INTRODUCTION

1. It is a legal requirement for any entity with accounting responsibilities to have its financial transactions scrutinised by an independent external audit organisation to ensure its credibility in the eyes of the public. In the context of the accountability cycle in the Public Sector, the accounting responsibility starts from the moment the Estimates are approved by the National Assembly and funds made available to Ministries and Departments. Subsequently, expenditure based on the approved allocations are incurred in accordance with Government rules and procedures and are recorded for ultimate incorporation in the annual financial statements of the Government. To ensure compliance with the rules and regulations and to add credibility to the financial statements, the National Audit Office (NAO) as the external auditor, is mandated to function without any interference from any person or authority.

The NAO is the external auditor of central government. Organisations responsible for external audit of government activities are referred to as Supreme Audit Institutions (SAIs). External audit refers to an audit carried out by a body that is external to, and independent of, the organisation being audited, the purpose being to give an opinion and report on the organisation’s accounts and financial statements, the legality and regularity of its operations, and its financial and management procedures and performance.

It is also the responsibility of the NAO to evaluate the efficiency and effectiveness on the implementation of programmes and activities of the Government, to ensure compliance with environmental standards and to promote good governance. The end product is an Annual Report, which is submitted to the Ministry of Finance to be laid on the table of the National Assembly for the benefit of our stakeholders which are the Public Accounts Committee, members of the National Assembly, the media, and the public at large.

The National Audit Office

The National Audit Office is the SAI of the Republic of Mauritius. The Office of the Director of Audit has been established by the Constitution.

Security of tenure of the Director of Audit

To guarantee the independence of the Director of Audit as the Head of the National Audit Office against outside interference and coercion, various safeguards have been provided in the Constitution. He cannot be removed from Office before the legal retirement age or at the end of a contract period, except for misconduct or inability to discharge the function of his office and even then only by the President acting on the advice of a tribunal of at least three persons who are holding or have held office as a judge of the Supreme Court. Since the existence of the Office this situation has never arisen nor has there been any threat to the Office. This is a testimony of the credence placed by our policy-makers on the Director of Audit and his staff. Discussions at the level of the Public Accounts Committee have also proved throughout the years that justice has duly been given to Audit Reports tabled.
Mandate of the Director of Audit

Section 110 of the Constitution provides the Director of Audit with the mandate to audit and report on the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government.

The same Section of the Constitution also provides that in the exercise of my functions, I shall not be subjected to the direction and control of any person or authority. This ensures the independence of the Director of Audit. Basic principle states that the objectivity of the auditor must be beyond question. That objectivity can only be assured if the auditor is seen to be independent.

Section 16 of the Finance and Audit Act requires the Director of Audit to 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 for the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it; and
- 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.

Audit Methodology

At the core of the external audit function is the responsibility to ensure accountability of public funds. To discharge this responsibility NAO’s approach to audit involves the following:

- Planning the audit to obtain relevant information in the most efficient manner, and to determine the audit procedures to be employed.
- Evaluation and testing of the accounting and internal control systems.
- Testing of control to ensure that procedures have been applied and that the relevant laws and regulations have been complied with. Included is the testing of the validity, completeness and accuracy of the accounts.
- Reporting the audit findings based on the audit procedures performed together with appropriate recommendations.

The National Audit Office is a member of the International Organisation of Supreme Audit Institutions (INTOSAI). The INTOSAI acts like any other professional organization and has formulated auditing standards, to which the SAIs subscribe. The National Audit Office
conducts its audit in accordance with the INTOSAI Standards on Auditing. Compliance with these standards enhances the auditor's credibility, objectivity, professionalism, and independence.

**Accounting Officer’s Responsibility**

It is the Accounting Officer’s responsibility to maintain proper financial systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting practices. The responsibilities of management also include:

- ensuring that public funds are only used to the extent, and for the purpose intended by the National Assembly; and
- the safe custody of assets and stores.

This Report to the National Assembly summarises the results of the audit work undertaken by the National Audit Office (NAO) over the past twelve months, from 1 July 2006 to 30 June 2007 and highlights key issues arising from it. Audit findings are discussed with the management of the entities being audited. In addition Accounting Officers are given the opportunity of commenting on the “true and fair” view of those audit findings, which my Senior Management Officers and myself deemed to be of significance and of a nature to be brought to the attention of the National Assembly. The comments received by 23 November 2007 have been included in the Report.

Issues raised in the 2005-06 Audit Report have been reviewed and updated. Those cases, which were still unsatisfactory as of end October 2007, have been included again in this Report. Conversely those paragraphs, where remedial actions have been taken, have not been brought forward.

**Acknowledgement**

I wish to place on record my gratitude and to express my heartfelt thanks to all the staff and Divisional Heads of NAO for their continual support, commitment and valuable contribution. They have collectively performed their duties willingly with professional skill and dedication despite working in a not envious environment. This is highly appreciated. I would also like to sincerely acknowledge the cooperation and collaboration of all my colleagues, Accounting Officers, the Accountant General, the Government Printer, and all their staff.

**DR R. JUGURNATH**  
**Director of Audit**

30 November 2007