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National Audit Office

Activity and Performance Report

for the period

1 January – 31 December 2011

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From the desk of the Director of Audit

I am pleased to present this Activity and Performance Report of the National Audit Office (NAO) for the year 2011. As the Supreme Audit Institution of Mauritius, it is important for us to abide by the principles of transparency and accountability and lead by example in our own governance and practices. This report is the instrument through which we endeavour to fulfil our accountability requirements by reporting on our own performance.

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

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

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

The notion of transparency refers to the SAI's timely, reliable, clear and relevant public reporting on its status, mandate, strategy, activities, financial management, operations and performance. In addition, it includes the obligation of public reporting on audit findings and conclusions

The performance achievements detailed in this report are a result of teamwork, professionalism and dedication of all officers and staff of NAO.

Dr. Rajun Jugurnath

Director of Audit

Our Vision

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

Our Mission

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

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

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

Our Core Values

Maintain our independence and political neutrality

Observe a high level of professionalism and integrity

Show fairness, objectivity and impartiality in our work

Ensure confidentiality of materials/information provided to us

Honour the confidence of trust conferred on us

Be courteous, tolerant and respectful

The National Audit Office and the Director of Audit

Who are we?

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

The Government Programme for a specific period is spelt out in the Address of the President which defines the policies of the Government and the goals to be achieved through public funds. Each year the Programme is more elaborately detailed in the Programme-Based Budget Estimates which after having been voted by the National Assembly provide the funds to be spent in the current year as well as indicating estimates for the ensuing two years. It devolves upon the Executive to implement the Programme of the Government. The spending Ministries and Departments are accountable to the National Assembly for the money that has been entrusted to them. In view of the intricacies and technicalities of accounting, it thus becomes the responsibility of the National Audit Office to report to the National Assembly whether funds entrusted to the Executive have been spent in accordance with the policies of the Government and to report on any mismanagement of funds or deviations from the set objectives.

Our Mandate

The Constitution of the Republic of Mauritius forms the bedrock for the existence and mandate of the Director of Audit and in its wake the National Audit Office. Section 110 provides for the appointment, extent of authority, independence of the Director of Audit and the submission of audit reports.

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

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

Our Audit Mandate

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

The Constitution

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

The Finance and Audit Act

The Director of Audit shall satisfy himself that:

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

The Statutory Bodies (Accounts and Audit Act)

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

- he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of the audit;
- in his opinion, to the best of his information and according to the explanations given to him, the financial statements give a true and fair view of the financial performance of the statutory body for the financial year and of its financial position at the end of the financial year;
- this Act and any directions of the Minister, in so far as they relate to the accounts, have been complied with;

- in his opinion, and, as far as could be ascertained from his examination of the financial statements submitted to him, any expenditure incurred is of an extravagant or wasteful nature, judged by normal commercial practice and prudence;
- in his opinion, the statutory body has been applying its resources and carrying out its operations fairly and economically

The Local Government Act

Audit of accounts

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

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

(1) The report shall state –

(a) the work done by him;

(b) the scope and limitations of the audit;

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

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

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

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

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

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

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

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

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

The Public Procurement Act

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

Powers of the Director of Audit

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

Finance and Audit Act

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

- (a) call upon any public officer for any explanations and information which he may require in order to enable him to discharge his duties; and
- (b) with the concurrence of the head of any Ministry or Department, authorise an officer of that Ministry or Department to conduct on his behalf any inquiry, examination or audit and such officer shall report thereon to the Director of Audit;
- (c) without payment of any fee, cause searches to be made in, and extracts to be taken from, any document in the custody of any public officer;
- (d) lay before the Attorney-General a case in writing as to any question regarding the interpretation of any enactment concerning the powers of the Director of Audit or the discharge of his duties and the Attorney-General shall give a written opinion on such case.

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

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

Local Government Act

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

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

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

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

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

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

Immunity from legal prosecutions

In addition to what is provided in the Public Officers Protection Act, the Director of Audit benefits from immunity under Sections 17A of the Finance and Audit Act and 140 of the Local Government Act 2011as follows:

> 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.

What we DO NOT AUDIT

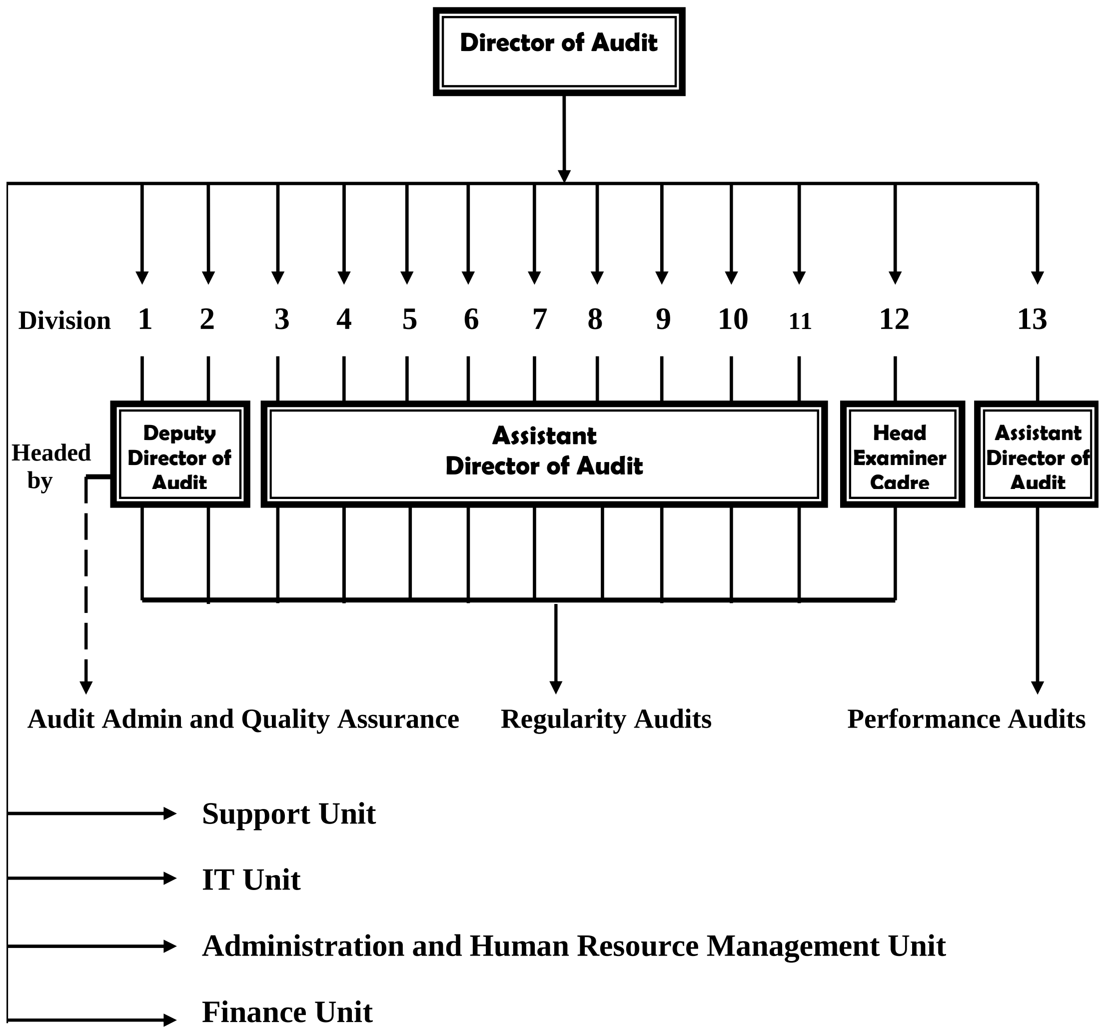
The mandate of the Director of Audit does not extend to the audit of the Central and Public Sector banks, Statutory Corporations whose enactments do not provide for audit by the Director of Audit unless their Boards decide otherwise and Private Companies where the Government has substantial interests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

Table 1 Institutions that the NAO does not audit

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

Organisation Set–Up

The activities of NAO are grouped under 13 Divisions and four Units. Twelve of the thirteen Divisions have each a portfolio of mixed regularity audit assignments comprising audit of Ministries, Departments, Statutory Bodies, Local Authorities and Special Funds. The thirteenth Division is responsible for Performance Audit. Divisions 1 and 2 are each headed by a Deputy Director, Divisions 3 to 11 and 13 are headed by an Assistant Director of Audit while Division 12 is headed by the Head, Examiner of Accounts Cadre. The Deputy Directors in addition helps the Director of Audit in the audit administration and quality assurance.



