NATIONAL AUDIT OFFICE

15 July 2013

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

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

I am pleased to present this Activity and Performance Report of the National Audit Office (NAO) for the year 2012 to be laid before the National Assembly.

This Activity and Performance Report has been prepared in terms of the requirements of International Standards for Supreme Audit Institutions (ISSAI) 20 and 21.

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

Yours sincerely,

Dr Rajun Jugurnath

Director of Audit

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National Audit Office

Activity and Performance Report

for the period

1 January – 31 December 2012

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From the desk of the Director of Audit

I am pleased to present this Activity and Performance Report of the National Audit Office (NAO) for the year 2012. As the Supreme Audit Institution (SAI) of Mauritius, it is important for us to abide by the principles of transparency and accountability and lead by example in our own governance and practices. This report is the instrument through which we endeavour to fulfil our accountability requirements by reporting on our own performance.

This Activity and Performance Report has been prepared in terms of the requirements of International Standards for Supreme Audit Institutions (ISSAI) 20 and 21 – Principles of transparency and accountability. It also meets transparency parameters by providing relevant public reporting on our status, mandate, activities and the use of our resources.

The concept of accountability refers to the legal and reporting framework, organisational structure, strategy, procedures and actions to help ensure that:

- *SAIs meet their legal obligations with regard to their audit mandate and required reporting within their budget.*
- *SAIs evaluate and follow up their own performance*
- *SAIs report on the regularity and the efficiency of the use of public funds, including their own actions and activities and the use of SAI's resources.*

The notion of transparency refers to the SAI's timely, reliable, clear and relevant public reporting on its status, mandate, strategy, activities, financial management, operations and performance. In addition, it includes the obligation of public reporting on audit findings and conclusions. The performance achievements detailed in this report are a result of teamwork, professionalism and dedication of all officers and staff of NAO.

Dr. Rajun Jugurnath
Director of Audit
Head of National Audit Office

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 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.

Our Core Values

Maintain our independence and political neutrality

Observe a high level of professionalism and integrity

Show fairness, objectivity and impartiality in our work

Ensure confidentiality of materials/information provided to us

Honour the confidence of trust conferred on us

Be courteous, tolerant and respectful

The National Audit Office and the Director of Audit

Who are we?

The democratic set-up of the Republic of Mauritius, as guaranteed by the Constitution, provides for a Legislature (the National Assembly) to pass laws and to formulate policies of the Government, an Executive to implement these policies and a Judiciary, independent of the Legislature and the Executive, to interpret laws and to see that the laws have been complied with. Besides there are vigilance bodies like the Ombudsman, the Service Commissions and an independent Supreme Audit Institution (SAI). The National Audit Office (NAO), headed by the Director of Audit, constitutes the SAI of Mauritius. The SAI needs to maintain good links with the Executive to encourage administrative accountability, with the Judiciary to encourage legal enforcement of accountability, and with the Legislature to facilitate political oversight and accountability. The Director of Audit is supported by a cohort of professional and experienced staff to audit the various Ministries and Departments, Statutory Bodies, Local Authorities and other bodies so as to perform the oversight function and report to the National Assembly or to the appropriate authorities.

The system of financial control and accountability in Mauritius follows the Westminster model under which four institutions exercise financial control over public resources. These are the National Assembly, the Ministry of Finance, the Accounting Officer, who is the head of a Ministry/Department, and the Director of Audit. The Director of Audit plays a pivotal role in the process of accountability.

The Director of Audit as the Pivot of Accountability

According to the Constitution, the only authority for the expenditure of public funds is that which is given by the National Assembly by legislation. The basis of this system is the approval of the annual Estimates by the National Assembly, and this approval is given statutory force by the passing, each year, of an Appropriation Act in which the amount of money available for each programme is set out. Once this Act has been passed, the amounts of money appropriated by it and any other laws must be considered as definitely limited and arranged, and the ultimate control rests with the National Assembly, through the office of the Director of Audit.

In the Westminster system of government, all authority for government activity ultimately stems from Parliament. Public sector agencies are therefore accountable to Parliament for their use of public resources and the powers conferred on them by Parliament.

To assist it to oversee the public sector, Parliament seeks independent assurance that agencies are operating, and accounting for their performance, in accordance with Parliament’s purpose. It is the responsibility of the Director of Audit to provide this assurance.

The role of the Director of Audit is to:

- perform an audit on each public sector agencies' accounts
- perform an audit of key performance indicators adopted by public sector agencies and assess whether they are relevant, appropriate and fairly represent agency performance
- perform an audit on the adequacy of controls exercised by the agency to provide reasonable assurance that the receipt, expenditure, and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions
- assess public sector agencies' internal controls and compliance with legislation and policy
- evaluate the efficiency and effectiveness of public sector agencies' services and programs
- report to the National Assembly on matters of significance arising from audits

Our Constitutional Mandate

The mandate of the Director of Audit is spelt out in the Constitution of the Republic of Mauritius. Section 110 provides for the appointment, extent of authority, independence of the Director of Audit and the submission of audit reports. It also 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. The independence of the Director of Audit has been defined in the Constitution, whereas the powers, functions and duties have been defined both under the Constitution and the Finance and Audit Act.

The Director of Audit is the head of the National Audit Office. He is responsible for the audit carried out by his staff in respect of the accounts of all Ministries and Departments, all Local Government Bodies, several Statutory Bodies, the Rodrigues Regional Assembly, several Special Funds and projects funded by foreign agencies. He is also responsible for the supervision of all officers of the National Audit Office and for all their acts and doings in their official capacity.

In order to develop an independent and objective assessment of the process of governance and to augment the legislative oversight on governmental operations, the Director of Audit cannot be removed from office before the legal retirement age in the case of an established officer or, in the case of an officer on contract, before the completion of a contract period, except for misconduct or inability to discharge the function of the office and even that only by the President acting on the recommendation of a Tribunal of at least three persons who are holding or have held office as a judge of the Supreme Court.

The Director of Audit has specific conditions of service which are spelt out in various Sections of the Constitution, namely:

- Section 110(1) – Appointment
- Section 93(2) - Security of tenure
- Section 93 (3) & (4) - Removal from Office
- Section 108 - Salary cannot be reduced without his consent
- Section 115 - Re-appointment on contract

Our Other Audit Mandate

The audit mandate of the Director of Audit is defined in the Constitution, the Finance and Audit Act, the Statutory Bodies (Accounts and Audit Act), the Local Government Act and in various legislations/agreements of institutions/donor-funded projects empowering the Director of Audit to audit their accounts.

The Constitution

Section 110 (2) – The public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited and reported by the Director of Audit.

The Finance and Audit Act

The Director of Audit shall satisfy himself that:

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

The Statutory Bodies (Accounts and Audit) Act

Every auditor *(in the case of the NAO, the Director of Audit)* shall report to the Board whether-

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

The Local Government Act

The approved annual financial statements of every local authority shall be audited by the Director of Audit.

The Director of Audit shall make a report to the Council on the financial statements which have been audited.

(1) The report shall state –

(a) the work done by him;

(b) the scope and limitations of the audit;

(c) whether he has obtained all information and explanations that he has required;

(d) any item of account which, in his opinion, is contrary to law;

(e) any loss or deficiency which, in his opinion, is wholly or partly due to the negligence or misconduct of any person;

(f) any sum which, in his opinion, ought to have been so brought to account but which, due to wilful default or negligence, has not been brought into account;

(g) any failure to recover any rate, fee or other charge in the manner specified in section 101 (*of the Local Government Act 2011*);

(h) whether, in his opinion, the financial statements give a true and fair view of the matters to which they relate, and where they do not, the aspects in which they fail to do so, and whether the financial statements have been prepared in accordance with the Accounting Standards approved by the Minister to whom responsibility for the subject of finance is assigned.

(2) A report under subsection (1) shall state whether the instructions of the Minister, if any, in regard to the financial statements have been complied with.

(3) The Director of Audit shall address to the Minister, and to the local authority, a copy of the certified financial statements and his report.

(4) The local authority shall consider the report of the Director of Audit at its next ordinary meeting or as soon as practicable thereafter.

The Public Procurement Act

Section 42 of the Public Procurement Act 2006 provides that the auditor of every public body *(in our case the Director of Audit)* shall state in his annual report whether the provisions of Part V of the Act on the Bidding Process have been complied with.

