

OFFICE OF THE AUDITOR GENERAL

THE AUDITOR GENERAL OF MALI

**EXECUTIVE SUMMARY
END OF TERM REPORT
APRIL 2004 - MARCH 2011**



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Introduction

The Office of the Auditor General (OAG) of Mali was established in April 2004 representing a new element in Mali's control architecture. Its establishment confirmed the intent of the political authorities to improve the country's governance and to battle corruption.

Under the law establishing the Auditor General, the Office has the following missions:

- Evaluate public policies through performance auditing and quality monitoring of public agencies and services, and in particular development programs and projects;
- Audit the regularity and the sincerity of revenue and expenditure transactions carried out by the Republic's institutions, government administrations, territorial communities, public entities and any other agency benefitting from State financial relief;
- Propose to the public authorities measures and actions designed to ensure improved adequacy of cost and performance in public services, make the use of public resources more relevant and, generally speaking, ensure the regular operation of public agencies and structures.

Under the authority of the act establishing the Office, the President of the Republic issued a decree appointing Mr. Sidi Sosso DIARRA to the position of Auditor General for a non-renewable period of seven years, ending March 31, 2011.

The Auditor General is not responsible to any authority. He organizes the Office and is free to manage the budget given to him by the government. He can be seized by any citizen with an audit request.

The first audit engagements began in June 2005.

The Organization

Current profile

As of March 2011, the Office of the Auditor General has 100 permanent officers, 56% of whom are audit staff and 44%, support staff.

The OAG opened four regional sub-offices outside Bamako—in Kayes, Mopti, Ségou and Sikasso—which represent the Auditor General in dealings with regional authorities and citizens. The sub-offices provide field support for engagements and gather complaints from the regions.

Office staff is recruited on the basis of calls for interest published in national and international newspapers by national and international firms; this is to secure the best candidates, whether from Mali or from abroad. An independent personnel recruiting firm was selected and carried out the recruitment of the Office's entire audit staff.

Audit teams are made up of Team Leaders (Chefs de mission) and Assistant Auditors. The Team Leaders report to the "Auditors" who report to the Auditor General. Audit reports are submitted to the College of Auditors (all the Office's auditors) for quality control before being forwarded on to the Auditor General.

The Office has an Administrative and Financial Section, an IT Department and a Communications Department.

Financial management

The OAG is autonomous in the area of financial management. Appropriations are made available to the Office through a bank account that is used solely for that particular purpose. Disbursements are handled according to specific internal procedures.

From 2004 to 2011, the total amount made available to the Office of the Auditor General out of the national budget was 21.8 billion FCFA, almost half of which (10.2 billion FCFA) represents staffing expenses.

Also, beginning in 2008, the OAG received funding from the Canadian International Development Agency (CIDA) totalling 3.8 million CAD (approximately 2 billion FCFA) intended essentially to bolster its audit, human resources and IT capacities. This technical and financial support is spread out over three years, and is scheduled to last until March 2012. Additional funding brought the total to 4.5 million CAD.

Despite numerous difficulties experienced in the area of financial management, including the slow pace of disbursing allocated votes, the Office was able to carry out its activities and achieve the major part of its objectives with the budget that it was given

Audits performed

The “audit component” includes financial audits, performance audits and the following up of recommendations.

Financial audits

In the period from 2004 to 2010 the OAG carried out 102 financial audits on 79 entities. They involved all development sectors (13) of the Strategic Framework for Growth and Poverty Reduction (SFGPR) (2007-2011) adopted by the Mali government in 2007.

These audits identified revenue shortfalls in excess of 382 billion FCFA for the Public Treasury and the auditees.

Special attention was paid to the taxation services, which were the object of 25 audits that identified financial losses of approximately 75% of the total shortfall. These results were obtained through audits of taxes and duties owing either on import activities or on domestic operations, as well as a result of the examination of the management of resources and expenditures by sections of the Public Treasury.

