four Municipal Councils and seven District Councils amounted to some Rs 7.5 billion. The way assets are managed has direct implications on some of the services provided by the LAs. Persistent issues on assets were a cause for modified opinion by the Director of Audit.

The audit assessed whether the Ministry had exercised an effective oversight on management of assets at LAs with regard to recording, reporting, use and maintenance to ensure that they adhered to good practices.

Key Findings

➤ *Audit Opinion on Financial Statements*

As of March 2017, out of 43 financial statements for years 2010 to 2014 of LAs certified by the Director of Audit, in 22 cases, the audit opinion was modified, mainly because, proper accounting records for assets were not kept. Hence, existence and completeness of these assets could not be ascertained.

➤ *Monitoring Mechanisms*

Different mechanisms have been set up at both the MoLG and the LAs to monitor the activities, including managing the assets and to enhance accountability.

Local Authorities Governance Unit

Following Budget Speech 2012, a Local Authorities Governance Unit was set up at the Ministry with the objective to improve planning, efficiency, management and transparency at the level of LAs. However, the Unit was not operating as intended.

Audit Committee

Since 2010, Audit Committees were set up in a few City/Municipal and District Councils. However, as from 2012, it ceased functioning. In December 2015, the Ministry reiterated the need for the setting up of Audit Committees at all LAs with a view to minimising audit queries. Though, subsequently there was an Audit Committee in all LAs, its independence could not be guaranteed as the members were from management of the LA where the Committee was set up. For the year 2016, only 20 out of 48 Audit Committee Reports due from the LAs were received at the MoLG.

Adoption of Proper Accounting Practices

Although the Local Government Act 2011 provided that Financial Statements of LAs should be prepared in accordance with, and comply with Accounting Standards which should be in convergence with International Accounting Standards, each LA continued to use Generally Accepted Accounting Practice for accounting of assets. It was only in February 2017 that the MoLG informed LAs that, as from 1 July 2017, financial statements, should be prepared according to International Public Sector Accounting Standards (IPSAS).

Internal Audit Function

At the selected LAs, the audit works performed by the officers of the Internal Audit Section were not in accordance with Financial Instructions. In respect of assets, there were few Internal Audit checks on the whole spectrum of controls, such as survey to verify their existence and condition. These were not enough to ensure that assets were properly safeguarded, adequately maintained and correctly recorded in Asset Registers.

➤ *Asset Management Practices in Local Authorities*

Recording and Reporting

The Asset Module in the e-Governance System was not being used at the selected LAs. Instead, assets information kept in Registers was not complete. Several examples of lands and facilities controlled by LAs were not recorded therein. Other assets like roads, drains, bridges and infrastructures were constructed or upgraded/enhanced by the National Development Unit and handed over to LAs. These were neither recorded nor disclosed in most of the Council's financial statements.

Use of Assets

Several facilities at the selected LAs were not used to their maximum. Available hours at the different facilities were not fully allocated to users. At the District Councils of Moka and of Flacq, there were no established opening hours for the Sport Facilities. Only the Municipal Council of Beau-Bassin – Rose-Hill kept records at most of its Sports Facilities. At LAs where no records were kept, the performance of the facilities could not be assessed.

Maintenance of Assets at Local Authorities

Maintenance activities were not always organised in a systematic way. There was no strategy, policy and plan for maintenance of assets at LAs. Hence, maintenance on most assets was carried out as and when required in an isolated manner. Condition assessment on infrastructural assets was not carried out by LAs.

Conclusion

Managing properly assets acquired and constructed over time has been a major challenge for LAs. Though asset related issues were, among others, the subject of modified audit opinion by the Director of Audit, there has been little improvement noted on its management practices.

While efforts have been made with the establishment of mechanisms, such as Local Authorities Governance Unit at the Ministry and Audit Committees in LAs, much remain to be done to improve the system in areas, such as asset management. The monitoring mechanisms have not been effective in addressing issues highlighted by the Director of Audit, and over time, this has led to the weakening of the accountability of LAs. Asset management practices in respect of recording, reporting, use and maintenance at the selected LAs have not improved.

Key Recommendations

➤ *Enhanced Ministry's Accountability and Oversight Mechanisms*

The Ministry should establish a committee to assist the LAs in holding their management to account for, and to ensure the effective and efficient utilisation of their resources. This can be done by ensuring that the recommendations of the Director of Audit and other monitoring mechanisms, such as Audit Committees and Local Authorities Governance Unit, are being implemented.

➤ *Improving Asset Management Practices at Local Authorities*

Recording and Reporting

As all LAs would be preparing their financial statements in accordance with IPSAS Accrual Basis as from 1 July 2017, it is important for them to have comprehensive Asset Register. LAs should be inspired by the initiative taken by Central Government to come up with a Government Asset Register. The Register can be customised to reflect the environment of LAs. In this respect, they should use existing software tools at their disposal in the customisation process.

Usage of Assets

LAs should conduct a survey based on needs and demands from the local community in order to improve access to Sports Facilities. This will help them to make the best use of the existing facilities through improving their quality, access and management.

Information on the number of users should be recorded at each facility and made readily available to Management for appropriate control in order to identify hours allocated but not utilized.

➤ *Maintenance of Assets*

LAs should move towards a planned and proactive approach to maintain its different infrastructures, focusing more on preventive maintenance. This will require the development of a comprehensive maintenance plan. Consequently, LAs should ensure that there is a complete database of all its assets. There should also be a mechanism to identify and evaluate maintenance needs of the different infrastructures through monthly surveys. A condition assessment of all their infrastructures should also be carried out at regular intervals.

Ministry's Response

According to information submitted by the selected LAs to the Ministry and forwarded by the latter to NAO, they are in general agreeable to the findings, conclusion and recommendations. Taking into considerations our recommendations, remedial actions are being taken to address the issues reported.

CHAPTER ONE

INTRODUCTION

1.0 Background

Under Section 49 of the Local Government Act 2011, Local Authorities (LAs) in Mauritius are mandated to promote the social, economic, environmental and cultural well-being of the local community and to ensure that services and facilities they provide are accessible and equitably distributed. Their activities are overseen by the Ministry of Local Government and Outer Islands (MoLG) which is also responsible to provide legal framework and general policy guidance to empower them to deliver their services efficiently and effectively.

Assets are important strategic resources which are expensive to procure, build, maintain and manage over their lifetime. These LAs own, control, manage and maintain a significant number of assets, including buildings, roads, bridges, land, drainage networks, parks and gardens which support the delivery of a wide range of important services. In recent years, the rapidly increasing demand for local government services has accelerated procurement, infrastructure development and maintenance of LAs assets at the local level. As of 30 June 2016, costs of assets reported in the financial statements of one City Council, four Municipal Councils and seven District Councils amounted to some Rs 7.5 billion. The way assets are managed has direct implications on some of the services provided by the LAs.

1.1 Motivation

For the period January 2014 to June 2016, the different LAs spent some Rs 1 billion on assets. This was not accompanied by adequate control over the assets. In the Reports of the Director of Audit on the financial statements of the City Council, Municipal Councils and District Councils for the years 2010 to 2014, persistent issues on assets were a cause for modified opinion¹. The media has also adversely reported on the use and maintenance of certain assets in some LAs, along with unavailability of sports and leisure infrastructure at other LAs.

It was against this background that the National Audit Office (NAO) carried out this Performance Audit on Ministry's oversight role and responsibilities on asset management practices at LAs.

1.2 Audit Objective

The audit assessed whether the Ministry had exercised an effective oversight on management of assets at LAs with regard to recording, reporting, use and maintenance to ensure that they adhered to good practices.

¹ According to International Standard on Auditing (ISA) 705, a 'Modified Opinion' is defined as 'a qualified opinion, an adverse opinion, or a disclaimer of opinion'.

1.3 Audit Design

To form a conclusion against the audit objective, the audit examined whether:

- MoLG had appropriate mechanisms that ensure LAs adhered to good practices in asset management;
- Assets owned and controlled by LAs were appropriately recorded and reported;
- These assets were used and maintained to meet their intended purpose.

1.4 Audit Scope

This Report focussed on the frameworks, methods and approaches at MoLG to oversee the management of assets at LAs. The relevant processes, procedures and practices at a sample of LAs with regard to recording, reporting, use and maintenance were examined. The audit covered the period January 2014 to March 2017, and was limited to assets controlled by LAs.

1.5 Audit Methodology

The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Different methodologies were used for the audit to understand the audit area, along with obtaining sufficient, relevant and reliable audit evidence that support the conclusions and recommendations.

1.6 Methods of Data Collection

In order to carry out the audit, data was collected from files, documents review and interviews. Site visits were also carried out to confirm information in files and to get acquainted with the activities carried out and to support our conclusions.

1.6.1 Documents Reviewed

Data was collected mainly through review of documents and files at MoLG and at selected LAs. Information relating to policies, regulations, structures, processes, systems, procedures and practices were collected through review of files, documents and databases.

1.6.2 Personnel Interviewed

Interviews were carried out with key personnel at operational, middle and senior management levels at MoLG and at the selected LAs to confirm the information obtained from the documents reviewed and to have more explanation where information was not available in the reviewed documents. Interviews were also conducted with staff of MoLG to understand the mechanisms put in place to oversee the operations of LAs, and with staff of the LAs to understand the audit area.

1.6.3 Observation

A sample of facilities controlled by the LAs, such as Municipal Halls, Village Halls, Multi-purpose Halls and Sports Facilities was visited to observe the actual state of the infrastructure, and to ascertain the processes and procedures put in place on their usage.

