

**NATIONAL AUDIT OFFICE**



REPUBLIC OF MAURITIUS

**ACTIVITY AND PERFORMANCE REPORT  
FOR THE FINANCIAL YEAR  
1 JULY 2017 TO 30 JUNE 2018**





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October 2018



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## Foreword by Director of Audit

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I am pleased to present the Activity and Performance Report 2017-18 of the National Audit Office (NAO), the Supreme Audit Institution (SAI) of Mauritius. This report gives an overview of our activities, achievements, operational and financial performance and includes, also, our financial statements which have been subjected to external independent audit.

It reflects the contribution of NAO to the strengthening of accountability, transparency and integrity of Government and Public Entities as per International Standards for Supreme Audit Institutions (ISSAI) 12 – *"The Value and Benefits of Supreme Audit Institutions – Making a difference to the lives of citizens"* and also meets the requirements of the ISSAI 20 and 21

*"Principles of Transparency and Accountability"*.

We have been reporting on our performance for many years, though it was not a legal requirement, by submitting to the National Assembly our audited financial statements since 2000-01 and as from 2006-07, our annual Activity Reports. This was done in the spirit of accountability and transparency in our own governance and practices as it was important for us to lead by example and promote good governance in the management of public affairs.

In order to further strengthening accountability and transparency in the public sector and as part of a process for modernizing public financial management system, amendments were made to the Finance and Audit Act, in March 2015 and recently in July 2018. With effect from year 2017, it is mandatory for every Government Ministry/Department to submit an annual Report on Performance, not later than 31 October, to the Minister responsible for Finance. As from this year, the Report is to include a statement showing an implementation plan for remedial action and for preventing the recurrence of the shortcomings, including wastage of public funds referred to in my Annual Audit Report.

We had a busy but overall satisfactory year during 2017-18. We submitted within the required time frame, our Audit Report on Government accounts for the financial year 2016-17, as well as four Performance Audit Reports, fulfilling our statutory obligations and providing independent assurance to the National Assembly on the proper accounting and use of public resources. These reports were laid in the National Assembly and made available to other stakeholders and the public at large through our website in March 2018. Audit of 136 financial statements of public entities were also completed and we issued their respective Audit Reports.

To keep aligned with international audit standards and best practices in auditing and in our quest to provide high quality audit services, we continued the professional development of NAO officers. The commitment, teamwork and professionalism of our officers contributed in our ability to deliver our mandate during 2017-18 and I take this opportunity to thank them all.

This report will, later, be laid before the National Assembly and made public on NAO website.

A handwritten signature in green ink, appearing to read 'Kwee', with a long horizontal stroke extending to the right.

**KWEE CHOW TSE YUET CHEONG (MRS)**

**Director of Audit**

**National Audit Office**

October 2018





# About the National Audit Office

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## Introduction

The concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself, but an indispensable part of a regulatory system.

The Constitution of the Republic of Mauritius establishes the office of the Director of Audit, who is the head of the National Audit Office (NAO), referred to, at the International level, as Supreme Audit Institution (SAI). The SAI is the national auditing authority within the constitutional system of a sovereign state and is an integral part of its governance system. The overall purpose of a SAI's general auditing function is to provide accountability, transparency and help improvement in the management of public funds. SAIs around the world are affiliated to the International Organisation of Supreme Audit Institutions (INTOSAI), which operates as an umbrella organisation for the external government audit community.

In the system of financial control and accountability of Mauritius, the Legislature (National Assembly) is the only authority to appropriate public funds to public sector agencies who are therefore accountable to the National Assembly for the use of public resources and powers conferred on them. The National Audit Office plays an essential role in the process of accountability, giving independent assurance to the National Assembly that the agencies are operating and accounting for their performance in accordance with the purpose intended by the National Assembly.

## I. Our Operating Legal Framework

The operating framework of NAO is guided by the Constitution and laws of Mauritius. The Constitution provides for the appointment of the Director of Audit, her independence, security of tenure, mandate as well as her authority and specific conditions of service.

Additional legal provisions in respect of, inter alia, the audit mandate, duties, powers and reporting functions of the Director of Audit are made in:

- The Finance and Audit Act
- The Statutory Bodies (Accounts and Audit) Act
- The Local Government Act
- The Public Procurement Act
- The Financial Reporting Act
- Various legislations

## II. Independence of NAO

For SAIs to accomplish their tasks objectively and effectively, it is essential that they have the necessary independence and are protected against outside influence. Legal provisions have to be laid down so that the SAIs have the functional and organizational independence they require to accomplish their tasks.

The Constitution of Mauritius and the Finance and Audit Act ensure the independence of the Director of Audit through specific provisions for her appointment and removal from office, her security of tenure as well as protection from liability against legal proceedings, in the execution of her functions.

### The Constitution

Section 110 provides for the appointment of 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. Also, provision is made, that in the exercise of her functions, the Director of Audit shall not be subject to the direction or control of any person or authority.

Section 93 provides that the Director of Audit cannot be removed from office before the legal retirement age in the case of an established officer or, in the case of an officer on contract, before the completion of a contract period, except for misbehaviour or inability to discharge the function of her office 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.

### The Finance and Audit Act

Section 17A stipulates that no action shall lie against the Office of the Director of Audit, the Director of Audit or any officer of her staff, in respect of any act done or omitted to be done by the Office of the Director of Audit and by the Director of Audit or any officer of her staff during or after her appointment, in the execution in good faith, of its or her functions under the Act. This shall be in addition to and not in derogation of the Public Officers' Protection Act

## III. Our Audit Mandate

The Constitution of Mauritius, as well as several acts of law, defines the mandate of the Director of Audit. Agreements with several institutions/donor-funded projects also empower the Director of Audit to audit their accounts.

The Director of Audit has the responsibility 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
- A few State-owned Companies

Main legal provisions are as follows:

### The Constitution

Section 110(2) 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

Section 16 provides that the Director of Audit shall 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 Director of Audit is required, at Section 16(1A), of the Act, 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.

The Act also provides that the Director shall not be required to undertake any examination of accounts partaking of the nature of a pre-audit and involving acceptance by her of responsibility which would preclude her from full criticism of any accounting transactions after those transactions have been duly recorded.

Section 18 of the Act states that where it appears to the Director of Audit that a fraud, serious loss or serious irregularity has occurred in the receipt, custody or expenditure of public money or in the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other Government property, or in the accounting of the same, she shall immediately bring the matter to the notice of the Financial Secretary who shall forthwith report such matter to the Minister to whom the responsibility for the subject of finance is assigned.

### The Statutory Bodies (Accounts and Audit) Act

As per Section 5 of the Act, every financial year, every Board shall, with the approval of the Minister to whom the responsibility for the Statutory Body is assigned, appoint an auditor to audit the financial statements of the statutory body, except where the enactment establishing the statutory body provides that the Director of Audit shall audit its financial statements.

Section 8 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

Provision is made, at Sections 136 and 138 of the Act, that the approved annual financial statements of every local authority shall be audited by the Director of Audit and that the latter shall make a report to the Council on the financial statements which have been audited.

The Report shall state the work done, the scope and limitations of the audit and whether all information and explanations required have been obtained. It should also include, whether, in her opinion,

- any item of account is contrary to law;
- any loss or deficiency is wholly or partly due to the negligence or misconduct of any person;
- any sum which 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;
- 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;
- 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.

## IV. Powers of Director of Audit

The Constitution and the Acts of law lay out the powers of the Director of Audit so as to enable her to fulfill her mandate and duties. The following legal provisions give NAO access to all information deemed necessary.

### The Constitution

Provision is made at Section 110(2) of the Constitution, for the Director of Audit or any other person authorised by her in that behalf to have access to all books, records, reports and other documents relating to accounts to be audited by her.

### The Finance and Audit Act

Section 17(1) of the Act, provides that, in the exercise of her duties, the Director of Audit may

- (a) call upon any public officer for any explanations and information which s h e may require in order to enable her to discharge her duties;
- (b) 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;
- (c) 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;
- (d) 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.

### The Statutory Bodies (Accounts and Audit) Act

Section 6 provides that

- (1) 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.
- (2) The auditor may 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

According to Section 137 of the Act, 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 her 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.

## V. NAO Audit Reports

Legal provisions have been made regarding the submission of the Financial Statements for the Republic of Mauritius, the Rodrigues Regional Assembly, Statutory Bodies and Local Authorities to NAO for their audit as well as their certification.

### *For Ministries and Government Departments*

#### The Constitution

Section 110 of 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.

#### 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, the Commissioner responsible for the subject of Finance is required to submit the statements showing fully the financial position of the Island of Rodrigues within three months of the close of every fiscal year.

Section 20 of the Act provides that the Director of Audit shall send, within eight months of the close of every fiscal year, to the Minister (responsible for the subject of Finance) copies of the statements submitted, 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 of the Regional Assembly relating to the Island of Rodrigues and the Minister shall as soon as possible thereafter lay these documents before the National Assembly.

The Director of Audit may, as per Section 17(2) of the Act, send a Special Report on any matter incidental to her powers and duties under the Finance and Audit Act to the Speaker of the National Assembly to be by her presented to the National Assembly.

Also, Section 17(3) provides that where the Minister fails, within a reasonable time, to lay any report made under Section 20 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.

### *For Statutory Bodies*

#### *The Statutory Bodies (Accounts and Audit) Act*

Provision is made at Section 7 for the chief executive officer of every statutory body, not later than three months after the end of every financial year, to submit to the Board for approval the annual report in respect of that year. After approval by the Board, the chief executive officer shall, not later than four months after the end of every financial year, submit the annual report to the auditor. The Director of Audit has to submit the annual report and her audit report to the Board within six months of the date of receipt of the annual report.

On receipt of the annual report including the audited financial statements and the audit report, the Board shall, according to Section 9, not later than one month from the date of receipt, furnish to the Minister to whom responsibility for the Statutory Body is assigned, such reports and financial statements. The latter shall, at the earliest available opportunity, lay a copy of the annual report and audited accounts of every statutory body before the National Assembly.

### *For Local Authorities*

#### *The Local Government Act*

The Act provides that the Chief Executive of every Local Authority, shall, within four months of the end of every financial year submit the approved financial statements to the Director of Audit.

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 her report on every Local Authority audited by her.

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.

## International Affiliations

NAO is a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and of its regional working groups: the African Organization of Supreme Audit Institutions (AFROSAI); the English language subgroup of AFROSAI (AFROSAI-E) and the Asian Organization of Supreme Audit Institutions (ASOSAI).

INTOSAI, is an autonomous, independent and non-political organization which operates as an umbrella organisation for the external government audit community and has at present some 200 members all over the world. It provides an institutionalised framework for supreme audit institutions to promote development and transfer of knowledge, improve government auditing worldwide and enhance professional capacities, standing and influence of member SAs in their respective countries.

Professional standards and best practice guidelines for public sector auditors are officially authorised and endorsed by INTOSAI. The International Standards of Supreme Audit Institutions (ISSAI) state the basic prerequisites for the proper functioning and professional conduct of SAs and the fundamental principles in auditing of public entities.

Affiliation to these international bodies gives NAO opportunities for professional and technical cooperation. The exchange of experience and sharing of knowledge among SAs members allow the NAO to gain knowledge and insight on new international developments and emerging issues.

## What's New?

- Reporting on Performance by Ministries and Government Departments

In March 2015, the Finance and Audit Act was amended, as part of the process for modernizing public financial management system, to provide for every Ministry and Government Department to submit a report on its performance in respect of the previous year, not later than 31 October in every year, to the Minister responsible for Finance. In November 2016, the Ministry of Finance and Economic Development issued guidelines for the preparation of the Annual Report, whose first submission was to be in respect of fiscal year 2016-17.

To further strengthen accountability and transparency of Ministries and Government Departments, new measures were announced in the Budget Speech 2018-19, one of which related, most particularly, to the work of NAO. The measure was in respect of expenditure management, namely, on shortcomings reported by Director of Audit and was given legal enforceability in July 2018, through amendment of the *Finance and Audit Act*.

