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# ANNUAL REPORT OF 2018

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## Acronyms and Abbreviations

AFRITAC	Africa Regional Technical Assistance Centre
AFS	Annual Financial Statements
CBS	Central Bank of Seychelles
DBS	Development Bank of Seychelles
FSA	Financial Services Authority
FPAC	Finance and Public Accounts Committee
GDP	Gross Domestic Product
GOS	Government Of Seychelles
HFC	Housing Finance Company Limited
IDC	Islands Development Company Limited
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
MOFTIEP	Ministry of Finance, Trade, Investment and Economic Planning
MOU	Memorandum of Understanding
NISA	National Information Services Agency
OECD	Organisation for Economic Cooperation and Development
OICL	Opportunity Investment Company Limited
PE	Public Enterprise
PEMC	Public Enterprise Monitoring Commission
PEMD	Public Enterprise Monitoring Division
PMC	Property Management Corporation
PPBB	Program Performance Based Budgeting
PSO	Public Service Obligations
PUC	Public Utilities Corporation
RBM	Result-Based Management
ROA	Return On Assets
SCAA	Seychelles Civil Aviation Authority
SCB	Seychelles Commercial Bank
SCI	Statement of Corporate Intent
SCR	Seychelles rupee
SEYPEC	Seychelles Petroleum Company Limited
SIMBC	Seychelles International Mercantile Banking Corporation Limited
SOE	State-Owned Enterprise
SPA	Seychelles Ports Authority
SPF	Seychelles Pension Fund
SPTC	Seychelles Public Transport Corporation
SRC	Seychelles Revenue Commission
SSI	Société Seychelloise d'Investissement Limited
STC	Seychelles Trading Company Limited
VAT	Value Added Tax

## **Chairman' Statement**

Public Enterprises are not an end in themselves but rather a modality for delivering services to our citizens. They provide a range of services and products and their performance is important to the country's overall fiscal and balance sheet position and its capacity to meet fiscal, social and other government policy purposes.

This implies that each PE should take long term approach, be efficient and profitable, while being given the capacity to develop. To promote long-term sustainable value growth in our country's public enterprises it is vital for the Government to recognise that sustainable businesses are integrated into good corporate governance.

Public enterprises should thus serve as role models in the area of sustainable business and employment ethics with the aim of generating public confidence. They are vehicles created with the objective of providing public service obligations to the people and to bring money in the form of taxes collected and dividends paid to the government coffer. In return this enable the government to bring value to people, who are the shareholders of such enterprises.

The Board of Commissioners commends the important achievement of the Public Enterprises Monitoring Commission during the year 2018 and past years. Furthermore, the board recognises that further financial oversight performance monitoring frameworks need to be in place for the achievement of sustainable public enterprises.

The Commission is a vehicle established to ensure better returns to the people of Seychelles. Government as main shareholder should discern the financial risks associated with public enterprises, better returns to benefit if performance targets are set and oversight is enhanced. To this end, the board implores government in the years ahead to provide the Commission with reasonable financial resources in order to achieve a better prosperity for the country.



**Mr. William Zarine**

**Chairperson**



## Foreword

The Public Enterprise Monitoring Commission (the Commission) was established under the Public Enterprise Monitoring Commission Act 2013 to ensure that, Public Enterprises (PEs) are properly controlled and managed for the purposes of:


- ⇒ *better performance, transparency and accountability,*
- ⇒ *to improve efficiency and competitiveness of the economy,*
- ⇒ *to foster and accelerate the macro-economic stability of the country and*
- ⇒ *to provide for matters connected therewith.*

For the year under review, the Commission had oversight responsibilities over 31 PEs, including their respective subsidiaries. The Commission ensures PEs' compliance with its enabling legislation and other relevant written laws and regulations.

The year 2018 was very challenging for the Commission in fulfilling its mandate and achieving its strategic goals and annual targets. A number of activities were carried out during the year under review, namely:

- Seychelles Public Transport Corporation's Midyear Budget Analysis Report
- Seychelles Public Transport Corporation's Annual Budget Analysis Report
- Seychelles Postal Services Annual Budget Analysis Report
- Quarterly Financial Reports
- Annual Report of Public Enterprises 2017
- Fiscal Risk Statement
- Developed data collection tools with assistance from the IMF
- Worked closely with PEs in order to identify and quantify quasi-fiscal activities (QFAs)
- Prepared the consolidated cash flow statement of the PEs in the International Public Sector Accounting standards (IPSAS) format
- Commenced the preparation of financial fact sheets on PEs
- Issued reports on ad-hoc request
- Contributed to the development of the PEMC strategic plan 2018-2022
- Research on development of an Ownership Policy for the PE sector
- Workshops on Boardroom Governance and Directors Duties Masterclass
- Drafting the 'Code of Governance for the PE sector'
- Review of Governance & operational Assessment of L'Union Estate (L'Union)
- Capex Inspection of SPTC
- The Commission's Attendance, Participation and Presentation at the Africa Network on Corporate Governance of State-Owned Enterprises
- Publication of Circulars by the PEMC

This Annual Report had been prepared in accordance with section 15 of the Act, to account for the activities undertaken during the year and their respective outcomes.

  
Georges Tirant (Mr.)  
**Chief Executive Officer**

## 1. General Information

### 1.1 Strategic Overview

#### 1.1.1 Vision

- “To have high performing and compliant Public Enterprises in the Seychelles.”

#### 1.1.2 Mission

- “To monitor and evaluate the overall performance of Public Enterprises and to promote ethics of good governance in all their business transactions.”

#### 1.1.3 Values

- ***Excellence***
  - We are committed to continuously improving our monitoring and supervisory roles, the quality of our staff and management as well the standards of our functions.
- ***Good Governance***
  - We are committed to put in practice the highest ethics of good governance, accountability and transparency. We expect the conduct of our staff and commissioners to be based on mutual trust and respect and driven by the highest ethical standards.
- ***Teamwork***
  - We value teamwork as an integral approach in bringing together a range of talents for informed decision-making and collaborative action. We embrace the diversity of staff with the respective talents, skills and values. We believe in the sharing of knowledge and experience and supporting our staff, management and commissioners to reach their full potential.
- ***Honor***
  - We aim to safeguard the interest and investments of our shareholders and the people of Seychelles. We endeavor to be recognized as a high performing organization and to be held in high esteem for a distinct function in the country
- ***Growth***
  - We are committed to fostering the personal and professional growth of staff and commissioners by promoting a culture of research, learning, trainings and leadership development in all our endeavors. We strive to Invest in our abilities and professionalism for the continuation of improved performance of PEMC.



- ***Partnerships***

- We work with international and with local partners in the Public Sector to improve on the quality of delivery of our tasks. We value their contribution in helping PEMC to achieve its vision, mission and strategic goals

- ***Responsibility***

- We endeavour to develop with discipline, conscience, efficiency, quality and rigor the tasks assigned.

- ***Welcome changes***

- We aim to maintain the motivation and the union among staff to facilitate the continuous improvement of the delivery of our work

## **1.2 Mandate**

The Commission is mandated under section 6 of the Public Enterprise Monitoring Commission Act 2013 to:

- ⇒ monitor and evaluate the overall performance of the Public Enterprises,
- ⇒ ensure efficient operation of such Enterprises,
- ⇒ promote ethics of good governance in all business transactions, including financial matters such as investments and budget,
- ⇒ give recommendations to improve performance and thus increase the return on investments.

## **1.3 Reporting Entities**

There were 31 PEs, including their subsidiaries were under the oversight of the Commission for the year under review. In accordance with section 5 of the Act, the Commission monitors the overall performance of PEs against their objectives.