Powers of the Director of Audit

The powers of the Director of Audit as spelt out in the Finance and Audit Act and in the Local Government Act and are as follows:

Finance and Audit Act

(1) In the exercise of his duties under this Act, the Director of Audit may-

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

(b) with the concurrence of the head of any Ministry or Department, authorise an officer of that Ministry or Department to conduct on his behalf any inquiry, examination or audit and such officer shall report thereon to the Director of Audit;

(c) without payment of any fee, cause searches to be made in, and extracts to be taken from, any document in the custody of any public officer;

(d) lay before the Attorney-General a case in writing as to any question regarding the interpretation of any enactment concerning the powers of the Director of Audit or the discharge of his duties and the Attorney-General shall give a written opinion on such case.

(2) The Director of Audit may, if it appears to him to be desirable, send a special report on any matter incidental to his powers and duties under this Act to the Speaker of the Assembly to be by him presented to the Assembly.

(3) Where the Minister fails, within a reasonable time, to lay any report made under Section 20 before the National Assembly, the Director of Audit shall send such report to the Speaker of the National Assembly to be by him presented to the National Assembly.

Local Government Act

(1) The Director of Audit shall have access at all reasonable time to all Council minutes, information systems, books and accounts of the local authority, all vouchers in support of them, all deeds, contracts and other documents, and all relevant papers and writings in the possession or control of the local authority

(2) The Director of Audit may, orally or in writing, request –

(a) any person holding or accountable for any such document referred to in subsection (1) to appear before him at the audit or any adjournment;

(b) from any member of the Council or any officer or agent of a local authority, such information and explanations as may be necessary for the purpose of the audit; and

(c) any person referred to in paragraph (a) to make and sign a declaration as to the correctness of a document.

(3) Any person who wilfully neglects or refuses to comply with any request made under subsection (2) shall commit an offence.

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

At the IXth Congress of INTOSAI, in Lima, Peru, it was resolved in the “Lima Declaration” that:

- The traditional task of Supreme Audit Institutions is to audit the legality and regularity of financial management and of accounting.
- In additional to this type of audit, which retains its significance, there is another equally important type of audit - performance audit – which 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, 1973 has been amended to include Performance Audit in the mandate of NAO.

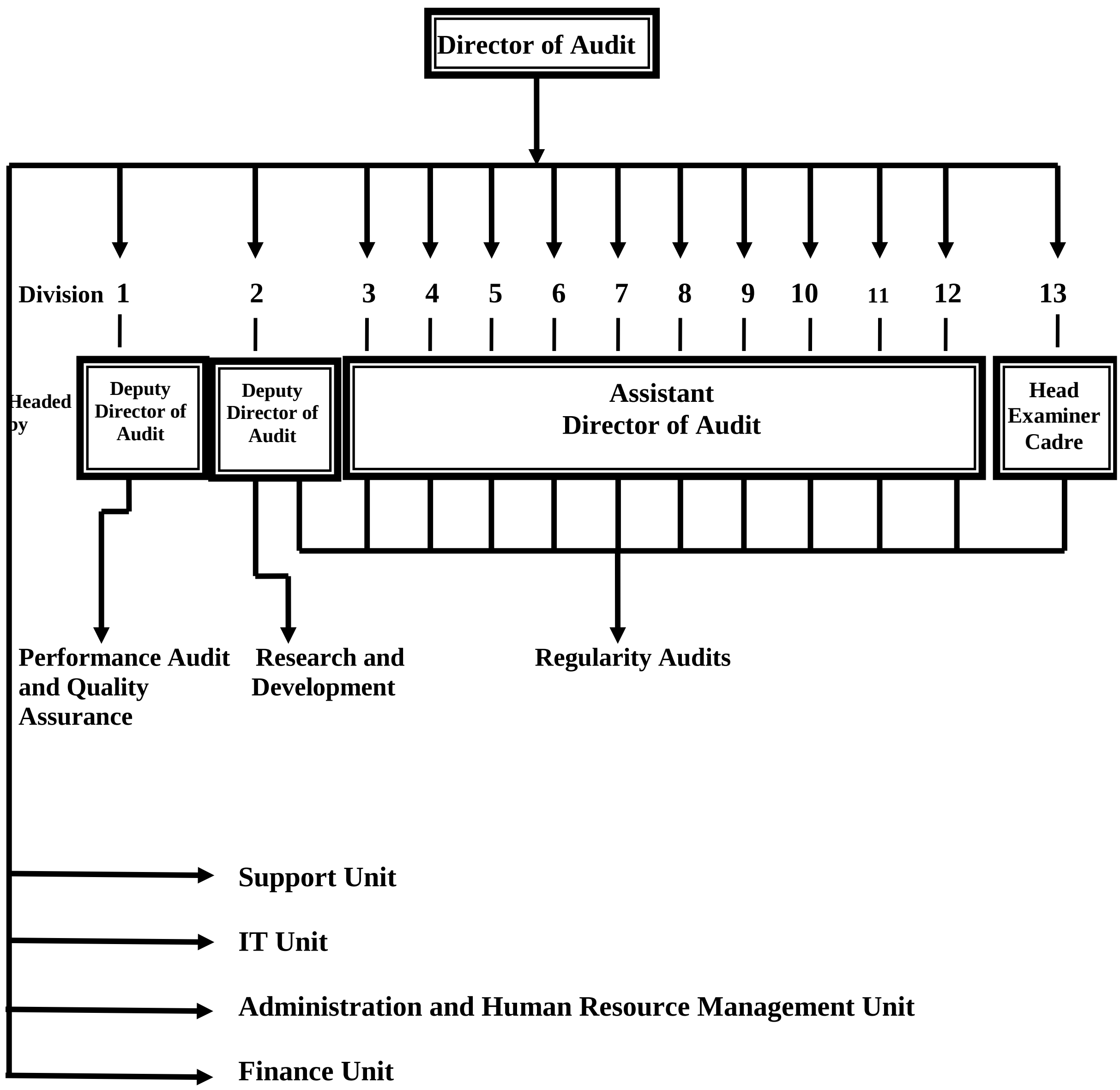
What we DO NOT AUDIT

The mandate of the Director of Audit does not extend to the audit of the Central and Public Sector banks, Statutory Corporations whose enactments do not provide for audit by the Director of Audit unless their Boards decide otherwise and Private Companies where the Government has substantial interests in the form of shares, equity participation and other forms of interests. The Director of Audit also does not audit all institutions where the Government provides security for loans contracted, bank overdrafts taken or credit facilities obtained. There are about 40 of those bodies (Appendix 1)

Organisation 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 and Quality Assurance. Divisions 1 and 2 are each headed by a Deputy Director, Divisions 3 to 12 are headed by an Assistant Director of Audit while Division 13 is headed by the Head, Examiner of Accounts Cadre.

The Deputy Directors in addition help the Director of Audit in the audit administration.



The four Units are:

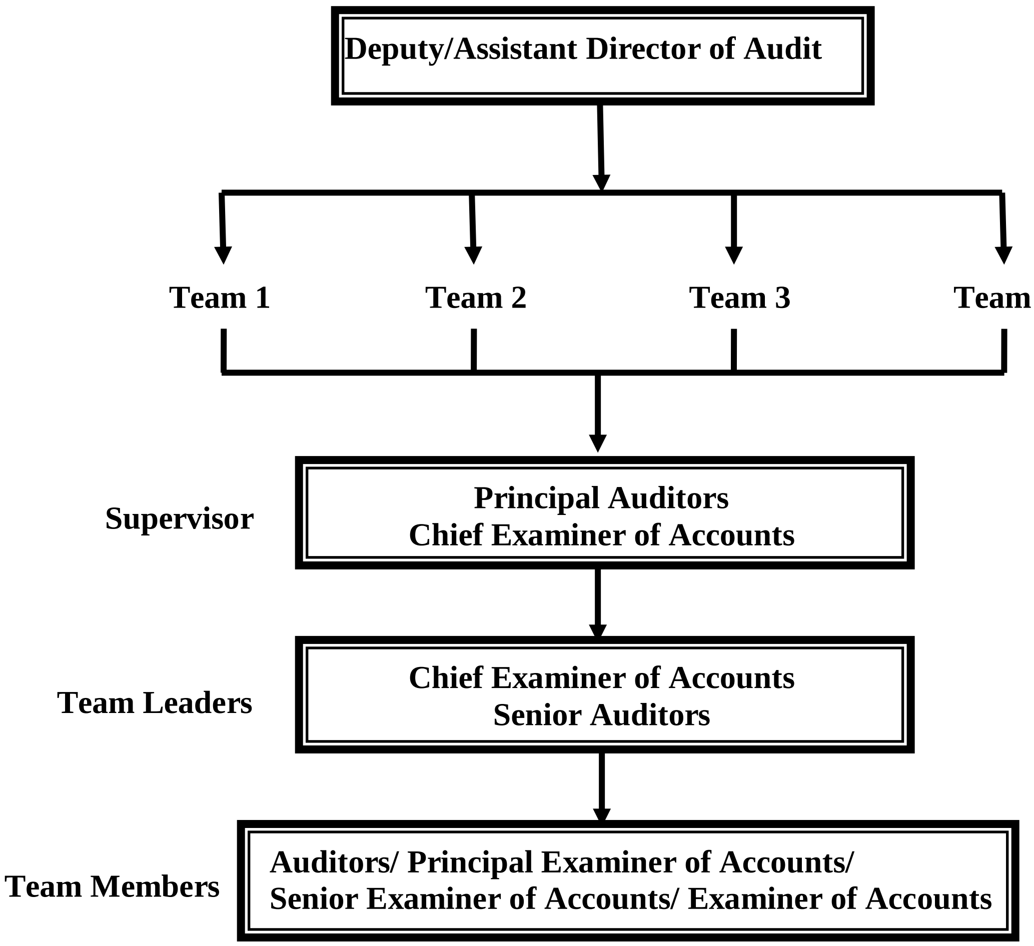
- ➢ The Support Unit, responsible for the audit of the financial statements of various International donor agencies and some small and medium size organisations. This unit which is under the responsibility of the Deputy Head of Examiners Cadre is also responsible for the pre-audit of pensions of staff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

- The IT Unit is responsible for both hardware and software management as well as for their maintenance. This Unit is under the responsibility of a Chief Examiner of Accounts.

- The Administrative and Human Resource Unit is responsible for human resource management and assist the Director of Audit in the administration of the office. This Unit is headed by the Senior Human Resource Officer.

- The Finance Unit, headed by the Financial Operation Officer is responsible for the administration of the finance of the office.

Structure of a Division



Senior Management Team

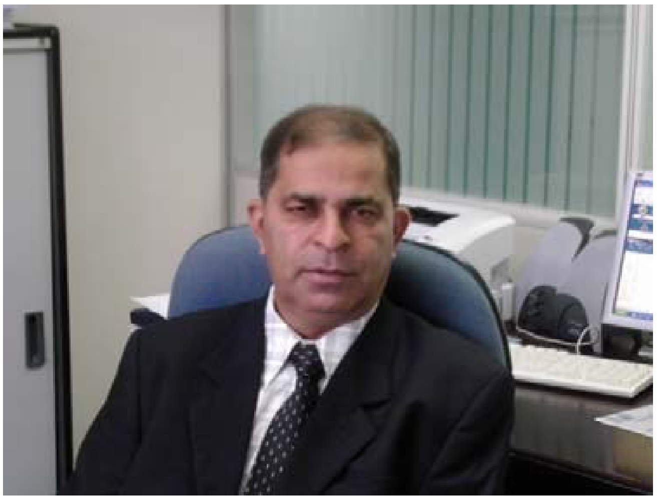
Fellow of the Association of Chartered Certified Accountants (FCCA), **Dr Rajun Jugurnath** is currently the Director of the National Audit Office. He holds a PhD in Business Administration, an MBA and the Certificate in Company Direction from the Institute of Directors of New Zealand.

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 in 1977 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 joined the NAO in 1985 as Trainee Examiner of Accounts and climbed up the ladder to Assistant Director of Audit in 2001. He 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, Mauritius, and member of ACCA International Assembly. He has contributed in the computerisation of NAO, risk 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. Mr Reetun was the winner of the Tri-annual scientific on the Use of IT in Audit process organised by AFROSAI in 2011.

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.

Mrs M.L.Wong Chow Ming, Ag. Assistant Director of Audit, is a Fellow of the Association of Chartered Certified Accountants (FCCA). She has successfully passed the CISA (Certified Information System Auditor) exam in June 2012 and 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 B. Naseem Dulloo, Ag. Assistant Director of Audit is a Fellow of the Association of Chartered Certified Accountants (FCCA), holds a Master Degree in Business Administration (General) and is a member of Mauritius Institute of Professional Accountants (MIPA). She also completed the Certification Programme in Public Procurement. In 2012, she was selected to participate in the ISSAI Certification Programmes of the IDI E-learning Course.

She started her career in the audit field at the Kemp Chatteris audit firm in 1991 before joining the National Audit Office in 1992 as Trainee Examiner of Accounts. In July 2003, she was promoted Principal Auditor. She was assigned duties as Assistant Director of Audit from February to July 2012 and October 2012 to date.

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.

Audit Activities and Performance for the Year 2012

Strategic Plan 2011 – 2013

We are already reaching the end of our Strategic Plan for the three years 1 January 2011 to 31 December 2013. The Plan sets out the six goals of the NAO. To achieve these six goals, 42 key activities were developed. At the end of June 2013 we have been able to complete 32 activities, i.e. we achieved a performance of above 75 per cent activities completed. The other activities not yet completed relate to (i) the preparation of Check lists for International Accounting and Auditing Standards, (ii) dissemination activities for performance audit to auditees, and (iii) implementation of risk management in the public sector. These activities are taking time to complete because they are undergoing frequent reviews at the international level. Hence, we lack the appropriate practical experience in these fields as they are relatively new issues.

Adoption of IPSAS and ISSAI

With (i) the adoption of the International Public Sector Accounting Standards (IPSAS) of IFAC by Government for the preparation of the financial statements of the Statutory Bodies, and (ii) the recommendation of the International Organisation of Supreme Audit Institutions (INTOSAI),for the adoption of the International Standards of Supreme Audit Institutions (ISSAI), issued by it, by the government audit community, training on these standards has become an on-going feature because of the regular review of these standards by their respective Boards.

Review of AFROSAI-E Manuals on Regularity Audit and Performance Audit

The AFROSAI-E manuals are being updated/amended every year. The Regularity Audit Manual was completely re-looked at the end of October 2012. The Performance Audit Manual was reviewed and a new Exposure Draft Performance Audit Handbook was issued in May 2013. This updating exercise by AFROSAI-E requires SAI members of AFROSAI-E to customize the updated versions of the Manuals.

Capacity Building

Performance Audit

Previously performance audits were being conducted in accordance with the methodology learned from the National Audit Office of UK some five years ago. Following the complete revision of the AFROSAI-E Performance Audit Manual and the recommendation of AFROSAI-E, this Office adopted the AFROSAI-E Manual in 2012. In that respect, AFROSAI-E organised a 3-module training programme on performance audit in Johannesburg as follows:

Basic Module: 20 – 24 June 2011,

Pre-study Module: 26 September to 7 October 2011
Main Study Module : 23 – 27 April 2012

The objective of the training was to enable participants to have a good theoretical understanding of performance audit and be capable of carrying out basic performance audit projects.

Two Officers attended the training programme and they, in turn, shared the knowledge and skills acquired after the completion of each module with the other staff of the Performance Audit Division.

Information Systems Audit

The use of information technology has increased manifold in recent years. Audit must respond to this shift in the modus operandi of the public sector by changing the way it operates. Resultantly, NAO mounted and sponsored the CISA (Chartered Information Systems Audit) in 2011. To date, we have 12 officers, who have qualified, with seven of them having qualified in 2012. Presently NAO is working on a scheme to provide these officers with practical experience.

Certification Programme in Public Procurement

Staff of NAO need to be conversant and up to date with the complexities of the Public Procurement Act and its Regulations, and the constant amendments made. Consequently, to enhance their knowledge and skills in public procurement, staff members are encouraged to participate in the Certification Programme in Public Procurement organized by the University of Technology, Mauritius in collaboration with the Procurement Policy Office (PPO) of the Ministry of Finance and Economic Development. To date, 23 Officers attended and passed this Certification Programme. Seven of these officers attended and passed their exams in 2012.

Other Training

During the year, all staff have been provided with six days (42 hrs) of training on IPSAS, Management Development and Team building. In addition, 13 staff members attended some 200 hours of training, at local training institutions. Furthermore, 17 officers attended training abroad for a total of 1,672 hours. These trainings were mainly related to auditing. On average, the number of hours of training provided was 55 per head. The total expenditure on training for the year 2012 was Rs 1,163,253. The average amount spent per staff member on training was around Rs 7,000.

