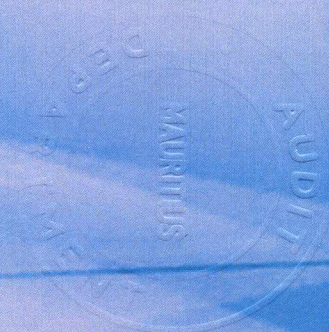


**NATIONAL AUDIT OFFICE**



REPUBLIC OF MAURITIUS

**ACTIVITY AND PERFORMANCE REPORT  
FOR THE 18-MONTH PERIOD  
1 JANUARY 2015 TO 30 JUNE 2016**





**NATIONAL AUDIT OFFICE**

**ACTIVITY AND PERFORMANCE REPORT**

**FOR THE 18-MONTH PERIOD**

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February 2017



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# Foreword

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I am pleased to present this Activity and Performance Report on behalf of the National Audit Office (NAO), the Supreme Audit Institution (SAI) of Mauritius. This report is prepared in accordance with the principles of transparency and accountability as per the requirements of the International Standards for Supreme Audit Institutions (ISSAI) 20 and 21. It is submitted to the Minister responsible for Finance to be laid before the National Assembly. Thereafter, it will be available to other stakeholders and the public on the website of the NAO.

In fulfilling our mission to promote good governance in the management of public affairs, and to enhance accountability and transparent administration in the public sector, it is important for us to lead by example and abide by the principles of accountability and transparency in our own governance and practices. In this report, the operational and financial performance of NAO, as well as our activities and achievements are summarized. Included therein are NAO's financial statements which are subject to external independent audit. Exceptionally, this report covers the 18-month period 1 January 2015 to 30 June 2016 following changes made in the definition of accounting period in the Finance and Audit Act with effect from 1 January 2015.

In our endeavor to be recognised as a highly respected professional organisation providing high quality audit services, our main focus during this 18-month period has been on the improvement of the quality of our audit. As such, we have facilitated the continuous professional development of our staff, particularly in the field of latest financial and auditing techniques so as to meet major challenges due to increasing complexities and continuous changes in financial reporting and auditing requirements.

We have fulfilled our mission and mandate, ensuring the timely production of our reports and providing independent assurance to the National Assembly on the proper accounting and use of public resources. We submitted the Annual Audit Report for year 2014 for Ministries and Government Departments in August 2015, within the statutory date limit. Six Performance Audit Reports relating to Ministries and Government Departments, were also submitted in August 2015 and May 2016. We have completed 90 per cent of planned audits for other entities, which include mainly Statutory Bodies, Local Authorities and Special Funds and issued their respective Audit Reports.

Our performance and achievements, summarized in this Report, are the result of teamwork, professionalism and commitment of all staff of the NAO. I would like to express my appreciation to all of them for the contribution made in the achievements of our goals.

**Kwee Chow TSE YUET CHEONG (Mrs)**  
**Director of Audit**  
**National Audit Office**

February 2017





# The National Audit Office

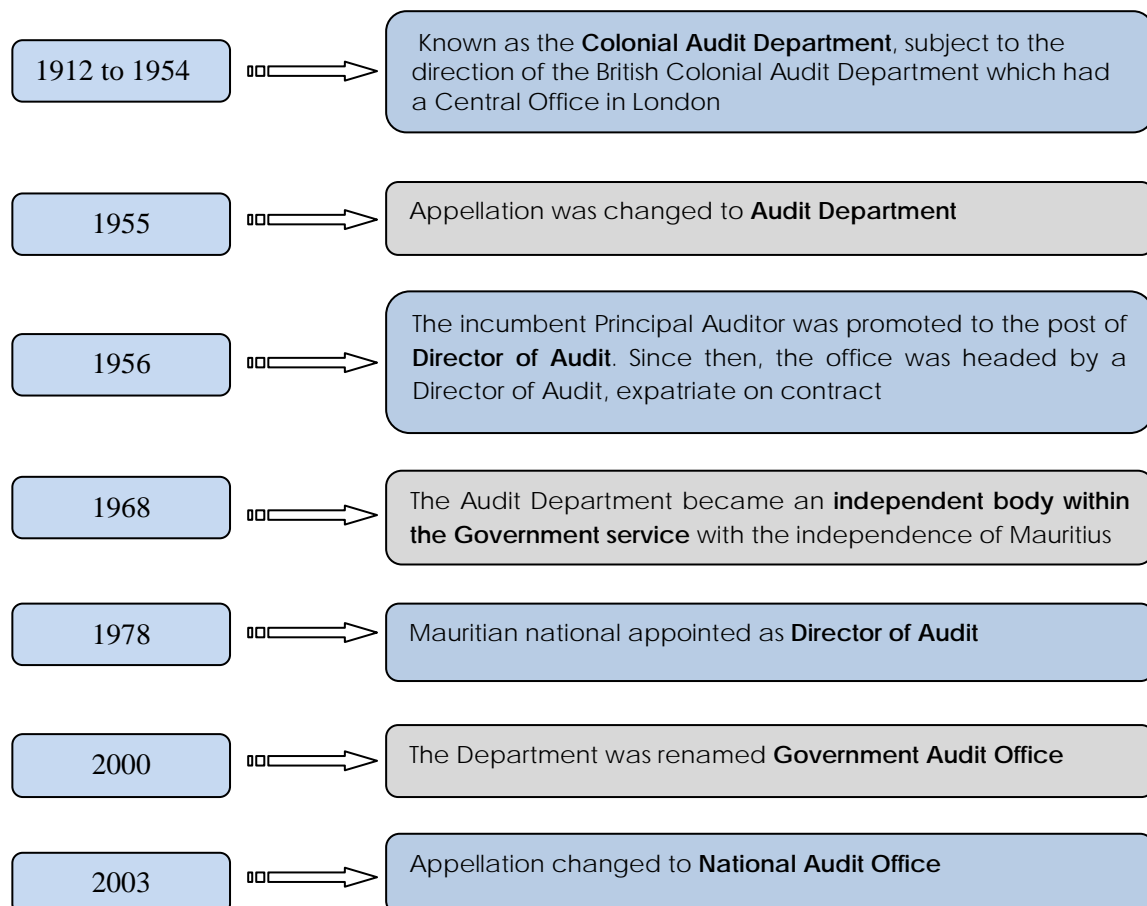
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## A Glimpse of Our History

The National Audit Office (NAO) has a long history of being at the centre of public accountability that goes back to the beginning of the 20th century, emerging in its present form since 1968 when Mauritius became independent.

In fact, the history of public auditing in Mauritius started well before that period. During the British Rule, prior to the setting up of an Audit Office in Mauritius under the direction of an Auditor-General, the Accounts were under the scrutiny of Imperial Audit. In 1871, the Imperial Audit ceased their audit and handed it over to the Audit Office in Mauritius. The responsibility for the audit of Mauritius Accounts ultimately devolved entirely upon the Audit Office and Annual Audit reports were then addressed to the Director of Colonial Audit in England.

Over the years, there were continuous re-organisation and re-orientation of the audit function and NAO has been known under different appellations.



## The National Audit Office and the Director of Audit

The National Audit Office (NAO) constitutes the Supreme Audit Institution (SAI) of Mauritius in the international context and is headed by the Director of Audit. The NAO contributes in improving the public sector performance and accountability through independent reporting to Parliament or the appropriate authorities on the financial statements, operations and activities of Government/Public entities. The Office of the Director of Audit is established by the Constitution of the Republic of Mauritius which provides for the appointment of a Director of Audit, his independence, security of tenure, as well as his authority and specific conditions of service.

The independence of the Director of Audit is spelt out in Section 110 of the Constitution, which provides that, in the exercise of his functions, the latter shall not be subject to the direction or control of any person or authority. Also, as per Section 93 of the Constitution, the Director of Audit cannot be removed from office before the legal retirement age except for inability to discharge the functions of his office, or for misbehaviour, and even that, only by the President acting on the recommendation of a Tribunal which shall consist of at least three persons who are holding or have held office as a Judge of the Supreme Court.

Through provisions of the Finance and Audit Act, the Director of Audit and her staff are given protection from liability in the execution, in good faith, of their functions under the Act.

The NAO operates within regulations pertaining to the Public Sector. To discharge her duties, the Director of Audit is supported by a cohort of professional and experienced staff.

## Our Audit Mandate

The Director of Audit is empowered to audit:

- **All** Ministries and Government Departments
- **All** Commissions of the Rodrigues Regional Assembly
- **All** Local Authorities
- Most Statutory Bodies
- Special Funds
- Other Bodies and Donor-funded Projects

The mandate of the Director of Audit is primarily defined in the Constitution of Mauritius and in the Finance and Audit Act. Provisions are also made in other legislations, namely, the Statutory Bodies (Accounts and Audit) Act, the Local Government Act and the Public Procurement Act. Agreements with several institutions/donor-funded projects also empower the Director of Audit to audit their accounts.

Performance Audit is also included in the mandate of NAO since 2008, following amendments made to the Finance and Audit Act. The Director of Audit is required to carry out Performance Audit and report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.

The mandate of the Director of Audit does not extend to the audit of the Central and Public Sector banks, Statutory Corporations, whose enactments do not provide for audit by the Director of Audit, unless their Boards decide otherwise and Private Companies, except in one case, where Government has substantial interests in the form of shares, equity participation and other forms of interests. The Director of Audit also does not audit all institutions where Government provides security for loans contracted, bank overdrafts taken or credit facilities obtained.

### ***Main provisions made in the Constitution and other Legislations***

***The Constitution, Section 110, provides that the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited and reported on by the Director of Audit. Also, in the case of any body corporate directly established by law, the accounts of that body corporate shall be audited and reported on by the Director of Audit provided it is so prescribed.***

***The Finance and Audit Act provides that the Director of Audit shall satisfy himself that:***

- *all reasonable precautions have been and are taken to safeguard the collection of public money;*
- *all laws, directions or instructions relating to public money have been and are duly observed;*
- *all money appropriated or otherwise disbursed is applied to the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it;*
- *adequate directions or instructions exist for the guidance of public officers entrusted with duties and functions connected with finance or storekeeping and that such directions or instructions have been and are duly observed;*

- *satisfactory management measures have been and are taken to ensure that resources are procured economically and utilised efficiently and effectively.*

*The Director of Audit shall carry out Performance Audit and report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.*

***The Statutory Bodies (Accounts and Audit) Act*** provides that every auditor shall report to the Board whether

- *he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of the audit;*
- *in his opinion, to the best of his information and according to the explanations given to him, the financial statements give a true and fair view of the financial performance of the statutory body for the financial year and of its financial position at the end of the financial year;*
- *this Act and any directions of the Minister, in so far as they relate to the accounts, have been complied with;*
- *in his opinion, and, as far as could be ascertained from his examination of the financial statements submitted to him, any expenditure incurred is of an extravagant or wasteful nature, judged by normal commercial practice and prudence;*
- *in his opinion, the statutory body has been applying its resources and carrying out its operations fairly and economically.*

***The Local Government Act*** provides that the approved annual financial statements of every local authority shall be audited by the Director of Audit.

*The Director of Audit shall state in his report to the Council, the work done by him and the scope and limitations of the audit and whether he has obtained all information and explanations that he has required. He is also required to report on*

- *any item of account which, in his opinion, is contrary to law;*
- *any loss or deficiency which, in his opinion, is wholly or partly due to the negligence or misconduct of any person;*
- *any sum which, in his opinion, ought to have been so brought to account but which, due to wilful default or negligence, has not been brought into account;*

- *any failure to recover any rate, fee or other charge in the manner specified in Section 101 of the Act;*
- *whether, in his opinion, the financial statements give a true and fair view of the matters to which they relate, and where they do not, the aspects in which they fail to do so, and whether the financial statements have been prepared in accordance with the Accounting Standards approved by the Minister to whom responsibility for the subject of finance is assigned;*
- *whether the instructions of the Minister, if any, in regard to the financial statements have been complied with.*

*The Public Procurement Act, Section 42 provides that the auditor of every public body shall state in his annual report whether the provisions of Part V of the Act regarding the Bidding Process have been complied with.*

## **NAO Access to Information**

So as to enable the Director of Audit to discharge her duties, provisions have been made in the Constitution, the Finance and Audit Act and other legislations to give NAO necessary access to required information.