A new subsection to the Act was added, making it mandatory for the Report on Performance to be submitted by Ministries and Government Departments to now contain a statement showing an implementation plan for remedial action and for preventing the recurrence of the shortcomings, including wastage of public funds referred to in the report of the Director of Audit.



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

Government has embarked on a move from a mainly Cash Based to International Public Sector Accounting Standards (IPSAS) accruals based Accounts since October 2016. The change is being implemented on a phased approach under which the content and the coverage of the financial statements will expand progressively. The Finance and Audit Act has recently been amended to provide for the legal basis for the new reporting framework.

As per the amended Finance and Audit Act the Annual Statements to be submitted by the Accountant General to the Director of Audit up to the financial year 2021-2022, shall be prepared, as far as possible, in compliance with IPSAS. As from financial year 2022-2023 and onwards, the financial statements should be prepared in compliance with IPSAS.

The major challenge for the preparers of the Accounts would be to identify, quantify and recognize non-financial assets in the financial statements. Employee pension benefits liability will also need to be recognized and this would require an actuarial valuation. Financial statements of entities controlled by Government will have to be consolidated.

I will have to give an opinion on the truth and fairness of the statements. Assessment of the completeness, existence and valuation of the non-financial assets and the valuation of the pension benefits liability will require significant audit attention. I will also have to verify whether proper consolidation of relevant controlled entities has been effected.



## Our Vision, Mission and Core Values

### Our Vision

*To be recognized as a highly respected professional organization providing high quality audit services geared towards transparency, accountability and good governance*

### Our Mission

*The National Audit Office is an independent public office set up under the Constitution. We ensure timely production of audit reports and provide independent assurance to the National Assembly on the proper accounting and use of public resources.*

*We promote good governance in the management of public affairs by enhancing accountability and transparent administration in the public sector.*

*We ensure that 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.*

*We encourage innovation, teamwork and capacity building*

### 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*

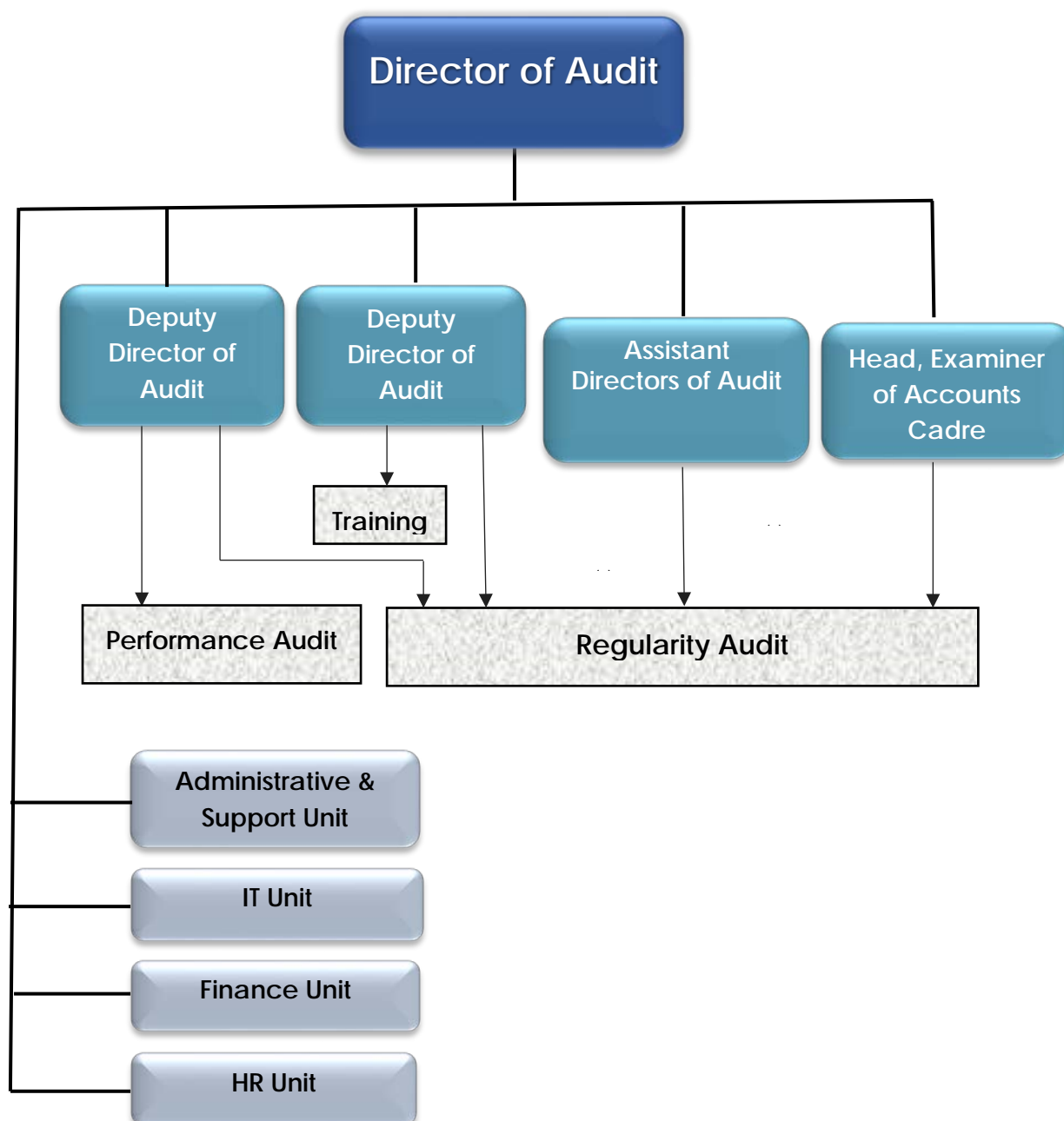




# Our Organisation and People

## Organisation Structure

The National Audit Office has at its head the Director of Audit. The main activity of NAO is auditing. All audit assignments are allocated to the 13 Divisions and each Division is managed by an officer of the senior management team. Twelve Divisions have each 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. The Administrative and Support Unit, the IT Unit, the Finance Unit and the HR Unit *also* contribute to the good running of the NAO activities.



## Senior Management Team as at 30 June 2018

### Director of Audit

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

in present post since November 2013

### Deputy Director of Audit (Assigned Duties)

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

since April 2017

**REETUN Khemraj, FCCA, MBA**

since October 2017

### Assistant Directors of Audit

**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

**GHOORAH Bhargvee (Miss), FCCA**

since March 2018

### Head, Examiner of Accounts Cadre

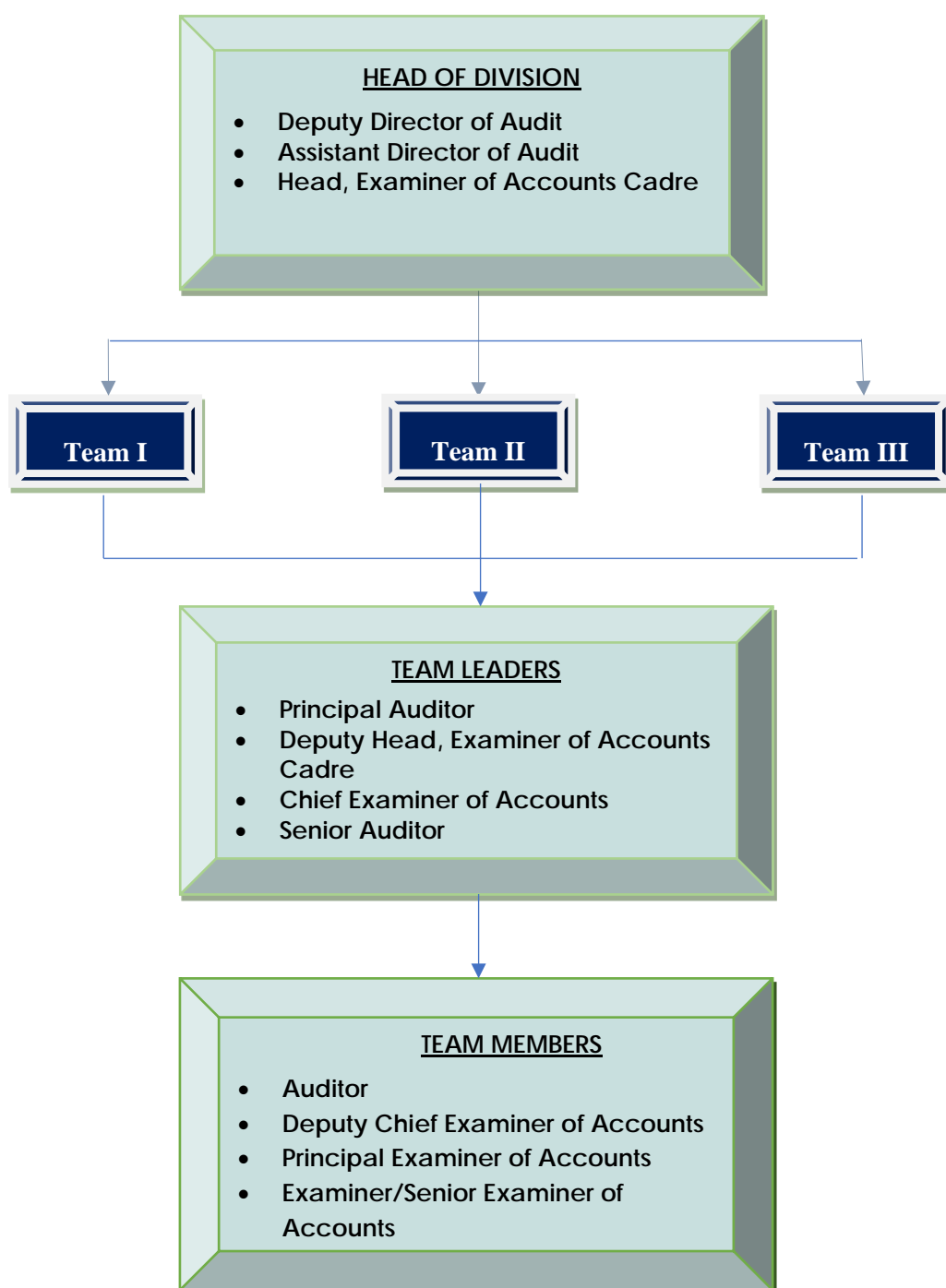
**Mohun Parbhaotee (Mrs)**

in present post since May 2018

## Structure of a Division

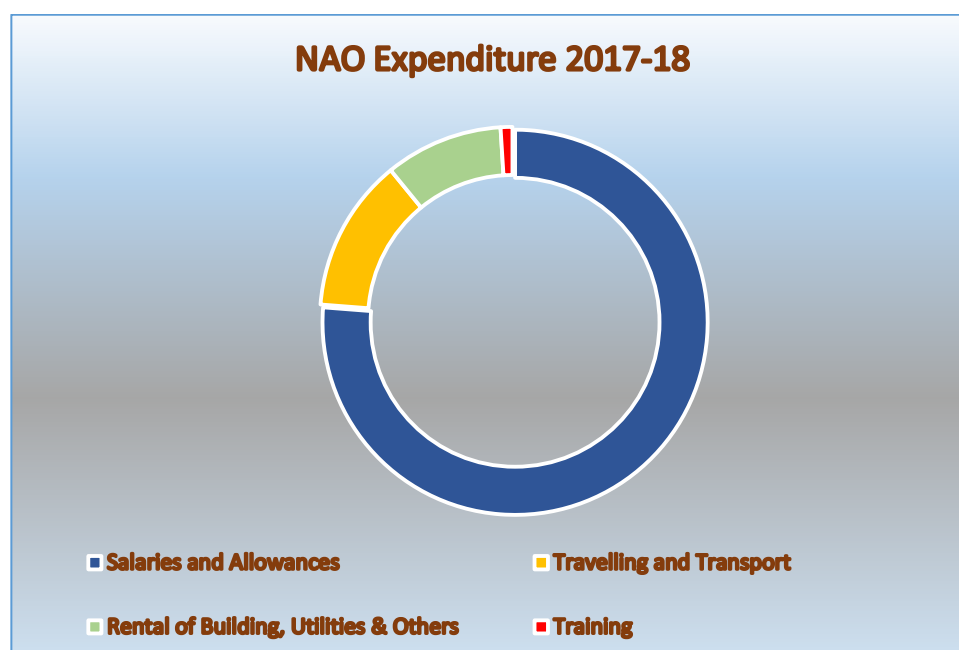
NAO has 13 Divisions which are, each, managed by either, a Deputy Director of Audit, an Assistant Director of Audit or the Head, Examiner of Accounts Cadre. They are responsible for a number of audit assignments of entities, falling under the mandate of the NAO, which have been attributed to them. As Head of Divisions, they are in charge of a team of officers of the Auditing Grades, from both the Auditor Cadre and the Examiner of Accounts Cadre, who assist them in the discharge of their portfolio.

