

NATIONAL AUDIT OFFICE



REPUBLIC OF MAURITIUS

**ANNUAL REPORT ON PERFORMANCE
FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2022**

OCTOBER 2022

NATIONAL AUDIT OFFICE

*Making a Difference in the
Quality of Public Sector Governance and
Service Delivery for the
Value and Benefit of Citizens*

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PART I

About The
National Audit Office



Foreword by Director of Audit

I am pleased to present the Annual Report on Performance of the National Audit Office (NAO) for the financial year 2021-22 in compliance with the Finance and Audit Act, which requires every Ministry and Government Department to submit an Annual Report on Performance, not later than 31 October, to the Minister responsible for Finance.

This Report also meets the requirements of the standards established by the International Organisation of Supreme Audit Institutions (INTOSAI), namely INTOSAI-P 20 - *“Principles of Transparency and Accountability”* and INTOSAI-P 12 - *“The Value and Benefits of Supreme Audit Institutions - Making a difference to the lives of citizens”*.



The Report covers the activities, achievements as well as the operational and financial performance of the NAO. It includes the financial statements of the NAO for the financial year 2021-22, prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and which have been subjected to external independent audit.

NAO envisions to be recognised as a highly respected professional organisation providing high quality audit services geared towards transparency, accountability and good governance. To this end, during the year 2021-22, NAO has been working on its new strategic plan 2022-25 with the aim of achieving this vision.

To strengthen the governance structure of the NAO, various Committees have been set up to deal with administrative and technical issues in an efficient and effective manner. A Standard Operating Procedures Manual has been developed to ensure that NAO's policies, rules and procedures are more transparent and are applied consistently.

NAO's mandate stems from the Constitution which requires the Director of Audit to audit and report on the public accounts of Mauritius and all courts of law and all authorities, except where the law establishing a body corporate, provides otherwise.

The current portfolio of the NAO consists of 156 Ministries and Government Departments (including the Rodrigues Regional Assembly (RRA), 113 Statutory Bodies, 142 Local Authorities (including Village Councils), 18 Special Funds and some 35 other accounts.

Despite resource and time constraints, NAO has fulfilled its statutory obligations and provided independent assurance to the National Assembly on the proper accounting and use of public resources.

NAO submitted its Report on the accounts of Government for the financial year 2020-21 to the Minister of Finance, Economic Planning and Development in February 2022, as required under the Finance and Audit Act.

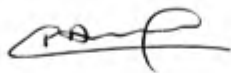
Due to travel restrictions imposed in the wake of the COVID-19 pandemic, the audit of the accounts of the RRA could only be conducted in March 2022. Pursuant to Sections 20(2)(b) of the Finance and Audit Act, approval of the Minister of Finance, Economic Planning and Development was obtained for the extension of the submission of the Report on the accounts of the RRA for the financial year 2020-21 to 30 June 2022. NAO has submitted its Report on 30 June 2022.

The Reports on the accounts of Government and RRA were tabled in the National Assembly in March 2022 and July 2022 respectively.

During the financial year 2021-22, NAO has also issued three Performance Audit Reports and some 300 Audit Reports for Statutory Bodies and Other Bodies.

To ensure that NAO staff members are well equipped to meet upcoming challenges, we have put in place staff training programmes. Staff members are encouraged to attend online webinars organised by international institutions such as INTOSAI and AFROSAI-E.

The performance achievements detailed in this Report are a result of the teamwork, professionalism and commitment of all officers of NAO. I would like to extend my appreciation to each member of the NAO for the contribution made in the achievement of our goals.



C. ROMOOAH
Director of Audit
National Audit Office

28 October 2022

NAO Vision, Mission and Core Values

Vision

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

Mission

Promoting good governance in the public sector through the delivery of high quality audit services and providing independent assurance to the National Assembly on the proper accounting and use of public resources

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

CUSTOMER CHARTER

Our Commitments

We shall:

- Maintain our independence
- 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 trust and confidence conferred on us
- Be courteous, polite, helpful and considerate

What We Expect From Our Customers

- Prompt submission of relevant, reliable, complete, clear and accurate documents/information required for audit purposes
- Provision of clean accessible offices and other facilities to our staff during audit
- Cooperation and collaboration

Overview of the National Audit Office

Who We Are

The National Audit Office (NAO) has been established by the Constitution of the Republic of Mauritius. NAO is an independent public body and has at its head, the Director of Audit whose appointment, independence, security of tenure and authority, are spelt out in the Constitution. His duties and powers are laid down in the Finance and Audit Act and several other legislations. In the international forum, NAO is referred to as the Supreme Audit Institution (SAI) of Mauritius.

NAO forms an integral part of the governance system of Mauritius, playing an essential role in the accountability cycle. The Legislature (National Assembly) is the only authority to appropriate public funds to public sector entities which are therefore accountable to the National Assembly for the use of financial resources provided to them.

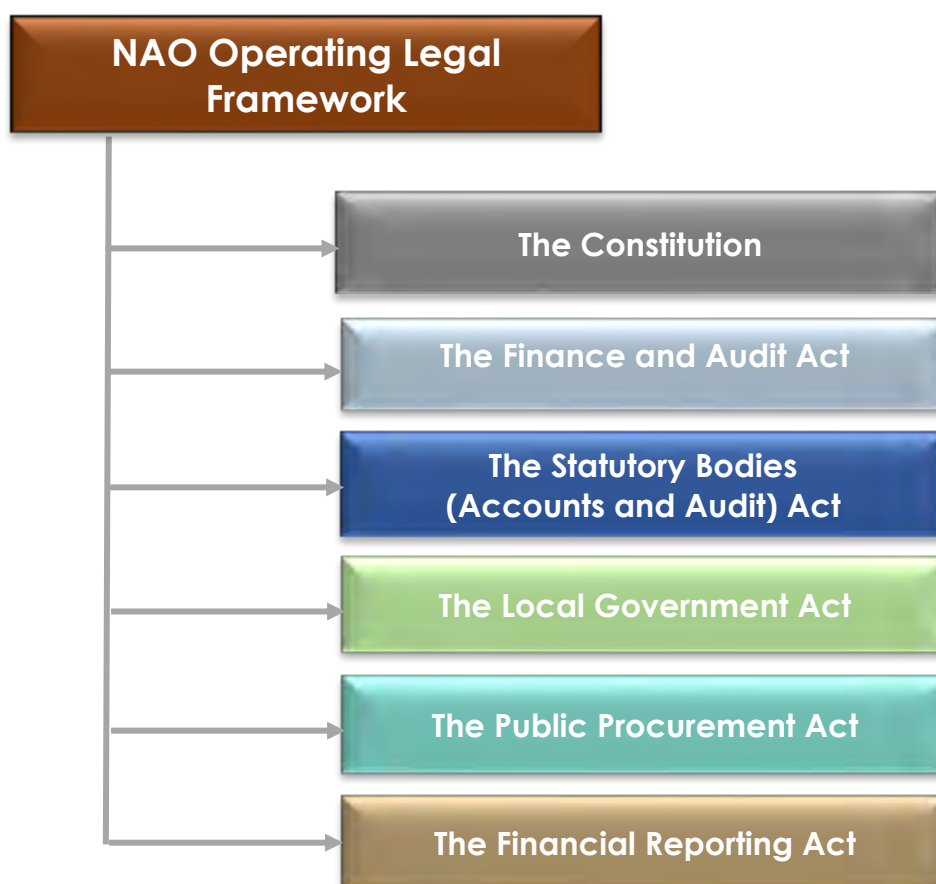
It is the responsibility of the NAO to give independent assurance to the National Assembly that these entities are operating and accounting for their performance in accordance with the purpose intended by the National Assembly. NAO contributes to the improvement in the management of public funds, promoting accountability and transparency.

Statutory responsibilities and powers have been conferred upon the Director of Audit to fulfill his obligations. NAO has the statutory authority to examine and report on the Annual Statements of the Republic of Mauritius, the underlying records of all Ministries and Government Departments, as well as the accounts of a large number of other public sector bodies.

NAO is a member of international and regional blocks including the International Organisation of Supreme Audit Institutions (INTOSAI) which operates as an umbrella organisation for the external government audit community. We adhere to the International Standards of Supreme Audit Institutions (ISSAIs) which are professional standards and best practice guidelines for public sector auditors, authorised and endorsed by INTOSAI.

NAO operates within regulations pertaining to the Public Sector and has qualified, experienced and committed staff who assist the Director of Audit in the discharge of his legal obligations.

Operating Legal Framework



The legal framework within which NAO exercises its public sector audit functions is spelt out, primarily in the legislations mentioned above. The Constitution provides for the appointment of the Director of Audit, his independence, security of tenure, mandate as well as his authority and specific conditions of service. The other legislations make additional provisions regarding, inter alia, the audit mandate, duties, powers, and reporting functions of the Director of Audit.

Independence of NAO

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

✧ The Constitution

Section 110 of the Constitution provides for the appointment of a Director of Audit, whose Office shall be a Public Office and who shall be appointed by the Public Service Commission, acting after consultation with the Prime Minister and the Leader of Opposition. Provision is also made that in the exercise of his functions, the Director of Audit shall not be subject to the direction or control of any person or authority.

*As per **Section 93**, the Director of Audit may not be removed from office before the legal retirement age except where a tribunal, consisting of at least three sitting or former judges of the Supreme Court appointed by the President in accordance with Section 93(4) of the Constitution, recommends that the Director of Audit ought to be removed from office for inability to discharge the functions of his office or for misbehaviour.*

✧ The Finance and Audit Act

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

Principles are issued by the International Organisation of Supreme Audit Institutions, INTOSAI, as part of the INTOSAI Framework of Professional Pronouncements.

The Lima Declaration on SAI independence was the first INTOSAI document to comprehensively set out the importance of Supreme Audit Institution (SAI) independence, by reminding INTOSAI members that SAIs can only be objective and effective if they are independent from the audited entity and are protected from outside influence.

The Mexico Declaration on SAI independence also elaborates on the topic of SAI independence as laid out in the Lima Declaration. It presents eight core principles, or pillars, of SAI independence.

However, currently, NAO does not meet all the provisions of the **Lima and Mexico Declarations on SAIs independence** (Annexes I and II refer).

NAO Audit Mandate

The mandate of the NAO is established in the Constitution of Mauritius and several legislations. Agreements with several institutions/donor-funded projects also empower the Director of Audit to audit their accounts.

The Director of Audit has the responsibility to audit:

- **All** Ministries and Government Departments
- **All** Commissions of the Rodrigues Regional Assembly
- **All** Local Authorities
- Most Statutory Bodies (*currently, 113 out of the 127 Statutory Bodies are audited by the Director of Audit*)

- Special Funds
- Other Bodies and Donor-funded Projects
- A few State-owned Companies

The main legal provisions regarding the mandate of NAO are embodied in:

✧ The Constitution

Section 110(2) of the Constitution provides that the public accounts of Mauritius and of all Courts of law and all authorities and officers of the Government shall be audited and reported on by the Director of Audit. In the case of any body corporate directly established by law, the accounts of that body corporate shall be audited and reported on by the Director of Audit provided it is so prescribed.

✧ The Finance and Audit Act

Section 16 of the Finance and Audit Act provides that 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*

Section 16(1A) of the Act requires the Director of Audit to carry out Performance Audit and to report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.

Section 16(2) provides that the Director of Audit shall not be required to undertake any examination of accounts partaking of the nature of a pre-audit and involving acceptance by him of responsibility which would preclude him from full criticism of any accounting transactions after those transactions have been duly recorded.

✧ The Statutory Bodies (Accounts and Audit) Act

*As per **Section 5** of the Statutory Bodies (Accounts and Audit) Act, every Board shall for every financial year, with the approval of the Minister to whom the responsibility for the statutory body is assigned, appoint an auditor to audit the financial statements of the statutory body. This does not apply where the enactment establishing the statutory body provides that the Director of Audit shall audit its financial statements.*

*As per **Section 8** of the Act, 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 economically, efficiently and effectively.*

***Section 8A** further provides that the Director of Audit may, where he considers appropriate, send to the Minister to whom responsibility for the subject of finance is assigned a consolidated audit report on the accounts of statutory bodies and the Minister shall cause the report to be laid before the National Assembly.*

✧ The Local Government Act

***Section 136** of the Local Government Act provides that the approved annual financial statements of every local authority shall be audited by the Director of Audit.*

***Section 138(1)** of the Act requires the Director of Audit to make a **report to the Council** on the financial statements which have been audited.*

The report shall state:

- *the work done by him*
- *the scope and limitations of the audit*
- *whether he has obtained all information and explanations that he has required*

- *whether the instructions of the Minister, if any, in regard to the financial statements have been complied with.*

The report should also state, whether, in the opinion of the Director of Audit -

- *any item of account is contrary to law*
- *any loss or deficiency is wholly or partly due to the negligence or misconduct of any person*
- *any sum which ought to have been so brought to account but which, due to wilful default or negligence, has not been brought into account*
- *any failure to recover any rate, fee or other charge in the manner specified in Section 101 of the Act*
- *the financial statements give a true and fair view of the matters to which they relate, and where they do not, the aspects in which they fail to do so, and whether the financial statements have been prepared in accordance with the Accounting Standards approved by the Minister to whom responsibility for the subject of finance is assigned*
- *the instructions of the Minister, if any, in regard to the financial statements have been complied with.*
- *the local authority has applied its resources and carried out its operations economically, efficiently and effectively*

Section 138(6) provides that the Director of Audit may, where he considers appropriate, send a consolidated audit report on the accounts of every local authority to the Minister who shall cause the report to be laid before the National Assembly.

✧ The Public Procurement Act

Section 42 of the Public Procurement Act 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 regarding the Bidding Process have been complied with.

Access to Information

Provisions are made in the Constitution and other legislations to ensure that the Director of Audit and his staff have access to all information necessary for audit.

✧ The Constitution

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

✧ The Finance and Audit Act

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

- call upon any public officer for any explanations and information which he may require in order to enable him to discharge his duties; and
- 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;
- without payment of any fee, cause searches to be made in, and extracts to be taken from, any document in the custody of any public officer;
- lay before the Attorney-General a case in writing as to any question regarding the interpretation of any enactment concerning the powers of the Director of Audit or the discharge of his duties and the Attorney-General shall give a written opinion on such case.

✧ The Statutory Bodies (Accounts and Audit) Act

Section 6 of the Statutory Bodies (Accounts and Audit) Act provides that -

- (1) Every auditor shall have access, at all reasonable times, to all the books and accounts of the statutory body, all vouchers in support of them, and all relevant books, papers, and writings in the possession or control of the Board relating to them.
- (2) The auditor may require, from all the members of the Board and all officers, agents and employees of the statutory body, such information and explanations as may be necessary for the purpose of the examination or audit.

✧ The Local Government Act

Section 137 of the Local Government Act provides that -

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

✧ The Public Procurement Regulations

Regulation 69 provides that the report and the register of procurement proceedings, as well as the documents generated in the planning and procurement proceedings and implementing procurement contracts, shall be made available for inspection to the Policy Office and the Director of Audit.

Right and Obligation to Report

Provisions are made in the Constitution and various legislations for the submission of financial statements by public bodies, namely, the Central Government, the Rodrigues Regional Assembly (RRA), Statutory Bodies, Local Authorities and other bodies, to the NAO for audit and certification. A summary of the statutory provisions is given hereunder.

Budgetary Central Government and RRA

✧ The Constitution

Section 110(3) of the Constitution provides that the Director of Audit shall submit his reports to the Minister responsible for the subject of Finance, who shall cause them to be laid before the National Assembly.

✧ The Finance and Audit Act

Section 19 of the Finance and Audit Act provides that the Accountant-General shall within six months of the close of every fiscal year, sign and submit to the Director of Audit statements presenting fairly the financial transactions and financial position of Government on the last day of such fiscal year.

For the Rodrigues Regional Assembly, the Commissioner responsible for the subject of Finance is required to sign and submit to the Director of Audit, within three months of the close of every fiscal year, the statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year.

Section 20 of the Act provides that the Director of Audit shall send, within eight months of the close of every fiscal year, to the Minister (responsible for the subject of Finance) copies of the statements submitted, together with a certificate of audit and a report upon the examination and audit of all accounts relating to public money, stamps, securities, stores and other property of Government and of the Regional Assembly relating to the Island of Rodrigues and the Minister shall as soon as possible thereafter lay these documents before the National Assembly.