The four Units comprise:

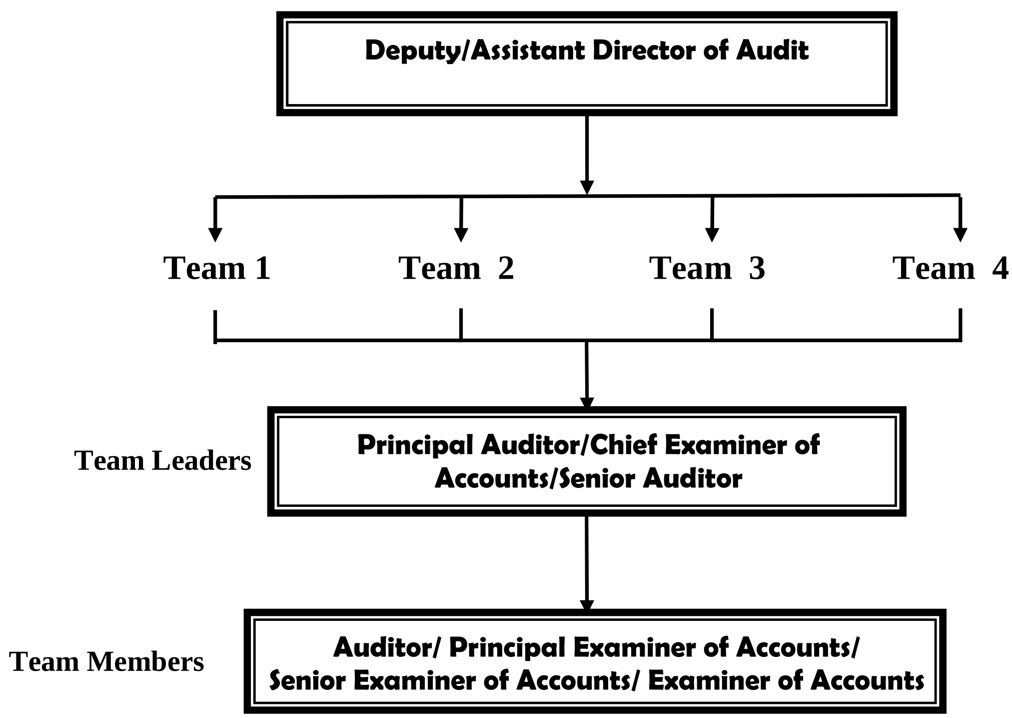
- The Support Unit, responsible for the audit of the financial statements of various International donor agencies and some small and medium size organisations. This unit which is under the responsibility of the Deputy Head of Examiners Cadre is also responsible for the pre-audit of pensions of staff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

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

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

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

Structure of a Division



Senior Management Team

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

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

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

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

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

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

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

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

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

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

Mr Reetun has international audit exposure and has facilitated workshops on capacity building in the African region.

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

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

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

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

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

Mr. Toolsee Dodah is a Fellow of the Association of Chartered Certified Accountants (FCCA) and member of the Mauritius Institute of Professional Accountants.

He joined the Civil Service in 1981 and the National Audit Office in September 1987. During November 1992 to October 1993 he worked as Accounting Technician at the Management Audit Bureau. He was appointed Principal Auditor in May 2001 and Assistant Director of Audit in July 2004.

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

He joined the Civil Service in October 1980 and worked at the Meteorological Services and the Civil Aviation Department before joining the National Audit Office since June 1981.

He was also designated to serve the Economic Crime Office (now replaced by ICAC) till June 2001. He holds his current position since July 2004.

Mr. Yamesh Lukkhoo is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a Master Degree in Business Administration. He is also a member of the Mauritius Institute of Professional Accountants.

He joined the Civil Service in July 1990 as Planning Assistant at the Ministry of Housing before joining the National Audit Office in April 1992 as Trainee Examiner of Accounts. He was appointed Principal Auditor in July 2003 and Assistant Director of Audit (temporary) in July 2009.

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

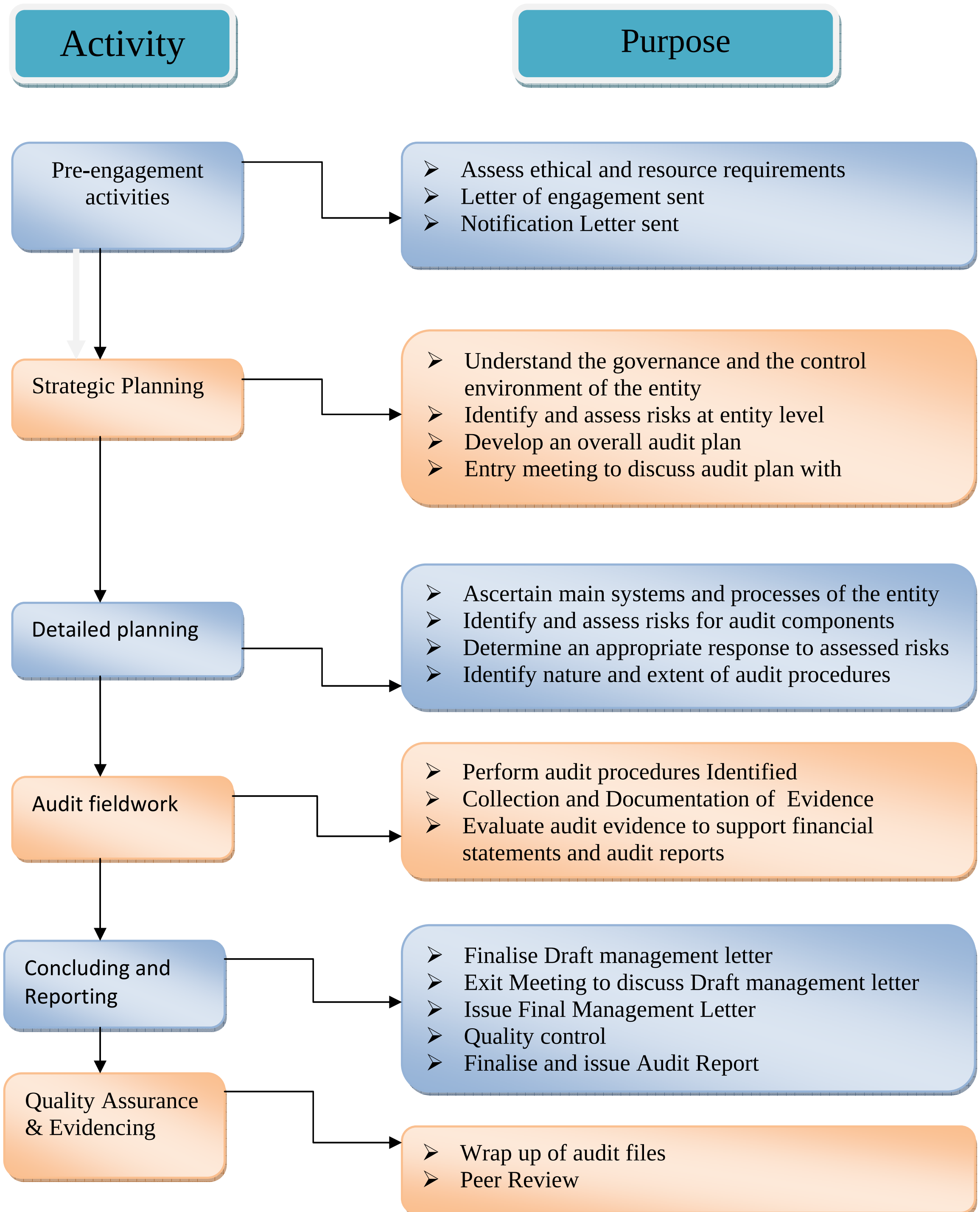
She joined the Civil Service in February 1982 as
Clerical Officer at the Central Statistical Office. In September 1987 she joined the National Audit Office as Trainee Examiner of Accounts. After qualifying as an accountant she was appointed Auditor in 1995.

In July 2003 she was promoted to Principal Auditor and as from 2008 she has been assigned duties as Assistant Director of Audit.

Mrs Coontee Munoruth joined the Civil Service in 1971. She started her career as Extra Clerical Assistant at the National Audit Office. She has since served the Office except for a spell of 2 years at the Ministry of Health.

Over the years she progressed to appointment as Head, Examiner of Accounts Cadre in 2009.

The Audit Process



Audit Activities and Performance for the Year 2011

Introduction

This year has been a very busy one. Besides conducting the statutory audits, NAO had to adapt to the numerous changes that occurred in the field of government auditing.