The Figure below depicts the structure of a Division.



## Our People

Our people are our key assets and contribute in NAO discharging its mandate and functions effectively. The largest share of expenditure incurred by NAO is directly related to our personnel. During the year 2017-18, it represented some 90 per cent of NAO total expenditure, that is, 77 per cent on Salaries, Allowances and Training of staff and 13 per cent on Travelling and Transport.



As at 30 June 2018, the personnel of NAO totaled 190 officers

- 13 officers were in the Senior Management Team
- 160 officers were of the Auditing Grades, that is, 'Auditor Cadre' and 'Examiner of Accounts Cadre'
- 106 officers of Senior Management Team and Auditing Grades, that is 61 per cent, were qualified accountants, and most of the remaining officers were partly qualified or degree holders
- 17 officers were of the Administrative and Other Grades
- 112 officers were of the female gender, representing 59 per cent

NAO staffing showed a decrease of six officers as compared to the 196 officers in post as at 30 June 2017. This resulted from officers retiring from service or being appointed in higher capacity to other Ministries. Four officers left on reaching retirement age after working for most of their career at the NAO, two of which at senior management level, namely, Deputy Director of Audit and Head, Examiner of Accounts Cadre.

Table below gives details of officers in post, grade-wise and gender-wise as at 30 June 2018.



## NAO Staff as at 30 June 2018

Grade Position	Officers in Post		
	Male	Female	Total
<b>Senior Management</b>			
Director of Audit	-	1	1
Deputy Director of Audit	*2	-	2
Assistant Director of Audit	*5	*4	9
Head, Examiner of Accounts Cadre	-	1	1
<b>Auditing Grades</b>			
<b><i>Auditor Cadre</i></b>			
Principal Auditor	*6	3	9
Senior Auditor	*15	6	21
Auditor	13	23	36
<b><i>Examiner of Accounts Cadre</i></b>			
Deputy Head, Examiner of Accounts Cadre	*1	-	1
Chief Examiner of Accounts	8	8	16
Deputy Chief Examiner of Accounts	9	8	17
Principal Examiner of Accounts	5	12	17
Examiner/ Senior Examiner of Accounts	7	36	43
<b>Total Staff-Senior Management &amp; Auditing Grades</b>	<b>71</b>	<b>102</b>	<b>173</b>
<b>Administrative and Other Grades</b>			
Assistant Manager, Human Resources	-	1	1
Principal Financial Operations Officer	1	-	1
Other supporting staff	6	9	15
<b>Total Staff - Administrative and Other Grades</b>	<b>7</b>	<b>10</b>	<b>17</b>
<b>Total NAO Staff</b>	<b>78</b>	<b>112</b>	<b>190</b>

\*Include Officers assigned duties/acting in the position

## Gender Statement

At the National Audit Office, we endeavour to provide an environment where men and women benefit from the same opportunities, enjoy the same rights and participate equitably in decision making at all levels. For example, both genders are treated equally in the allocation of work and responsibilities as well as in the selection of officers to participate in capacity building programmes.

Recruitment and promotion like in other Government Departments are made by the Public Service Commission. For financial year 2017-2018, the gender composition of our staff force showed that there was no discrimination against women. Indeed 59 per cent of our staff were female. Six of the 13 members of Senior Management, including the Director of Audit were female.

# Our Audit Activities and Performance

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## Strategic Direction

In line with our vision to be recognised as a highly respected professional organisation, we have continued to focus on improving the quality of audit services. We have contributed towards improving transparency, accountability and good governance in the public sector.

We have also ensured timely production of audit reports and provided independent assurance to the National Assembly on the proper accounting and use of public resources. The Annual Audit Report of the Director of Audit on the accounts of Government of Mauritius and Rodrigues Regional Assembly for the financial year 2016-17 was submitted to the Minister responsible for the subject of finance in February 2018, within the statutory date limit, to be laid before the National Assembly. Four Performance Audit Reports were also issued. The audit of 136 financial statements submitted by Public Entities was completed and their respective Audit Reports issued.

The major challenges we had to face in delivering our services in a timely manner is to cope with the increasing complexities and volume of transactions of our clients and constant change in financial reporting and auditing requirements, while continuing to improve audit quality. To meet these challenges, we follow the International Standards of Supreme Audit Institutions (ISSAI) and constantly review our audit approach as per Guidelines from International Organisation of SAI (INTOSAI) and AFROSAI-E. We have endeavoured to keep abreast with latest development in auditing, accounting and other related issues. In this connection, awareness sessions were provided to all the staff on topics such as COBIT, Data Analytics and General Data Protection Regulation.

We shall continue to explore the possibilities of using technological advances and new software solutions to enhance audit quality and effectiveness. There are opportunities available with new powerful tools for data analytics which allow us to analyse large sets of audit relevant data quickly so as to identify anomalies, trends, correlations and fluctuations. These can be used during the audit process to assist in risk assessment, analytical procedures, substantive procedures and control testing.

In the coming years NAO will be facing new challenges with the commitment taken by the Government in 2015 to implement the UN 2030 Agenda for Sustainable Development Goals (SDGs). These Goals are to be achieved when they are integrated in a national plan with specific assigned responsibilities and accountability arrangements, and progress is measured through reliable data and timely monitoring of achievement against targets. Supreme Audit Institutions in line with their mandates and priorities can through their audits make valuable contributions to the national efforts on the implementation of the Agenda. Hence, NAO is going to align its audit with the SDGs. It has already started a Performance Audit on the "Preparedness for the implementation of the 2030 Agenda in Mauritius".

Our staff is our most important asset and we have strived to provide them with a pleasant working environment and facilitate their continuous learning and development. We have encouraged innovation and teamwork. We have ensured that all our staff adhere to our core values, of which the most important are independence, integrity, objectivity and confidentiality.

## NAO KEY OUTPUTS 2017-18



## NAO Key Actions and Key Performance Indicators

NAO key Actions and Key Performance Indicators (KPIs) as targeted for year 2017-18 and our achievements as at 30 June 2018 are given in the following table.

### *NAO Key Actions and KPIs 2017-18*

Key Action	Key Performance Indicator	Target 2017/18	Achievements as at 30 June 2018
Submission of the Annual Audit Report on Government Accounts for the year 2016-17 for tabling before the National Assembly	Submission of consolidated Audit Report	February 2018	Annual Audit Report on Government Accounts submitted in February 2018 and tabled before National Assembly in March 2018
Audit and certification of financial statements <b>within 6 months of submission</b> by Statutory Bodies and other bodies	% of financial statements audited and certified within 6 months of submission	≥ 90%	83 %
Issue of Performance Audit Reports on extent Government bodies are applying their resources and carrying out their operations economically, efficiently and effectively	Number of Performance Audit Reports issued	5	4 Performance Audit Reports issued in February 2018 and tabled before the National Assembly in March 2018

NAO achievements, as at 30 June 2018, was slightly below target. However,

- A further three per cent of the financial statements were certified within the following two months.
- The fifth Performance Audit report is being finalized.
- NAO overall audit coverage in respect of planned audits was 84 per cent.

## Audit Activities

Our main activity is Auditing. We carry out two main types of audits, namely, **Regularity Audit and Performance Audit**, to fulfill our audit mandate and to provide assurance to the National Assembly on the proper accounting and use of public resources.

Regularity Audit involves the:

- 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 Supreme Audit Institution considers should be disclosed

Performance Audit 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. It seeks to provide new information, analysis or insights, and where appropriate, recommendations for improvement.

## Regularity Audit

### How We Proceed

NAO prepares an annual audit plan at the start of the year in order to lay out the schedule of all audit assignments which we intend to carry out during the year. We have adopted a risk-based approach so as to identify units to be audited, as well as for conducting individual audits.

We start each individual audit with the planning process. This involves an understanding of the entity to be audited as well as its environment, so as to identify risks that may result in material misstatement of the financial report. An assessment of those risks is then done, which requires the consideration of several factors, including, the nature of the risks, relevant internal controls and the required level of audit assurance. Thereafter, appropriate audit responses to those risks are 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 an audit, the audit findings are consolidated in a draft Management Letter and discussed at an exit meeting with the auditee/client. The Management Letter is then finalised and issued, giving the opportunity to the auditee to give his comments in writing on matters raised therein.

The main activities carried out during the audit as well as their purpose is given in the figure, hereunder.

