NATIONAL AUDIT OFFICE

30 June 2011

The Honourable Vice-Prime Minister, Minister of Finance and
Economic Development
Ministry of Finance and Economic Development
Government Centre
Port Louis

Hon. Vice-Prime Minister and Minister of Finance and Economic Development,

In accordance with good governance practice, the National Audit Office has prepared its Annual Report for the year 2010. I am pleased to present the report to be laid before the National Assembly.

Following its tabling in the National Assembly, the report will be placed on the homepage of the National Audit Office – http://nao.gov.mu.

Yours sincerely,

Dr. Rajun Jugurnath
Director of Audit

National Audit Office

Annual Report

1 January – 31 December 2010

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OUR VISION

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

OUR MISSION

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

Earning the respect of our stakeholders, we promote good governance by enhancing accountability and transparent administration in the public sector and we encourage social responsibility.

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

Corporate Profile

The National Audit Office

The National Audit Office (NAO) emerged in its present form since 1968, when Mauritius became independent. 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 the Government has mandated to carry the examination of the accounts of the Ministries and Departments on behalf of the Legislature has, since 1 August 2003, become known as the National Audit Office 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. The NAO is answerable to the National Assembly.

A government audit institution is referred to as a Supreme Audit Institution (SAI). 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. INTOSAI is an autonomous, independent and non-political organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

Duties

Section 110 of the Constitution 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.

Sections 16 and 19 of the Finance and Audit Act 1973, as amended provide that:

The Director of Audit shall satisfy himself

a) *That all reasonable precautions have been and are taken to safeguard the collection of public money;*

b) *That all laws, directions or instructions relating to public money have been and are duly observed;*

c) *That 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;*

d) *That 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, and*

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

Responsibilities

NAO is responsible for the audit of :

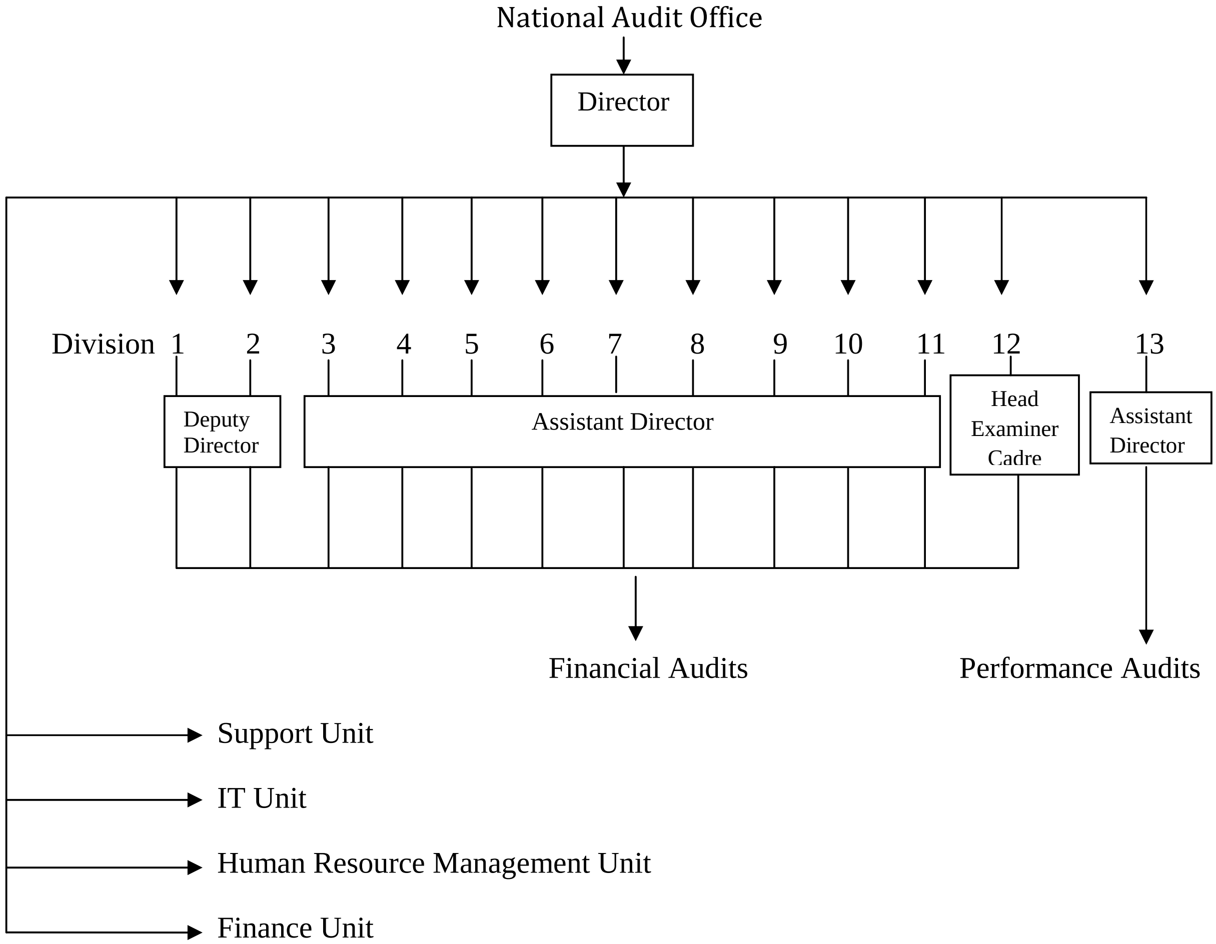
- All Government Ministries and Departments
- All Local Authorities,
- Most Statutory Bodies,
- The Rodrigues Regional Assembly,
- All Special Funds, and
- All donor-funded projects

The traditional task of Supreme Audit Institutions is to audit the legality and regularity of financial management and of accounting. In addition to this type of audit, SAIs are carrying out another important type of audit known as Performance Audit. Performance Audit is oriented towards examining the performance, economy, efficiency and effectiveness of public administration. Performance audit covers not only specific financial operations, but the full range of government activity, including both organisational and administrative systems.

In line with this declaration, the Finance and Audit Act has been amended to include Performance Audit in the mandate of NAO.

Organisational Set-up

The activities of NAO are grouped under 13 Divisions and four Units. Twelve of the thirteen Divisions have each a portfolio of mixed regularity audit assignments comprising audit of Ministries, Departments, Statutory Bodies, Local Authorities and Special Funds. The thirteenth Division is responsible for Performance Audit.



The four Units comprise two specialised and two administrative units. Of the two specialised units:

- One Unit, the Support Unit, is responsible for the audit of the financial statements of various International donor agencies and some small and medium size organisations. This unit which is under the responsibility of the Deputy Head of Examiners Cadre is also responsible for the audit of pensions of staff of Local Authorities and for the legal updates.

- The other Unit is responsible for IT. This Unit is under the responsibility of a Chief Examiner of Accounts.

Of the two administrative units, one is responsible for the administration of human resources and the other for the financial administration.

Each Division is managed by a Divisional Head, who may be a Deputy Director, an Assistant Director or the Head, Examiner of Accounts Cadre. In addition to managing a Division, the Deputy Directors of Audit deputise the Director of Audit and assist him in the management of the National Audit Office. The Assistant Directors and the Head, Examiner of Accounts Cadre, while managing their Divisions also assist the Director in the day to day management and supervision of audit assignments.

Finance

Government Ministries/Departments are not charged any fees for the audit of their accounts. In the case of the audit of accounts of Local Authorities, and Statutory Bodies, the NAO does charge a fee, but the whole revenue collected goes directly to the Consolidated Fund of the Republic. On the other hand, our expenses are wholly met by Government.

Senior Management Team

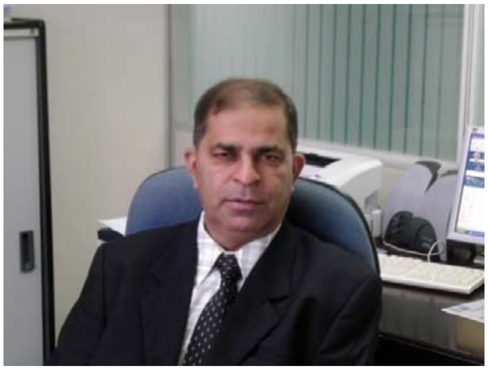
Fellow of the Association of Chartered Certified Accountants (FCCA), **Dr Rajun Jugurnath** is currently the Director of the National Audit Office. He holds a PhD in Business Administration, an MBA and the Certificate in Company Direction from the Institute of Directors of New Zealand.

Dr Jugurnath joined the National Audit Office in 1975. In 1991, he was appointed Director of the Management Audit Bureau. He served the Bureau for over 10 years before assuming his current position in 2002. In 1998 he was seconded to the PTA Bank, in Kenya, as Officer in Charge of Management and Internal Audit.