Adoption of IPSAS by Government

Government has adopted the International Public Sector Accounting Standards (IPSAS) for the preparation of the financial statements of the Statutory Bodies. As a result, all the staff of the NAO had to be trained in IPSAS. IPSASs are a set of accounting standards developed and issued by the IPSAS Board of the International Federation of Accountants (IFAC) for use by public sector entities around the world for the preparation of the financial statements**.**

Approval of ISSAIs by INCOSAI

In November 2010, the International Congress of Supreme Audit Institutions (INCOSAI), the supreme organ of the International Organisation of Supreme Audit Institutions (INTOSAI), approved the International Standards of Supreme Audit Institutions (ISSAI) issued by INTOSAI for adoption by the government audit community. ISSAIs are external audit standards for public sector entities. NAO has adopted ISSAIs in 2011 and as a consequence, all staff had to be trained in ISSAIs.

INTOSAI is an umbrella organisation for the external government audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations. It is to be noted that on 22 December 2011 the 66th United Nations General Assembly adopted the Resolution "Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions". At this Assembly the UN Member States also took note with appreciation of the work of INTOSAI in promoting greater efficiency, accountability, effectiveness, transparency and efficient and effective receipt and use of public resources for the benefit of citizens.

Adoption of the AFROSAI-E Regularity Audit Manual 2010

NAO adopted the AFROSAI-E Regularity Audit Manual 2010. As a result, further training had to be provided to all staff on the Manual. The Manual is in accordance with the ISSAIs, which means full compliance with all relevant International Standards of Auditing (ISAs) and the additional guidance set out in the INTOSAI Practice Notes to the ISAs. It is also in accordance with the risk based audit approach.

Audit of 18-month Accounts of Statutory Bodies

With the change in fiscal year, statutory bodies were requested to prepare their financial statements for a period of 18 months ending 31 December 2010. Most statutory bodies prepared their financial statements accordingly while some preferred to prepare a set of six-month financial statements and a set of 12-month financial statements. Obviously in both cases the time taken to audit these financial statements in 2011 was longer than in previous years.

Capacity Building in Information Systems Audit

Most of our auditees have computerised operational systems. In accordance with the International Auditing Standards (ISA), all regularity audits conducted in a computerised environment need to start with an Information Systems (IS) Audit. This was pausing a problem of capacity in NAO. As a result, NAO mounted and sponsored the CISA (Chartered Information Systems Audit) certification program of ISACA in-house. ISACA is a global membership association for IT and information systems professionals and its CISA certification program is recognized globally. 47 members of staff followed the course and sat for the December 2011 examination.

Certificate Programme in Public Procurement

Eight members of staff followed this programme organised jointly by the Procurement Policy Office (PPO) and the University of Technology of Mauritius (UTM). This certification programme has been mounted to provide participants with a comprehensive understanding of procurement rules and regulations in the public sector. It provided comprehensive detail on all aspects of the procurement process.

Forensic Audit

The age of computers and automated bank drafts has made it easier to perform financial fraud. As a result, the responsibility of detecting and preventing fraud is being more and more placed on the auditing profession. Auditors are being expected to recognize fraud and hence learning the tools of forensic audit is becoming crucial. In this respect, all staff attended a two-day workshop in forensic audit in October.

Strategic Plan 2011-2013

The 2011-2013 Strategic Plan is the second strategic plan, of the NAO. This strategic plan emerged from a thorough process of discussion and thoughtful work within the Office involving all the staff and management of the NAO. This has led to the formulation of a new vision and a new mission.

Our Strategic Plan 2011 - 2013 has been built on the foundation of “Quality of Service”. It outlines our key intentions and commitments for the next three years to deliver high quality audit and value added services. Seven goals, comprising 15 strategies and 42 activities, have been set in the plan for the three-year period. Setting goals is easy but achieving them is not. Our achievement for this year has confirmed this statement. In fact, out of 18 activities to be implemented in 2011, only five have been implemented. The main reason for not achieving the targets set in the strategic plan was that we were busy in the activities mentioned above. Also the first year is always the most difficult year with regard to the implementation of a strategic plan. Still we are optimistic. We believe we shall make it at the end of the third year.

Financial Audits

For the year 2011, NAO had the responsibility for the audit of 1,738 units as shown in the Table below.

Number of Units on Hand for Audit in Year 2011

	No. of Units		
	Large	*Small*	*Total*
Ministries including their Divisions & Units	218	1,098	1,316
Statutory Bodies	57	54	111
Local Authorities	9	124	133
Special Funds	5	26	31
Rodrigues	37	105	142
Others	5	6	11
Total	**331**	**1,413**	**1,744**

It is to be noted that most Ministries comprised at least two Divisions. For example, the Ministry of Tourism and Leisure had the Tourism and the Leisure Divisions. Similarly, the Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping had four Divisions, that is, Public Infrastructure Division, Land Transport Division, Shipping Division and the National Development Unit. Furthermore, many Divisions comprised a number of units and sub- units. For example, the Education Division of the Ministry of Education, Culture and Human Resources has four zones. Each zone has under its responsibility a number of primary and secondary schools, which NAO has the responsibility to audit. Similarly, the Ministry of Health and Quality of Life has five Regions, each with one or more hospitals. Each hospital has under its responsibility a number of Area Health Centres, Community Health Centres, Health Offices etc. Idem for the Ministry of Agro Industry and Food Security, Ministry of Social Security, National Solidarity and Reform Institutions, the Ministry of Labour, Industrial Relations and Employment, the Ministry of Youth and Sports and the Police Department. When these units and sub-units are added, the ministries, all together, have 1,316 auditable units.

Most of the units and sub-units are spread out around the whole island. Many of them are very small in terms of annual financial expenditure and low in terms of audit risks. The staffdays required to audit these sub-units range from one to 20. Out of the total 1,316 auditable units of Ministries 1,098 have been, for our audit purpose, classified as small. Because of lack of adequate human resources and low audit risks, these sub-units are audited on a five-year rotation basis, though it would be preferable to have a rotation period of three years.

For the year 2011, audits of the head office of all Ministries were completed. A number of units and sub units of Ministries were also audited as planned. These are shown in the Table 2.

The audits of Statutory Bodies, Local Authorities and Special Funds are undertaken only after receipt of their approved financial statements. With the change in the fiscal year, Statutory Bodies were required to prepare financial statements for the eighteen months period ending 31 December 2010. These financial statements which were due for submission for audit by the end of March 2011 were audited during the year 2011. Also audited during the year 2011were those financial statements of previous years submitted during 2011.

In addition, NAO is responsible for the pre-audit of pensions for Local Authorities. During this year, some 221 cases of pensions have been examined.

Audits Planned and Completed in 2011

Table 2

	Size of Units	**Planned**	**Completed**	**Completion %**
Ministires / units & Rodrigues Regional Assembly	Large	117	116	99
	Small	160	139	87
Statutory Bodies	Large	56	37	66
	Small	43	30	70
Local Authorities	Large	9	8	89
	Small	124	124	100
Special Funds	Large	5	2	40
	Small	26	22	86
Non Statutory Bodies	Large	3	3	100
Religious Bodies		1	1	100
International Donor Agencies		5	8	160
Overall	**Total**	**548**	**490**	**89**
	Large	**190**	**166**	**87**
	Small	**358**	**324**	**91**

For the year under review, NAO has completed the audit of 490 units against the 548 planned. This represents an overall 89 per cent completion compared to 88 per cent last year. One of the reasons for not achieving the total planned was that estimated staffdays required to complete the planned audits were a bit overoptimistic. This can be seen in the paragraph on human Resource below.

For Ministries and their units including Rodrigues the percentage completion were 99 for large units and 87 for small units. For statutory bodies and special funds the percentage completion was a bit low because the audits were in respect of a period of 18 months compared to the usual 12 months period. The audits took a longer time to complete. The audits of local authorities were practically all completed. One District Council could not be completed on time as certain information relating to the accounts were obtained after the end of the fiscal year. The overall performance for 2011 can be said to be satisfactorily on target.

In terms of audit coverage the performance this year has been on the low side as can be seen from the Table 3. As explained above, regarding ministries, the audit coverage was based on the assessed risks. Nevertheless audit of the head office of all Ministries was considered essential as well as around 20 per cent of their units and sub-units (based on a rotation policy of five years). The low coverage of 46 per cent of large units and 12 per cent of small units has been mainly due firstly because of the various activities mentioned in the introduction paragraph above and secondly, because of lack of adequate staff. It should also be noted that the number of Divisions and Units is growing and the operation of Ministries and their large units are becoming more and more complex. These have an incidence in the time taken to complete an audit. Despite this low coverage the head offices of Ministries were all audited.