### ***Main provisions made in the Constitution and other Legislations***

*The Constitution provides at Section 110 that the Director of Audit or any other person authorised by him in that behalf shall have access to all books, records, reports and other documents relating to accounts to be audited by him.*

*The Finance and Audit Act, provides that in the exercise of his duties, the Director of Audit may*

- *call upon any public officer for any explanations and information which he may require in order to enable him to discharge his duties;*

- *with the concurrence of the head of any Ministry or Department, authorise an officer of that Ministry or Department to conduct on his behalf any inquiry, examination or audit and such officer shall report thereon to the Director of Audit;*
- *without payment of any fee, cause searches to be made in, and extracts to be taken from, any document in the custody of any public officer;*
- *lay before the Attorney-General a case in writing as to any question regarding the interpretation of any enactment concerning the powers of the Director of Audit or the discharge of his duties and the Attorney-General shall give a written opinion on such case.*

***The Statutory Bodies (Accounts and Audit) Act** provides that every auditor shall have access, at all reasonable times, to all the books and accounts of the statutory body, all vouchers in support of them, and all relevant books, papers, and writings in the possession or control of the Board relating to them.*

*The auditor may also require, from all the members of the Board and all officers, agents and employees of the statutory body, such information and explanations as may be necessary for the purpose of the examination or audit.*

***The Local Government Act** provides that the Director of Audit shall have access at all reasonable times to all Council minutes, information systems, books and accounts of the Local Authority, all vouchers in support of them, all deeds, contracts and other documents, and all relevant papers and writings in the possession or control of the Local Authority.*

*The Director of Audit may also request, orally or in writing,*

- (a) any person holding or accountable for any such document referred to above, to appear before him at the audit or any adjournment;*
- (b) from any member of the Council or any officer or agent of a Local Authority, such information and explanations as may be necessary for the purpose of the audit; and*
- (c) any person referred to in paragraph (a) to make and sign a declaration as to the correctness of a document.*

*Any person who wilfully neglects or refuses to comply with any such request shall commit an offence.*

***The Public Procurement Regulations - Regulation 69** provides that the report and the register of procurement proceedings, as well as the documents generated in the planning and procurement proceedings and implementing procurement contracts, shall be made available for inspection to the Policy Office and the Director of Audit.*

## **Our Audit Reports**

Financial statements for the Republic of Mauritius, the Rodrigues Regional Assembly, Statutory Bodies and Local Authorities are submitted to NAO for audit in accordance with the legal provisions made in the Constitution and various legislations, as detailed below. At the conclusion of the audit of these Government/Public entities, the NAO issues Audit Reports.

### ***Ministries and Government Departments***

Section 110 of the Constitution provides that the Director of Audit shall submit his reports to the Minister responsible for the subject of Finance, who shall cause them to be laid before the National Assembly.

As per the Finance and Audit Act, Statements showing fully the financial position of Mauritius on the last day of the financial year are to be submitted by the Accountant-General to the Director of Audit, within six months of the close of every financial year. For the Rodrigues Regional Assembly, the Commissioner responsible for the subject of Finance is required to submit the statements within three months of the close of every financial year.

The Act requires the Director of Audit to send, within eight months of the close of every financial year, copies of the statements for Mauritius and the Rodrigues Regional Assembly, together with a certificate of audit and a report upon the examination and audit of these accounts to the Minister responsible for the subject of Finance. On receipt of the statements and reports, the latter is required as soon as possible to lay these documents before the National Assembly.

Where the Minister fails, within a reasonable time, to lay any report before the National Assembly, the Director of Audit shall send such report to the Speaker of the National Assembly to be by him presented to the National Assembly.

Also, the Director of Audit may, if it appears to him to be desirable, send a Special Report on any matter incidental to his powers and duties under the Finance and Audit Act to the Speaker of the National Assembly to be by him presented to the National Assembly.

### ***Statutory Bodies***

The Statutory Bodies (Accounts and Audit) Act provides that the auditor shall within six months of the date of receipt of the annual report of the Statutory Body, including the financial statements, submit the annual report and his Audit Report to the Board, which shall, not later than one month from the date of receipt furnish to the Minister to whom responsibility for the Statutory Body concerned is assigned such reports and financial statements. The Minister shall, at the earliest available opportunity lay a copy of the Annual Report and audited accounts of the Statutory Body before the National Assembly.

### ***Local Authorities***

The Local Government Act provides that the Director of Audit shall address to the Minister to whom responsibility for the subject of local government is assigned and to the Local Authority concerned, a copy of the certified financial statements and his report on every Local Authority audited by him. The Local Authority shall consider the report of the Director of Audit at its next ordinary meeting or as soon as practicable thereafter and shall cause the certified financial statements and the report of the Director of Audit to be published in the Government Gazette within 14 days of their receipt by the Local Authority.



# OUR VISION, MISSION AND CORE VALUES

## OUR VISION

**To be recognised as a centre of excellence in the provision of high quality audit and value added services**

## OUR MISSION

**NAO is an independent public office set up under the Constitution. We provide independent assurance to the National Assembly on the proper accounting and use of public resources and we help clients to improve their financial management.**

**We promote good governance by enhancing accountability and transparent administration in the public sector and we encourage social responsibility.**

**We have committed ourselves to be people-oriented. We provide our staff with an environment that stimulates diversity, innovation, teamwork, continuous learning and improvement.**

## OUR CORE VALUES

**Maintain our independence and political neutrality**

**Observe a high level of professionalism and integrity**

**Show fairness, objectivity and impartiality in our work**

**Ensure confidentiality of materials/information provided to us**

**Honour the confidence of trust conferred on us**

**Be courteous, tolerant and respectful**



# Organisation Set up and Our People

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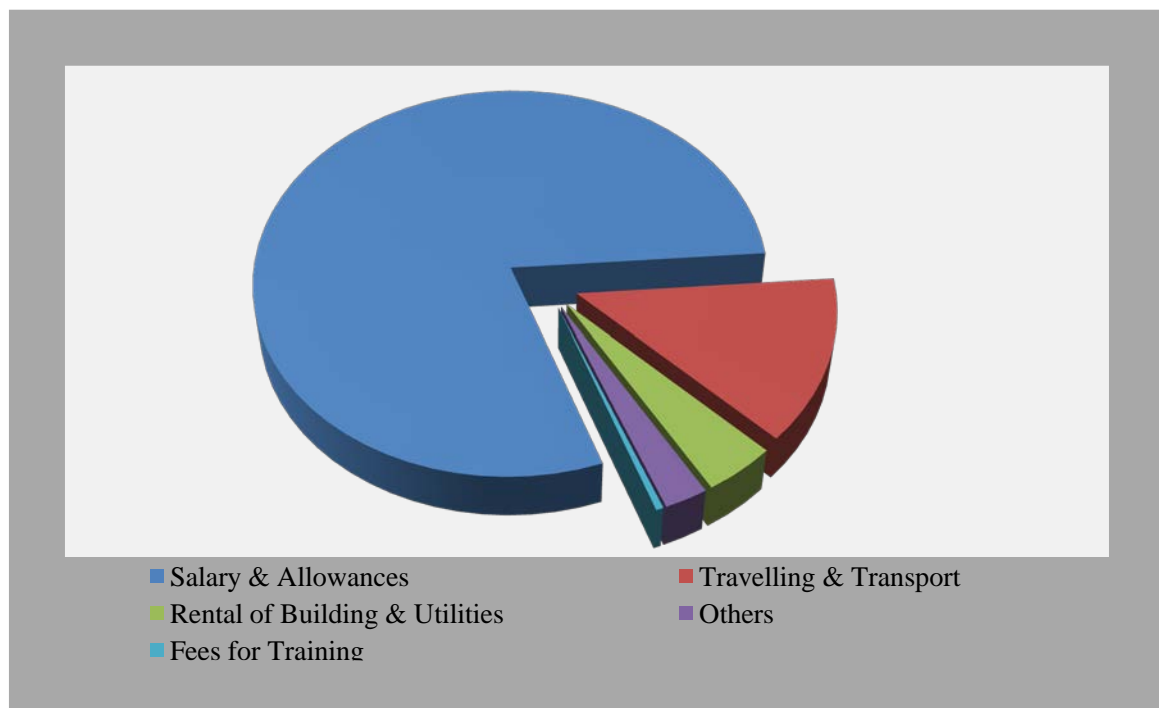
## Human Resources

The personnel of the National Audit Office reached a total of 201 Officers, as at 31 December 2016, with the recruitment of 25 new Examiner/Senior Examiner of Accounts during 2016. The Director of Audit heads the NAO Staff which comprise

- 13 Officers in NAO Senior Management Team
- 168 Officers of the Auditing Grades, namely, 'Auditor Cadre' and 'Examiner of Accounts Cadre'
- 19 Officers of the Administrative Grades

Out of the NAO total staff of 201, Officers of the female gender totalled 117, representing some 58 per cent. Table 1 gives details of officers in post, grade-wise and gender-wise.

Expenditure incurred by NAO was mainly related to its personnel. It represents some 93 per cent of NAO total expenditure, out of which, some 79 per cent were incurred on Salaries and Allowances and 13 per cent on Travelling and Transport.



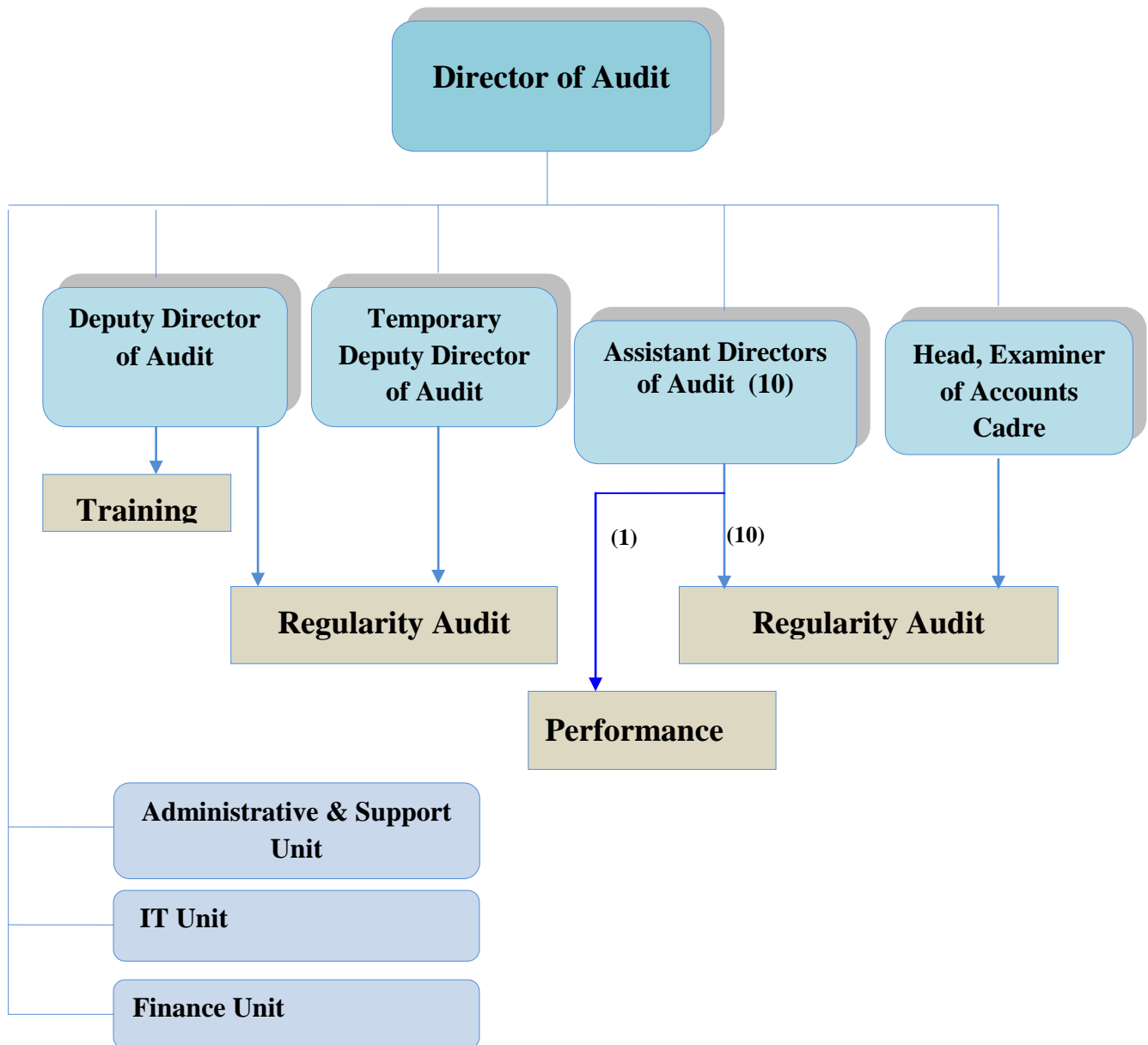
**Table 1 - Staffing as at 31 December 2016**

Grade Position	Officers in Post		
	Male	Female	Total
<b>Senior Management</b>			
Director of Audit	-	1	1
Deputy Director of Audit	1	*1	2
Assistant Director of Audit	**7	3	10
Head, Examiner of Accounts Cadre	1	-	1
<b>Auditing Grades</b>			
<i>Auditor Cadre</i>			
Principal Auditor	**6	4	10
Senior Auditor	**13	5	18
Auditor	12	20	32
<i>Examiner of Accounts Cadre</i>			
Deputy Head, Examiner of Accounts Cadre	-	1	1
Chief Examiner of Accounts	7	8	15
Deputy Chief Examiner of Accounts	11	6	17
Principal Examiner of Accounts	7	15	22
Examiner of Accounts/ Senior Examiner of Accounts	11	42	53
<b>Total Staff – Auditing Grades</b>	<b>76</b>	<b>106</b>	<b>182</b>
<b>Administrative Staff</b>			
Assistant Manager, Human Resources		1	1
Financial Officer/ Senior Financial Officer	1	-	1
Other supporting staff	7	10	17
<b>Total Administrative Staff</b>	<b>8</b>	<b>11</b>	<b>19</b>
<b>Total Staff</b>	<b>84</b>	<b>117</b>	<b>201</b>

\*Temporary Deputy Director of Audit

\*\*Include one Officer assigned duties/acting in the position

# ORGANISATION STRUCTURE



Auditing is the core activity of the NAO. Audit assignments of the entities falling under the mandate of the NAO are allocated among 13 Divisions, each headed by an Officer of NAO Management Team. Each of the 12 Divisions has a portfolio of mixed Regularity Audit assignments consisting of Ministries and Government Departments, Statutory Bodies, Local Authorities and Special Funds. One Division is responsible for Performance Audit and Regularity Audit assignments.