Fellow of the Association of Chartered Certified Accountants (FCCA), UK and Member of the Association of Government Accountants, USA, **Mrs Philise Tse Yuet Cheong** is also a Fellow of the International Auditor Fellowship Program of the Government Accountability Office (GAO), USA.

She joined the National Audit Office in 1980. She was first appointed Auditor, and following subsequent promotions, she holds the post of Deputy Director of Audit since 1995.

Fellow of the Association of Chartered Certified Accountants (FCCA) and a certified quality assurance reviewer on financial audits for AFROSAI region, **Mr P. K. Napaul** joined the National Audit Office in1977 as Trainee Examiner of Accounts.



He was appointed Auditor in April 1989. He has served in a number of positions in the National Audit Office until promoted to Deputy Director of Audit in 2001.

Mrs K.C. Chan Moo Lun is a Fellow of the Association of Chartered Certified Accountants (FCCA). She joined the National Audit Office in July 1978 as Trainee Examiner of Accounts. She was appointed Auditor in February 1990 and successively promoted Senior and Principal Auditor. In July 2001, she was appointed Assistant Director of Audit.

Mr C.Q.S. Chan Hon Sen is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a member of the Mauritius Institute of Professional Accountants. He joined the National Audit Office as Trainee Examiner of Accounts in June 1981.

Mr Chan Hon Sen formed part of the team responsible for the audit of SADC Institutions during the period 1998 – 2000. He was appointed Principal Auditor in March 1991 and Assistant Director of Audit in July 2001.

Mr Khemraj Reetun, Assistant Director of Audit, is a Fellow of the ACCA and holds an MBA. He was the past Chairperson of the MIPA, Board member of FRC, past board member and President of ACCA. He has contributed much to implementing a paperless audit office, a risk and IAS based audit methodology, an IPSAS based financial system, an Information Security management System and a Quality Assurance system in the NAO.

Mr Reetun has international audit exposure and has facilitated workshops on capacity building in the African region. Khemraj is a freelance consultant and trainer.

Mrs L.F.L. Chung Chun Lam is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a member of the Mauritius Institute of Professional Accountants.

She started her career in the National Audit Office as Trainee Examiner of Accounts in June 1979. She gradually climbed up the ladder and became Assistant Director of Audit in 2003.

Mr A. Abdool Gaffoor is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a Master Degree in Business Administration (Finance). He has been in the Auditing field for more than 23 years. He started at Bacha & Bacha Chartered Accountants before joining the National Audit Office in 1987. He was appointed Assistant Director of Audit in July 2003. In 1992 he had a short spell at the Industrial & Vocational Training Board as Internal Auditor. He is a freelance lecturer for ACCA courses.

Mr Deoduth Ramkishore is a Fellow of the Association of Chartered Certified Accountants (FCCA), and a member of the Mauritius Institute of Professional Accountants. He joined the Civil Service in March 1983 and the National Audit Office in August 1987.

He obtained the ACCA qualification in December 1991. He was appointed Principal Auditor in July 2000 and Assistant Director of Audit since July 2003. He is a freelance lecturer for ACCA courses

Mr. Toolsee Dodah is a Fellow of the Association of Chartered Certified Accountants (FCCA) and member of the Mauritius Institute of Professional Accountants. He joined the Civil Service in 1981 and the National Audit Office in September 1987. During November 1992 to October 1993 he worked as Accounting Technician at the Management Audit Bureau. He was appointed Principal Auditor in May 2001 and Assistant Director of Audit in July 2004.

Mr Lutchmanen Appasamy, Assistant Director of Audit, is a Fellow of the Association of Chartered Certified Accountants (FCCA), holder of an MBA (Finance) a member of the Mauritius Institute of Professional Accountants (MIPA). In 2006, he was accredited as a Training Specialist by the IDI (INTOSAI Development Initiative).

He joined the Civil Service in October 1980 and worked at the Meteorological Services and the Civil Aviation Department before joining the National Audit Office since June 1981. He was also designated to serve the Economic Crime Office (now replaced by ICAC) till June 2001. He holds his current position since July 2004. He was also designated to serve the Economic Crime Office (now replaced by ICAC) till June 2001.

Mr. Yamesh Lukkhoo is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a Master Degree in Business Administration. He is also a member of the Mauritius Institute of Professional Accountants. He joined the Civil Service in July 1990 as Planning Assistant at the Ministry of Housing before joining the National Audit Office in April 1992 as Trainee Examiner of Accounts He was appointed Principal Auditor in July 2003 and Assistant Director of Audit (temporary) in July 2009.

Mrs M.L.Wong Chow Ming, Ag. Assistant Director of Audit, is a Fellow of the Association of Chartered Certified Accountants (FCCA). She also completed the Certification Programme in Public Procurement.

She joined the Civil Service in February 1982 as Clerical Officer at the Central Statistical Office. In September 1987 she joined the National Audit Office as Trainee Examiner of Accounts. After qualifying as an accountant she was appointed Auditor in 1995. In July 2003 she was promoted to Principal Auditor and as from 2008 she has been assigned duties as Assistant Director of Audit.

Mrs Coontee Munoruth joined the Civil Service in 1971. She started her career as Extra Clerical Assistant at the National Audit Office. She has since served the Office except for a spell of 2 years at the Ministry of Health. Over the years she progressed to appointment as Head, Examiner of Accounts Cadre in 2009.

Overview of the Director of Audit

INCOSAI 2010

INTOSAI holds a triennial congress entitled the International Congress of Supreme Audit Institutions (INCOSAI). This congress offers all INTOSAI members an opportunity to share experiences, discuss issues, and pass resolutions and recommendations to improve government accountability worldwide.

The XX INCOSAI was organised by the South African SAI, in Johannesburg, South Africa from 22-27 November 2010. It was attended by about 500 delegates representing around 152 SAIs, as well as 104 heads of SAIs and 54 observers.

A key moment of this INCOSAI was the reaffirmation of INTOSAI that it exists to improve the lives of citizens.

The themes and one topic deliberated at XX INCOSAI were:

Theme I : The Value and Benefits of Supreme Audit Institutions
Theme II: Environmental Auditing and Sustainable Development and
The South African Declaration on the International Standards of Supreme Audit Institutions (ISSAIs).

Summary and Recommendations on Value and Benefits of SAIs

- Accountability and transparency is an indispensable part of a democracy.
- The overall objective of independent audits is therefore to make a difference in the lives of citizens by contributing to trust, efficiency and effectiveness. An independent and effective SAI is accordingly a necessary precondition for democracy.
- The role of SAIs is firstly to support democracy and assist parliamentary oversight in ensuring that the money intended for the benefit of the citizens and civil society is well spent.
- The need for SAIs to be institutionally independent, both financially and in the visible independence of its members, for ensuring proper accountability on the part of all those in leadership and governance roles.
- There should be a greater emphasis on consideration by the SAIs of the needs of the citizen during the execution of their mandate in order to ensure that the work of the SAI has a positive impact on the quality of life of the citizen.

Summary and Recommendations on Environmental Auditing and Sustainable Development

- Sustainable development requires the world to take concerted action in the following three key areas: conservation of natural resources and the environment, economic growth and equity, and social progress.

- The environmental pillar of sustainable development is the fundamental element that supports human subsistence and provides the basis for economic development and social progress.
- The role of the SAIs in the audit of sustainable development commitments by governments should be intensified. Where possible, SAIs should collaborate and communicate the results of such audits to interested international organisations.
- Increased international awareness of environmental auditing.
- The need for developments in environmental accounting and frameworks for reporting on sustainable development.

The South African Declaration on the International Standards of Supreme Audit Institutions

INTOSAI has developed and endorsed an ISSAI framework which contains a comprehensive set of International Standards of Supreme Audit Institutions (ISSAIs) and INTOSAI guidance on good governance (INTOSAI GOVs).

INCOSAI emphasised the importance of the ISSAIs and INTOSAI GOVs by issuing the "South African Declaration on International Standards for SAIs". With the adoption of over 40 new ISSAIs and INTOSAI GOVs, INTOSAI now – for the first time – has a comprehensive framework of international auditing standards, which the individual SAIs can use as a reference point for their activities. INCOSAI also underlined the need to use and apply these standards and guidelines in a practical context.

Conference on Strengthening External Public Auditing in INTOSAI Regions, in Vienna, May 2010.

Much emphasis was placed on the role played by SAIs within the system of checks and balances of the state powers in democracies, ensuring efficient and transparent government and accountability, and promoting good governance.