**Table 1. *Objective of Public Enterprises***

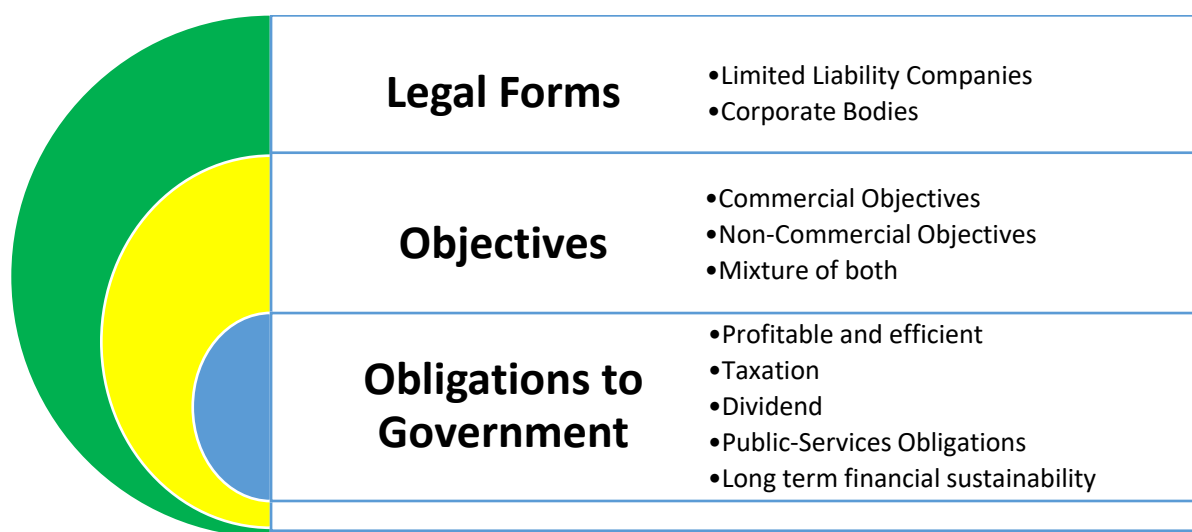
The principal objective of a Public Enterprise is to be a successful business organisation and to achieve this objective-

- (a) a commercially oriented Public Enterprise must strive to be as profitable and efficient as comparable businesses that are not owned by the public; and
- (b) a non-commercially oriented Public Enterprise must strive to exhibit a sense of social responsibility and awareness of the interests of the community in which it operates, while ensuring the long term financial sustainability of the Public Enterprise.<sup>1</sup>

<sup>1</sup> Section 4 of the PEMC Act 2013 - Objective of a Public Enterprise

PEs are incorporated under different legal forms as prescribed by their specific enabling legislations and will either have their own commercially oriented, non-commercially oriented or a mixture of both objectives specific to the respective sector, industry, area of operation, structures, etc. as illustrated in **Figure 2** below.

**Figure 2:** *PEs' Legal forms. Objectives and Obligations to Government*



PEs, including their subsidiaries, are crucial to the macro-economic growth, improving the economy and development of Seychelles across the following 5 sectors:

- ⇒ Services and Development
- ⇒ Energy
- ⇒ Transport
- ⇒ Financial Services
- ⇒ Trading

The details of PEs, their subsidiaries, their board of directors (the board), enabling or incorporating legislations, are provided in Appendix 1<sup>2</sup>.

## 1.4 Key Functions

Section 11 of the Act states that the Commission shall –

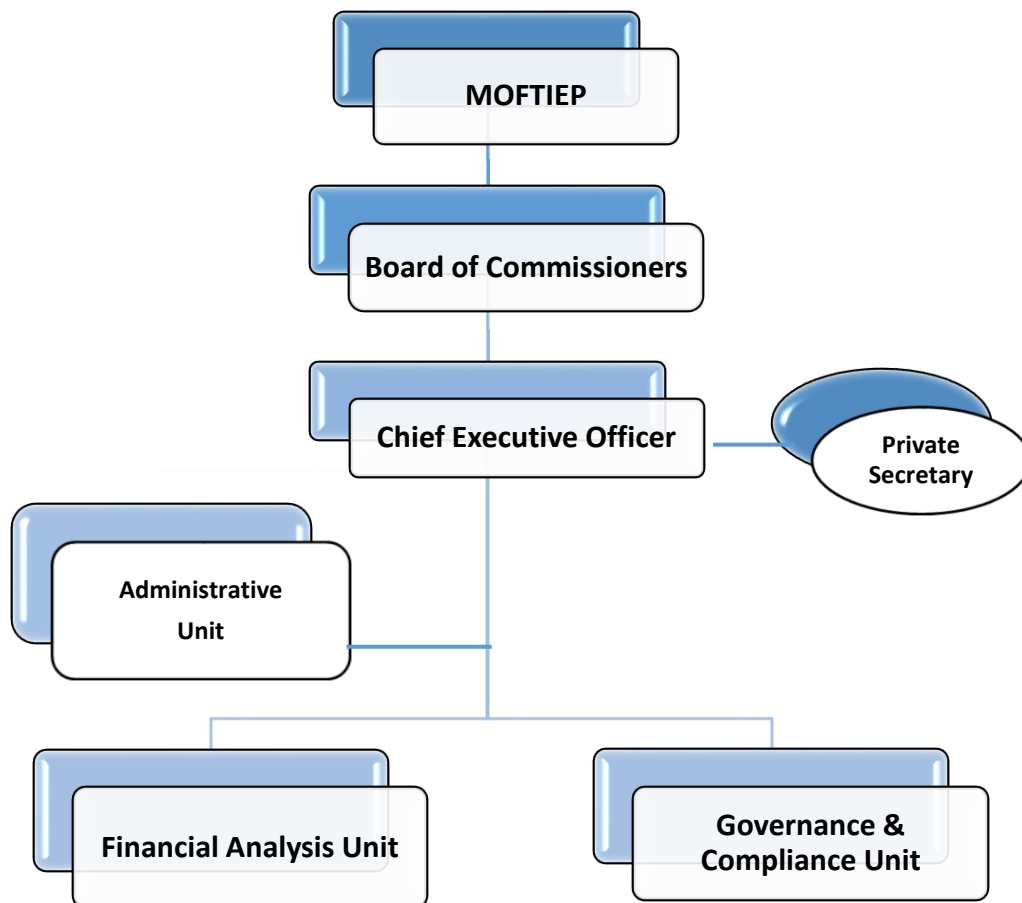
<sup>2</sup> **Appendix 1** – List of Public Enterprise and their particulars

- (a) be responsible for the implementation of this Act and to monitor compliance with the governing law;
- (b) analyse the approved annual budget of a Public Enterprise and advise the appropriate Board as to its adequacy or suitability of compliance with the governing law;
- (c) monitor the implementation of all the actions laid out in the annual plan of Public Enterprises;
- (d) assess the implementation of projects carried out by Public Enterprises to ensure compliance with procedures and regulations of capital expenditure;
- (e) monitor and identify factors inhibiting the realization of set revenue targets of any Public Enterprise;
- (f) ensure adherence by Public Enterprises to policies and procedures formulated by their Responsible Ministry or Board to ensure sound and efficient management, including finances of Public Enterprises;
- (g) arrange investigation or inspection into the affairs of a Public Enterprise where necessary in the public interest;
- (h) submit a report of all its activities on a quarterly basis to the Minister of Finance;
- (i) advise the Minister of Finance of any weaknesses or shortcomings in relation to the functioning of Boards of Public Enterprises; and
- (j) identify issues relating to operational and financial risks of Public Enterprise that may have material impact on the Public Enterprise and the economy as a whole.

## 1.5 Organisation Structure

The Commission was restructured during the year 2018 with the objective of effectively discharging its functions. Three units were established, namely the Administrative Unit, the Financial Analysis Unit (FAU) and the Governance & Compliance Unit (GCU), as illustrated in **figure 3** below.

**Figure 3.** *Organigram of the Commission*



### ***1.5.1 Ministry of Trade, Investment and Economic Planning (MOFTIEP)***

MOFTIEP has the role of being the ‘parent’ ministry of the Commission. However, the ministry has dual responsibilities, i.e. the Responsible Ministry for PEs under its ministerial portfolio, and Shareholding Ministry on behalf of the Government for its majority shareholding.

### ***1.5.2 Board of Commissioners***

The Board of Commissioners established under section 7 (1) of the Act aims to provide strategic guidance, command, control and coordination to the Commission.

More specifically, the commissioners:

- Provide direction on the affairs and operations of the Commissioners and oversee service delivery in line with government’s policies.
  - ⇒ Ensuring compliance with PEMC Act, government administrative orders and financial regulations.
  - ⇒ Providing the policy direction required.

- Oversee and facilitate provisions to provide the Minister responsible for Finance with information, guidance and decisions pertaining to the PEs so that their performance and that of the Board can be monitored.