Section 17(2) provides that 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 the Finance and Audit Act to the Speaker of the National Assembly to be by him presented to the National Assembly.

Section 17(3) provides that where the Minister fails, within a reasonable time, to lay any report made under Section 20 before the National Assembly, the Director of Audit shall send such report to the Speaker of the National Assembly to be by him presented to the National Assembly.

Statutory Bodies

✧ The Statutory Bodies (Accounts and Audit) Act

Section 7 of the Statutory Bodies (Accounts and Audit) Act provides that the chief executive officer of every statutory body shall, not later than three months after the end of every financial year, submit to the Board for approval the annual report in respect of that year. After approval by the Board, the chief executive officer shall, not later than four months after the end of every financial year, submit the annual report to the auditor.

The auditor shall, within 10 months of the end of every financial year, after receipt of the annual report, submit the annual report and his audit report to the Board.

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

Local Authorities

✧ The Local Government Act

Section 134A provides that -

(1) Every local authority shall cause to be prepared an annual report.

(2) The Annual Report shall consist of -

- a. the financial statements in respect of the financial year to which the report relates;*
- b. a report on the performance of the local authority in respect of the previous financial year;*

c. a corporate governance report in accordance with the National Code of Corporate Governance; and

d. the strategic direction of the local authority in respect of the next 3 financial years.

Section 136 of the Act states that “the Chief Executive of every Local Authority, shall, within four months of the end of every financial year submit the approved annual report to the Director of Audit”.

Section 138 of the Act states that “the Director of Audit shall, after receipt of the approved annual report, submit, within 10 months of the close of every financial year, the annual report and the audit report to the Minister and to the Local Authority”.

Section 139(2) - On receipt of the report of the Director of Audit, in respect of the annual report of a Council which has been audited, the Minister shall, at the earliest available opportunity, lay a copy of the annual report and audited accounts of every Council before the National Assembly.

Section 139(3) - The annual report and audited accounts shall be posted on the website of the local authority.

Main Amendments in Legislations impacting on NAO Operations

Changes brought by the Finance (Miscellaneous Provisions) Act 2022

The Finance (Miscellaneous Provisions) Act 2022 has brought amendments to the Statutory Bodies (Accounts and Audit) Act and the Local Government Act.

The Statutory Bodies (Accounts and Audit) Act

The Statutory Bodies (Accounts and Audit) Act has been amended as follows:

- In **Section 8** relating to the contents of the Audit Report –

by replacing part (g) which previously read as ‘in his opinion, the statutory body has been applying its resources and carrying out its operations **fairly and economically**’ with ‘in his opinion, the statutory body has been applying its resources and carrying out its operations **economically, efficiently and effectively**’

- By adding the following new section:

Section 8A. Consolidated audit report on accounts of statutory bodies

The Director of Audit may, where he considers appropriate, send to the Minister to whom responsibility for the subject of finance is assigned a consolidated audit report on the accounts of statutory bodies and the Minister shall cause the report to be laid before the National Assembly.

The Local Government Act

The Local Government Act has been amended as follows:

In **Section 138**, relating to the contents of the Audit Report –

- In subsection (2), by adding a new part (ga) which states:

‘whether, in his opinion, the local authority has applied its resources and carried out its operations economically, efficiently and effectively

- By adding the following new subsection –

(6) The Director of Audit may, where he considers appropriate, send a consolidated audit report on the accounts of every local authority to the Minister who shall cause the report to be laid before the National Assembly.

Appropriate mechanisms are presently being developed at the level of NAO to enable the issue of the Consolidated Audit Reports.

Regional and International Cooperation

NAO is affiliated to the International Organisation of Supreme Audit Institutions (INTOSAI) and to its regional working groups, namely, the African Organisation of Supreme Audit Institutions (AFROSAI), the English Speaking subgroup of AFROSAI (AFROSAI-E) and the Asian Organisation of Supreme Audit Institutions (ASOSAI).

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

ISSAIs, the International Standards of Supreme Audit Institutions, are professional standards and best practice guidelines for public sector auditors, which state the basic prerequisites for the proper functioning and professional conduct of SAIs, and the fundamental principles in auditing of public entities. ISSAIs are officially authorised and endorsed by INTOSAI.

The exchange of experience and sharing of knowledge among SAIs members of these international organisations, allow NAO to gain knowledge and insight on new international developments and emerging issues. Furthermore, NAO benefits from opportunities for professional and technical cooperation with the SAIs Members.

Memorandum of Understanding between the Office of the Auditor General of Seychelles and the NAO

The National Audit Office (NAO) endeavours to engage strategically with the wider international Supreme Audit Institutions (SAI) community with a view to continuously improve the quality of audit services provided so as to enhance accountability and transparency in the public sector, through the delivery of timely and high quality audit reports.

The NAO and the Office of the Auditor General (OAG) of Seychelles signed a Memorandum of Understanding (MoU) with the common objective of developing and strengthening co-operation between our two countries in the field of public sector auditing.



Due to the sanitary conditions resulting from the COVID-19 pandemic and travel restrictions prevailing at that time, it had not been possible to hold a face-to-face meeting for the signature of the MoU. A virtual meeting was finally held on 18 March 2022 for the signing of the MoU.

Promoting good governance in the public sector through the provision of high-quality audit services is one of the main objectives of all SAIs. Both the OAG and the NAO are members of the INTOSAI and the AFROSAI-E and as such, are required to adhere to international standards of auditing. As a member of recognised international and regional blocks, NAO endeavours to strengthen its collaboration with regional and international partners and take advantage of capacity development opportunities.

The signing of a MoU is a significant milestone aimed at enhancing good understanding, collaboration and close working relationship between our two institutions. It represents an opportunity for our respective institutions to build capacity amongst our staff and will facilitate the exchange of information, experiences and best practices on public sector auditing procedures and methodology.

We now look forward to the elaboration of an action plan for the implementation of activities geared towards the achievement of the objectives set out in the MoU.





Our Organisation & People

Our Organisation & People

Human Resources



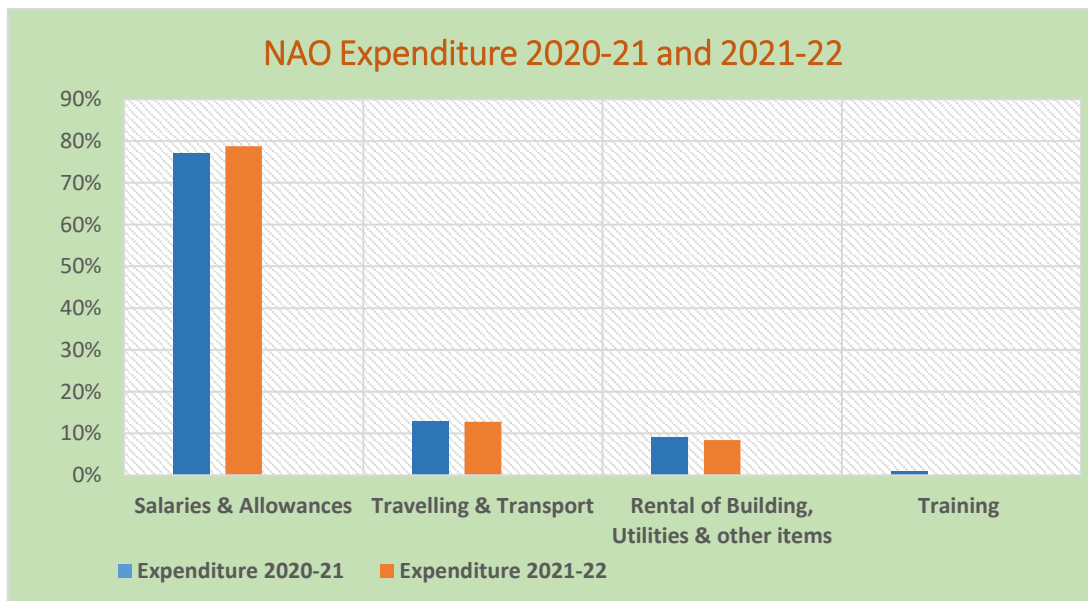
NAO Staff-Related Expenses

NAO personnel is a key asset to our organization and it contributes in NAO discharging its mandate and functions effectively. The largest share of expenditure incurred by NAO is directly related to its personnel.

During the financial year 2020-21, 91 per cent of NAO total expenditure were incurred on staff-related items, of which 78 per cent were on ‘Salaries, Allowances and Training’, and 13 per cent on ‘Travelling and Transport’.

For the financial year 2021-22, some 79 per cent of NAO’s total expenditure were on ‘Salaries and Allowances’ of staff and 13 per cent on ‘Travelling and Transport’ and ‘Training of staff’, that is, a total of some 92 per cent. The remaining expenditure (8 per cent) was incurred on Rental of building, Utilities and other items.

Training expenses during financial year 2021-22 represented only 0.02 per cent of NAO total expenditure as most training courses were carried out online due to the COVID -19 pandemic, and were free of charge.



NAO Organisation Structure

The NAO has, at its head, the Director of Audit who oversees the administrative and technical activities of the NAO. In the discharge of his responsibilities, the Director of Audit is assisted by a Senior Management Team comprising three Deputy Directors of Audit, nine Assistant Directors of Audit and the Head, Examiner of Accounts Cadre.

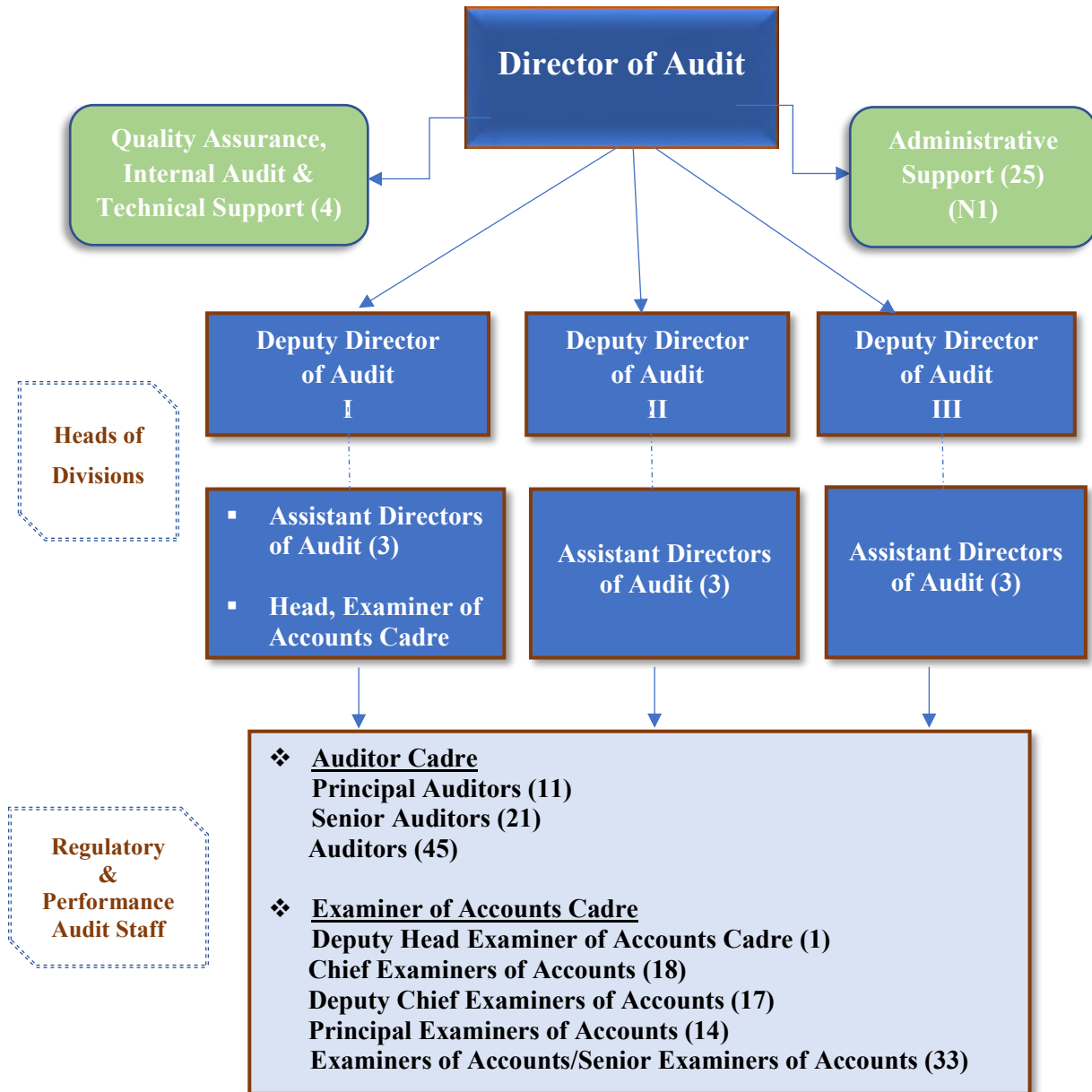
Also contributing to the good running of the activities of NAO are the Quality Assurance, Internal Audit and Technical Support Units as well as the Administrative, IT, Finance and Human Resource Units.

The main activity of the NAO is Auditing. Audit assignments of all accounts, falling within the mandate of the NAO, are allocated to 13 Divisions which are, each, managed by an officer of the Senior Management Team.

Twelve Divisions have, each, a portfolio of Regularity Audit assignments comprising Ministries and Government Departments, Statutory Bodies, Local Authorities and Special Funds. One Division is responsible for Performance Audit and some Regularity Audit assignments.

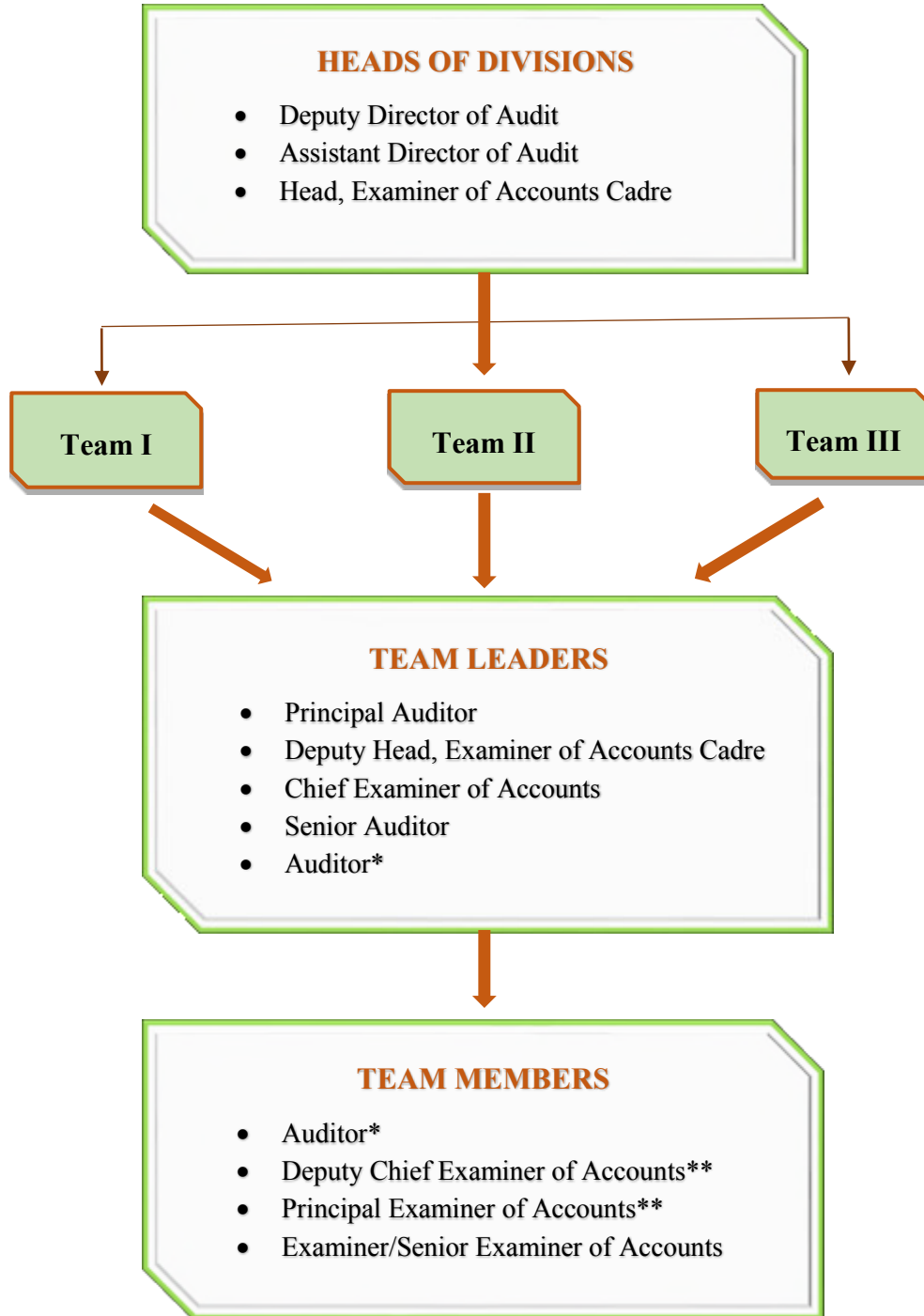
Each officer of the Senior Management Team (Head of Division) manages a team of some 12 officers comprising a mix of officers of the Auditor Cadre and the Examiner of Accounts Cadre, who assist him/her in the discharge of his/her responsibilities.