1.7 Sampling

There are mainly three types of Councils, namely City, Municipal and District Councils. Prior to 2013, there were one City Council, four Municipal Councils and four District Councils. Thereafter, three of the four District Councils were split, and as of 2017, there were one City Council, four Municipal Councils and seven District Councils. As the three types of Councils are organised differently, two Municipal Councils and four District Councils were selected for the audit.

The Councils had wide and diverse assets. The records of a sample of these assets were examined to ascertain their completeness. The frequency of use of the assets was also assessed.

1.8 Assessment Criteria

Criteria used as a basis for evaluating the evidence collected, developing audit findings and reaching conclusions on the audit objectives were extracted from the following sources:

- Legislations, namely Local Government Act 2011 Section 49, 50, 76, 87 and 133;
- Financial Management Manual (FMM) for LAs;
- Asset Management Literatures;
- Circulars from MoLG.

1.9 Data Validation Process

Management of MoLG and of selected LAs was provided with the audit criteria, findings and recommendations to confirm their relevance, accuracy and suitability.

1.10 Structure of the Audit Report

The remaining part of the Report covers the following:

- Chapter Two presents the objectives, roles and responsibilities of key players involved in asset management. It also describes the frameworks, methods and approaches used by MoLG to oversee asset management practices at LAs;
- Chapter Three presents the audit findings based on the three specific audit questions;
- Chapter Four provides audit conclusions supported by the appropriate audit evidence;
- Chapter Five outlines recommendations to address shortcomings identified in this Report.

CHAPTER TWO

DESCRIPTION OF THE AUDIT AREA

This Chapter describes the regulatory framework governing LAs activities, and the objectives, roles and responsibilities of MoLG in overseeing their operations. It also describes the main activities and processes in the accounting, recording, maintenance and use of assets at LAs.

2.0 Introduction

Assets, such as roads, bridges, community buildings, and sports facilities support many of the services provided by LAs. These assets usually have long lives and their ongoing management is a core component of the business of LAs. The historical/ revalued costs of assets controlled by LAs had gradually increased over the years, reaching some Rs 7.5 billion as reported in their financial statements as at end of June 2016. Significant attention should be devoted to these assets as their management is central to their ability to support effective service delivery. Good asset management practices include oversight by the MoLG and asset accounting, reporting, use and maintenance by LAs. The roles and responsibilities of key players in respect of asset management are described below.

2.1 Ministry of Local Government and Outer Islands

The MoLG is responsible for local government matters in Mauritius. According to Financial Instructions (paragraph 1.3.1 of the FMM), it has to ensure that the LAs achieve or maintain a reasonable standard of efficiency and progress in the discharge of their statutory obligations. It oversees the LAs and formulates appropriate policies and legal framework to ensure that they operate efficiently and effectively. The Ministry also issues directives on good management practices to them.

2.2 Mechanisms to Oversee Operations of Local Authorities

MoLG has put in place several mechanisms to oversee the operations of LAs. These are described below:

2.2.1 Meetings with Chief Executive of Local Authorities

Under Section 76 of the Local Government Act 2011, the Permanent Secretary of the Ministry shall, for the purposes of the Local Government Service Commission Act, be the responsible officer of every Chief Executive. The Permanent Secretary shall report to the Local Government Service Commission any Chief Executive who has:

- failed to exercise administrative or financial control in accordance with his responsibilities;
- failed to execute the policies, projects or decisions and directives of the Council, provided they are not inconsistent with existing legislation and established procedures.

In this respect, MoLG regularly holds meetings with Chief Executive of Councils to discuss administrative and financial issues.

2.2.2 Local Authorities Governance Unit

Following Budget Speech 2012, MoLG set up a Local Authorities Governance Unit (LAGU) with the objective to improve planning, efficiency, management and transparency at the level of LAs. LAGU was required to report to a Steering Committee on a monthly basis to ensure good governance and optimize the use of resources by LAs. The terms of reference of LAGU are to:

- Ensure that LAs Accounts are prepared in line with International Accounting Standards;
- Ensure each LA has a Fixed Asset Register, Plant Register, Vehicle Register and Infrastructure Register and other registers where necessary;
- Follow up on Internal Control Report of LAs;
- Follow up reports of Audit Committees set out at LAs;
- Follow up implementation of recommendations made by the National Audit Office.

2.3 Roles and Responsibilities of Local Authorities

LAs are required to sustainably manage their assets and asset systems that support their different activities. This includes assessing the risks and performance of these assets over the asset's life cycle. In respect of assets, the Chief Executive of each LA has to ensure that accounts and financial records are maintained in accordance with the principles and general procedures as spelt out in the Financial Instructions in the FMM of LAs and that there are proper systems of internal control over assets.

According to Financial Instructions, the responsibilities of a Chief Executive are important and varied, and include the proper administration and management of the LAs concerned. This involves responsibility for efficient and effective service delivery in the implementation of the LAs policies, programmes and the financial management of the resources allocated for these purposes. Thus, one of his/her key duties is to ensure that the assets are properly recorded, used, maintained and safeguarded.

2.4 Asset Accounting at Local Authorities

Asset accounting involves identifying, recording and creating the accounting entries associated with owning or controlling an asset. The Asset Register is an important link between the asset accounting and management.

Examples of events that typically give rise to the need for an accounting entry include:

- acquisition or creation of an asset;

- expenditure on enhancement that is not of a repair or maintenance nature;
- depreciation;
- disposal.

2.5 Recording of Physical Assets

According to Financial Instructions, a Central Register should be kept at the Head Office by the Office Superintendent, or any other officer designated to be responsible for the assets of the Local Authority, and separate registers should be maintained on sites or departments as appropriate. The Asset Register should contain information on the cost, condition of each asset, the date of purchase, details regarding its maintenance and economic life, and its replacement cost. The asset should remain on charge until it is written off, transferred or disposed of. The asset should in no case be used for private purposes.

In 2003, MoLG decided to implement an e-Governance System in all Local Authorities at a contract amount of some Rs 138 million. The project consisted of a Turnkey Solution so that a uniform system is used in all LAs in order to increase operational efficiency. Implementation of the project started in December 2008 and was scheduled to be completed in 18 months. The scope of the project included most of the activities of Local Authorities. The Treasury, which includes the Fixed Asset Module, is a major part of the e-Governance System.

With the creation of the three new Local Authorities in January 2013, the e-Governance System was extended to them at an additional cost of Rs 10,591,100. This part of the project had to be completed in 10 weeks.

With the implementation of an e-Governance System in all LAs, an Asset Module was available for use. The Module aims to assist LAs to record transactions of all its Fixed Assets. It is possible to access immediate information relating to any assets from the System.

This System allows defining various types of assets, such as Land and Building, Plant and Machinery, and Roads as per user requirement. It also keeps track of changes in the value of various Fixed Assets Groups.

2.6 Assets Reporting at Local Authorities

The assets owned or controlled by LAs are reported in their respective financial statements under prevailing Financial Reporting Framework. Under Section 133(2a) of the Local Government Act 2011, the financial statements shall be prepared in accordance with, and comply with Accounting Standards, which should be in convergence with international accounting standards, as determined by the Minister to whom responsibility for the subject of finance is assigned.

According to Financial Instructions, assets may be classified as Land and Building, Plant and Equipment and Infrastructure and should be in accordance with the Accounting Standards used for balance sheet reporting. The Heads of Department/Office Superintendent should liaise with the Head of Finance to ensure that the asset being acquired is properly classified.

2.7 Use of Assets Controlled by Local Authorities

The MoLG has to ensure that LAs achieve or maintain a reasonable standard of efficiency and progress in the discharge of their statutory obligations, which include the provision of various services, such as social, leisure and sport activities to the local community. This was accompanied by the construction of various infrastructural facilities, such as Gymnasiums, Stadia, Social Halls and Multi-purpose Halls. Over the years, these assets were either acquired and constructed by the LAs or had been vested with them by other Government entities, such as the National Development Unit.

The Welfare Department of the LAs is mainly responsible for the management of these facilities. The Department controls and manages all facilities falling under the jurisdiction of the LAs. Request for use of facilities from Associations, Sports Clubs and the public is made to the LAs. The Welfare Committee approves the requests, which will then be ratified in the Council Committee Meeting.

At the start of the year, a calendar of activities giving time slot allocated for use is prepared. The LA will request users to renew use at the facilities. Throughout the year, the roster for utilization is continually updated based upon new requests received for use. A Movement Book is kept to monitor utilisation of each facility.

2.8 Maintenance of Assets

British Standard 8210 defines “maintenance” as the combination of all technical and administrative actions intended to retain an item in, or restore it to a state in which it can perform its required function(s). The two processes mentioned are “retaining” which refers to preventive maintenance works carried out in anticipation of failures and “restoring” which are corrective works carried out after the failure.

2.8.1 Planned Maintenance

- *Preventive/Predictive Maintenance* – a planned and controlled programme of periodic inspection, adjustment and replacement of components, as well as performance testing and analysis, sometimes referred to as a preventive maintenance programme;
- *Corrective* – repair or replacement of obsolete, worn, broken, or inoperative sub components or sub systems.

2.8.2 Unplanned Maintenance

- *Reactive* – unplanned maintenance of a nuisance nature, requiring low levels of skill for correction. These problems are usually identified and reported by users;
- *Emergency* – unscheduled work that requires immediate action to restore services, to remove problems that can interrupt activities, or to protect life and property.