The Board of Commission is made of 8 members, with the Chief Executive Officer (CEO) as the only ex-officio member, as illustrated in **Table 2** below.

**Table 2: *The Board of Commissioners as at 31<sup>st</sup> December 2018***

The following Commissioners, including the CEO, had tenure on the Board as at 31 <sup>st</sup> December 2018.		
<b>Chairman</b>	Mr William Zarine	Non-Executive Director
<b>Chief Executive Officer</b>	Mr Georges Tirant	Ex Officio (Executive) Director
<b>Member</b>	Mr Marcus Simeon	Non-Executive Director
<b>Member</b>	Ms Tania Potter	Non-Executive Director
<b>Member</b>	Mr Antonio Lucas	Non-Executive Director
<b>Member</b>	Mr Emmanuel Green	Non-Executive Director
<b>Member</b>	Mrs Helen Maiche	Non-Executive Director
<b>Member</b>	Mrs Shella Mohideen	Non-Executive Director

### ***1.5.3 Chief Executive Officer***

The Chief Executive Officer (*CEO*) of the Commission has been appointed by the President under section 13 of the PEMC Act on the 7<sup>th</sup> July 2017. The CEO is responsible for the ‘*day-to-day administration and direction and control of all other employees the Commission*<sup>3</sup>’.

### ***1.5.4 Administrative Unit***

The Administrative Unit consists of the Human Resources & Budget Officer and the Driver Messenger. The Unit is responsible for the administrative, human resources functions and liaisons with the MOFTIEP regarding policy issues impacting the Commission.

### ***1.5.5 Financial Analysis Unit***

This unit’s core function is to monitor the financial performance of the PEs by analyzing and assessing their financial soundness and stability over historical and forecasted periods. The Commission interprets the financial information from the data extracted, from the PEs AFS, forecasts, budgets and specially requested additional information, performs its analysis, draws conclusion and make recommendations to the MoFTIEP and the PEs themselves.

The unit is responsible for:

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<sup>3</sup> Section 21 of Public Enterprise Monitoring Commission Act, 2013

- Establishing and maintaining a database of financial data pertaining to the Public Enterprises (PEs).
- Establishing a standardised reporting procedure to collect relevant information from PEs and key stakeholders in order to identify fiscal risks.
- Developing and applying technical tools to analyse and quantify fiscal risks from PEs, on an individual and aggregate level.
- Preparation of an annual fiscal risk statement for the PE sector.
- Establishing a standardised reporting procedure to provide the outcome of the fiscal risk analysis to policy makers and other key stakeholders in a timely manner to enable them to make informed decisions on mitigating fiscal risks from PEs.
- Assessment of monthly financial statements of PEs to prepare quarterly reports for submission to the Minister for Finance
- Assessment of annual management accounts, Annual Financial Statements (AFS), reports and budget for:
  - Issues relating to financial risks
  - Issues inhibiting the realisation of set revenue targets/performance
  - The preparation of an annual financial report on the PEs
  - The preparation of an annual consolidated cash flow statement for the PE sector in the International Public Sector Accounting Standards (IPSAS) format
  - The preparation of an annual aggregated budget of the PEs to be included in the annual national budget document
- Assessment of requests for additional budget from PEs
- Assessment of ad-hoc financial information to advise the Boards of the PEs, the Ministry of Finance and other stakeholders.
- Strengthening working relationship with key stakeholders for the exchange of information.
- Recommending investigations into the affairs of PEs where necessary in the public interest
- Participating in operational assessments of PEs



### ***1.5.6 Governance & Compliance Unit***

This unit has been created to monitor PEs' application, implementation and compliance to good practices, and their respective legislations. More the unit ensures PEs adherence to corporate governance principles.

The unit strives to achieve the following:

- Ensuring adherence by Public Enterprises to policies and guidelines formulated by the Commission, Ministry of Finance and the responsible Ministry;
- Arranging investigation or inspection into the affairs of a Public Enterprise and where necessary in the public interest;
- Work in close collaboration with respective government departments to ensure that their current policies and regulatory environment are conducive to the PEs operation for them to better serve the public interest;
- Reviewing and updating existing guidelines;
- Developing appropriate systems and frameworks to promote good governance best practices by introducing and monitoring governance indicators;
- Creating an Institute of Directors in consultation with relevant stakeholders;
- Assisting in board appointment and continuously updating the database on the board appointment;
- Develop tools to assess governance in public enterprises;
- Carrying out governance audit within all public enterprises and submit reports to the Minister of Finance and the Responsible Minister.
- Making recommendations on matters relating to the functions of the Board of PEs concerning governance and their adherence to approved policies and guidelines.
- Carrying out research regarding best practices worldwide, which can improve the work of the Commission and the PEs.

## **2. Financial Performance of 2018**

PEMC is a budget-dependent body and receives an annual appropriation from the budget managed through a central account administered by the Treasury Division. The Commission does not generate revenue.

The Commission's actual cost of operations was SCR.7,287,203.84 against an allocated budget of SCR.7,539,948.99 which resulted in unused and surplus funds of SCR.252,745.15 representing a favourable variance of 3%.

The Commission managed to obtain a favourable variance on all its expenditure items as illustrated in **Table 3** below.

**Table 3:** *Extract of the Statement of Receipts and Payments for the Commission for 2018*

	Budget SCR	Actual SCR	Variance	
			SCR	%
<b>RECEIPTS</b>				
<b>Allocations/Appropriations</b>	<b>7,539,948.99</b>	<b>7,287,203.84</b>	<b>252,745.15</b>	<b>3%</b>
<b>PAYMENTS</b>				
Wages and Salaries	3,111,529.01	2,980,716.68	130,812.33	4%
<b>Good and Services</b>				
Office Expenses	598,189.98	549,632.30	48,557.68	8%
Transportation & Travel Costs	270,993.00	261,955.00	9,038.00	3%
Maintenance & Repairs	382,344.00	356,342.97	26,001.03	7%
Other Goods & Services	2,633,893.00	2,601,507.68	32,385.32	1%
<b>Total recurrent expenditure</b>	<b>6,996,948.99</b>	<b>6,750,154.63</b>	<b>1,234,180.08</b>	<b>4%</b>
<b>Non- Financial Assets</b>				
Machinery & Equipment	543,000.00	537,049.14	5,950.86	1%
<b>Total expenditure</b>	<b>7,539,948.99</b>	<b>7,287,203.77</b>	<b>252,745.22</b>	<b>3%</b>
<b>Surplus/(Deficit)</b>		<b>252,745.22</b>		

The highest expenditure incurred by the Commission for 2018 were wages and salaries amounting to SCR.2,980,716.68, against the budgeted amount of SCR.3,111,529.01, which resulted in a favourable variance of SCR.130,812.33 which was 4% lower than what was budgeted.

The lowest expenditure incurred was transportation and travel costs amounting to SCR.261,955 which was SCR.9,038 less than the against a budget allocation of SCR.270, 993, resulting in a favourable variance of 3%.

Additionally, there were favourable material variations between the budgeted and actual expenses of the Commission's expenditure items, as illustrated in the **Table 4** Below.

