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**Introduction**

The Constitution of Mauritius establishes the public office of the Director of Audit. The Director of Audit is the head of the National Audit Office (NAO), which is referred to, in the international context, as the Supreme Audit Institution (SAI) of Mauritius. SAIs play a vital role in the public sector good governance framework.

NAO carries out independent external public sector audit. It also contributes in the improvement of the public sector performance, accountability and transparency through independent and objective assessment and reporting on the financial statements, operations and activities of Government/Public entities. The National Assembly seeks independent assurance that these entities are operating and accounting for their performance, in accordance with Parliament’s purpose. It is the responsibility of the Director of Audit to provide this assurance to the legislature and oversight bodies, those charged with governance and the general public.

Legal provisions have been made in the Constitution and various legislations of Mauritius to enable NAO to exercise its public-sector audit function. The Constitution of Mauritius provides for the appointment and removal of the Director of Audit, her independence and security of tenure, as well as her authority and specific conditions of service. In addition, provisions have been made in the Finance and Audit Act regarding the duties and powers of the Director of Audit as well as for the protection of NAO staff against liability in the execution of their functions.

In order to discharge her duties, the Director of Audit is supported by professional and experienced staff. The NAO operates within regulations pertaining to the public sector.

**Scope of this Report**

I am required by the Constitution of Mauritius and the Finance and Audit Act to audit the accounts of the Republic of Mauritius and to submit my Report thereon to the Minister responsible for the subject of Finance.

This Report summarises the significant findings resulting from audit work undertaken by NAO with respect to the accounts of the Republic of Mauritius for the financial year ended 30 June 2017 and any other matters of importance that have come to my notice since my last Report.

NAO also carries out Performance Audit as per Section 16(1A) of the Finance and Audit Act. The following four Performance Audit Reports are being submitted together with this Report on Government Accounts:

* *Management of the Fleet of VIP Vehicles*
* *Prevention and Control of Non Communicable Diseases*
* *Assets Management in Local Authorities*
* *Response to Cases of Child Maltreatment.*

The Executive Summary of each of these reports is included at [Appendices IA to ID](23_Appendix%20I.docx).

The lists of other public entities, namely, Statutory Bodies, Local Authorities, Special Funds, State Owned Companies and Other Bodies audited by NAO as well as the status of the submission of their respective financial statements are also included at Appendices IIA to VB.

**Legal Framework**

***Appointment of Director of Audit and Removal from Office***

The Constitution of Mauritius provides the legal framework for the appointment and removal from office of the Director of Audit. Section 110 provides that there shall be a Director of Audit, whose office shall be a public office and who shall be appointed by the Public Service Commission, acting after consultation with the Prime Minister and the Leader of Opposition.

According to Section 93, the Director of Audit cannot be removed from office before attaining the retiring age, except for inability to discharge the functions of her 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.

***Independence***

So as to enable the Director of Audit to discharge her duties, provisions have been made in the Constitution to ensure her independence. Section 110 of the Constitution spells out the independence of the Director of Audit, providing that in the exercise of her functions, she shall not be subject to the direction or control of any person or authority.

# *Powers and Access to Information*

Section 110 of the Constitution also gives the authority for the Director of Audit or any other officer authorised by her to have access to all books, records, reports and other documents relating to the public accounts to be audited by her.

Section 17 of the Finance and Audit Act provides, inter alia, that in the exercise of her duties under this Act, the Director of Audit may:

* call upon any public officer for any explanations and information which she may require in order to enable her to discharge her duties;
* with the concurrence of the head of any Ministry or Department, authorise an officer of that Ministry or Department to conduct on her 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 her duties and the Attorney General shall give a written opinion on such case.

***Audit Mandate and Duties***

Under provisions of the Constitution of Mauritius and the Finance and Audit Act, the Director of Audit is required to audit

* All Ministries and Government Departments;
* All the Commissions of the Rodrigues Regional Assembly.

Section 110 of the Constitution gives the authority to the Director of Audit to audit and report on public accounts of Mauritius and of all Courts of law and all authorities and officers of the Government.

As per Section 16 of the Finance and AuditAct, the Director of Audit has to satisfy herself 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 Finance and Audit Act also requires the Director of Audit 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.

Furthermore, through provisions made in various legislations as well as, in Agreements with Institutions/Donor-funded projects, the Director of Audit is required to audit the accounts of:

* 109 Statutory Bodies;
* 12 Local Authorities;
* 24 Special Funds;
* Four State Owned Companies and 26 Other Bodies including six Donor Funded Projects.

***Protection from Liability***

Under Section 17A of the Finance and Audit Act, the Office of the Director of Audit, the Director of Audit or any officer of her staff are given protection from liability. The Act provides that no action shall lie against them, in respect of any act done or omitted to be done by them, in the execution, in good faith, of their functions under the Act.