Regularity Audits

The financial year-end being 31 December of each year for all public sector entities, the audits of Government Ministries and Departments and their Divisions & Units start around October and are completed after the year-end around March/April. Management Letters and the Audit Report are issued between April and June. The audits of Statutory Bodies, Local Authorities and Special Funds start after receipt of their financial statements after the year-end around April of each year. The Audit Reports are submitted within six months after the receipt of the financial statements, around September and October.

Audit Responsibility

For the year 2012, NAO had the responsibility for the audit of 1,650 units as shown in the Table 1.

Table 1

Number of Units on Hand for Audit in Year 2012

	No. of Units		
	Large	*Small*	*Total*
Ministries including their Departments, Divisions & Units	220	1009	1,229
Statutory Bodies	57	54	111
Local Authorities	9	124	133
Special Funds	5	27	32
Rodrigues	43	91	134
Others	5	6	11
Total	**339**	**1,311**	**1,650**

It is to be noted that most Ministries comprised at least two Divisions. For example, the Ministry of Tourism and Leisure had the Tourism and the Leisure Divisions. Similarly, the Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping had four Divisions, that is, Public Infrastructure Division, Land Transport Division, Shipping Division and the National Development Unit. Furthermore, many Divisions comprised a number of units and sub-units. For example, the Education Division of the Ministry of Education and Human Resources had four zones. Each zone had under its responsibility a number of primary and secondary schools, which NAO had the responsibility to audit. Similarly, the Ministry of Health and Quality of Life had five Regions, each with one or more hospitals. Each hospital had under its responsibility a number of Area Health Centres, Community Health Centres, Health Offices etc. Idem for the Ministry of Agro Industry and Food Security, Ministry of Social Security, National Solidarity and Reform Institutions, the Ministry of Labour, Industrial Relations and Employment, the Ministry of Youth and Sports and the Police Department. When these units and sub-units are added, the Ministries, all together, have 1,229 auditable units.

Most of the units and 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. The staffdays required to audit these sub-units range from one to 30. Out of the total of 1,229 auditable units of Ministries, 1,009 have been, for our audit purpose, classified as small. Because of lack of adequate 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.

Performance for the year

For the year 2012, audits of the head office of all Ministries were completed. A number of Departments, Divisions and Units of the Ministries were also audited as planned. The number of audits planned and audits completed for the fiscal year 2012 are shown in the Table 2.

Table 2

Audits Planned and Completed in 2012

	Size of Units	**Planned**	**Completed**	**Completion %**
Ministries/Departments/Divisions/Units & Rodrigues Regional Assembly	Large	99	102	100
	Small	184	149	81
Statutory Bodies	Large	*60	50	83
	Small	54	40	75
Local Authorities	Large	9	9	100
	Small	124	124	100
Special Funds	Large	2	2	100
	Small	11	10	91
Non Statutory Bodies	Large	3	3	100
Religious Bodies	Small	1	1	100
International Donor Agencies	Small	5	13	100
Overall	**Large**	**173**	**166**	**96**
	Small	**399**	**337**	**89**
	Total	**552**	**503**	**91**

* *One Financial Statement for each of the 57 Statutory Bodies and 3 Financial Statements relating to previous fiscal years in respect of 2 of the Statutory Bodies*

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 law, Statutory Bodies are required to prepare financial statements and submit same for audit within 4 months after the end of the financial year that is by the end of April. In addition to the financial statements received for the year 2012, those financial statements of previous financial years submitted during 2012 were also audited. An audit is considered completed when the Audit Report is issued. However, it is to be noted that after the completion of an audit on site of the auditee, it is processed at our Office, discussions are held at an exit meeting with the auditee, for clarification on audit findings. A Management Letter is then issued for comments, and after the comments on the matters raised in the Management Letter are received, the Audit Report is issued. In the course of the year there are cases where audit of a few statutory bodies have been completed on sites, but response to Management Letter has not yet been received. These have been considered not completed in the above table.

With the amendments of the Local Government Act 2011 and the Statutory Bodies Pension Funds Act, as from 1 January 2013, all officers of Local Authorities who are retiring from the service of these local authorities are being paid their pensions and gratuities by State Insurance Corporation Of Mauritius Ltd. Consequently, the pension schedules are no longer examined by NAO.

The pension schedules of only a few officers who had retired prior to 1 January 2013 and which have still not been paid are being forwarded to NAO together with cases of Compassionate Allowances for part-time employees. During the year 2012, 138 cases of pensions have been examined.

For the year under review, NAO has completed the audit of 503 units against the 552 planned. This represents an overall 91 per cent completion compared to 89 per cent last year. One of the reasons for not achieving the total planned assignment was the adoption of the new risk-based audit approach. Staff took a longer time to complete the audit assignments as they had to learn and apply the new audit approach.

For Ministries and their units, including Rodrigues, the percentage completion was 103 for large units and 81 for small units. For statutory bodies, the percentage completion was 83 for large units and 75 for small ones. The audits of Local Authorities were all completed. The overall performance for 2012 can be said to be satisfactorily on target.

Audit Coverage for the year

In terms of audit coverage (Table 3), the performance this year has been similar to last year, and hence, still a bit on the low side. The audit coverage was based on assessed risks. Nevertheless, audit of the head office of all Ministries was considered essential, as well as around 20 per cent of their units and sub-units (based on a rotation policy of five years). The low coverage of 40 per cent of large units and 14 per cent of small units has been mainly because:

- the number of Divisions and Units is growing, the volume of transactions is increasing and the operation of Ministries and their large units are becoming more and more complex. These have an incidence in the time taken to complete an audit.

- of lack of adequate staff.

Despite this low coverage, the head offices of all Ministries were audited.

Table 3

Audit Coverage 2012

	Number of Units								
	Large			Small			Total		
	UoH	Comp	%Cov	UoH	Comp	%Cov	UoH	Comp	%Cov
Ministries including their Divisions & Units and Rodrigues	263	102	40	1,100	149	14	1,363	251	18
Statutory Bodies	57	50	88	54	40	74	111	90	81
Local Authorities	9	9	100	124	124	100	133	133	100
Special Funds	5	2	40	27	10	37	32	12	38
Other	5	3	60	6	-	-	11	3	27
Religious Bodies	-	-		1	1	100	1	1	100
International Donor Agencies	-	-		5	13	100	5	13	100
Total	**339**	**166**	**49**	**1,317**	**337**	**26**	**1,656**	**503**	**30**

Note:
UoH– Number of Units on Hand
Comp – Number of Units Completed
Cov - Coverage

In respect of Statutory Bodies, the audit coverage was 81 per cent compared to 60 per cent last year. The completion of the audit of 88 per cent of large and 74 per cent of small statutory bodies is considered satisfactory taking into consideration the environment under which NAO operated during the year. As for Local Authorities, again the audit coverage was 100 per cent.

Performance Audits

As explained earlier, the methodology for performance audits had to be changed with the adoption of the revised AFROSAI-E Manual on Performance Audit. Therefore, practically the whole year was spent on training along the same 3-module training programme of AFROSAI-E on the new methodology. Four teams of three members each are being trained by the two officers who have already completed the training programme of AFROSAI-E in April 2012 and with advice from the subject matter expert of AFROSAI-E.

As part of the training, the four teams are each conducting a performance audit assignment under the new methodology. Thus, the four assignments are in progress and are due for completion in August/September 2013. The conduct of performance audits normally takes between six months to one year to complete. However, as the audits are being conducted as a training programme, they are taking longer time than expected.

Human Resource

For the year 2012, the staff of NAO consisted of 149 professional/technical and 17 administrative and support staff. The total staffdays available to carry out all the activities (conducting audits, attending training, meetings, seminars etc) of NAO was 29,800. Out of these 2,325 staffdays were available for performance audit, 26,190 staffdays for regularity audits and 1,285 staffdays for training and other activities.

Financial Performance

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. On the other hand, our expenses are wholly met by Government.

Total audit fees collected was Rs 18.6 million for the year 2012 against Rs 11 million for 2011. Total expenses incurred were Rs 97.3 million compared to Rs 91.8 million for the year 2011. The increase in expenditure for the year is mainly due to the yearly salary increment, increase in travelling and training.