**Table 4:** *Extract of the Commission's Statement of Accounts for the Year 2018<sup>4</sup>*

Description	Budget	Actual	Variance	
	SCR	SCR	SCR	%
Hospitality	65,500.00	47,748.05	17,751.95	27%
Newspaper & Magazines	7,115.00	4,100.00	3,015.00	42%
Cleaning Expenses	17,684.00	12,543.45	5,140.55	29%
Telephone	99,999.98	86,959.57	13,040.41	13%
Uniforms	9,000.00	7,600.00	1,400.00	16%
Domestic Airfares	3,246.00	1,900.00	1,346.00	41%
Bus/Taxi/Ferry Fares	3,184.00	1,420.00	1,764.00	55%
Motor Vehicles	44,981.00	23,166.00	21,815.00	48%
Air Conditioning Equipment	1,100.00	150.00	950.00	86%
Facilities for Events	143,847.00	128,783.00	15,064.00	10%

The details and explanation on the material variances is explained further in Appendix 2<sup>5</sup>

### 3. Highlight of 2018 Strategic Achievements

For the year 2018, the Commission achieved the following:

- Developed data collection tools with assistance from the IMF AFRITAC South
- Quarterly Financial Reports
- Annual Report of Public Enterprises 2017,
- Fiscal Risk Statement
- Budget Analysis
  - Seychelles Public Transport Corporation's Midyear Budget Analysis Report
  - Seychelles Public Transport Corporation's Annual Budget Analysis Report
  - Seychelles Postal Services Annual Budget Analysis Report
- Worked closely with PEs in order to identify and quantify quasi-fiscal activities (QFAs)
- Prepared the consolidated cash flow statement of the PEs in the International Public Sector Accounting standards (IPSAS) format
- Commenced the preparation of financial fact sheets on PEs
- Issued reports on ad-hoc request
- Contributed to the development of the PEMC strategic plan 2018-2022
- Research on development of an Ownership Policy for the PE sector
- Workshops on Boardroom Governance and Directors Duties Masterclass
- Drafting the 'Code of Governance for the PE sector'
- Review of Governance & operational Assessment of L'Union Estate (L'Union)
- Capex Inspection of SPTC

<sup>4</sup> Note 4, Pg 6, Public Enterprise Monitoring Commission's Statement of Accounts for the Year 2018

<sup>5</sup> **Appendix 2** - Public Enterprise Monitoring Commission's Statement of Accounts for the Year 2018

- The Commission's Attendance, Participation and Presentation at the Africa Network on Corporate Governance of State-Owned Enterprises
- Publication of Circulars by the PEMC

### ***3.1 Data Collection Tools***

Following a technical mission from the IMF AFRITAC South in March 2018, the Commission, with technical assistance from the IMF, created a data collection tool which allowed for centralized collection of annual financial data for all PEs. The Commission collected historical data and performed financial and ratio for the period 2013 to 2018 analysis with the tool.

Based on technical skills acquired during the creation of the annual tool, the Commission further developed a second tool for the collection of quarterly information. The data from quarter one 2017 to quarter four 2018 was collected and used to calculate financial ratios and indicators on PEs quarterly performance. The tool proved beneficial for the unit as it provided easy access to all relevant information regarding each specific PE, as the information could be obtained from a single document.

The data collected was then utilized during a second IMF technical mission in September 2018 to prepare the PE Annual Report and the Fiscal risk Statement (FRS). This project was a milestone for the Commission in its oversight and performance monitoring mandates.

### ***3.2 Quarterly Financial Reports***

The Commission issued a report for each quarter in 2018 with the review and analysis of the PEs' financial performance for each quarter. The quarterly reports were submitted to the MoFTIEP and other key stakeholders with a summary of the business performance of each PE, as well as, their compliance with the PEMC Act and other relevant legislations.

The reports provided an overview of the activities of the Commission in its monitoring role of the enterprises on behalf of the government as the shareholder. The analysis focuses on:

- Financial performance
- Budget variance
- Net revenue and total revenue
- Financial position

### ***3.3 Annual Report of Public Enterprises 2017***

A first since its establishment, the Commission published the Public Enterprises Annual Report (PE Annual Report). This plays an integral part in the PEMC's oversight role of the PE sector and promotes good governance, transparency and accountability in the affairs of PEs to its main shareholder, the Government, and the general public.

The main aims of the PE Annual Report included reviewing the PE landscape and assessing the financial performance of the PE sector in the Seychelles for the period 2013 to 2017.

The report revealed that:

- There are variations in the PE sector financial performance in Seychelles.
- The oversight framework of PEs in Seychelles is fragmented.
- The oversight of PEs needs to be strengthened.
- Financial monitoring and reporting need to be reinforced.
- There are substantial fiscal risks emanating from PEs in Seychelles.

The key recommendations were:

- Implementation of a clearly defined ownership policy to ensure an effective framework of financial oversight.
- The PEMC should strengthen its oversight of the PE Sector with qualified, competent and technical individuals.
- Establish a clear oversight framework in the Seychelles by establishing a single institution to implement the financial oversight function of the PE Sector, thus avoiding duplications and the spread of resources. The government should mandate a single institution to set out clear financial targets for each public enterprise thus promoting optimal performance which would lead to improving the efficiency and competitiveness of the economy.
- Dividend policy should be implemented to guide the PE Sector on how to balance out return on investment for the majority shareholder i.e. GOS and the financial power of the PEs.
- Strengthening the monitoring and reporting obligations of the public enterprises by introducing enforcement mechanism to foster compliance of PEs with the PEMC Act and other governing legislations.
- The government should put in place a risk-based approach for oversight of the PE sector
- Disclosure of fiscal risks via the Fiscal Risk Analysis for PEs and mitigating the risks by developing a fiscal risk mitigation strategy.

### ***3.4 Fiscal Risk Statement***

Another achievement was the issuance of a comprehensive fiscal risks report disclosing fiscal risks emanating from PEs and to that effect the government contingent liabilities.

The key fiscal risks in Seychelles include:

- Macroeconomic shocks
- Fiscal risks emanating from other expenditure and revenue developments
- Contingent liabilities of which the government either have legal or no legal obligations to intervene in cases where PE faces liquidity problems.
- Arrears; such that if debts continuously accumulate hence becoming uncollectible and are written off, which may result in profitability and liquidity problems.
- Deficiencies in the institutional framework such as the sizeable non-compliance of PEs to the PEMC Act and other governing legislations.

Government strategies are recommended to help in mitigating fiscal risk, such as:

- Provisional budget catering for the evaluation of risks
- Transferring the risk directly associated to PEs, through hedging and insurance instrument
- Implementing a coordinated framework of reporting between MoFTIEP, the responsible ministries, regulators and the PEs regarding any decisions that would impact PEs performance negatively
- Establish a budget contingency provision or reserve fund for fiscal risks that are likely to materialize
- Making provision for the appropriate subsidization of PEs in the event the institutional risks materializes into the fiscal risks, and for the proper planning for the cost associated to QFAs so as to ensure that the compensation is incorporated in the government budget which will in turn avoid the risk of distorting the government's fiscal position
- Imposing caps on the liabilities PEs can accumulate
- Imposing limits on the average liabilities PEs can mount up

### ***3.5 Budget Analysis of PEs***

For the year 2018, two PEs requested for subvention from the government, namely the:

- Seychelles Public Transport Corporation (SPTC)
- Seychelles Postal Services Ltd (SPS);

The SPTC made a first request for a midyear subvention in June 2018 and in October made a second request for subvention for the year 2019. The SPS also requested for subvention for the



year 2019. Subsequent to the requests, the FAU conducted three budget analysis and the reports were issued to the Ministry of Finance, Trade, Investment and Economic Planning (MoFTIEP).

### ***3.5.1 Seychelles Public Transport Corporation's Budget Analysis Report***

#### ***3.5.1.1 Midyear budget***

The PEMC conducted an analysis of SPTC's request for additional funding from the government in order to break even, despite the enterprise having received subvention of SCR 13,989,000 in December 2017 for the year 2018 to cover its operating expenses. The financial performance of SPTC during the first quarter 2018 and the request for additional funding for the year 2018 was analyzed and based on the findings recommendations were made for the consideration of the MoFTIEP.

The key findings were:

- SPTC does not generate sufficient revenue to cover its operating costs. Its largest cost component are wages and salaries.
- The SR7 bus fare does not allow SPTC to generate sufficient revenue to cover its costs. The SR 7 bus fare is therefore a public service obligation for SPTC.
- SPTC's net profit and cash position have been deteriorating for the first 3 months of 2018 and the Corporation would require additional funding in 2018 to remain in operation, if its current structure would remain unchanged.
- SPTC has forecasted the revenue inflows for the remainder of the year 2018 based on the reduced number of passengers for first quarter 2018.

The recommendations were for the MoFTIEP to consider the two options with regards to SPTC's request for additional financial support:

- Funding SPTC's request of SR34.6m for the remainder of the year 2018, using the forecasts made by SPTC which have been based on the current performance of the first quarter 2018.
- Funding a portion of SPTC's request, e.g. for one quarter up to September 2018 as well as the 13th month salary cost and the cost of the new scheme of service. SPTC's performance could subsequently be reviewed towards the end of September 2018 to determine whether additional financial support would be required, as there is the possibility that the number of passengers may increase during the year or that the fuel prices may not increase in the same manner that SPTC has anticipated. This option may however not be feasible given the budgetary processes and the budget calendar.