Section 50 of the Local Government Act 2011 provides that LAs are required to regularly maintain assets under their control. Financial Instructions require that assets should be

effectively maintained to ensure that they serve their purposes. A Maintenance Asset Register is to be kept in each department to assist in the monitoring of the maintenance of respective assets. Requests for maintenance are received from various sources, such as public complaints, Inspectors, Welfare Officers, and Councillors. The nature of problem is analysed by the Public Infrastructure Department to assess whether it is a minor or major repair. If it is a minor repair, it is attended to on the following day, otherwise, a cost estimate is prepared, list of materials to be purchased is forwarded to the Procurement Section and repairs done as soon as materials are received. In case it is a repair of capital nature, a request for approval is sent to the Public Infrastructure Committee and repairs done after obtaining approval. For the purpose of repairs, responsibilities are divided into four categories, namely Maintenance of Infrastructure, Maintenance of Drain, Roads and Parks and Gardens.

Maintenance of plant and vehicles is carried out by the Mechanical Workshop which is headed by a Workshop Supervisor. In some LAs, this service is provided by private workshops

For monitoring purposes, a daily program of work is prepared for allocation of work and a monthly Progress of Work is submitted to the Works Committee.

CHAPTER THREE

FINDINGS

This Chapter presents the findings on whether MoLG had exercised an effective oversight on management of assets at LAs with respect to recording, reporting, use and maintenance to ensure that they adhered to good practices. It also presents the findings on these asset management practices at selected LAs.

3.0 General

Assets are important strategic resources which are expensive to procure, build, maintain and manage through time. LAs manage a significant number of assets, including buildings, roads, bridges, land, drainage networks and parks and gardens which support the delivery of a wide range of important services. As of June 2016, costs of assets reported in the financial statements of one City Council, four Municipal Councils and seven District Councils amounted to some Rs 7.5 billion. The value of assets controlled differed among LAs as shown in Figure 1. The way assets are managed has direct implications on some of the services provided by the LAs.

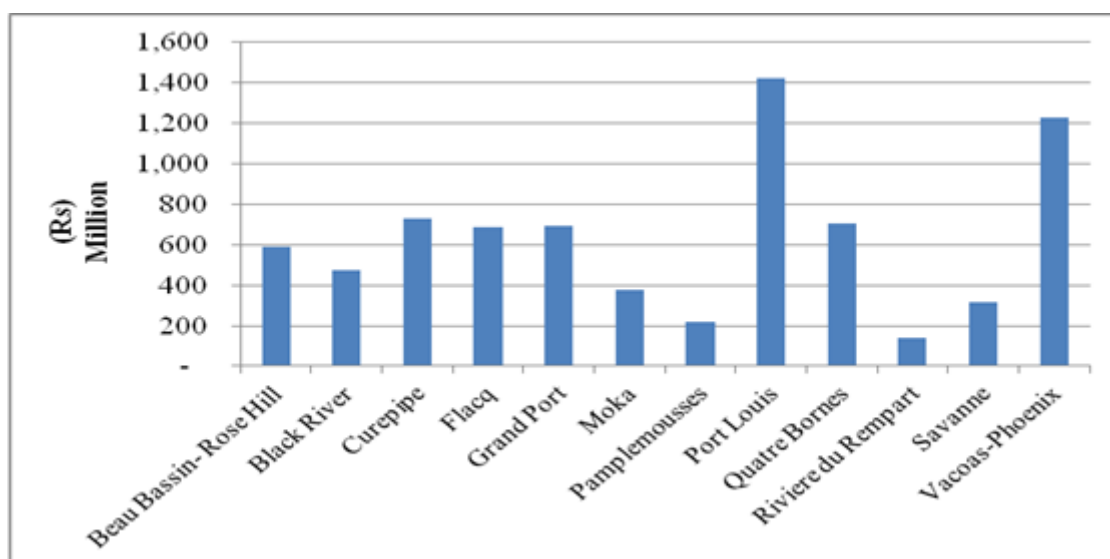


Figure 1 Assets Controlled by Local Authorities

As the assets represent significant investment, it is important to adhere to good practices to ensure that they are effectively and efficiently managed. Asset management practices in respect of recording, reporting, use and maintenance differed among LAs. These practices at selected LAs are discussed in paragraph 3.4.

3.1 Audit Opinion on Asset Figures in Financial Statements

In the Audit Reports on the financial statements of the City Council, Municipal Councils and District Councils for the years 2010 to 2014, persistent issues on assets were highlighted. As of March 2017, out of 43 financial statements for these years certified by the Director of Audit, in 22 cases, the audit opinion was modified, because, among others, proper accounting records

for assets were not kept, and existence and completeness of these assets could not be ascertained.

For instance, over the years 2010 to 2014, the audit opinion on the financial statements of the Municipal Council of Beau-Bassin – Rose-Hill had been consistently modified as the physical existence and completeness of the assets could not be ascertained.

Moreover, for the audit period covered, the Director of Audit issued a disclaimer of opinion on the financial statements of the District Council of Pamplémousses - Rivière du Rempart for the years 2010, 2011 and 2012. In 2013, after splitting, the audit opinions on the financial statements of both the District Councils of Pamplémousses and Rivière du Rempart were modified as existence, completeness and accuracy of their assets could not be ascertained, among others.

For year 2014, the Director of Audit gave a modified opinion on the financial statements of five LAs because of assets related issues. The total value of assets at LAs where the audit opinion on their respective financial statements was modified was some Rs 2.7 billion. This represented 64 per cent of the total value of assets of LAs (of some Rs 4.2 billion) whose financial statements had been certified.

A copy of the certified financial statements of each LA, together with the Report of the Director of Audit thereon, was sent to the Minister to whom responsibility for the subject of local government was assigned and to the LAs concerned in accordance with Section 138(4) of the Local Government Act of 2011. However, over the audit period covered, the Director of Audit continued to issue modified opinion on financial statements of some LAs, such as the Municipal Council of Beau-Bassin – Rose-Hill, the District Council of Pamplémousses and the District Council of Savanne.

3.2 Monitoring Mechanisms

Different mechanisms, as described below, have been set up at both the MoLG and the LAs to monitor the activities, including managing the assets and to enhance accountability.

3.2.1 Ministry of Local Government and Outer Islands

According to Financial Instructions, the Ministry has to ensure that the LAs achieve or maintain a reasonable standard of efficiency and progress in the discharge of their statutory obligations. The Ministry also provides to them general policy guidance in respect of local government matters, including financial matters to ensure optimum and efficient use of public funds put at the disposal of LAs.

To ensure that the above instructions are complied with, the Accounting Head of MoLG regularly holds meetings with the Chief Executive of the LAs.

At a meeting with Chief Executive of LAs held on 21 July 2016, members were apprised that some Councils did not have a Fixed Asset Register or had not updated same since long. Though some Chief Executives stated that they were encountering difficulties in carrying out a survey of assets and maintaining an updated Fixed Asset Register, the Committee decided that LAs should work on maintaining such Register. However, at selected LAs there were still issues relating to the Fixed Asset Register as described in paragraph 3.4.1.1

3.2.1.1 Adoption of Proper Accounting Practices

The main role of MoLG is to ensure that LAs adhere to the principles of good governance. This includes having appropriate accounting standards and practices that ensure the efficiency and effectiveness of the performance of LAs. The latter are required to adopt these standards and practices in the discharge of their statutory obligations.

In 2011, a new Local Government Act came into operation. At Section 133(2), it is provided that “the Financial Statements shall be prepared in accordance with, and comply with Accounting Standards which should be in convergence with International Accounting Standards, as determined by the Minister to whom the responsibility for the subject of finance is assigned”. Although MoLG has to ensure the proper implementation of the Act, it was only in February 2017, some five years after its coming into operation, that MoLG informed LAs of the Accounting Standards to be used in the preparation of their financial statements, namely the International Public Sector Accounting Standards (IPSAS) as from 1 July 2017.

3.2.1.2 Local Authorities Governance Unit

Following Budget Speech 2012, MoLG set up a Local Authorities Governance Unit with the objective to improve planning, efficiency, management and transparency at the level of LAs. The Terms of Reference of the Unit, among others were to follow up on Internal Control Report of LAs and to ensure that each LA has a Fixed Asset Register.

Since its setting up, no Internal Control Report has been received at the Unit. There was also no follow up by the Unit.

According to Financial Instructions, a central Register which contains information on the cost, condition of each asset, the date of purchase and its replacement cost, as well as details regarding maintenance and economic life of the assets, should be kept at the Head Office by the management of the LAs.

In spite of the fact that the Unit has to ensure that each LA has a Fixed Asset Register, and as mentioned at paragraph 3.1 above, in 22 of the 43 financial statements for the years 2010 to 2014 certified as at end of March 2017, the audit opinion was modified on ground that physical existence and completeness of assets could not be ascertained. Asset Registers kept at selected LAs were mostly not in compliance with the Financial Instructions. Details are given in paragraph 3.4.1.1.

The Unit was to be manned by three officers of the Analyst Cadre from the Ministry of Finance and Economic Development and two support staff. It was required to report to a Steering Committee chaired by the Permanent Secretary of MoLG, on a monthly basis to ensure good governance and optimize the use of resources by the LAs. The Committee was responsible for the overall supervision of the performance of LAs with the view to improving efficiency and effectiveness in their service delivery. The composition of the Committee was established, but there was no evidence that any meeting was held.

In February 2017, the Ministry stated that a request had been made to the Ministry of Finance and Economic Development to consider providing additional staff to strengthen the Unit. However, as of July 2017, the Unit was still manned by one officer.