The grant approved by the National Assembly in the Estimates to meet NAO expenditure was Rs 98.7 million. Government also provided additional fund to pay for various benefits to which civil servants are entitled, for example, passage benefits, refund of sick leave, annual bonus and other expenditure such as those related certain capital expenditure etc. Additional fund received during 2012 amounted to Rs 6.1 million. At the same time Rs 1.9 million were returned to the Consolidated Fund. Moreover, Rs 1 million were spent as capital expenditure. Thus bringing the total grant received to Rs 102 million. During the year, Rs 2 million were apportioned from deferred income as income for the year. Total income for 2012 was therefore Rs 104 million.

The total accrued expenditure amounted to Rs 104 million. The main items of expenditure were staff costs Rs 92 million and Rent and Utilities Rs 6 million.

Financial Position

NAO's financial position as of December 31, 2012 reflects a decrease in total assets from Rs 56 million last year to Rs 53 million. This decrease is attributable mainly to the decrease of car loan to staff – Rs 5 million.

Outturn

For the year 2012, actual expenditure was Rs 97.3 million against the revised budgeted amount of Rs 98.7 million. There were no items of expenditure where excess expenditure was incurred.

		Revised Budget Rs	Outturn Rs
Programme I	Statutory and Regulatory Audit	89,122,850	88,094,673
Programme II	Performance Audit	9,609,150	9,209,957
Total		**98,732,000**	**97,304,630**

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

Timeliness

Section 20(1) of the Finance and Audit Act requires the Director of Audit to submit his Report within eight months of the close of every financial year. For a report to be valuable, it must be submitted in a timely manner so that issues are identified and brought to the attention of the National Assembly and management early in the process, for decision making and corrective action. The collaboration and cooperation of the Accountant General, all Accounting Officers and all my staff has made it possible for me to submit the Annual Audit Report for 2012 in the second week of July 2013, that is, some one and a half months earlier than the statutory date limit of end of August.

Challenges

Last year, the chairman of the International Auditing and Assurance Standards Board, Professor Arnold Schilder, said audit was facing a raft of new challenges. There has been revolutionary change in financial reporting over the last two decades, particularly in terms of how financial information is communicated. As a result, the audit profession continues to face major challenges in recent years. The challenges include increased business complexities and risks, the rapid pace of technological change, the global financial crisis, changes in audit methodologies, significant regulatory developments, new and often complex accounting and auditing standards.

Business complexities

Years ago, low transaction volumes and less complex IT systems allowed simple methods to be used to perform audits. However, in recent years, the exponential increase of transaction and data volumes has outstripped the ability of traditional audit tools to provide the necessary insight.

Today's global economy and the business organisations operating within it have become so complex and interdependent that new approaches to auditing must be developed. The level of complexity and myriad interconnections inherent in today's economy have significant implications in the performance of a financial-statement audit.

Also, the size and complexity of an organisation have an impact on its business risks and the controls necessary to address those risks. Furthermore, the size and complexity of an organisation and its business processes affect the way in which the organisation achieves many of its control objectives.

Business/Engagement Risk

In addition to audit risk, an auditor is subject to *engagement risk*. Engagement risk is the risk that the auditor is exposed to financial loss or damage to his or her professional reputation from litigation, adverse publicity, or other events arising in connection with financial statements audited and reported on.

Examples of business risks the auditor considers when developing an understanding of the entity's objectives and strategies.

- Industry developments
- New products and services
- Expansion of the business
- New accounting requirements

- Regulatory requirements
- Use of IT

Engagement risk cannot be directly controlled by the auditor.

The rapid pace of technological change

With the explosive growth in the use of social media and mobile devices, auditors need to be an integral part of Information Technology (IT) and understand IT strategy. As a result auditors are now more absorbed in understanding new technologies and employing technology-enabled auditing processes.

Given the increasing reliance on systems for managing business processes, IT auditing has become a requirement of international standards on auditing. However, the complexity of the IT auditing exercise coupled to IT being a highly technical field, auditors require specialized skills which are not readily available among conventional auditors.

The global financial crisis

The global financial crisis has produced questions about the relevance of the audit and the trust in the audit profession. Questions have been raised about the quality of auditing – are auditors effective? Are they exercising professional judgement? Are they applying a 'healthy dose' of professional scepticism? In the US and Europe, for example, these questions have prompted a round of regulatory proposals around auditor reporting, audit committees, and audit firm rotations.

As a consequence, regulators and accounting bodies around the world are looking to strengthen audit in the face of the global financial crisis.

Implementation of ISSAIs

The 20th INTOSAI Congress, in November 2010, adopted a comprehensive set of International Standards of Supreme Audit Institutions (ISSAIs) that cover the core audit disciplines of financial, compliance and performance audits. The adoption of the ISSAIs represents a milestone in the strengthening of the global public sector audit profession, and will serve as a key tool for securing greater uniformity in the way public sector auditing is conducted. This will in turn contribute to improving audit quality; facilitate benchmarking of current practices against internationally recognized best practices, and for ensuring increased credibility of SAI audit reports.

Most SAIs are facing challenges in the successful implementation of the voluminous ISSAI framework. The ISSAIs are frequently technical and complex, and represent challenges in terms of, for instance, changing audit approaches, developing new audit methodology, determining materiality and risk assessment at assertion level in compliance audit, reviewing the audit manuals, working papers and templates, continuous trainings in implementing the new audit methodology, securing coherence between national manuals and standards and the ISSAIs, and in building staff capacity to ensure successful implementation.

Implementation of IPSASs

The International Public Sector Accounting Standards (IPSASs) issued by IPSASB (The International Public Sector Accounting Standards Board) became internationally effective as from January 2008. Accordingly, Government has adopted IPSAS both for the Government accounts and accounts of Statutory Bodies.

This poses some challenges to the auditor. First, the auditor has to have a thorough knowledge and applicability of the IPSASs. This involves continuous training. Second, the transition to IPSAS may require an entity to undertake significant changes to their core financial systems. So, the auditor has to gain a detailed understanding of the new systems and any impact on the control environment and control procedures. He also needs to have a thorough understanding of the entity risks, systems of internal control, the financial transactions and the appropriate accounting policies to ensure the effective application of the IPSAS. Then, in planning his approach to auditing an entity's Financial Statements under IPSAS, the auditor will initially be concerned to ensure that:

- the entity has acceptable financial and other information systems in place, along with arrangements to provide annual assurance on the reliability of such systems;
- the entity's finance team have sufficient knowledge and understanding of IPSAS and their applicability to the entity's Financial Statements; and
- the entity has arrangements in place to produce reliable Financial Statements, along with adequate supporting working papers, to an acceptable timetable.

Responding to increase in the expectation of stakeholders

Globalisation and information technology revolution has increased the flow of information to the general public. Moreover, the media has become more assertive on issues of accountability. Empowered with information, the stakeholders, especially the citizens expect more from the SAI. Consequently, the NAO has to constantly strive to meet this demand.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) emphasises the importance of achieving a balance between operational performance and social well-being of staff. NAO corporate social responsibility programs focus on supporting employees because it is our people who shape our success. NAO, being a government department, operates within regulations pertaining to the public sector. Its employees comprise a diverse, multi-cultural and talented people. We value diversity and the benefits it brings to the organization.

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 set up, since the early 1970s, the Audit Department Fund, subsequently renamed NAO Welfare Fund with its own fund.

We recognise that our social, environmental and ethical conduct has an impact on our reputation. Our personnel are obliged to act according to a code of conduct that stresses the values and ethics we stand for.

We are committed to advancing our policies to ensure we address aspects of CSR that we find fit and appropriate. These include good ethical behaviour, concern for employee health and safety, care for the environment and community involvement.

The NAO Welfare Fund

The NAO Welfare Fund has, as its objectives, the promotion of social activities and staff welfare within the NAO. The Fund, which is managed by an Executive Committee comprising nine members elected annually at the Annual General Meeting, derives its revenue from monthly contribution by the staff.

Over the years, the Fund has organised various activities, such as Family Day, Sports Day, Farewell Parties, Annual Audit Report Lunch, End of Year Lunch, Visits and Donations to Charitable Institutions. During the financial year 2012, the Fund organised the following social activities:

Social Activities During 2012

Activities	Date
Participation in Civil Service Football Tournament	April – July 2012
Team Building	29 August 2012
Participation in 'Culinary Exhibition 2012'	4 October 2012
Management Development Programme	17-20 December 2012
Aerobic and Yoga Sessions	Every Friday Afternoon
Football Training Sessions	Every Friday Afternoon

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

For the year 2012

NAO has prepared financial statements for the year 2012 which give a true and fair view of its financial position and its financial performance. In preparing those financial statements, management is required to:

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

The Director of Audit confirms that he has complied with the above requirements in preparing the financial statements for the year 2012.