#### ***3.5.1.2 Annual Budget***

Following the request from SPTC for subvention in June, the enterprise further requested for subvention of mSCR 76.3 to support its operations and mSCR 52.5 for capital expenditure for the year 2019, as it had forecasted a deficit of mSCR94.3 for that year.

The recommendations were for the MoFTIEP to consider the following funding options:

- Subvention of mSCR 5.5 to cover the cost of the 13th month salary whilst awaiting a comprehensive plan from SPTC on its actions to improve efficiency and become more sustainable and self-sufficient, such as identify the cause of the decrease in the number of tickets sold, or
- Subvention of mSCR 54.6, to cover the price difference of SCR 3 between the SCR 7 bus fare and the SCR 10 calculated breakeven ticket cost of SPTC.

Moreover, the Commission recommended that SPTC prioritize its capital expenditure and all projects being undertaken as a result of policy decisions be funded after review for efficiency by the Public Investment Management Unit, as well as all priority capital expenditure.

### ***3.5.2 Seychelles Postal Services Ltd Budget Analysis Report***

During the year 2018, the SPS prepared its budget for the year 2019 and forecasted a loss of mSCR 3.60 due to continuous decline in demand for traditional postal services and rising expenses. Consequently, the SPS requested for an mSCR 3.50 grant from the government.

As per the budget analysis report, it was recommended that:

- SPS prepare a strategic plan with clear targets and roadmap to assist them in overcoming existing and potential challenges.
- A feasibility study be carried out for the provision of financial services by SPS.
- Consider promoting some of the other services which it offers, such as its courier service, to the general public, as a means of increasing demand.

Subsequently, the PEMC further recommended that:

- The MoFTIEP considers subvention of mSCR 1.0 for the 13th month salary and mSCR 0.5 for the national salary increase, whilst awaiting a plan/strategy from SPS presenting its plans forecasted for the next three to five years, as well as, the steps that will be undertaken to increase revenue and become financially sustainable.
- In regard to the subvention of mSCR 1.0 for new offices, the SPS presents a plan demonstrating how the new offices will improve services and performance before MoFTIEP can assist the enterprise with the budget.

### ***3.6 Research on development of an Ownership Policy for the PE sector***

The Commission, under the guidance of consultant from IMF AFRITAC South, began to research on the development of an Ownership Policy for the PE sector. The Commission sought to formalise and illustrate the current fragmented and uncoordinated ownership structure and the lapses in oversight by the various Regulatory and monitoring Authorities, including the Commission.

The research is still ongoing, and the final document will be submitted next year.

### ***3.7 Workshops on Boardroom Governance and Directors Duties Masterclass***

The Commission outsourced the services of external Governance consultant, *Valuealpha*, to provide training on the ‘*Masterclass on the Boardroom, Governance and Director Duties*’ to the Boards of PEs.

Two workshops for the Masterclass were conducted on the 30<sup>th</sup> – 31<sup>st</sup> July 2018 and 26<sup>th</sup> and 27<sup>th</sup> October 2018 and was attended by the members of the Boards of PEs. The aim of the Masterclass was to highlight the ‘importance of the role of the board in a system of best-practice governance, and how an effective board can transform the organisation’s performance.’<sup>6</sup>

Certificates were issued to attendees at the end of the workshop.

### ***3.8 Drafting the ‘Code of Governance for the PE sector’***

The Commission also outsourced the services of *Valuealpha* for the research and drafting of the proposed Code of Corporate Governance. The consultant performed the necessary research and used information and inputs provided by the Commission and from attendees of the 2 workshops above to draft the Code of Corporate Governance.

The draft was circulated to relevant stakeholders to provide their comments. insight and proposed amendments to the Code. The suggestions of the stakeholders were taken into account and incorporated in the Code.

The Code is subject to be submitted to the Cabinet of Minister for approval and is scheduled to be launched officially on 1<sup>st</sup> April 2019.

### ***3.9 Review of Governance & operational Assessment of L’Union Estate (L’Union)***

The Commission conducted a review of the findings and recommendation in the ‘*Governance and Operational Assessment of L’Union Estate 2017*’ and the feedback received from L’Union Estate. The purpose of the review was to highlight any issues of the 2017 report that L’Union had failed to address, as well as any new significant findings.

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<sup>6</sup> Masterclass of Board Room, Governance and Directors duties - PEMC

The following findings were identified:

- ⇒ A new board and a new CEO were appointed to address the legacy issues of poor governance practices of former directors and CEOs;
- ⇒ The board is yet to appoint an Audit Committee as per the requirements of section 28 of the PEMC Act 2013 and section 96 (1) (a) of the PFM Regulations 2014;
- ⇒ L'Union Estate is still in non-compliance with the regulatory requirements of section 114 of the Companies Ordinance 1972 (the Ordinance);
- ⇒ A Financial Controller has been recruited and the Finance Department has been restructured;
- ⇒ L'Union Estate has adopted a new and more aggressive debt collection practice to address the weak and laissez-faire approach of L'Union Estate to debt collection;
- ⇒ Clarification is being sought from SRC on the different business tax rates that are applicable to the various nature of the company's business activities;
- ⇒ New Human Resources policies are being introduced to address the issues of staff loan, travelling allowances, management records pertaining to staff medical leaves and misconduct investigation.

The Commission suggested the recommendations and course of actions to address those issues in Appendix 3<sup>7</sup>.

### ***3.10 Capex Inspection of SPTC***

The Commission performed an inspection, in line with section 11 (d)<sup>8</sup> of the PEMC Act, of the SPTC's adherence to the prescriptive capital expenditure (CAPEX) provisions and requirements of the Public Procurement Act 2009 and Regulations 2014.

The Commission concluded that the SPTC is not fully compliant with the prescribed requirements for the procurement and contract management for all project that was selected in its sample project selection.

The enterprise has not adhered fully to the governing law or regulations such as the PEMC Act, PPA 2008 and the PPR 2014 in relation to the following:

- Lack of governance, oversight, and decision making by the Board of the SPTC on the capex projects.

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<sup>7</sup> **Appendix 3** - Findings and Recommendations Review the Review of Governance & operational Assessment of L'Union Estate (L'Union)

<sup>8</sup> The Commission shall assess the implementation of projects carried out by Public Enterprises to ensure compliance with procedures and regulations of capital expenditure. – Section 11 (d) of the PEMC Act 2013

- High risk of misleading and incomplete information on capex projects is being communicated to the CEO and Board
- SPTC has incorrectly and erroneously understated the accumulated disbursement on 4 projects
- There was inadequate contract management of the projects by SPTC leading to additional costs on certain projects.
- Improper and incomplete record keeping of supporting documents of the procurement process and inadequate procurement and accounting framework.

More details of the Commission’s findings and recommendations to address them, be viewed in **Appendix 4**.<sup>9</sup>

### ***3.11 The Commission’s Attendance, Participation and Presentation at the Africa Network on Corporate Governance of State-Owned Enterprises***

Two officers, namely the principal business analysts attended to the official launching of the ‘Africa Network on Corporate Governance of State-Owned Enterprise’ (*the Network*), in Mauritius on the 8<sup>th</sup> and 9<sup>th</sup> November 2018. The meeting was organised jointly with the Ministry of Financial Services and Good Governance of Mauritius, with the technical cooperation of the Organisation for Economic Cooperation and Development (OECD), with the theme for the meeting being “*positioning Africa’s SOEs to deliver on the developmental mandate*”. The meeting also focused on a sub-theme of disclosure and transparency in SOEs.

The Network provides a platform for a peer group of practitioners, policy makers and experts to enter into Pan African regional co-operation and dialogue to share knowledge and experiences to promote and reinforce corporate governance principles and standards PEs. The key outcomes of the meeting comprised of an agreed governance structure of the SOE network, draft terms of reference for the network and proposals for future work streams of the network. The Commission made a presentation, which outlined some of the ongoing and inherent governance challenges, such as weak nomination and selection process, lack of formal succession planning, no target setting for PEs, absence of performance setting and evaluation framework for Boards, among others.

Additionally, it was highlighted that legacy issues, such as a lack of ownership policy for the PE sector, has resulted in the fragmented and uncoordinated oversight of PEs and has had adverse impact on the accountability and monitoring of the PEs.