***Audit Reporting***

As per Section 19 of the Finance and Audit Act, the Accountant-General is required, within six months of the close of every fiscal year, to sign and submit to the Director of Audit statements presenting fairly the financial transactions and financial position of Government on the last day of such fiscal year. For the Rodrigues Regional Assembly (RRA), the Commissioner responsible for the subject of Finance is required, within three months of the close of every fiscal year, to sign and submit to Director of Audit statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year.

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

Additional provisions, made under Section 20(1) of the Finance and Audit Act, require the Director of Audit to submit within eight months of the close of every financial year, copies of the statements submitted in accordance with Section 19, together with a Certificate of Audit and a Report upon the examination and audit of all accounts relating to public money, stamps, securities, stores and other property of Government and the RRA, to the Minister responsible for the subject of Finance. The latter is required as soon as possible thereafter to lay these documents before the National Assembly.

The Act also provides at Section 17, that, 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 her presented to the National Assembly. The Director of Audit may also, if it appears to her to be desirable, send a special report on any matter incidental to her powers and duties under the Finance and Audit Act to the Speaker of the Assembly to be by her presented to the Assembly.

**National Audit Office in the Accountability Process**

The system of financial control and accountability in Mauritius follows the Westminster model under which three main stakeholders, namely, Parliament (National Assembly), Government Executives (Accounting Officers) and the NAO exercise financial control over public resources.

As per the Constitution of Mauritius, the only authority for the expenditure of public funds and for the raising of revenues by public bodies is that which is given by the National Assembly. The National Assembly decides on policy matters and allocates funds for the implementation of these policies.

The Accounting Officers, namely, Senior Chief Executives, Permanent Secretaries and Administrative Heads of Ministries and Government Departments are responsible to efficiently and effectively manage the funds entrusted to them, the collection of revenues falling under their responsibility and the delivery of services, as well as to maintain proper financial systems. They are therefore accountable to the National Assembly for their use of public resources and the powers conferred on them by Parliament.

The NAO provides a key link in the accountability process between the legislature and the executive. It examines in detail the annual statements of the Republic of Mauritius and the underlying records and provides an Audit Report on the information presented by Government Executives. The Audit Report gives an independent assurance to the National Assembly that Government agencies are operating and accounting for their performance in accordance with the National Assembly’s purpose and is the first step in the process of oversight. After the Audit Report is tabled, other important mechanisms are in place including the Public Accounts Committee (PAC) to ensure proper accountability.

The PAC is a sessional Select Committee, appointed under the Standing Orders of the National Assembly, and consists of a Chairman appointed by the Speaker and not more than nine members nominated by the Committee of Selection. The PAC, representing Parliament, is one of the main stakeholders of the Audit Report.

The function of the PAC is to examine the accounts of the Government of Mauritius for each financial year together with the Audit Report on them and such other accounts laid before the National Assembly as the Assembly may refer to the Committee. The PAC is mandated to hold Government officials accountable for the spending of public funds and stewardship over public resources. It is to satisfy itself that public money is spent for the purposes authorised by the National Assembly, and it has the power, in the exercise of its duties, to send for Government officials, records and to take evidence. Thereafter, the PAC prepares and submits its report and recommendations to the Speaker for tabling in the National Assembly.

The Director of Audit and her representatives assist the PAC in the discharge of its duties. Sessions of the PAC held to examine the Audit Report on Government Ministries and Departments are attended by the Director of Audit and/or her representatives, as well as by NAO Officers who may be of assistance to the Committee on matters under examination.

**Public Sector Audit**

Public-Sector auditing contributes to good governance by providing independent, objective and reliable information and conclusion based on sufficient and appropriate evidence relating to public entities. It enhances accountability and transparency and encourages continuous improvement and sustained confidence in the appropriate use of public funds and assets and the performance of public administration.

In order to fulfil its audit mandate effectively, NAO undertakes two main types of audits,

* Financial/Regularity Audit;
* Performance Audit.

***Regularity Audit*** consists of the examination and evaluation of financial records and expression of opinion on financial statements, the audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations, the audit of internal control and internal audit functions, reporting of any other matters arising from or relating to the audit that the NAO considers should be disclosed and reporting on any expenditure incurred which is of an extravagant or wasteful nature, judged by normal commercial practice and prudence.

***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.

**Audit Methodology**

NAO carries out the audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). ISSAIs require that the auditor exercise professional judgment and maintain professional skepticism throughout the audit and, among other things:

* Identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity’s internal control;
* Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks;
* Form an opinion on the financial statements and any additional objectives on which reporting is mandatory based on conclusions drawn from the audit evidence obtained.

**Audit Process**

***Regularity Audit***

NAO adopts a risk-based approach in order to identify units to be audited and for the conduct of individual audits. The audit starts with the planning process, which 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 statements. This is followed by an assessment of those risks, which involves considering a number of factors, namely, 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 conclusion of the audit, an exit meeting is held whereby the management of the audited entity is given the opportunity to respond to audit findings, through discussions. A Management Letter, which is a formal detailed report, is then issued and the Accounting Officer is given the opportunity to give his comments and explanations on the matters raised therein.