NAO Organisation Structure (as at 30 June 2022)



N1 – Administrative Support staff include:
Officers of the HR Cadre, Officers of the Finance Cadre, Office Management Assistants, Management Support Officers and CISD Officers

Structure of a Division at NAO



* An Auditor may also be called upon to lead a team

** Officers in these categories may be called upon to take charge of an audit assignment depending upon its size and complexity

Senior Management Team (as at 30 June 2022)

DIRECTOR OF AUDIT

ROMOOAH Charanjivsingh (Mr.)
FCCA, MSc, LLB

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HEAD, EXAMINER OF ACCOUNTS CADRE

MOHUN Parbhaotee (Mrs.)

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✉ pmohun@govmu.org

ASSISTANT DIRECTOR OF AUDIT (Assigned Duties)

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FCCA

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✉ bgloorah@govmu.org

DODAH Juihendranath (Mr.)
FCCA

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✉ jdodah@govmu.org

Staff Details (as at 30 June 2022)

Grade Position	Est. Posts 2021-22	Funded Posts 2021-22	Officers in Post		
			Male	Female	Total
Senior Management					
Director of Audit	1	1	1	-	1
Deputy Director of Audit	3	3	2	1	3
Assistant Director of Audit	10	9	*5	*4	*9
Head, Examiner of Accounts Cadre	1	1	-	1	1
Auditing Grades					
<i>Auditor Cadre</i>					
Principal Auditor	11	11	*9	2	*11
Senior Auditor	21	21	*12	*9	*21
Auditor	45	45	13	32	45
<i>Examiner of Accounts Cadre</i>					
Deputy Head, Examiner of Accounts Cadre	2	1	1	-	1
Chief Examiner of Accounts	18	18	5	13	18
Deputy Chief Examiner of Accounts	17	17	7	10	17
Principal Examiner of Accounts	22	22	2	12	14
Examiner/Senior Examiner of Accounts	61	42	4	29	33
Total – Senior Mngt & Auditing Grades	212	191	61	113	174
Administrative Grades					
Assistant Manager, Human Resources	-	1	-	1	#1
Principal Financial Operations Officer	-	1	-	1	#1
Other Supporting Staff	-	23	6	17	#23
Total - Administrative & Other Grades	-	25	6	19	25
Total	212	216	67	132	199

* Include officers who have been assigned duties in these grades

Include posts established at the Ministry of Public Service, Administrative and Institutional Reforms and at the Ministry of Finance, Economic Planning and Development

NAO Staff by Age Group

Age Group	No. of Officers	%
Less than 25 years	2	1
25-34 years	68	34
35-44 years	44	22
45-54 years	50	25
55-65 years	35	18
Total	199	

Gender Statement

In line with the policy objectives and strategies set out in the National Gender Policy 2022-2030, the National Audit Office is committed to promote gender equality.

To achieve a gender-oriented welfare at our workplace, the National Audit Office has promoted a healthy and collegial working environment, free of any gender discrimination.

NAO ensures that:

- Male and Female officers are treated equally, be it in the distribution of work and responsibilities or participation in all areas of activities.
- Male and Female officers are equally involved in decision-making.
- All officers benefit from equal opportunities to attend training programmes, both locally and overseas.
- Male and female officers are represented in Committees/Meetings.

The staff of the NAO for the financial year 2021-22 comprised 67 male officers and 132 female officers. Female officers, thus, represented 66 per cent of the NAO total manpower. Moreover, out of 14 members of the Senior Management Team, six were female, that is, 43 per cent.

Appointment & Retirement of Staff

During financial year 2021-22, seven new staff members joined the NAO as Temporary Examiner of Accounts/Senior Examiner of Accounts, while three Examiner of Accounts/Senior Examiner of Accounts resigned from service or were permanently transferred to other public service entities.

Six senior officers of the NAO technical grades retired from Office. They spent the major part of their fruitful years of service at the NAO and made valuable contributions to the activities and performance of the NAO.

Grade	No. of Officers	No. of Years in Service	No. of Years serving at NAO
Deputy Head, Examiner of Accounts Cadre	1	44	43
Chief Examiner of Accounts	3	38 to 41	33 to 41
Deputy Chief Examiner of Accounts	1	34	26
Auditor	1	34	23

Corporate Social Responsibility

It is very important for NAO to strive in achieving a balance between operational performance and social well-being of staff. Policies of NAO in respect of Corporate Social Responsibility (CSR) include concerns for the health, safety, training and development of its staff, their participation in community as well as environmental activities.

NAO's staff is diverse, multi-cultural and talented. NAO has established core values which provide a code of conduct to its employees, and encourages them to be good citizens as well as to become social assets to their local communities. NAO is also committed to support the development of its people.

Welfare Activities

Since the early 1980s, the staff of NAO has set up its own Fund, presently known as the NAO Welfare Fund (NAOWF). NAO operates within regulations pertaining to the public sector and as such does not have a budget for CSR. During the financial year 2021-22, the NAOWF had some 155 staff members who made monthly contributions to the Fund. These are used to finance the events organised by the NAOWF.

The NAOWF usually organises activities such as the Annual End of Year gathering (lunch or dinner) and outings for its members and their families, at least twice a year. Members benefit from cash vouchers when there are events such as child birth, wedding or retirement. A funeral wreath is also presented on behalf of the Fund to staff members who have lost their close ones.

Unfortunately, the activities of the NAOWF were heavily affected by the restrictions imposed during the COVID-19 pandemic. Consequently, during the financial year 2021-22, no large gatherings, namely, the End of Year Lunch, the NAOWF Annual General Meeting or excursions were organized, in strict compliance with these restrictions.

However, the NAOWF intends to resume its activities in the near future.

Occupational Safety and Health at NAO

The NAO is committed to ensure compliance with the Occupational Safety and Health Act and other relevant regulations, and intends to:

- provide and maintain a safe and healthy working environment, working conditions, equipment, and systems of work in the workplace
- manage safety and health risks to which employees might be exposed at work by implementing control measures identified through risk assessments
- provide and maintain personal protective equipment and clothing to staff who by nature of their activities may be exposed to bodily injuries
- seek progressive improvements by consulting employees on matters affecting their health and safety at their place of work through Safety and Health Committees
- provide information, instruction, training and supervision to employees as necessary to ensure safe systems of work

Fire Safety Awareness at Work

In September 2021, NAO organized an awareness programme on Fire Safety and Use of Fire Extinguisher in collaboration with the Mauritius Fire and Rescue Services (MFRS). The objectives of the programme were to raise awareness of NAO officers on fire safety measures at the workplace, and how to use fire extinguishers in the event of a fire in the office. An officer from the MFRS acted as resource person.

Some 50 officers of NAO had the opportunity to follow the awareness programme, which included both theoretical and practical sessions. The practical session, which was held at the Terrace of the Air Mauritius Centre, focused on the use of fire extinguisher.



Learning and Development

Learning and Development at NAO

Capacity Development

The National Audit Office (NAO) envisions to be recognised as a highly respected professional organization providing high quality audit services. One of our goals is to enhance the quality and standard of the audits carried out by NAO and to increase confidence in the audit reports issued.

To achieve this goal, strategies of NAO include:

- To implement a sustainable and performance-oriented training and continuous capacity development system
- To enable wide exchange of knowledge and experience among staff and experts in relevant fields.

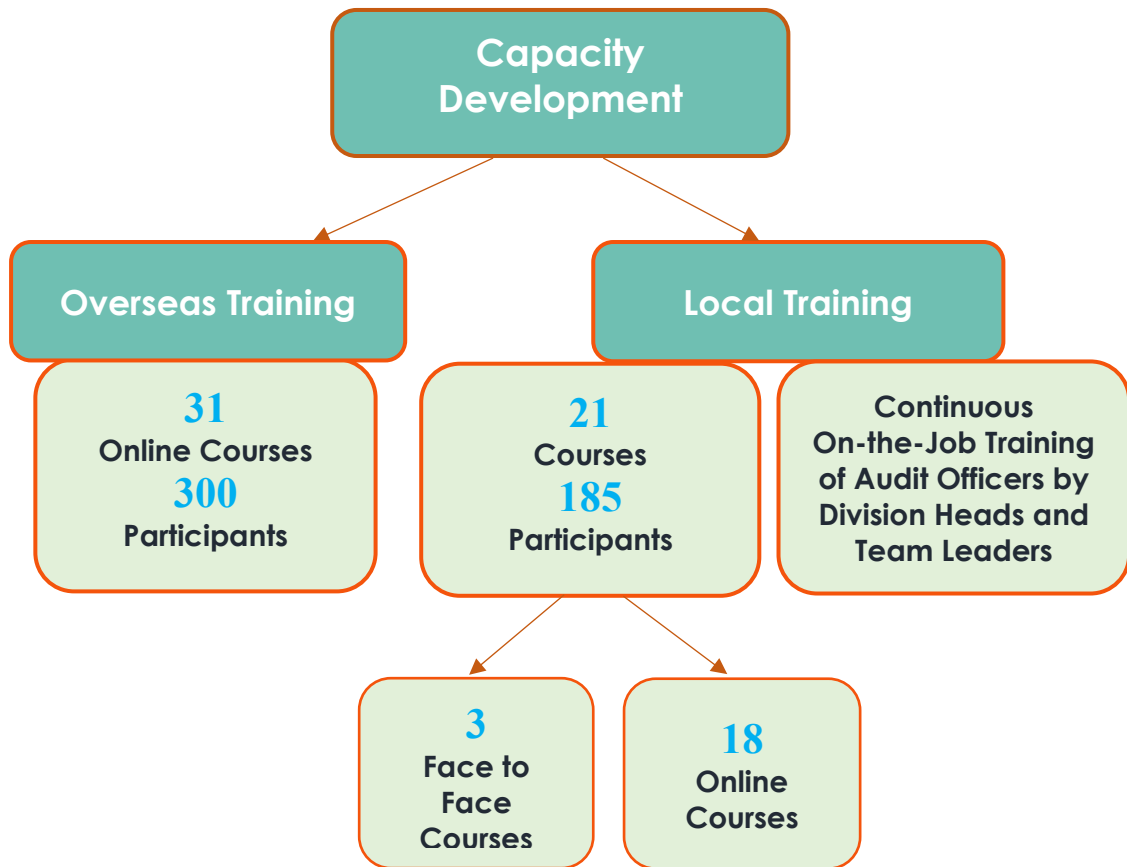
NAO promotes the continuous learning and development of its staff. By imparting relevant training and coaching to its staff, NAO enables them to stay relevant within a rapidly changing environment, heading towards digitalisation.

NAO has developed a Capacity Development Policy which establishes the procedure and criteria for the nomination/selection of candidates for capacity development events. The procedures and criteria have been finalized after consultation with the Staff Unions.

Also, a Capacity Development Committee has been set up with a view to identifying potentials for capacity development for all grades of officers at NAO. Selections of topics/themes as well as selection of participants are carried out by the Committee on the basis of clearly laid down internal procedures.

NAO is an ACCA Approved Employer and is committed to provide Continuing Professional Development (CPD) opportunities to its ACCA staff members, in order to keep them up to date with the latest knowledge/technologies.

As a member of recognised international and regional organisations, namely, INTOSAI, AFROSAI-E and ASOSAI, NAO benefits from training opportunities with these international partners. NAO also takes advantage of numerous online courses/webinars dispensed by other organisations.



During the financial year 2021-22, due to the COVID-19 pandemic, most of the training courses, organised by overseas as well as local bodies, were held remotely via online sessions/webinars.

NAO technical staff was given the opportunity to undergo training in a significant number of fields such as Regularity Audit, Performance Audit, Information Technology (IT) Audit, Procurement and Effective Report Writing.

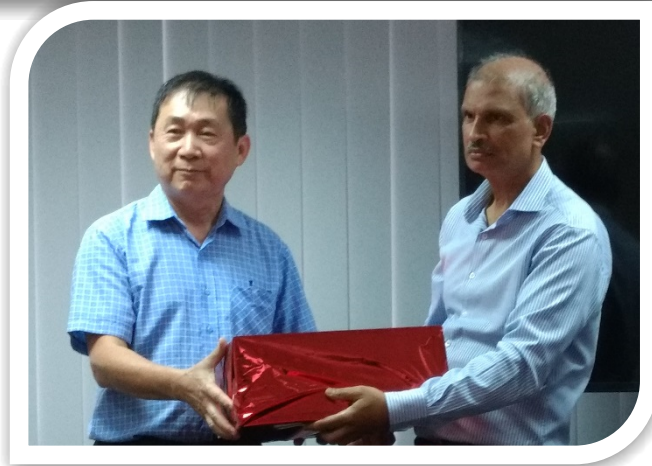
Details of some of the training sessions are given in the following table.