The Commission also stated that despite all these challenges, certain progress was made due to some recent reforms and prescriptions to the PE Sector, such as the appointment of more

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<sup>9</sup> **Appendix 4** - Findings and recommendations of Governance and Compliance Inspection on Capital Expenditure Procedures and Regulations of Seychelles Public Transport Corporation 2018

members from private sector on the Board of PEs and the training for Directors, CEOs and Board secretaries.

The Commission also stated that the Code of Governance for the PE Sector, has already undergone stakeholders' consultation and was in the process of being drafted, and will be launched the following year.

### ***3.12 Publication of Circulars***

The Commission published the following circulars for 2018.

- Circular No 1 of 2018 – Submission of Annual Returns
- Circular No 2 of 2018 – Submission of Monthly Statements issued on the 12<sup>th</sup> January 2018
- Circular No 3 of 2018 – AFRITAC South/IMF Technical Assistance: Strengthening Risk Management and Oversight of Public Enterprises in Seychelles on the 21<sup>st</sup> March 2018.
- Circular No 4 of 2018 – MASTERCLASS – Board of Directors training on how to optimize the effectiveness of your board on the 27<sup>th</sup> April 2018
- Circular No 5 of 2018 – Communication Channel with the Public Enterprise Monitoring Commission issued on the 24<sup>th</sup> May 2018
- Circular No 6 of 2018 – Identification and quantification of associated risks issued on the 11<sup>th</sup> June 2018
- Circular No 7 of 2018 – Estimates and projections for the year 2019 issued on the 14<sup>th</sup> August 2018
- Circular No 8 of 2018 – Salary packages of CEO and Deputy CEO issued on the 31<sup>st</sup> August 2018

## **4. Challenges in 2018**

The performance of the Commission was limited by the

- Absence of a code of governance applying to all Public Enterprises;
- Non-submission of annual audited accounts by some Public Enterprises (PEs) by the end of April. This hinders the assessment of PEs' financial performance and fiscal risks;
- Shortfall in terms of adequate disclosure and proper report content;
- Lack of awareness amongst Commissioners, stakeholders and the general public on oversight, analysis and monitoring required in the management of public enterprises.



## **5. Strategic Priorities of 2019**

- Conduct operational and governance assessments on at least 3 problematic public enterprises per year to ensure compliance with laws and regulations;
- Review the PEMC Act and the legal mandate and operational framework of public enterprises;
- Develop tools for the assessment and evaluation of PE's compliance to the Corporate Governance Code that will enhance the Commission's capacity in delivering its mandate and also guide the management of public enterprises on operational strategy; and
- Improve capacities of analysts through internships, training, or exposure visits with other similar organizations in the region.

## Appendix 1

### Particulars of Public Enterprises in 2019

Public Enterprises	PE sector	Shareholding/Ownership Structure	Value of shareholding	Parent Ministry	Subsidiaries	Minority Interest	Enabling Legislation	Board Structure Under enabling Legislation
Société Seychelloise d'Investissement Ltd	Services and Development	99 Shares held by Mr. Ahmed Afif on behalf of GoS  1 shares held by Mr. Ahmed Afif, Principal Secretary	SCR 10,000	MOFTIEP	SEYPEC	40.60% in Seychelles Cable System	Co. Act 1972	Not Less than 2 Directors.
					IDC	40% in IOT		
					Bois De Rose Investment	40% in IPHS		
					L’union Estate Ltd	14% in Land Marine		
					Petro Seychelles Ltd			
					2020 DC Ltd			
					Paradis des Enfants			
					STC			
Seychelles Petroleum Company Ltd	Energy	1,999 shares held by the GoS  1 share held by Mrs Lekha Nair <sup>10</sup>	USD 8,595,053	Office of the Vice-President	Seychelles Progress		Co. Act 1972	Not Less than 2 Directors.
					Seychelles Patriot			
					Seychelles Pioneer			
					Seychelles Prelude			

<sup>10</sup> Source: Certificate of Incumbency 20.11.2008

<b>Seychelles Progress</b>	Energy	2000 shares held by SEYPEC	GBP 2,000				Isle of Man Co. Acts	????
<b>Seychelles Patriot</b>	Energy	2000 shares held by SEYPEC	GBP 2,000				Isle of Man Co. Acts	????
<b>Seychelles Pioneer</b>	Energy	2000 shares held by SEYPEC	GBP 2,000				Isle of Man Co. Acts	????
<b>Seychelles Prelude</b>	Energy	2000 shares held by SEYPEC	GBP 2,000				Isle of Man Co. Acts	????
<b>Islands Development Company Ltd</b>	Services and Development	136,342 Shares held by SSI  1 shares held by Mr. Patrick Payet on behalf of GoS	SCR 13,634,300	Office of the Vice-President	Green Island Construction	1% Green Tree	Co. Act 1972	Not Less than 2 Directors.
					Green Oak Investment	1% Green Oak		
					Green Tree Investment	27% Paradise Marine Ltd		
<b>Green Island Construction Company Ltd</b>	Services and Development	999 shares held by Mr Patrick Lablache for and on behalf of IDC  1 share held by Mr Steve Fanny c/o MoF <sup>11</sup>	SCR 100,000				Co. Act 1972	Not Less than 2 Directors.
<b>Green Oak Investment Company Ltd</b>	Services and Development	999 shares held by Mr Patrick Lablache for and on behalf of GICC	SCR 100,000				Co. Act 1972	Not Less than 2 Directors.

<sup>11</sup> (Dated 24.04.2012 Source: MOA)

		1 share for and on behalf of IDC <sup>12</sup>						
<b>Green Tree Investment Company Ltd</b>	Services and Development	999 shares held by Mr Patrick Lablache for and on behalf of GICC  1 share held by Mr Glenly Savy for and on behalf of IDC <sup>13</sup>	SCR 100,000				Co. Act 1972	Not Less than 2 Directors.
<b>Bois de Rose Investment Ltd</b>	Services and Development	<b>Pending Information requested from Registrar.</b>	SCR 175,535,000				Co. Act 1972	Not Less than 2 Directors.
<b>L'Union Estate Ltd</b>	Services and Development	72,924 Shares held by SSI  <b>Who is the other Shareholder?</b>	SCR 7,292,400	Office of the Vice-President		0.04% in SCB	Co. Act 1972	Not Less than 2 Directors.
<b>Petro Seychelles Ltd</b>	Energy	99 Shares held by SSI  1 shares held by Mr. Patrick Payet on behalf of GoS	SCR 1,000,000 (SCR990,000 on Annual Report)	Office of the Vice-President			Co. Act 1972	Not Less than 2 Directors.

<sup>12</sup> (Dated 14.03.2014 Source: MOA)

<sup>13</sup> (Dated 29.01.2014 Source: MOA)

<b>Seychelles Trading Company Ltd</b>	Services and Development	99 Shares held by SSI  1 shares held by Mr. Patrick Payet on behalf of GoS	SCR 10,000	Ministry of Finance, Trade, Investment and Economic Planning		0.04% im SCB	Co. Act 1972	Not Less than 2 Directors.
<b>2020 Development (Seychelles) Ltd</b>	Services and Development	99 Shares held by SSI  1 shares held by Mr.BARRY Faure on behalf of GoS	SCR 10,000	Ministry of Finance, Trade, Investment and Economic Planning			Co. Act 1972	Not Less than 2 Directors.
<b>Paradis des Enfants Entertainment Ltd</b>	Services and Development	99 Shares held by SSI  1 shares held by MoF	SCR 10,000				Co. Act 1972	Not Less than 2 Directors.
<b>Seychelles Pension Fund</b>	Financial	Owned by members of the Fund.	Not Applicable	Ministry of Finance, Trade, Investment and Economic Planning	Opportunity Investment Company Ltd	26% in Seychelles Breweries Ltd	Seychelles Pension Fund Act,2005	Not more than 10 members.  The quorum is 7.
<b>Opportunity Investment Company Ltd</b>	Financial	<b>Pending Information requested from Registrar.</b>	<b>Pending Information requested from Registrar.</b>	Ministry of Finance, Trade, Investment and Economic Planning		30% in Al Salam Bank Sey		Not Less than 2 Directors.