In the reports of the OAG of Mali, a shortfall is any amount that should have been in State coffers if everything had been done in strict compliance with the law and according to the principles of public accounting. Shortfalls may be due to fraud but also to administrative dysfunctions. These can range from non-existent procedures manuals or recordkeeping procedures to the lack of inventory/stock accounting, to the combination of incompatible functions or weak recovery procedures.

Files on cases of fraud are forwarded to the judicial authorities.

Performance audits

Between 2006 and 2010, the Office carried out 45 performance audits, 20 of which involved the areas of education, health, solidarity and the promotion of women.

The Office also carried out 12 audits in the areas of rural development, food safety and the environment. Other audits covered the fields of scientific research, employment, professional training, promotion of the private sector, energy, decentralization to and support for, territorial communities, audio-visual, new information and communications technologies, public debt, elections, civil status and justice.

Generally speaking, these audit engagements revealed that in public institutions, the prerequisites necessary for performance management are not in place or are improperly utilized.

Audits based on complaints received

During his term in office, the Auditor General received 247 complaints, or requests to audit public bodies from individuals, associations or groups of individuals. These complaints covered such things as cases of poor management, the abusive or fraudulent use of public assets and funds, problems involving real property, and abuse of power on the part of administrative services departments. They also focused on the government's contracting process and the results that ensued therefrom as well as on administrative dysfunctions. The Auditor General attempts to provide written responses to all the complaints that he receives, including the large numbers that do not fall under his jurisdiction. To do this, he has established a unit that is tasked with handling these complaints.

During the Auditor General's term, the Office carried out 21 engagements based on complaints. In particular, one audit was carried out within the Public Treasury based on a complaint received from the Prime Minister, and the privatization of a major public body was audited based on a referral from the National Assembly.

Follow-up of recommendations

Follow-ups, performed approximately three years after the initial audit, examine whether the instances of dysfunction then identified are still occurring and put into motion audit procedures to determine, based on new evidence, whether the shortcomings that had been identified were corrected.

The OAG audited the implementation of recommendations formulated in 32 previous audits. These follow-ups took place primarily in the sectors of health, education and rural development and of the tax bases and recoveries. The resulting overall implementation

rate was above 60%. This result is an indication of improvements in the operations of the audited entities.

It should be noted that since 2008, the Government has instructed auditees to follow up themselves on the implementation of the Auditor General's recommendations. This monitoring on the part of the government is set out in a published report. This undertaking by the government, even though it may reflect only the viewpoints of the auditees, represents an advance in the following-up of recommendations.

Building capacity

Since its establishment, the OAG has worked with its partners investing serious effort in the key areas of its mandate: the management of its human resources, the expertise of its audit staff, the establishment of an informatics environment and the effective communication of its reports.

Developing human resources

To make the OAG a centre of excellence in the fields of auditing, the Auditor General has put the emphasis on the values of professionalism, integrity, humility and the seeking of excellence.

Considering the staff to be its most valuable resource, without which it would be unable to achieve any appreciable and lasting results, the OAG has instituted a salary policy designed to attract and retain the highest level of skills. It has also initiated a policy of strengthening the capacities and of pursuing the development of its human resources.

Each staff member is evaluated one or more times a year. A committee reviews the results of these evaluations and proposes promotions or reclassifications based on performance levels.

It is in keeping with this idea that the Office presents an award of excellence each year to the best employee in each category based on pre-determined criteria set by an ad hoc committee. The award is handed out on Staff Day, an event created to strengthen social cohesion within the Office.

From 2006 to 2011, the OAG offered some sixty general or specialized training activities that benefited close to one thousand participants. This effort situates the Office among Mali entities that invest the most *per capita* in training.

These training activities dealt primarily with financial or performance auditing, report writing, results-based management, finances, informatics and leadership.

The OAG contributed to the establishment of a DPACF stream (Diplôme Professionnel d'Audit Comptable et Financier) [professional diploma in the audit of financial statements] within the Faculty of Economic Science and Management at the University of Bamako. This is part of the Projet d'Appui aux Institutions d'Audit et de Contrôle des Finances Publiques [project to support public finance audit and control institutions], funded by the World Bank. It proposes in 2011 to implement a centre of excellence in auditing that will have as its role the strengthening of not only the training of OAG staff but also the training of the sub-region through activities supported in partnership with other national and sub-regional control structures.