3.2.2 Local Authority Level - Audit Committee

In the execution of its statutory obligations, a LA has various mechanisms within its governance structure, such as the Audit Committee.

Financial Instructions provide that an Audit Committee should be established in each LA. It plays a key role for the governing body in carrying out its legal and fiduciary responsibilities, especially with respect to the integrity of the LA's financial information, system of internal control and legal and ethical conduct of management and employees. According to Financial Instructions, the responsibilities of the Audit Committee include:

- reviewing the internal audit scope;
- monitoring and reviewing both the risk control and governance processes which have been established in the LA;
- the coordination of all related units and other agencies, such as inspection, internal audit and external audit;
- overseeing the LA's financial statements and internal controls;
- directing any special investigations.

Attempts have been made by MoLG since 2010 to set up an Audit Committee in each LA. Initially, the Committee was set up in a few City/Municipal and District Councils, such as the Municipal Council of Beau-Bassin – Rose-Hill. However, as from 2012, after a few meetings, it ceased functioning, although there was a requirement to hold quarterly meetings. On the other hand, at the Municipal Council of Curepipe, the then District Council of Grand Port - Savanne, and the then District Council of Moka - Flacq, no Audit Committee was set up.

In December 2015, the Ministry reiterated the need for the setting up of Audit Committees at all LAs with a view to minimising audit queries. The LAs were also provided with an Audit Committee Charter which prescribed “good practice guidance”.² According to the Ministry, as at June 2017, all the City/Municipal and District Councils had established the Audit Committees.

3.2.2.1 Membership of the Audit Committee

In 2010, in its attempt to set up Audit Committees, MoLG appointed members out of a pool of qualified officers (as per Paragraph 10.82.6 of the FMM). For any given LA, three officers of other LAs were chosen by MoLG. Subsequently, at Section V.6 of the Audit Committee Charter, it was recommended that members of the Committee be drawn from the LA where it was being set up. The Chief Executive of the LA chose three senior staff to form the Audit Committee in 2016. This contradicts the requirements of the Financial Instructions which states that “an Audit Committee is an independent structure” and requires it to “be independent of the executive functions of the Local Authorities” (Paragraph 10.78.1 and 10.78.2 of FMM).

² The Charter contained extracts from Chapter 10, Part X of the FMM that covers the subject of Audit Committee. The Audit Committee Charter explained the policy principles and objectives of an Audit Committee, its role and responsibility towards the LA and MoLG, its size and membership, frequency of meetings, reporting requirements towards MoLG for monitoring purposes, and performance indicators for its members, among others.

The risk that independence of the Audit Committee could be impaired would be high if it was composed of officers from management in the same LAs. The members would be less likely to ask hard penetrating questions to management.

3.2.2.2 Reports of the Audit Committee

For the year 2016, only 20 out of 48 Audit Committee Reports due from the 12 LAs were received at the MoLG. According to a sample of these Reports, none of the responsibilities as stated above had been discharged by the respective Audit Committees. Except for the Municipal Council of Curepipe, assets related issues highlighted by the Director of Audit received little attention by the Audit Committees of other LAs. Moreover, although Audit Committees had been set up in all LAs, these Committees were not operating as required during the period under review.

The Ministry stated that the composition of the Audit Committee would be reviewed and the Audit Charter amended to uphold its independence.

3.3 Internal Audit Function

According to Financial Instructions, an Internal Audit is “an independent appraisal function that measures, evaluates and reports on the effectiveness of the system of internal control, as a contribution to the efficient use and management of resources within local authorities”. At each LA, there was an Internal Audit function in place. The key duties of officers working in the Internal Audit Section included the following:

- To ensure that audit works are carried out in accordance with established international standards for the professional practice of Internal Auditing and the FMM and regulations in force;
- To carry out follow up exercise on internal and external audit report;
- To carry out Internal Audit functions, including system evaluation, operational, performance and programme based audits in LAs.

At the selected LAs, the audit works performed by the officers of the Internal Audit Section were not in accordance with Financial Instructions. These Instructions provide that in the light of an assessment of audit needs, the Head of the Internal Audit Section should produce a long-term plan for two to five years depending upon the length of the review cycle, and a short-term plan involving a programme of examinations to be carried out in the coming year or a shorter period. Their Internal Audit Plans did not meet the requirements of these Instructions.

During the audit period covered, no long-term plan based on audit needs assessment was produced at the selected LAs. Instead, an annual plan was prepared which included a list of audit tasks, resource allocation and time frame. These tasks were mainly focused on pre-examination of payment vouchers, claims, Work Certificates from contractors, payroll and cheques.

In respect of assets, the work of the Internal Audit Section was limited to inventory counts in a few offices. Few Internal Audit checks were carried out on the whole spectrum of controls,

applicable to assets, such as survey to verify their existence and condition. These checks were not enough to ensure that assets were properly safeguarded, adequately maintained and correctly recorded in Asset Registers. At the selected LAs, the above state of affairs was mainly attributed to the staff of the Internal Audit Section not fully engaged in Internal Auditing duties as stipulated in their Scheme of Service.

As there were shortcomings in the monitoring mechanisms at the level of MoLG and LAs, my officers examined asset management practices with regard to recording, reporting, use and maintenance at selected LAs.

3.4 Asset Management Practices at Local Authorities

3.4.1 Recording Asset Information

An Asset Register is a complete and accurate database of the assets under the control of an organisation, and which is regularly updated and validated. It is the basis of an asset management information system and should contain relevant data beyond that required for financial reporting. The Register provides important information required for effective asset management, as well as the details of the figures disclosed in the annual financial statements. This Register enables the organisation to maintain sufficient and appropriate audit evidence. All assets owned and controlled by an LA must be recorded in the Register, regardless of the funding source or value thereof. All assets disposed of must be excluded.

Financial Instructions stipulate that a central Register should be kept at the Head Office and separate registers should be maintained on sites or departments as appropriate. The Asset Register should contain information on the cost, condition of each asset, the date of purchase, details regarding maintenance and economic life of the asset, and its replacement cost. The asset should remain on charge until it is written off, transferred or disposed of.

3.4.1.1 Asset Registers

In its simplest form, an Asset Register may be kept manually or electronically. At the selected LAs, the Registers were kept on Spreadsheets. The assets related information recorded at the LAs was essentially meant for financial reporting. The requirements of the Financial Instructions to record condition, maintenance, economic life, replacement cost and location of the assets had never been followed as no provision was made to keep these information in the Register. Moreover, there was no evidence of whether there were sufficient IT controls on the information kept in Spreadsheets, making them susceptible to various types of risks, such as corrupt data, theft, and manipulation of data.

During the audit period covered, the Asset Module in the e-Governance System was available, but was not used at the selected LAs. According to the LAs, this was mainly due to insufficient resources.

3.4.1.2 Completeness of Asset Registers

An Asset Register should contain reliable, complete and accurate asset related information which would help in effective decision making. Asset Registers kept at selected LAs were analysed. The information in the Registers was not complete. Discrepancies were as follows:

➤ *Examples of Lands Controlled by Local Authorities but not Recorded in Asset Register*

Over the years, the Municipal and District Councils have been vested with different types of assets from other public bodies, such as the National Development Unit. For example as at June 2012, MoLG vested some 10.83 hectares (25.66 acres) of State Land in the Municipal Council of Curepipe. These lands had been developed into sports grounds, children playground, green spaces, parking spaces and used for extension of cemetery, among others. While the cost of constructions had been recorded and capitalised, the value of lands on which they stood had been omitted in the records and not recognised as Municipal assets.

Other assets like roads, drains, bridges and infrastructures are constructed or upgraded/enhanced every year by the National Development Unit and handed over to the Municipal Council of Curepipe for management and maintenance throughout their lifetimes. Again, these were neither recorded nor disclosed in the Council's financial statements. A few examples are given in Table 1.

Table 1 National Development Unit's Constructed Assets Vested in the Municipal Council of Curepipe

Description of Asset	Cost (Rs)	Date Handed Over
New road at Off Franklin Cité Mangalkhan	372,989	12 May 2011
Resurfacing of Sir Charles Lees Street at Curepipe	3,436,769	21 Jun 2013
Resurfacing of Rampersad Ramdin Street at Eau-Coulée	757,143	30 Oct 2013

Source: National Development Unit's Records

At the District Council of Flacq, the reported value of Land and Buildings as at 30 June 2016 was some Rs 151 million. However, these represented mainly construction and upgrading works carried out over the years. As per records available at the Welfare Department, the District Council owned 36 football grounds, 16 volleyball pitches, 18 Petanque courts and 21 greenspaces. The values of the plots of land on which these facilities were constructed were not recorded in the Asset Register.

The Municipal Council of Beau-Bassin – Rose-Hill had carried out a survey of lands under its control. It identified 75 plots of land, representing some 312,460 square metres. Only the land situated at Trèfles was recorded in the Asset Register.

➤ *Examples of Facilities Controlled by Local Authorities not Recorded in Asset Register*

Table 2 shows examples of facilities under the control of LAs not recorded in the Asset Register as at 30 June 2016.