It was repeatedly stressed that independence is a fundamental prerequisite for the effective delivery of SAI tasks. The conference re-endorsed INTOSAI's objective of incorporating the basic principles on independence as laid down in the Lima and Mexico Declarations in a United Nations document with the aim of incorporating them in international law

21st Conference of Commonwealth Auditors-General

The 21st Conference of Commonwealth Auditors-General was held in Windhoek, Namibia, from 10 to 13 April 2011. The conference themes were:

Theme 1: Strengthening Financial Management in the Public Sector
Theme 2: Aligning Institutional Capacity and Performance of SAIs

Key Recommendations on Strengthening Financial Management in the Public Sector

1. SAIs should consider recommending to their governments to adopt national and international standards such as IPSAS.

2. SAIs should consider recommending to their governments to move towards accrual accounting.

3. The budget process should be transparent, consultative and should involve all stakeholders. It should focus more on outputs, rather than on processes and inputs.

4. Financial laws and regulations should stipulate responsibilities of accounting officers as well as establishment of internal control systems which include an internal audit function and audit committees.

5. Improving public financial management can only be achieved if there are institutions responsible for monitoring and overseeing public funds, such as SAIs and Parliament.

6. The effectiveness of the country's financial management could be enhanced through strong institutional capacity of the SAI.

Key Recommendations on Aligning Institutional Capacity and Performance of SAIs

1. The Framework for Communicating and Promoting the Value and Benefit of SAIs, endorsed by INCOSAI XX in 2010, is noted as an important document in promoting and building a SAI as an independent model institution.

2. Capacity building is not an end in itself, but is to be aligned to the improvement of performance of SAIs in order to meet expectations of stakeholders.

3. For capacity building to be aligned with performance of SAIs, it is essential that adequate legislative provisions exist that ensure functional independence of SAIs, in terms of the Lima and Mexico Declarations.

Conclusion

SAIs serve as important pillars of their national democratic systems and play a pivotal role in enhancing public sector performance, emphasizing the importance of the principles of good governance, transparency and accountability. The main role is to support democracy and assist parliamentary oversight in ensuring that the money intended for the benefit of the citizens and civil society is well spent. To be able to accomplish this role objectively and effectively it is indispensable that SAIs should be institutionally independent, both financially and functionally. Taking into account the increased interest from external and internal stakeholders, INTOSAI recognizes the need to increasingly demonstrate the value and benefits that SAIs provide.

Environmental protection and sustainable development is one of the most topical issues that face governments in the new millennium. The INTOSAI community has recognised the relevance of this topic. As a result, SAIs are playing an important role in improving national sustainable development strategies and relevant international and national laws and policies through environmental audits.

Improving public financial management can only be achieved if there are institutions responsible for monitoring and overseeing public funds, such as SAIs and Parliament.

Statement of Corporate Governance

The focus of governance in the private sector is on the board of directors. Public sector entities operate in different statutory and managerial frameworks. They are accountable to various stakeholders, including Ministers, Parliament, customers and clients, and the general public. Central government departments do not have a "Board" that serves as a governing body. In central government, there is a separation of executive and legislative functions. Parliament is usually responsible to ensure that statutory accountability of the Executive is properly discharged, that there is clear accountability for public money and clarity about roles and responsibilities of the Executive and Legislature.

Principles of Governance in the Public Sector

The Cadbury report identified the three fundamental principles of corporate governance:

- openness
- integrity
- accountability

These fundamental principles are reflected in each of the "dimensions" of the governance of public sector entities:

- standards of behaviour
- organisational structures and processes
- financial report and internal controls

Standard of behaviour

1. *Codes of Conduct*

   Staff members of NAO are required to adhere to the Code of Ethics (the Code) issued by Government and the Code of Ethics of, a comprehensive statement of the values and principles. We ensure that all staff adhere to these codes.

2. *Objectivity, Integrity and Honesty*

   Objectivity, integrity and honesty are maintained when auditors perform their work and make decisions that are consistent with the broader interest of those relying on the auditors' report, including the public. At NAO, we are totally committed to the principles of objectivity, integrity and honesty to inspire public confidence and trust.

Organisational structures and processes

1. *Statutory Accountability*

   NAO has been consistently submitting its report every year, and that too, within the statutory date limit. The Finance and Audit Act requires the Director to submit his report within eight months of the close of the fiscal year. However, since 2002, the Audit Report is being submitted between five to six months after the close of the fiscal year.

2. *Accountability for Public Money*

   NAO, being the Supreme Audit Institution, has a direct interest in effective accountability arrangements. It is our prime duty to ensure proper accountability for public money. Like other Government Ministries and Departments, our budget is derived from the Annual Estimates of the Government approved by the National Assembly. We comply with rules set out for expenditure and revenue in the Financial Management Manual. We ensure that the public funds entrusted to us are properly safeguarded, used economically, efficiently and effectively and for the purpose for which they were intended.

3. *Roles and Responsibilities*

   Clarity over roles and responsibilities helps ensure that everyone knows his responsibilities and what is expected of him. At NAO, each grade has its Scheme of Service, and each staff member is provided with a copy of his Scheme of Service together with a Manual of Instructions where roles and responsibilities are clearly laid down.

Financial report and internal controls

1. *Annual Reporting*

   NAO is not under any statutory obligation to prepare its financial statements. However, in an endeavour to lead by example and to promote Good Governance in the Civil Service, NAO has been preparing its Financial Statements since fiscal year 2000-01. NAO has gone even further by publishing its Annual Report since 2006-07. The financial statements have always been subjected to scrutiny by an external audit firm. The Annual Reports have all been laid before the National Assembly.

2. *Internal Controls*

   In line with Government policy, NAO complies with the requirements of the Financial Management Manual, which sets out the framework for effective financial management and control in the public service.

3. *Risk Management*

   The following strategic risks have been identified:

   - Failure to meet the statutory date limit for submission of my Audit Report on the accounts of the Government to the National Assembly

- Failure to meet the target set in respect of completion of the Annual Work Programme
- Failure to manage the resources voted by the National Assembly efficiently and effectively
- The risk that our staff lack the technical and other skills our audit work requires
- Damage to the reputation and integrity of the National Audit Office.

<u>Strategic risk mitigation actions</u>

The key mitigation actions are:

- Adhering to professional auditing standards
- Setting up of a Quality Assurance Unit
- Ongoing training and development of our staff

4. External Auditors

Presently, there is no provision for the audit of the NAO. Nevertheless, as it is for most SAIs around the world, in the name of good governance, NAO gets its financial statements audited by an accounting firm.

Audit Activities and Performance for the Year

Strategic Plan 2007 – 2010

At the end of December 2010 we reached the end of our Strategic Plan for the period 1July 2007 to 31 December 2010. The Plan had four goals comprising 10 strategies and 31 key activities. At the end of December 2010, Goals 1, 2 and 4 were practically completed while Goal 3 was 50% completed. Two activities of Goal 1, namely the setting up of a Research and Development Cell and conducting of internal peer review could not be realised because of lack of staff. NAO did not obtain the approval of the Ministry of Civil Service Affairs and Administrative Reforms and the Ministry of Finance and Economic Development for the recruitment of additional staff. Activity 1.1.4 – To prepare compliance checklists for International Standards of Supreme Audit Institutions (ISSAIs) could not be undertaken because ISSAIs were approved and endorsed by the INCOSAI in November 2010. Strategy 3.1 – To provide an environment where people will be proud to work – could not be implemented as there was a lack of interest from staff members on the main activities under this strategy.

In all, 23 activities were completed, that is a performance of 74 % activities completed (See Appendix 1 at the end of this chapter for detailed achievements).

Financial Audits

The portfolio of the National Audit Office for the year ended 31 December 2010 comprised:

	No. of Units		
	Total	*Large*	*Small*
Ministries	22	12	10
Autonomous Departments	38	19	19
Statutory Bodies	106	56	50
Local Authorities	133	9	124
Special Funds	36	-	36
Rodrigues Regional Assembly	7	7	-
Total	**342**	**103**	**239**

Thus, the NAO was responsible for the audit of 342 units. It is to be noted that 12 of the 22 Ministries comprised at least 2 Divisions. For example Ministry of Tourism, Leisure and External Communication had the Tourism and Leisure Division and the External Communication Division. Similarly, the Ministry of Business Enterprise and Cooperatives comprised the Business Enterprise Division and the Cooperatives Division. Furthermore, some of the ministries and departments comprise many units and sub- units. For example, the Ministry of Education, Culture and Human Resources has four zones. Each zone has under its responsibility a number of primary and secondary schools, which we have to audit. Similarly, the Ministry of Health and Quality of Life has five Regions each with a few hospitals and a number of Area Health Centres, Community Health Centres, Health Offices etc. Idem for the Ministries of Agro Industry, Food Protection and Security, Social Security, National Solidarity and Senior Citizens Welfare & Reform Institutions, Public Infrastructure, Land Transport & Shipping, Labour, Industrial Relations and Employment, Youth and Sports and Police Department. If these sub-units are added, the NAO had the responsibility to audit around 1,500 units and sub-units.