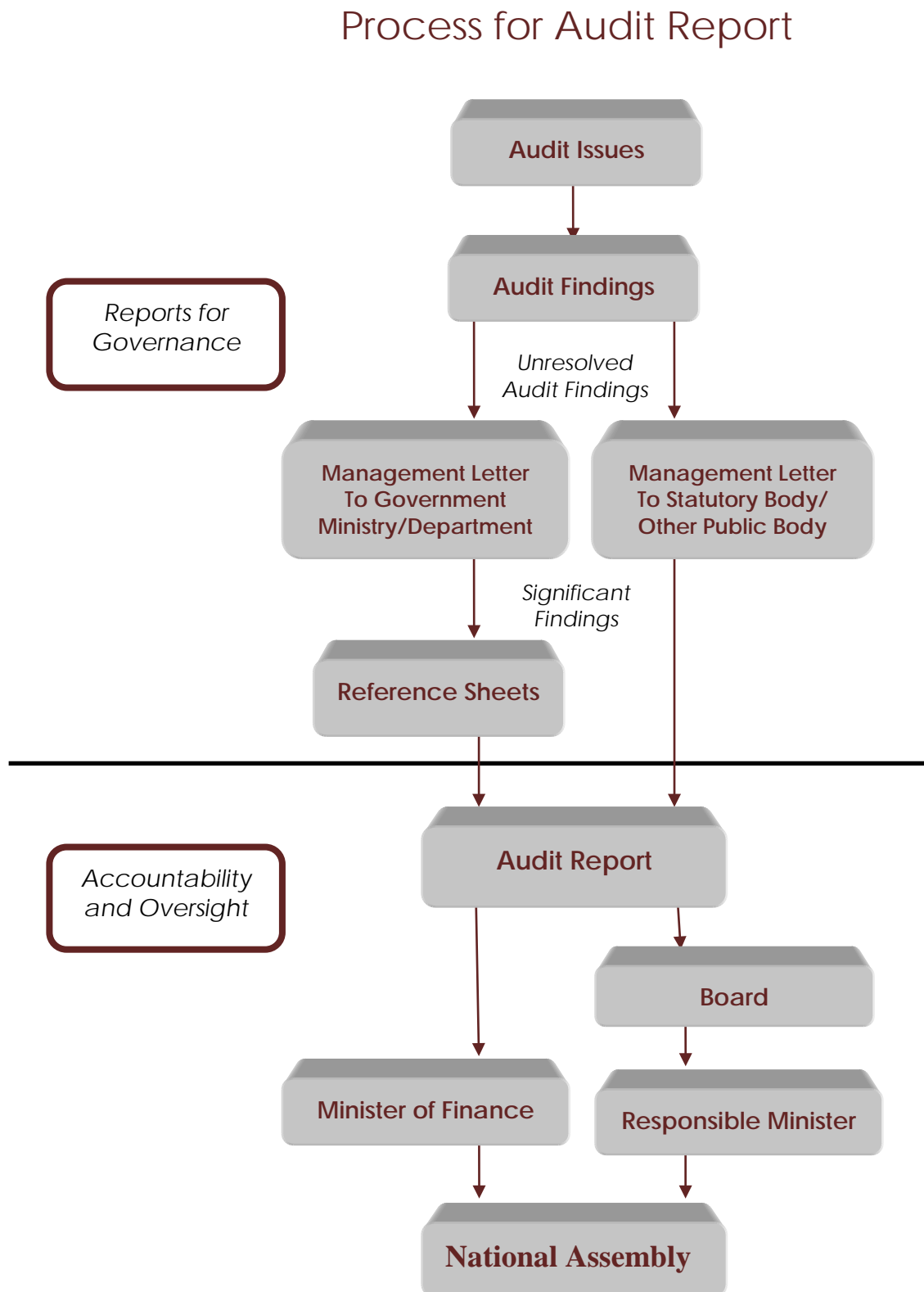
## Process for Regularity Audit

ACTIVITY	PURPOSE
Pre Engagement	<ul style="list-style-type: none"> <li>Assess Ethical and Resource requirements</li> <li>Letter of Engagement sent</li> <li>Notification Letter sent</li> </ul>
Strategic Planning	<ul style="list-style-type: none"> <li>Understand the Governance and Control Environment of the entity</li> <li>Identify and Assess Risks at entity level</li> <li>Develop an overall Audit Plan</li> <li>Entry meeting with Accounting Officer</li> </ul>
Detailed Planning	<ul style="list-style-type: none"> <li>Ascertain main Systems and Processes of the entity</li> <li>Identify and Assess Risks for audit components</li> <li>Determine an Appropriate Response to assessed risks</li> <li>Identify nature and extent of Audit Procedures</li> </ul>
Audit Fieldwork	<ul style="list-style-type: none"> <li>Perform Audit Procedures identified</li> <li>Collection and Documentation of Evidence</li> <li>Evaluate Audit Evidence to support financial statements and audit reports</li> </ul>
Concluding & Reporting	<ul style="list-style-type: none"> <li>Finalise Draft Management Letter</li> <li>Exit Meeting to discuss Draft Management Letter</li> <li>Issue Final Management Letter</li> <li>Quality Control</li> <li>Finalise and issue Audit Report</li> </ul>
Quality Assurance & Evidencing	<ul style="list-style-type: none"> <li>Wrap Up of Audit Files</li> <li>Peer Review</li> </ul>



## Process for Audit Report

The Figure below shows the process for the issue of the Audit Report by NAO, starting from the identification of audit issues during audit up to the submission of the Report to the National Assembly.



Following the completion of the audit of Ministries and Government Departments, audit findings which are considered to be significant and of a nature to be brought to the attention of the National Assembly are identified. These are communicated by means of "Reference Sheets" to the appropriate Accounting Officers, who are given the opportunity to comment on the truth and fairness of these audit findings before their inclusion in NAO's Annual Audit Report. As far as possible, a summary of the comments/explanations given by the audited entity is also included. Our Annual Audit Report is thereafter submitted to the Minister responsible for the subject of Finance, within statutory deadline, to be laid in the National Assembly.

For Statutory Bodies, an Audit Report is issued by NAO to the respective Board, following response by the audited entity to our Management Letter. 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 need to be brought to the attention of users. An audit is considered complete when the Audit Report is issued.

## Regularity Audit Portfolio

NAO is responsible for the audit of the accounts of all Ministries and Government Departments including the Rodrigues Regional Assembly, all Local Authorities, most Statutory Bodies, Special Funds, Other Bodies and some Donor-Funded Projects, as well as a few State Owned Companies.

For the year ended 30 June 2018, NAO portfolio totalled to 1,835 auditable units, details of which are given in Table below.

Number of Units of Auditable Entities

	Auditable Entities	Number of Units
Ministries and Government Departments	151	1,377
Rodrigues Regional Assembly	12	150
Statutory Bodies	110	110
Local Authorities (including Village Councils)	142	142
Special Funds	21	21
Other Bodies	23	23
State Owned Companies	6	6
International Donor Agencies	6	6
<b>Total</b>	<b>471</b>	<b>1,835</b>

Each Statutory Body, Local Authority (including Village Council) or Other Bodies has been considered as one unit. As for Ministries, most of them have more than one Division and many of the Divisions comprise a number of Units. For example, the Education Division of the Ministry of Education and Human Resources, Tertiary Education and Scientific Research has four Zones and each Zone has 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 which NAO has the responsibility to audit. Similarly, the Ministry of Public Infrastructure and Land Transport, the Ministry of Health and Quality of Life, the Ministry of Agro Industry and Food Security and other Ministries are made up of several Divisions and Units.

NAO undertook the audits of Ministries and Government Departments and of the Rodrigues Regional Assembly mostly during the period July to December 2017. NAO issued its Annual Audit Report in February 2018.

Statutory Bodies and Local Authorities are required by law to submit their Annual Report, including their financial statements, for audit within four months after the end of the financial year. These audits are thus, usually, carried out after their approved Annual Reports are received by NAO. The Audit Reports for Statutory Bodies are issued within six months of the date of receipt of the Annual Reports.

## Audit Coverage

Our overall performance for the financial year ended 30 June 2018 was satisfactory. The risk based approach adopted by NAO implies that we focus our audit efforts on higher risk areas. The extent of coverage of the various units of Ministries and Government Departments, therefore, depends on their materiality. Generally, larger units are subjected to more extensive audit than smaller units. Audit visits to some small units are effected on a rotational basis, where appropriate.

NAO completed the audit of 286 of the 289 units of Ministries and Government Departments planned. For Commissions in Rodrigues all of the 23 units planned were completed. Thus, the percentage completion for these entities were 99 and 100 per cent respectively.

The percentage completion for Statutory Bodies was 65 per cent. The audit of Statutory Bodies is considered complete when the Audit Report is issued. It is to be noted that for some of these audits, although the audit assignments have been completed, they have been considered as not completed in the Table below, as response to the Management Letter had not yet been received. During the year under review, the Financial Statements audited related to the 18-month period ending 30 June 2017 and to previous financial years.

Details of audits planned and completed during that period is shown in the following Table.

*Audits Planned and Completed during year 2017-18*

	<b>Planned Audits (A)</b>	<b>Audits completed relating to prior FYs (B)</b>	<b>FS not received for period 2016-17 (C)</b>	<b>Revised Audit Plan (D): (A+B-C)</b>	<b>Audits Completed (E)</b>	<b>Completion % (E/D)</b>
Ministries/ Government Departments	289	N/A	N/A	289	286	99
Rodrigues Regional Assembly	23	N/A	N/A	23	23	100
Statutory Bodies	110	26	35	101	66	65
Local Authorities	142	44	114	72	44	61
Special Funds	20*	5	6	19	13	68
Other Bodies	22*	4	11	15	9	60
State Owned Companies	4*	2	1	5	2	40
International Donor Agencies	6	2	4	4	2	50
<b>TOTAL</b>	<b>616</b>	<b>83</b>	<b>171</b>	<b>528</b>	<b>445</b>	<b>84</b>

Note: \* - New Audit not included ; FS- Financial Statements; FY- Financial Year; N/A- Not Applicable

## Constraints

Audit coverage could have been higher were it not for the following main constraints:

- Some 53 per cent of the financial statements certified during the year has to be amended prior to their certification, resulting in increased staff days spent on these audits. This involves 72 financial statements, of which 52 related to Statutory Bodies, seven to Local Authorities,

five to Special Funds, six to Other Bodies and two to International Donor Agency. In many cases, amendments had to be made several times due to repeated discrepancies and in others, extensive amendments were required, indicating a lack of due diligence on the part of the auditees in the preparation of the accounts submitted for audit.

- Increase in the complexity and volume of transactions of audited entities.
- Continuous changes in financial reporting and auditing requirements
- Late submission of financial statements by auditees.
- Staff shortage prevented a more frequent coverage of small units.
- As of 30 June 2018, 35 Statutory Bodies, 114 Local Authorities, six Special Funds, 11 Other Bodies, one State Owned Company and four International Donor Agencies Projects did not submit their financial statements for the 18-month ended/year ended 30 June 2017.
- 83 Financial Statements relating to prior financial years were audited during financial year ended 30 June 2018.

## Performance Audit

The main objective of Performance Auditing is to constructively promote economical, efficient and effective governance. It also contributes to accountability and transparency by assisting those charged with governance and oversight responsibilities to improve performance and affording Parliament, taxpayers and other providers of finance an insight into the management and outcomes of different Government activities.

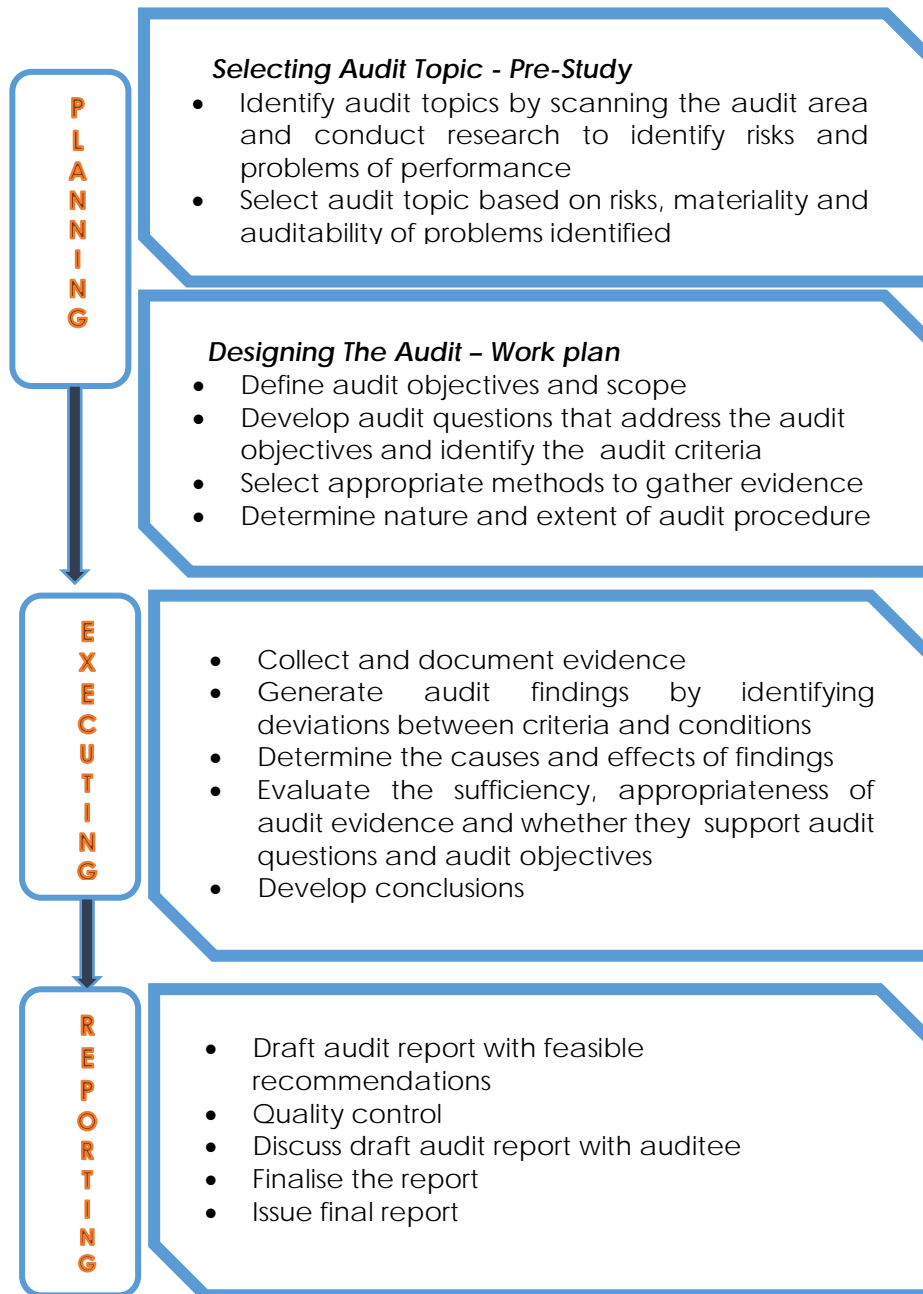
In 2008, the Finance and Audit Act was amended to extend the mandate of the Director of Audit who, since then, is required to carry out Performance Audit and to report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.