<b>Air Seychelles Ltd</b>	Transport	<b>Pending Information requested from Registrar.</b>	SCR 390,000,000	Ministry of Tourism, Civil Aviation, Ports and Marine		3% in SCB	Co. Act 1972	Not Less than 2 Directors.
<b>Development Bank of Seychelles</b>	Financial	<b>Pending Information requested from Registrar.</b>	SCR 24,199,300	Ministry of Finance, Trade, Investment and Economic Planning		1% PTA Bank	Development Bank of Seychelles Decree	Not more than 10 or less than 5 other members.  The quorum is 4.
<b>Financial Services Authority</b>	Financial	Entity is fully owned by the government of Seychelles and does not have any issued share capital	Not Applicable	Ministry of Finance, Trade, Investment and Economic Planning		??? In Afreximbank	Financial Service Authority Act, 2013	The Board should consist of 10 members.  The quorum is 6.
<b>Housing Finance Company Ltd</b>	Financial	19,900 shares held by Mr Francis Chang Leng for and on behalf of the GoS  100 shares held by Mr Joel Morgan a Principal Secretary <sup>14</sup>  <b>PS of which Ministry?</b>	SCR 20,000,000	Ministry of Finance, Trade, Investment and Economic Planning		21% in SACOS	Co. Act 1972	Not Less than 2 Directors.

<sup>14</sup> Dated 09.05.2003 Source: MOA)

<b>National Information Services Agency</b>	Services and Development	Entity is fully owned by the government of Seychelles and does not have any issued share capital		Office of the Vice - President			National Information Services Agency Act, 2010	The Board should consist of 5 members.  The quorum is 3.
<b>Property Management Corporation</b>	Services and Development	Entity is fully owned by the government of Seychelles and does not have any issued share capital	Not Applicable	Ministry of Habitat, Infrastructure and Land Transport			Property Management Corporation Act, 2004	Not less than 4 and not more than 8 members.  The quorum is 3.
<b>Public Utilities Corporation</b>	Energy	Entity is fully owned by the government of Seychelles and does not have any issued share capital	Not Applicable	Ministry of Environment, Energy and Climate Change			Public Utilities Corporation Act, 1986	Not less than 5 nor of the more than 7 members
<b>Seychelles Commercial Bank Ltd</b>	Financial	360,000 Shares held by Government of Seychelles  240,000 shares held by Account Holders	SCR 60,000,000	Ministry of Finance, Trade, Investment and Economic Planning			Co. Act 1972	Not Less than 2 Directors.
<b>Seychelles Civil Aviation Authority</b>	Transport	Entity is fully owned by the government of Seychelles and does not have any issued share capital	Not Applicable	Ministry of Tourism, Civil Aviation, Ports and Marine			Seychelles Civil Aviation Authority Act, 2005	Not less than 7 nor more than 11 members.  The quorum is 4.

<b>SIMBC Nouvobanq</b>	Financial	78,000 Shares held by SSI  22,000 shares held by Standard Chartered Africa LLC	SCR 100,000,000	Ministry of Finance, Trade, Investment and Economic Planning			Co. Act 1972	Not Less than 2 Directors.
<b>Seychelles Ports Authority</b>	Transport	Entity is fully owned by the government of Seychelles and does not have any issued share capital	Not Applicable	Ministry of Tourism, Civil Aviation, Ports and Marine			Seychelles Ports Authority Act, 2004	The Board should consist of 5 members.  The quorum is 4.
<b>Seychelles Public Transport Corporation</b>	Transport	Entity is fully owned by the government of Seychelles and does not have any issued share capital	Not Applicable	Ministry of Habitat, Infrastructu re and Land Transport			Seychelles Public Transport Corporation Decree 1977	Not less than 2 and not more than 4.  The quorum is 3.
<b>Seychelles Postal Services Ltd</b>	Services And Development	1 Share held by SSI  999 shares held by GoS	SCR 100,000	Ministry of Finance, Trade, Investment and Economic Planning			Co. Act 1972	Not Less than 2 Directors.



**Appendix 2 - Statement of Account of the Public  
Enterprise Monitoring Commission for the year ending  
31<sup>st</sup> December 2018**

### Appendix 3

#### Findings and Recommendations Review the Review of Governance & operational Assessment of L'Union Estate (L'Union

Recommendations	2017	2018	Responsible Entity
<b>Appointment of Board of L'Union Estate</b>	<p>1. The selection and appointment process should be reviewed and revised to ensure that:</p> <ul style="list-style-type: none"> <li>• Non-Executive Directors (NEDs) appointed to the Board should not have any business, financial or other commercial connections with the company during the past seven years.</li> <li>• NEDs appointed to the Board should not have any business, financial or other commercial connections with the company during the past seven years.</li> <li>• Cross-Directorships are avoided across the Boards of L'Union Estate, the La Digue Development Fund, La Digue Trust Fund and any other entities where there is conflict of interests.</li> <li>• it avoids trying to solve problems of L'Union Estate by appointing Directors of the same mind-set that caused them.</li> <li>• Former Directors are made accountable for not executing their duties and liabilities as per section 171</li> </ul>	<p>1. The new BoD should keep the momentum and seek to improve the corporate governance framework of L'Union Estate. This involves:</p> <ul style="list-style-type: none"> <li>• developing a ToR or Board Charter based on the 2016 Remuneration Policy for the Public Sector Reform</li> <li>• Directors should disclose their interest as mandated by Schedule 515 of the PEMC Act 2013.</li> <li>• Officially appointing sub-committees of the Board as per section 28 of the PEMC Act 2013.</li> <li>• Officially appointing an AC as per section 96 (1) (a) of the PFMR 2014.</li> <li>• Either the Bod of L'Union Estate requests the IAD to perform an Internal Audit or the AC appoints an Internal Auditor as prescribed by Section 96 (1) (b) which mandates that PEs establish 'an internal audit unit to perform internal audit functions of the PE'.</li> </ul>	<b>L'Union Estate</b>

	<p>of the Companies Ordinance 1972 and ‘Duties and Liabilities of Directors’ as per Schedule 5 of PEMC Act.</p> <p>2. L’Union Estate prepares and maintains proper minutes of board sub-committees as per Section 137 (1) of the Companies Ordinance 1972.</p>	<p>2. L’Union Estate should continue requesting the details to the transfer document of the 1 share and get the AFS for 2011 signed in order to comply to section 114 of the Companies Ordinance 1972 and to Statutory Tax Returns.</p>	
<b>Selection &amp; appointment process</b>	<p>1. The Commission suggest that MOFTEP develops a framework for the selection and appointment of board members. The Commission suggests that a ‘fit and proper’ criteria and framework for directorship be developed and incorporated in the revised PEMC Act or Regulations.</p> <p>2. The Commission and MOFTEP should develop and implement framework for the evaluation of the performance of board members of PEs. Targets and objectives should be set and the Board members’ performance should be measured against those targets. Performance-based rewards should also be awarded to board members as an added incentive to ensure adequate performance.</p> <p>3. The Commission suggests that a ‘Know your Business Partner’ framework, hereinafter ‘KYBP’, should be developed and implemented in the PE sector, The KYBP framework would include requirements for PEs to obtain information pertaining to the owners and Board members of businesses that are in transacting with them.</p>	<ul style="list-style-type: none"> <li>• The selection and appointment process only appoint Directors who possess the necessary knowledge, experience, professionalism and business acumen that reflects the governance and strategic requirements of L’Union Estate</li> <li>• MoF should review their 2016 Remuneration Policy to include a performance based reward scheme to reflect the risks, duties and liabilities of the BoD and CEO.</li> <li>• The Commission should develop a proper framework for the evaluation of the BoD.</li> <li>• The Commission and MoF should develop and implement a Code of Corporate Governance.</li> <li>• The review of the PEMC Act should seek to address the existing conflict of interest of section 23 (d) and (e)<sup>16</sup> of the PEMC ACT 2013.</li> </ul>	<b>MOFTEP, PEMC</b>

<sup>16</sup> **Section 23 of the PEMC Act 2013** - Except where the President and a Responsible Minister for the Public Enterprise concerned have otherwise agreed

(d) a representative of the Ministry of Finance shall be a Member of every Board;