Strengthening the infrastructure and IT services

With an investment of over 600 million FCFA between 2005 and 2010, the OAG has put into place a modern IT system tailored to users' needs as well as a technical support and maintenance centre.

The Office now has a complex metropolitan network infrastructure that connects Bamako with the OAG regional sub-offices. The regional sub-offices are now connected via a Virtual Private Network (VPN). In addition, OAG collaborators remain connected everywhere throughout the world. As a result, all users have access to the same resources, with access times that vary according to the quality of the connection.

The IT support centre provides support for audit engagements: It periodically extracts data from government databases in an electronic format that provides input periodically to the OAG's external database; it supplies data formatted by the IT section to the audit teams; and it uses appropriate software (IDEA, MS-Access, MS-Excel) to read, display, analyze, manipulate, sample or extract data from the database of auditees.

Improving communications

The OAG has put into place a number of important tools for external and internal communications.

Since an audit report is only effective to the extent that it is fully understood by its recipients, a major portion of the efforts expended in the area of communications involved improving the intelligibility of the Auditor General's annual report. Findings and recommendations were reformulated in a clear and simple style in the annual reports for the years 2007, 2008 and 2009. In 2010, this approach was extended to individual reports (intended for the audited entities) for which a standard model was adopted.

Representatives of the Forum des ONG Internationales [international NGO forum] (FONGI) when interviewed in 2010 remarked on the importance that they attach to reports from the Auditor General that they described as the only documents from the Mali public administration that were clear, specific, credible and reliable. This organization, which is seen as an influential lobbyist in Bamako, carries out an in-depth analysis of these reports and communicates the essential information in them to the public.

In addition to officially presenting its Annual Report to the President of the Republic, the Prime Minister and the Speaker of the National Assembly, the OAG maintains relations with the press, technical and financial partners, civil society, the public (via its bi-monthly newsletter entitled *La Lettre du Vérificateur*), and the various regions of the country through its regional sub-offices. The OAG also publishes its annual report on its Web site and now organizes regular press conferences when each report is published.

Publication of excerpts from the annual report in various newspapers is now common practice. The annual report is also commented on in various national languages on the radio networks.

Over the years, the Office has established a true partnership with the press and radio, an effort which resulted in the launch of the Prix Cristal OAG, an award by the OAG designed to reward the best articles on the subject of audits and the fight against corruption in connection with reports from the OAG. The award will be implemented in 2011 and funding for it has been confirmed by certain financial partners of the OAG.

Over the years, the OAG has also improved its internal communications and contributed to strengthening its cohesion and the distribution of information through the implementation of an office Intranet and the use of an internal messaging system. It has

also increased the number of meetings and discussions between the office staff and the Auditor General.

Partnerships

National partnerships

The OAG has included as one of its priorities the establishment and maintenance of permanent frameworks for collaboration and cooperation with all national players involved in improving public governance.

To this effect, it has conducted joint audit with inspectors from various government departments, specifically those of Health and Territorial Administration.

Starting in 2007, the OAG jointly organized, along with the Department of Justice, a workshop to enable magistrates and the various control agencies to exchange ideas on the role of Justice in the success of control and audit activities and on the synergy between Justice and these control agencies. When the work was completed, a series of resolutions were passed to improve the judicial handling of facts uncovered by the various control and audit structures of the country.

In 2007, the OAG took on the role of implementing agent for the steering committee on the project to support audit institutions and control structures for public finances in Mali, funded by the World Bank to the tune of 242 million FCFA. Completion of this project's activities provided all public and private structures involved in the auditing of public accounts, including the Accounting Section of the Supreme Court, the Finance Committee of the National Assembly and the Ordre National des Experts Comptables et Comptables Agréés du Mali, with productive opportunities for exchanging ideas, with a view to establishing common standards for the performance of their respective engagements. As a result, two public finance audit manuals were developed—one for use by public control structures and the other for use by auditors of the private sector. These audit manuals, as well as the related code of ethics and quality review program came into effect as a result of a decree issued by the Minister of the Economy and Finance in May 2010. At least 200 audit professionals were trained in their use.