To continuously improve on the quality of audit services provided, each Performance Audit is conducted in accordance with the requirements of the customised NAO Performance Audit Manual which is based on International Standards of Supreme Audit Institutions. Moreover, the NAO's audit management software is now being used to document the different stages of the Performance Audit process. During the year, at the request of AFROSAI-E, one senior officer contributed in the development of a draft guideline on the Supreme Audit Institutions' role and preparedness for auditing the implementation of African Agendas (2030 and 2063).

As of 30 June 2018, five Performance Audits were ongoing, including one on 'Moving Towards Sustainable Fishery in Mauritius', which formed part of a collaborative project undertaken by AFROSAI-E on Coastal Management, Governance and Environment Protection of Coastlines.

The figure below illustrates the different stages and processes for Performance Audit.

## Performance Audit Process



## Audit Activities outside Mauritius

- **Audit of the Rodrigues Regional Assembly**

The Rodrigues Regional Assembly (RRA) has been established by the RRA Act. By virtue of the Act, the accounts of RRA are public accounts of Mauritius and as such, the Director of Audit is the Auditor of the RRA. The Finance and Audit Act conveys the authority for the Director of Audit to audit and report upon examination of all accounts relating to the RRA.

### *Accountability*

An Executive Council has been set up under the RRA Act for the carrying out of the functions of the RRA. Seven Commissions, each one under the responsibility of a Commissioner, have been set up. The Island Chief Executive is the administrative head of the RRA and is responsible for the administration of the functions of the Executive Council. Each Commission is under the administrative responsibility of one or more Departmental Heads.

The RRA has the responsibility to maintain proper financial systems. The financial statements of the RRA are prepared in accordance with the Finance and Audit Act which requires the Commissioner, responsible for the subject of finance, to sign and submit to the Director of Audit, within three months of the close of every financial year, annual financial statements, showing fully the financial position of the Island of Rodrigues on the last day of such financial year.

The financial statements of the RRA for the year ended 30 June 2017 were submitted to the National Audit Office on 26 September 2017. Six Officers were in Rodrigues from 27 August to 28 September 2017 to carry out the audit of the accounts and records of the RRA for the above period.

The Assistant Director of Audit, who was responsible for the audit of the accounts of the RRA, was in Rodrigues from 18 to 22 September 2017 to meet the Island Chief Executive and some of the Departmental Heads to discuss major audit findings. Site visits were also carried out during that visit.

Thereafter, more than 20 Management Letters were issued between October 2017 and January 2018. Following comments received from RRA, 14 Reference Sheets were issued and were included in the Report of the Director of Audit for the year 2016-17.

Further, the Finance and Audit Act requires the Director of Audit to submit to the Minister, responsible for the subject of finance, within eight months of the close of every financial year, copies of annual financial statements together with a certificate of audit and a report upon his examination of the accounts of the RRA. This was submitted on 27 February 2018.

- **Audit of Mauritius Diplomatic Missions**

Our Office carries out the audit of Mauritius Diplomatic Missions/Consulates overseas, on a rotational basis. Mauritius has 20 Diplomatic Missions and Consulates all over the world to provide consular services and assistance to the Mauritian Diaspora and Nationals living abroad. These overseas offices fall under the responsibility of the Ministry of Foreign Affairs, Regional Integration and International Trade.

During the year 2017-18, an Assistant Director of Audit had audited the accounts of the Mauritius Embassy in Paris, Republic of France for one week.



## Auditing United Nations 2030 Agenda for Sustainable Development Goals

In 2015, the Republic of Mauritius took the commitment to implement the UN 2030 Agenda for Sustainable Development Goals (SDGs) following its adoption. The Agenda, consisting of 17 Goals and 169 related targets and inclusive of some 230 indicators, stimulates activities in areas of critical importance at national level over the period ending 2030. SDGs are more likely to be achieved if they are explicitly integrated in a national plan with specific assigned responsibilities and accountability arrangements, and progress is measured through reliable and timely monitored through reliable data.

SAIs in line with their mandates and priorities can through their audits make valuable contributions to the national efforts on the implementation of the Agenda specifically by tracking progress and identifying opportunities for improvement.

The INTOSAI has recommended four approaches through which SAIs can contribute to achieving the Agenda.

- 1) Assess the readiness and audit national systems to follow-up and review progress toward the SDGs;
- 2) Conduct performance audits of the economy, efficiency and effectiveness of government programmes which contribute to the SDGs;
- 3) Assess and support the implementation of SDG 16; *"Promote peaceful and Inclusive societies for sustainable development, provide access to justice for all and build effective accountable and inclusive institutions at all levels"*
- 4) Be models of transparency and accountability in their own operations.

In line with the requirement of INTOSAI, NAO initiated during the year 2018 a Performance Audit on the "Preparedness for the implementation of the 2030 Agenda in Mauritius".

## Support to the Public Accounts Committee

The Public Accounts Committee (PAC) is a sessional Select Committee, appointed under the Standing Orders and Rules of the National Assembly. It consists of a Chairman appointed by the Speaker and not more than nine members nominated by the Committee of Selection. PAC is a main stakeholder of our Annual Audit Report.

The main function of the Committee is to examine the audited accounts of the Republic of Mauritius for each financial year and such other accounts laid before the National Assembly as the Assembly may refer to the Committee, together with the Director of Audit's Reports thereon. It is to satisfy itself that public money is spent for the purposes authorised by the National Assembly. In the exercise of its duties, the PAC has the power to send for Government officials, records and to take evidence. Subsequently, the PAC prepares and submits its report and recommendations to the Speaker for tabling in the National Assembly.

NAO assists the PAC in the discharge of its duties. The PAC held several sessions during the period July 2017 to June 2018 to examine the Reports of the Director of Audit on Government Ministries and Departments. These sessions were attended by the Director of Audit and/or her representatives as well as by NAO officers who might be of assistance to the Committee on

matters under examination. In March 2018, the PAC laid on the Table of the National Assembly, its report based on the Director of Audit's Annual Reports for period 2012- 2014.

The PAC of the National Assembly also has an oversight function on the activities of the RRA. A delegation of six members of the PAC proceeded to Rodrigues in April 2018 to examine the accounts of the RRA for the 18-month period 01 January 2015 to 30 June 2016. Three senior officers of NAO accompanied the delegation to assist the Committee.

## Corporate Governance

At NAO, we are totally committed to the core values of Good Governance, which embodies Integrity, transparency and accountability. It is of vital importance that our office be perceived as a trustworthy institution inspiring confidence and credibility.

## Code of Ethics

NAO Code of Ethics comprises a customised version of the International Code of Ethics for auditors in the Public Sector established by the INTOSAI as well as the Code of Ethics for Public Officers issued by the Ministry of Civil Service Affairs and Administrative Reforms. At the start of each year, all officers of NAO sign the Code of Ethics declarations. In addition, for every audit undertaken, the Code of Ethics declaration Work Paper is signed by the respective team members working on the assignment. NAO officers are always encouraged to adhere to these codes.

## Quality Assurance

A Quality Assurance Unit has been set up to provide assurance that NAO is conducting its audits in accordance with international auditing standards (ISSAIs) and that Audit Reports issued are appropriate. NAO considers that Quality Assurance activities are important in order to ensure that it fulfills its mandate in an efficient and effective manner. Reviews carried out by our internal Quality Assurance Unit as well as external reviewers, namely, AFROSAI-E, help NAO to take necessary corrective measures on limitations identified. The regular support visits from AFROSAI-E experts help NAO to improve its quality control systems, procedures and working methods as well as ensure compliance with international standards.

## Risk Management at NAO

In the conduct of our audit operations, the main risk faced by NAO is the failure to give appropriate and timely audit opinions. The risk is mitigated by conducting our audits in accordance with international accounting and auditing standards (ISSAIs), and quality control throughout the audit process as well as continuous training and development of our staff. We also receive periodic Quality Assurance Support Visits from AFROSAI-E.

The finance, administrative, human resources and IT Support units of NAO cater for our financial and operational risks. These units follow sound internal control and management practices and are guided by the respective regulations in force in the public sector. Our senior management team has regular meetings to discuss and tackle important issues, including organizational risks.

We derive our budget from the Annual Estimates of Government, which is approved by the National assembly. Compliance with the public sector Financial Instructions is ensured by the

officer in charge of the Finance Section, under the supervision of the Director of Audit, for effective financial management and control.

## Way Forward

We intend to enhance the development of NAO staff on the new methodologies developed by AFROSAI-E, namely, the Financial Audit Manual and the Compliance Audit Manual and implement them shortly.

We plan to carry out more IT Audits in view of the increasing importance and complexities of our clients' IT systems and to enhance staff capacity on IT Audit.

We recognize the need to train our staff on the latest AFROSAI-E approach on Environmental Audit in order to implement it in the near future.

We plan to reinforce our Quality Assurance Unit as well as ensure their continuous development in order that more quality reviews be conducted.

We shall strive to continue our cooperation with international audit organisations, particularly, with INTOSAI and AFROSAI-E, regarding emerging issues such as audit of Sustainable Development Goals and Big Data Analytics. Recently, under the guidance of AFROSAI-E, we participated, with six other SAIs, in a joint audit on Coastal Management.

We shall continue to give due importance to Performance Auditing which greatly enriches public accountability and enables the NAO to make practical contributions to improving the efficiency and effectiveness of the public administration. The key challenges in this respect include insufficient access to expertise in some areas and the need to increase awareness of stakeholders on the value and benefit of Performance Audit. We plan to increase our staff capacity in this area through more training.

We are monitoring Government's phased move from a mainly Cash Based to IPSAS accruals based Accounts. The audit implications, especially with regard to the assessment of the completeness, existence and valuation of non-financial assets and valuation of pension liabilities are being analysed.

We shall continue to explore the possibilities of using technological advances and new software solutions to enhance audit quality and effectiveness. Of particular interest is the use of data analytics tools to assist in the audit process.

We also recognize the need of having the help of experts in different fields, inter alia, engineering and architecture during the audit of capital projects, in view of their increasing complexities and sizes.

## Financial Performance

For the financial year ended 30 June 2018, the total revenue of NAO which comprised Appropriation from the Consolidated Fund, Audit Fees and Deferred Income amounted to Rs 171.4 million. For the financial year 2016-17, the total revenue of Rs 176.2 million was restated to Rs 177.8 million due to the inclusion of Provision for Vacation Leaves so as to comply with IPSAS, and to adjustments of Passage Benefits balances for several officers.

Revenue from Consolidated Fund, which represented 92 per cent of the total revenue, stood at Rs 158.3 million in 2017-18. Initially, a provision from estimates of Rs 160 million was made for the financial year under NAO's Vote in the Government Budget. By the end of the financial year, an amount of Rs 7.9 million remained unutilised. The purpose of this provision was mainly to meet the organisation's recurrent and capital expenditure.

An additional amount of Rs 8.7 million pertaining to expenses related to sick leaves and vacation leaves, passage benefits, mission and training abroad as well as salaries of one supporting staff, was met from other votes.

The revenue from Consolidated Fund figure for the last financial year 2016-17 was restated to Rs 162 million from Rs 160.4 million and this represented 91 per cent of the total revenue of NAO for that year.