(e) a representative from the Responsible Ministry of the Public Enterprise shall be a Member of its Board;

	<p>This will enable the Commission, MOFTEP and the PEs to identify any potential cross-directorship and other conflict of interest.</p> <p>4. The revised PEMC Act should include a proper definition of ‘Conflict of Interest’ and state the instances where it arises. The revised Act should also state that individuals or businesses that are ‘conflicted’ should not be appointed to the boards of PEs.</p>		
<b>Human Resources &amp; Administration</b>	<ol style="list-style-type: none"> <li>1. Review its organizational structure to take into accounts new posts and future important positions.</li> <li>2. Design and put into place a proper training plan, appraisal plan, and incentive scheme and succession plan endorsed by its board.</li> <li>3. Ensure that recruitment is done in accordance with needs of the company and avoid external pressure in recruitment of people.</li> <li>4. Establish a proper HR Management system.</li> <li>5. Replace the current CEO with a competent person</li> <li>6. Recruit a qualified and experience HR and Administration Manager, being supported by a HR Officer and an Admin Officer.</li> <li>7. Reorganize and complete all personnel files and ensure that proper documents are on files.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure that all policies are reviewed and subsequently authorized by the BoD as per section.</li> <li>2. Formerly document the Training Plan and Appraisal system.</li> <li>3. Formulate a Succession plan to provide for the unforeseen circumstances that arise from termination of employment.</li> <li>4. Ensure that all outstanding file updating and subsequently job descriptions are duly completed.</li> </ol>	<b>L’Union Estate</b>
	<ol style="list-style-type: none"> <li>1. L’Union Estate should prepares and maintains an Accounting Policy and Procedures Manual based on the</li> </ol>	<ol style="list-style-type: none"> <li>1. Complete and implement the Accounting Policy and Procedure Manual</li> </ol>	

<b>Accounting and Finance</b>	<p>requirements specified under Section 35 (1) (a) of the PFMA.</p> <ol style="list-style-type: none"> <li>2. L'Union Estate should review its whole framework and identify the quantity, quality and positions for staff it requires and ensure that they are hired to ensure that the Accounts Department functions adequately. This will ensure that a full and 'true and fair' set of Accounts will be finally prepared.</li> <li>3. The Board should seek to develop and implement a job description for the Accountant in duty.</li> <li>4. The Board should seek to make the necessary strategic decisions to address the internal control weaknesses which is resulting from the lack of segregation of duties in the Accounts Department.</li> <li>5. The Board should seek to undertake procedures for the recruitment of an Accounts Assistant as per the Organigram.</li> </ol>	<ol style="list-style-type: none"> <li>2. Maintaining the aggressive debt collection practice</li> <li>3. Implement the Financial Action plan as intended</li> </ol>	<b>L'Union Estate</b>
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## Appendix 4

### Findings and recommendations of Governance and Compliance Inspection on Capital Expenditure Procedures and Regulations of Seychelles Public Transport Corporation 2018

Findings	Recommendations
<p>The Commission identified the following findings:</p> <ul style="list-style-type: none"> <li>⇒ Inadequate governance, oversight and decision making by the Board of SPTC on the capex projects.</li> <li>⇒ High risk of poor leadership, governance and decision making from the CEO and Board due to misrepresentation of information on capex projects by SPTC's Finance Department.</li> <li>⇒ The Board for the period under review had no oversight over the unauthorised project variations on completed projects exceeding the 7.5% over original contract price threshold prescribed by section 5 (8) of the PPR.</li> <li>⇒ The Board discharging the oversight role in 2016 allowed the corporation to incur a total cost of SCR.6,196,424/- on 'Tree and grass cutting' projects that did not fall under its mandate.</li> <li>⇒ The minutes of meeting of the Board, from the starting to completion date of the Reconstruction of Port Launay Terminal project, do not contain discussions on payments for additional work totalling SCR. 1,009,174/- which was requested by the Minister of Home Affairs, Environment, Transport and Energy.</li> <li>⇒ Lack of compliance from the former CEO of SPTC pertaining to the capex procedures and regulation of the PPR on all projects. High risk of SPTC undertaking capex projects without the approval of the POU or NTB.</li> </ul>	<p>The Commission made the following recommendations were made to address the findings:</p> <p>SPTC should reorganise their documentation system to ensure that their records and project files are complete with all correct and relevant information. This involves:</p> <ul style="list-style-type: none"> <li>• Reorganizing the filing and documentation system for capex;</li> <li>• Centralizing the function of the Project Unit to ensure that all relevant documentation of the capex projects are appropriate filed in one complete project file for each project in one designated Unit.</li> <li>• Establishing a clear procurement, record keeping and accounting framework, which would facilitate the delivery of information to relevant authorities in a timely and effective manner.</li> <li>• Ensuring that the information relayed from SPTC management is accurate, factual and reliable through crosschecking with other information from other sources as well with the supporting documents from the project file.</li> </ul> <p>The owner of SPTC, i.e. the GOS and the Board should seek to improve the corporate governance framework of the corporation. This involves:</p> <ul style="list-style-type: none"> <li>• the Board executing a more active role on the governance, oversight and decision making regarding the capex projects of SPTC;</li> <li>• officially appointing sub-committees of the board, as per section 28 of the PEMC Act 2013, to have oversight over the capex processes and procedures;</li> </ul>

<p>⇒ The SPTC has incorrectly and erroneously understated the accumulated disbursement on 3 projects.</p> <p>⇒ High risk of misleading and incomplete information on capex projects is being communicated to the CEO and Board.</p> <p>⇒ There was inadequate contract management of the projects by SPTC leading to additional costs on the projects.</p> <p>⇒ There has been improper and incomplete record keeping of the procurement, contract management and accounting records by SPTC in the project files resulting in non-compliance to the prescribed requirements of the PPR 2014.</p> <p>⇒ The procurement and accounting framework, as well as the project record keeping of SPTC is fragmented, inconsistent and inadequate.</p> <p>⇒ On each project, SPTC has failed to fully comply with the prescribed requirements for the procurement and contract management records on all the selected projects, as mandated by the PPA and PPR.</p> <p>⇒ The SPTC failed to comply with section 62 of the PPR for the appointment of an ad hoc Evaluation Committee.</p>	<ul style="list-style-type: none"> <li>• a request by the Board for the Internal Audit Department within the Ministry of Finance to perform an Internal Audit<sup>17</sup> of the Project Management function of SPTC;</li> </ul> <p>the restructuring of the project management functions of SPTC to ensure that the quality of management information communicated to the Board is accurate, relevant, timely and reliable to allow the Board to develop and give value-adding decisions and directives.</p> <ul style="list-style-type: none"> <li>• formal approvals for all Capex projects and ensure that they receive constant updates on its implementation.</li> <li>• the Board being made aware of any relevant amendments on each capex projects including and not limited to the accumulated cost of the projects and the costs associated to any additional works.</li> <li>• Ensure that the formal approval prior to project initiation from the CEO is fully documented. The procurement requirement should be approved by the CEO as per section 28 of the PPR.</li> <li>• Ensure the procurement process is reviewed and approved by the Board to ensure that the lapse in compliance are addressed complied with.</li> <li>• Immediately enforce better management of contracts to ensure that disbursements for services contracted for are as per the contractual agreements and to avoid future financial losses to SPTC.</li> <li>• Ensure that an Evaluation Committee is appointed for all projects as per section 41 of the PPA and section 62 of the PPR.</li> </ul>
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<sup>17</sup> **Note:** The PFMR 2014 makes provisions for the Internal Audit of PEs that have not been able to establish an Audit Committee due to their small annual turnover. Section 96 (3) states that such PEs may 'may engage any private auditor to perform the functions of the internal audit unit in accordance with the provisions of the Act.'

	<ul style="list-style-type: none"> <li>• Implement the required measures to ensure that the procurement process and implementation of the projects are conducted in accordance to the PPA, PPR and other relevant legislations.</li> <li>• Conduct proper preparation of the project and oversight of the project implementation through better project planning and contract management.</li> <li>• Amend the structure and framework of the finance and project department to ensure that there is alignment with the up keeping and proper maintenance of the project file including any relevant documents.</li> <li>• Ensure that the information recorded and subsequently conveyed to the Board are accurate and factual.</li> </ul>
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