Audit findings, which are deemed to be significant and of a nature to be brought to the attention of the National Assembly, are then communicated to the Accounting Officer through “Reference Sheets”. The Accounting Officer is given the opportunity to comment on the “true and fair” view of these audit findings. If necessary, these are revised before inclusion in the Audit Report for the period under review and, where appropriate, a summary of the comments of the Accounting Officer is also incorporated.

***Performance Audit***

Performance audits are planned, performed and reported in accordance with ISSAIs. During planning, audit topics are selected after research to identify risks and problems of performance in potential audit areas. An audit topic is selected based on its significance, risks and auditability of the problems identified. A work plan which includes the audit objective(s) followed by audit questions/sub questions and scope, is then designed. Suitable audit criteria, which correspond to the audit objective(s) and questions, are identified from different sources.

During execution phase, sufficient and appropriate audit evidence is gathered using the most appropriate methods to answer audit questions that enable to reach a conclusion on the audit objective(s). Audit findings are the results of analysing and assessing specific evidence and its relation to audit criteria. The causes and effects relevant to the audit findings are determined and the conclusions developed.

A comprehensive draft Performance Audit Report including practicable recommendations is then prepared and discussed with management of the audited entity during an exit meeting. The final Report is then issued after incorporating their comments and explanations.

**Audit Reporting Process**

**Audit Issues**

**Audit Findings**

**Unresolved**

**Audit Findings**

**Management Letter**

**Significant Findings**

**Reference Sheets**

**Audit Report**

**National Assembly** (Through Minister of Finance)

**Main Changes in Government Accounting**

***Annual Statements of the Accountant-General***

Amendments were brought to Section 19 of the Finance and Audit Act in July 2017, requiring the Accountant-General to submit to the Director of Audit statements *presenting fairly the financial transactions and financial position of Government* instead of statements *showing fully the financial position of Mauritius on the last day of a fiscal year*. As such, the appellations of statements required under Section 19(3) have been changed and additional statements need to be prepared and included in the list of Annual Statements to be submitted to the Director of Audit.

|  |  |  |
| --- | --- | --- |
| ***Statement A*** | ***:*** | A ‘*Statement of financial position, showing the assets and liabilities’* is now to be submitted instead of the ‘*Statement of assets and liabilities’*. |
| ***Statement AA*** | ***:*** | A ***‘****Statement of financial performance, showing classification of expenses by function*’ is now to be submitted instead of the ‘*Statement of receipts and payments*’. |

The following new statements will have to be prepared, in addition to 20 existing ones:

|  |  |  |
| --- | --- | --- |
| ***Statement AB*** | - | Statement of financial performance, specifying the nature of the expenses; |
| ***Statement AC*** | - | Statement of changes in net assets or equity; |
| ***Statement AD*** | - | Statement of cash flow, specifying the receipts and payments; |
| ***Statement AE*** | - | Statement of comparison of budget estimates and actual amounts, showing classification of expenses by function; |
| ***Statement AF*** | - | Statement of comparison of budget estimates and actual amounts specifying nature of expenses. |

The Annual Statements to be submitted up to the financial year 2021-22, shall be prepared, as far as possible, in compliance with the International Public Sector Accounting Standards (IPSAS). As from financial year 2022-23 and onwards, the financial statements should be prepared in compliance with IPSAS.

**New Audit Reporting Standards**

ISSAIs reporting standards have been revised and are applicable for financial statements ending on or after 15 December 2016. The format of the audit report has been changed with a reclassification of the various headings and more extensive disclosure of auditor’s responsibilities.

There is also a new requirement for auditors to disclose Key Audit Matters (KAM) in audit reports of listed entities and this may also be applied on a voluntary basis for other audits. KAM are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current year.

The rationale for only requiring the reporting of KAM for listed entities is derived from the material impact that such entities have on markets and economies as a whole. Given that the public sector is a significant participant of any economy and is responsible for maintaining and providing important functions that affect citizens, public sector auditors should also consider reporting KAM for auditees, other than listed entities. I have accordingly disclosed KAM in my report on the audit of the Annual Statements of the Government of the Republic of Mauritius for the financial year ended 30 June 2017.

**Acknowledgement**

I would like to take this opportunity to thank the Heads of Divisions and all the staff of the NAO for their full support, valuable contribution and commitment, without which the submission of this report would not have been possible. I would also like to thank and acknowledge the cooperation and collaboration of the Secretary to the Cabinet and Head of the Civil Service, the Financial Secretary, all the Senior Chief Executives, Permanent Secretaries and other Accounting Officers, the Accountant General, the Government Printer and all their staff.

**Kwee Chow Tse Yuet Cheong (mrs)**

**Director of Audit**

**National Audit Office**

27 February 2018

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