Main Training Courses during 2021-22

Course Title		Organising Body	Participants	Period
1.	Induction Course for Temporary Examiners/Senior Examiners of Accounts and Interns under Service to Mauritius (STM) Programme	National Audit Office (In house) (Face to Face)	17	July/August 2021 (12 days)
2.	Workshop on Effective Report Writing	AFROSAI-E (Online)	60	16 to 19 August 2021
3.	Environmental Auditing	EUROSAI (Online)	6	31 August 2021
4.	Regularity Audit Refresher Course	AFROSAI-E (Online)	40	08 to 10 November 2021
5.	Performance Audit Refresher Course	AFROSAI-E (Online)	12	08 to 10 November 2021
6.	Auditing in IT Environment	ITEC (Online)	19	01 to 11 February 2022
7.	Plain Language for Effective Writing	AFROSAI-E (Online)	13	10 February to 10 March 2022 (at own pace)
8.	Dissemination Workshop on Guidance to Public Procurers on Bid Rigging	Competition Commission & Public Procurement Policy Office (Online)	12	27 April 2022
9.	Seminar on Auditing in E-Procurement	INTOSAI Working Group in IT Audit (WGITA) (Online)	50	24 May 2022
10.	Defined Benefits Pension Fund-Corporate Pension Scheme	SICOM (Online)	80	03 March 2022

Photos taken during Special Events held at the Head Office of the NAO

- ❖ *Photo at Top: NAO staff during signing of MoU with OAG of Seychelles*
- ❖ *Photos at Centre and Bottom Left: Retirement of NAO Staff*
- ❖ *Photo at Bottom Right: Induction course for Temporary Examiner/Senior Examiner of Accounts*





PART II

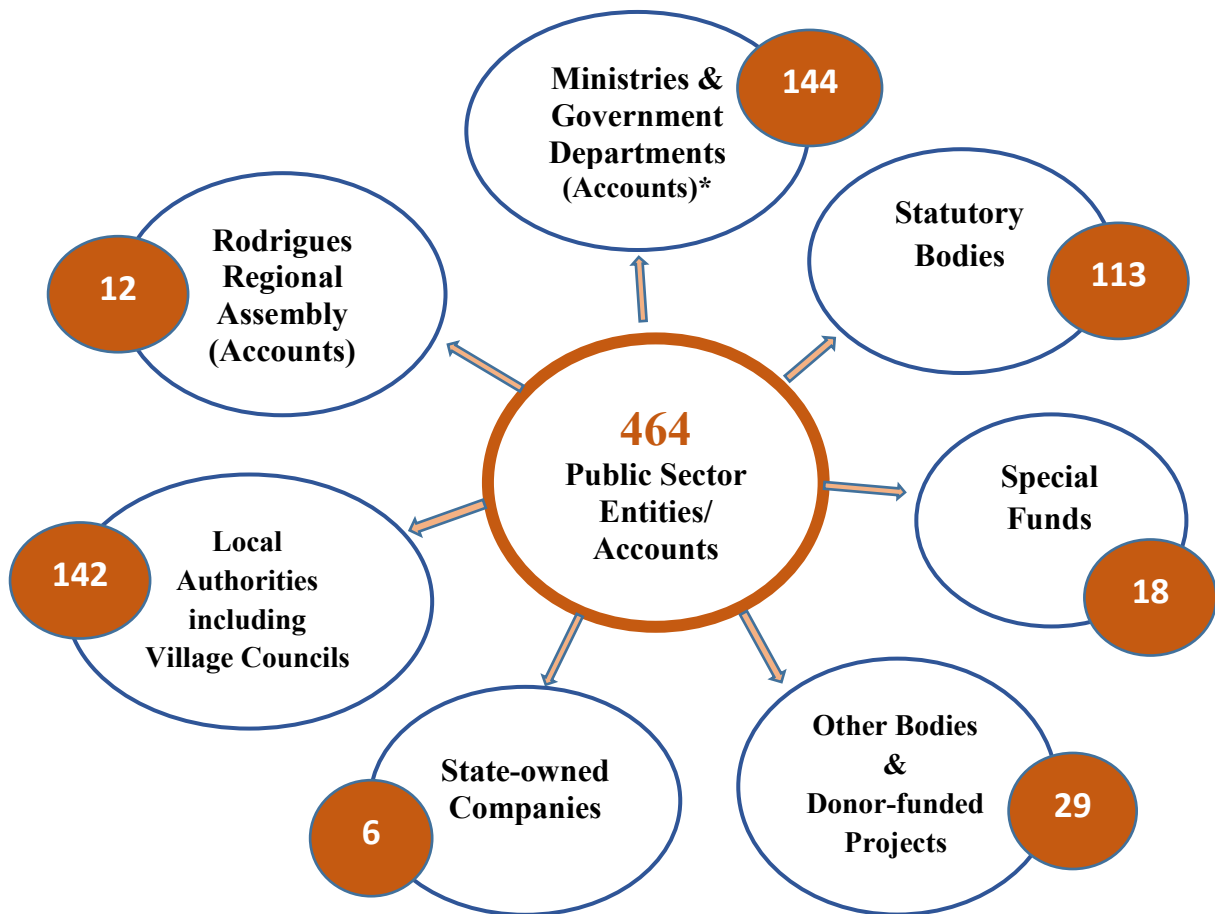
Audit Activities
& Performance



NAO Audit Activities & Performance

NAO Audit Portfolio 2021-22

NAO was responsible for the audit of 464 public sector entities/accounts during the financial year 2021-22.



*One vote item considered as an account

Key Deliverables and Key Performance Indicators 2021-22

NAO Key Deliverables, Key Performance Indicators and Targets for the year 2021-22, as well as our Achievements as at 30 June 2022, are given in Table below.

Main Service	Key Performance Indicator	Target 2021-22	Achievements as at 30 June 2022
Audit of the Accounts of the Government and other public bodies to provide independent assurance to the National Assembly on the proper accounting and use of public resources	Annual Audit Reports on the accounts of the Government and the Rodrigues Regional Assembly (RRA) are submitted before end of February	End of February 2022	Audit Report on the Accounts of Government submitted in February 2022 and tabled before the National Assembly in March 2022
			Audit Report on the Accounts of the RRA submitted in June 2022 and tabled before the National Assembly in July 2022 (N1)
	Percentage of financial statements of Statutory Bodies (SBs) & Local Authorities (LAs) certified within 6 months	80%	82% (N2)
	Percentage of financial statements of planned for audit in 2021-22 certified during the financial year (N3)	90%	71%
Conduct of Performance Audits to evaluate whether audited entity is carrying out its operations and making use of its resources in an economical, efficient and effective manner	Number of Performance Audit Reports issued	4	3 (N4)

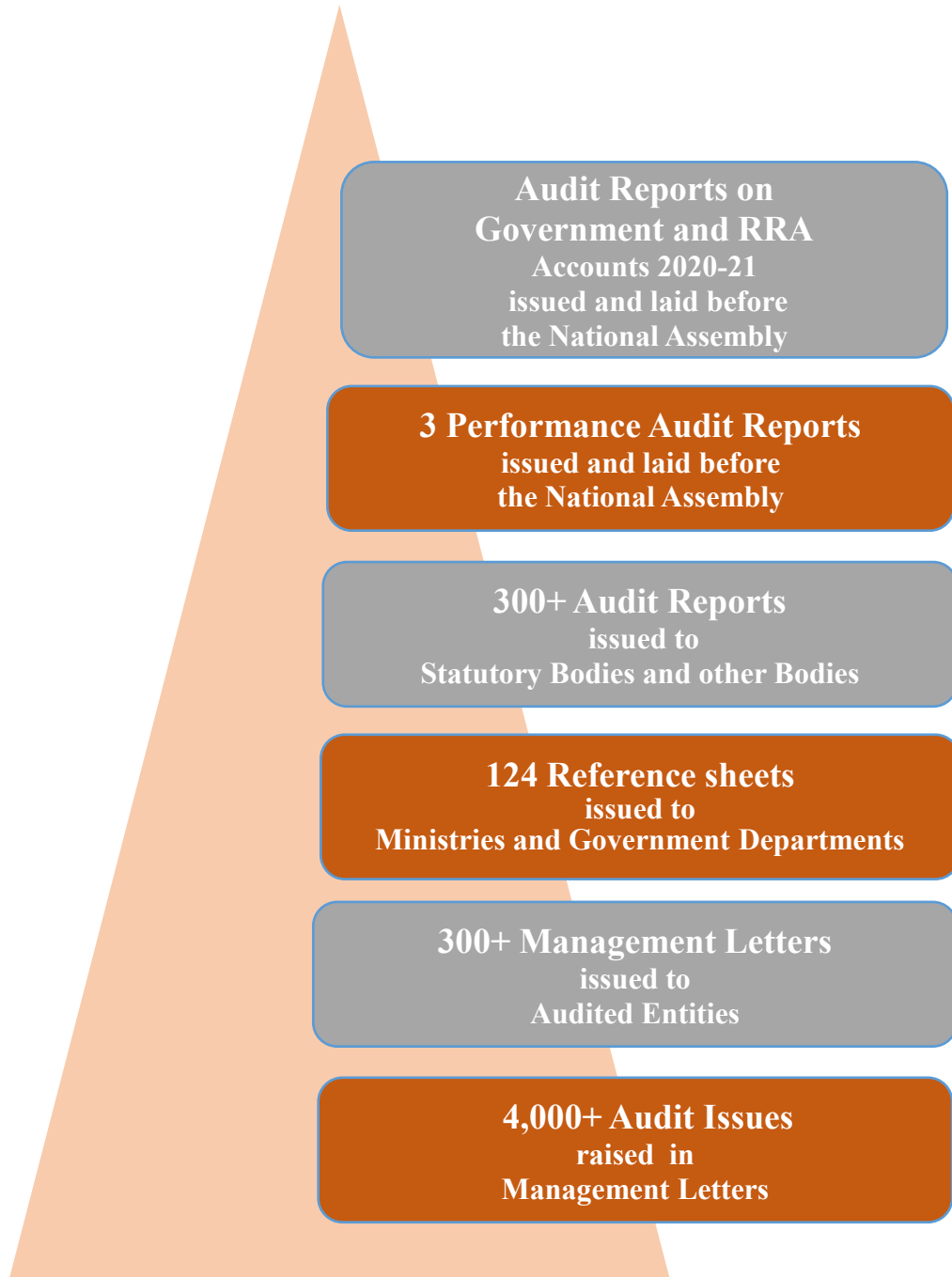
N1 - Due to the COVID-19 pandemic and travel restrictions, the period for submission of the Report on RRA accounts 2020-21 was extended to 30 June 2022, pursuant to Section 20 (2)(b) of the Finance and Audit Act.

N2 – Figure relates to SBs’ financial statements 2020-21 submitted within statutory date limit and certified within 6 months of receipt. For LAs, the statutory date limit will apply for financial statements 2021-22 onwards.

N3 – Represents financial statements of SBs, LAs, Special Funds, Other Bodies & State Owned Companies.

N4 - Three reports submitted on 30 June 2022 to the Minister responsible for the subject of finance and laid in the National Assembly in October 2022.

NAO Key Outputs 2021-22



Types of Audit carried out by NAO

NAO provides assurance to the National Assembly on the proper accounting and use of public resources and fulfils its audit mandate by carrying out, mainly, two types of audits, namely, Regularity Audit and Performance Audit.

Regularity Audit involves the:

- ✓ Examination and evaluation of financial records and expression of opinions on financial statements.
- ✓ Audit of accounting systems and transactions including an evaluation of compliance with applicable statutes and regulations.
- ✓ Audit of internal control and internal audit functions.
- ✓ Reporting of any other matters arising from or relating to the audit that the Supreme Audit Institution considers should be disclosed.

Performance Audit is an independent, objective and reliable examination of whether Government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. It seeks to provide new information, analysis or insights, and where appropriate, recommendations for improvement.

In conjunction with the audit of financial statements and also as part of Performance Audits, NAO carries out Compliance Audit. Results are reported under the “Other Legal and Regulatory Requirements” section of the Financial Audit report and in Performance Audit reports.

Services not provided by NAO

The NAO does not provide the following services:

- Preparation of financial statements for customers
- Consultancy services
- Fraud investigation, although these may come to light in the course of audit
- Corruption investigation

Regularity Audit

Our Audit Approach

NAO conducts audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) except for the audit of State-Owned Companies assigned to the Director of Audit, which are carried out in accordance with the International Standards of Auditing.

We adopt a risk-based approach in the audit of Ministries/Departments including Rodrigues Regional Assembly and other Public Sector Bodies including Statutory Bodies and Local Authorities.

The audit starts with the planning process which requires an understanding of the entity to be audited and its environment in order to identify risks. This is followed by an assessment of those risks which involves considering a number of factors, namely, the nature of the risks, relevant internal controls and the required level of audit assurance.

We use sampling methods to select transactions and balances for testing. It is not cost effective to seek absolute certainty and therefore we look for reasonable assurance. Audit sampling enables us to obtain and evaluate audit evidence about some characteristics of the items selected in order to form or assist in forming a conclusion concerning the population from which the sample is drawn.

During the audit, we design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

An exit meeting is held with the auditee/client to discuss the audit findings at the end of an audit and thereafter a Management Letter is issued.

For the audit of other Public Bodies including Statutory Bodies and Local Authorities, our objective is also to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error.

More details of our audit process is given in the following figure.

Regularity Audit Process

ACTIVITY	AUDIT STEPS
<div style="border: 1px solid gray; padding: 5px; margin: 5px auto; width: 80%;">Pre Engagement</div>	<ul style="list-style-type: none"> ▪ Assess Ethical and Resource requirements ▪ Notification Letter sent ▪ Letter of Engagement sent
<div style="border: 2px solid orange; padding: 5px; margin: 5px auto; width: 80%;">Strategic Planning</div>	<ul style="list-style-type: none"> ▪ Understand entity’s Governance & Control Environment ▪ Identify and Assess Risks at entity level ▪ Develop an overall Audit Plan ▪ Entry meeting with Accounting Officer
<div style="border: 1px solid gray; padding: 5px; margin: 5px auto; width: 80%;">Detailed Planning</div>	<ul style="list-style-type: none"> ▪ Ascertain main Systems and Processes of the entity ▪ Identify and Assess Risks for audit components ▪ Determine an Appropriate Response to assessed risks ▪ Identify nature and extent of Audit Procedures
<div style="border: 2px solid orange; padding: 5px; margin: 5px auto; width: 80%;">Audit Fieldwork</div>	<ul style="list-style-type: none"> ▪ Perform Audit Procedures identified ▪ Collection and Documentation of Evidence ▪ Evaluate Audit Evidence to support financial statements and Audit Reports
<div style="border: 1px solid gray; padding: 5px; margin: 5px auto; width: 80%;">Concluding & Reporting</div>	<ul style="list-style-type: none"> ▪ Finalise Audit Findings ▪ Exit Meeting to discuss Audit Findings ▪ Issue Management Letter ▪ Quality Control ▪ Finalise and issue Audit Report
<div style="border: 2px solid orange; padding: 5px; margin: 5px auto; width: 80%;">Quality Assurance & Evidencing</div>	<ul style="list-style-type: none"> ▪ Wrap Up Audit Files ▪ Peer Review

Our Current Reporting Practices

Audit Report – Government and Rodrigues Regional Assembly

NAO issues an Audit Report, annually, upon the examination and audit of the accounts of **Government** (Ministries and Government Departments) and the **Rodrigues Regional Assembly**. The Report is submitted to the Minister responsible for the subject of finance, in accordance with Section 20 of the Finance and Audit Act, to be laid in the National Assembly.

At the conclusion of an audit, an exit meeting is held with the auditee/client to discuss the audit findings. A management letter is then sent to the auditee/client giving the latter the opportunity to give his explanations/comments in writing on matters raised therein.

Thereafter, audit findings which are considered significant and of a nature to be brought to the attention of the National Assembly are identified by NAO and communicated to the respective Ministry/Government Department through “Reference Sheets”. The Accounting Officers have the opportunity to give their comments on the truth and fairness of these audit findings before their inclusion in NAO’s Annual Audit Report. A summary of the comments of the audited entity are also included in the audit report, where appropriate.

NAO also issues reports on Performance Audits carried out in accordance with Section 16 of the Finance and Audit Act. These Reports are submitted to the Minister responsible for the subject of finance, to be laid in the National Assembly.

Audit Report - Statutory Bodies, Special Funds and Local Authorities

NAO issues an Audit Report in respect of each **Statutory Body** (SB), **Special Fund** (SF) and **Local Authority** (LA) upon examination and audit of its annual report/financial statements.

The Audit Report is submitted to the Board of the SB or the management committee of the SF, as the case may be, in accordance with the Statutory Bodies (Accounts and Audit) Act or relevant SF Regulations, respectively.