Most of the sub-units are spread out around the whole island. Many of them are very small in terms of annual financial expenditure and low in terms of audit risks, while others, for example Area Health Centres, some State Secondary Schools, Police District Head Quarters etc, are quite big but medium in term of audit risks. The staffdays required to audit these sub-units range from one to 50. Because of lack of human resources and low audit risks, these sub-units are audited on a five-year rotation basis, though it would be preferable to have a rotation period of three years.

For the year 2010 we have completed the audit of the head office of all ministries and large departments. Some units and sub units of ministries and departments, as well as some autonomous departments, were also audited as planned.

The audits of Statutory Bodies, Local Authorities and Special Funds are undertaken only after receipt of their approved financial statements. With the change in the fiscal year, Statutory Bodies were required to prepare financial statements for the eighteen months period ending 31 December 2010. These financial statements were due for submission for audit by the end of March 2011. For the year 2010, we have audited, mainly, financial statements relating to fiscal year ending 30 June 2009 and six months period ending 31 December 2009 as well as those of previous years submitted during this period.

For the year under review, we have completed the audit of 273 accounts against the 309 accounts planned, as follows:

Total Accounts

	Min/Depts		***RRA***	***S. Bodies***		***L. A***		***S. Funds***	***Others***	***Total***
	L	*S*		*L*	*S*	*L*	*S*			
Planned	31	15	7	50	25	9	124	33	15	3**09**
Completed	31	15	7	38	23	9	124	16	10	2**73**
% Completed	**100**	**100**	**100**	**76**	**92**	**100**	**100**	**48**	**67**	**88**

Note: Min - Ministries
Depts - Departments
RRA - Rodrigues Regional Assembly
S. Bodies - Statutory Bodies
L. A - Local Authorities
S. Funds - Special Funds
Others - Includes International Donor Agencies Funds, Religious bodies and other ad-hoc audits.
L - Large
S - Small

In addition, NAO is responsible for the pre-audit of pensions for Local Authorities. During this period, some 225 cases of pensions have been examined.

As explained above, regarding ministries and departments, the audit coverage included the head office of all ministries and large departments as well as around 20 % of their units and sub-units (based on our rotation policy of 5 years). The non-completion of the audit of the other units and sub-units has been mainly due to lack of adequate staff. In respect of statutory bodies and special funds, the number of audits planned for the year was based on the availability of resources and the possibility of very late submission or non-submission of financial statements by some statutory bodies. The non-completion of the audit of 24% large and 8% of small statutory bodies is mainly due to the non submission of financial statements for audit purposes and partly due to lack of staff. The overall percentage of completion is 88 compared to 82 last year.

Performance Audits

The Finance and Audit Act 1973, was amended to provide the Director of Audit with the mandate to carry out Performance Audit. To reinforce the capacity of NAO for carrying out Performance Audits, necessary training was disseminated to 18 Officers by the National Audit Office of UK.

In June 2010, three assignments were completed, agreed with the auditees and laid before the National Assembly. Five new assignments were undertaken after June 2010. These are:

1. Is fleet administration ensuring efficient and effective provision of the right passenger vehicles available to the right people at the right time?

2. Decommissioning and disposal of ICT equipment in the public sector.

3. Are our EEZ fisheries resources, both in and off lagoon, being effectively managed and developed?

4. Are the solid waste transfer stations being managed and operated efficiently and effectively?

5. Are the services of the Ministry efficient and effective for livestock production and development to ensure food security?

These audits are still in progress and it is expected to be completed by September 2011.

Finance

NAO resources are used to employ some 160 staff, and provide the infrastructure and support necessary to operate the office effectively.

We managed our resources efficiently in 2010 and spent Rs 87.6 million in providing audit and other assurance services throughout the year. Income generated from fee-paying audits amounted to some Rs 10 million.

The revenue generated in term of audit fee and our total expenditure for the last five financial years, on a cash basis, have been as follows:

	2005-06	**2006-07**	**2007-08**	**18 months ending 31 Dec 2009**	**2010**
Revenue	Rs 3,778,500	Rs 5,674,000	Rs 7,778,000	Rs 18,261,500	**Rs 10,021,850**
Expenditure	52,931,077	54,994,704	61,419,828	123,242,635	**87,598,610**

Financial Performance

Total revenues from Audit fees reached Rs 8.7 million for the year 2010 against Rs 21.7 million for the 18 months period to 31 December 2009. Total expenses paid reached Rs 87.6 million for the year 2010 against Rs 123.2 million for the 18 months period to 31 December 2009. There has been a slight increase in expenditure for the year. This is mainly attributable to yearly salary increment, and increase in travelling allowances and cost of utilities.

Financial Position

NAO's financial position as at December 31, 2010 reflects a slight increase in total assets from the prior year. This increase is primarily attributable to the replacement of motor vehicle for the Director of Audit and purchase of additional laptops.

Outturn

For the year 2010, we have spent Rs 87.6 million against the revised budgeted amount of Rs 88.3 million as shown below:

		Revised Budget Rs	**Outturn Rs**
Programme I	Statutory and Regulatory Audit	80,375,000	79,750,815
Programme II	Performance Audit	7,935,000	7,847,795
Total		**88,310,000**	**87,598,610**

Outturn for the period has been presented on a cash basis. Reasons for variances between budgets and outturn are explained on page 49.

Training

During the year, all staff have been provided with varying amount of training. Some 7,400 hours of training, in-house and in local training institutions, were expended to all staff. In addition, 15 officers attended training abroad for a total of 1626 hours. On average, the number of hours of training provided were 62 per head. The total expenditure on training for the period was Rs 46,000. The average expenditure on training on each member staff during the year was around Rs 300. This is quite low. This year again, the high number of hours of training providing at such a low cost was possible due to the training provided, free of charge, by our own staff and by colleagues from other accounting firms and training institutes.

Strategic Plan 2011 - 2013

This year, we have started the implementation of our Strategic Plan 2011-13. This new strategic plan reflects the spirit, values, goals, and priorities of NAO and has been built on the foundation of "Quality of Service".

In accordance with our strategic intent, this strategic plan focuses on independence, the use of information technology in auditing and outlines our key intentions and commitments for the next three years to deliver high quality audit and value added services

The commitment to excellence and best practice in the plan exemplifies the strength of our staff.

Challenges Ahead

Citizens are increasingly demanding that SAIs go beyond judgments of compliance and accuracy to also evaluate the performance of ministries and departments and the value for money obtained through their activities. They expect the SAIs' role to include considerations of how well government bodies perform their work, typically looking at the economy, efficiency, and effectiveness of service delivery.

On the other hand, SAIs have also been challenged by the poor links between the audit function and the exercise of legislative and budgetary power. SAIs have found that it is not sufficient for them to identify errors, possible fraud or examples of poor financial management, but that it is also necessary to identify ways to ensure that their findings are acted upon by the Executive. Given the constraints under which many SAIs operate, it is argued that the Legislature can play an important role in helping SAIs respond to these challenges. Indeed, it is, more and more, being recognised that a key role of the Legislature is to give political support in enforcing audit findings and recommendations. At least in Parliamentary systems, audit recommendations have little force until they have been endorsed by the Legislature.

As mentioned above, the demand is growing for SAIs to go beyond only assessing the financial management process and to start evaluating the value added by government actions. Audit is expected to have more focus on the quality of governance and on the critical and objective appraisal of the effectiveness of various public policy programmes, that is SAIs should shift their focus to Performance audits.

Reports of poor quality and wasteful spending on infrastructure projects abound. Some of this waste could be detected through financial and compliance audits, but problems such as the usage of inferior and insufficient building materials, purchase of poor quality school text books or poor treatment of patients at clinics require Performance Audits.