In respect of statutory bodies and special funds, the number of audits planned for the year was based on the availability of resources and the fact that the audits were for an 18-month period. Also taken into consideration was the possibility of late submission or non-submission of financial statements by some statutory bodies. The completion of the audit of 65 per cent of large and 56 per cent of small statutory bodies is considered satisfactory taking into consideration the environment under which NAO operated during the year.

Audit Coverage 2011

Table 3

	Number of Units								
	Large			*Small*			*Total*		
	UoH	**Comp**	**%Cov**	**UoH**	**Comp**	**%Cov**	**UoH**	**Comp**	**%Cov**
Ministries including their Divisions & Units and Rodrigues	255	116	46	1,203	139	12	1,458	255	18
Statutory Bodies	57	37	65	54	30	56	111	67	60
Local Authorities	9	8	89	124	124	100	133	132	99
Special Funds	5	2	40	26	22	86	31	24	77
Other	5	3	60	-	-	-	5	3	60
Religious Bodies	-	-		1	1	100	1	1	100
International Donor Agencies	-	-		5	8	160	5	8	160
Total	**331**	**166**	**50**	**1,413**	**324**	**23**	**1,744**	**490**	**28**

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

Performance Audits

Two performance audits were completed and laid before the National Assembly. Six were in progress and completed in June 2012. The conduct of performance audits are taking longer time than expected because the staff are still in the learning process. Also gathering of data and relevant information are taking a long time as appropriate records are not available in Ministries. Data and information have to be extracted from piles of files, the only record available. Other problems encountered are to obtain a meeting to discuss findings and recommendations and in agreeing on the finalisation of the reports.

Human Resource

For the year 2011, the staff of NAO consisted of 143 professional/technical and 18 administrative and support staff. The total staffdays available to carry out all the activities (conducting audits, attending training, meetings, seminars etc) of NAO was 26,467. Out of these 2,200 days were available for performance audit, 21,779 staffdays for regularity audits and 2,488 staffdays for training and other activities.

The total staffdays needed to do the planned regularity audits were 21,800.

Financial Performance

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

Total revenues collected from Audit fees were Rs 11 million for the year 2011 against Rs 8.7 million for 2010. Total expenses incurred were Rs 91.8 million compared to Rs 87.6 million for the year 2010. The increase in expenditure for the year is mainly due to

- the yearly salary increment.

- change in government policy in respect of training; previously the costs incurred for training were paid by the Ministry of Finance and Economic Development (MOFED) but as from last year, provisions are made in NAO's budget for expenses relating to training.

- fund was provided for the purchase of a new passenger car, in replacement of the old car.

The grant approved by the National Assembly in the estimates to meet NAO expenditure was Rs 92 million. Government also provided additional fund to pay for various benefits to which civil servants are entitled, for example passage benefits, refund of sick leave, annual bonus and other expenditure such as those related to missions overseas, certain capital expenditure etc. The additional fund received during 2011 amounted to Rs 8 million, thus bringing the total grant received to Rs 100 million. During the year, Rs 2 million were apportioned from deferred income as income for the year. Total income for 2011 was therefore Rs 102 million.

The total accrued expenditure amounted to Rs 102 million. The main items of expenditure were staff costs Rs 90 million and Rent and Utilities Rs 6 million.

Financial Position

NAO's financial position as of December 31, 2011 reflects an increase in total assets from Rs 45 million last year to Rs 56 million. This increase is attributable mainly to the increase of car loan to staff – Rs 5 million, long term receivable (in term of payment for bank sick leave and passage benefits accumulated by staff) – Rs 3 million and purchase of motor vehicles and laptops – Rs 4 million.

Outturn

For the year 2010, actual expenditure was Rs 91.8 million against the revised budgeted amount of Rs 92 million. There were no items of expenditure where excess expenditure was incurred.

		Revised Budget	Outturn
		Rs	**Rs**
Programme I	Statutory and Regulatory Audit	82,980,000	82,873,572
Programme II	Performance Audit	9,010,000	8,908,084
Total		**91,990,000**	**91,781,656**

Outturn for the period has been presented on a cash basis. Reasons for variances between budgets and outturn are explained on page 51

Training

During the year, all staff have each been provided with in house training a minimum of 18 hours. In addition, a number of staff have attended training organised by local institutions such as the Training Unit of the Ministry of Civil Service and Administrative Reform and the National Computer Board. In addition, 25 officers attended training abroad for a total of 265 hours. The total number of hours of training provided to staff this year was around 8,500 compared to 7,400 hours last year. On average, the number of hours of training provided per head was 66 against 62 last year.

The total expenditure on training was Rs1.3 million. The original budget was Rs 110,000. However, during the year the CISA program was launched to build capacity in Information Systems Audit. This necessitated an amount of Rs 800,000. As mentioned earlier, with the change in government policy, NAO had to meet the expenditure relating to training abroad. Funds were reallocated from savings from other items to meet the expenditure required for training. The annual average expenditure on training on each member staff during the year was around Rs 10,260. This is a big achievement when compared to Rs 300 per head last year.

Timeliness

Section 20(1) of the Finance and Audit Act requires the Director of Audit to submit his Report within 8 months of the close of every financial year. For a report to be valuable, it must be submitted in a timely manner so that issues are identified and brought to the attention of the National Assembly and management early in the process, for decision making and corrective action. The collaboration and cooperation of the Accountant General, all Accounting Officers and all my staff has made it possible for me to submit the Annual Audit Report for 2011 in the first week of July 2012, that is some two months earlier than the statutory date limit of end of August.

Challenges

1. The Audit Profession

The audit profession has faced major challenges in recent years in maintaining the necessary level of professional competence on the part of their audit personnel. The challenges include increased business complexities and risks, the rapid pace of technological change, changes in audit methodologies, the globalization of business, significant regulatory developments, new and often complex accounting and auditing standards and a decreasing number of people who intend to enter the auditing profession.

The impact of new technology and the need to respond ever more rapidly to change is affecting the way organisations conduct business. The audit service therefore needs to be a dynamic one, adapting to meet new requirements, which usually include new risks.

Auditing is a business full of paradoxes. The providers think they are providing one thing (carefully phrased as “an attestation that financial accounts based on information provided by management are in accordance with generally accepted accounting principles.”)

The investing public, the users of the service, continue to believe (despite the profession’s best efforts to tell them otherwise) that the service is something else: a protection against fraud, reliably affirming the financial health of the enterprise being audited.

Legislators and regulators are today holding emergency hearings about whether auditors should be able to provide these additional services

The audit expectation gap, being a difference in opinion or understanding among the participants in the financial reporting process as to what are management's duties and responsibilities regarding the financial statements, as opposed to those of the auditor, still exists and poses a very real threat to auditors. With the changing business environment, new laws and regulations and the ever increasing occurrence of fraud, auditors are often blamed for not detecting fraud, errors or non-compliance with laws and regulations - responsibilities that reside with management

After confronting unprecedented challenges in the last decade, accounting firms have undertaken extensive effort to improve the basic financial statement audit and to expand external assurance beyond the traditional audit. The re-examination of audit methods has produced a new emphasis on assessing business and process risks in the conduct of an audit.

External auditing has evolved from a routine checking of the books of account to a vital part of the governance process of companies. Factors such as the volume of transactions, information technology, globalisation and the constant increase in the complexity and number of laws, regulations and standards governing entities and their auditors have all impacted drastically on the evolving role of the registered auditing profession. A consequence was the drastic interventions by governments, regulators and the auditing profession itself, which have given rise to various and onerous new laws, regulations and standards that govern financial reporting and the auditing thereof.

Similarly, the International Federation of Accountants (IFAC) issued new auditing standards that introduced a new risk-based audit methodology and more stringent documentation and reporting requirements.

The skills requirement of auditors has also undergone significant changes over the last number of years. Nowadays auditing staff face many new challenges, and in order to overcome these they should be schooled and trained in techniques that surpass traditional accounting and auditing procedures. These include, inter alia, computer skills, communication and presentation skills and professional and business ethics.

2. **Challenges Facing SAIs in Financial and Performance Auditing**

Financial auditing in the public sector is more complex than simply adopting the best practices of the private sector. The complexity of the public sector poses conceptual and methodological challenges in financial auditing. Application of performance audit techniques and methodologies becomes difficult due to limited experience in operating against quantified outputs and performance criteria. Another challenge is establishing the proper link between performance, regularity, and financial audits. SAIs that no longer produce independent regularity audit reports have to establish some link between financial and performance auditing to avoid a situation where the two give contradictory results.