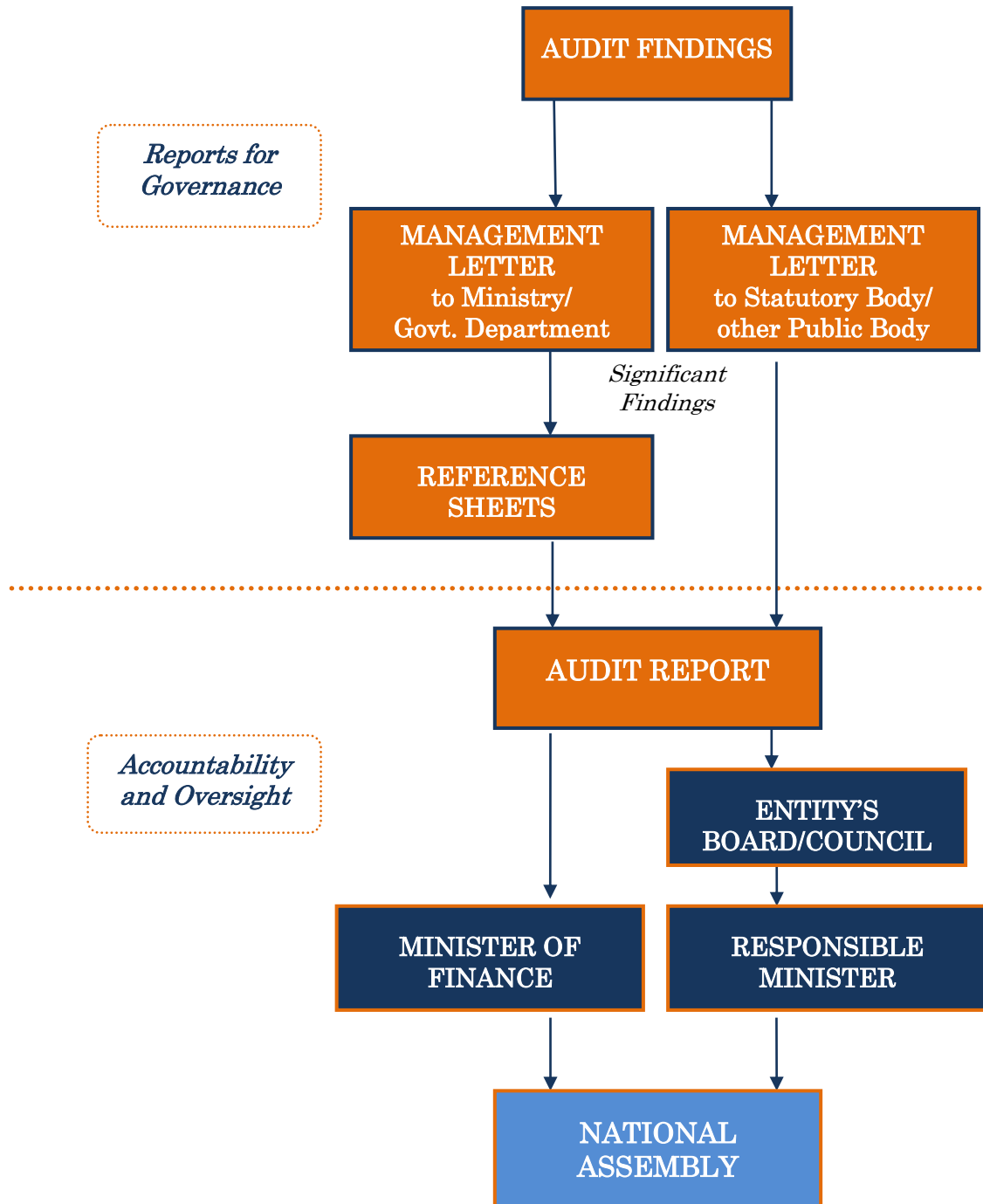
In the case of a LA, the Audit Report is submitted to the Council and the Minister (responsible for Local Government) in accordance with the Local Government Act.

The Director of Audit expresses, in the Audit Report, an opinion on whether the financial statements show a true and fair view of the financial position, financial performance and cash flows of the entity, in accordance with the relevant accounting framework. The Director of Audit also expresses an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the laws and authorities which govern them.

Prior to the issue of the Audit Report, all audit findings are reported in a Management Letter (ML) which is addressed to management. The ML includes shortcomings relating to the financial statements as well as findings on the economy, efficiency and effectiveness of operations. The audited entity is given the opportunity to comment on matters raised in the ML and, if necessary, to amend the financial statements before the issue of the Audit Report.

The process for the issue of the Audit Report by NAO is illustrated hereunder.

Process for Issue of Audit Report



Audit Coverage during 2021-22 - Regularity Audit

During the financial year 2021-22, NAO was responsible for the audit of 464 Entities/Accounts, details of which are given in the table below. Ministries and Government Departments, comprise of several Divisions, many of which consist of a number of units, which NAO has the responsibility to audit. For example, the Ministry of Health and Wellness provides different primary, secondary and specialised healthcare services through a network of Regional Hospitals, Area Health Centres, Community Health Centres and Mediclinics. Other examples are the Ministry of Education, Tertiary Education, Science and Technology, the Ministry of Agro-Industry and Food Security and the Police Service.

Categories of Entities	Number of Accounts
Ministries and Government Departments	144
Rodrigues Regional Assembly	12
Statutory Bodies	113
Local Authorities (including Village Councils)	142
Special Funds	18
Other Bodies and Donor-Funded Projects	29
State Owned Companies	6
Total	464

The audits of Ministries and Government Departments were mostly carried out during the period July 2021 to January 2022. Out of the 104 accounts of Ministries and Government Departments planned for audit in 2021-22, 100 audits had been completed, representing an achievement of some 96 per cent. As for the Rodrigues Regional Assembly, all of the 10 accounts planned for audit in 2021-22 were completed (100%).

As for the audits of Statutory Bodies, Local Authorities and Special Funds, they are carried out by NAO upon the receipt of the approved Annual Report/ Financial Statements. Statutory Bodies and Local Authorities are required by law to submit their Annual Report/Financial Statements for audit within four months of the end of the financial year to which they relate.

The following Table gives details of audit coverage during 2021-22, in respect of Statutory Bodies, Local Authorities, Special Funds, Other Bodies and State Owned Companies.

Audits Planned and Certified during 2021-22

Entities	FS to be Audited/ Certified @ 01 July 2021	FS Received in 2021-22		FS Available for Audit	FS Planned for Audit during 2021-22	FS Certified during 2021-22	% Certified over Planned
		FS 2020-21	FS Previous Years				
Statutory Bodies	99	*75	36	210	155	130	84
Local Authorities	225	**142	-	367	211	128	61
Special Funds	10	14	4	28	22	19	86
Other Bodies & Donor- Funded Projects	35	20	9	64	32	20	63
State Owned Companies	3	4	2	9	6	4	67
TOTAL	372	255	51	678	426	301	71

Note: FS- Financial Statements; N/A – Not Applicable

* Out of the 113 Statutory Bodies audited by the NAO, 75 submitted their financial statements in respect of the financial year 2020-21 during the period July 2021 to June 2022. Fifty-five of the 75 financial statements were submitted to NAO within statutory date limit, of which 45, representing some 82 per cent, were certified within six months.

** Of which 83 were submitted to NAO within statutory deadline.

Audit of the Accounts of the Rodrigues Regional Assembly

The Rodrigues Regional Assembly (RRA) has been established under the RRA Act, and the Director of Audit is the Auditor of the RRA by virtue of Section 48 of the Act. The functions of the RRA are carried out by the Executive Council. The Island Chief Executive is the administrative head and is responsible for the efficient administration of the functions of the Executive Council. Seven Commissions, each under the responsibility of a Commissioner, have been set up. Each Commission is under the administrative responsibility of one or more Departmental Head(s).

Every year a team comprising five to six officers proceeds to Rodrigues in September/October to carry out the audit exercises. However, for the financial year 2020-21, no commercial flight was available due to travel restrictions in the wake of COVID-19 pandemic. It was only in March 2022, with the re-start of commercial flights to Rodrigues that the team proceeded to Rodrigues. Pursuant to Section 20(2) (b) of the Finance and Audit Act, approval of the Minister of Finance, Economic Planning and Development was sought and obtained for the extension of the submission date of the Report on the Accounts of RRA for the financial year 2020-21 to 30 June 2022.

The audit was conducted on a risk-based approach. The major audit findings were discussed with the Island Chief Executive and the Departmental Heads. For the financial year 2020-21, 19 Management Letters were issued. Significant audit findings were reported in 22 Reference Sheets and were included in the Report of the Director of Audit along with a summary of the explanations of the respective Departmental Head.

The audited Annual Statements, together with the Report of the Director of Audit, were submitted to the Minister, responsible for the subject of finance as required by the Finance and Audit Act, on the extended date of 30 June 2022.

Major Constraints and Challenges

The following main constraints impacted on the audit coverage:

- Increase in the volume of transactions of the RRA
- Shortage of staff
- Low reliance on the work of the Internal Control section of the RRA

Performance Audit

The Director of Audit is mandated under the Finance and Audit Act to carry out Performance Audit (PA) and to report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.

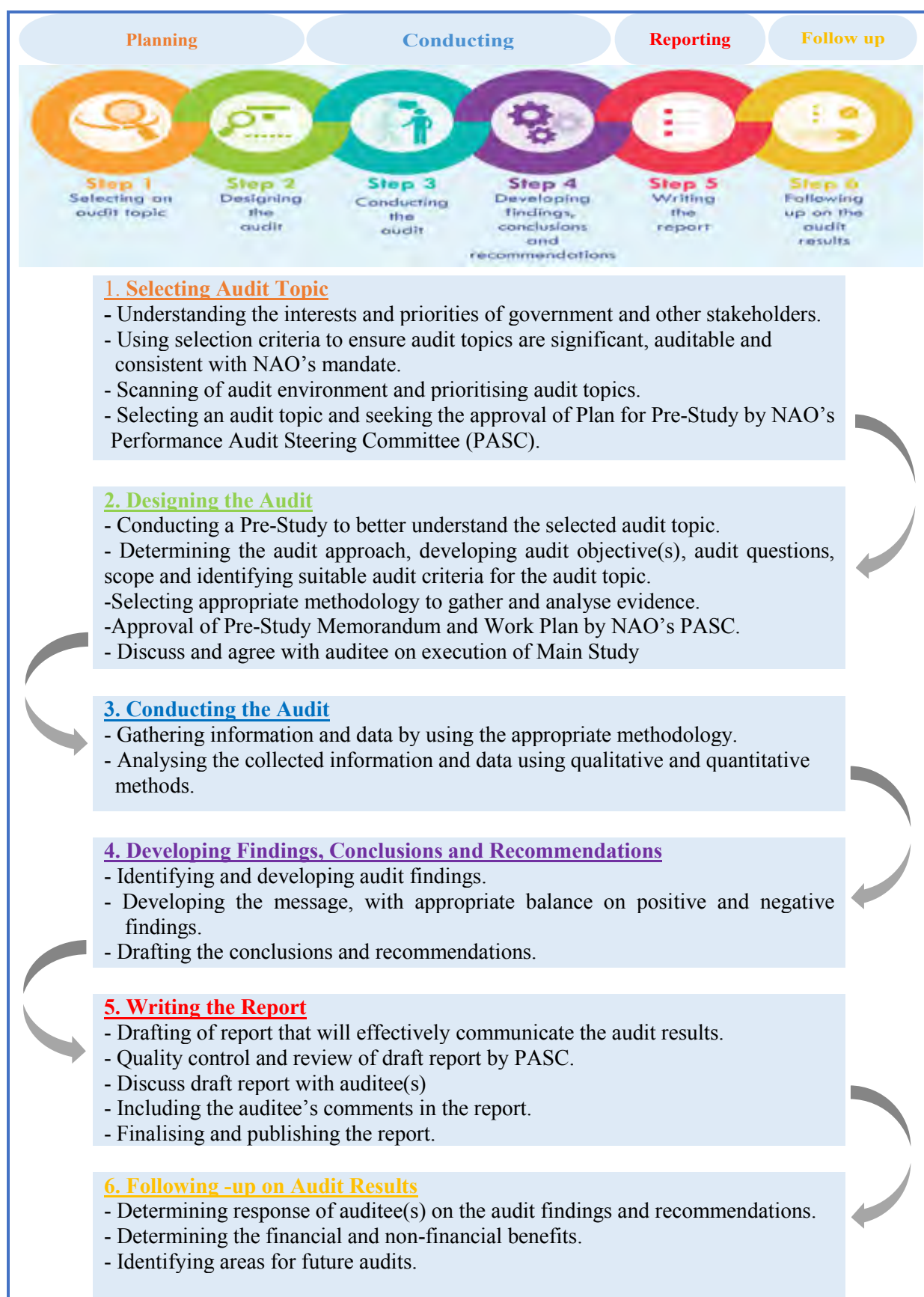
Performance Audit Steering Committee

A Performance Audit Steering Committee (PASC), chaired by the Director of Audit and comprising five members, was set up to provide overall direction and to support the development of PA at NAO. The PASC approved two pre-study memos and work plans of PA topics selected. It also reviewed and approved three PA Reports, prior to their submission to the Minister responsible for the subject of finance.

Challenges facing Performance Auditing

- The mandate to carry out Performance Audit does not include Statutory Bodies, Local Authorities and Funds.
- Major stakeholders are not fully aware of the value and benefits of Performance Auditing
- Data is not always available in appropriate formats and in a timely and sufficient manner. This renders data extraction and analysis difficult.
- Difficulties in attracting sufficient resources to ensure sustainability of the Performance Audit Unit.
- Readiness of NAO in conducting performance audits in areas related to all aspects of sustainable development, given the broad scope of Sustainable Development Goals.
- Lack of systems in place with sufficient and reliable data to track the progress of the Sustainable Development Goals' implementation.

Performance Auditing Process



NAO Reports issued in 2021-22



Audit Reports on Government and the Rodrigues Regional Assembly Accounts

NAO submitted its Audit Reports on the accounts of **Government** and the **Rodrigues Regional Assembly**, for the financial year 2020-21, in February 2022 and June 2022, respectively. Thereafter, the reports were tabled in the National Assembly in March 2022 (Government) and July 2022 (RRA).

The key issues highlighted in the Audit Report for **Government** are:

- Non-Compliance with Legislations regulating Reporting Responsibilities
- Non-compliance with Rules and Regulations
- Lapses in Procurement Management
- Deficiencies in Project Management
- Lapses in Contract Administration
- Weaknesses in Expenditure Control
- Issues in Revenue Management
- Deficiencies in Asset Management
- Inadequate Control over Inventory
- Inadequate Management Information Systems

For the **Rodrigues Regional Assembly**, the key issues highlighted in the Audit Report are:

- Absence of strategy for implementation of accrual-based IPSAS
- Inadequate oversight mechanism
- Assets inefficiently and ineffectively utilised
- Weaknesses in Expenditure Control
- Non-compliance with legislations
- Non-compliance with Ministry's Policy and Procedure Manual
- Deficiencies in project management

Performance Audit Reports

NAO also submitted three Performance Audit Reports to the Minister responsible for the subject of finance on 30 June 2022. The Reports were tabled in the National Assembly on 18 October 2022.

Subject matters covered by the Reports are as follows:

- Government Cash Management
- Use of Information and Communication Technology in enhancing Teaching and Learning
- Use of Pesticides in Agriculture

Impact of NAO Audit Reports

NAO makes recommendations in its reports, on how Government can obtain value for money, achieve better efficiency and improve its services.

As required by the International Standards for Supreme Audit Institutions (ISSAIs), Supreme Audit Institutions (SAIs) should report on follow-up measures taken by audited entities with respect to their findings and recommendations. The follow-up mechanism is intended to:

- ✓ Enable the SAI to report on the results of its follow-up actions appropriately to the legislature, executive, stakeholders and the public;
- ✓ Encourage the audited entity to take relevant corrective actions; and
- ✓ Demonstrate the value and benefit of the SAI and the impact of the audit report.

During the financial year 2021-22, NAO carried out a follow up of matters raised in its previous year's Audit Reports. Based on NAO findings and/or management response, the status of actions taken has been categorised as:

- i. Whether necessary actions have been taken and the matter has been resolved.
- ii. Whether management has taken necessary actions at its end but is awaiting for other outcomes, advice or decisions in pursuit to wholly resolve the issues.
- iii. Whether management has initiated some actions at its end to resolve the audit issues.
- iv. No appropriate action has been taken by management to address shortcomings reported.

Regularity Audit - Ministries and Government Departments

The follow up audit showed that, as at February 2022, implementation of our recommendations for 217 issues, by the relevant Ministries and Government Departments were as follows:

- ***Resolved Issues: 20 % (43 issues)***
- ***Necessary actions taken at Ministries/Departments' level: 20% (43 issues)***
- ***Actions initiated, but not completed: 56% (122 issues)***
- ***No action taken: 4% (9 issues)***

Regularity Audit - Rodrigues Regional Assembly

Out of 60 issues highlighted in the Audit Report for the Rodrigues Regional Assembly, implementation of our recommendations, as at June 2022, by the RRA were as follows:

- ***Resolved issues: 7% (4 issues)***
- ***Necessary actions taken at RRA's level: 36% (22 issues)***
- ***Actions initiated, but not completed: 12% (7 issues)***
- ***No action taken: 45% (27 issues)***

Performance Audit Reports

Follow up audit of three Performance Audit reports issued in 2017, showed that, as at February 2022, implementation of 16 recommendations made by the NAO were as follows:

- ***Implemented: 31 % (5 issues)***
- ***Partially Implemented: 44% (7 issues)***
- ***Not Implemented: 25% (4 issues)***

Corporate Governance

NAO is committed to the principles of good governance which includes ethical practices, risk management, transparency and accountability, as it is important that our office be perceived as a trustworthy institution, inspiring confidence and credibility.