Table 2 Facilities under the Control of Local Authorities not recorded in Asset Register

Facilities	The District Council of Flacq	Beau-Bassin – Rose-Hill
Football Grounds	GRSE, Lallmatie, Mare D’Australia, Mare la Chaux, and St Michel	Trèfles, Maingard
Volleyball Pitch/ Basketball Pitch	Argy, Bel Etang, Caroline, Médine, Olivia, and St Julien	Sports Complexes: Henry Buswell, Camp Levieux, Maryse Justin, Coromondel, Trèfles, Belle Etoile
Halls	Grande Retraite, Bramsthan, Brisée Verdière and Olivia	Alex Vellin Centre D’Acceuil, Marie Michèle Utile (Barkly), Vuillemin Social Hall, Vuillemin Hervé Duval Municipal Centre

Source: Records of Local Authorities

➤ *Examples of Insured Assets not Recorded in Asset Register*

At the Municipal Council of Beau-Bassin – Rose-Hill, there were some insured assets that were not recorded in the Fixed Asset Register. A few examples are given in Table 3.

Table 3 Insured Assets not Recorded in Asset Register (30 June 2016)

Assets	Address
Concrete Building, including amenities at Centre Récréatif Hervé Duval	Palmiers Avenue, Beau-Bassin
Gas propelled incinerator	Chebel Branch Road, Beau-Bassin
Concrete Building – Eddy Norton Hall	Arcade Sunnassee, Rose-Hill
Contents in Maryse Justin Sports Complex	Beau-Bassin

Source: Records of MCBBRH

3.4.2 Reporting of Assets

3.4.2.1 Accounting Policies/ Standards

Proper accounting for capital assets ensures that accounting records and financial statements provide a correct view of the assets owned and/or controlled by an organisation over its financial period. For proper accounting, it is imperative for LAs to follow the relevant accounting standards. Prior to 2011, LAs were not subject to statutory financial reporting

requirements. In the absence of prescribed accounting standards, LAs were using Generally Accepted Accounting Principles (GAAP) while preparing their Financial Statements.

In the absence of appropriate accounting standards, LAs continued to use GAAP for accounting of assets. However, there was no uniformity among them in the use of GAAP. In the financial statements for the year ended 30 June 2016, different accounting policies were used by different LAs as shown in Table 4.

Table 4 Accounting Policies used by Local Authorities

Accounting Policies in Financial Statements	District Councils	Municipal Councils
Historical Cost Basis	Pamplemousses, Grand Port, Savanne	Quatre-Bornes
Historical Cost Basis and in accordance with GAAP	Black River	Vacoas-Phoenix, Beau-Bassin –Rose-Hill
Historical Cost Basis in accordance with GAAP and LGA 2011	Flacq, Moka	Curepipe, Port-Louis
Historical Cost Basis except for the revaluation of non-current assets. In accordance with LGA 2011 and comply with IFRS.	Rivière du Rempart	Nil

Source: Local Authorities Financial Statements

For example, the Municipal Council of Quatre-Bornes was using Historical Cost Basis, whereas the Municipal Council of Curepipe was using Historical Cost Basis in accordance with GAAP and the Local Government Act 2011.

The GAAP used by LAs brought along its limitations in recognizing, measuring and reporting of accounting issues. In relation to assets, a few examples of these accounting issues are described below:-

- Depreciation on assets was not recognized. Instead at some LAs, specific sum of money was set aside from revenue to fund repairs, maintenance, replacement and renewal of any buildings, works, plant, equipment belonging to the Authorities;
- The impairment of assets was not recognized;
- The assets were recognised on cash rather than accrual basis;
- There were inconsistencies in the classification of assets as described the paragraph 3.4.2.2.

3.4.2.2 Classification of Assets in Financial Statements

Financial instructions provide for assets to be classified as follows:

- Land and Building which include improved and unimproved land and created or acquired buildings;
- Plant and Equipment which include Furniture and Fittings, Tools and Equipment, Hardware and Software and Vehicles;
- Infrastructure which include roads, drains, bridges, sports grounds and street lighting.

The Financial Instructions with regard to classification of assets were not adhered to by most of the LAs. There was no uniformity in the classification of assets among LAs. Instead, assets were classified under varying terms such as Capital Outlay, Other Long Term Outlay, and National Development Unit Financed Projects.

The non-uniformity in the classification of assets as described above undermined the quality of financial reports of LAs, leading to difficulty in understanding and comparing Financial Statements of different Councils.

3.4.3 Use of Assets

3.4.3.1 Shared Use of Facilities

The Project Plan Committee of the Ministry of Public Infrastructure and Land Transport (MPI) observed that public funds were invested in the provision of infrastructural facilities, such as gymnasiums, stadia and multi-purpose halls across the country. These projects were implemented by various entities, including LAs through MoLG, which thereafter retained the sole use of the facilities. It was felt that through a concerted approach, optimization of these resources could be achieved to benefit a larger number of users.

At a meeting held at the MPI on 16 June 2015, it was decided to request Ministries/Departments to develop ways and means to share facilities (gymnasiums, stadiums, halls, amongst others) in order to optimize on their use. Following the meeting, MPI requested MoLG on 24 June 2015 to provide a list of facilities that it could make available, indicating the purpose for which they were to be used and days/time slots they would be free for utilization, as well as the inputs on the mechanism to be put in place for the sharing of facilities.

MoLG submitted lists of facilities received from LAs to MPI, but did not propose any mechanism to be put in place for the sharing of facilities.

The opening hours of facilities submitted to MPI in 2015 were analysed to assess whether they were optimally used. Details are as shown in Table 5.

Table 5 Days and Time when Facilities of LAs were Available but not Allocated for Use

The Municipal/ District Council of	Number of Facilities	Football Grounds (hours)	Petanque Court (hours)	Gymnasium (hours)	Volleyball/ Handball/ Basketball Courts (hours)	Social Halls/ Municipal Centres (hours)
Quatre-Bornes	43	0900 -1600	0900 -1500	-	0900 -1500	-
Vacoas/Phoenix	29	Mon -Sat 0900 -1600	0900 -1600 (weekdays)	Sunday 0900 -1600	0900 -1600 (weekdays)	Weekdays 0900 -1400
Curepipe	38	Mon -Fri: 0900 -1500	Mon -Fri 0900 -1500	0900 -1200 (Thu & Fri)	Mon -Fri 0900 -1500	Mon -Fri 0900 -1200
Black River	25*	Daily Unallocated slots from morning up to 1500 hrs				Data Not made Available
Moka	59	Data not available	Data not available	Data not available	Data not available	Mon -Fri 0900-1600 Sat 0900-1300
Flacq	98	Data not available	Data not available	Not Applicable	Data not available	Mon -Fri: 0900-1600 Sat: 0900-1300
Pamplemousses	40*	Fully operational	Fully operational	0900 -1600	Fully operational	Data not available
Rivière du Rempart	25	0900 -1500	0900 -1300	Not Applicable	0900 -1600	Not Applicable

Source: Records at MoLG

*Data relate to only sports facilities, excluding Village Halls, Multi-purpose Halls etc.

The District Councils of Moka, Flacq, Grand Port and Savanne which controlled 148 Sports facilities did not provide information on their opening hours. Both the District Council of Moka and the District Council of Flacq informed that all their facilities were at the whole disposal of their inhabitants, and therefore, the question of sharing these facilities with other parties did not arise. The District Council of Savanne did not provide details on the hours of operation, stating that its facilities were under the management of the respective Village Councils. For other LAs, most of the facilities, though available in the slot 0900 to 1500 hours, were not being allocated for use. As regard the City Council of Port Louis, it reported that optimum use of its facilities was already being made. The Municipal Council of Beau-Bassin – Rose-Hill stated that its sports facilities were fully occupied.

3.4.3.2 Opening Hours of Facilities

An examination of information relating to opening hours, calendar of activities and utilization records, along with site visits effected at a sample of facilities at three LAs, namely the District Council of Moka, the District Council of Flacq and the Municipal Council of Beau-Bassin – Rose-Hill revealed that facilities were not optimally used, as shown in Table 6.

➤ Village Halls/ Sub Halls/ Municipal Halls

Table 6 Weekly Opening Hours of Halls at Three Local Authorities

Weekly Opening Hours (Monday to Saturday)	Number of Facilities		
	The Municipal/ Moka	District Council of Flacq	District Council of Beau-Bassin – Rose-Hill
Greater than 60 hours but $\leq$ 90 hours	-	-	4
Greater than 30 hours but $\leq$ 60 hours	-	8	14
Less than or equal to 30 hours	24	23	-

Source: Records of LAs

Most of the Halls at the three LAs mentioned above were available for use to the inhabitants for less than 30 hours per week, that is, less than five hours per day. For example at the District Council of Flacq, the Halls were opened to the public as from 1600 to 1900 hours during weekdays (three hours per day) and 1300 to 1900 hours on Saturdays (six hours). At the Municipal Council of Beau-Bassin – Rose-Hill, the opening hours of Municipal Halls varied. For instance, Mare Gravier Hall and Mont Roches Hall were accessible as from 1500 to 2000 hours during weekdays (five hours per day), while Eddy Norton Hall was opened as from 0700 to 2100 hours (14 hours per day). This limited the access of the inhabitants to these facilities.

➤ Sports Facilities

The management of Sports Facilities varied considerably among LAs. At the Municipal Council of Beau-Bassin – Rose-Hill and the Municipal Council of Curepipe, they had established opening hours and calendar of activities for most of their Facilities. This helped the allocation of the available hours of the Facilities.

At the District Council of Flacq and the District Council of Moka, there were no established opening hours for the Sport Facilities. These Facilities were made available to the inhabitants on an ad hoc basis upon request. Hence, data on opening and allocated hours for these facilities were not compiled as highlighted in Table 5 above.

3.4.3.3 Comparison of Opening and Allocated Hours for Use of Facilities

The opening and allocated hours for Social Halls and Sports Facilities at the Municipal Council of Beau-Bassin – Rose-Hill and the Municipal Council of Curepipe were compared to assess whether hours available had been optimally allocated for use.