Appendix 1

Strategic Plan 2007- 2010 – Achievements

Key Activities		Output Indicators	Time Frame	Progress
Goal 1		**TO ENHANCE THE QUALITY AND STANDARD OF OUR AUDIT**		
Strategy 1.1		***To re-engineer our Audit Methodology.***		
1.1.1	To put in place a new Regulatory Audit Manual.	A modern Regulatory Audit Manual	1 to 31 August 2007	Completed
1.1.2	To review our Audit Methodology and Audit Programmes in accordance with Risk-based Audit	A new financial audit methodology A revised set of audit programmes	1 August to 30 September 2007 1 November 2007 to 29 February 2008	Risk-based audit methodology re-introduced in July 2009 revised set of audit programmes for parastatal bodies introduced
1.1.3	To prepare Disclosure Checklists for International Financial Reporting Standards (IFRS).	A set of Checklists on IFRS.	Mid November 2007 to Mid December 2007.	Done.
1.1.4	To prepare compliance checklists for International Standards of Supreme Audit Institutions. (ISSAIs)	A set of checklists on ISSAIs.	1 January 2008 to 30 June 2008.	Have ISSAIs adopted as from June 2011
1.1.5	To put in place a Research and Development Cell.	A Research and Development Cell	By end of July 2007	Not done. No Staff available
Strategy 1.2		***To establish a Quality Assurance Process.***		
1.2.1	To develop a Quality Manual	A Quality Manual	1 November 2007 to 30 April 2008	Done
1.2.2	To have internal Peer Reviews periodically.	Internal Peer Review Reports	Yearly as from January 2009	Not done. Quality Assurance Unit not yet set up. No staff available
1.2.3	To have external Peer Reviews	External Peer Review Reports	Once every three years as from Mid- June 2010	Done in 2010

Strategy 1.3		To provide guidance on the application of Professional Standards and Best Practices.		
Key Activities		**Output Indicators**	**Time Frame**	**Progress**
1.3.1	To provide staff with technical training locally.	At least 10 hours of training to NAO staff yearly.	Between 1 January and 31 March	Done
1.3.2	To provide on-the-job training to field staff through Coaching and Mentoring	Improvement noted in the Assignment Reports	On going As from 1 September 2007	Done
Strategy 1.4		***To ensure the sustainability of Staff Development***		
1.4.1	To introduce an open Performance Management System to enable assessment of training needs.	Training and development Needs Analysis on an annual basis	As from 1 January 2008	Done
1.4.2	To explore opportunity for staff to attend workshops and training programmes at international level.	At least 3 members of staff attending workshops at International Level yearly	As from 1 January 2008	Done
1.4.3	To provide continuous training on soft skills locally	At least 5 hours of training on soft skills yearly	As from 1 January 2008	Done
Strategy 1.5		***To set up an internal ICT strategy to promote knowledge and experience sharing***		
1.5.1	To develop an Intranet Library.	A virtual reference library in place	1 July 2008 to 31 December 2008	Done & on going
1.5.2	IT Unit to search for latest developments concerning ICT solutions in Audit.	Reports from IT Unit	On-going As from 1 July 2007	On going

Key Activities		Output Indicators	Time Frame	Progress
Goal 2		**TO IMPROVE OUR SERVICES AND PROMOTE BETTER RELATIONSHIP WITH OUR CUSTOMERS**		
Strategy 2.1		***To complete our audits in a timely manner.***		
2.1.1	To develop an audit approach that will enable us to meet Departmental deadlines to be set in our policies	Handbook on Departmental Policies	1 November 2007 to 31 December 2007	Done
2.1.2	To set up a system for the monitoring of audit assignments	System put in place	1 to 31 August 2007	Done
Strategy 2.2		***To entertain constructive relationship with our customers***		
2.2.1	To lay down procedures for entry and exit conference	Set of procedures for entry / exit conference.	1 to 31 July 2007	Done
2.2.2	To design a framework to carry out customer satisfaction surveys.	Survey Forms	1 December 2007 to 29 February 2008	Done
2.2.3	To assign responsibility to a team to carry the survey and make recommendations for remedial actions based on feedback from stakeholders.	Remedial Measures recommended	1 January 2009 to 28 February 2009	With the change in Audit methodology and audit programme the survey has been postponed for end 2011
2.2.4	To monitor implementation of remedial measures approved by Top Management.	Remedial measures implemented	On going as from March 2009	

Key Activities		Output Indicators	Time Frame	Progress
Goal 3		**TO TRANSFORM THE NAO FROM A GOOD TO A GREAT PLACE TO WORK**		
Strategy 3.1		***To provide an environment where people will be proud to work***		
3.1.1	To design and conduct annual employee opinion surveys.	Employee Survey Reports.	1 December 2008 to 31 January 2009	Not Done
3.1.2	To promote excellence through providing recognition and competency-based rewards.	Certificates awarded and improvement in employee satisfaction noted.	On going As from 1 January 2008.	Not Done
3.1.3	To set up a Suggestion Scheme to improve work and working conditions	Suggestion Scheme.	1 December 2007 to 31 January 2008	Not Done
Strategy 3.2		***To build team spirit through staff participation in common activities***		
3.2.1	To organize a Family Sports Day.	Staff participation	Each year in August	Done
3.2.2	To organize social and recreational events for staff.	Social events held	Each year in April and December	Done
3.2.3.	To promote staff's participation in activities organized by the Public Officers Welfare Council.	Number of staff participating.	On going	Done

Key Activities		Output Indicators	Time Frame	Progress
Goal 4		**TO STRENGTHEN THE NAO's CAPABILITY TO MEET THE CHALLENGES OF NEW AND EMERGING AUDITS**		
Strategy 4.1		***To set up appropriate frameworks for carrying out Performance and Environmental Audits***		
4.1.1	To update the regulatory framework with regard to Performance and Environmental audit in the Public Sector.	Draft Revised Legal Framework for Government, Statutory Bodies and Local Authorities	1 July 2007 to 31 October 2007	Done for government ministries and departments A new legislation is under preparation in 2011 to include Government, Statutory Bodies and Local Authorities
4.1.2	To put in place the Performance Audit Manual.	A Performance Audit Manual	1 to 29 February 2008	Done
4.1.3	To develop an audit approach for both Environmental and Performance Audit.	A handout on each of the Audit approaches	1 to 31 March 2008	Done
4.1.4	To carry out one Performance Audit and one Environmental Audit.	Reports issued	Yearly As from March 2008	Done as from 2010

Corporate Social Responsibility

Corporate social responsibility (CSR) is not a choice any longer. Employees expect it and organisations need it. In its Global Workforce Study, Towers Watson, a leading global professional services company that helps organizations improve performance, found that CSR is the third most important driver of employee engagement. They also found that when employees view their organization's commitment to socially responsible behaviour more favourably, they also tend to have more positive attitudes in other areas that correlate with better performance. Another research found that better staff morale was picked up as the most important business benefits of CSR.

As a government department, NAO does not have budget provision for corporate social responsibility. Yet, NAO encourages all members of staff to be good corporate citizens. In this respect, the staff has, from their own fund, set up, since the early 1970s, a Fund, now known as the National Audit Office Welfare Fund.

Over the years, it has been offering several programs to promote wellness and helps staff members achieve life balance. It operates in an economically and socially sustainable manner, and aims for transparency and accountability for its actions.

Our CSR policies are rooted in a range of motivation such as:

Altruism: Helping those in society less fortunate or disadvantaged in some way
Compliance: Procedures and policies established in the Civil Service and Code of ethics
As a lever to improve performance via motivated employees
Health and Safety
Training and Development
Communication and Consultation

During the period under review, the Fund organised /participated in the following activities:

Activities	**Date**
Randonne at Le Bouchon	March 2010
Civil Service Seven-a side Football Tournament	March 2010
Participation in Civil Service Football Tournament	April – July 2010
ACCA Seven-a side Football Tournament	July 2010
ACCA Badminton Tournament	July 2010
Internal Eight-a-side Football Tournament	July 2010
Sports Day	August 2010
End of Year Lunch	December 2010
Football among staff members	Every Wednesday
Aerobic and Yoga sessions for staff members	Every Friday

In addition, staff members have been encouraged to participate in activities organised by different public sector bodies, NGOs and other registered organisations such as the ACCA Mauritius.

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

For the year 2010

NAO has prepared financial statements for the year 2010 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 judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that NAO will continue in business.

The Director of Audit confirms that he has complied with the above requirements in preparing the financial statements for the year 2010.

The Director of Audit is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 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 his 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.

Dr. R. Jugurnath
Director of Audit

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INDEPENDENT AUDITORS' REPORT – NATIONAL AUDIT OFFICE

Report on the Financial Statements

We have audited the financial statements of National Audit Office on pages 49 to 75 which comprise the statement of financial position at 31 December 2010, the statement of outturn, the statement of financial performance, statement of income payable to the Consolidated Fund, statement of changes in equity and 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 other explanatory notes.

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 the pursuance of good governance and by applying International Public Sector Accounting Standards.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We report our opinion as to whether the financial statements are properly present the income and expenses of the National Audit Office, and whether in all material respects the income and expenses have been applied to the purposes intended by The National Assembly and conform to the authorities which govern them.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT – NATIONAL AUDIT OFFICE (CONTINUED)

Report on the Financial Statements (Continued)

Opinion

In our opinion,

- the financial statements properly present the financial performance, financial position 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.

Other matter

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.