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

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

The Director of Audit acknowledges 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

Appendix 1

Institutions that the NAO does not audit

1. Air Mauritius Ltd
2. Airport of Rodrigues Ltd
3. Airports of Mauritius Co. Ltd
4. Bank of Mauritius
5. Business Park of Mauritius Ltd -Freeport Services Ltd (BPML FSL)
6. Cargo Handling Corporation
7. Cyber Properties Investment Ltd
8. Development Bank of Mauritius
9. Discover Mauritius Ltd
10. Editions de L'Ocean Indien Ltd
11. Enterprise Mauritius
12. Events Mauritius Ltd
13. Financial Services Commission
14. Independent Broadcasting Authority
15. Irrigation Authority
16. Mauritius Cooperative Union Ltd
17. Mauritius Council of Social Service
18. Mauritius Family Planning Welfare Association
19. Mauritius Freeport Authority
20. Mauritius Housing Company Ltd
21. Mauritius Port Authority
22. Mauritius Post Ltd
23. Mauritius Shipping Corporation Ltd
24. Mauritius Telecom Ltd
25. MEDCO Ltd
26. Multi Carrier (Mauritius) Ltd
27. National Investment Trust
28. National Federation of Young Farmers Club
29. National Housing Development Co Ltd
30. National Mutual Fund
31. National Real Estate Ltd
32. Rodrigues Educational Development Co
33. Rose Belle Sugar Estate
34. State Insurance Company Of Mauritius Limited
35. SICOM Financial Services Ltd
36. State Bank of Mauritius
37. State Informatics Ltd
38. State Investment Corporation Ltd
39. State Property Development Co. Ltd
40. Sugar Reform Trust

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT – NATIONAL AUDIT OFFICE

Report on the Financial Statements

We have audited the financial statements of the National Audit Office on pages 50 to 74 which comprise the statement of financial position at 31 December 2012, the statement of outturn, the statement of financial performance, the statement of income payable to the Consolidated Fund, the statement of changes in equity and the statement of cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes.

Responsibility of the Director of Audit for the Financial Statements

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

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We report our opinion as to whether the financial statements properly present the financial performance, financial position and cash flows of the National Audit Office, and whether in all material respects the financial performance, financial position and cash flows 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Audit Office internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

KPMG

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 Purgus
Licensed by FRC

Ebène

Date: 05 JUL 2013

National Audit Office

FINANCIAL STATEMENTS

For the Fiscal Year Ended 31 December 2012

5TH JULY 2013

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Statement of Outturn

for the fiscal year ended 31 December 2012

	Programme I - Statutory and 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	67,267,000	66,859,513	8,265,000	7,881,990	75,532,000	74,741,503
Travelling and transport	10,950,000	10,889,226	1,100,000	1,098,313	12,050,000	11,987,539
Overtime	140,000	131,894	-	-	140,000	131,894
Cost of utilities	1,547,800	1,486,869	10,000	6,802	1,557,800	1,493,671
Rental of building	4,355,000	4,352,209	-	-	4,355,000	4,352,209
Rental of parking	425,000	424,850	30,000	27,500	455,000	452,350
Equipment and Furniture	841,850	833,640	-	-	841,850	833,640
Maintenance	875,000	752,190	-	-	875,000	752,190
Printing and stationery	314,000	290,875	25,000	24,262	339,000	315,137
Books and publication	210,000	203,847	5,000	4,750	215,000	208,597
Fees for training and consultants	1,275,000	1,042,512	125,000	120,741	1,400,000	1,163,253
Refund of subscription Fees	279,000	278,200	34,150	30,600	313,150	308,800
Membership fees	355,000	304,195	-	-	355,000	304,195
Sundry expenses (less than Rs 100,000)	288,200	244,655	15,000	15,000	303,200	259,655
Total	**89,122,850**	**88,094,675**	**9,609,150**	**9,209,958**	**98,732,000**	**97,304,633**

Outturn for the fiscal year 2012 has been presented on a cash basis. Reasons for variances between budgets and outturns are explained on page 57

Statement of Income Payable to the Consolidated Fund
for the fiscal year ended 31 December 2012

	Budget Rs	Outturn Rs
Audit fees payable to the Consolidated Fund	10,000,000	18,768,135
Audit fees due at 1 January 2012	-	2,295,000
Audit fees due at 31 December 2012	-	(2,505,227)
Audit fees received during 2012	**10,000,000**	**18,557,908**

Statement of Financial Performance

for the fiscal year ended 31 December 2012

	Note	Year ended 31 December 2012 Rs	Year ended 31 December 2011 Rs
Revenue			
Appropriation from Consolidated Fund	15	**101,958,477**	100,287,909
Deferred income		**1,825,351**	1,801,030
Total Revenue		**103,783,828**	102,088,939
Expenses			
Staff costs	16	**91,672,275**	90,012,600
Training		**1,163,253**	1,323,878
Mission abroad	17	**1,426,046**	1,134,357
Rent and utilities	18	**6,190,407**	6,214,084
IT expenses		**405,470**	373,024
Supplies and consumables		**796,831**	907,566
Subscriptions to international organisations		**304,195**	322,400
Depreciation and amortisation		**1,825,351**	1,801,030
Total Expenses		**103,783,828**	102,088,939
Surplus/Deficit for the period		**-**	-

The notes to the accounts from page 59 to 74 form part of the financial statement.

Statement of Financial Position

as at 31 December 2012

	Note	Year ended 31 December 2012 Rs	Year ended 31 December 2011 Rs
ASSETS			
Current assets			
Short term car loans	8	**2,616,696**	3,100,000
Trade receivables	6	**2,505,227**	2,295,000
Other receivables	7	**2,503,376**	2,833,548
Inventories		**114,113**	18,458
		7,739,412	8,247,006
Non-current assets			
Car Loan receivables	8	**7,543,113**	9,603,500
Long term receivables	9	**31,184,429**	30,130,660
Property, plant and equipment	10	**6,214,661**	6,751,711
Intangible assets	11	**634,456**	1,001,815
		45,576,659	47,487,686
Total assets		**53,316,071**	55,734,692
LIABILITIES			
Current liabilities			
Short term car loans		**2,616,696**	3,100,000
Trade and other payables	12	**5,122,716**	5,147,006
		7,739,412	8,247,006
Non-current liabilities			
Car loan payables	8	**7,543,113**	9,603,500
Sick leave obligations	13	**25,413,713**	24,858,263
Passage benefit obligations	13	**5,770,716**	5,272,397
		38,727,542	39,734,160
Total liabilities		**46,466,954**	47,981,166
NET ASSETS		**6,849,117**	7,753,526
EQUITY			
Capital Grant	14	**6,849,117**	7,753,526
		6,849,117	7,753,526

Dr R.Jugurnath
Director of audit

Date: 5 July 2013

The notes to the accounts from page 59 to 74 form part of the financial statements.

Statement of Changes in Equity

for the fiscal year ended 31 December 2012

	Year ended 31 December 2012	Year ended 31 December 2011
	Rs	**Rs**
Opening balance	**7,753,526**	5,577,734
Capital grant	**970,942**	4,101,822
Prior year adjustment - depreciation	**(50,000)**	-
Deferred Income	**(1,825,351)**	(1,801,030)
Transfer of Non -Current Assets	**-**	(125,000)
Closing balance	**6,849,117**	7,753,526

The notes to the accounts from page 59 to 74 form part of the financial statements.