In addition, the Mali OAG has held periodic meetings with stakeholders from the civil society and the university sectors.

The OAG continues its efforts to intensify the cooperation needed to effectively carry out its audit engagements. In order to improve the reporting to judicial authorities of the

irregularities that it uncovers, it has implemented a cooperation framework involving the Direction Générale du Contentieux de l'État and the prosecution services involved with economic and financial cases. This experiment is ongoing, but already results obtained are noteworthy. In fact, the referral framework is improving gradually, giving the prosecution services better evaluation elements for carrying out their investigations on the facts that have been reported.

International partnerships

Africa

The OAG is developing experience-sharing relationships with a number of African countries: Benin, Cameroon, Niger, Burkina Faso, Democratic Republic of the Congo, Congo (Brazzaville), Rwanda, Ethiopia, Guinea (Conakry), and Gabon.

Canada

The OAG's most important bilateral relations are with Canada. Under the aegis of the Canada School of Public Service and of the Office of the Auditor General of Canada, the project arising out of the agreement signed with Mali in 2008 provides intense support for the development of the structure and functions of the Mali OAG through strategic advice and activities to strengthen professional and operational activities. It is due in large measure to this partnership that the OAG now has its own manuals on performance and financial audits, report writing, and administrative and financial procedures. It has also benefitted from training courses in various fields as well as support for its IT, human resources management and communication departments, in addition to the technical support provided by one OAG Canada advisor posted on-site with the Mali OAG.

France

The OAG has also established relationships with certain French government departments on specific issues: training in 2008 on offences relating to government contracts, study trips in 2007 on performance audits, then in 2009 on relationships of control structures with judicial authorities in the area of reporting of offences uncovered through controls.

Other bilateral partnerships are in the process of being established with China, Norway and Sweden.

Memberships on committees and working groups

The Mali OAG is an active member of the Steering Committee of the Réseau des Institutions Nationales de Lutte contre la Corruption d’Afrique de l’Ouest. It also participates actively in the review mechanism of the United Nations Convention against Corruption and as such it is regularly invited to various meetings of the working groups and conferences of states parties to the convention. In addition, the UNODC (United Nations Office on Drugs and Crime) has offered to fund, under the National Integrated Program of Mali, a series of activities drawn from the OAG operational plan.

Finally, the OAG maintains relations with the FDIC (Federal Deposit Insurance Corporation) on matters relating to money laundering.

Challenges and outlook

Difficulties encountered

During its initial audit engagements, the OAG found itself confronted with hostility on the part of audited public entities that attempted to organize systematic opposition to its engagements. Problems persist to this day in some cases.

As a result, the OAG is experiencing greater and greater difficulty in obtaining data from databases of the Direction Générale des Impôts [tax branch], from BIVAC (the firm responsible for inspecting goods before they are loaded for Mali) and from the Direction Générale des Douanes [customs branch]. This concealment of information has harmed the OAG’s operational clout on certain audits, and this attitude, which is contrary to the law, represents a break with practices that have been established for years.

With respect to compliance with the “Principe du Contradictoire” (the “adversarial principle”, a process whereby each auditee is allowed to set forth and to defend its position with regard to the findings of an audit before the final report is written), some entities submit supporting evidence after the final report has been produced or propose a return to the adversarial principle long after the audit engagement has ended. These actions serve to delay, indeed prevent, the closing of some audit engagements.

In 2005, the work of auditing the collection and remittance of value-added tax (VAT) and customs duties came up against organized opposition from private entities, the economic players, instigated by the Conseil National du Patronat Malien [national employers council] (CNPM). Despite numerous meetings between the Auditor General

and the CNPM to explain the Office's audit engagements and dissipate its apprehensions, a wall was raised to prevent the Auditor General from doing his work.