KPMG
Licensed auditors

Subhas Pargus
Signing Partner

Ebène

Date: 30 JUN 2011

National Audit Office

[18 FEBRUARY 2011]

For the Fiscal Year Ended 31 December 2010

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Statement of Outturn

for the Fiscal Year ended 31 December 2010

	Programme I- Staturory- Regularity audit		Programme II- Performance Audit		Total	
	Revised Budget	**Actual Expenditure**	**Revised Budget**	**Actual Expenditure**	**Revised Budget**	**Actual Expenditure**
	Rs	Rs	Rs	Rs	Rs	Rs
Salaries and Allowances	60,395,000	60,212,603	6,680,000	6,630,310	67,075,000	66,842,913
Travelling &Transport	9,175,000	9,133,708	1,070,000	1,058,095	10,245,000	10,191,803
Overtime	185,000	179,380	-	-	185,000	179,380
Cost of Utilities	1,423,000	1,352,898	10,000	5,300	1,433,000	1,358,198
Rental of Building	4,352,300	4,352,209	-	-	4,352,300	4,352,209
Rental of parking slots	385,000	384,970	45,000	44,950	430,000	429,920
Equipment and furniture	995,000	993,480	-	-	995,000	993,480
Maintenance	2,050,000	1,873,736	-	-	2,050,000	1,873,736
Printing & Stationery	325,000	311,710	25,000	22,074	350,000	333,784
Books and Publications	215,000	196,819	15,000	12,995	230,000	209,814
Refund Subscription Fees	290,000	286,000	50,000	36,400	340,000	322,400
Membership fees	280,000	243,164	-	-	280,000	243,164
Miscellaneous Expenses less than Rs 100,000	304,700	230,138	40000	37671	344,700	267,809
Total	**80,375,000**	**79,750,815**	**7,935,000**	**7,847,795**	**88,310,000**	**87,598,610**

Outturn for the fiscal year 2010 has been presented on a cash basis .Reasons for variances between budgets and outturn are explained on page 57.

Statement of Income Payable to the Consolidated Fund

for the Fiscal Year ended 31 December 2010

	Budget Rs	Outturn Rs
Audit fees payable to the Consolidated fund	9,000,000	8,734,100
Audit fees due at 1 January 2010	-	4,145,000
Audit fees Prepaid at 1 January 2010	-	(140,000)
Audit fees due at 31 December 2010	-	(2,717,250)
Audit fees received during 2010	**9,000,000**	**10,021,850**

Statement of Financial Performance

for the Fiscal Year ended 31 December 2010

	Note	Year ended 31 December 2010 Rs	Period 1 July 2008 to 31 December 2009 Rs
Revenue			
Appropriation from Consolidated Fund	13	96,867,297	141,453,668
Deferred income		1,365,024	2,605,648
Total Revenue		**98,232,321**	**144,059,316**
Expenses			
Staff costs	14	85,463,651	125,746,358
Training		1,129,104	1,893,216
Mission Abroad	15	1,332,326	1,692,594
Rent and utilities	16	6,216,982	8,917,599
IT expenses		1,581,120	1,047,634
Supplies and Consumables		900,950	1,872,430 2
Subscriptions to international organizations		243,164	283,837
Depreciation and Amortization		1,365,024	2,605,648
Total Expenses		**98,232,321**	**144,059,316**
Surplus/Deficit for the period		-	-

The Notes to the Accounts from Page 58 to 75 form part of the financial statement.

Statement of Financial Position

as at 31 December 2010

ASSETS	Note	Year Ended 31 December 2010 Rs	Period 1 July 2008 to 31December 2010 Rs
Current assets			
Trade receivables	6	2,717,250	4,145,000
Other receivables	7	2,231,095	603,370
Inventories		69,177	51,680
		5,017,522	4,800,050
Non-current assets			
Long term receivables	8	26,754,954	25,909,711
Property, plant and equipment	9	4,003,701	2,770,947
Intangible assets	10	1,574,033	2,112,613
		32,332,688	30,793,271
Total assets		37,350,210	35,593,321
LIABILITIES			
Current liabilities			
Trade and other payables	11	5,017,522	4,800,050
		5,017,522	4,800,050
Non-current liabilities			
Sick leave obligations	12	22,682,780	20,782,646
Passage Benefit Obligations	12	4,072,174	5,127,065
		26,754,954	25,909,711
Total liabilities		31,772,476	30,709,761
Net Assets		5,577,734	4,883,560
EQUITY			
Contributed capital		5,577,734	4,883,560
		5,577,734	4,883,560

The Notes to the Accounts from pages *58 to 75* form part of the Financial Statement.

Dr R. Jugurnath
Director of Audit
Date: 18 February 2011

Statement of Changes in Equity

for the Fiscal Year ended 31 December 2010

	Year Ended 31 December 2010	Period 1 July 2008 to 31 December 2009
	Rs	**Rs**
Opening balance	4,883,560	5,474,553
Contributed capital	2,496,698	2,014,655
Deferred Income	(1,365,024)	(2,605,648)
Transfer of Non -Current Assets	(437,500)	-
Closing Balance	**5,577,734**	**4,883,560**

Statement of Cash Flows

For the fiscal year 1 January 2010 to 31 December 2010

	1 January 2010 -31 Dec 2010	1July 2008- 31 Dec 2009 - Rs
Operating activities		
Surplus/Deficit for the period	-	-
Adjustments for:		
Deferred income	1,365,024	(2,605,648)
Loss on disposal of assets	-	-
Depreciation	796,543	1,809,286
Amortisation	568,481	796,362
Change in trade and other receivables	(199,975)	(3,472,588)
Change in Inventories	(17,497)	(51,680)
Change in trade and other payables	217,472	3,524,268
Change in long term receivables	(845,243)	(10,707,160)
Change in sick leaves and passage benefit obligations	845,243	10,707,160
Cash flow used in operating activities	-	-
Investing activities		
Purchase of property, plant and equipment	(2,466,798)	(1,112,915)
Purchase of intangible assets	(29,900)	(901,740)
Cash used in investing activities	(2,496,698)	(2.014,655)
Financing activities		
Funds received for purchase of assets	2,466,798	1,112,915
Funds received for purchase of intangible assets	29,900	901,740
Cash generated from financing activities	2,496,698	2,014,655
Change in cash and cash equivalents	-	-
Cash and cash equivalents at start	-	-
Cash and cash equivalents at end	-	-

Statement of Budgets,Actual cash and Accrued Based-Amounts

for the Fiscal Year ended 31 December 2010

	Note	Original Budget	Revised Budget	Actual Received / Paid	Financial Statements
		Rs	Rs	Rs	Rs
Revenue					
Audit fees		9,000,000	-	10,021,850	8,729,100
Expenditure					
Salaries and Allowances		68,730,000	67,075,000	66,842,913	67,738,178
Travelling &Transport		9,400,000	10,245,000	10,191,803	10,152,843
Overtime		150,000	185,000	179,380	179,380
Staff Welfare		40,000	40,000	40,000	40,000
Cost of Utilities		1,545,000	1,433,000	1,358,198	1,440,028
Fuel & oil		25,000	35,000	28,815	28,815
Rental of Building		4,345,000	4,352,300	4,352,209	4,352,209
Rental of parking slots		430,000	430,000	429,920	424,745
Equipment and furniture		785,000	995,000	993,480	-
Offices Sundries		90,000	87,700	86,725	72,074
Maintenance		1,375,000	2,050,000	1,873,736	1,814,036
Printing & Stationery		325,000	350,000	333,784	316,286
Books and Publications		230,000	230,000	209,814	210,859
Fees for Training and consultants		110,000	65,000	45,931	37,065
Refund Subscription Fees		345,000	340,000	322,400	322,400
Inspection &Audit Fees		35,000	35,000	28,750	40,000
Uniform		20,000	32,000	30,588	30,588
Air tickets & Accommodation costs		20,000	20,000	7,000	37,552
Catering		30,000	30,000	-	-
Membership fees		280,000	280,000	243,164	243,164
Total Recurrent expenditure		88,310,000	88,310,000	87,598,610	87,480,222
Total Expenditure Capitalised					
Computers, Equipment and Software					998,337
Furniture					78,361
Total Expenditure		**88,310,000**	**88,310,000**	**87,598,610**	**88,556,920**