Code of Ethics

All officers of NAO have signed the Code of Ethics declarations which consists of:

- A customised version of INTOSAI International Code of Ethics for auditors in the Public Sector; and
- The Code of Ethics for Public Officers issued by the Ministry of Public Service, Administrative and Institutional Reforms.

In addition, for every audit assignment undertaken by NAO, officers working on the assignments are required to sign the Code of Ethics Declaration Work Paper.

NAO officers are encouraged to, always, adhere to these codes.

Risk Management

A robust control system, comprising effective internal control, risk management and audit, is fundamental to better governance, safeguarding of taxpayers' money, and to preserving public trust.

By adopting risk-based approach to integrity, including systematic risk assessments and implementing targeted controls, governments can demonstrate to citizens that they are using public funds in line with the principles of efficiency, effectiveness and value for money.

Thus, the main challenge that all SAIs have to face is to consistently deliver timely and high quality audits, a goal which is embedded in their strategic objectives. SAIs have to establish internal control structures and systems that include management of risks to provide reasonable assurance regarding the achievement of their objectives.

In the conduct of our audit operations, the main risks that NAO has to prevent are the issue of inappropriate Audit Reports and the issue of Audit Reports after statutory time limits.

NAO has taken the following measures to mitigate these risks:

- Implementation of quality control procedures throughout the audit process.
- Establishment of a Quality Assurance Unit to carry out quality control checks to ensure compliance with professional standards and applicable legal and regularity requirements.
- Continuous review of audit methodology to ensure audit is carried out in the most efficient and effective manner.

- Continuous training of staff to ensure that they are kept abreast of latest developments.
- Setting up of Technical Committees to deal with complex technical issues.
- Setting up of monitoring mechanisms, including key performance indicators, to ensure that audit is completed on time and reports are issued as scheduled.

In the strategic plan 2022-25, NAO has included the development of a risk management framework amongst its priority.

Quality Assurance

Quality Assurance (QA) is the process that provides independent assurance to the Director of Audit that the quality control systems and practices at the NAO are working effectively and that the NAO is issuing appropriate reports.

It is the process established by NAO to ensure that:

- Necessary quality controls are in place;
- Quality controls are being properly implemented; and
- Potential ways of strengthening or otherwise improving quality controls are identified.

QA is an assessment process focusing on the design and operation of the quality control system by persons independent of the system/audit under review. The purpose of Quality Assurance is to ensure that the audit products and services meet the required international best practices, and meet the needs of NAO's stakeholders.

The Quality Assurance Committee (QAC) coordinates quality assurance operations at the NAO and ensures that audit work carried out by the NAO is of high quality, for the benefit of stakeholders and for the country as a whole. Quality control checks and Quality Assurance Reviews (QAR) are carried out by the Quality Assurance Unit (QAU).

During the period February to August 2022, QAR were conducted on the audit of Local Authorities, Statutory Bodies and Public Interest Entities for the financial year 2020-21.

In June 2022, the AFROSAI-E QAR Team carried out a peer review of the system of quality management at the NAO.

Challenges facing the Quality Assurance Unit

The major challenges facing the Quality Assurance Unit for the forthcoming year are:

- The implementation at NAO of the new International Standard on Quality Management, 'ISQM 1 - *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*' and 'ISQM 2 - *Engagement Quality Reviews*'.

- The pre-issuance reviews of audit of Local Authorities, Public Interest Entities, and Statutory Bodies classified as high risk.
- The review of project files for all audits exceeding 50 staff days.

NAO Self-Assessment Exercises

In line with international best practices, NAO conducted self-assessment exercises during 2021-22, based on the AFROSAI-E Institutional Capacity Building Framework (ICBF) and on the INTOSAI Supreme Audit Institutions Performance Measurement Framework (SAI PMF).

➤ The AFROSAI-E Institutional Capacity Building Framework

The AFROSAI-E ICBF has been developed to be used both for diagnostic/assessment purposes and as a guideline for how to develop the SAI's capacity. It is primarily a tool for SAIs to support their endeavours to reach level 3 and beyond, in the best possible way.

The ICBF is an annual exercise carried out by the AFROSAI-E. Each SAI submits the online self-assessment AFROSAI-E survey form in respect of the five institutional development areas or domains: *Independence and Legal Framework, Organization and Management, Human Resources, Audit Standards and Methodology, and Communication and Stakeholder Management*. Data is compiled and analysed by technical experts of AFROSAI-E. The latter issues a Consolidated Report for the region to build capacity. It was also used as basis for the Peer Review carried out at NAO in June 2022 by AFROSAI-E.

➤ The INTOSAI Supreme Audit Institutions Performance Measurement Framework

The assessment aims to:

- Benchmark the NAO's performance against the International Standards of Supreme Audit Institutions (ISSAIs);
- Establish a baseline of the SAIs performance against which future improvement can be measured; and
- Provide the basis for preparing a comprehensive strategic development plan for future capacity building and institutional strengthening.

The SAI PMF methodology consists of six domains: Independence and Legal Framework, Internal Governance and Ethics, Audit Quality and Reporting, Financial Management, Assets and Support Services, Human Resources and Training, and Communication and Stakeholder Management.

Due to the COVID-19 pandemic, NAO opted for the self-assessment approach in September 2020. A Strategic Management Committee (SMC) has been set up at the NAO to steer the SAI PMF assessment project and to oversee its implementation and progress. The gaps identified were submitted to the technical experts of INTOSAI Development Initiative (IDI) for comments. Critical issues were embedded in NAO Strategic Plan 2022-25.

NAO support to the Public Accounts Committee

NAO sustained its support to the Public Accounts Committee (PAC), in the discharge of its duties, during the year 2021-22.

The PAC, which is a sessional Select Committee appointed under the Standing Orders and Rules of the National Assembly, represents Parliament and is to satisfy itself that public money is spent for the purposes authorised by the National Assembly. As such, it is a key stakeholder of NAO's Audit Reports.

The audited accounts of the Republic of Mauritius for each financial year and such other accounts laid before the National Assembly as the Assembly may refer to the PAC, together with the Reports of the Director of Audit thereon, are examined by the PAC. In the exercise of its duties, the Committee has the power to send for Government officials, records and to take evidence. The PAC prepares and submits its report and recommendations to the Speaker for tabling in the National Assembly.

The Director of Audit and/or his representative had several briefing sessions with members of the PAC, and also attended 20 examination sessions held by the Committee during the year 2021-22. Other NAO officers, who might be of assistance to the PAC on matters under examination, were also present at these sessions.

SADCOPAC Peer Review Programme and Training



The Southern Africa Development Community Organisation of Public Accounts Committee (SADCOPAC) Peer Review Programme and Training for Members of the PAC and Officials supporting the PAC was held in Mauritius from 25 to 27 May 2022.

The aim of the Peer Review Programme was to discuss the role and objective of the SADCOPAC and the progress on the implementation of the SADCOPAC Conference Resolutions and Good Practice Guide to advocate the empowering of Members of Parliament of member states to effectively carry out their functions of oversight over public sector finances as well as promoting good governance in the region.

A delegation of the SADCOPAC, comprising 10 Officials, had a meeting on 25 May 2022, with NAO management at the Office of the NAO. NAO was represented by a team of Officers, led by Mr. K. Reetun, Deputy Director of Audit. The latter made a presentation on the functions of NAO and its interaction with the PAC of Mauritius.

Mr. A. Abdool Gaffoor, Deputy Director of Audit participated in the Peer Review Programme and Training held on 26 and 27 May 2022 at the Caudan Art Centre and made a presentation on the topic, “The Functions of an Independent Auditor General (Mauritius as a Case Study)” during the Workshop.

Financial Performance

The National Audit Office derives its funds from the Consolidated Fund, to meet its recurrent and capital expenditure. Provisions made under the Vote of the National Audit Office in the Government budget for the financial year 2021-22 amounted to Rs 172.5 million. Expenditure incurred amounted to Rs 171.1 million, representing 99 per cent of the allocated budget. Of this amount, Rs 158 million related to the payment of salaries, allowances, and travelling and transport.

Additional funds to the tune of Rs 8.4 million were also provided through a Departmental Warrant issued by the Ministry of Finance, Economic Planning and Development to meet increase in salaries and allowances following the publication of the Pay Research Bureau Report 2021.

Provisions of Rs 12.3 million were also made in the Financial Statements of the NAO for the year ended 30 June 2022 for the payment of passage benefits, sick leave and vacation leave earned for staff.

Revenue for the NAO comprises audit fees collected from Statutory Bodies, Local Authorities, Special Funds and Other Bodies and it is credited to the Consolidated Fund. No audit fees are charged for the audit of Ministries and Government Departments.

There has been continuous increase in the collection of audit fees over the past three financial years, from Rs 16.5 million in 2019-20 to Rs 26 million in 2021-22.

Financial Position

Total assets as at 30 June 2022 amounted to Rs 150.2 million as compared to Rs 136.5 million as at 30 June 2021, representing an increase of some 10 per cent. This increase was mainly attributed to an increase in '*Receivables from Government*' of Rs 12.3 million in respect of employee benefits, such as passage benefits, sick leave and vacation leave and '*Other Receivables*' in respect of Short Term Sick Leave.

Total liabilities have also increased by 11 per cent in the financial year 2021-22, from Rs 130.4 million in 2020-21 to Rs 144.5 million in 2021-22. This figure comprises, amongst others, passage benefits, sick leave and vacation leave payable to our staff to the tune of Rs 124 million.

Contributed capital is the residual interest in assets, represented by the carrying value of Property, Plant and Equipment and Intangible Assets as at 30 June 2022. There has been a decrease of Rs 0.5 million in 2021-22 as compared to 2020-21, that is from Rs 6.1 million as at 30 June 2021 to Rs 5.6 million as at 30 June 2022.

Way Forward

NAO Strategic Direction

Making a difference in the quality of public sector governance and service delivery for the value and benefit of citizens

The National Audit Office envisions to be recognized as a highly respected professional organisation providing high quality audit services geared towards transparency, accountability, and good governance. To this end, three strategic goals have been set in the Strategic Plan for the period 2022-2025:

- **Goal 1:** To enhance the image and impact of NAO
- **Goal 2:** To enhance the Quality and Standard of our Audit
- **Goal 3:** To be a model organisation for transparency, accountability and Integrity

Goal 1 aims at increasing credibility in NAO and its work among key stakeholders. To this end, strategies have been developed to achieve three objectives over the three year period: to strengthen the independence of NAO, to enhance communication with stakeholders and to strengthen NAO oversight on Public Bodies.

Provision of high quality audit services and confidence in audit is of paramount importance. **Goal 2** aims at increasing confidence in NAO's audit reports. Strategies have accordingly been developed to achieve 5 objectives : to improve audit coverage and ensure timely issue of audit reports; to ensure audits carried out by NAO comply with International Standards of Supreme Audit Institutions (ISSAIs) and meet legal requirements; to enhance the quality and effectiveness of Performance Audits carried out by NAO; to ensure effective follow up of Audit Observations and Recommendations; and to ensure NAO has the human resources required to fulfil its mission efficiently and effectively.

As the Supreme Audit Institution of the Republic of Mauritius, NAO has to be a model organisation that leads by example and a place where one feels great to work. **Goal 3** aims at ensuring that NAO is organized and governed in ways that promote economical, efficient, and effective working practices, timely decision-making, and effective governance practices. Strategies have been developed to achieve four objectives in this area: to ensure transparent management, regulatory compliance, and fiscal accountability; to promote a strong control environment at NAO; to ensure that NAO staff adhere to codes of ethics and highest standards of professional conduct; and to ensure that NAO staff operate in a conducive environment.

SWOT Analysis

Strengths

- Strong legal framework that establishes the powers and responsibilities of the Director of Audit and guarantees the operational independence of NAO.
- As a member of recognised international and regional blocks, including the International Organisation of Supreme Audit Institutions (INTOSAI), NAO is committed to the highest standards of quality.
- Staff is qualified, experienced, committed and trained.

Challenges

- NAO's financial and human resources are determined by its auditees, which limits both its independence and operational capacity.
- The Quality Assurance Unit and the Research and Development Unit are not being able to operate properly as recommended by INTOSAI and AFROSAI-E guidelines because of lack of supervisory staff.
- Due to resource constraints, it is not possible to carry out the audit of all Government units every year. Accounts of small Government units will have to be audited on a rotation basis.
- The volume of transactions and the complexity and associated risks of audit have increased drastically due to:
 - regular changes in technological, legal and business environment in which auditees operate.
 - adoption of accrual IPSAS by all public sector bodies, including Central Government, in the preparation of their financial statements.
- NAO will have to adapt to the new working environment in the country as a result of the COVID-19 pandemic. It has to move towards remote auditing and work from home by making maximum use of ICT tools.
- Failure by public sector bodies to submit financial statements for audit within statutory deadlines, leading to backlogs and impacting negatively on NAO's work calendar and capacity to meet deadlines.
- The poor quality of the annual financial and performance reports submitted by many of our auditees has a negative impact on the time frame and quality of our audits because additional work is needed to respond to the risks posed by misstatements.

- Increased risk of cyber-attacks and new technologies - With cyber-attacks on the rise globally, we recognise the potential for data breaches and we need to take steps to protect our information from such threats.

Opportunities

- **Keeping pace with Technologies** - The emergence of new technologies such as cloud computing, robotic process automation, has the potential to change the auditing landscape. These technologies present opportunities for the Government and the NAO. We need to analyse the environment for these new technologies to ensure that we are ready for them and to minimise disruption. We need to increase the use of tools for working remotely and to enhance this new capability.
- **Collaboration** - To maintain a high standard of services, NAO will have to strengthen its collaboration with international partners and leverage on training opportunities to ensure that staff keep abreast of developments in the field of auditing and accounting.



PART IV

Financial Statements
and Reports



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

The National Audit Office (NAO) has prepared financial statements for the year ended 30 June 2022, which give a true and fair view of its financial position and its financial performance. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 ended 30 June 2022.

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 the 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 the 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 the 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.
- Ensure that the assets of the NAO are properly safeguarded.
- Ensure compliance with relevant laws, rules and regulations.



C. ROMOOAH
Director of Audit

16 September 2022

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **NATIONAL AUDIT OFFICE (NAO)**, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, the statement of changes in net assets/equity, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 102.

In our opinion, these financial statements give a true and fair view of the financial position of the **National Audit Office** as at 30 June 2022, its financial performance, its changes in net assets/equity and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

In all material respects, the income and expenditures have been applied to the purposes intended by the National Assembly and conform to the authorities which govern them.

Basis for Opinion

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

Other Information

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

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

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

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

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Director's Responsibility for the Financial Statements

- The Director of Audit is under no statutory obligation to prepare financial statements for the National Audit Office. However, these financial statements have been prepared in terms of the requirements of International Standards for Supreme Audit Institutions (INTOSAI- P20) - Principles of transparency and accountability and by applying International Public Sector Accounting Standards.
- The Director of Audit is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Report on Other Legal and Regulatory Requirements


We have no relationship with or interests in the National Audit Office other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the National Audit Office as far as it appears from our examination of those records.



