

## **Contribution to the PFM report of the 2006 MYR AM**

### **External Audit**

During 2006 Tribunal Administrativo (TA) has been able to recruit and train new personnel and therefore the performance in terms of financial audit reports carried out during 2006 is improving. Consequently, it is believed that the 2006 PAF target (*70 financial audit reports done by TA*) will be easily met.

During the first semester 2006, the TA has also been preparing its 2007-2010 Corporate Plan, which is an integrated plan including a strategic plan, the respective operational plan and budget and the monitoring targets for the period.

The definition of the PAF indicator has been approved, but the targets 2007-2009 have not been agreed yet.

### **Internal Audit**

The PAF target for 2006 (*20% of districts and municipalities audited by IGF*) should be met. The auditing of the municipalities has begun already, while the one of the districts is planned for the second half of the year.

The Subsystem of Internal Audit (Subsistema de Controlo Interno, SCI) is lagging behind compared to the other components of the SISTAFE Reform. Although the expansion and effective institutionalization of the OCIs (“internal audit units”) at sectoral and provincial level have started and it is believed that further improvements will take place in the second semester of 2006, it is important to give a greater priority to this issue by ensuring additional efforts to stimulate the actual functioning of the SCI, clarifying the roles and responsibilities of IGF and the sectors respectively and making sure a proper coordination between the different sub-systems implementing the SISTAFE reform.

Despite the recommendations presented in the last Mid Year Review and Joint Review Aide Memoires, the Balanço do PES continues not to make any reference to the objectives and activities of the internal audit area. It is highly recommended that future Government key documents, in particular the final 2006 BdPES, will consider this important aspect of the SISTAFE Reform in a more appropriate and detailed manner.

The Quarterly Budget Execution Report (QBER) until June 2006 shows that the execution of the investment expenditure (IGF Delegation in Nampula) is equal to 0%. However, IGF ensures that this allocation will be entirely used by the end of the year. In 2005, the Jan.-Dec. QBER indicated that the funds allocated for investment in the provincial delegations had not been spent at all. It is important that this situation is not repeated this year.

A technical note on how to measure the agreed 2007-2009 PAF indicators for internal audit was discussed and agreed during the MYR.

## **MoU implementation**

### Performance audit

The Budget Support MoU foresees the delivery of an annual performance audit. During the Joint Review 2006 it was confirmed that the justice sector would be chosen for year 2006. After high level political discussion, it was agreed that the audit in the justice sector should be carried out over two years (2006-2007). In particular, the GoM and PAPs decided that the performance audit in 2006 should assess the justice sector, leaving for 2007 the analysis of the case management. It is believed that the audit would provide useful recommendations for the implementation of the new strategic plan for the justice sector. The ToRs for this audit should be approved during the MYR and efforts should be undertaken to start immediately after in order to strive having a final product by the 2007 Joint Review.

The final report of the performance audit from year 2005 in the water sector is expected to be approved by the Minister of Finance by the end of September 2006, while the follow-up to the implementation of the recommendations highlighted by the audit report in the road sector should start immediately.