Statement of Cash Flows

for the fiscal year ended 31 December 2012

	Year ended 31 December 2012 Rs	Year ended 31 December 2011 Rs
Operating activities		
Surplus/deficit for the year	**-**	-
Adjustments for:		
Deferred income	**(1,825,351)**	(1,801,030)
Depreciation	**1,457,992**	1,228,812
Amortisation	**367,359**	572,218
Change in trade and other receivables	**119,945**	(180,203)
Change in inventories	**(95,655)**	50,719
Change in trade and other payables	**(24,290)**	129,484
Change in long term receivables	**(1,053,769)**	(3,375,706)
Change in sick leaves and passage benefit obligations	**1,053,769**	3,375,706
Cash flow used in operating activities	**-**	-
Investing activities		
Purchase of property, plant and equipment	**(970,942)**	(4,096,264)
Car loans granted to Staff	**(1,016,000)**	(8,015,532)
Loans refunded to Accountant General	**(3,559,691)**	(3,343,783)
Cash used in investing activities	**(5,546,633)**	(15,455,579)
Financing activities		
Funds received for purchase of non-current assets	**970,942**	4,096,264
Loans from Accountant General	**1,016,000**	8,015,532
Loans repaid	**3,559,691**	3,343,783
Cash generated from financing activities	**5,546,633**	15,455,579
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

Notes to Statement of Cash flows

Cash and Cash Equivalent

The cash and cash equivalent balance was nil as of 31 December 2011 and 2012.

Property ,Plant and Equipment

During the fiscal year ended 31 December 2012, the NAO acquired property, plant and equipment with aggregate cost of Rs 970,942 which was acquired by means of capital grant by the Government. Cash payments of Rs 970,942 were made to purchase property, plant and equipment.

The notes to the accounts from page 59 to 74 form part of the financial statements.

Statement of Budgets,Actual Cash and Accrual Based Amounts

for the fiscal year ended 31 December 2012

	Original Budget Rs	Revised Budget Rs	Actual Received / Paid Rs	Financial Statements Rs
Revenue				
Audit fees	10,000,000	10,000,000	18,557,908	18,768,135
Expenditure				
Salaries and allowances	76,097,000	75,532,000	74,741,503	76,273,588
Travelling and transport	10,975,000	12,050,000	11,987,538	11,951,523
Overtime P(1)	150,000	140,000	131,894	133,848
Staff welfare	50,000	50,000	50,000	50,000
Cost of utilities	1,485,000	1,557,800	1,493,671	1,385,848
Fuel and oil	25,000	45,000	32,172	34,427
Rental of building	4,355,000	4,355,000	4,352,209	4,352,209
Rental of parking	425,000	455,000	452,350	452,350
Equipment and furniture	825,000	841,850	833,640	1,650
Office sundries	85,000	110,000	93,373	93,373.00
Maintenance	875,000	875,000	752,190	609,982
Printing and stationery	325,000	339,000	315,137	228,182
Books and publication	225,000	215,000	208,597	207,427
Fees for training and consultants	2,010,000	1,400,000	1,163,253	1,163,253
Refund of subscription fees	360,000	313,150	308,800	308,800
Inspection and audit fees	30,000	32,200	32,200	32,200
Uniforms	30,000	30,000	17,600	17,600
Accomodation costs	20,000	6,000	5,400	5,400
Catering	30,000	30,000	28,910	28,910
Memebership fees	355,000	355,000	304,195	304,195
Total Recurrent Expenditure	**98,732,000**	**98,732,000**	**97,304,632**	**97,634,765**
Total Expenditure Capitalised				
Computers and laptops	-	-	-	924,350
Furniture	-	-	-	16,790
Office equipment	-	-	-	29,802
Total expenditure	**98,732,000**	**98,732,000**	**97,304,632**	**98,605,707**

Statement Showing reasons for variances between Original and Revised Budget
for the fiscal year ended 31 December 2012

Expenditure	Original Budget	Revised Budget	Variations	Comments
	Rs	Rs	Rs	
Salaries and allowances	76,097,000	75,532,000	(565,000)	Officers joined other Ministries
Travelling and transport	10,975,000	12,050,000	1,075,000	Officers Eligible for mileage.
Overtime	150,000	140,000	(10,000)	
Staff welfare	50,000	50,000	-	
Cost of utilities	1,485,000	1,557,800	72,800	
Fuel and oil	25,000	45,000	20,000	
Rental of building	4,355,000	4,355,000	-	
Rental of parking	425,000	455,000	30,000	
Equipment and furniture	825,000	841,850	16,850	
Office sundries	85,000	110,000	25,000	
Maintenance	875,000	875,000	-	
Printing and stationery	325,000	339,000	14,000	
Books and publication	225,000	215,000	(10,000)	
Fees for training and consultants	2,010,000	1,400,000	(610,000)	Training Postponed
Refund of subscription Fees	360,000	313,150	(46,850)	
Inspection and audit Fees	30,000	32,200	2,200	
Uniforms	30,000	30,000	-	
Accomodation costs	20,000	6,000	(14,000)	
Catering	30,000	30,000	-	
Memebership fees	355,000	355,000	-	
Total	**98,732,000**	**98,732,000**	**-**	

Statement showing Reconciliation of Actual cash Flows with Financial Statements
for the fiscal year ended 31 December 2012

	Year ended 31 December 2012	Year ended 31 December 2011
	Rs	**Rs**
Actual recurrent expenditure as per statement of outturn	**97,304,630**	91,781,656
Commitment for the year	**270,026**	355,150
Advance- inventories-December last year	**18,458**	69,177
Non-budgeted items paid		
Sick leave annual payment	**-**	2,375,365
Sick leave annual payment-Non-NAO-staff	**20,980**	19,176
Fees paid from other ministries to NAO-staff	**332,744**	880,001
Salary of supporting staff	**400,000**	406,250
Consultancy fees	**-**	-
Mission abroad	**1,426,046**	1,134,357
Provisions		
Sick leave provision	**728,132**	2,729,971
Passage benefit obligations	**2,897,665**	2,731,371
Non-cash items		
Depreciation & amortisation	**1,825,351**	1,801,030
	105,224,032	104,283,504
Commitment of last year-December	**(355,150)**	(219,845)
Inventories - December this year	**(114,112)**	(18,458)
Additions to PPE & intangible assets	**(970,942)**	(1,956,262)
Expenditure as per statement of Financial Performance	**103,783,828**	102,088,939

Sick leave annual payment was a budgeted item in fiscal year 2012.

Notes to Accounts
for the Fiscal Year ended 31 December 2012

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.

Note 3. Adoption of IPSAS

IPSAS 25: Employee Benefits is effective in January 2011, except for pensions, has been adopted.

There is no impact in the opening balances resulting from 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.

IPSAS issued but not yet effective

Amendment to IPSAS 23- Revenue from non-exchange transactions.

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.

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 Statement of Financial Position and gains or losses on translation are recognised in the statement of financial performance.

(f) Employee Entitlements

Employee entitlements to salaries, pension costs, and other benefits are recognized when they are earned. Employees are allowed to accumulate sick leaves not taken at the end of each calendar year up to a maximum of 110 days, in a sick leave bank as at 31 December 2012. 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 110 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 are included as long term payables. For the current 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, representing amount earned for each eligible officer during the financial year, is expensed to the Statement of Financial Performance.

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 Pay Research Bureau (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 service amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable service amount which is the higher of an asset's fair value less costs to sell 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 any accumulated amortisation. Costs incurred for maintaining computer software are expensed to the Statement of Financial Performance.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of 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.

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.

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

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

(j) Inventories

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

(k) Capital Grant

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

(l) Statement of Cash Flows

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

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 2012 ending December 31, 2012 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	19,696,492
Later than Five Years (*)	30,692,914
Total Operating Lease Obligations	54,741,615

* 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.

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 2012 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, 2012, NAO had 165 full-time employees, out of which 17 are non-technical staff, and three others who are on leave without pay.

Note 5. Accounting Policies (continued)

(t) Key Management Personnel

NAO is governed by a management with key personnel that includes the Director of Audit, Deputy Directors, Assistant Directors and a Head of Examiner who are responsible for operating the various activities of the organisation. They are remunerated by NAO. The aggregate remuneration of key management personnel was Rs 11.2 million for the fiscal year 2012.

Employee Benefits accrued for accumulated sick leave and passage benefit to the key management personnel amounted to Rs 4.3 million and Rs 1.2 million as at 31 December 2012 respectively. During the fiscal year ended 31 December 2012, Passage benefit was only paid to six key personnel for an amount of Rs 393,849.

(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. Total car loans balances due by NAO officers stood at Rs 10.2 million at 31 December 2012 against Rs 12.7 million last year.

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 2012	**Year ended 31 December 2011**
	Rs	**Rs**
Bank sick leaves short term	**233,350**	478,398
Passage Benefits	**2,000,000**	2,000,000
Debtors -Sundries	**270,026**	355,150
	2,503,376	2,833,548

Notes to Accounts
for the Fiscal Year ended 31 December 2012

Note 8. Car Loan Receivables

NAO staffs were granted car loans, via the Accountant General, as per conditions stipulated in the PRB 2008 report. Outstanding capital on car loans was disclosed in the financial statement as at 31 December 2012 along with last year's comparatives. Interest and loan capital amount refunded are immediately repaid to the Accountant General.