Statement showing reasons for variances between Original and Revised Budget

for the Fiscal Year ended 31 December 2010

Expenditure	Original budget Rs	Revised Budget Rs	Variation Rs	Comments
Salaries and Allowances	68,730,000	67,075,000	(1,655,000)	Savings was due to 12 existing vacancies of Examiner of Account not filled in the fiscal year.
Travelling &Transport	9,400,000	10,245,000	845,000	Duty Remission car Allowance and mileage allowance become payable as more officers became eligible
Overtime	150,000	185,000	35,000	To meet cost of printing of the Annual Audit report.
Staff Welfare	40,000	40,000	-	
Cost of Utilities	1,545,000	1,433,000	(112,000)	Savings were made in the item.
Fuel & oil	25,000	35,000	10,000	To meet running cost of vehicles.
Rental of Building	4,345,000	4,352,300	7,300	To cater for rental of Building
Rental of parking slots	430,000	430,000	-	
Equipment and furniture	785,000	995,000	210,000	To purchase Computers and furniture.
Offices Sundries	90,000	87,700	(2,300)	Savings were made to the item.
Maintenance	1,375,000	2,050,000	675,000	To pay for maintenance agreement of software due in 2009
Printing & Stationery	325,000	350,000	25,000	To purchase stationeries
Books and Publications	230,000	230,000	-	
Fees for Training and consultants	110,000	65,000	(45,000)	Savings were made to the item.
Refund Subscription Fees	345,000	340,000	(5,000)	Provision was reallocated to adjust payment of cost of fuel.
Inspection &Audit Fees	35,000	35,000	-	
Uniform	20,000	32,000	12,000	To meet cost of uniform.
Accomodation costs	20,000	20,000	-	
Catering	30,000	30,000	-	
Membership fees	280,000	280,000	-	
Total	**88,310,000**	**88,310,000**	**-**	

Statement showing Reconciliation of Actual Cash Flows with Financial Statements

for the Fiscal Year ended 31 December 2010

	Year ended 31 December 2010	Period 1 July 2008- 31 December 2009
	Rs	**Rs**
Actual Recurrent Expenditure as per statement of Outturn	87,598,609	123,242,635
Commitment for the period	231,095	156,803
Advance- inventories-December 2009	51,680	-
Non-budgeted items paid		
Sick leave annual payment	2,235,910	1,977,080
Sick leave annual payment-Non-NAO-staff	18,714	38,000
Fees paid from other ministries to NAO-staff	487,305	230,757
Salary of supporting staff	407,960	1,524,800
Mission Abroad	1,332,326	1,692,594
Capital financed by Ministry of Finance	-	250,000
Consultancy fees	1,092,040	15,720
Training financed by Ministry of Finance	-	1,735,400
Provisions		
Sick leave provision	2,062,679	9,417,104
Passage benefit obligations	2,645,406	3,615,983
Non-cash items		
Depreciation & Amortisation	1,365,024	2,605,648
	99,528,748	146,502,524
Commitment of last year-Dec 2009	(150,553)	(376,873)
Inventories- Dec 2010	(69,177)	(51680.00)
Additions to PPE & intangible Assets	(1,076,698)	(2014655.00)
Expenditure as per Statement of Financial Performance	**98,232,320**	**144,059,316**

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

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 the Government has mandated to carry out the examination of the accounts of the Ministries and Departments on behalf of the Legislature has become 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, the Rodrigues Regional Assembly, Religious Bodies, and foreign-funded projects.

The financial statements of the Director of Audit 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 Board (IPSASB) which is a Board of the International Federation of Accountants Committee (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 practices 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, the management are 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 Accounts

for the Fiscal Year ended 31 December 2010

Note 3. Adoption of IPSAS

The following Accounting Standards have been adopted prior to their required implementation dates : IPSAS 25: Employee Benefits is effective in January 2011, except for pensions.

There is no impact in the opening balances resulting from early adoption of IPSAS 25 as it was brought to accounts in the last financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods beginning on or after 10 January 2010 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. 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 National Assembly 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 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 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 Accounts

for the Fiscal Year ended 31 December 2010

Note 5. Accounting Policies (continued)

(b) Accrual accounting under IPSAS does not 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

Accounts receivable are recorded at their estimated realizable value after providing for doubtful and uncollectible debts.

(d) Leased assets

NAO does not have any 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 balance sheet 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 105 days, in a sick leave bank as at 31 December 2010. The balance of bank sick leave is valued at the end of the financial year and is recognised as long term payables. Beyond this ceiling of 105 days, officers are refunded part of the annual entitlement of sick leaves not taken at the end of every calendar year and 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 is included as long term payables. Previously, to the extent that claims were received for payments of passage benefits, the amount payable was transferred from long term to short term liabilities. For this fiscal year, based on past experience we transferred an amount of Rs 2 million from long term liabilities to short term liabilities to provide for any forthcoming payments of passage in the next fiscal year. The annual increase in passage benefits is expensed to the Statement of Financial Performance.

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 5. Accounting Policies (continued)

(f) Employee Entitlements (continued)

Other Post Employment Benefits

- ✓ Provision for accrued Vacation Leaves

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

- ✓ Retirement benefits

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

- ✓ Civil service family protection scheme

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

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

(g) Property, plant and equipment (PPE)

Recognition and measurement

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

Note 5. Accounting Policies (continued)

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

Where the carrying amount of an 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 an asset's net selling price or 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. A full year's depreciation is provided for assets purchased between 1 January and 30 June of each year and no depreciation provided for those assets purchased between 1 July and 31 December.

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 cost amortised. 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 an asset's net selling price or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus/(deficit) for the period.

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 5. 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 8 years

Licenses paid annually for the software as anti-viruses 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.

ll 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 net realisable value. Costs comprise all costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs to be incurred in selling.

(k) Contributed Capital

Contributed Capital received to finance acquisition of property, plant and equipment is recognized as deferred income and is released to the Statement of Financial Performance.

(l) Statement of Cash Flows

The Cash Flow Statement is prepared using the indirect method.

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 5. 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 a further five years with a monthly rental of Rs 361,790. Operating lease payments for the fiscal year 2010 ending December 31, 2010 totalled Rs 4,352,209. Obligations payable after balance date on non-cancellable operating leases are as follows:

	Amount Rs
Less than One Year	4,352,209
Later than one Year and not more than Five Years	20,681,317
Later than Five Years (*)	30,692,914
Total Operating Lease Obligations	55,726,440

* It is assumed that the NAO would renew its operating lease agreement with Air Mauritius Ltd five years after to continue stay in its present premises in Port Louis.

(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 date of the Statement of Financial Position.

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 Accounts

for the Fiscal Year ended 31 December 2010

Note 5. 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.

The Organisation 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 accounts receivable. NAO manages its exposure to credit risk by an effective debtors reporting system and maintaining credit control procedures over trade accounts receivable.

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 government secured. The interest rate risk associated with car loans to staff is considered minimal.

(q) Reclassifications

Certain reclassifications have been made to the financial statements for the fiscal year ended 31 December 2010 to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus.

(r) Events after the Statement of Financial Performance date

There were no major events after the Statement of Financial Performance date.

(s) Employee Disclosure

As at December 31, 2010, NAO had 161 full-time employees, out of which 17 are non-technical staff, and three others who are on leave without pay.

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 5. Accounting Policies (continued)

(t) Key Management Personnel

NAO is governed by a management with key personnel that includes the Director of Audit, two Deputies, ten Assistant Directors and one 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 14.5 million for the fiscal year 2010.

(u) Related Parties

For the purposes 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 in the NAO are granted duty free facilities and loans for purchase of a car as prescribed in the PRB reports. There were no other loans to key management personnel which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel.

Note 6.Trade Receivables

Trade receivables represent audit fees claimed and outstanding at the date of the Statement of Financial position

Note 7. Other receivables

	Year ended 31 December 2010	**Period 1 July 2008 to 31 December 2009**
	Rs	**Rs**
Bank sick leaves	-	108,800
Passage Benefits	2,000,000	197,767
Sundries	231,095	156,803
Audit feee prepaid by audit client and paid to Consolidated Funds	-	140,000
	2,231,095	**603,370**

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 8. Long term receivables

	Year ended 31 December 2010 Rs	Period 1 July 2008 to 31 December 2009 Rs
Bank sick leaves	22,682,780	20,782,646
Passage Benefit -Long term	4,072,174	5,127,065
	26,754,954	**25,909,711**

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 9. Property, Plant and Equipment

	Computer Equipment	Motor Vehicles	Furniture & fittings	Office Equipment	Total	Computer Equipment	Motor Vehicles	Furniture & fittings	Office Equipment	Total
	Year ended 31 December 2010					Period 1 July 2008 to 31 December 2009				
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Opening NBV	1,552,350	787,500	158,958	272,140	2,770,948	2,234,563	1,050,000	182,755	-	3,467,318
Additions	959,570	1,420,000	78,361	8,867	2,466,798	760,220	-	12,520	340,175	1,112,915
Disposal	-	(437,500)	-	-	(437,500)	-	-	-	-	-
Depreciation	528,880	175,000	24,630	68,035	796,545	1,442,433	262,500	36,317	68,035	1,809,285
Closing NBV	**1,983,040**	**1,595,000**	**212,689**	**212,972**	**4,003,701**	**1,552,350**	**787,500**	**158,958**	**272,140**	**2,770,948**
Cost	8,759,816	1,820,000	324,646	349,042	11,253,504	7,800,246	1,400,000	246,285	340,175	9,786,706
Accumulated depreciation	6,776,776	225,000	111,957	136,070	7,249,803	6,247,896	612,500	87,327	68,035	7,015,758
NBV	**1,983,040**	**1,595,000**	**212,689**	**212,972**	**4,003,701**	**1,552,350**	**787,500**	**158,958**	**272,140**	**2,770,948**

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 10. Intangible Assets

	Software Year Ended 31 December 2010	Software Period 1 July 2008 to 31 December 2009
	Rs	**Rs**
Opening NBV	2,112,614	2,007,235
Additions	29,900	901,740
Depreciation	568,481	796,361
Closing NBV	**1,574,033**	**2,112,614**
Cost	4,577,740	4,547,840
Accumulated Depreciation	3,003,707	2,435,226
Net book Value	**1,574,033**	**2,112,614**

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 11. Trade and other payables

The 'Audit fee payable to Consolidated Funds' represent audit fees that have already been claimed to auditees and, as a revenue to Government, is payable on its receipts, to the Accountant General. Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed not yet invoiced. Payables for accrued sick leave and passage benefits primarily represent amount claimed by staff at 31st December 2010.