➤ Social Halls at the Municipal Council of Beau-Bassin – Rose-Hill

The opening hours of Municipal Halls at the Municipal Council of Beau-Bassin – Rose-Hill on a weekly basis were compared to hours allocated for use based on calendar of activities. The results of the analysis are given in Table 7.

Table 7 Percentage of Opening Hours on a Weekly Basis not Allocated

Percentage of Available Hours not allocated	No. of Municipal Halls	Number of Opening Hours	Allocated Hours
More than 50	4	248	93
More than 30 but ≤ 50	8	410	241
Less or equal to 30	6	317	259
Total	18	975	593

Source: Auditors' Analysis

The opening hours of these facilities were not optimally allocated. Out of the 975 total opening hours for the 18 facilities, only 593 hours were allocated for use. The opening hours allocated for use varied among the halls. Of the 18 Municipal Halls, four were not allocated for more than 50 per cent of the opening hours. For example at Trèfles -Trochetia Social Hall, out the 45 opening hours, only some six hours were allocated for use on a weekly basis.

➤ Social Halls at the Municipal Council of Curepipe

The opening hours of Social Halls at the Municipal Council of Curepipe on a monthly basis were compared to hours allocated for use based on calendar of activities. The results of the analysis are given in Table 8.

Table 8 Percentage of Opening Hours on a Monthly Basis not Allocated

Social Hall	Opening Hours (4 weeks month)	Allocated hours (4 weeks month)	Percentage Not Allocated
Charles Regnaud Multi-purpose Complex (MPC)	400 (2 halls)	175	56
Malherbes	280	78	72
Dame Rosina Henrisson MPC	280	152	46

Source: NAO analysis of calendar of activities

➤ Sports Facilities at the Municipal Council of Beau-Bassin – Rose-Hill

As of March 2017, the Municipal Council of Beau-Bassin – Rose-Hill had 24 sport facilities, comprising one stadium, one gymnasium, one tennis court, 11 sport complexes and 10 football grounds. Except for the sport complexes which were made available to the general public, the other sport facilities were reserved to Sports Clubs and Colleges.

A calendar of activities was available only at the Monique Rayeroux Sport Complex. Hours allocated for use were on an ad hoc basis upon request. Requests obtained during year 2016 are given in the Table 9.

Table 9 Number of Requests Received for Sports Complexes in 2016

Sports Complex	Number of Requests	Remarks
Camp Levieux New Complex	1	} Operational
Barkly	1	
Vuillemin	2	
Trèfles	None	
Henry Buswell	None	
Kosovo (Chebel)	None	} Not Operational
Mare Gravier	None	
Belle Etoile	1	
Maryse Justin	2	
Coromandel	None	

Source: Municipal Council's Records

- For five of the 10 Sport Complexes, only one or two requests were received;
- For Trèfles and Henry Buswell Sports Complexes, though operational, no request was received;
- Five Sport Complexes were not operational during the period.

For sports facilities which had established calendar of activities, the number of allocated hours differed significantly from opening hours. A few examples are given in Table 10.

Table 10 Examples of Sports Facilities with Weekly Opening and Allocated hours

Facilities	Number of Hours (Monday to Saturday)		Percentage of Opening Hours not Allocated
	Opening	Allocated	
Vuillemin Football Ground (Stade Azor Adelaide)	27	10	63
Mont Roches Football Ground (Stade Nelson Mandela)	27	9	67
Camp Levieux Football Ground	27	11	59
Sir Gaetan Duval Stadium (Synthetic Track)	27	12	56

Source: Analysis of Calendar of Activities

Though Camp Levieux Football Ground had 59 per cent of the opening hours not allocated for use, the Municipal Council of Beau-Bassin – Rose-Hill was considering acquiring a portion of land at Cretin Street, Camp Levieux for conversion to a football ground to be used by residents of the locality.

Quorum Gymnasium was opened as from 0930 to 2200 hours. As per calendar of activities of the Gymnasium, 66 hours were allocated for its indoor use on a weekly basis, that is, 264 hours in February 2017. It was used for a total of 179 hours during that month. During a site visit effected on 14 March 2017, the sports pitch outside Quorum for which 40 hours had been allocated for use on a weekly basis, was being used as parking area for scavenging lorries.

3.4.3.4 Records on Utilisation

LAs need to achieve or maintain a reasonable standard of efficiency and progress in the discharge of their statutory obligations which include ensuring resources are used efficiently and effectively to best meet the needs of local community, particularly in relation to the provision of facilities for leisure, cultural and sports activities. This requires the keeping of appropriate records to assess and monitor the performance of their facilities.

The status of records on use of facilities at the District Council of Flacq, the District Council of Moka and the Municipal Council of Beau-Bassin – Rose-Hill is given in Table 11.

Table 11 Status of Records kept on Actual Usage of Facilities

The District/ Municipal Council	Status of Records kept at Facilities		Remarks
	Sports	Social	
Flacq	No records	Limited records	Records kept for activities organized by the Councils. For ad-hoc request, no record was kept.
Moka	No records	Limited records	
Grand Port	No records		
Curepipe	No records	Limited records	Records kept at Charles Regnaud Multi-purpose Complex only.
Beau-Bassin – Rose-Hill	Records kept at most facilities		No records kept for football grounds at Trèfles, Stanley, Barkly and Mont Roches and for Municipal Halls of Camp Le Vieux, Vuillemin, Trèfles and Trochetia.

Source: Local Authorities' Records

Except for the District Council of Grand Port, at the other four LAs mentioned above, records for Multi-purpose Halls were kept. As for Sports Facilities, only the Municipal Council of Beau-Bassin – Rose-Hill kept records at most of its facilities. At LAs where no records were kept for its facilities, their performance could not be assessed.

3.4.3.5 Actual Utilisation Status

For LAs where records were available, the actual usage of a sample of their facilities was analysed.

LAs controlled several Multi-purpose Buildings which were put at the disposal of the public to be used for various events and functions, such as weddings. At the Municipal Council of Beau-Bassin – Rose-Hill and the District Council of Flacq, for selected periods, these buildings were not optimally used as shown in Table 12.

Table 12 Utilisation of Multi-purpose Buildings

The Municipal/ District Council of	Name	Number of Days used
Beau-Bassin – Rose-Hill	Rolande Hungley (Plaisance)	52 days in a 6-month period from October 2016 to March 2017
	Salle de Fete (Plaza)	6 days in a 3-month period from January to March 2017
Flacq	Bon Accueil	26 days in year 2016
	Trou D'eau Douce	58 days in year 2016

Source: Records at LAs

After completion of major renovation works, Salle de Fete (Plaza) was operational as from January 2017. During the three-month period January to March 2017, the Salle de Fete was used for a total of six days.

At the Municipal Council of Beau-Bassin – Rose-Hill, the actual usage of a sample of halls for the month of March 2017 was as per Table 13.

Table 13 Actual Usage of a Sample of Halls in March 2017

Halls	Total Opening Hours	Total Hours Allocated for Use	Total Hours Actually Used
Centre de L'Unité	171	147	46
Emile Duvier (Plaisance)	195	192	125
Eddy Norton Hall 1	319	252	184
Eddy Norton Hall 2	319	212	
Roches Brunes	206	131	59

Source: Auditors' Analysis of the Municipal Council of Beau-Bassin – Rose-Hill Records

The opening hours of the Municipal Halls varied, and had not been fully allocated. Moreover, hours allocated were not optimally utilized. For example at Centre de L'Unité, only 31 per cent of allocated hours were actually utilised. Roches Brunes Hall had 206 opening hours out of which 131 hours were allocated for use, but only 59 hours were actually used.

3.4.3.6 Utilisation of Village Halls

The District Council of Moka has under its control 28 Village Halls and Sub Halls. The examination of the records on usage of 24 Halls revealed that three were being used for more than five but less than 10 hours per week, 17 for more than one but less than five hours per week, and four for less than one hour per week. Records for the other four Sub Halls, namely Helvetia, Valetta, Dagotiere and Esperance were not available. The halls were not optimally

used. It was only in March 2017 that Yoga Classes, Zumba, Cooking Classes and Physical Exercises had started in Village Halls and Sub Halls.

3.4.3.7 Monitoring of Utilisation of Facilities

The Facilities were not used to their maximum. The Municipal Council of Beau-Bassin – Rose-Hill did carry out a proper monitoring on the use of the facilities. Information on the number of users and the number of hours used were available at most of the Facilities, but was not submitted to the Welfare Department of the Council.

An analysis of the records at a sample of Facilities showed that Sports Clubs were not making optimal use of the Sports Facilities. For example, at Plaisance Football Ground, out of 116 allocated hours in August 2016, only 83 hours were utilised, resulting in 28 per cent allocated hours not utilized. A football club was allocated the use of the football ground every Saturday from 1500 to 1700 hours, but according to utilisation records prior to September 2016, there was no indication that it was making use of the Facility. Moreover, for the period September 2016 to February 2017, no record of utilization at the said Facility was kept.

At the Emmanuel Anquetil Football Ground, there was no record on utilisation for the period November 2016 to February 2017.

As such, monitoring on the use of these facilities was insufficient.

The use of Centre de Boxe was reserved to the Boxing Sports Federation. The Centre was opened on weekdays from 1230 to 2000 hours (that is 7½ hours daily) and on Saturday from 0800 to 1200 hours (that is for four hours). Figure 2 shows the total hours available for use and total hours actually used for the months of August and November 2016 and February 2017.