Finally, mention must be made of the events that stained the serenity of the Office of the Auditor General in 2009, when a number of parties collaborated to bring a criminal action against the Auditor General for actions that are part of the normal management of the Office.

Performance audits must remain the prerogative of the OAG of Mali

The institutional reform planned under the auspices of the Comité d'Appui aux Réformes Institutionnelles [committee in support of institutional reforms] plans to enshrine the institution of the Auditor General in the Constitution. This will provide the Auditor General with sustainability, a restoration of authority and prestige. But including this institution in the Constitution will not be enough, in and of itself. In fact, it is necessary that the audit responsibilities of the Auditor General be clearly differentiated from those of the Cour des Comptes [Court of Accounts], the creation of which is on the order of the day. In particular, performance audits should remain the prerogative of the Auditor General. The experience, knowledge and tools developed by the OAG speak strongly in favour of this option. So the role of assessing public policies must be assigned exclusively to the Auditor General, along with compliance audits and audits of the sincerity and regularity of financial operations.

Legal protection for auditors is critical

In the area of legal protection, raising confidence implies also that the AG be assured of the assurance of serenity in performing his functions. Law No. 03-030, passed on August 25, 2003 grants auditors protection against verbal abuse and immunity from prosecution based on the observations and findings contained in their audit reports.

But the events that shook the Office of the Auditor General in 2009 show that these safeguards remain insufficient. Therefore, there needs to be a strengthening of the mechanism ensuring that audit staff enjoy protection by granting them a privilege of jurisdiction in civil and criminal matters, of the same nature that certain personalities and public officials already enjoy.

Autonomy of financial management must be maintained and strengthened

In matters of financial management, the autonomy that has been recognized in law for the Auditor General must be maintained and strengthened. This autonomy is not antinomic to the strict application of the code for public contracts and rules of public finance but it provides the OAG with a greater degree of operational reactivity and flexibility.

This autonomy is, in every aspect, in line with the concept of an independent authority entrusted with genuine powers of action. Moreover, it complies in all respects with the fundamental principles of INTOSAI, an international organization of which Mali is a full-fledged member, and whose standards the Mali OAG applies in all its audits.

Conclusion

Improving public finances in Mali, beyond the struggle against poverty, must necessarily be achieved through the quality of the audit and inspection engagements and their impact on the players in the public life of the country. Despite the difficulties inherent in any reform, the establishment of the Office of the Auditor General for Mali has brought notable changes within the public administration and in the public sector control organizations.

The audit work of the OAG has revealed numerous instances of administrative deficiencies and significant revenue shortfalls. As a result of just one Treasury audit engagement, the recoveries that were identified while the work was in progress equalled the total amount of the OAG's operating budget for the last seven years. But the value added by the Office of the Auditor General cannot be estimated on the sole basis of one of these recoveries but also by the importance of the changes that have occurred and are still going on in the management of public resources. In this regard, the partnerships initiated by the OAG with other national players involved in improving public governance extend its influence beyond its strict audit work.

The objective of auditing is surely not to undertake repressive action against certain citizens, but to trigger in each player in the public life of the country, and in particular the managers of public resources, a behavioural improvement with respect to public resources and a greater respect for the moral values that are an integral part of Mali

culture. Nevertheless, in proven cases of embezzlement or improper management, the application of appropriate sanctions is needed.

Achieving this objective requires a respect for recognized standards and cooperation among control organizations. It is also important that the institutions of civil society and the media provide effective support if instances of serious bad management and misappropriations are to be reduced.

The work accomplished by the Office since it was established in 2004 has been huge. The OAG of Mali now has some of the highest competencies in the country when it comes to performance audits. Currently, the recognition afforded to the OAG's products and the professionalism of its people are reasons to be proud.

The establishment of the Office of the Auditor General of Mali seven years ago created a precedent: for the first time the country had a control structure that was allowed to work with complete independence in selecting its audit engagements, with no interference, either in carrying out its work or in communicating its results. This independence must be maintained.