Audit Fees which are charged to Statutory Bodies, Local Authorities, Special Funds and Other Bodies are credited to the Consolidated Fund. Ministries and Government Departments are not charged for any fees for the audit of their accounts. In 2017-18, there have not been any significant changes in fees charged or number of audited entities. Audit Fees decreased from Rs 14.4 million in 2016-17 to Rs 11.6 million in 2017-18. The variation was mainly due to submission of amended financial statements by audited entities after financial year end.

Expenditure for the year 2017-18 amounted to Rs 171.4 million. The three main items of expenditure related to staff costs, audit fees payable to Consolidated Fund and rent and utilities which amounted to Rs 149 million, Rs 11.6 million and Rs 6 million respectively. They represented 97 per cent of the total expenditure.

For the year 2016-17, expenditure stood at Rs 177.8 million. A decrease of 3.6 per cent was noted in 2017-18 and this was mainly due to the decrease in expenses, namely, audit fees payable to Consolidated Fund, staff costs, training and mission abroad. During financial year 2017-18, four officers retired from the service, one resigned and five others were transferred to other Ministries.

## Financial Position

There was a slight decrease of some Rs 1 million with respect to the Total Assets which stood at Rs 112.9 million as at 30 June 2018 as compared to Rs 113.9 million as at 30 June 2017. This is explained by a decrease in the Audit Fees under Trade Receivables and Debtors Sundries under Other Receivables by some Rs 2.1 million. The decrease was partly offset by an increase of some Rs 1.1 million with respect to amount receivable from Government to finance staff benefits consisting of sick leaves, vacation leaves and passage benefits accrued at year end and prepayments.

# Learning and Development

## Capacity Building

We believe that the most important asset of NAO is its people. Therefore, we consider that investing in the continuous learning and development of our staff is essential in our endeavor to fulfill our mandate and meet a challenging public spending environment. We have strived our best to enhance staff capacity, ensuring that all staff had the opportunity to develop, though we were somewhat constrained budget-wise and time-wise. Staff training was carried out both locally and overseas and related mainly to auditing issues.

During the financial year 2017-18, total expenditure incurred by NAO on staff training amounted to Rs 655,094. This excludes sponsored training which we could not quantify in the absence of necessary information on this non-monetary assistance to NAO.

## Overseas Training

Sixteen NAO officers had the opportunity to undergo training overseas for periods ranging from a few days to four weeks. These workshops/seminars were fully or partly sponsored by various overseas organisations, namely, the Indian Technical and Economic Cooperation (ITEC), the Government of the 'People's Republic of China' and AFROSAI-E. Details are given in table below.

### Overseas Training

	Course Title	Organised by	Staff Attending	Period
1.	Auditing in IT Environment	ITEC/SCAAP India	1	11 Sept to 06 Oct 2017
2.	Seminar on Project Auditing Management	Govt of the People's Republic of China	8	08 to 19 Sept 2017
3.	Audit of State Owned Enterprises	ITEC/ SCAAP India	2	23 Oct to 17 Nov 2017
4.	12th Technical Update AFROSAI-E	AFROSAI-E South Africa	2	31 Oct to 03 Nov 2017
5.	Audit of E-Governance	ITEC/ SCAAP India	2	08 Jan to 02 Feb 2018
6.	Workshop on Coastal and Marine Collaborative Audit Reporting	AFROSAI-E South Africa	1	12 to 15 March 2018

## Master Degree of Auditing Program

In addition, an officer of NAO was awarded a fully sponsored study program in China in October 2017. This brings the number of NAO officers following the Master Degree of Auditing (MAud) Program at the Nanjing Audit University of China to two, with the first officer, following the two-year study program since October 2016.

The National Audit Office of the Republic of China (CNAO) entrusted the Nanjing Audit University of China to initiate the MAud Program, which is open to Supreme Audit Institutions around the world. The program of study aims, inter alia, to sustain and promote the professional competencies of Auditors through continuous learning and knowledge sharing as well as to contribute to the better play of the role of national audit in promoting national governance and economic and social development.

## Local Training

NAO staff also underwent training locally as shown in table below. Several workshops were organised in-house, in collaboration with local, as well as foreign expert resource persons. By conducting these workshops locally, NAO enabled a larger number of its officers and in some cases, all NAO technical staff including Senior Management, to participate in the training sessions.

### Local Training

	Course Title	Organised by	Staff Attending	Month	Duration
1.	Training for Temp. Examiner/ Senior Examiner of Accounts	NAO	28	July 2017	5 days
2.	Public Sector Transformation	NAO	29	Oct 2017	½ day
3.	Audit Report – New Format	NAO	54	Nov 2017	1/2 day
4.	Workshop on IPSAS	MMA	14	April 2018	2 days
5.	Empowerment on Anti-Corruption Issues	ICAC	28	April 2018	2 Hrs
6.	Training Programme for Integrity Officer	MCSAR	2	May 2018	3 half days'
7.	COBIT, Data Analytics and GDPR	NAO	173	May 2018	1/2 day
8.	Workshop - AFROSAI-E Financial and Compliance Audit Manuals	NAO/ AFROSAI-E	173	June 2018	3 days
9.	Workshop for Team Leaders on AFROSAI-E Financial and Compliance Audit Manuals	NAO/ AFROSAI-E	51	June 2018	1 day

## Workshop on AFROSAI-E Financial and Compliance Audit Manuals



### *New AFROSAI-E Audit Manuals*

Two new audit manuals, the Financial Audit Manual (FAM) and the Compliance Audit Manual (CAM) developed by AFROSAI-E, were adopted as the official new AFROSAI-E Regularity Audit manuals during the 2017 AFROSAI-E Technical Update. As part of its regional rollout strategy, AFROSAI-E has been organising several workshops in South Africa since the beginning of 2018, to empower regional SAI members to fully implement the new regularity audit methodology.

NAO is taking up the challenge to transition from the AFROSAI-E Regularity Audit methodology, which we are actually applying, to the new Financial and Compliance Audit methodologies in order to keep pace with latest developments brought by AFROSAI-E.

As a first step in the changeover process, NAO organised a workshop on the subject matter. The collaboration of AFROSAI-E was sought for the conduct of the workshop in Mauritius itself, with the aim to giving the opportunity to a maximum number of NAO technical staff to have an exposure to the new methodology.

### *Capacity Building on FAM and CAM*

Three regional experts from AFROSAI-E were invited to Mauritius to act as facilitators for the workshop on FAM and CAM. The four-day workshop was conducted in June 2018 at the Mauritius Examinations Syndicate, Reduit. All NAO technical staff including senior





management, that is, 173 officers, had the opportunity to participate during the first three days of the workshop. The fourth day session involved 51 senior officers of NAO, comprising mainly Head of Divisions and Team Leaders.

The Workshop started with an overview of the new methodologies. During the first three days, the participants were apprised of the different activities involved in the audit process of the FAM and CAM and were taken through the numerous working papers of the manuals which reflect international requirements or drawn on best practices to enhance the efficiency of the audit performed.

The attention of participants was drawn, particularly, on changes brought to the Regularity Audit methodology, which NAO is actually applying, to the new FAM and CAM. Emphasis was placed on working papers newly inserted, those revised/ shortened, or combined as well as working papers which have been reclassified and renamed. To give NAO officers a thorough understanding of the new methodologies, participants were also required to perform short practical exercises.

On day four of the workshop, NAO Heads of Division and Team Leaders had close and lively interactions with the facilitators. The objective of this last session was mainly to give NAO officers the opportunity, after the three-day training, to raise whatever issues they had and have thorough discussions and clarifications from the AFROSAI-E experts. The session was very fruitful to both NAO officers and the facilitators, and would no doubt, facilitate the implementation of new methodologies in our office.



## Corporate Social Responsibility

Our Corporate Social Responsibility (CSR) policies include concern for the health, safety, training and development of our employees, their participation in community activities, as well as care for the environment. We recognize that it is important to achieve a balance between operational performance and social well-being of our people.

NAO has established core values which provide a code of conduct to our staff who are diverse, multi-cultural and talented people. We encourage them to be good citizens and become social assets to their local communities. We are committed to help in the development of our staff,

NAO does not have a budget for CSR since we operate within regulations pertaining to the public sector. However, the NAO staff have set up its own fund known as the NAO Welfare Fund (NAOWF) since the early 1980s. Monthly contributions made by staff members are used to finance events organized by NAOWF.

## Activities by the NAO Welfare Fund

During the year 2017-18, the NAOWF organized several activities to which members of the Fund as well as non-members were invited to participate.

In July 2017, a "Beach Party" was organized at the Belle Mare Beach, in the east of Mauritius. NAO staff as well as their families, were able to spend a pleasant day at the beach.

Various activities were organized on that occasion, namely, domino and cards competition as well as musical chairs. For lunch, a grilled barbecue accompanied by fried rice was served to all participants.

In December 2017, another event was organized. Venue was, this time, in the Western part of Mauritius, at the Villa Caroline Hotel.

Some 150 officers of NAO attended. The day started with a talk delivered by a dietitian. Focus was on good eating habits and the benefits of regular exercise. Staff present on that occasion found the talk very informative and helpful.



The talk was followed by NAO's traditional end of year buffet lunch accompanied by live acoustic music entertainment. NAO staff ended this pleasant and relaxing gathering with some dancing, animated by the hotel DJs.



# 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 year ended 30 June 2018, 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;
- 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 year ended 30 June 2018.

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**  
**30 October 2018**





# **Independent Auditors' Report**

6th Floor, Newton Tower  
Sir William Newton Street  
Port Louis, Mauritius

Tel. : (230) 211 6535, 211 0021, 211 7484

Fax : (230) 211 6964

E-Mail : moorestephens@intnet.mu

Website : www.moorestephens.mu

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the **National Audit Office**, which comprise statement of financial position at 30 June 2018, 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 year then ended and the notes to the financial statements which include a summary of significant accounting policies and explanatory notes, as set on pages 56 to 80.

In our opinion, these financial statements give a true and fair view of the financial position of the **National Audit Office** as at 30 June 2018 and of its financial performance its changes in equity and cash flows for the year then ended 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the National Audit Office in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The directors are responsible for the other information. The other information comprises the Activity and Performance Report, or any other information. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

**Report on the Audit of Financial Statements (continued)**

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Audit Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the National Audit Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

**Report on the Audit of Financial Statements (continued)**

**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.

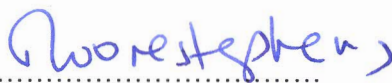
The Director of Audit is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement,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

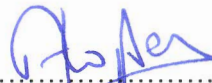
**Report on Other Legal and Regulatory Requirements**

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

  
.....  
**Arvin Rogbeer, FCA, FCCA**  
Licensed by FRC

DATE: ... **30 OCT 2018** ...



# **National Audit Office**

## **Financial Statements**

For the financial year ended 30 June 2018



**National Audit Office**  
**Financial Statements**  
**For the financial year ended 30 June 2018**

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**National Audit Office**  
**Statement of Outturn**  
*for the financial year ended 30 June 2018*

	<b>Revised Budget Rs</b>	<b>Actual Expenditure Rs</b>
Salaries and allowances	123,930,000	118,754,973
Travelling and transport	22,865,000	21,752,317
Overtime	364,000	363,611
Staff welfare	35,000	35,000
Cost of utilities	1,430,000	1,229,848
Fuel and oil	35,000	21,221
Rental of building	4,385,000	4,352,209
Rental of parking	505,000	412,725
Equipment and furniture	1,540,000	1,397,950
Office sundries	225,000	220,090
Maintenance	1,025,000	981,961
Printing and stationery	442,000	399,490
Books and publications	220,000	204,257
Fees for training and consultants	1,513,000	690,652
Refund of subscription fees	985,000	842,606
Inspection and audit fees	100,000	97,750
Uniforms	25,000	18,560
Accommodation costs	20,000	-
Membership fees	356,000	316,894
<b>Total</b>	<b>160,000,000</b>	<b>152,092,114</b>

Outturn for the financial year ended 30 June 2018 has been presented on a cash basis. Reasons for variances between budgets and outturns are explained on page 61.




