

## e-Council System with Integrated Procurement and Financial Management Driving Development in Maldives



{This article is an abridged version of the submission on “e-Council” made by Mr. Adam Shareef Ahmed, Director General, Local Government Authority, Male, Maldives, for the South Asia Procurement Innovation Awards.}



### Summary

Maldives is an island nation with a population of 400,000, which is geographically scattered over roughly 1,190 islands across the Indian Ocean. The administration of these islands is by Local Councils, which are separate legal entities elected by residents of the respective islands, atolls, and cities. With the Decentralization Act devolving many municipal functions to these Local Councils and their functionaries, there is a need to strengthen their capacity of governance. Hence, a Local Government Authority has been created as a regulatory body for Local Councils to monitor, regulate, and build their capacity. This

authority is working together with line ministries, independent institutions, and other government partners for developing standards, policies, and procedures to strengthen decentralization system in the Maldives. The aim is to promote good governance and transparency at local levels. One of the initiatives has been to develop a web-based system called e-Council to deliver efficient services to the public. The system also strengthens and standardizes the financial and administrative structures of councils as well as procurements made by them.

- Possible to digitize manual procurement, in addition to the administrative and financial frameworks of Local Councils.
- Creation of a national hub in terms gathering data collected at local levels.
- Standardization of the local councils' financial management system towards proper maintenance of data.
- Local Councils possess the necessary systematic procurement controls and approvals.

## Background

There are 179 Island Councils, 18 Atoll Councils, and 3 City Councils in the Maldives with a mandate to govern the affairs of their communities. To exercise governance, the e-Council system includes the following modules at the moment:

- Procurement and Finance Module,
- Establishing procurement and financial processes through the electronic system,
- Generating and maintaining different reports,
- Administrative and Statistical modules for all data mandated by the Act,
- Local council registries and projects,
- Monitoring staff and annual work plans,
- Birth, Death, and House Registries, and
- All other statistical data mandated by Act. The e-Council Project also comprises an online platform (E-Filaa) to facilitate

online training. Further, there is a video conferencing system that enables interactions with Local Councils through a single central government network, which connects all councils in the country.

## Challenges Addressed

The key challenge is to change the finance and procurement process of the Maldives as per the newly adopted decentralization system. This mandates reports on revenues, expenses, assets, and liabilities, which effectively become the basis for accounting and accountability. It also implies that the councils prepare their consolidated financial statements that incorporate revenues from the state budget, operating expenses, and revenues and expenses from operations of business activities of the councils. This has led to development of the e-Council Procurement and Finance Module as per the finalized criteria.



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## Impacts Generated

The establishment of web-based e-Council system has been an innovative effort in terms of digitizing manual procurement, in addition to the administrative and financial frameworks of Local Councils. This system also addresses another key challenge by becoming a national hub in terms gathering data collected at local levels. Implementation of such a system has carved new pathways to standardize the local councils' financial management system towards proper maintenance of their ledgers, stocks, and inventories, and involves internal and external

hindered communication flow from local governments to the central government. The advent of e-Council platform has, however, revolutionized procurement and financial processes of the local government organizations at the national level, which is an innovation of its own kind. The new platform has developed new segments of local governance that enable users to exercise all essential controls and help gather reports required for financial management and audit purpose.

In short, the e-Council system is slated to achieve the following objectives:



audits. All Local Councils thus possess the necessary systematic procurement controls and approvals.

## Level of Innovation

During the initial phase, reports required for audit of Local Councils were not properly maintained, as there was no control over procurement and finance management. Due to unmethodical workflow, it was difficult to ensure a transparent and proper procurement process. Lack of standardization was the most pressing issue that had to be resolved, as it affected the workflow of all government organizations. It

- Implementation of consistent and uniform accounting policies across all councils,
- Clarity with respect to transactions and functions of the personnel,
- Processes being in line with the statutory requirements of Public Finance Act, Public Finance Regulation, and IPSAS (International Public Sector Accounting Standards),
- Efficient and accurate accounting transactions with adequate controls in place,
- Process-based approach to identify,

account for, and monitor revenues and costs of Local Councils,

- Robust information management system at council levels, and
- Provision of economic and efficient services to the public.

### **Replicability**

The e-Council system enables small community organizations to enhance their administrative processes at the local level, which would greatly impact administration at the national level. The web-based platform enables all Local Councils to simultaneously work at island, atoll, and city council levels. As the system is on the central government network, there is systemic protection. Furthermore, the system facilitates other stakeholders, such as national organizations and line ministries, in accessing any data or statistics that they require. Foreign agencies can also use the system to provide aid to local government councils.

### **Scalability and Sustainability**

This system facilitates necessary linkages between central and local governments for obtaining the required reports and statistical data in a timely manner. It assists Local Councils in maintaining their accounts in a proper way for audit purpose. The system is designed in a way to provide only the required amount of access to stakeholders, which enables the network to channelize important information as deemed fit. As the system has been developed under the world-wide IPSAS guidelines, it can be used by any other country.

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### Lessons Learned

The e-Council system demands lot of commitment before it can be fully developed, with various modules being incorporated gradually.

Since the global business market and technology is always evolving, it is important to continuously upgrade the system to enhance its efficiency and effectiveness.

However, due to limited skilled manpower and increasing responsibilities caused by devolution, Local Councils are unable to maintain up-to-date records, which make reconciliation and review difficult.

The procurement process has also been weak in terms of adhering to regulations and maintaining proper records. To overcome these hindrances in establishing local governance system in the Maldives, utmost priority is being given to fully understand the existing financial framework and align the local governance system with that of the central government.

Discussions with experts from the field have been carried out and a new local government financial management system has been finalized in collaboration with Ministry of Finance and Treasury, and Auditor General's Office of Maldives.

Furthermore, a separate chart of accounts for local government organizations has been developed, so that they are in alignment with the central government.