	Year ended 31 December 2010	**Period 1 July 2008- 31 December 2009**
	Rs	**Rs**
Audit fee payable to Consolidated Funds	2,717,250	4,145,000
Travelling and transport	54,657	63,065
Audit fee	40,000	35,000
Rent	-	5,175
Telephone	37,691	46,433
Electricity	90,572	-
Publications	8,175	7,130
Sick leaves	-	108,800
Passage benefits	2,000,000	197,767
Prepayment audit fees	-	140,000
Advance for purchase of inventories	69,177	51,680
	5,017,522	**4,800,050**

Note 12. Non-current liabilities

The non-current liabilities include sick leave and passage benefits accrued to staff as provided in the PRB Report as referred to in Note 5(f) on Employee entitlements above. To the extent that claims for payments of passage benefits have been received and it is foreseen that staff would retire, the amounts so payables for passage benefits and sick leaves are transferred to Trade and other Liabilities.

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 13. Revenue from Consolidated Fund

	Year ended 31 December 2010 Rs	Period 1 July 2008 to 31 December 2009 Rs
Provision from estimates	88,310,000	108,600,000
Contingencies Fund	-	16,325,000
Sick leaves	4,317,304	11,432,184
Passage benefits	2,645,406	3,615,983
Consultancy fees	1,092,040	1,735,400
Salary of supporting staff	407,960	1,524,800
Commitments for the year	231,095	156,803
Income from other Ministries	487,305	246,477
Mission abroad	1,332,326	1,692,594
Advance inventories-	51,680	-
	98,875,116	**145,329,241**
Capital Expenditure	(1,076,698)	(2,014,655)
Commitments of last year	(150,553)	(376,873)
Provision from Estimates returned to Consolidated funds	(711,391)	(1,432,365)
Inventories-	(69,177)	(51,680)
	(2,007,819)	**(3,875,573)**
	96,867,297	**141,453,668**

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 14. Staff costs

The monthly average salary, bonus and allowances for the fiscal year ended 31 December 2010 amounted to Rs 5.2 million compared to Rs 4.8 million for the 18 months to December 2009
(Including two years bonus paid in December 2008 and December 2009).

Expenditure on Travelling and transport has also increased. More officers became eligible for Duty Remission car Allowance and mileage allowance by virtue of service and also in relation to the increase in bus fares effective 2010 following the PRB 2008 Report.

	Year ended 31 December 2010 Rs	Period 1 July 2008- 31 December 2009 Rs
Salaries, Bonus and allowances	67,738,178	95,945,667
Travelling and transport	10,190,395	13,931,055
Overtime	179,380	212,837
Staff welfare	40,000	60,000
Uniform	30,588	32,600
Annual subscription to professional bodies	322,400	318,032
Passage benefits	2,645,406	3,615,983
Sick leaves	4,317,304	11,432,184
Miscellaneous expenses	-	198,000
	85,463,651	**125,746,358**

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 15: Missions Abroad

During the fiscal year 2010, a total of 35 NAO officers went abroad to attend a total of 26 official missions. 15 staff attended seminars, workshops and meetings and three were assigned to audit the accounts of Mauritian Embassies. NAO incurred expenditure of Rs 1.3 million.

In addition, INTOSAI-IDI, AFROSAI-E and ASOSAI AND ITEC sponsored the full costs for 24 other NAO staff to attend training and seminars abroad. In the absence of necessary information, we could not measure this non-monetary assistance extended to us.

	Number of Mission	No. of Staff involved	Cost
			Rs
Missions Funded by Government	11	13	1,332,326
Missions Funded by Foreign Donors	15	22	-
	26	35	**1,332,326**

Note 16. Rent & Utilities

	Year ended 31 December 2010	Period 1 July 08- 31 December 2009
	Rs	**Rs**
Rent of Building	4,352,209	6,488,093
Electricity Charges	1,047,008	1,311,712
Telephone	393,020	517,624
Rental of Parking Slot	424,745	600,170
	6,216,982	**8,917,599**

Note 17. Reconciliation of Original Budget and Revised Budget

Basically, expenditure is approved in annual Government Budget. The original budget for the fiscal year 2010 amounted to Rs 88.3 million and no additional funds were needed during the fiscal year.

Non-budgetary expenses include external assistance obtained and payments effected out of votes of the Ministry of Finance that include sick leave payments, mission abroad, car loans granted to staff.

Notes to the Accounts

for the Fiscal Year ended 31 December 2010

Note 18. Reconciliation of budgetary results and results after IPSAS adjustments for the period

The Statement of Comparison of Budgeted and Actual Amounts at page **11** 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' budgetary reporting. These adjustments principally concern accrual accounting relating to expenses and revenues, property, plant and equipment and related amortization, depreciation and impairment together with provisions deemed necessary.

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

a) In budget accounting, revenue is required to cover all committed expenditures. In accrual accounting, revenue and expenses only includes amounts corresponding to amounts accruing to the period. The difference is treated as deferred revenue or expenses in accrual accounting.

b) In budget accounting, capital expenditures are recorded as current year expenses. In accrual accounting this expense is capitalised and depreciated 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 expense is recorded in the Statement of Financial Performance.

c) In budget accounting, expenditure for employee benefits is accounted for on a pay as you go basis as is the case for payments of pensions on retirement. In accrual accounting, the expense is estimated by an actuary in accordance with a methodology set out in accounting standards. Basically, the pension and post-employment benefits obligation is to be reported in the Statement of Financial Position. In the absence of a professional valuation and necessary facts and figures, we have not done any accounting estimates for the NAO pension liabilities.

d) In budget accounting, audit fees are recorded during the fiscal year 2010 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.

Note 19. Segment information

Segment information is based on the principal activities and sources of financing of the NAO. These service segments conform to the Programme of Work of the Office for the 18 months period to 31 December 2009. Both Programmes I and II of the Budget are financed by the Government. Whenever possible, accrual adjustments are allocated to revenues and expenses by segment. Owing to the nature of the activities of the NAO, its assets and liabilities are jointly used by the segments, and are not separately disclosed.

Statement Showing reasons for variances between Original and Revised Budget

for the Fiscal Year ended 31 December 2010

Expenditure	Original budget Rs	Revised Budget Rs	Variation Rs	Comments
Salaries and Allowances	68,730,000	67,075,000	(1,655,000)	Savings was due to 12 existing vacancies of Examiner of Account
Travelling &Transport	9,400,000	10,245,000	845,000	Duty Remission car Allowance and mileage allowance become payable
Overtime	150,000	185,000	35,000	To meet cost of printing of the Annual Audit report.
Staff Welfare	40,000	40,000		
Cost of Utilities	1,545,000	1,433,000	(112,000)	Savings were made in the item.
Fuel & oil	25,000	35,000	10,000	To meet running cost of vehicles.
Rental of Building	4,345,000	4,352,300	7,300	To cater for rental of Building
Rental of parking slots	430,000	430,000		
Equipment and furniture	785,000	995,000	210,000	To purchase Computers and furniture.
Offices Sundries	90,000	87,700	(2,300)	Savings were made to the item.
Maintenance	1,375,000	2,050,000	675,000	To pay for maintenance agreement of software due in 2009
Printing & Stationery	325,000	350,000	25,000	To purchase stationeries
Books and Publications	230,000	230,000		
Fees for Training and consultants	110,000	65,000	(45,000)	Savings were made to the item.
Subscription Fees	345,000	340,000	(5,000)	Provision was reallocated to adjust payment of cost of fuel.
Inspection &Audit Fees	35,000	35,000		
Uniform	20,000	32,000	12,000	To meet cost of uniform.
Accomodation	20,000	20,000		
Catering	30,000	30,000		
Membership fees	280,000	280,000		
Total	**88,310,000**	**88,310,000**		