As government spending levels and operational complexities grow, the allocation of audit resources becomes increasingly difficult, posing the dilemma of doing justice to the full range of one's audit mandate while meeting INTOSAI's auditing standards. In addition, the relationship between auditor and auditee can become adversarial. One of the strengths of performance auditing is its concern with the needs of management and adopting a management-friendly approach. But problems arise in drawing a line between the auditor's desire to add value and the stringent requirements of accountability. Finally, if auditing inhibits the managerial process of positive decision making, it may impede the achievement of organizational goals. The auditor must always be mindful of the auditee's mandate—the delivery of a service or facility—which is the primary objective of public spending.

While bringing about improvements in the spending of public money remains the underlying challenge before SAIs, audit reports are just one option available to achieve this goal. Efforts should also be made to strengthen institutional influence for reform where public money is actually spent. The SAIs promote the establishment of more effective systems for internal accountability and departmental audit committees.

Conclusion

SAIs should subscribe to the international trend of adopting good audit practices and developing a strong audit discipline. At the same time, specific professional requirements of SAIs should be recognized. In the development of audit policies and guidance, factors such as the historical context of management systems, the effectiveness of accountability arrangements, and perceptions of corruption should be important considerations. Public audits should identify public concerns, and corresponding audit reports should address those concerns promptly. Guidance, standards, and methodologies should be developed to ensure that the SAI provides adequate and credible assurance. Under the umbrella of INTOSAI, regional association scan play a significant role in identifying region-specific needs and finding focused responses and solutions.

3. Challenges faced by NAO

Stakeholders' expectations

For the past years there were high expectations from stakeholders on the work of NAO.

There is always an expectation from stakeholders that NAO should detect all cases of frauds, abuses and corruptions in the public sector. It has also been noted that whenever a scandal has been revealed in the press or in Parliament, stakeholders expect that NAO should carry out an investigation and report on the matter.

However, some of these expectations may not be within the mandate of NAO.

The Director of Audit derived his duties, powers and responsibilities from the Constitution, the Finance and Audit Act, the Statutory Bodies (Accounts and Audit) Act, the Public Procurement Act and the Local Government Act. These various pieces of legislation confer to him the power to carry out mainly regularity audit, and to a lesser extent performance audit.

Regularity audit

Regularity audit embraces:

- Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements.
- Attestation of financial accountability of the government administration as a whole.
- Audit of financial systems and transactions, including an evaluation of compliance with statutes and regulations

As part of the regularity audits, NAO collects evidence to ensure compliance with statutes and financial regulations so as to express an opinion as to whether the financial statements fairly present the financial position and financial results of the public sector bodies.

Hence, NAO can meet the expectations of stakeholders as far as financial accountability and compliance with statutes and regulations are concerned. It is not within the mandate of the NAO to detect cases of frauds and corruptions. Further, frauds and corruptions are difficult to detect. NAO cannot rely on hearsay evidences to report, but needs documentary evidences.

Performance audit

Performance audit has been included within the mandate of NAO. A Performance Audit Division has been set up in 2009.

Performance audit is concerned with the audit of economy, efficiency and effectiveness, and embraces:

- Audit of the economy of administration in accordance with sound administrative principles and practices, and management policies.

- Audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies.

- Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

Performance Audit is a proper tool to ensure value for money is obtained for each tax rupee spent with the aim to improve performance in public sector. This is one of the major expectations of the public.

However, NAO encounters various constraints in carrying out performance audit:

- Reluctance from the part of auditees to collaborate

- Data is not readily available at auditees for analysis

- Inadequate skills and expertise at NAO on technical issues

Quality Control

In accordance with INTOSAI Auditing Standards and International Standard on Quality Control, SAIs should develop and implement relevant structures, policies and procedures to ensure the production of high quality audit services to their stakeholders.

Every SAI should ensure that it has an appropriate quality control system in place to provide reasonable assurance that it is following appropriate policies and procedures.

Challenges facing NAO in this respect include the following:

Risk based Methodology

In line with good audit practices, NAO has reviewed its audit methodologies and implemented Risk Based Audit approach. This approach adds value as shown below:

- Addresses risks affecting the client and their financial reporting;

- Helps clients manage their risks and adds value to their operation

- Improves identification of financial statement misstatement

- Improves quality and timeliness of reporting.

This approach requires a broader range of skills and the implementation needs to be strengthened. The methodology requires continuous training both in house and external.

Quality Assurance Unit

One of the prerequisites for the successful application of risk based methodology is continuous review of working paper files to ensure that staff is well acquainted with the approach. Also, with the advent of performance audit and the ever increasing expectations from different stakeholders for the provision of quality audit services, NAO is setting up of a Quality Assurance Unit.

The objectives of the Quality Assurance Unit are, among others, to ensure that audit services have been provided in accordance applicable accounting and auditing framework including successful application of risk based methodology. Hence, it will assist in monitoring the production of quality audit services in accordance with stakeholders expectations.

Research Cell

The NAO evolves in a constantly changing environment. It is now imperative to set up a Research and Development cell to keep abreast on a timely basis with new approaches, new tools changes in accounting and auditing framework with a view to prove quality audit services.

Training

As mentioned above the audit profession is facing various challenges. NAO is not an exception. To cope with these challenges as well as increasing stakeholders' expectations, NAO should ensure that its human resources have the necessary skills and competence. Hence, continuous training is more than ever a necessity.

Presently, areas where continuous training is imperative to provide quality audit services are:

- Programme Based Budgeting
- Risk Based Audit Methodology
- Performance Audit
- Accounting and Auditing Standards
- Information Systems

For the coming years NAO has set up a training plan to ensure regular training on the above mentioned topics.

Conclusion

NAO has always performed its duties with due diligence and fulfil its responsibilities as set in its mandate. It has the power to report cases of non-compliance with statutes and financial regulations, and to report on wastage and inefficiencies in the public sector. But it is up to these public sector bodies and other oversight bodies to ensure necessary remedial actions are taken.

Corporate Social Responsibility

Corporate social responsibility (CSR) is:

- An obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for society

- The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large

- About how a company manages its business process to produce an overall positive impact on society

A study on the Review of Corporate Social Responsibility policies and actions in Mauritius and Rodrigues found that Corporate Social Responsibility (CSR) is not yet embedded in the corporate culture in Mauritius. Companies still indulge in sponsorship and philanthropy, or else carry out activities with a social objective on a rather ad-hoc basis.

In a study, Towers Watson, a leading global professional services company, found that CSR is the third most important driver of employee engagement. Other studies have reported that socially responsible companies report increased employee commitment, performance and job satisfaction

It is in us all to want to do ‘good’. Our lives become meaningful when we realise our work has made a positive difference in some way. It makes all our striving worth it.

NAO does not have budget provision for corporate social responsibility. However, NAO encourages all members of staff to be good corporate citizens. In this respect, the staff have from their own fund, set up, since the early 1970s, a Fund, now known as the National Audit Office Welfare Fund. Over the years, it has been offering several programs to promote wellness and helps staff members achieve life balance. It operates in an economically and socially sustainable manner, and aims for transparency and accountability for its actions.

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

Activities	Date
Participation in Civil Service Football Tournament	March – May 2011
Mid Year Lunch	July 2011
Donation of school materials to all pupils of P.D. De Marigny Government School, Gros Cailloux	November 2011
Medical check up for NAO Staff	November 2011
Excursion to Ile aux Cerfs	December 2011
End of Year Lunch	December 2011
Football among staff members	Every Friday
Aerobic and Yoga sessions for staff members	Every Friday

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

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

For the year 2011

NAO has prepared financial statements for the year 2011 which give a true and fair view of its financial position and its financial performance. In preparing those financial statements, management is required to:

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

The Director of Audit confirms that he has complied with the above requirements in preparing the financial statements for the year 2011.

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

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

The Director of Audit acknowledges his responsibility for the setting up of adequate system of internal controls and for the setting up of appropriate policies to provide reasonable assurance that the control objectives have been attained. The activities of NAO are closely monitored by its management. Procedures and policies established in the public sector are consistently applied. Management has the relevant experience and skills to ensure proper running of the NAO as a Supreme Audit Institution. There is no history of fraud and irregularities.

The internal control procedures put in place at NAO include the following:

- Proper segregation of duties whereby the different functions in process are crosschecked and verified.
- Adequate supervision of duties performed by staff members.
- The assets of the NAO are properly safeguarded.
- Compliance with relevant laws, rules and regulations.