Also contributing to the good running of the NAO activities are three Units, namely, the Administrative and Support Unit, the IT Unit and the Finance Unit.

## MANAGEMENT TEAM

### DIRECTOR OF AUDIT

**TSE YUET CHEONG Kwee Chow (Mrs), FCCA**

in present post since November 2013

### DEPUTY DIRECTOR OF AUDIT

**NAPPAUL Pawan Kumar, FCCA**

in present post since July 2001

### DEPUTY DIRECTOR OF AUDIT (TEMPORARY)

**CHAN MOO LUN Kim Chow (Mrs), FCCA**

in present post since July 2014

### ASSISTANT DIRECTORS OF AUDIT

**CHAN HON SEN Chan Quet Shung, FCCA**

in present post since July 2001

**REETUN Khemraj, FCCA, MBA**

in present post since July 2001

**CHUNG CHUN LAM Leung Fee Lan (Mrs), FCCA**

in present post since July 2003

**ABDOOL GAFFOOR Ahmad, FCCA, MBA**

in present post since July 2003

**RAMKISHORE Deodutt, FCCA**

in present post since July 2003

**DODAH Toolsee, FCCA**

in present post since July 2004

**APPASAMY Lutchmanen, FCCA, MBA**

in present post since July 2004

**WONG CHOW MING Man Lan (Mrs), FCCA**

in present post since February 2015

**DULLOO Bibi Naseem (Mrs), FCCA, MBA**

in present post since February 2015

### ASSISTANT DIRECTOR OF AUDIT (ASSIGNED DUTIES)

**MAMODE ALLY Mahmud Yousouf, FCCA**

since November 2013

### HEAD, EXAMINER OF ACCOUNTS CADRE

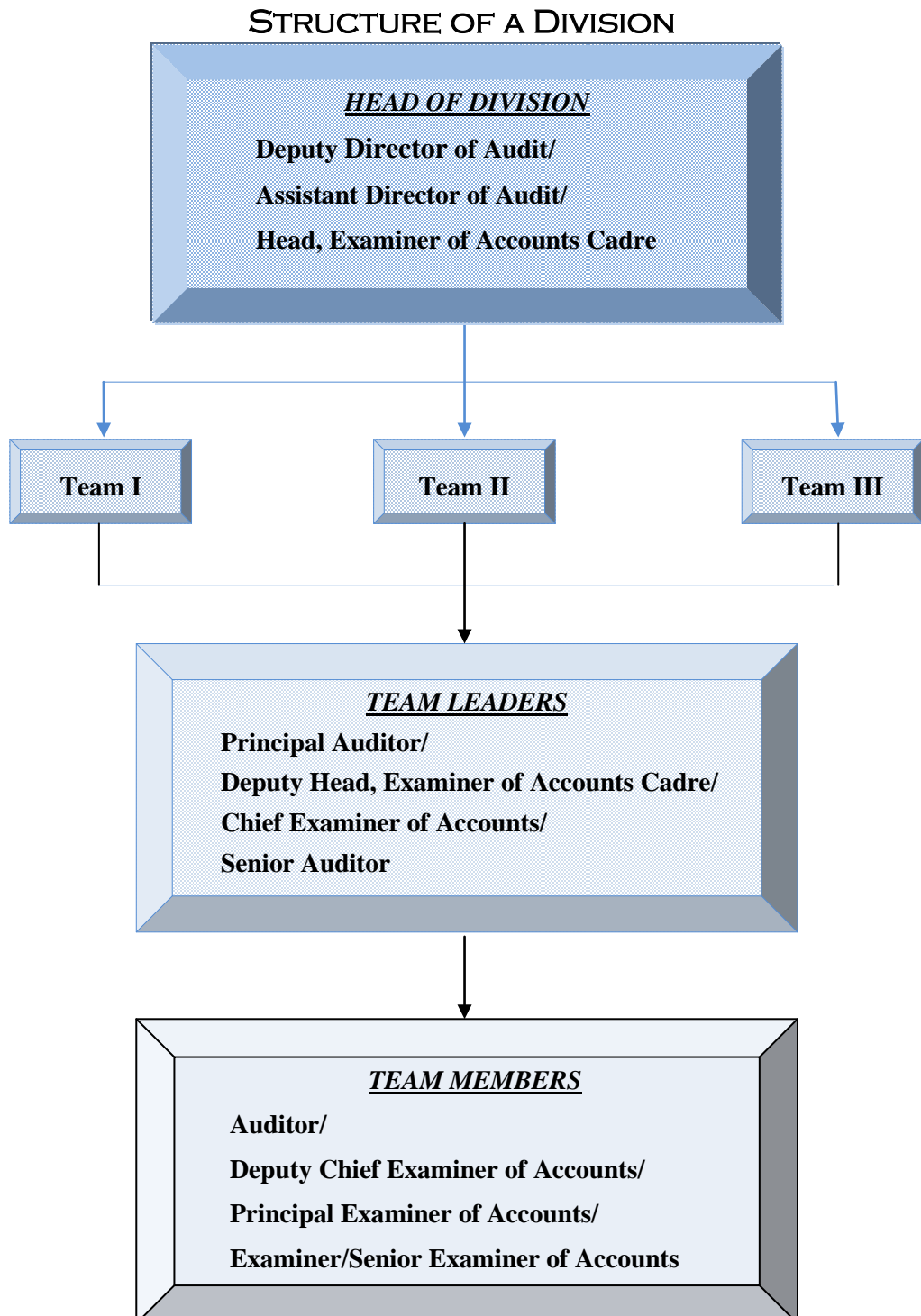
**DOORGAKANT Lockraz**

in present post since January 2015

## Structure of a Division

Each of the 13 Divisions is headed by an Officer of NAO Management Team, namely, two Deputy Directors of Audit, 10 Assistant Directors of Audit and the Head, Examiner of Accounts Cadre. The Head of Division manages some 13 Officers of the auditing grades, from both the Auditor Cadre and the Examiner of Accounts Cadre. These Officers assist the Head of Division in the discharge of the audit assignments of Ministries and Government Departments, Statutory Bodies, Local Authorities and Special Funds allocated to them.

The Figure below depicts the structure of a Division.







# Audit Activities and Performance

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## Strategic Direction

We have successfully fulfilled our mandate in respect of provision of independent assurance to the National Assembly on the proper accounting and use of public resources. We have ensured the timely issue of Audit Reports. The Annual Audit Report of the Director of Audit on the accounts of Government of Mauritius and Rodrigues Regional Assembly for the financial year 2014 was submitted to the Minister responsible for Finance in August 2015, within the statutory date limit, to be laid before the National Assembly. Ninety per cent of financial statements submitted by Statutory Bodies and Local Authorities were audited and certified within six months of submission, and six Performance Audit Reports were issued.

In our endeavor to be recognised as a highly respected organization providing high quality audit services, our main focus has, again, been the improvement of the quality of audit services and contributing to enhance good governance in the public sector. We have ensured that all NAO staff adhere to our core values, of which the most important are independence, professionalism, integrity, objectivity and confidentiality. We consider our staff as our most important asset and have therefore strived to provide them with a pleasant working environment and facilitate their continuous learning and development.

The major challenges we had to face in delivering our services in a timely manner while continuing to improve audit quality were to cope with the increasing complexities and volume of transactions of the public bodies we audit, as well as the continuous changes in financial reporting and auditing requirements. To meet these challenges, we follow the International Standards of Supreme Audit Institutions (ISSAI) and constantly review our audit approach as per the Guidelines from International Organisation of SAI (INTOSAI) and AFROSAI-E. We endeavour to keep abreast of latest developments in auditing, accounting and other related issues by recurrently undertaking capacity building in Risk Based Audit, Performance Audit and Information Technology Audit as well as encouraging knowledge sharing.

## NAO Audit Activities and Key Outputs

Two main types of audits are undertaken by the National Audit Office in order to provide assurance to the National Assembly on the accounting and use of public funds and to fulfill its audit mandate effectively, namely,

- Regularity Audit and
- Performance Audit

## ***Key Outputs***

The key outputs of NAO audit activities during period January 2015 to June 2016, were:

- 288 Management Letters issued to the audited entities
- 190 Audit Reports issued on the financial statements of Statutory Bodies and other Bodies
- 6 Performance Audit Reports issued and tabled in the National Assembly
- Annual Audit Report on Government Accounts, including the Rodrigues Regional Assembly for the year 2014 issued and tabled in the National Assembly
- 37 meetings of the Public Accounts Committee attended by NAO officers

## **Regularity Audit**

Regularity audit includes:

- examination and evaluation of financial records and expression of opinions on financial statements
- audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations
- audit of internal control and internal audit functions
- reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed

## ***Regularity Audit Portfolio***

The NAO carries out the audit of the accounts of all Ministries and Government Department including the Rodrigues Regional Assembly, all Local Authorities, most Statutory Bodies, Special Funds, Other Bodies and some Donor-Funded Projects.

Most Ministries had more than one Division and in general, each Division comprised a number of units which NAO had the responsibility to audit. For instance, the Education Division of the Ministry of Education and Human Resources had four Zones and each Zone had a number of primary and secondary schools under its responsibility. Each Zone is considered as a large unit while each school is counted as a small unit. On the other hand, each Statutory Body, Local Authority or Other entity has been considered as one unit.

The audit portfolio of the NAO for the 18-month period ended 30 June 2016 comprised 1,746 units as shown in Table 2.

*Table 2- Number of Auditable Units*

	<b>No. of Units</b>		
	<i>Large</i>	<i>Small</i>	<i>Total</i>
Ministries including their Departments, Divisions & Units	220	1,080	1,300
Rodrigues Regional Assembly	44	96	140
Statutory Bodies	55	50	105
Local Authorities	12	131	143
Special Funds	1	23	24
Other Bodies	2	19	21
International Donor Agencies	0	13	13
<b>Total</b>	<b>334</b>	<b>1,412</b>	<b>1,746</b>

### ***The Audit Process***

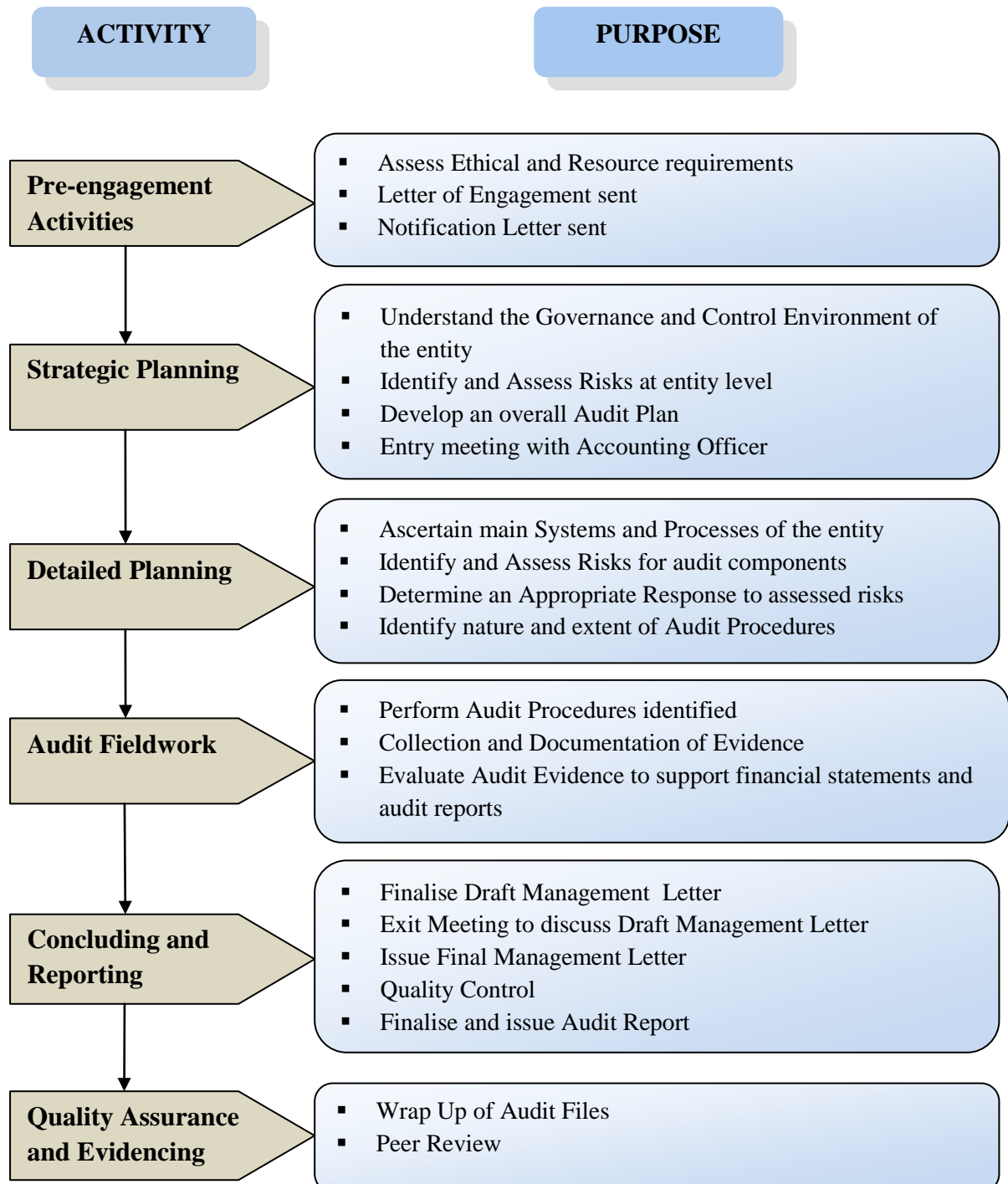
An annual audit plan is prepared at the beginning of the year and the plan lays out the planned schedule of each audit to be performed during the year. A risk-based approach is adopted in identifying units to be audited, as well as conducting individual audits.