**National Audit Office**  
**Statement of Income Payable to the Consolidated Fund**  
*for the financial year ended 30 June 2018*

	<b>Budget Rs</b>	<b>Outturn Rs</b>
Audit fees received during the year	15,500,000	13,054,500
Audit fees due at 1 July 2017	-	(2,320,000)
Audit fees due at 30 June 2018	-	830,000
<b>Audit fees payable to the Consolidated Fund</b>	<b>15,500,000</b>	<b>11,564,500</b>

**National Audit Office**  
**Statement of Financial Position**  
*at 30 June 2018*

		30 June 2018	30 June 2017 Restated
	Notes	Rs	Rs
<b>ASSETS</b>			
<b>Current assets</b>			
Short term car loans receivable	8	5,610,415	5,781,595
Trade receivables	6	830,000	2,320,000
Other receivables	7	3,435,482	5,252,386
Inventories		117,199	159,362
		<b>9,993,096</b>	<b>13,513,343</b>
<b>Non-current assets</b>			
Car loans receivable	8	14,749,183	14,533,213
Long term receivables	9	82,996,928	80,746,254
Property, plant and equipment	10	5,132,754	5,086,790
Intangible assets	11	23,719	5,607
		<b>102,902,584</b>	<b>100,371,864</b>
<b>Total assets</b>		<b>112,895,680</b>	<b>113,885,207</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term car loans payable	8	5,610,415	5,781,595
Trade and other payables	12	4,382,681	7,731,748
		<b>9,993,096</b>	<b>13,513,343</b>
<b>Non-current liabilities</b>			
Car loans payable	8	14,749,183	14,533,213
Sick leave obligations	13	38,792,603	37,641,512
Passage benefit obligations	13	9,015,620	8,165,408
Vacation leave obligations	5(f)	35,188,705	34,939,334
		<b>97,746,111</b>	<b>95,279,467</b>
<b>Total liabilities</b>		<b>107,739,207</b>	<b>108,792,810</b>
<b>NET ASSETS</b>		<b>5,156,473</b>	<b>5,092,397</b>
<b>EQUITY</b>			
Capital Grant	14	5,156,473	5,092,397
		<b>5,156,473</b>	<b>5,092,397</b>

Approved on 30 October 2018

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

*The notes on pages 63 to 79 form an integral part of these financial statements.*

**National Audit Office**  
**Statement of Financial Performance**  
*for the financial year ended 30 June 2018*

		Year ended 30 June 2018	Year ended 30 June 2017 Restated
	Notes	Rs	Rs
<b>Revenue</b>			
Appropriation from Consolidated Fund	15	158,314,269	161,981,641
Audit fees receivable	16	11,564,500	14,408,909
Deferred income		1,517,288	1,401,109
<b>Total Revenue</b>		<b>171,396,057</b>	<b>177,791,659</b>
<b>Expenses</b>			
Audit fees Payable to Consolidated Fund	16	11,564,500	14,408,909
Staff costs	17	149,040,514	151,322,455
Training	18	655,094	1,774,160
Mission abroad	19	618,768	1,122,195
Rent and utilities	20	6,058,320	6,090,672
IT expenses		703,376	295,673
Supplies and consumables		1,079,750	1,034,139
Subscriptions to international organisations		158,447	342,347
Depreciation and amortisation		1,517,288	1,401,109
<b>Total Expenses</b>		<b>171,396,057</b>	<b>177,791,659</b>
<b>Surplus/Deficit for the period</b>		<b>-</b>	<b>-</b>

*The notes on pages 63 to 79 form an integral part of these financial statements.*

**National Audit Office**  
**Statement of Changes in Equity**  
*for the financial year ended 30 June 2018*

	<b>Year ended 30 June 2018</b>	<b>Year ended 30 June 2017</b>
	<b>Rs</b>	<b>Rs</b>
Opening balance	5,092,397	4,951,523
Capital Grant	1,600,687	1,553,383
Deferred income	(1,517,288)	(1,401,109)
Disposal of Equipment	(19,323)	(11,400)
<b>Closing balance</b>	<b>5,156,473</b>	<b>5,092,397</b>

*The notes on pages 63 to 79 form an integral part of these financial statements.*

**National Audit Office**  
**Statement of Cash Flows**  
*for the financial year ended 30 June 2018*

	Year ended 30 June 2018	Year ended 30 June 2017 Restated
	Rs	Rs
<b>Operating activities</b>		
Surplus/Deficit for the period	-	-
<b>Adjustments for:</b>		
Deferred income	(1,517,288)	(1,401,109)
Depreciation	1,513,550	1,341,013
Amortisation	3,738	60,096
Change in trade and other receivables	3,306,905	(1,817,772)
Change in inventories	42,163	(91,336)
Change in trade and other payables	(3,349,068)	1,909,108
Change in long term receivables	(2,250,674)	143,961
Change in sick leaves, vacation leaves and passage benefit obligations	2,250,674	(143,961)
<b>Cash flow generated from/ (used in) operating activities</b>	-	-
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,600,687)	(1,553,383)
Proceeds from sale of equipment	-	1,000
Car loans granted to staff	(7,099,300)	(4,719,600)
Loans refunded to Accountant General	(6,929,510)	(8,602,878)
<b>Cash used in investing activities</b>	(15,629,497)	(14,874,861)
<b>Financing activities</b>		
Funds received for purchase of property, plant and equipment	1,600,687	1,553,383
Proceeds from sale of equipment remitted to Accountant General	-	(1,000)
Loans from Accountant General	7,099,300	4,719,600
Loans repaid	6,929,510	8,602,878
<b>Cash generated from financing activities</b>	15,629,497	14,874,861
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. 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 63 to 79 form an integral part of these financial statements.*

**National Audit Office**  
**Statement of Budgeted, Actual Cash and Accrual Based Amounts**  
*for the financial year ended 30 June 2018*

	<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	15,500,000	15,500,000	13,054,500	11,564,500
<b>Expenditure</b>				
Salaries and allowances	123,944,000	123,930,000	118,754,973	126,670,884
Travelling and transport	22,865,000	22,865,000	21,752,317	21,140,462
Overtime	350,000	364,000	363,611	333,003
Staff welfare	35,000	35,000	35,000	35,000
Cost of utilities	1,430,000	1,430,000	1,229,848	1,293,386
Fuel and oil	35,000	35,000	21,221	18,378
Rental of building	4,385,000	4,385,000	4,352,209	4,352,209
Rental of parking	505,000	505,000	412,725	412,725
Equipment and furniture	1,540,000	1,540,000	1,397,950	15,823
Office sundries	145,000	225,000	220,090	210,315
Maintenance	1,025,000	1,025,000	981,961	808,518
Printing and stationery	500,000	442,000	399,490	441,653
Books and publications	220,000	220,000	204,257	190,688
Fees for training and consultants	1,535,000	1,513,000	690,652	655,094
Refund of subscription	985,000	985,000	842,606	842,606
Inspection and audit fees	100,000	100,000	97,750	97,750
Mission abroad	-	-	-	618,768
Uniforms	25,000	25,000	18,560	18,560
Accommodation costs	20,000	20,000	-	-
Membership fees	356,000	356,000	316,894	158,447
<b>Total Recurrent Expenditure</b>	<b>160,000,000</b>	<b>160,000,000</b>	<b>152,092,114</b>	<b>158,314,269</b>
Depreciation and amortisation	-	-	-	1,517,288
Audit fees payable to Consolidated Fund	-	-	-	11,564,500
<b>Total Expenditure as per Financial Statements</b>				<b>171,396,057</b>
<b>Expenditure Capitalised</b>				
Computer Equipment	-	-	-	1,404,611
Furniture and fittings	-	-	-	43,125
Office equipment	-	-	-	131,101
Intangible Asset	-	-	-	21,850
<b>Expenditure</b>	<b>160,000,000</b>	<b>160,000,000</b>	<b>152,092,114</b>	<b>172,996,744</b>

**National Audit Office**  
**Statement showing reasons for variances between Original and Revised Budget**  
*for the financial year ended 30 June 2018*

<b>Expenditure</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Variations</b>
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
Salaries and allowances	123,944,000	123,930,000	14,000
Travelling and transport	22,865,000	22,865,000	-
Overtime	350,000	364,000	(14,000) Note 1
Staff welfare	35,000	35,000	-
Cost of utilities	1,430,000	1,430,000	-
Fuel and oil	35,000	35,000	-
Rental of building	4,385,000	4,385,000	-
Rental of parking	505,000	505,000	-
Equipment and furniture	1,540,000	1,540,000	-
Office sundries	145,000	225,000	(80,000) Note 2
Maintenance	1,025,000	1,025,000	-
Printing and stationery	500,000	442,000	58,000 Note 3
Books and publications	220,000	220,000	-
Fees for training and consultants	1,535,000	1,513,000	22,000
Refund of subscription	985,000	985,000	-
Inspection and audit fees	100,000	100,000	-
Uniforms	25,000	25,000	-
Accommodation costs	20,000	20,000	-
Membership fees	356,000	356,000	-
<b>Total</b>	<b>160,000,000</b>	<b>160,000,000</b>	<b>-</b>

Note 1 Overtime costs in connection with HRMIS

Note 2 Degaussing and disposal of hazardous equipment not provided

Note 3 Savings on stationery

**National Audit Office**  
**Statement showing Reconciliation of Cash Flows with Statement of Financial Performance**  
*for the financial year ended 30 June 2018*

	Year ended 30 June 2018	Year ended 30 June 2017 Restated
	Rs	Rs
Actual Recurrent Expenditure as per statement of Outturn	152,092,114	151,289,655
Commitment for the year	194,356	810,831
Prepayment for last year	198,947	-
Adjustment inventories-Last period	159,362	68,026
Loss on disposal of equipment	19,044	4,700
<b>Non-budgeted items paid</b>		
Salary of supporting staff	816,595	1,167,009
Mission and Training Abroad	792,304	1,407,085
Audit Fees payable to Consolidated Fund	11,564,500	14,408,909
<b>Provisions and other benefits</b>		
Sick Leave and Vacation Leave	2,696,646	4,668,661
Passage Benefits obligations	4,400,122	4,493,832
<b>Non-cash items</b>		
Depreciation & amortisation	1,517,288	1,401,109
	<b>174,451,278</b>	<b>179,719,817</b>
Prepayment	(428,651)	(198,947)
Commitment for last year	(810,831)	-
Retention Money	(97,853)	-
Adjustment Inventories- this period	(117,199)	(159,362)
Additions to PPE and Intangible Assets financed from revenue	(1,600,687)	(1,415,111)
<b>Expenditure as per Statement of Financial Performance</b>	<b>171,396,057</b>	<b>177,946,397</b>



## **Notes to the Accounts**

*for the financial year ended 30 June 2018*

### **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, foreign-funded projects and other bodies.

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.

## **Notes to the Financial Statements**

*for the financial year ended 30 June 2018*

### **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 July 2017 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 financial year ended 30 June 2018*

### **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 2018. 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 financial year ended 30 June 2018*

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

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

##### *Other Post-Employment Benefits*

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

As from this financial year, provision for Vacation Leave has been made to comply with IPSAS. The provisions of Rs 35,188,705 as at 30 June 2018 has been presented under Non-Current Liabilities and the corresponding amount receivable included in Long Term Receivables. The comparative figure as at 30 June 2017 was Rs 34,939,334.

The increase in provisions of Rs 249,371 from 30 June 2017 to 30 June 2018 has been expensed under Staff Costs and the corresponding revenue receivable has been included in Appropriation from Consolidated Fund. The comparative figure for financial year 2016-17 was Rs 1,732,889 and represents the increase in provisions from Rs 33,206,446 as at 30 June 2016 to Rs 34,939,334 as at 30 June 2017.