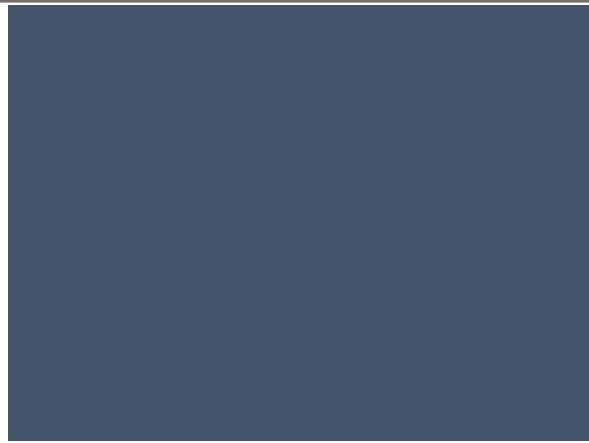
MOORE
Chartered Accountants



Lekhraj Rampertaub, FCCA
Signing Partner
Licensed by FRC

Port Louis
Republic of Mauritius

Date: **28 OCT 2022**



National Audit Office

Financial Statements
for the financial year ended
30 June 2022

**National Audit Office
Financial Statements
for the financial year ended 30 June 2022**

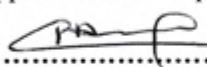
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National Audit Office
Statement of Financial Position
as at 30 June 2022

	Notes	30 June 2022 Rs	30 June 2021 Rs
ASSETS			
Current assets			
Short term car loans receivable	8	4,698,456	4,737,970
Trade receivables	6	3,405,000	3,440,000
Other receivables	7	8,786,328	7,402,473
Inventories		233,395	226,257
		<u>17,123,179</u>	<u>15,806,700</u>
Non-current assets			
Car loans receivable	8	11,730,428	11,136,136
Long term receivables	9	115,712,181	103,489,491
Property, plant and equipment	10	5,305,128	5,874,302
Intangible assets	11	379,778	193,630
		<u>133,127,515</u>	<u>120,693,559</u>
Total assets		<u>150,250,694</u>	<u>136,500,259</u>
LIABILITIES			
Current liabilities			
Short term car loans payable	8	4,698,456	4,737,970
Trade and other payables	12	3,969,333	4,235,438
Employee Benefits	9	8,455,390	6,833,292
		<u>17,123,179</u>	<u>15,806,700</u>
Non-current liabilities			
Car loans payable	8	11,730,428	11,136,136
Employee Benefits	9	115,712,181	103,489,491
		<u>127,442,609</u>	<u>114,625,627</u>
Total liabilities		<u>144,565,788</u>	<u>130,432,326</u>
NET ASSETS		<u>5,684,906</u>	<u>6,067,933</u>
EQUITY			
Contributed Capital	13	<u>5,684,906</u>	<u>6,067,933</u>

Approved on 16 September 2022



C. Romoah
Director of Audit

The notes on pages 88 to 102 form an integral part of these financial statements.

National Audit Office
Statement of Financial Performance
for the financial year ended 30 June 2022

		Year ended 30 June 2022	Year ended 30 June 2021
	Notes	Rs	Rs
Revenue			
Appropriation from Consolidated Fund	14	192,060,316	169,898,445
Audit fees receivable	15	25,992,500	25,373,393
Total Revenue		218,052,816	195,271,838
Expenses			
Audit fees Payable to Consolidated Fund	15	25,992,500	25,373,393
Staff costs	16	181,202,872	157,414,031
Training	17	41,550	305,278
Rent and utilities	18	7,567,457	7,214,352
IT expenses		502,668	484,282
Supplies and consumables		965,664	947,636
Subscriptions to international organisations		499,252	459,648
Disposal of Assets		-	49,913
Depreciation and Amortisation		1,663,880	1,315,898
Total Expenses		218,435,843	193,564,431
Surplus/(Deficit) for the year		(383,027)	1,707,407

The notes on pages 88 to 102 form an integral part of these financial statements

National Audit Office
Statement of Changes in Net Assets/Equity
for the financial year ended 30 June 2022

	Year ended 30 June 2022 Rs	Year ended 30 June 2021 Rs
Balance at 01 July 2021	6,067,933	4,360,526
Surplus/(Deficit) for the year	(383,027)	1,707,407
Balance at 30 June 2022	5,684,906	6,067,933

The notes on pages 88 to 102 form an integral part of these financial statements

National Audit Office
Cash Flow Statement
for the financial year ended 30 June 2022

	Year ended 30 June 2022 Rs	Year ended 30 June 2021 Rs
Operating activities		
Surplus/(Deficit) for the year	(383,027)	1,707,407
Adjustments for:		
Disposal of Assets	-	49,913
Fund for purchase of PPE	(1,280,853)	(3,073,218)
Depreciation	1,635,437	1,287,450
Amortisation	28,443	28,448
Change in trade and other receivables	(1,348,855)	(3,896,310)
Change in inventories	(7,138)	(10,569)
Change in trade and other payables	(266,105)	105,877
Change in short term employee benefit obligations	1,622,098	3,801,002
Change in long term receivables (Sick leave, Vacation leave and Passage Benefit)	(12,222,692)	(11,966,985)
Change in long term employee benefit obligations	12,222,692	11,966,985
Cash flow generated from/ (used in) operating activities	-	-
Investing activities		
Purchase of property, plant and equipment	(1,280,853)	(3,073,218)
Proceeds from sale of equipment	-	(26,500)
Car loans granted to staff	(6,972,357)	(4,760,995)
Loans refunded to Accountant General	(6,417,579)	(5,966,110)
Cash used in investing activities	(14,670,789)	(13,826,823)
Financing activities		
Funds received for purchase of property, plant and equipment	1,280,853	3,073,218
Proceeds from disposal payable to Consolidated Fund	-	26,500
Loans from Accountant General	6,972,357	4,760,995
Loans repaid	6,417,579	5,966,110
Cash generated from financing activities	14,670,789	13,826,823
Change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

Note

Cash and Cash Equivalent

The NAO does not operate any bank accounts. Revenues are remitted to the Accountant General and all payments are effected by the latter. The cash and cash equivalent was nil at year end.

The notes on pages 88 to 102 form an integral part of these financial statements

National Audit Office

Statement of Comparison of Budget and Actual Amounts

for the financial year ended 30 June 2022

	Original Budget	Revised Budget	Actual Received/Paid	Variance * Actual vs Revised	Financial Statements
	Rs	Rs	Rs	Rs	Rs
Revenue					
Audit fees	16,500,000	20,925,000	26,027,500	5,102,500	25,992,500
Expenditure					
Salaries and allowances	134,715,000	134,280,000	134,130,601	(149,399)	154,983,366
Travelling and transport	24,000,000	24,435,000	24,429,572	(5,428)	24,429,572
Overtime	250,000	375,000	361,888	(13,112)	361,888
Staff welfare	35,000	35,000	-	(35,000)	-
Cost of utilities	1,220,000	1,220,000	1,086,332	(133,668)	1,044,996
Fuel and oil	25,000	25,000	9,882	(15,118)	9,882
Rental of building	6,050,000	6,050,000	6,037,770	(12,230)	6,037,770
Rental of parking	525,000	525,000	484,691	(40,309)	484,691
Equipment and furniture	1,200,000	1,390,000	1,258,980	(131,020)	-
Office sundries	200,000	225,000	215,544	(9,456)	208,406
Maintenance	936,000	936,000	339,333	(596,667)	518,380
Printing and stationery	400,000	400,000	329,224	(70,776)	329,224
Books and publications	169,000	244,000	239,640	(4,360)	239,640
Fees for training and consultants	700,000	229,000	59,550	(169,450)	41,550
Refund of subscription	1,350,000	1,406,000	1,405,786	(214)	1,405,786
Inspection and audit fees	150,000	125,000	125,000	-	125,000
Uniforms	25,000	25,000	22,260	(2,740)	22,260
Accommodation costs	40,000	40,000	37,800	(2,200)	37,800
Membership fees	510,000	535,000	521,265	(13,735)	499,252
Total Recurrent Expenditure	172,500,000	172,500,000	171,095,119	(1,404,881)	190,779,463
Depreciation and Amortisation	-	-	-		1,663,880
Audit fees payable to Consolidated Fund	-	-	-		25,992,500
Total Expenditure as per Financial Statements					218,435,843
Expenditure Capitalised					
Computer Equipment	-	-	-	-	894,692
Furniture and fittings	-	-	-	-	93,184
Office equipment	-	-	-	-	78,387
Intangible Asset	-	-	-	-	214,590
Expenditure	172,500,000	172,500,000	171,095,119	(1,404,881)	219,716,696

** Explanations of variances between Actual amounts received and Revised budget are shown at page 86.*

National Audit Office**Statement showing reasons for variances between Original and Revised Budget***for the financial year ended 30 June 2022*

Expenditure	Original Budget Rs	Revised Budget Rs	Variations Rs	
Salaries and Allowances	134,715,000	134,280,000	(435,000)	
Travelling and Transport	24,000,000	24,435,000	435,000	Note 2
Overtime	250,000	375,000	125,000	Note 3
Staff Welfare	35,000	35,000	-	
Cost of Utilities	1,220,000	1,220,000	-	
Fuel and Oil	25,000	25,000	-	
Rental of Building	6,050,000	6,050,000	-	
Rental of Parking	525,000	525,000	-	
Equipment and Furniture	1,200,000	1,390,000	190,000	Note 4
Office Sundries	200,000	225,000	25,000	Note 5
Maintenance	936,000	936,000	-	
Printing and Stationery	400,000	400,000	-	
Books and Publications	169,000	244,000	75,000	Note 6
Fees for Training and Consultants	700,000	229,000	(471,000)	Note 7
Refund of Subscription Fees	1,350,000	1,406,000	56,000	Note 8
Inspection and Audit Fees	150,000	125,000	(25,000)	Note 9
Uniforms	25,000	25,000	-	
Accommodation Costs	40,000	40,000	-	
Membership Fees	510,000	535,000	25,000	Note 10
Total	172,500,000	172,500,000	-	Note 1

Note 1 The revised budget is the result of reallocations between vote items. The actual amounts spent were always less than and in most cases close to the revised budget

Note 2 Increase in Travelling and Transport was due to the revision of allowances as per the PRB 2021 Report.

Note 3 Increase in payment of overtime was due to the revision of allowances as per the PRB 2021 Report.

Note 4 Increase is due to the purchase of laptops for use by staff.

Note 5 Increase due to the purchase of stock items.

National Audit Office

Statement showing reasons for variances between Original and Revised Budget

for the financial year ended 30 June 2022 (Continued)

- Note 6 Increase in the price of local newspapers for office and eligible officers.
- Note 7 Due to COVID 19 protocols, face to face training was not carried out. Consulting services were not availed of.
- Note 8 Increase due to fluctuations in exchange rates.
- Note 9 Audit fees payable to Auditor for auditing NAO Financial Statements were maintained at the same amount as in previous year.
- Note 10 Increase due to fluctuations in exchange rates.

Explanations of variances between Actual amounts received and Revised budget

<i>Item</i>	<i>Explanations</i>
Salaries and allowances	Savings was made since the increase in the cost of salaries and allowances as a result of the PRB 2021 report, was met from funds issued through Departmental Warrant by the Ministry of Finance, Economic Planning and Development.
Staff welfare	Due to COVID-19 Protocols, no welfare activities were carried out.
Cost of utilities	Reduction in consumption of electricity.
Rental of parking	Savings due to decrease in the number of officers eligible for parking.
Equipment and Furniture	Savings due to competitive prices quoted for the purchase of laptops and Microsoft Office.
Maintenance	Savings due to no renewal of one user licence for IDEA Software and decrease in repairs of computers and laptops.
Printing and Stationery	Reduction in the consumption of stationeries.
Fees for training and consultants	Savings due to online training being organised and no consultancy services hired following COVID-19 Protocols.

National Audit Office**Statement showing Reconciliation of Cash Flows with Statement of Financial Performance***for the financial year ended 30 June 2022*

	Year ended 30 June 2022	Year ended 30 June 2021
	Rs	Rs
Actual Recurrent Expenditure	171,095,119	153,490,510
Commitment for the year	64,183	123,519
Prepayment for last year	445,662	476,856
Adjustment inventories-Last year	226,257	215,689
Non-budgeted items paid		
Salary of supporting staff	-	1,999,929
Audit Fees payable to Consolidated Fund	25,992,500	25,373,393
Amount iro PRB adjustment	8,400,000	-
Provisions and other benefits		
Sick Leave and Vacation Leave	7,698,197	9,820,666
Passage Benefits obligations	4,754,567	4,601,641
Non-cash items		
Depreciation & Amortization	1,663,880	1,315,898
Disposal of Assets	-	49,913
	220,340,365	197,468,014
Prepayment	(266,755)	(445,662)
Adjustment- Capital out of Recurrent	-	(71,429)
Commitment for last year	(123,519)	(87,017)
Adjustment Inventories- this year	(233,395)	(226,257)
Additions to PPE and Intangible Assets financed from revenue	(1,280,853)	(3,073,218)
Expenditure as per Statement of Financial Performance	218,435,843	193,564,431

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 1. Reporting Entity

Section 110 of the Constitution of the Republic of Mauritius provides for the appointment of a Director of Audit whose office is a public office. The institution that Government has mandated to carry out the examination of the accounts of the Ministries and Departments on behalf of the Legislature is known as the National Audit Office (NAO) and the Director of Audit is the constitutional head of that Office. The Finance and Audit Act further amplifies the constitutional powers and duties of the Director of Audit, as well as the method of control and management of public funds. Besides Government Ministries and Departments, NAO is also responsible for the audit of the accounts of all Local Authorities, most of the Statutory Bodies, Special Funds, the Rodrigues Regional Assembly, foreign-funded projects and other bodies.

The financial statements of the NAO have been prepared in a spirit of adherence to the good governance principles of accountability and transparency.

Note 2. Basis of Preparation

The financial statements of NAO have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) which is a Board of the International Federation of Accountants (IFAC).

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, unless stated otherwise.

Certain comparative figures have been reclassified and restated accordingly.

The preparation of financial statements in conformity with IPSAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

In the application of the NAO's accounting policies, which are described in Note 5, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the estimate affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Estimates include, but are not limited to fair valuation of inventories, accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of property, plant and equipment.

The financial statements are presented in Mauritian Rupees.

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 3. Adoption of IPSAS

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods beginning after 1 July 2021. These new standards, amendments and interpretations are either not relevant to the NAO's operations or are not expected to have a material effect on the accounting policies and disclosures.

Note 4. Measurement Base

The accounting principles recognized as appropriate for the measurement and reporting of the financial performance, cash flows, and financial position on an accrual basis using historical cost are followed in the preparation of the financial statements.

Note 5. Significant Accounting Policies

The following specific accounting policies that materially affect the measurement of financial performance and the financial position are applied:

(a) Revenue Recognition

Income

Income is measured at the fair value of the consideration received.

Government Grant

The revenue necessary to finance the expenditure of NAO is derived from the Consolidated Fund by means of the Annual Estimates and the corresponding Appropriation Act. Government recurrent grant is recognized to the extent that expenditure has been incurred.

Audit Fees

Revenue from audit fees is recognized when the audit has been completed and is on a billable basis. All the audit fees collected for the audit of financial statements of statutory and non-statutory bodies, Special Funds and local authorities, and from other assurance work are credited directly to the Consolidated Fund. NAO does not charge any fees for the audit of accounts of Government Ministries and Departments.

National Audit Office
Notes to the Financial Statements

for the financial year ended 30 June 2022

Note 5. Significant Accounting Policies (continued)

(b) Accrual Accounting under IPSAS

Accrual accounting means a basis of accounting under which transactions and other events are recognised when they occur (not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate to.

(c) Trade and Other Receivables

Trade and other receivables are recorded at their fair value after providing for doubtful and unrecoverable debts.

(d) Leased Assets

NAO does not have any assets held under finance lease.

(e) Foreign Currency Transactions

Transactions in foreign currencies are translated to Mauritian rupee at the exchange rate ruling at the date of transaction.

(f) Employee Entitlements

Employee entitlements to salaries and other benefits are recognized when they are earned. Employees are allowed to accumulate sick leaves not taken at the end of each calendar year up to a maximum of 110 days, in a Sick Leave bank as at 30 June 2022. The balance of bank Sick Leave is valued at the end of the financial year and is recognised as Long Term payables. Beyond the ceiling of 110 days, officers are refunded part of the annual entitlement of sick leaves not taken at the end of every calendar year and this is expensed to the Statement of Financial Performance.

In the context of Covid-19 pandemic which impacted negatively on public finance, Government decided that, exceptionally, there would be no cash refund for unutilised sick leave for the year 2020. To that extent up to a maximum of 16 days, of such leave has been accumulated in the bank of sick leave of eligible officers. The monetary value for each officer has been calculated based on the financial year end salary of June 2022.

When it is foreseen, that staff would retire within one year, the amount payable for sick leaves are transferred to Trade and other payables under Current Liabilities.

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 5. Significant Accounting Policies (continued)

(f) Employee Entitlements (continued)

A provision is made for the estimated liability for Passage Benefits. The Passage Benefits for each staff are valued at year end and are included as long-term payables. For the current period, based on past experience we transferred an amount of Rs 2.5 million from long term liabilities to short term liabilities to provide for any forthcoming payments of passage benefits in the next financial year. The annual increase in passage benefits, representing amount earned for each eligible officer during the financial year, is expensed to the Statement of Financial Performance.