Each individual audit starts with the planning process, which first requires an understanding of the entity to be audited and its environment, in order to identify risks that may result in material misstatement of the financial report. This is followed by an assessment of those risks, which involves considering a number of factors, such as the nature of the risks, relevant internal controls and the required level of audit assurance. Appropriate audit responses to those risks are then designed in order to obtain sufficient appropriate audit evidence on which to conclude. The audit work carried out, as well as audit findings are documented.

At the end of an audit, the audit findings are consolidated in a draft Management Letter and they are discussed at an exit meeting with the auditee. A final Management Letter is then issued, and the auditee is given the opportunity to comment on the matters raised therein.

The figure, hereunder, depicts the main activities carried out during an audit and their purpose.

# AUDIT PROCESS



The audits of Ministries and Government Departments and of the Rodrigues Regional Assembly for year 2014 were carried out as from November 2014 and were completed in April/May 2015. The Annual Audit Report for year 2014 was issued by NAO in August 2015. The audit of the 18-month period ended 30 June 2016 was done in two phases, an interim audit at the beginning of 2016 and the final audit after 30 June 2016.

The audits of Statutory Bodies, Local Authorities and Special Funds are undertaken only after receipt of their approved Financial Statements by NAO. Statutory Bodies and Local Authorities are required to prepare Financial Statements and submit same for audit within four months after the end of the financial year. Audit Reports for Statutory Bodies are issued within six months of the date of receipt of the Financial Statements.

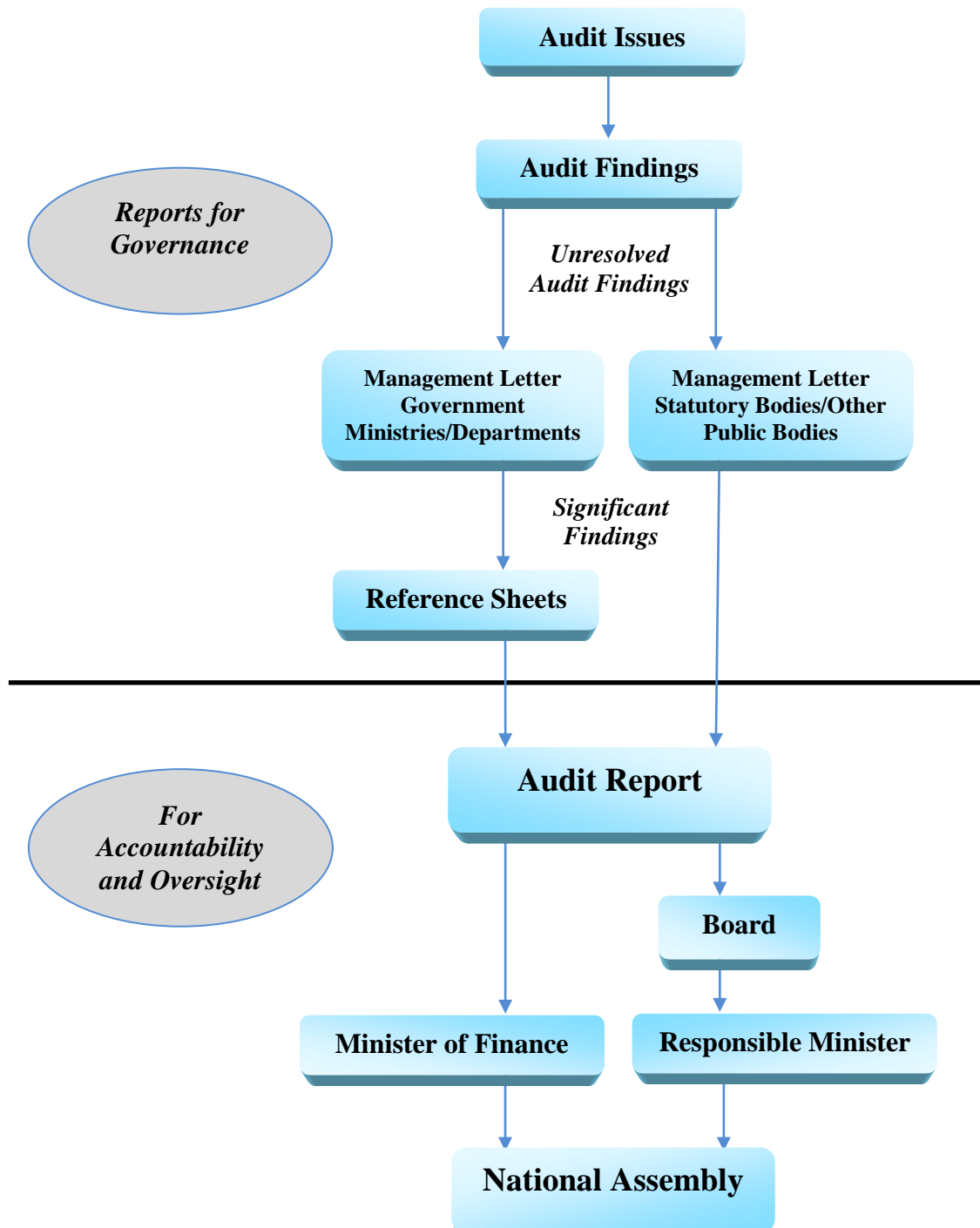
### ***Audit Report Process***

For Ministries and Government Departments, audit findings, deemed to be of significance and of a nature to be brought to the attention of the National Assembly, are communicated to the respective Accounting Officers through “Reference Sheets”. The latter is given the opportunity to comment on the truth and fairness of these audit findings before their inclusion in the Annual Audit Report. A summary of the comments of the management of the audited entity is also included, as far as possible. The NAO Annual Audit Report is then submitted to the Minister responsible for the subject of Finance within statutory deadline to be laid in the National Assembly.

For Statutory Bodies, following response to the Management Letter by the audited entity, an Audit Report is issued to the Board. The Audit Report gives our opinion on whether the financial statements show a true and fair view of the financial position and performance of the audited entity, and may also include matters of such importance that they need to be brought to the attention of users. An audit is considered complete when the Audit Report is issued.

The Figure illustrates the process from identifying audit issues to the issue of the Audit Report and submission to the National Assembly.

# AUDIT REPORT PROCESS



## ***Audit Coverage***

For Ministries and their units, including Rodrigues, completion rates were 100 per cent for large units and 99 per cent for small units. NAO had planned to audit 106 out of the 264 large units and had actually audited all of them. For small units, 196 out of 1,176 were planned and 194 were actually completed. However, the audits of the Head Office of all Ministries were duly completed.

The risk-based approach implies focus of audit efforts on higher risk areas. The small units generally have low annual financial expenditure and the audit risk is low. They are therefore audited on a rotational basis, which presently is every five year in most cases. The large units with low risk are also audited on a rotational basis but with higher frequency. Thus in the 18-month period ended 30 June 2016, a higher percentage of large units had been audited compared to small units.

Regarding Statutory Bodies, completion rates were 92 per cent for large units and 91 per cent for small ones. In a few cases, the audit of the Statutory Bodies was completed, but response to Management Letters had not yet been received. These have, therefore, been considered not completed in Table 3. The Financial Statements audited during the 18-month period ended 30 June 2016 related mostly to 2014 and to previous financial years, but a few related to 2015.

The overall performance for the 18-month period ended 30 June 2016 was satisfactorily on target. Details of the number of audits planned and completed during the period are shown in Table 3.

## ***Constraints***

The major constraints towards achieving higher audit coverage were:

- Increase in the volume of transactions and in the complexity of the operation of audited entities.
- Constant change in financial reporting and auditing requirements
- Staff constraints, which prevented a more frequent coverage of small units.
- Late submission of financial statements by auditees.
- As of 30 June 2016, 24 Statutory Bodies, 7 Special Funds, 5 Other Bodies and 4 International Donor Agencies Projects did not submit their financial statements for 2014.
- 165 Financial Statements relating to previous financial years (see Table 3) were audited during the 18-month period ended 30 June 2016.

- A total of 130 financial Statements of 66 Statutory Bodies, six Local Authorities, 10 Special Funds, 11 Other Bodies and three International Donor Agencies had to be amended following audit causing an increase in the time spent on the audit.

**Table 3 - Audits Planned and Completed during period January 2015 to June 2016**

	Size of Units	No of Planned Audits	No of Audits completed relating to previous FYs	No of FS not received for 2014	Revised Audit Plan	No of Audits Completed	Completion %
<b>Ministries/ Departments/ Divisions/ Units</b>	Large	100	N/A	N/A	100	100	100
	Small	184	N/A	N/A	184	182	99
<b>Rodrigues Regional Assembly</b>	Large	6	N/A	N/A	6	6	100
	Small	12	N/A	N/A	12	12	100
<b>Statutory Bodies</b>	Large	55	27	7	75	69	92
	Small	49	25	17	57	52	91
<b>Local Authorities</b>	Large	12	8	3	17	11	65
	Small	131	85	73	143	108	76
<b>Special Funds</b>	Large	1	2	1	2	2	100
	Small	26	7	6	27	24	89
<b>Other Bodies</b>	Large	4	3	1	6	5	83
	Small	19	8	4	23	17	74
<b>International Donor Agencies</b>	Small	13	0	4	9	7	78
<b>Overall</b>	<b>Large</b>	<b>178</b>	<b>40</b>	<b>12</b>	<b>206</b>	<b>193</b>	<b>94</b>
	<b>Small</b>	<b>434</b>	<b>125</b>	<b>104</b>	<b>455</b>	<b>402</b>	<b>88</b>
	<b>Total</b>	<b>612</b>	<b>165</b>	<b>116</b>	<b>661</b>	<b>595</b>	<b>90</b>

Note: FS- Financial Statements  
FY- Financial Year  
N/A- Not Applicable



### ***Audit of the Rodrigues Regional Assembly***

The audit mandate of the Director of Audit includes the audit of the accounts of the Rodrigues Regional Assembly (RRA). The Commissioner responsible for the subject of Finance is required to submit Statements showing the overall financial position of the RRA to the Director of Audit, within three months of the close of the financial year as per the Finance and Audit Act.

The Island Chief Executive is responsible for the administration of all the functions of the Executive Council and all the staff of the RRA fall under his administrative control. Seven Commissions, including the Chief Commissioner's Office and the Deputy Chief Commissioner's Office have been set up under the RRA Act to discharge the functions of the RRA. The Departmental Head of each Commission who is the Accounting Officer has the responsibility to execute the Executive Councils' decisions.

NAO officers are sent to Rodrigues Island every year in order to carry out the audit of RRA's accounts since NAO does not have an office in Rodrigues. The audits of the RRA, for the year ending 31 December 2014, 31 December 2015 and the 6-month period ending 30 June 2016 were performed in March 2015, March 2016 and September 2016, respectively. An Assistant Director of Audit was responsible for the audit teams comprising four to six officers, who were in Rodrigues for periods ranging from three to six weeks. The audits were conducted on a risk-based approach, focusing on financial statements, capital projects and other specific issues.

### ***Audit of Mauritius Diplomatic Missions***

NAO carries out audit visits to the overseas offices of Mauritius Diplomatic Missions and Consulates on a rotational basis. Mauritius has 19 Diplomatic Missions/Consulates abroad, falling under the responsibility of the Ministry of Foreign Affairs, Regional Integration and International Trade. Their mission is to provide consular services and assistance to the Mauritian Diaspora and Nationals abroad.

Three Assistant Directors of Audit went to Pretoria (South Africa), London (United Kingdom) and Addis Ababa (Ethiopia) respectively in May/June 2016 for a few days in order to carry out the audit assignments.

## **Performance Audit**

The Finance and Audit Act provides for the Director of Audit to carry out Performance Audit and to report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.

Performance Auditing is an independent, objective and reliable examination of whether Government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Performance Auditing seeks to provide new information, analysis or insights, and where appropriate, recommendations for improvement.

A team from the AFROSAI-E carried out Quality Assurance Support Visit in August 2016. The objective was to assist NAO to determine whether Performance Audit Processes comply with International Standards and recommendations were made on how to improve the quality. These recommendations are being considered.

During the 18-month period ending 30 June 2016, six Performance Audit Reports were laid before the National Assembly, namely, four in September 2015 and two in May 2016.

## **Information Technology Audit**

An Information Technology (IT) audit is the examination and evaluation of an organisation's IT infrastructure, policies and procedures. IT audit determines whether IT Controls protect the organisation's assets, ensure data integrity and are aligned with the organisation's overall goals.

Two IT Audits were conducted during 2015, namely, at the State Trading Corporation and at the Registrar General's Department. The audits were carried out in accordance with the International Organisation of Supreme Audit Institutions Standards and Control Objectives for Information and Related Technology (COBIT) guidelines.