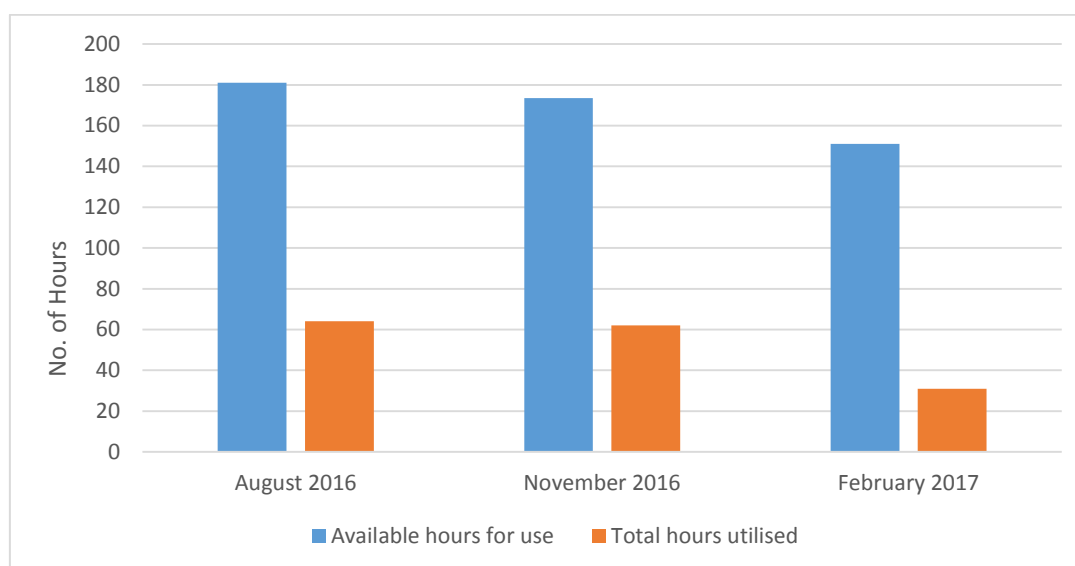


Figure 2 Centre de Boxe - Total Hours Available for Use and Total Hours Used

The Centre was not used to its maximum. For the three months, 30 per cent of the allocated hours were actually used.

3.4.3.8 Facilities not Used as Intended

Facilities controlled by LAs were intended to be used for specific activities, for example sports facilities for specific sports activities, and halls for social activities. At various LAs, several facilities were not used as intended as described below:

➤ The District Council of Flacq

At Centre de Flacq, the Multi-purpose Building, which was meant to be used for events and functions, was being used as Headquarters for the District Council of Flacq since end 2012.

A site visit was effected at the old Multi-purpose building situated at Camp de Masque Pavé, near Post Office on 26 May 2017. The building was in a deplorable condition and was not operational since long. (Figures 5)

According to records kept at the Council, several football grounds were not always used as intended. A few examples are given in Table 14.

Table 14 Facilities not Used as Intended

Football Grounds	Purpose Used	Period
Belle Mare	Marriage purpose	10 to 16 December 2015; 13 to 18 October 2016
Poste La Fayette	Parking of vehicles	26 September 2015
Ernest Florent	Regional “Divali Nite”	21 October 2016

Source: The District Council of Flacq Records

Since 2013, the District Council of Flacq and its Village Councils had purchased several fitness/ gym equipment (costing more than Rs 1 million) for their facilities at Medine, Lallmatie, Mare la Chaux, Brisée Verdière, Laventure, Camp de Masque, Olivia, Bonne Mère and Queen Victoria. These were intended to be used by inhabitants under the guidance of Gym Instructors. However, the District Council had only three Instructors working at Mare La Chaux, Queen Victoria and Lallmatie. As of June 2017, there was no Instructor at the other facilities, and hence, the equipment was not utilized.

In its reply to the Ministry, the Council stated that following the recruitment and posting of trainers on a sessional basis, the gymnasiums were being used regularly.

A plot of land of an area of 14,917 square metres was compulsorily acquired by Government for the construction of a football ground at Belvedere in May 2012. On 18 March 2016, the National Development Unit informed the District Council of Flacq that the construction of the football ground was completed, and that the land had already been vested with MoLG on 23 February 2016 and handed over to the Council. As of June 2017, some 16 months later, the football ground was still not operational.

➤ The District Council of Moka

The Multi-purpose complex at Saint Pierre was erected in 2010-11 at a cost of some Rs 8.3 million. As at March 2017, the offices on the ground floor were not being used and the hall upstairs was converted into a store room for keeping gym equipment, plastic chairs and broken furniture. The gym equipment purchased in August 2015 for the sum of Rs 436,550 was still not issued to gym centres.

At the end of March 2017, the Council decided to hold Zumba, Yoga and Gym courses on the first floor and to convert the ground floor to a Village Hall Conference Room.

➤ The Municipal Council of Curepipe - Mangalkhan Social Hall (Loges Mangalkhan)

The Loges Mangalkhan consists of a double storey concrete building of four modules that was used in the 1970's as a grand stand for horse racing. The Municipal Council of Curepipe took control of this infrastructure in 1976 following a swapping of lands with the Ministry of Housing and Land. Since 1976, the building has been put to various uses at different periods of time, namely Infant School, Social Hall, Library and Dispensary.

As of March 2017, only part of the first floor was used as a Social Hall by the Municipal Council. The rest of the building was being squatted. Squatters were illegally carrying out commercial, recreational and religious activities thereat. No evidence on any attempt to recover the premises was available. This was mainly due to insufficient control on this property.

➤ The Municipal Council of Beau-Bassin – Rose-Hill

A portion of land of an extent of 12,663 m² at Maingard, Beau-Bassin had been acquired from the Medine Sugar Estate by Government and vested in the National Development Unit on 15 October 2004 for the construction of a football ground. After completion, the National Development Unit handed over the site to the Municipal Council on 7 July 2015. As of March 2017, 21 months after, the football ground was not operational. Some Rs 14 million were spent on this project.

3.4.4 Maintenance of Assets at Local Authorities

All LAs face the problem of ageing assets. As the condition of assets deteriorates, the level of service supported by those assets diminishes. LAs must invest in maintaining and replacing those assets to keep the same level of service.

Financial Instructions stipulate that assets should be effectively maintained to ensure that they serve their purposes. A Maintenance Asset Register is to be kept in each department to assist in the monitoring of the maintenance of respective assets.

As of June 2017, more than 350 facilities, ranging from Gymnasiums, Football Grounds, Village/Municipals Halls and Multi-purpose Halls, along with infrastructural assets, such as roads and drains were controlled by LAs. With time and usage, the conditions of these assets deteriorated and required to be constantly maintained. Activities relating to the maintenance of these assets need to be organized in a systematic way. Generally accepted practices in maintenance management involve the preparation of a maintenance plan, incorporating both planned maintenance (preventive and corrective) and unplanned maintenance (reactive and

emergency) over the immediate, medium and long terms, and the establishment of a periodic review and record of conditions of assets.

At the selected LAs, the maintenance activities were not organised in a systematic way. The strategies, policies and plans for maintenance which described the approach, resource requirement, asset related issues, such as risks, conditions and performance level of assets, were not available. Maintenance on most assets was carried out as and when required in an isolated manner. This followed from observations made by those responsible for maintenance (for example the Public Infrastructure Department for infrastructure assets), complaints and requests from users of other types of assets (for example LAs personnel), and complaints received from inhabitants. Most of the interventions were of corrective, reactive and emergency nature to restore the assets so that they become fully functional.

Except for vehicles and IT assets (hardware and software) where maintenance of a preventive nature was carried out, there was no planned preventive maintenance on most asset groups. Preventive maintenance programmes were not developed.

3.4.4.1 Documentation of Maintenance Activities

The effort made to maintain capital assets should be tracked in the LA's records. The degree of details recorded depends on the needs of management and the cost of tracking the information. At a minimum, the maintenance history, costs of materials and labour used, and overheads should be recorded. Proper asset maintenance records provide management with important information to make key decisions.

Financial Instructions stipulate that LAs should keep a Maintenance Asset Register in each department to assist in the monitoring of the maintenance of respective assets.

For the audit period covered, LAs did not keep a Maintenance Asset Register. Instead, at some LAs, they had lists of infrastructural assets, albeit not complete, with information limited to cost. Detailed information, such as location, age, condition, history of breakdowns and repairs that could have facilitated maintenance activities, was not available. This did not facilitate the monitoring of the condition and performance of assets.

3.4.4.2 Funding of Maintenance Activities

Funds, personnel and logistics (machinery and equipment) are the resources needed for carrying out maintenance on assets. Of these, the most important one is funding. Table 15 shows funds budgeted and actually used on maintenance of assets for two LAs for the period January 2014 to June 2016. The funds available for maintenance were not fully utilized. At the Municipal Council of Curepipe and the District Council of Moka, the fund utilized for the period was less than three quarter of the budgeted amount.

Table 15 Funds Available for Maintenance on Assets, but not Fully Utilised

Period	The Municipal Council of Curepipe			The District Council of Moka		
	Amount (Rs million)		% Utilised	Amount (Rs million)		% Utilised
	Budgeted	Actual		Budgeted	Actual	
2014	7.2	3.8	53	21.7	15.9	73
2015	6.6	3.8	58	22.0	15.7	71
2016 (Jan – Jun)	3.0	1.7	56	16.4	11.4	70
Total	16.8	9.3	55	60.1	43.0	72

Source: Records from Local Authorities

3.4.4.3 Condition Assessment of Assets

It is a good practice in several countries to carry out a condition assessment at regular intervals. A condition assessment is a technical inspection by a competent assessor to evaluate the physical state of assets elements and services, and to assess their maintenance needs. The assessment will provide sufficient information on the condition of the building to support informed asset management decisions. Condition assessment is normally carried out every three to five years.