Car Loans Receivables	**Year ended 31 December 2012**	**Year ended 31 December 2011**
	Rs	**Rs**
Opening balance	**12,703,500**	8,031,751
Loan granted during the year	**1,016,000**	8,015,532
Refunds	**(3,559,691)**	(3,343,783)
Closing balance	**10,159,809**	12,703,500

Analysed as follows

Short term	**2,616,696**	3,100,000
Long term	**7,543,113**	9,603,500
	10,159,809	12,703,500

Note 9. Long term receivables

	Year ended 31 December 2012	**Year ended 31 December 2011**
	Rs	**Rs**
Bank sick leaves	**25,413,713**	24,858,263
Passage Benefit -Long term	**5,770,716**	5,272,397
	31,184,429	30,130,660

Notes to Accounts
for the Fiscal Year ended 31 December 2012

Note 10. Property, Plant and Equipment

	Computer Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Total	Computer Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
				Year ended 31 December 2012				***Year ended 31 December 2011***		
	Rs	Rs	Rs	Rs	**Rs**	Rs	Rs	Rs	Rs	**Rs**
Opening NBV	2,531,726	3,885,000	191,821	143,164	**6,751,711**	1,983,040	1,595,000	212,689	212,972	**4,003,701**
Additions	924,350		16,790	29,802	**970,942**	1,229,422	2,860,000	12,400	**-**	**4,101,822**
Disposal	-	(50,000)	-	-	**(50,000)**	-	(125,000)	-	-	**(125,000)**
Depreciation	(818,236)	(535,000)	(34,947)	(69,809)	**(1,457,992)**	(680,736)	(445,000)	(33,268)	(69,808)	**(1,228,812)**
Closing NBV	2,637,840	3,300,000	173,664	103,157	**6,214,661**	2,531,726	3,885,000	191,821	143,164	**6,751,711**
Cost	10,913,588	4,280,000	353,836	378,844	**15,926,268**	9,989,238	4,280,000	337,046	349,042	**14,955,326**
Accumulated Depreciation	(8,275,748)	(980,000)	(180,172)	(275,687)	**(9,711,607)**	(7,457,512)	(395,000)	(145,225)	(205,878)	**(8,203,615)**
NBV	2,637,840	3,300,000	173,664	103,157	**6,214,661**	2,531,726	3,885,000	191,821	143,164	**6,751,711**

Notes to Accounts
for the Fiscal Year ended 31 December 2012

Note 11. Intangible Assets

	Year ended 31 December 2012	Year ended 31 December 2011
	Rs	**Rs**
Opening NBV	**1,001,815**	1,574,033
Additions	**-**	-
Disposal		-
Depreciation	**(367,359)**	(572,218)
Closing NBV	**634,456**	1,001,815
Cost	**4,577,740**	4,577,740
Accumulated Depreciation	**(3,943,284)**	(3,575,925)
Net Book Value	**634,456**	1,001,815

Note 12. 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 2012.

	Year ended 31 December 2012	Year ended 31 December 2011
	Rs	**Rs**
Audit fee payable to Consolidated Funds	**2,505,227**	2,295,000
Travelling and transport	**69,229**	105,244
Telephone	**37,035**	18,504
Electricity	**81,030**	191,882
Publications	**10,396**	11,564
Fuel and oil	**6,515**	4,260
overtime	**15,592**	13,637
Basic Salary	**50,230**	10,059
Sick leaves short term	**233,350**	478,398
Passage benefits	**2,000,000**	2,000,000
Advance for purchase of inventories	**114,112**	18,458
	5,122,716	5,147,006

Notes to Accounts

for the Fiscal Year ended 31 December 2012

Note 13. 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.

Note 14 Capital grants

	Year ended 31 December 2012	Year ended 31 December 2011
	Rs	**Rs**
Opening balance	**7,753,526**	5,577,734
Capital Grant	**970,942**	4,101,822
Proir Year Adjustement- Depreciation	**(50,000)**	-
Deferred Income	**(1,825,351)**	(1,801,030)
Transfer of Non -Current Assets	**-**	(125,000)
Closing Balance	**6,849,117**	7,753,526

Note 15. Revenue from Consolidated Fund

	Year ended 31 December 2012	Year ended 31 December 2011
	Rs	**Rs**
Provision from estimates	**98,732,000**	91,990,000
Contingencies Fund	**-**	750,000
Sick leaves	**749,112**	5,124,512
Passage benefits	**2,897,666**	2,731,371
Capital expenditure incurred by MOFED	**-**	2,140,000
Consultancy fees	**-**	-
Salary of supporting staff	**400,000**	406,250
Commitments for the year	**270,026**	355,150
Income from other Ministries	**332,744**	880,003
Mission abroad	**1,426,046**	1,134,357
Advance inventories-last year	**18,458**	69,177
	104,826,052	105,580,820
Less		
Capital expenditure out of recurrent	**970,942**	4,096,264
Commitments of last year	**355,150**	219,845
Provision from Estimates returned to Consolidated funds	**1,427,370**	928,344
provision returned to contingency fund	**-**	30,000
Inventories- Dec 2012	**114,113**	18,458
	2,867,575	5,292,911
	101,958,477	100,287,909

Notes to Accounts

for the Fiscal Year ended 31 December 2012

Note 16. Staff costs

The monthly average salary, bonus and allowances for the fiscal year ended 31 December 2012 amounted to Rs 5.4 million compared to Rs 5.7 million for the fiscal year ended 31 December 2011.

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 2012	**Year ended 31 December 2011**
	Rs	**Rs**
Salaries, Bonus and allowances	**76,273,588**	70,267,646
Travelling and transport	**11,951,523**	11,384,393
Overtime	**133,848**	171,504
Staff welfare	**50,000**	50,000
Uniform	**17,600**	13,380
Annual subscription to professional bodies	**308,800**	269,794
Passage benefits	**2,897,666**	2,731,371
Sick leaves	**-**	5,124,512
Miscellaneous expenses	**39,250**	-
	91,672,275	90,012,600

Note 17. Missions abroad

During the fiscal year 2012, a total of 32 NAO officers went abroad to attend a total of 25 official missions. 11 staff attended seminars, workshops and meetings and five were assigned to audit the accounts of Mauritian Embassies. NAO incurred expenditure of Rs 1.4 million.

In addition, SADC, COMESA, AFROSAI-E and ASOSAI and ITEC sponsored the full costs for 15 NAO staff to attend training and seminars abroad. In the absence of necessary information, we could not measure this non-monetary assistance to us.

	Number of Mission	**No. of staff involved**	**Cost**
			Rs
Missions Funded by Government	14	17	1,426,046
Missions Funded by Foreign Donors	11	15	-
	25	32	**1,426,046**

Notes to Accounts

for the Fiscal Year ended 31 December 2012

Note 18. Rent & Utilities

	Year ended 31 December 2012	Year ended 31 December 2011
	Rs	Rs
Rent of Building	**4,352,209**	4,352,209
Electricity Charges	**945,641**	1,041,244
Telephone	**440,207**	397,031
Rental of Parking Slot	**452,350**	423,600
	6,190,407	6,214,084

Note 19. Reconciliation of Original Budget and Revised Budget

Basically, expenditure is approved in annual Government Budget. The original budget for the fiscal year 2012 amounted to Rs 91.9 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.

Note 20. Reconciliation of budgetary results and results after IPSAS adjustments for the period

The Statement of Comparison of Budgeted and Actual Amounts at page 50 shows the budgetary results reconciled with the results after IPSAS adjustments for the period as reported in the financial statements. IPSAS adjustments are accounting entries required to conform to IPSAS and are not Part of the NAO's budgetary reporting. These adjustments principally concern accrual accounting relating to expenses and revenues, property, plant and equipment and related amortization, depreciation and impairment together with provisions deemed necessary.

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

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

b) In budget accounting, capital expenditures are recorded as current year expenses. In accrual accounting this expense is capitalised and depreciated 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.

Note 20. Reconciliation of budgetary results and results after IPSAS adjustments for the period (continued)

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 2012 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 21. Segment information

Segment information is based on the principal activities and sources of financing of the NAO. 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.