Dr. R. Jugurnath
Director of Audit

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT – NATIONAL AUDIT OFFICE

Report on the Financial Statements

We have audited the financial statements of the National Audit Office on pages 44 to 70 which comprise the statement of financial position at 31 December 2011, the statement of outturn, the statement of financial performance, the statement of income payable to the Consolidated Fund, the statement of changes in equity and the statement of cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes.

Responsibility of the Director of Audit for the Financial Statements

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

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

Auditors' Responsibility

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

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

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

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

INDEPENDENT AUDITORS' REPORT – NATIONAL AUDIT OFFICE (CONTINUED)

Report on the Financial Statements (Continued)

Opinion

In our opinion,

- the financial statements properly present the financial performance, financial position and cash flows for the year then ended in accordance with International Public Sector Accounting Standards:
- in all material respects, the income and expenditures have been applied to the purposes intended by the National Assembly and conform to the authorities which govern them.

Other matter

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

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

KPMG
Licensed Auditors

Subhas Purgus
Licensed by FRC

Ebène

Date: 27 JUN 2012

National Audit Office

For the Fiscal Year Ended 31 December 2011

27 JUNE 2012

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Statement of Outturn

for the fiscal Year ended 31 December 2011

	Programme I – Statutory and Regularity Audit		Programme II- Performance Audit		Total	
	Revised Budget	**Actual Expen-diture**	**Revised Budget**	**Actual Expen-diture**	**Revised Budget**	**Actual Expen-diture**
	Rs	Rs	Rs	Rs	Rs	Rs
Salaries and Allowances	61,750,000	61,318,417	7,690,000	7,662,978	69,440,000	68,981,395
Traveling and transport	10,250,000	10,199,177	1,155,000	1,134,628	11,405,000	11,333,806
Overtime	160,000	157,867	-	-	160,000	157,867
Cost of utilities	1,515,000	1,356,152	10,000	-	1,525,000	1,356,152
Rental of Building	4,355,000	4,352,209	-	-	4,355,000	4,352,209
Rental of parking	395,000	393,600	30,000	30,000	425,000	423,600
Equipment and Furniture	405,000	401,840	-	-	405,000	401,840
Maintenance	1,470,000	1,384,346	-	-	1,470,000	1,384,346
Printing and Stationery	335,000	322,604	25,000	19,090	360,000	341,694
Books and Publication	210,000	190,025	15,000	14,575	225,000	204,600
Fees for training and consultants	1,340,000	1,323,266	25,000	613	1,365,000	1,323,879
Refund of Subscription Fees	295,000	291,200	45,000	31,200	340,000	322,400
Membership fees	280,000	269,794	-	-	280,000	269,794
Acquisition of vehicles	-	720,000	-	-	-	720,000
Sundry Expenses (less than Rs 100,000)	220,000	193,075	15,000	15,000	235,000	208,075
Total	**82,980,000**	**82,873,572**	**9,010,000**	**8,908,084**	**91,990,000**	**91,781,657**

Outturn for the fiscal year 2011 has been presented on a cash basis .Reasons for variances between budgets and outturns are explained on page 51.

Statement of Income Payable to the Consolidated Fund

for the fiscal Year ended 31 December 2011

	Budget Rs	Outturn Rs
Audit fees payable to the Consolidated fund	10,000,000	10,631,550
Audit fees due at 1 January 2011	-	2,717,250
Adjustment	-	(2,000)
Audit fees due at 31 December 2011	-	(2,295,000)
Audit fees received during 2011	**10,000,000**	**11,051,800**

Statement of Financial Performance

for the fiscal Year ended 31 December 2011

	Note	Year ended 31 December 2011	Year ended 31 December 2010
		Rs	Rs
Revenue			
Appropriation from Consolidated Fund	15	100,287,909	96,867,297
Deferred income		1,801,030	1,365,024
Total Revenue		**102,088,939**	**98,232,321**
Expenses			
Staff costs	16	90,012,600	85,463,651
Training		1,323,879	1,129,104
Mission Abroad	17	1,134,357	1,332,326
Rent and utilities	18	6,214,084	6,216,982
IT expenses		373,024	1,581,120
Supplies and Consumables		907,566	900,950
Subscriptions to international organisations		322,400	243,164
Depreciation and Amortisation		1,801,029	1,365,024
Total Expenses		**102,088,939**	**98,232,321**
Surplus/Deficit for the period		-	-

The Notes to the Accounts from ***Page 53 to 70*** *form part of the financial statement.*

Statement of Financial Position

as at 31 December 2011

	Note	Year ended 31 December 2011	Year ended 31 December 2010
ASSETS		**Rs**	**Rs**
Current assets			
Short term Car Loans	8	3,100,000	3,343,783
Trade receivables	6	2,295,000	2,717,250
Other receivables	7	2,833,548	2,231,095
Inventories		18,458	69,177
		8,247,006	8,361,305
Non-current assets			
Car Loan Receivables	8	9,603,500	4,687,968
Long term receivables	9	30,130,660	26,754,954
Property, plant and equipment	10	6,751,711	4,003,701
Intangible assets	11	1,001,816	1,574,033
		47,487,687	37,020,656
Total assets		55,734,693	45,381,961
LIABILITIES			
Current liabilities			
Short term Car Loans		3,100,000	3,343,783
Trade and other payables	12	5,147,007	5,017,522
		8,247,007	8,361,305
Non-current liabilities			
Car Loan Payables	8	9,603,500	4,687,968
Sick leave obligations	13	24,858,263	22,682,780
Passage benefit obligations	13	5,272,397	4,072,174
		39,734,160	31,442,922
Total liabilities		47,981,167	39,804,227
NET ASSETS		7,753,526	5,577,734
EQUITY			
Capital Grant	14	7,753,526	5,577,734
		7,753,526	5,577,734

The Notes to the Accounts from Page 53 to 70 form part of the financial statements.

Dr R.Jugurnath
Director of audit

Date: 27 June 2012

Statement of Changes in Equity

for the fiscal Year ended 31 December 2011

	Year ended 31December 2011 Rs	Year ended 31 December 2010 Rs
Opening balance	5,577,734	4,883,560
Capital Grant	4,101,822	2,496,698
Deferred Income	(1,801,030)	(1,365,024)
Transfer of Non -Current Assets	(125,000)	(437,500)
Closing Balance	**7,753,526**	**5,577,734**

Statement of Cash Flows

for the fiscal Year ended 31 December 2011

	Year ended - 31 December 2011 Rs	Year Ended 31 December 2010 Rs
Operating activities		
Surplus/Deficit for the period	-	-
Adjustments for:		
Deferred income	(1,801,030)	(1,365,024)
Depreciation	1,228,812	796,544
Amortisation	572,217	568,480
Change in trade and other receivables	(180,203)	(199,975)
Change in Inventories	50,719	(17,497)
Change in trade and other payables	129,485	217,472
Change in long term receivables	(3,375,706)	(845,243)
Change in Sick leaves and Passage benefit obligations	3,375,706	845,243
Cash flow used in operating activities	-	-
Investing activities		
Purchase of property, plant and equipment	(4,096,264)	(2,466,798)
Car Loans Granted to staff	(8,015,532)	(1,768,393)
Loans Refunded to Accountant General	(3,343,783)	(3,329,241)
Purchase of intangible assets	-	(29,900)
Cash used in investing activities	(15,455,579)	(7,594,332)
Financing activities		
Funds received for purchase of Non-Current Assets	4,096,264	2,466,798
Loans from Accountant General	8,015,532	1,768,393
Loans Repaid	3,343,783	3,329,241
Funds received for purchase of intangible assets	-	29,900
Cash generated from financing activities	15,455,579	7,594,332
Change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-
Cash and cash equivalents at end of year	-	-

Notes to Statement of Cash flows

Cash and Cash Equivalent

The cash and cash equivalent balance was nil as of 31 December 2010 and 2011.

Property ,Plant and Equipment

During the fiscal year ended 31 December 2011, the NAO acquired Property, plant and equipment with aggregate cost of Rs 4,096,264 which was acquired by means of capital grant by the Government. Cash payments of Rs 4,096,264 were made to purchase Property, plant and equipment.