The conditions of the different infrastructural assets were not assessed by the LAs to evaluate their condition. In its absence, my Officers visited a sample of facilities at the selected LAs. Several facilities, as described in Table 16, were in a deplorable condition and unfit for use by the local community.

Table 16 Examples of Facilities not Maintained

Asset	The Municipal/ District Council of	Location	Figure No
Social Hall - Loges Mangalkhan	Curepipe	Mangalkhan Floreal	4
Sport Complex	Beau-Bassin – Rose-Hill	Chebel Sports Complex	5
Old Multi Purpose Hall/Market	Flacq	Camp de Masque Pavé	6

Source: Site Visits

Loges Mangalkhan - Floreal



Figure 3 Derelict State of Building

Sports Complex



Figure 4 Chebel Sport Complex – Abandoned Playground

Old Multipurpose Hall/ Market at Camp de Masque Pavé



Figure 5 Insufficient Maintenance of Hall

Maintenance of Town Hall of Curepipe

This Case shows the impact of not doing the needed maintenance on an infrastructure. The building could not be used and rental income had to be foregone. The building that was once the pride of the town has turned into an eyesore

The Town Hall of Curepipe is a historical building, constructed in 1902. (Figure 6 refers). The building makes up a total area of 787 m². For several years, it was used to hold socio-cultural activities and weddings. In 2003, it was listed as a National Heritage by the National Heritage Fund. With the passage of time, insufficient maintenance and inclement weather in Curepipe, the condition of the building deteriorated and was closed for eight years in the 1980's



Figure 6 Tarpaulins Laid to Prevent Ingress of Rainwater

Following major renovation works at a cost of Rs 28 million in 1992, activities were resumed. Thereafter, with insufficient expertise and financial resources, its maintenance by the Municipal Council of Curepipe was limited to minor repairs only. Over time, the condition of the building again deteriorated and has become an eyesore.

In this state, it was not safe to use the building, and it has been closed since 2013. In mid 2016, the Consultants hired by the Municipal Council identified major renovation works to restore the building estimated at some Rs 135 million. Government has provided Rs 110 million in the 2017-18 Budget Estimates for the renovation works.

CHAPTER FOUR

CONCLUSION

This Chapter concludes against the audit objective based upon analysis and findings supported by audit evidence as elaborated in the previous Chapter.

LAs have over the years invested significantly on the construction and acquisition of various types of assets for the benefit of their respective local communities. Managing these assets properly has been a major challenge for them. Though asset related issues were, among others, the subject of modified audit opinion on the financial statements of Local Authorities, there has been little improvement noted on its management practices.

While efforts have been made with the establishment of mechanisms, such as Local Authorities Governance Unit at the Ministry and Audit Committees in LAs, much remain to be done to improve the system in areas, such as asset management. The monitoring mechanisms have not been effective in addressing issues highlighted by the Director of Audit, and over time, this has led to the weakening of the accountability of LAs.

Asset management practices of LAs in respect of recording and reporting have not improved. Asset records kept at the selected LAs are not in compliance with Financial Instructions. Reporting of assets vary among the LAs making comparison difficult. There are no clear accounting standards and policies for asset accounting.

In respect of usage, LAs do not have a mechanism to ensure that the assets, such as Halls and Sports Facilities are used to their maximum. Also, they do not carry out a proper monitoring on how many users are actually using these facilities. There are no clear policies and procedures for the use of the facilities for the benefit of the local community.

Although LAs maintain some of their assets, they do not have a proper mechanism to ensure that the other assets, such as buildings and Sports Facilities are properly maintained. There are no maintenance policy and standards. The maintenance activities are not organised in a systematic way. Works are normally carried out on an ad-hoc basis, and mainly focussed on corrective actions. Little attention is given to preventive maintenance. Priorities are given to emergency works and regular surveys have not been conducted to ascertain the condition of the assets. Available funds for maintenance were not fully utilised.

CHAPTER FIVE

RECOMMENDATIONS

This Chapter presents the recommendations based on the findings and conclusions reported in previous Chapters.

MoLG is responsible for local government matters in Mauritius. One of its missions is to ensure that LAs adhere to the principles of good governance. In the light of the audit findings and conclusion, hereunder are the recommendations.

5.1 Enhanced Ministry's Accountability and Oversight Mechanisms

MoLG should foster an environment that supports and demands improved performance and accountability of LAs. For effective management of public finances, improved governance and promotion of effective service delivery by LAs, the Ministry needs to improve its oversight and accountability mechanisms and guidance as follows:

5.1.1 Oversight Committee

The Ministry should establish a committee with oversight function to assist the LAs in holding their management to account for, and to ensure the effective and efficient utilisation of their resources. Its responsibilities among others should include the following:

- promote transparency and accountability to ensure that financial resources of LAs are used in an effective and economic manner;
- review financial statements and reports of Director of Audit of LAs;
- ensure that the recommendations of the Director of Audit and other monitoring mechanisms, such as Audit Committees and Local Authorities Governance Unit, are being implemented;
- give clear guidance to LAs in respect of policies and procedures on recording, use and maintenance of assets.

5.1.2 Reviewing Existing Monitoring Mechanisms

- The monitoring mechanisms at the level of the Ministry and the LAs should be strengthened. This will involve a review of the current monitoring systems, identifying the factors affecting their effectiveness and thereafter taking corrective actions. An improved monitoring system will help LAs to effectively address issues regularly reported upon by the Director of Audit.
- The Local Authorities Governance Unit needs to exercise stringent control at the level of LAs to ensure effectiveness in the service delivery by ensuring compliance with its terms of reference, such as:
 - Ensure that LAs Accounts are prepared in line with International Accounting Standards;

- Reviewing the efficiency and effectiveness of the Internal Audit function and Audit Committees at LAs;
- Ensure each LA has a Fixed Asset Register, Plant Register, Vehicle Register and Infrastructure Register and other registers where necessary;
- Follow up on Internal Control Reports of LAs and of Audit Committees set out at LAs and on implementation of recommendations made by the National Audit Office.

5.1.3 Ensuring Compliance with Financial Instructions

As stated in the FMM for Local Authorities, the objective of the Manual is to provide the appropriate tool to Financial Managers to effectively manage the finances of Local Authorities. Hence, the latter should stand guided by the Financial Instructions set out in it.

5.2 Improving Asset Management Practices at Local Authorities

5.2.1 Recording

As all LAs would be preparing their financial statements in accordance with IPSAS Accrual Basis as from 1 July 2017, it is important for them to have comprehensive Asset Register. LAs should be inspired by the initiative taken by Central Government to come up with a Government Asset Register. The Register can be customised to reflect the environment of LAs. In this respect, they should use the Fixed Asset Module in the e-Governance System at their disposal in the customisation process.

5.2.2 Reporting

Over the years, LAs have been providing services to their local community using assets received from other entities, such as the National Development Unit. As these assets are quite often not reported by LAs in their financial statements, MoLG should formulate an appropriate policy consistent with the requirement of IPSAS in this respect.

MoLG should also formulate an appropriate depreciation policy for each class of assets controlled by the LAs. The depreciation policy used by Central Government can be considered.

5.2.3 Usage of Assets

Under the guidance of MoLG, LAs should be encouraged to

➤ Planning

Promote a planned approach on the use of their facilities. Planning for the use of the different facilities should be based on a robust and up-to-date assessment of the needs of users. LAs should conduct a survey based on needs and demands from the local community in order to improve access to Sports Facilities. This will help them to make the best use of the existing facilities through improving their quality, access and management. LAs should also be more proactive in organizing activities for the benefits of citizens of all aged groups.

➤ *Recording and Monitoring*

Put in place a mechanism to monitor regularly the time allocated for use of their facilities to users. Information on the number of users should be recorded at each Facility and made readily available to Management for appropriate control. This will help LAs to identify hours allocated but not utilized. Same could be made available to others willing to use the Facilities.

Optimum use of Sports Facilities will allow more citizens to perform physical activities. This will benefit the local community, as they will enjoy better health and quality of life.

5.2.4 Maintenance of Assets

LAs should move towards a planned and proactive approach to maintain its different infrastructures, such as halls and sport facilities, focusing more on preventive maintenance. This will require the development of a comprehensive maintenance plan that includes the following:

- a priority list of maintenance works to be carried out;
- a time frame for the implementation of the different maintenance works;
- resources needed to carry out the maintenance works;
- how to carry out maintenance works - in house or outsource.

In order to develop the maintenance plan, LAs should ensure that there is

- A complete database of all its assets. The database should include information, such as cost, condition of each asset, date of purchase, maintenance and economic life details of the assets and their replacement cost;
- A mechanism to identify and evaluate maintenance needs of the different infrastructures, including equipment through monthly surveys, and carry out condition assessment of all its buildings, at regular intervals, for example every three to five years.

LAs should use available funds fully for undertaking the maximum number of maintenance works. The Public Infrastructure Department should monitor their budgetary allocations through updated financial status reports. This will help to ensure funds are fully utilised.

Ministry's Response

According to information submitted by the selected LAs to the Ministry and forwarded by the latter to NAO, they are in general agreeable to the findings, conclusion and recommendations. Taking into consideration our recommendations, remedial actions are being taken to address the issues reported.

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