The audits focused mainly on the assessment of:

- Whether the structure, policies, accountability mechanisms and monitoring practices in place were adequate to achieve the requirements of good governance of IT.
- The adequacy of the practices for the acquisition, development, testing and implementation of information systems.
- The adequacy of the processes for information systems operations, maintenance and support.
- Whether the security policies, standards, procedures and controls ensured the confidentiality, integrity and availability of information assets.
- The adequacy of input, processing and output controls for the main Enterprise Resource Planning applications.

## **AFROSAI-E Quality Assurance**

### ***Support Visit***

The international auditing fraternity has been emphasizing on the importance of Quality Assurance activities of SAIs, giving them support in order to enhance quality control systems, procedures and working methods.

In August 2016, NAO received a Quality Assurance Support Visit from AFROSAI-E. The last visit of Quality Assurance reviewers was in 2013. Through these visits, the extent to which SAIs comply with international standards are continuously reviewed and is an important component of good corporate governance practices.

The review team consisted of five members from SAI Tanzania, SAI South Africa and AFROSAI-E Secretariat. They covered NAO's Institutional Issues and NAO's Regularity Audit as well as, for the first time, Performance Audit working papers.

### ***Award by AFROSAI-E***

At the AFROSAI-E 11<sup>th</sup> Technical Update meeting held in 2016 in South Africa, SAI Mauritius (NAO) received the AWARD OF RECOGNITION *for staying relevant in changing times by implementing exemplary operational changes in their approach to implementing Regularity Audit Methodologies.*

This recognition is the result of NAO's efforts and commitment to the application of the AFROSAI-E Regularity Audit Methodologies, which provides an audit approach in accordance with the ISSAIs, during our audits, in line with our endeavour to be a highly respected organization providing high quality audit services.

## **Financial Performance**

The total Revenue of the NAO for the 18-month period ended 30 June 2016 amounted to Rs 240.1 million and comprised Appropriation from the Consolidated Fund of Rs 217.6 million, Deferred Income of Rs 2.3 million and Audit Fees of Rs 20.2 million.

Appropriation from the Consolidated Fund of Rs 217.6 million consisted of the total provisions of Rs 209.4 million made for 18-month period under the National Audit Office's Vote in the Government Budget to meet NAO's expenses, additional funds amounting to Rs 13.4 million provided under other Votes in respect of passage benefits, refund of sick leave, salary of two supporting staff and Mission and Training expenses less an unutilized amount of Rs 3.2 million, capital expenses of Rs 1.9 million and other minor adjustments. There had been an increase of Rs 82.4 million compared to the last period, due mainly to increase in Expenditure explained below.

Audit fees are charged to Local Authorities, Statutory Bodies, Special Funds and Other Bodies upon issue of audit reports and they are credited to the Consolidated Fund. Ministries and Government Departments are not charged any fees for the audit of their accounts. Audit fees increased from Rs 15.8 million in 2014 to Rs 20.2 million for the 18-month period ended 30 June 2016. There have not been significant changes in fees charged or number of auditees concerned. Variations were due to the different periods covered and timings of issue of audit certificates.

Our expenses are totally borne by Government. The total expenditure for the 18-month period ended 30 June 2016 excluding Audit Fees payable to the Consolidated Fund, amounted to Rs 219.9 million. It included mainly staff costs of Rs 204.1 million and Rent and Utilities of Rs 9.3 million. There has been an increase of Rs 83.2 million compared to the total expenditure of Rs 136.7 million in 2014. The increase was mainly attributed to the current period being of 18 months compared to the last 12 month period and to increase in Staff Costs due to increments, promotions and application of the Pay Research Bureau's Report of 2016.

## **Financial Position**

NAO's financial position as of 30 June 2016 showed an increase of Rs 9.8 million in Total Assets compared with the position as of 31 December 2014. This was mainly due to increase in receivables in respect of Bank Sick Leaves of Rs 4.2 million, Passage Benefits Obligations of Rs 2.6 million and staff Car Loan of Rs 3.1 million. There was also a decrease in the Net Book Value of Property, Plant and Equipment of Rs 0.6 million. It should be noted that all assets represent contributions by Government and are thus also shown as liabilities or Capital Grants.

# Learning and Development

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## Capacity Building

Our staff is our most important asset. We, as a professional organisation, believe in the continuous learning and development of our staff in order to fulfill our mandate and to meet a challenging public spending environment. We have strived our best, within available budget, to continuously invest in the enhancement of staff capacity, ensuring that they have the opportunity to develop.

Staff training was carried out both locally and overseas, and related mainly to auditing and accounting issues. Fourteen NAO Officers went abroad to attend seminars, workshops and courses. Overseas training were fully or partly sponsored by various overseas organisations, namely, the African Organization of English Speaking Supreme Audit Institutions (AFROSAI-E), the Indian Technical and Economic Cooperation (ITEC), the Malaysian Technical Cooperation Programme (MTCP) and the INTOSAI Development Initiative (IDI). The duration of these overseas courses/workshops ranged from one to four weeks.

NAO staff also attended some 11 training sessions held locally. Training organised by NAO was delivered in-house, as well as by foreign resource persons. Capacity building involving all Audit Staff focused on

- International Public Sector Accounting Standards (IPSAS)
- Effective Auditing, and
- E- Procurement

Total expenditure incurred by NAO, during period January 2015 to June 2016, on staff training amounted to Rs 942,120, excluding sponsored training which we could not quantify in the absence of necessary information on this non monetary assistance to NAO.

Tables 4 and 5 give details of the Overseas and Local training, respectively, undergone by NAO staff.

**Table 4 - Overseas Training Attended by Staff**

	<b>Course Title</b>	<b>Organised by</b>	<b>Duration</b>
1.	Audit of State Owned Enterprises	ITEC India	17 Aug to 11 Sept 2015
2.	Global Programme on Specialised Audits - IT Audit	IDI Hungary	07 to 11 September 2015
3.	Auditing in IT Environment	ITEC India	28 Sept to 23 Oct 2015
4.	Workshop on Assessment of Internal Control	ASOSAI Malaysia	5 to 16 October 2015
5.	SAI Management	ASOSAI India	7 to 11 December 2015
6.	Audit of E-Governance	ITEC India	11 Jan to 05 Feb 2016
7.	Environment Audit	ITEC India	15 Feb to 11 March 2016
8.	Workshop on Regularity Audit Methodologies	AFROSAI-E South Africa	12 to 14 April 2016
9.	Performance Audit Course	MTCP Malaysia	16 to 27 May 2016

**MTCP** - Malaysian Technical Cooperation Programme

**ITEC** - Indian Technical and Economic Cooperation

**IDI** - INTOSAI Development Initiative

**Table 5 - Local Training Attended by Staff**

	<b>Course Title</b>	<b>Organised by</b>	<b>Staff Attending</b>	<b>Month</b>	<b>Duration</b>
1.	Training on IDEA	NAO	23	March 2015	1 week
2.	Workshop on Procurement	NAO/PPO	83	April/May 15	2 half days
3.	Building a Safety and Health Culture in the Civil Service	MCS&AR	1	April 2015	3 days
4.	ISACA Workshop	MioD	10	Oct 2015	1 day
5.	Performance Management System	MCS&AR	27	Nov 2015	1 day
6.	Computer Security Day	NCB	1	Nov 2015	1 day
7.	Project/Contract Management Guidelines/Validation Workshop	MOFED/PPO	2	Jan 2016	3 days
8.	Overview on E-Procurement	NAO/PPO	150	Feb 2016	1 day
9.	Workshop on IPSAS (Overseas Resource person)	NAO	157	Feb/March 2016	2 days
10.	Effective Auditing Workshop (Overseas Resource person)	NAO	157	March 2016	1 day
11.	Workshop on a Practical way to introduce/ implement Risk Management into workplace	MMA	10	March 2016	3 days

**PPO** – Procurement Policy Office

**MioD** - Mauritius Institute of Directors

**MCS&AR** – Ministry of Civil Service and Administrative Reforms

**MOFED** – Ministry of Finance and Economic Development

**NCB** – National Computer Board

**MMA** – Mauritian Management Association

## ***Workshops on IPSAS and " Effective Auditing"***

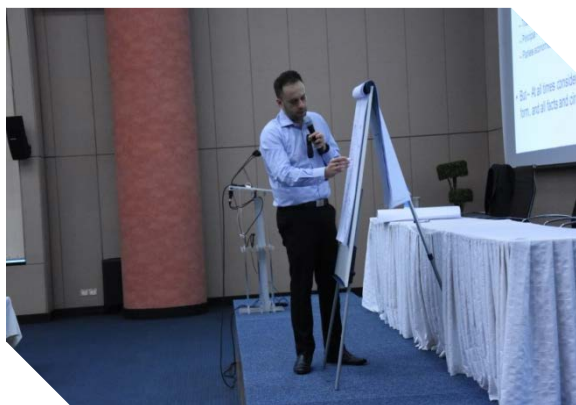
NAO believes that it is essential for its staff to keep up to date with the latest developments in the relevant standards in order to cope with the increasing complexities of the public bodies we audit and the continuous changes in financial reporting and auditing requirements.

### ***Workshop on IPSAS***

Our statutory responsibilities include audit of accounts of public bodies, most of which are required to comply with International Public Sector Accounting Standards (IPSAS). The NAO endeavours to organize annual training on IPSAS in order to keep our staff up-to-date with the latest development in these standards.

Early 2016, the NAO organized a two-day workshop on IPSAS at Ebene. The workshop was conducted by a foreign expert and all NAO audit staff attended. The workshop focused on 11 more commonly used IPSAS with emphasis on recent changes and difficulties in interpretation by NAO staff.

The workshop was beneficial to all staff as it served as a refresher on the standards covered. It also helped staff to properly interpret and apply certain standards in complex or unusual situations. Conflicting interpretations of recent changes in IPSAS were also clarified.



### ***Workshop on "Effective Auditing"***

NAO organised a one-day workshop on "Effective Auditing" in March 2016. All NAO audit staff attended the workshop conducted by a foreign expert. The objective of the workshop was to give NAO staff an insight into planning, finalising and executing an audit in terms of the International Standards in Auditing (ISAs). Participants were apprised on how to respond to specific identified risks and documentation required to adhere to the ISAs. The workshop also covered common mistakes practitioners make in planning and executing audits based on file reviews.





## ***Corporate Social Responsibility***

We are committed to help in the development of the staff of NAO, who are diverse, multi-cultural and talented people. NAO realises the importance of achieving a balance between operational performance and social well-being of our people. Our Corporate Social Responsibility (CSR) policies include concern for health, safety, training and development of our employees, their participation in community activities, as well as care for the environment.

We have established core values which provide a code of conduct for our staff members and we encourage them to be good citizens and to strive to become social assets to their local communities.

We operate within regulations pertaining to the public sector, and like all Government Bodies, we do not have a budget for CSR. In this respect, since the early 1980s, the NAO staff has set up its own fund known as the NAO Welfare Fund (NAOWF).

### ***Activities by the NAO Welfare Fund***

Nine officers of NAO are elected at the Annual General Meeting of NAOWF, each year, to constitute a Managing Committee for the administration of the Fund. Monthly membership fees are paid by the staff members and constitute the main revenue of the Fund.

During the period January 2015 to June 2016, NAOWF has again convened the NAO staff to various activities in line with the objects of the Fund which is to promote the welfare of NAO staff members and their families.

We had two nature walks in April 2015 and April 2016 respectively.

The first nature walk was held at Piton Savanne in the south of Mauritius, where those opting for a shorter trail were able to view the spectacular landscape while lying down on the grass. The more daring ones had to cope with slippery slopes in their quest for 'goyave de chine', having gone further uphill. The Fund was pleased to welcome some 55 staff members and their families/friends accompanying them.

The second outing was a Randonnee at Bras d'Eau National Park. This walk was easier and later on, participants could enjoy a few moments at a nearby seaside resort.

Between those activities, NAOWF organised an outing at Casela Park in August 2015, where parents were joined by their kids on holiday. Youth and older ones discovered the creatures on display and, as is the case during daytime there, were gratified by the sight-seeing.

Year 2015 closed with the end of year party in a hotel on the west coast. Staff, more than a hundred in number, were welcomed by a cocktail on the beach at the dying hours of day, enjoying a drink while the sun was setting down. Later on, guests including non-Fund members were convened for dinner and the evening ended with music and dancing.

The Fund did not however forget the less fortunate and was happy to help a primary school in the north of Mauritius renew their photocopy machine, an essential equipment for the dissemination of material for use by students.



# **Financial Statements and Reports**



## **Statement of Responsibilities of the Director of Audit in respect of the Financial Statements and Internal Controls**

The National Audit Office (NAO) has prepared financial statements for the 18-month period ended 30 June 2016, which give a true and fair view of its financial position and its financial performance. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that NAO will continue in business.

The Director of Audit confirms that she has complied with the above requirements in preparing the financial statements for the 18-month period ended 30 June 2016.

The Director of Audit is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NAO and to enable management to ensure that the financial statements comply with applicable accounting standards.

The Director of Audit is also responsible for safeguarding the assets of NAO, and hence, for taking reasonable steps for the prevention and detection of fraud and any irregularities.