Statement of Budgets, Actual Cash and Accrual Based Amounts

for the fiscal Year ended 31 December 2011

	Original Budget Rs	Revised Budget Rs	Actual Received / Paid Rs	Financial Statements Rs
Revenue				
	10,000,000	-	11,051,800	10.631,550
Expenditure				
Salaries and Allowances	72,290,000	69,440,000	68,981,395	70,267,646
Traveling and transport	10,050,000	11,405,000	11,333,806	11,337,435
Overtime	150,000	160,000	157,867	171,504
Staff welfare	50,000	50,000	50,000	50,000
Cost of utilities	1,525,000	1,525,000	1,356,152	1,438,275
Fuel and Oil	25,000	25,000	23,531	27,791
Rental of Building	4,355,000	4,355,000	4,352,209	4,352,209
Rental of parking	425,000	425,000	423,600	423,600
Equipment and Furniture	270,000	405,000	401,840	-
Office Sundries	85,000	95,000	84,614	84,614
Maintenance	1,375,000	1,470,000	1,384,346	559,981
Printing and Stationery	325,000	360,000	341,694	392,414
Books and publication	225,000	225,000	204,600	207,990
Fees for training and consultants	110,000	1,365,000	1,323,879	1,323,879
Refund of Subscription Fees	340,000	340,000	322,400	322,400
Inspection and Audit Fees	40,000	30,000	28,750	-
Uniforms	20,000	20,000	13,380	13,380
Accommodation Costs	20,000	7,000		-
Air Tickets		-		46,958
Catering	30,000	8,000	7,800	7,800
Membership fees	280,000	280,000	269,794	269,794
Acquisition of vehicles		-	720,000	-
Total Recurrent Expenditure	**91,990,000**	**91,990,000**	**91,781,657**	**91,297,670**
Computerisation				1,223,864
Furniture				12,400
Total expenditure	**91,990,000**	**91,990,000**	**91,781,657**	**92,533,934**

Statement Showing reasons for variances between Original and Revised Budget
for the fiscal Year ended 31 December 2011

Expenditure	Original Budget	Revised Budget	Variation	Comments
	Rs	Rs	Rs	
Salaries and Allowances	72,290,000	69,440,000	(2,850,000)	Savings from posts not filled
Traveling and transport	10,050,000	11,405,000	1,355,000	Payment of Duty Remission car and mileage allowances
Overtime	150,000	160,000	10,000	Payment of overtime
Staff welfare	50,000	50,000	-	
Cost of utilities	1,525,000	1,525,000	-	
Fuel and Oil	25,000	25,000	-	
Rental of Building	4,355,000	4,355,000	-	
Rental of parking	425,000	425,000	-	
Equipment and Furniture	270,000	405,000	135,000	For purchase of computers.
Office Sundries	85,000	95,000	10,000	For Petty expenses
Maintenance	1,375,000	1,470,000	95,000	Maintenance costs of IT
Printing and Stationery	325,000	360,000	35,000	Purchase of stationeries
Books and publication	225,000	225,000	-	
Fees for training & consultants	110,000	1,365,000	1,255,000	Cost of CISA Exams
Subscription Fees	340,000	340,000	-	
Inspection and Audit Fees	40,000	30,000	(10,000)	Reallocated to Overtime
Uniforms	20,000	20,000	-	
Accommodation Costs	20,000	7,000	(13,000)	Savings
Catering	30,000	8,000	(22,000)	Savings
Memberships fees	280,000	280,000	-	
	91,990,000	**91,990,000**	-	

Statement showing Reconciliation of Actual cash Flows with Financial Statements

for the fiscal year ended 31 December 2011

	Year ended 31 Dec. 2011	**Year ended 31 Dec. 2010**
	Rs	Rs
Actual Recurrent Expenditure as per statement of Outturn	91,781,656	87,598,609
Commitment for the year	355,150	231,095
Advance- inventories-December last year	69,177	51,680
Non-budgeted items paid		
Sick leave annual payment	2,375,365	2,235,910
Sick leave annual payment-Non-NAO-staff	19,176	18,714
Fees paid from other ministries to NAO-staff	880,001	487,305
Salary of supporting staff	406,250	407,960
Consultancy fees	-	1,092,040
Mission Abroad	1,134,357	1,332,326
Provisions		
Sick leave provision	2,729,971	2,062,679
Passage benefit obligations	2,731,371	2,645,406
Non-cash items		
Depreciation & Amortization	1,801,029	1,365,024
	104,283,503	99,528,748
Commitment of last year-December	(219,845)	(150,553)
Inventories- December this year	(18,458)	(69,177)
Additions to PPE & intangible Assets	(1,956,261)	(1,076,698)
Expenditure as per statement of Financial Performance	**102,088,939**	**98,232,320**

Notes to Accounts
for the Fiscal Year ended 31 December 2011

Note 1. **Reporting entity**

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

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

Note 2. Basis of Preparation

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

Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) of the International Accounting Standards Board (IASB) are applied.

The financial statements have been prepared on a going-concern basis and the accounting policies have been applied consistently throughout the period. They have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

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

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

The financial statements are presented in Mauritian Rupees.

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 3. Adoption of IPSAS

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

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods beginning on or after 10 January 2010 or later periods but which have not been early adopted. These new standards, amendments and interpretations are either not relevant to the NAO's operations or are not expected to have a material effect on the accounting policies and disclosures.

IPSAS issued but not yet effective

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

Note 4. Measurement Base

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

Note 5. Accounting Policies

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

(a) Revenue Recognition

Income

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

Government Grant

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

Government grant received to finance expenditure on property, plant and equipment is recognized as a deferred income in the Statement of Financial Position and is released to the Statement of Performance over the life of the assets.

Audit Fees

Revenue from audit fees is recognized when the audit has been completed and is on a billable basis. All the audit fees collected for the audit of financial statements of statutory and non statutory bodies and local authorities, and from other assurance work are credited directly to the Consolidated Fund. NAO makes no charge for the audit of accounts of Government Ministries and Departments.

Note 5. Accounting Policies (continued)

(b) Accrual accounting under IPSAS does not require the matching of revenue to related expenses. The cash flows arising from contributions and the related expenses take place in current and future accounting periods.

(c) Trade and Other Receivables

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

(d) Leased assets

NAO does not have any finance lease.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to Mauritian rupee at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the Statement of Financial Position and gains or losses on translation are recognised in the statement of financial performance.

(f) Employee Entitlements

Employee entitlements to salaries, pension costs, and other benefits are recognized when they are earned. Employees are allowed to accumulate sick leaves not taken at the end of each calendar year up to a maximum of 110 days, in a sick leave bank as at 31 December 2011. The balance of bank sick leave is valued at the end of the financial year and is recognised as long term payables. Beyond this ceiling of 110 days, officers are refunded part of the annual entitlement of sick leaves not taken at the end of every calendar year and is expensed to the Statement of Financial Performance.

A provision is made for the estimated liability for passage benefits. The passage benefits for each staff are valued at year end and are included as long term payables. For the current fiscal year, based on past experience we transferred an amount of Rs 2 million from long term liabilities to short term liabilities to provide for any forthcoming payments of passage in the next fiscal year. The annual increase in passage benefits, representing amount earned for each eligible officer during the financial year, is expensed to the Statement of Financial Performance.

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 5. Accounting Policies (continued)

(f) Employee Entitlements (continued)

Other Post Employment Benefits

- ✓ Provision for accrued Vacation Leaves

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

- ✓ Retirement benefits

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

- ✓ Civil service family protection scheme

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

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

(g) Property, plant and equipment (PPE)

Recognition and measurement

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

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 5. Accounting Policies (continued)

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

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

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

Impairment reviews are undertaken annually for all assets that, in our opinion, need to be revalued.

Depreciation

Depreciation is calculated on a straight-line basis to recognise the consumption of economic benefits of an asset over its useful life. Depreciation methods, useful lives and residual values are reviewed at each reporting date. A full year's depreciation is provided for assets purchased between 1 January and 30 June of each year and no depreciation provided for those assets purchased between 1 July and 31 December.

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

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

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

(h) Intangible Assets

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

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus/(deficit) for the period.

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 5. Accounting Policies (continued)

(h) Intangible Assets (continued)

Amortisation

Amortisation is calculated on a straight-line basis to recognise the consumption of economic benefits of an asset over its useful life. The estimated useful lives of Software licenses is 8 years

Licenses paid annually for the software as anti-viruses are charged to the Statement of Financial performance in the year they are incurred.

(i) Financial Instruments

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

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

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

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

(j) Inventories

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

(k) Capital Grant

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

(l) Statement of Cash Flows

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

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 5. Accounting Policies (continued)

(m) Operating Lease Obligations

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

NAO entered into a five year operating lease for office space at Air Mauritius Centre in July 1998, with the lease taking effect from July 1998 that was extended to 2009. A new contract was signed in 2009 for a further five years with a monthly rental of Rs 361,790. Operating lease payments for the fiscal year 2011 ending December 31, 2011 totalled Rs 4,352,209. Obligations payable after balance date on non-cancellable operating leases are as follows:

	Amount Rs
Less than One Year	4,352,209
Later than one Year and not more than Five Years	19,696,492
Later than Five Years (*)	30,692,914
Total Operating Lease Obligations	54,741,615

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

(n) Taxation

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

(o) Provisions and Contingent Liabilities

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

Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the date of the Statement of Financial Position.