##### *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 at a rate defined by their last salary. However, the contributions of employees joining the service as from 1 January 2013 are transferred to a defined contribution pension scheme operated by an insurance company. 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, which lays down detailed provisions regarding administration of the scheme, contributions to be made and pensions to be paid. In brief, every public officer appointed before 1 January 2013 shall, from the date of his appointment, make a contribution to the Scheme at the rate specified in the First Schedule, until he attains the age of 65 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 to the surviving spouse ceases on his/her death 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

## Notes to the Financial Statements

*for the financial year ended 30 June 2018*

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

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

to recognise the consumption of economic benefits of the property, plant and equipment over their useful lives.

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 financial year ended 30 June 2018*

### **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 financial year ended 30 June 2018*

### **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 283,500 excluding 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. The all-inclusive monthly amount paid during financial year 2017-18 amounted to Rs 362,684.

#### **(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 financial year ended 30 June 2018*

### **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) Restated Figures**

As disclosed in Note 5 (f) above, as from this financial year, Provision for Vacation Leave has been made to comply with IPSAS. Hence, relevant comparative figures for 2016-17 have been restated. The provision of Rs 34,939,334 has been presented under Non-Current Liabilities and the corresponding amount receivable included in the Long Term Receivables, under Non-Current Assets. The increase in provisions of Rs 1,732,888 from 30 June 2016 to 30 June 2017 has been expensed under Staff Costs and the corresponding revenue receivable has been included in Appropriation from Consolidated Fund.

The Long Term Passage Benefits Receivables and the Passage Benefits Obligations figures pertaining to 2016-17 have been adjusted by Rs 194,579 as one officer's Passage Benefits was erroneously understated by the same amount. Also, the previous year's Provision for Passage Benefits and Staff Costs have been adjusted by Rs 154,738, which represents understatements/overstatements with respect to Passage Benefits earned by several staff during 2016-17.

These adjustments had no effect on the previously reported surplus/deficit.

**Notes to the Financial Statements**  
*for the financial year ended 30 June 2018*

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

**(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 2018.

**(s) Employee Disclosure**

As at 30 June 2018, NAO had 190 full-time employees, out of which 17 are non-technical staff.

**(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 20.2 million for the financial year ended 30 June 2018.

Employee Benefits accrued in respect of accumulated sick leave, vacation leave and passage benefit to the key management personnel amounted to Rs 5.7 million, 6.6 million and Rs 2.1 million as at 30 June 2018 respectively. During the financial year ended 30 June 2018, total passage benefits paid to key personnel amounted to Rs 0.5 million.

**(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 20.4 million as at 30 June 2018 against Rs 20.3 million at 30 June 2017.

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.

**Notes to the Financial Statements**  
for the financial year ended 30 June 2018

**Note 6. Trade Receivables**

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

**Note 7. Other Receivables**

	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs
Bank Sick Leaves Short Term	312,475	1,644,754
Passage Benefits	2,500,000	2,500,000
Debtors -Sundries	194,356	810,831
Prepayment	428,651	198,947
Retention Money	-	97,854
	<b>3,435,482</b>	<b>5,252,386</b>

**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 2018 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>	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs
Opening balance	20,314,808	24,198,086
Loan granted during the period	7,099,300	4,719,600
Refunds received during the period	(7,054,510)	(8,602,878)
<b>Closing balance</b>	<b>20,359,598</b>	<b>20,314,808</b>

**Analysed as follows:**

Current	5,610,415	5,781,595
Non-current	14,749,183	14,533,213
	<b>20,359,598</b>	<b>20,314,808</b>

**Notes to the Financial Statements**  
*for the financial year ended 30 June 2018*

**Note 9. Long term receivables**

	<b>Year ended 30 June 2018</b>	<b>Year ended 30 June 2017 Restated</b>
	<b>Rs</b>	<b>Rs</b>
Bank Sick Leaves	<b>38,792,603</b>	<b>37,641,512</b>
Vacation Leaves	<b>35,188,705</b>	<b>34,939,334</b>
Passage Benefit -Long Term	<b>9,015,620</b>	<b>8,165,408</b>
	<b>82,996,928</b>	<b>80,746,254</b>

**Notes to the Financial Statements**  
*for the financial year ended 30 June 2018*

**Note 10. Property, Plant and Equipment**

	<b>Computer Equipment</b>	<b>Motor Vehicles</b>	<b>Furniture and Fittings</b>	<b>Office Equipment</b>	<b>Total</b>	<b>Computer Equipment</b>	<b>Motor Vehicles</b>	<b>Furniture and Fittings</b>	<b>Office Equipment</b>	<b>Total</b>
	<i>Year ended 30 June 2018</i>					<i>Year ended 30 June 2017</i>				
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Opening NBV	<b>2,989,762</b>	<b>1,256,250</b>	<b>416,467</b>	<b>424,311</b>	<b>5,086,790</b>	5,086,790	1,533,750	379,619	162,522	4,885,820
Additions	<b>1,404,611</b>	-	<b>43,125</b>	<b>131,101</b>	<b>1,578,837</b>	1,104,878	-	88,135	360,370	1,553,383
Disposal	<b>(19,323)</b>	-	-	-	<b>(19,323)</b>	-	-	-	(11,400)	(11,400)
Depreciation	<b>(1,036,782)</b>	<b>(277,500)</b>	<b>(58,893)</b>	<b>(140,375)</b>	<b>(1,513,550)</b>	(925,045)	(277,500)	(51,287)	(87,181)	(1,341,013)
Closing NBV	<b>3,338,268</b>	<b>978,750</b>	<b>400,699</b>	<b>415,037</b>	<b>5,132,754</b>	2,989,762	1,256,250	416,467	424,311	5,086,790
Cost	<b>9,999,454</b>	<b>2,220,000</b>	<b>865,816</b>	<b>1,196,750</b>	<b>14,282,020</b>	12,733,852	2,220,000	822,691	1,070,049	16,846,592
Accumulated Depreciation	<b>(6,661,186)</b>	<b>(1,241,250)</b>	<b>(465,117)</b>	<b>(781,713)</b>	<b>(9,149,266)</b>	(9,744,090)	(963,750)	(406,224)	(645,738)	(11,759,802)
NBV	<b>3,338,268</b>	<b>978,750</b>	<b>400,699</b>	<b>415,037</b>	<b>5,132,754</b>	2,989,762	1,256,250	416,467	424,311	5,086,790

**Note:** Depreciation of Computer Equipment amounting to Rs 1,036,782 includes impairment of Rs 74,550 relating to two laptops which became unserviceable in 2017/2018.

**Notes to the Financial Statements***for the financial year ended 30 June 2018***Note 11. Intangible Assets**

	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs
Opening NBV	5,607	65,703
Additions	21,850	-
Depreciation	(3,738)	(60,096)
<b>Closing NBV</b>	<b>23,719</b>	<b>5,607</b>
Cost	4,599,590	4,577,740
Accumulated Depreciation	(4,575,871)	(4,572,133)
<b>Net Book Value</b>	<b>23,719</b>	<b>5,607</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. Sick Leave short term represents amount payable on retirement of officers. Passage Benefits are released upon application from officers or on retirement. The other payables mostly relate to expenses for which invoices were received from suppliers but not yet settled and obligations to suppliers for services performed not yet invoiced.

	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs
Audit fee payable to Consolidated Fund	830,000	2,320,000
Travelling and transport	-	611,855
Telephone	33,259	37,663
Electricity	67,942	-
Maintenance of Vehicles	-	14,921
Office Sundries	-	9,775
Publications	9,285	21,130
Fuel and oil	1,722	4,566
Fees for training	-	2,150
Salaries and allowances	-	30,608
Sick leaves short term	312,475	1,644,754
Passage benefits	2,500,000	2,500,000
Advance for purchase of inventories	117,199	159,362
Contribution to National Savings Fund	80,710	78,163
Prepayment	428,651	198,947
Retention money	-	97,854
Maintenance of IT equipment	1,438	-
	<b>4,382,681</b>	<b>7,731,748</b>

## Notes to the Financial Statements

for the financial year ended 30 June 2018

### Note 13. Non-current liabilities

	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs
Bank Sick Leaves	38,792,603	37,641,512
Passage Benefit -Long Term	9,015,620	8,165,408
	47,808,223	45,806,920

### Note 14. Capital Grants

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

	Rs	Rs
Opening Balance	5,092,397	4,951,523
Capital Grant	1,600,687	1,553,383
Deferred Income	(1,517,288)	(1,401,109)
Disposal	(19,323)	(11,400)
Closing Balance	5,156,473	5,092,397

### Note 15. Revenue from Consolidated Fund

	Rs	Restated Rs
Provision from estimates	160,000,000	157,800,000
Sick leave and Vacation Leave	2,696,647	4,668,661
Passage benefits	4,400,122	4,339,094
Salary of supporting staff	816,595	1,167,009
Commitments for the year	194,356	810,831
Financing of loss on disposal	19,044	4,700
Prepayment for last year	198,947	-
Mission and training abroad	792,304	1,407,085
Inventory last period	42,163	68,026
	169,160,178	170,265,406
Less:		
Capital expenditure out of recurrent	1,600,687	1,415,110
Commitments of last year	810,831	-
Provision from Estimates returned to Consolidated Funds	7,907,886	6,510,346
Adjustment for inventories	-	159,362
Retention Money last year	97,854	-
Prepayment	428,651	198,947
	10,845,909	8,283,765
	158,314,269	161,981,641



## Notes to the Financial Statements

*for the financial year ended 30 June 2018*

### 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.

	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs
Audit fees received during period	13,054,500	14,348,909
Audit Fees due beginning of period	(2,320,000)	(2,260,000)
Audit Fees due end of period	830,000	2,320,000
	<b>11,564,500</b>	<b>14,408,909</b>

### Note 17. Staff Costs

The monthly average staff cost for the financial year ended 30 June 2018 amounted to some Rs 12.4 million compared to the amount of Rs 12.6 million for last year.

	Year ended 30 June 2018	Restated Year ended 30 June 2017
	Rs	Rs
Salaries, bonus and Allowances	122,270,762	123,601,294
Provision for Passage Benefits	4,400,122	4,339,094
Travelling and Transport	21,140,462	22,217,817
Overtime	333,003	338,205
Staff Welfare	35,000	35,000
Uniform	18,560	22,300
Annual subscription to professional bodies for employees	842,605	768,745
	<b>149,040,514</b>	<b>151,322,455</b>

## Notes to the Financial Statements

*for the financial year ended 30 June 2018*

### Note 18. Training

Training costs include amount spent both on local and overseas training of staff. Sixteen officers attended six workshops and seminar overseas, four of which were fully sponsored by ITEC and China and AFROSAI-E. In the absence of necessary information, we could not measure this monetary assistance to us. The total cost incurred by the NAO on overseas training amounted to Rs 173,536.

### Note 19. Missions abroad

During the financial year ended 30 June 2018, six NAO officers went abroad to attend official missions. One of these officers was assigned to audit the accounts of one Mauritian Embassy abroad. NAO incurred total expenditure of Rs 618,768.

### Note 20. Rent and Utilities

	Year ended 30 June 2018	Year ended 30 June 2017
	Rs	Rs
Rent of building	4,352,209	4,352,209
Electricity charges	967,490	917,907
Telephone	325,896	350,756
Rental of parking slot	412,725	469,800
	6,058,320	6,090,672

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

Basically, expenditure is approved in annual Government Budget. The original budget for the financial year ended 30 June 2018 amounted to Rs 160 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 financial year ended 30 June 2018*

**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 60 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 and expenses are accounted on a cash basis. In accrual accounting, revenue and expenses only includes amounts corresponding to amounts accruing to the period. The difference is treated as payables and receivables.
- 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 for the financial year ended 30 June 2018 are recorded 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.





**National Audit Office**

Air Mauritius Centre, John Kennedy Street, Port Louis, Mauritius  
Tel: (230) 212 2096 Fax: (230) 211 0880 Web: <http://nao.govmu.org>

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