The Director of Audit acknowledges her responsibility for the setting up of adequate system of internal controls and for the setting up of appropriate policies to provide reasonable assurance that the control objectives have been attained. The activities of NAO are closely monitored by its management. Procedures and policies established in the public sector are consistently applied. Management has the relevant experience and skills to ensure proper running of the NAO as a Supreme Audit Institution. There is no history of fraud and irregularities.

The internal control procedures put in place at NAO include the following:

- Proper segregation of duties whereby the different functions in process are crosschecked and verified.
- Adequate supervision of duties performed by staff members.
- The assets of the NAO are properly safeguarded.
- Compliance with relevant laws, rules and regulations.

**Kwee Chow TSE YUET CHEONG (Mrs)**  
**Director of Audit**  
**22 February 2017**



# **Independent Auditors' Report**

**INDEPENDENT AUDITORS' REPORT  
TO THE DIRECTOR OF AUDIT  
NATIONAL AUDIT OFFICE**

*Report on the financial statements*

We have audited the financial statements of **NATIONAL AUDIT OFFICE**, which comprise the statement of financial position at 30 June 2016, the statement of outturn, the statement of financial performance, the statement of income payable to the Consolidated Fund, the statement of changes in equity and the statement of cash flows for the period from 01 January 2015 to 30 June 2016, and the notes to the financial statements which include a summary of significant accounting policies and explanatory notes, as set on pages 48 to 72.

*Directors' responsibility for the financial statements*

The Director of Audit is under no statutory obligation to prepare financial statements for the National Audit Office. However, these financial statements have been prepared in terms of the requirements of International Standards for Supreme Audit Institutions (ISSAI) 20 and 21 - Principles of transparency and accountability and by applying International Public Sector Accounting Standards.

The Director of Audit is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the National Audit Office preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Audit Office internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**INDEPENDENT AUDITORS' REPORT  
TO THE DIRECTOR OF AUDIT  
NATIONAL AUDIT OFFICE (continued)**

*Report on the Financial Statements (continued)*

*Opinion*

In our opinion,

- the financial statements on pages 48 to 72 give a true and fair view of the financial position of the National Audit Office at 30 June 2016, and of its financial performance, its changes in equity and its cash flows for the period from 01 January 2015 to 30 June 2016 in accordance with International Public Sector Accounting Standards;
- in all material respects, the income and expenditures have been applied to the purposes intended by the National Assembly and conform to the authorities which govern them.

*Report on other legal and regulatory requirements*

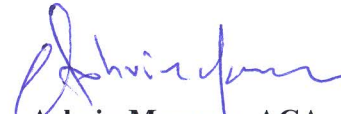
We have no relationship with or interests in the National Audit Office other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the National Audit Office as far as it appears from our examination of those records.



**MOORE STEPHENS**  
Chartered Accountants



**Ashvin Mawven, ACA**  
Licensed by FRC

PORT LOUIS  
MAURITIUS

Date: ...22 FEB...2017.





# **National Audit Office**

## **Financial Statements**

For the 18-month period ended 30 June 2016



**National Audit Office  
Financial Statements  
For the 18-month period ended 30 June 2016**

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**National Audit Office  
Statement of Outturn**

*for the 18-month period ended 30 June 2016*

	<b>Revised Budget</b>	<b>Actual Expenditure</b>
	<b>Rs</b>	<b>Rs</b>
Salaries and allowances	161,091,000	159,636,319
Travelling and transport	29,831,000	29,615,772
Overtime	353,000	332,116
Staff welfare	35,000	35,000
Cost of utilities	2,207,500	2,033,700
Fuel and oil	75,000	28,771
Rental of building	6,577,500	6,528,312
Rental of parking	742,500	732,550
Equipment and furniture	1,472,000	1,444,019
Office sundries	147,500	127,964
Maintenance	1,697,500	1,386,854
Printing and stationery	512,500	478,679
Books and publications	321,000	300,552
Fees for training and consultants	1,396,000	853,520
Refund of subscription fees	1,675,000	1,644,418
Inspection and audit fees	70,000	69,000
Mission abroad	450,000	304,944
Uniforms	20,500	19,535
Accommodation costs	28,000	20,822
Membership fees	697,500	638,472
<b>Total</b>	<b>209,400,000</b>	<b>206,231,319</b>

Outturn for the 18-month period ended 30 June 2016 has been presented on a cash basis. Reasons for variances between budgets and outturns are explained on page 55.

**National Audit Office**  
**Statement of Income Payable to the Consolidated Fund**  
*for the 18-month period ended 30 June 2016*

	<b>Budget</b>	<b>Outturn</b>
	<b>Rs</b>	<b>Rs</b>
Audit fees payable to the Consolidated fund	20,500,000	20,161,790
Audit fees due at 1 January 2015	-	1,630,000
Audit fees due at 30 June 2016	-	(2,260,000)
<b>Audit fees received during the period</b>	<b>20,500,000</b>	<b>19,531,790</b>

**National Audit Office**  
**Statement of Financial Position**  
*at 30 June 2016*

		<b>30 June 2016</b>	<b>31 December 2014</b>
		<b>Rs</b>	<b>Rs</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Short term car loans receivable	8	<b>6,125,211</b>	4,710,198
Trade receivables	6	<b>2,260,000</b>	1,630,000
Other receivables	7	<b>3,494,614</b>	3,291,965
Inventories		<b>68,026</b>	66,779
		<b>11,947,851</b>	9,698,942
<b>Non-current assets</b>			
Car loans receivable	8	<b>18,072,875</b>	16,413,690
Long term receivables	9	<b>47,683,769</b>	40,875,591
Property, plant and equipment	10	<b>4,885,820</b>	5,541,268
Intangible assets	11	<b>65,703</b>	309,455
		<b>70,708,167</b>	63,140,004
<b>Total assets</b>		<b>82,656,018</b>	72,838,946
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term car loans payable	8	<b>6,125,211</b>	4,710,198
Trade and other payables	12	<b>5,822,640</b>	4,988,744
		<b>11,947,851</b>	9,698,942
<b>Non-current liabilities</b>			
Car loans payable	8	<b>18,072,875</b>	16,413,690
Sick leave obligations	13	<b>37,946,484</b>	33,701,234
Passage benefit obligations	13	<b>9,737,285</b>	7,174,357
		<b>65,756,644</b>	57,289,281
<b>Total liabilities</b>		<b>77,704,495</b>	66,988,223
<b>NET ASSETS</b>		<b>4,951,523</b>	5,850,723
<b>EQUITY</b>			
Capital Grant	14	<b>4,951,523</b>	5,850,723
		<b>4,951,523</b>	5,850,723

Approved on 22 February 2017

.....  
**Mrs K.C.Tse Yuet Cheong**  
**Director of Audit**

*The notes on pages 57 to 72 form an integral part of these financial statements.*



**National Audit Office**  
**Statement of Financial Performance**  
*for the 18-month period ended 30 June 2016*

		<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Note</b>	<b>Rs</b>	<b>Rs</b>
<b>Revenue</b>			
Appropriation from Consolidated Fund	15	<b>217,612,736</b>	135,247,441
Audit fees receivable	16	<b>20,161,790</b>	15,779,214
Deferred income		<b>2,314,064</b>	1,426,640
<b>Total Revenue</b>		<b>240,088,590</b>	152,453,295
<b>Expenses</b>			
Audit fees Payable to Consolidated Fund	16	<b>20,161,790</b>	15,779,214
Staff costs	17	<b>204,132,598</b>	125,416,471
Training	18	<b>942,120</b>	1,364,617
Mission abroad	19	<b>829,062</b>	705,043
Rent and utilities	20	<b>9,289,160</b>	6,217,563
IT expenses		<b>648,049</b>	424,463
Supplies and consumables		<b>1,133,273</b>	845,919
Subscriptions to international organisations		<b>638,474</b>	273,365
Depreciation and amortisation		<b>2,314,064</b>	1,426,640
<b>Total Expenses</b>		<b>240,088,590</b>	152,453,295
<b>Surplus/Deficit for the period</b>		<b>-</b>	<b>-</b>

*The notes on pages 57 to 72 form an integral part of these financial statements.*

**National Audit Office**  
**Statement of Changes in Equity**  
*for the 18-month period ended 30 June 2016*

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Opening balance	<b>5,850,723</b>	6,282,467
Capital Grant	<b>1,949,864</b>	2,417,396
Deferred income	<b>(2,314,064)</b>	(1,426,640)
Transfer of motor vehicles	<b>(535,000)</b>	(1,422,500)
<b>Closing balance</b>	<b>4,951,523</b>	5,850,723

*The notes on pages 57 to 72 form an integral part of these financial statements.*

**National Audit Office**  
**Statement of Cash Flows**  
*for the 18-month period ended 30 June 2016*

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
<b>Operating activities</b>		
Surplus/Deficit for the period	-	-
<b>Adjustments for:</b>		
Deferred income	<b>(2,314,064)</b>	(1,426,640)
Depreciation	<b>2,070,312</b>	1,264,139
Amortisation	<b>243,752</b>	162,501
Change in trade and other receivables	<b>(832,649)</b>	105,492
Change in inventories	<b>(1,247)</b>	(27,375)
Change in trade and other payables	<b>833,896</b>	(78,117)
Change in long term receivables	<b>(6,808,178)</b>	(2,444,692)
Change in sick leaves and passage benefit obligations	<b>6,808,178</b>	2,444,692
<b>Cash flow generated from/ (used in) operating activities</b>	<b>-</b>	<b>-</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(1,919,074)</b>	(2,417,396)
Car loans granted to staff	<b>(12,792,800)</b>	(8,272,800)
Loans refunded to Accountant General	<b>(9,718,602)</b>	(4,451,564)
<b>Cash used in investing activities</b>	<b>(24,430,476)</b>	<b>(15,141,760)</b>
<b>Financing activities</b>		
Funds received for purchase of property, plant and equipment	<b>1,919,074</b>	2,417,396
Loans from Accountant General	<b>12,792,800</b>	8,272,800
Loans repaid	<b>9,718,602</b>	4,451,564
<b>Cash generated from financing activities</b>	<b>24,430,476</b>	<b>15,141,760</b>
Change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

**Notes**

***Cash and Cash Equivalent***

The NAO does not operate any bank accounts. All revenues are remitted to the Accountant General and all payments are effected by the latter. The cash and cash equivalent was nil at year ends.

*The notes on pages 57 to 72 form an integral part of these financial statements.*

**National Audit Office**  
**Statement of Budgeted, Actual Cash and Accrual Based Amounts**  
*for the 18-month period ended 30 June 2016*

	<b>Original Budget Rs</b>	<b>Revised Budget Rs</b>	<b>Actual Received / Paid Rs</b>	<b>Financial Statements Rs</b>
<b>Revenue</b>				
Audit fees	20,500,000	20,500,000	19,531,790	20,161,790
<b>Expenditure</b>				
Salaries and allowances	163,420,000	161,091,000	159,636,319	172,437,736
Travelling and transport	27,675,000	29,831,000	29,615,772	29,645,164
Overtime	225,000	353,000	332,116	350,744
Staff welfare	35,000	35,000	35,000	35,000
Cost of utilities	2,292,500	2,207,500	2,033,700	2,028,298
Fuel and oil	75,000	75,000	28,771	24,113
Rental of building	6,577,500	6,577,500	6,528,312	6,528,312
Rental of parking	712,500	742,500	732,550	732,550
Equipment and furniture	1,260,000	1,472,000	1,444,019	-
Office sundries	127,500	147,500	127,964	127,967
Maintenance	912,500	1,697,500	1,386,854	750,802
Printing and stationery	477,500	512,500	478,679	478,681
Books and publications	315,000	321,000	300,552	309,938
Fees for training and consultants	2,565,000	1,396,000	853,520	942,120
Refund of subscription	1,545,000	1,675,000	1,644,418	1,644,418
Inspection and audit fees	70,000	70,000	69,000	69,000
Mission abroad	450,000	450,000	304,944	829,062
Uniforms	25,000	20,500	19,535	19,535
Accommodation costs	30,000	28,000	20,822	20,822
Membership fees	610,000	697,500	638,472	638,474
<b>Total Recurrent Expenditure</b>	<b>209,400,000</b>	<b>209,400,000</b>	<b>206,231,319</b>	<b>217,612,736</b>
Depreciation and amortisation	-	-	-	2,314,064
Audit fees payable to Consolidated Fund	-	-	-	20,161,790
<b>Total Expenditure as per Financial Statements</b>				<b>240,088,590</b>
<b>Expenditure Capitalised</b>				
Computer Equipment	-	-	-	1,675,264
Furniture and fittings	-	-	-	238,480
Office equipment	-	-	-	36,150
<b>Expenditure</b>	<b>209,400,000</b>	<b>209,400,000</b>	<b>206,231,319</b>	<b>242,038,484</b>

**National Audit Office**  
**Statement showing reasons for variances between Original and Revised Budget**  
*for the 18-month period ended 30 June 2016*