Other Post-Employment Benefits

Provision for accrued Vacation Leaves

NAO employees are entitled to accumulate vacation leave up to a maximum of 210 days depending on their length of service. These are recognised as and when the employees render service that increases their entitlement to Vacation Leave. The expected cost of accumulating Vacation Leave is measured as the additional amount that the NAO expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period and is recognised as long-term payables.

Retirement benefits

Officers of the NAO are entitled to a pension on their retirement from the public service, in accordance with the Pension Act. The pension is now contributory and all pensions of civil servants are paid out of the Consolidated Fund on a pay-as-you-go basis at a rate defined by their last salary. Contributions of employees joining the service as from 1 January 2013 are transferred to a defined contribution pension scheme operated by an insurance company. On this basis, no provision is made for the estimated liability for retirement benefits of these employees.

Civil Service Family Protection Scheme

This scheme is established by the Civil Service Family Protection Scheme Act, which lays down detailed provisions regarding administration of the scheme, contributions to be made and pensions to be paid. Every public officer appointed before 1 January 2013 shall, from the date of his appointment, make a contribution to the Scheme at the rate specified in the First Schedule, until he attains the age of 65 or until he ceases to be a public officer. However, a public officer in post as at 30 June 2008 may, while in service, opt to cease to contribute to the Scheme on reaching the age of 60. On the death of the contributor, his surviving spouse and children are granted a pension at the rate specified in the Act. The pension granted to the surviving spouse ceases on his/her death or remarriage.

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

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 5. Significant Accounting Policies (continued)

(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.

Where the carrying amount of an asset is greater than its estimated recoverable service amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable service amount which is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the Statement of Financial Performance.

Depreciation

Depreciation is calculated on a straight-line basis to recognise the consumption of economic benefits of an asset over its useful life. Depreciation methods, useful lives and residual values are reviewed at each reporting date. Full depreciation is provided for assets purchased during the financial period except for the last semester.

The estimated useful lives of property and equipment are as follows:

Computer equipment	5 years
Motor vehicles	8 years
Furniture and fittings	10 years
Office Equipment	5 years

Cost of software for operating system and office tools when acquired with computers are included in the hardware costs and depreciated as for any computer equipment.

(h) Intangible Assets

Intangible assets, consisting mainly of computer software licenses, are recorded at cost less any accumulated amortisation. Costs incurred for maintaining computer software are expensed to the Statement of Financial Performance.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price and its value in use. Gains and losses on disposal are determined by

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 5. Significant Accounting Policies (continued)

(h) Intangible Assets (continued)

comparing proceeds with carrying amounts and are included in the Statement of Financial Performance.

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 are eight years

Licenses paid annually for maintenance of software are charged to the Statement of Financial Performance in the year they are incurred.

(i) Financial Instruments

Financial instruments are recognised when NAO becomes a party to the contractual provisions of the instrument until such time when the rights to receive cash flows from those assets have expired or have been transferred and the NAO has transferred substantially all the risks and rewards of ownership.

NAO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include accounts receivable and accounts payable.

All financial instruments are recognised in the Statement of Financial Position at their fair values.

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

(j) Inventories

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

(k) Contributed Capital

Contributed capital is the residual interest in the assets of the entity after deducting all its liabilities.

(l) Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method.

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 5. Significant Accounting Policies (continued)

(m) Operating Lease Obligations

Leases where substantially all the risks and rewards of ownership remain with the lessor are classified as operating leases. Payments of rent made under operating leases are charged in the Statement of Financial Performance on a straight-line basis over the term of the lease.

NAO is occupying office space at the Air Mauritius Centre under a lease agreement signed with Mauritius Estate Development Corporation (MEDCOR) Limited. The all-inclusive monthly amount paid during financial year 2021-22 amounted to Rs 433,147. Additionally, office space was also rented since January 2021 from Foreign Plus Ltd and all-inclusive monthly rental amounted Rs 70,000.

(n) Taxation

No provision has been made in the financial statements for income tax and value added tax on audit fees, on the basis that the NAO, as a Government Department, is exempted.

(o) Provisions and Contingent Liabilities

Provisions are made for future liabilities and charges where NAO has a present legal or constructive obligation as a result of past events and it is probable that NAO will be required to settle the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NAO.

(p) Risk Management Policies

Financial risks

NAO continues to develop risk management policies. The NAO, as a public sector entity, is not much exposed to financial risks.

NAO does not use significant derivative financial instruments to hedge risk exposures.

Credit risk

In the normal course of business, NAO incurs credit risk from trade receivables. NAO manages its exposure to credit risk by an effective debtor reporting system and maintaining credit control procedures over trade receivables.

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 5. Significant Accounting Policies (continued)

NAO does not require any collateral or security to support financial instruments and other receivables it holds due to the low risk associated with the realization of these instruments.

Currency risk

NAO is not exposed to any currency risk.

Interest rate risk

NAO is not exposed to any interest rate risk on car loans to staff as it is borne by the Government. The interest rate risk associated with car loans to staff is considered to be minimal.

(q) Events after the Reporting Period

There were no major events after the reporting period which may have a material effect on the financial statements as at 30 June 2022.

(r) Employee Disclosure

As at 30 June 2022, NAO had 199 full-time employees, out of which 25 are non-technical staff.

(s) Key Management Personnel

The key personnel of NAO include the Director of Audit, Deputy Directors, Assistant Directors and a Head of Examiner Cadre 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 26 million for the financial year ended 30 June 2022.

Employee Benefits accrued in respect of vacation leave and passage benefit to the key management personnel amounted to 8.7 million and Rs 3.6 million as at 30 June 2022 respectively. During the financial year ended 30 June 2022, total passage benefits paid to key personnel amounted to Rs 51,655.

(t) Related Parties

For the purpose of these financial statements, parties which are considered to be related to the NAO are other Government Ministries/ Departments and Parastatal Bodies if they have the ability, directly or indirectly, to control the NAO or exercise significant influence over the financial and operating decision making, or vice versa. Related parties may be individuals or other entities. Related party transactions were carried out at commercial terms and conditions.

All eligible officers at NAO are granted duty free facilities and loans for purchase of a car as prescribed in the PRB reports. Total car loans balances due by NAO officers stood at Rs 16.4 million as at 30 June 2022 against Rs 15.9 million at 30 June 2021.

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 5. Significant Accounting Policies (continued)

(t) Related Parties (continued)

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 reporting date. Balance receivable at 30 June 2022 was Rs 3,405,000 as compared to Rs 3,440,000 for the year ended 30 June 2021.

Note 7. Other Receivables

	30 June 2022	30 June 2021
	Rs	Rs
Sick Leaves - Short Term	5,955,390	4,333,292
Passage Benefits	2,500,000	2,500,000
Debtors –Sundries	64,183	123,519
Prepayment	266,755	445,662
	<u>8,786,328</u>	<u>7,402,473</u>

Note 8. Car Loans Receivable/ Payable

NAO officers are granted car loans, via the Accountant General, as per conditions stipulated in the applicable PRB reports. Outstanding capital on car loans was disclosed in the financial statements as at 30 June 2022 along with last year’s comparatives. Interest and loan capital amount refunded by staff are immediately repaid to the Accountant General.

	30 June 2022	30 June 2021
	Rs	Rs
Opening balance	15,874,106	17,079,221
Loan granted during the year	6,972,357	4,760,995
Refunds received during the year	(6,417,579)	(5,966,110)
Closing balance	<u>16,428,884</u>	<u>15,874,106</u>

Classified as follows:

Current	4,698,456	4,737,970
Non-current	11,730,428	11,136,136
	<u>16,428,884</u>	<u>15,874,106</u>

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 9. Employee Benefits

Long Term

	30 June 2022	30 June 2021
	Rs	Rs
Bank Sick Leaves	46,798,022	41,435,283
Sick Leave 2020 Entitlement	5,915,169	5,496,590
Vacation Leaves	47,253,713	43,102,304
Passage Benefits	15,745,277	13,455,314
	<u>115,712,181</u>	<u>103,489,491</u>

Short Term

	30 June 2022	30 June 2021
	Rs	Rs
Sick Leaves	5,955,390	4,333,292
Passage Benefits	2,500,000	2,500,000
	<u>8,455,390</u>	<u>6,833,292</u>

Note: Vacation Leave Obligations have been classified as long term since most of the accumulated leaves are taken prior to retirement and the amount to be taken within one year cannot be reliably estimated.

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 10. Property, Plant and Equipment

	Computer Equipment Rs	Motor Vehicles Rs	Furniture and Fittings Rs	Office Equipment Rs	Total Rs
<i>Cost/Valuation</i>					
As at 01 July 2021	13,932,316	720,000	1,790,473	1,755,595	18,198,384
Additions	894,692	-	93,184	78,387	1,066,263
As at 30 June 2022	<u>14,827,008</u>	<u>720,000</u>	<u>1,883,657</u>	<u>1,833,982</u>	<u>19,264,647</u>
<i>Accumulated Depreciation</i>					
As at 01 July 2021	9,659,918	720,000	732,136	1,212,028	12,324,082
Charge for the year	1,285,495	-	151,568	198,375	1,635,438
As at 30 June 2022	<u>10,945,413</u>	<u>720,000</u>	<u>883,704</u>	<u>1,410,403</u>	<u>13,959,520</u>
<i>Carrying Value</i>					
As at 30 June 2022	3,881,596	-	999,953	423,579	5,305,128
As at 30 June 2021	4,272,398	-	1,058,337	543,567	5,874,302

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 11. Intangible Assets

	30 June 2022	30 June 2021
	Rs	Rs
Balance at 01 July 2021	193,630	195,788
Additions	214,590	26,290
Amortization	(28,442)	(28,448)
Carrying Value at 30 June 2022	379,778	193,630
Cost at 01 July 2021	5,019,870	4,805,280
Accumulated Amortization	(4,640,092)	(4,611,650)
Carrying Value at 30 June 2022	379,778	193,630

Note 12. Trade and Other Payables

The 'Audit fee payable to Consolidated Fund' represents audit fees that have already been claimed to auditees and as a revenue to Government, is payable on its receipts, to the Accountant General.. The other payables mostly relate to expenses for which invoices were received from suppliers but not yet settled and obligations to suppliers for services performed not yet invoiced.

	30 June 2022	30 June 2021
	Rs	Rs
Audit fee payable to Consolidated Fund	3,405,000	3,440,000
Telephone	10,132	36,215
Electricity	54,051	69,304
Training	-	18,000
Advance for purchase of inventories	233,395	226,257
Prepayment	266,755	445,662
	3,969,333	4,235,438

National Audit Office
Notes to the Financial Statements
for the financial year ended 30 June 2022

Note 13. Contributed Capital

	30 June 2022	30 June 2021
	Rs	Rs
Balance at 01 July 2021	6,067,933	4,360,526
Surplus/(Deficit) for the year	(383,027)	1,707,407
Balance at 30 June 2022	5,684,906	6,067,933

Note 14. Revenue- Appropriation from Consolidated Fund

	Year ended 30 June 2022	Year ended 30 June 2021
	Rs	Rs
Provision from estimates	172,500,000	157,400,000
Amount from Centrally Managed Initiatives (PRB adjustment)	8,400,000	
Income from Disposal	-	26,500
Sick leave and Vacation Leave	7,698,197	6,849,919
Passage benefits	4,754,567	4,601,641
Salary of supporting staff	-	1,999,929
Sick Leave, Passage & VL Revenue for supporting staff	-	2,970,747
Commitments for the year	64,183	123,519
Prepayment- last year	445,662	476,856
Inventory- last year	226,257	215,689
	194,088,866	174,664,800
Less:		
Adjustment- Capital out of Recurrent	-	71,429
Commitments of last year	123,519	87,017
Provision from Disposal payable to Consolidated Fund	-	26,500
Provision from Estimates returned to Consolidated Funds	1,404,881	3,909,490
Adjustment for inventories	233,395	226,257
Prepayment (financed)	266,755	445,662
	2,028,550	4,766,355
	192,060,316	169,898,445

National Audit Office
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Note 15. Audit Fees Receivable and Audit Fees Payable to the Consolidated Fund

The Audit fees receivable and Audit Fees Payable to the Consolidated Fund have been accounted in the Statement of Financial Performance.

	Year ended 30 June 2022	Year ended 30 June 2021
	Rs	Rs
Audit fees receivable at 01 July 2021	(3,440,000)	(3,350,000)
Audit fees received during the year	26,027,500	25,283,393
Audit fees receivable at 30 June 2022	<u>3,405,000</u>	<u>3,440,000</u>
	<u>25,992,500</u>	<u>25,373,393</u>

Note 16. Staff Costs

The monthly average staff cost for the financial year ended 30 June 2022 amounted to some Rs 15.1 million compared to the amount of Rs 13.1 million for last year.

	Year ended 30 June 2022	Year ended 30 June 2021
	Rs	Rs
Salaries, bonus and Allowances	150,228,799	129,042,029
Provision for Passage Benefits	4,754,567	4,601,641
Travelling and Transport	24,429,572	22,391,614
Overtime	361,888	222,884
Staff Welfare	-	35,000
Uniform	22,260	23,640
Annual subscription to professional bodies for employees	<u>1,405,786</u>	<u>1,097,223</u>
	<u>181,202,872</u>	<u>157,414,031</u>

National Audit Office
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Note 17. Training

320 officers attended overseas training/webinars through online mode organized by different organizations. Moreover, 94 officers attended local training/webinars either online or face to face.

Note 18. Rent and Utilities

	Year ended 30 June 2022	Year ended 30 June 2021
	Rs	Rs
Rent of building	6,037,770	5,649,142
Electricity charges	698,072	626,988
Telephone	346,924	482,134
Rental of parking slots	484,691	456,088
	<u>7,567,457</u>	<u>7,214,352</u>

Note 19. Reconciliation of Original Budget and Revised Budget

NAO expenditure is approved in annual Government Budget. The original budget for the financial year ended 30 June 2022 amounted to Rs 172.5 million. Reallocations were made between budget items, but the total revised budget remained the same.

Non-budgetary expenses include external assistance obtained and payments effected out of votes of the Ministry of Finance, Economic Planning and Development that include amongst others, leave payments (on retirement of officers), car loans granted to staff and amount in respect of PRB 2021 adjustments.



Annexes



INTOSAI-P 1 – The Lima Declaration

II. Independence

Section 5. Independence of Supreme Audit Institutions

1. Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.
2. Although state institutions cannot be absolutely independent because they are part of the state as a whole, Supreme Audit Institutions shall have the functional and organisational independence required to accomplish their tasks.
3. The establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution; details may be set out in legislation. In particular, adequate legal protection by a supreme court against any interference with a Supreme Audit Institution's independence and audit mandate shall be guaranteed.

Section 6. Independence of the members and officials of Supreme Audit Institutions

1. The independence of Supreme Audit Institutions is inseparably linked to the independence of its members. Members are defined as those persons who have to make the decisions for the Supreme Audit Institution and are answerable for these decisions to third parties, that is, the members of a decision-making collegiate body or the head of a monocratically organised Supreme Audit Institution.
2. The independence of the members, shall be guaranteed by the Constitution. In particular, the procedures for removal from office also shall be embodied in the Constitution and may not impair the independence of the members. The method of appointment and removal of members depends on the constitutional structure of each country.
3. In their professional careers, audit staff of Supreme Audit Institutions must not be influenced by the audited organisations and must not be dependent on such organisations.

Section 7. Financial Independence of Supreme Audit Institutions

1. Supreme Audit Institutions shall be provided with the financial means to enable them to accomplish their tasks.
2. If required, Supreme Audit Institutions shall be entitled to apply directly for the necessary financial means to the public body deciding on the national budget.
3. Supreme Audit Institutions shall be entitled to use the funds allotted to them under a separate budget heading as they see fit.

INTOSAI-P 10 - Mexico Declaration on SAI Independence

Principle 1

The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework

Principle 2

The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties

Principle 3

A sufficiently broad mandate and full discretion, in the discharge of SAI functions

Principle 4

Unrestricted access to information

Principle 5

The right and obligation to report on their work

Principle 6

The freedom to decide the content and timing of audit reports and to publish and disseminate them

Principle 7

The existence of effective follow-up mechanisms on SAI recommendations

Principle 8

Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

National Audit Office

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