**Ministry of Local Government and Outer Islands**

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**Performance Audit on “Asset Management in 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 Reply**

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.

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