<b>Expenditure</b>	<b>Original</b>	<b>Revised</b>	<b>Variations</b>	
	<b>Budget</b>	<b>Budget</b>		
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	
Salaries and allowances	163,420,000	161,091,000	(2,329,000)	Note 1
Travelling and transport	27,675,000	29,831,000	2,156,000	Note 2
Overtime	225,000	353,000	128,000	Note 3
Staff welfare	35,000	35,000	-	
Cost of utilities	2,292,500	2,207,500	(85,000)	
Fuel and oil	75,000	75,000	-	
Rental of building	6,577,500	6,577,500	-	
Rental of parking	712,500	742,500	30,000	
Equipment and furniture	1,260,000	1,472,000	212,000	Note 4
Office sundries	127,500	147,500	20,000	
Maintenance	912,500	1,697,500	785,000	Note 5
Printing and stationery	477,500	512,500	35,000	
Books and publications	315,000	321,000	6,000	
Fees for training and consultants	2,565,000	1,396,000	(1,169,000)	Note 6
Refund of subscription	1,545,000	1,675,000	(130,000)	Note 7
Inspection and audit fees	70,000	70,000	-	
Mission abroad	450,000	450,000	-	
Uniforms	25,000	20,500	(4,500)	
Accommodation costs	30,000	28,000	(2,000)	
Membership fees	610,000	697,500	87,500	Note 7
<b>Total</b>	<b>209,400,000</b>	<b>209,400,000</b>	<b>-</b>	

Note 1 Vacant posts not filled

Note 2 Increase PRB 2016

Note 3 Overtime costs for implementation of HRMIS and Registry IT Systems

Note 4 New acquisition

Note 5 Additional items required

Note 6 Savings on Training costs

Note 7 Foreign exchange differences

**National Audit Office**  
**Statement showing Reconciliation of Cash Flows with Statement of Financial Performance**  
*for the 18-month period ended 30 June 2016*

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Actual Recurrent Expenditure as per statement of Outturn	<b>206,231,319</b>	129,683,847
Commitment for the year	<b>254,544</b>	208,225
Retention Money	<b>30,820</b>	-
Adjustment inventories-Last period	-	39,404
<b>Non-budgeted items paid</b>		
Sick leave annual payment-Supporting Staff	<b>76,090</b>	-
Fees paid by other Ministries to NAO-staff	-	197,705
Salary of supporting staff	<b>1,457,250</b>	520,541
Mission Abroad and Training	<b>624,121</b>	-
Audit Fees payable to Consolidated Fund	<b>20,161,790</b>	15,779,214
<b>Provisions</b>		
Sick Leave provision	<b>5,232,378</b>	2,266,351
Passage Benefits obligations	<b>6,025,303</b>	3,655,500
<b>Non-cash items</b>		
Depreciation & amortisation	<b>2,314,064</b>	1,426,640
	<b>242,407,679</b>	153,777,427
Commitment of last period	<b>(208,225)</b>	(339,957)
Prepayment	<b>(161,000)</b>	-
Adjustment Inventories- this period	-	(66,779)
Additions to PPE and Intangible Assets	<b>(1,949,864)</b>	(917,396)
<b>Expenditure as per Statement of Financial Performance</b>	<b>240,088,590</b>	152,453,295

## **Notes to the Accounts**

*for the 18-month period ended 30 June 2016*

### **Note 1. Reporting entity**

Section 110 of the Constitution of the Republic of Mauritius provides for the appointment of a Director of Audit whose office is a public office. The institution that Government has mandated to carry out the examination of the accounts of the Ministries and Departments on behalf of the Legislature is known as the National Audit Office (NAO) and the Director of Audit is the constitutional head of that Office. The Finance and Audit Act further amplifies the constitutional powers and duties of the Director of Audit, as well as the method of control and management of public funds. Besides Government Ministries and Departments, NAO is also responsible for the audit of the accounts of all Local Authorities, most of the Statutory Bodies, Special Funds, the Rodrigues Regional Assembly, and foreign-funded projects.

The financial statements of the NAO have been prepared in a spirit of adherence to the good governance principles of accountability and transparency.

### **Note 2. Basis of Preparation**

The financial statements of NAO have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) which is a Board of the International Federation of Accountants (IFAC).

Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) of the International Accounting Standards Board (IASB) are applied.

The financial statements have been prepared on a going-concern basis and the accounting policies have been applied consistently throughout the period. They have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

The preparation of financial statements in conformity with IPSAS and generally accepted accounting principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

In the application of the NAO's accounting policies, which are described in Note 5, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the estimate affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Estimates include, but are not limited to fair valuation of inventories, accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of property, plant and equipment.

The financial statements are presented in Mauritian Rupees.

Due to the change in financial period from calendar year to period from July to June as from January 2015, the financial statements have been prepared for the 18-month period from January 2015 to June 2016.

## **Notes to the Financial Statements**

*for the 18-month period ended 30 June 2016*

### **Note 3. Adoption of IPSAS**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods beginning after 1 January 2015 or later periods but which have not been early adopted. These new standards, amendments and interpretations are either not relevant to the NAO's operations or are not expected to have a material effect on the accounting policies and disclosures.

### **Note 4. Measurement Base**

The accounting principles recognized as appropriate for the measurement and reporting of the financial performance, cash flows, and financial position on an accrual basis using historical cost are followed in the preparation of the financial statements.

### **Note 5. Significant Accounting Policies**

The following specific accounting policies that materially affect the measurement of financial performance and the financial position are applied:

#### **(a) Revenue Recognition**

##### *Income*

Income is measured at the fair value of the consideration received.

##### *Government Grant*

The revenue necessary to finance the expenditure of NAO is derived from the Consolidated Fund by means of the Annual Estimates and the corresponding Appropriation Act. Government recurrent grant is recognized to the extent that expenditure has been incurred.

Government grant received to finance expenditure on property, plant and equipment is recognized as a deferred income in the Statement of Financial Position and is released to the Statement of Performance over the expected useful life of the assets.

##### *Audit Fees*

Revenue from audit fees is recognized when the audit has been completed and is on a billable basis. All the audit fees collected for the audit of financial statements of statutory and non statutory bodies, Special Funds and local authorities, and from other assurance work are credited directly to the Consolidated Fund. NAO makes no charge for the audit of accounts of Government Ministries and Departments.



## **Notes to the Financial Statements**

*for the 18-month period ended 30 June 2016*

### **Note 5. Significant Accounting Policies (continued)**

#### **(b) Accrual accounting under IPSAS**

Accrual accounting under IPSAS does not necessarily require the matching of revenue to related expenses. The cash flows arising from contributions and the related expenses take place in current and future accounting periods.

#### **(c) Trade and other receivables**

Trade and other receivables are recorded at their fair value after providing for doubtful and unrecoverable debts.

#### **(d) Leased assets**

NAO does not have any assets held under finance lease.

#### **(e) Foreign currency transactions**

Transactions in foreign currencies are translated to Mauritian rupee at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date and gains or losses on translation are recognised in the Statement of Financial Performance.

#### **(f) Employee entitlements**

Employee entitlements to salaries, pension costs, and other benefits are recognized when they are earned. Employees are allowed to accumulate sick leaves not taken at the end of each calendar year up to a maximum of 110 days, in a Sick Leave bank as at 30 June 2016. The balance of bank Sick Leave is valued at the end of the financial year and is recognised as Long Term payables. To the extent that claims for payments of Passage Benefits have been received and it is foreseen that staff would retire within one year, the amounts so payables for Passage Benefits and sick leaves are transferred to Trade and other payables under Current Liabilities.

Beyond the ceiling of 110 days, officers are refunded part of the annual entitlement of sick leaves not taken at the end of every calendar year and this is expensed to the Statement of Financial Performance.

A provision is made for the estimated liability for Passage Benefits. The Passage Benefits for each staff are valued at year end and are included as long term payables. For the current period, based on past experience we transferred an amount of Rs 2.5 million from long term liabilities to short term liabilities to provide for any forthcoming payments of passage benefits in the next financial year. The annual increase in passage benefits, representing amount earned for each eligible officer during the financial year, is expensed to the Statement of Financial Performance.

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 5. Significant Accounting Policies (continued)

#### (f) Employee entitlements (continued)

##### *Other Post Employment Benefits*

##### *Provision for accrued Vacation Leaves*

No provision is made for the estimated liability for vacation leave as employee benefits for accumulated vacation leave can only be cashed in some cases.

##### *Retirement benefits*

NAO is a pensionable office. As such officers of the NAO are entitled to a grant of pension on their retirement from the public service, in accordance with the Pension Act. The pension is now contributory and all pensions of civil servants are paid out of the Consolidated Fund on a pay-as-you-go basis. No specific pension fund is operated by Government and also individual accounts are not kept. On this basis no provision is made for the estimated liability for retirement benefits of employees.

##### *Civil Service Family Protection Scheme*

This scheme is established by the Civil Service Family Protection Scheme Act. Under this Act every public officer shall, from the date of his appointment, make a contribution to the Scheme at the rate specified in the Schedule, until he attains the age of 60 or optionally up to 65 years as provided in the PRB Report 2008 and still maintained in PRB Report 2016 or until he ceases to be a public officer. On the death of the contributor, his surviving spouse and children are granted a pension at the rate specified in the Act. The pension granted ceases on the death of the surviving spouse or remarriage.

The payment of the pensions is calculated and paid as and when they accrue from the Consolidated Fund. Consequently, no provision has been made for the estimated liability for this pension to employees.

#### (g) Property, plant and equipment (PPE)

##### *Recognition and measurement*

Property, Plant and Equipment are stated at historical cost or revalued amount less accumulated depreciation and any impairment losses. PPE are depreciated (as outlined below) at rates estimated to recognise the consumption of economic benefits of the property, plant and equipment over their useful lives.

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 5. Significant Accounting Policies (continued)

#### (g) Property, plant and equipment (PPE) (continued)

Where the carrying amount of an asset is greater than its estimated recoverable service amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable service amount which is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the Statement of Financial Performance.

Impairment reviews are undertaken annually for all assets that, in our opinion, need to be revalued.

#### *Depreciation*

Depreciation is calculated on a straight-line basis to recognise the consumption of economic benefits of an asset over its useful life. Depreciation methods, useful lives and residual values are reviewed at each reporting date. Full depreciation is provided for assets purchased during the financial period except for the last semester.

The estimated useful lives of property and equipment are as follows:

Computer equipment	5 years
Motor vehicles	8 years
Furniture and fittings	10 years
Office Equipment	5 years

Cost of software for operating system and office tools when acquired with computers are included in the hardware costs and depreciated as for any computer equipment.

#### (h) Intangible assets

Intangible assets, consisting mainly of computer software licenses, are recorded at cost less any accumulated amortisation. Costs incurred for maintaining computer software are expensed to the Statement of Financial Performance.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price and its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the Statement of Financial Performance.

## **Notes to the Financial Statements**

*for the 18-month period ended 30 June 2016*

### **Note 5. Significant Accounting Policies (continued)**

#### **(h) Intangible assets (continued)**

##### *Amortisation*

Amortisation is calculated on a straight-line basis to recognise the consumption of economic benefits of an asset over its useful life. The estimated useful lives of Software licenses is eight years

Licenses paid annually for maintenance of software are charged to the Statement of Financial Performance in the year they are incurred.

#### **(i) Financial instruments**

Financial instruments are recognised when NAO becomes a party to the contractual provisions of the instrument until such time when the rights to receive cash flows from those assets have expired or have been transferred and the NAO has transferred substantially all the risks and rewards of ownership.

NAO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include accounts receivable and accounts payable.

All financial instruments are recognised in the statement of financial position at their fair values.

Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise.

#### **(j) Inventories**

Inventories are stated at the lower of cost and current replacement cost. Costs comprise all costs that have been incurred in bringing the inventories to their present location and condition. Current replacement cost represents the cost the entity would incur to acquire the assets on the reporting date.

#### **(k) Capital Grant**

Capital Grant received to finance acquisition of property, plant and equipment is recognized as deferred income and is released to the Statement of Financial Performance over useful lives of the assets.

#### **(l) Statement of Cash Flows**

The Statement of Cash Flows is prepared using the indirect method.

## **Notes to the Financial Statements**

*for the 18-month period ended 30 June 2016*

### **Note 5. Significant Accounting Policies (continued)**

#### **(m) Operating Lease Obligations**

Leases where substantially all the risks and rewards of ownership remain with the lessor are classified as operating leases. Payments of rent made under operating leases are charged in the Statement of Financial Performance on a straight-line basis over the term of the lease.

NAO entered into a five year operating lease for office space at Air Mauritius Centre in July 1998, with the lease taking effect from July 1998 that was extended to 2009. A new contract was signed in 2009 for the five year period January 2008 to December 2012 with a monthly rental of Rs 362,684 inclusive of service charges and Value Added Tax. The lease payments are still being made on same terms pending finalisation of negotiations regarding conditions for lease after December 2012.

#### **(n) Taxation**

No provision has been made in the financial statements for income tax and value added tax on audit fees, on the basis that the NAO, as a Government department, is exempted.

#### **(o) Provisions and Contingent Liabilities**

Provisions are made for future liabilities and charges where NAO has a present legal or constructive obligation as a result of past events and it is probable that NAO will be required to settle the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NAO.

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 5. Significant Accounting Policies (continued)

#### (p) Risk Management Policies

##### *Financial risks*

NAO continues to develop risk management policies. The NAO, as a public sector entity, is not much exposed to financial risks.

NAO does not use significant derivative financial instruments to hedge risk exposures.

##### *Credit risk*

In the normal course of business, NAO incurs credit risk from trade receivables. NAO manages its exposure to credit risk by an effective debtors reporting system and maintaining credit control procedures over trade receivables.

NAO does not require any collateral or security to support financial instruments and other receivables it holds due to the low risk associated with the realization of these instruments.

##### *Currency risk*

NAO is not exposed to any currency risk.

##### *Interest rate risk*

NAO is not exposed to any interest rate risk on car loans to staff as it is borne by the Government. The interest rate risk associated with car loans to staff is considered to be minimal.

#### (q) Reclassifications

Certain reclassifications have been made to the financial statements for the 18-month period ended 30 June 2016 to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus/deficit.

#### (r) Events after the reporting period

There were no major events after the reporting period which may have a material effect on the financial statements as at 30 June 2016.

#### (s) Employee Disclosure.

As at 30 June 2016, NAO had 175 full-time employees, out of which 19 are non-technical staff.

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 5. Significant Accounting Policies (continued)

#### (t) Key Management Personnel

The key personnel of NAO include the Director of Audit, Deputy Directors, Assistant Directors and a Head of Examiner who are responsible for operating the various activities of the organisation. They are remunerated by NAO. The aggregate remuneration of key management personnel was Rs 30.4 million for the 18-month period ended 30 June 2016.

Employee Benefits accrued in respect of accumulated sick leave and passage benefit to the key management personnel amounted to Rs 6.3 million and Rs 1.9 million as at 30 June 2016 respectively. During the 18-month period ended 30 June 2016, passage benefits were only paid to three key personnel and the former Director of Audit for a total amount of Rs 515,836.

#### (u) Related Parties

For the purpose of these financial statements, parties which are considered to be related to the NAO are other Government Ministries/ Departments and parastatal bodies if they have the ability, directly or indirectly, to control the NAO or exercise significant influence over the financial and operating decision making, or vice versa. Related parties may be individuals or other entities. Related party transactions were carried out at commercial terms and conditions.

All eligible officers at NAO are granted duty free facilities and loans for purchase of a car as prescribed in the PRB reports. Total car loans balances due by NAO officers stood at Rs 24.2 million as at 30 June 2016 against Rs 21.1 million at 31 December 2014.

There were no other loans to key management personnel which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel.

### Note 6. Trade Receivables

Trade receivables represent audit fees claimed and outstanding at the reporting date.

### Note 7. Other Receivables

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Bank Sick Leaves Short Term	<b>548,250</b>	583,740
Passage Benefits	<b>2,500,000</b>	2,500,000
Debtors -Sundries	<b>254,544</b>	208,225
Prepayment	<b>161,000</b>	-
Retention Money	<b>30,820</b>	-
	<b>3,494,614</b>	3,291,965

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 8. Car Loans Receivable/ Payable

NAO staff was granted car loans, via the Accountant General, as per conditions stipulated in the applicable PRB reports. Outstanding capital on car loans was disclosed in the financial statements as at 30 June 2016 along with last year's comparatives. Interest and loan capital amount refunded are immediately repaid to the Accountant General.

<b>Car Loans Receivable/ Payable</b>	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Opening balance	21,123,888	17,302,652
Loan granted during the period	12,792,800	8,272,800
Refunds received during the period	(9,718,602)	(4,451,564)
<b>Closing balance</b>	<b>24,198,086</b>	<b>21,123,888</b>

#### Analysed as follows:

Current	6,125,211	4,710,198
Non-current	18,072,875	16,413,690
	<b>24,198,086</b>	<b>21,123,888</b>

### Note 9. Long term receivables

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Bank Sick Leaves	37,946,484	33,701,234
Passage Benefit -Long Term	9,737,285	7,174,357
	<b>47,683,769</b>	<b>40,875,591</b>



## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 10. Property, Plant and Equipment

	Computer Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Total	Computer Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
	<i>18-month period ended 30 June 2016</i>					<i>Year ended 31 December 2014</i>				
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Opening NBV	<b>2,573,856</b>	<b>2,485,000</b>	<b>241,632</b>	<b>240,780</b>	<b>5,541,268</b>	2,600,138	2,765,000	143,186	302,188	5,810,512
Additions	<b>1,675,264</b>	-	<b>238,480</b>	<b>36,150</b>	<b>1,949,894</b>	772,420	1,500,000	136,790	8,186	2,417,396
Disposal	<b>(30)</b>	<b>(535,000)</b>	-	-	<b>(535,030)</b>	-	(1,422,500)	-	-	(1,422,500)
Depreciation	<b>(1,439,161)</b>	<b>(416,250)</b>	<b>(100,493)</b>	<b>(114,408)</b>	<b>(2,070,312)</b>	(798,702)	(357,500)	(38,344)	(69,594)	(1,264,140)
Closing NBV	<b>2,809,929</b>	<b>1,533,750</b>	<b>379,619</b>	<b>162,522</b>	<b>4,885,820</b>	2,573,856	2,485,000	241,632	240,780	5,541,268
Cost	<b>11,900,549</b>	<b>2,220,000</b>	<b>734,556</b>	<b>732,479</b>	<b>15,587,584</b>	12,543,472	3,290,000	496,076	696,330	17,025,878
Accumulated Depreciation	<b>(9,090,623)</b>	<b>(686,250)</b>	<b>(354,934)</b>	<b>(569,957)</b>	<b>(10,701,764)</b>	(9,969,616)	(805,000)	(254,444)	(455,550)	(11,484,610)
NBV	<b>2,809,926</b>	<b>1,533,750</b>	<b>379,622</b>	<b>169,522</b>	<b>4,885,820</b>	2,573,856	2,485,000	241,632	240,780	5,541,268

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 11. Intangible Assets

	18-month period ended 30 June 2016	Year ended 31 December 2014
	Rs	Rs
Opening NBV	309,455	471,956
Additions	-	-
Disposal	-	-
Depreciation	(243,752)	(162,501)
<b>Closing NBV</b>	<b>65,703</b>	<b>309,455</b>
Cost	4,577,740	4,577,740
Accumulated Depreciation	(4,512,037)	(4,268,285)
<b>Net Book Value</b>	<b>65,703</b>	<b>309,455</b>

### Note 12. Trade and other payables

The 'Audit fee payable to Consolidated Fund' represents audit fees that have already been claimed to auditees and, as a revenue to Government, is payable on its receipts, to the Accountant General. Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed not yet invoiced. Sick Leave short term represents amount payable on retirement of officers and Passage Benefits are released upon application from officers.

	18-month period ended 30 June 2016	Year ended 31 December 2014
	Rs	Rs
Audit fee payable to Consolidated Fund	2,260,000	1,630,000
Travelling and transport	51,690	22,300
Telephone	18,951	16,738
Electricity	71,408	79,023
Publications	17,450	8,065
Fuel and oil	1,362	6,022
Fees for training	-	11,400
Salaries and allowances	27,294	-
Sick leaves short term	548,250	583,740
Passage benefits	2,500,000	2,500,000
Advance for purchase of inventories	68,026	66,779
Contribution to National Savings Fund	66,389	64,677
Prepayment	161,000	-
Retention money	30,820	-
	<b>5,822,640</b>	<b>4,988,744</b>

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 13. Non-current liabilities

	18-month period ended 30 June 2016	Year ended 31 December 2014
	Rs	Rs
Bank Sick Leaves	37,946,484	33,701,234
Passage Benefit -Long Term	9,737,285	7,174,357
	<b>47,683,769</b>	<b>40,875,591</b>

### Note 14. Capital Grants

Capital grants were grants received from Government to finance payments of fixed assets as well as assets received from Government such as official cars. The capital grants are released to Income Statement based on depreciation charge for the period.

	Rs	Rs
Opening Balance	5,850,723	6,282,467
Capital Grant	1,949,864	2,417,396
Deferred Income	(2,314,064)	(1,426,640)
Transfer of Motor vehicles	(535,000)	(1,422,500)
<b>Closing Balance</b>	<b>4,951,523</b>	<b>5,850,723</b>

### Note 15. Revenue from Consolidated Fund

	Rs	Rs
Provision from estimates	209,400,000	133,859,000
Sick leaves	5,232,378	2,266,351
Passage benefits	6,025,303	3,655,500
Capital Expenditure incurred by Ministry of Finance and Economic Dev.	-	1,500,000
Salary of supporting staff	1,533,347	520,540
Commitments for the year	254,544	208,225
Income from other Ministries	-	197,705
Retention money	30,820	
Mission and training abroad	624,121	
Adjustment advance inventories-last period	-	39,404
	<b>223,100,513</b>	<b>142,246,725</b>
Less:		
Capital expenditure out of recurrent	1,949,864	2,417,396
Commitments of last year	208,225	339,957
Provision from Estimates returned to Consolidated Funds	3,168,688	4,175,152
Adjustment for inventories	-	66,779
Prepayment	161,000	
	<b>5,487,777</b>	<b>6,999,284</b>
	<b>217,612,736</b>	<b>135,247,441</b>

## Notes to the Financial Statements

for the 18-month period ended 30 June 2016

### Note 16. Audit Fees Receivable and audit fees payable to the Consolidated Fund

The Audit fees receivable and Audit Fees Payable to the Consolidated Fund have been accounted in the Statement of Financial Performance. The comparative figures for 2014 have been amended accordingly.

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Audit fees received during period	<b>19,531,790</b>	16,336,714
Audit Fees due beginning of period	<b>(1,630,000)</b>	(2,187,500)
Audit Fees due end of period	<b>2,260,000</b>	1,630,000
	<b>20,161,790</b>	15,779,214

### Note 17. Staff Costs

The monthly average salary, bonus and allowances and Travelling and Transport for the 18-month period ended 30 June 2016 amounted to Rs 11.3 million compared to Rs 10.5 million financial year ended 31 December 2014.

The increase is attributable mainly to increase in salaries and allowances as from 1 January 2016 following the PRB 2016 Report.

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Salaries, bonus and Allowances	<b>166,412,434</b>	103,063,744
Provision for Passage Benefits	<b>6,025,303</b>	3,655,500
Travelling and Transport	<b>29,645,164</b>	17,751,792
Overtime	<b>350,744</b>	189,458
Staff Welfare	<b>35,000</b>	50,000
Uniform	<b>19,535</b>	19,983
Annual subscription to professional bodies for employees	<b>1,644,418</b>	685,994
	<b>204,132,598</b>	125,416,471

## Notes to the Financial Statements

*for the 18-month period ended 30 June 2016*

### Note 18. Training

Training costs include amount spent on local and overseas training of staff. Fourteen officers attended nine workshops and seminar overseas for a total cost of Rs 358,663. Training for nine of these officers were sponsored by IDI, ASOSAI, ITEC and other overseas organisations. In the absence of necessary information, we could not measure this monetary assistance to us.

### Note 19. Missions abroad

During the 18-month period ended 30 June 2016, nine NAO officers went abroad to attend official missions. Three of these officers were assigned to audit the accounts of Mauritian Embassies abroad. NAO incurred total expenditure of Rs 829,062.

### Note 20. Rent and utilities

	<b>18-month period ended 30 June 2016</b>	<b>Year ended 31 December 2014</b>
	<b>Rs</b>	<b>Rs</b>
Rent of building	<b>6,528,312</b>	4,352,209
Electricity charges	<b>1,462,515</b>	1,022,783
Telephone	<b>565,783</b>	360,971
Rental of parking slot	<b>732,550</b>	481,600
	<b>9,289,160</b>	6,217,563

### Note 21. Reconciliation of Original Budget and Revised Budget

Basically, expenditure is approved in annual Government Budget. The original budget for the 18-month period ended 30 June 2016 amounted to Rs 209.4 million. Reallocations were made between budget items, but the total revised budget remained the same.

Non-budgetary expenses include external assistance obtained and payments effected out of votes of the Ministry of Finance and Economic Development that include Sick Leave payments (on retirement of officers) and Car Loans granted to staff.

## **Notes to the Financial Statements**

*for the 18-month period ended 30 June 2016*

### **Note 22. Reconciliation of budgetary results and results after IPSAS adjustments for the period**

The Statement of Budgeted, Actual Cash and Accrual Based Amounts at page 54 shows the budgetary results reconciled with the results after IPSAS adjustments for the period as reported in the financial statements. IPSAS adjustments are accounting entries required to conform to IPSAS and are not Part of the NAO's budgetary reporting. These adjustments principally concern accrual accounting relating to expenses and revenues, property, plant and equipment and related amortization, depreciation and impairment together with provisions deemed necessary.

In order to reconcile the budget outturn results to the results after IPSAS adjustments for the period, differences between budget accounting and accrual accounting need to be taken into account. The most significant of these differences are the following:

- a) In budget accounting, revenue is required to cover all committed expenditures. In accrual accounting, revenue and expenses only includes amounts corresponding to amounts accruing to the period. The difference is treated as deferred revenue or expenses in accrual accounting.
- b) In budget accounting, capital expenditures are recorded as current year expenses. In accrual accounting this expense is capitalised and depreciated/ amortised over the useful lives of the assets. These capital expenditures and associated depreciation are recorded at their net value as assets in the Statement of Financial Position. Depreciation/ amortisation expense is recorded in the Statement of Financial Performance.
- c) In budget accounting, expenditure for employee benefits is accounted for on a pay as you go basis as is the case for payments of pensions on retirement. In accrual accounting, the expense is estimated by an actuary in accordance with a methodology set out in accounting standards. Basically, the pension and post-employment benefits obligation is to be reported in the Statement of Financial Position. In the absence of a professional valuation and necessary facts and figures, we have not done any accounting estimates for the NAO pension liabilities.
- d) In budget accounting, audit fees are recorded during the 18-month period ended 30 June 2016 on a cash basis. In accrual accounting these audit fees are recorded as revenue when the client is billed and adjusted by provisions for bad debts.



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