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

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 5. Accounting Policies (continued)

(p) Risk management Policies

Financial risks

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

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

Credit risk

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

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

Currency risk

NAO is not exposed to any currency risk.

Interest rate risk

NAO is not exposed to any interest rate risk on car loans to staff as it is government secured. The interest rate risk associated with car loans to staff is considered minimal.

(q) Reclassifications

Certain reclassifications have been made to the financial statements for the fiscal year ended 31 December 2011 to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus.

(r) Events after the Statement of Financial Performance date

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

(s) Employee Disclosure.

As at December 31, 2011, NAO had 165 full-time employees, out of which 18 are non-technical staff, and four others who are on leave without pay.

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 5. Accounting Policies (continued)

(t) Key Management Personnel

NAO is governed by a management with key personnel that includes the Director of Audit, Deputy Directors, Assistant Directors and a Head of Examiner who are responsible for operating the various activities of the organisation. They are remunerated by NAO. The aggregate remuneration of key management personnel was Rs 15.3 million for the fiscal year 2011.

Employee Benefits accrued for accumulated sick leave and passage benefit to the key management personnel amounted to Rs 4.5 million and Rs 894,000 as at 31 December 2011 respectively. During the fiscal year ended 31 December 2011, Passage benefit was only paid to a key personnel for an amount of Rs 113,663.

(u) Related Parties

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

All eligible officers in the NAO are granted duty free facilities and loans for purchase of a car as prescribed in the PRB reports. Total car loans balances due by NAO officers stood at Rs 12.7 million at 31 December 2011 against Rs 8 million last year.

There were no other loans to key management personnel which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel.

Note 6.Trade Receivables

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

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 7. Other receivables

	Year ended 31 December 2011	Year ended 31 December 2010
	Rs	Rs
Bank sick leaves short term	478,398	-
Passage Benefits	2,000,000	2,000,000
Sundries	355,150	231,095
	2,833,548	**2,231,095**

Note 8. Car Loan Receivables

NAO staffs were granted car loans, via the Accountant General, as per conditions stipulated in the PRB 2008 report. Outstanding capital on car loans was disclosed in the financial statement as at 31 December 2011 along with last year's comparatives. Interest and loan capital amount refunded are immediately repaid to the Accountant General.

Car Loans Receivables	**Year ended 31 December 2011**	**Year ended 31 December 2010**
	Rs	Rs
Opening Balance	8,031,751	9,592,599
Loan Granted during the Year	8,015,532	1,768,393
Refunds	(3,343,783)	(3,329,241)
Closing balance	**12,703,500**	**8,031,751**

Analysed as follows

Short Term	3,100,000	3,343,783
Long term	9,603,500	4,687,968
	12,703,500	**8,031,751**

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 9. Long term receivables

	Year ended 31 December 2011	Year ended 31 December 2010
	Rs	**Rs**
Bank sick leaves	24,858,263	22,682,780
Passage Benefit -Long term	5,272,397	4,072,174
	30,130,660	**26,754,954**

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 10. Property, Plant and Equipment

	Computer Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Total	Computer Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
			Year Ended 31 December 2011					***Year Ended 31 December 2010***		
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Opening NBV	1,983,040	1,595,000	212,689	212,972	4,003,701	1,552,350	787,500	158,958	272,140	2,770,948
Additions	1,229,422	2,860,000	12,400	-	4,101,822	959,570	1,420,000	78,361	8,867	2,466,798
Disposal	-	(125,000)	-	-	(125,000)	-	(437,500)	-	-	(437,500)
Depreciation	(680,736)	(445,000)	(33,268)	(69,808)	(1,228,812)	(528,880)	(175,000)	(24,630)	(68,035)	(796,545)
Closing NBV	2,531,726	3,885,000	191,821	143,164	6,751,711	1,983,040	1,595,000	212,689	212,972	4,003,701
Cost	9,989,238	4,280,000	337,046	349,042	14,955,326	8,759,816	1,820,000	324,646	349,042	11,253,504
Accumulated Depreciation	(7,457,512)	(395,000)	(145,225)	(205,878)	(8,203,615)	(6,776,776)	(225,000)	(111,957)	(136,070)	(7,249,803)
NBV	2,531,726	3,885,000	191,821	143,164	6,751,711	1,983,040	1,595,000	212,689	212,972	4,003,701

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 11. Intangible Assets

	Year ended 31 December 2011	Year ended 31 December 2010
	Rs	**Rs**
Opening NBV	1,574,033	2,112,614
Additions	-	29,900
Disposal	-	-
Depreciation	(572,217)	(568,481)
Closing NBV	**1,001,816**	**1,574,033**
Cost	4,577,740	4,577,740
Accumulated Depreciation	(3,575,924)	(3,003,707)
Net Book Value	**1,001,816**	**1,574,033**

Note 12. Trade and other payables

The 'Audit fee payable to Consolidated Funds' represent audit fees that have already been claimed to auditees and, as a revenue to Government, is payable on its receipts, to the Accountant General. Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed not yet invoiced. Payables for accrued sick leave and passage benefits primarily represent amount claimed by staff at 31st December 2011.

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

	Year ended 31 December 2011	Year ended 31 December 2010
	Rs	**Rs**
Audit fee payable to Consolidated Funds	2,295,000	2,717,250
Traveling and transport	105,244	54,657
Audit fee	-	40,000
Telephone	18,504	37,691
Electricity	191,882	90,572
Publications	11,565	8,175
Fuel and oil	4,260	-
overtime	13,637	-
Maintenance of Vehicles	10,059	-
Sick leaves short term	478,398	-
Passage benefits	2,000,000	2,000,000
Advance for purchase of inventories	18,458	69,177
	5,147,007	**5,017,522**

Note 13. Non-current liabilities

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

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 14 Capital Grants

	Year ended 31 December 2011 Rs	Year ended **31 December 2010 Rs**
Opening balance	5,577,734	4,883,560
Capital Grant	4,101,822	2,496,698
Deferred Income	(1,801,030)	(1,365,024)
Transfer of Non -Current Assets	(125,000)	(437,500)
Closing Balance	**7,753,526**	**5,577,734**

Note 15. Revenue from Consolidated Fund

	Year ended 31 December 2011 Rs	**Year ended 31 December 2010** Rs
Provision from estimates	91,990,000	88,310,000
Contingencies Fund	750,000	-
Sick leaves	5,124,512	4,317,304
Passage benefits	2,731,371	2,645,406
Capital expenditure incurred by Ministry of Finance and Economic Development	2,140,000	-
Consultancy fees	-	1,092,040
Salary of supporting staff	406,250	407,960
Commitments for the year	355,150	231,095
Income from other Ministries	880,003	487,305
Mission abroad	1,134,357	1,332,326
Advance inventories-last year	69,177	51,680
	105,580,820	**98,875,116**
Less Capital expenditure out of recurrent	4,096,264	1,076,698
Commitments of last year	219,845	150,553
Provision from Estimates returned to Consolidated funds	928,344	711,391
provision returned to contigency fund	30,000	-
Inventories- Dec 2011	18,458	69,177
	5,292,911	**2,007,819**
	100,287,909	**96,867,297**

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 16. Staff costs

The monthly average salary, bonus and allowances for the fiscal year ended 31 December 2011 amounted to Rs 5.7 million compared to Rs 5.5 million for the fiscal year ended 31 December 2010.

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

	Year ended 31 December 2011	**Year ended 31 December 2010**
	Rs	**Rs**
Salaries, Bonus and allowances	70,267,646	67,738,178
Travelling and transport	11,384,393	10,190,395
Overtime	171,504	179,380
Staff welfare	50,000	40,000
Uniform	13,380	30,588
Annual subscription to professional bodies	269,794	322,400
Passage benefits	2,731,371	2,645,406
Sick leaves	5,124,512	4,317,304
Miscellaneous expenses	-	-
	90,012,600	**85,463,651**

Notes to the Accounts

for the Fiscal Year ended 31 December 2011

Note 17: Missions Abroad

Mission Abroad

During the fiscal year 2011, a total of 33 NAO officers went abroad to attend a total of 25 official missions.29 staff attended seminars, workshops and meetings and three were assigned to audit the accounts of Mauritian Embassies. NAO incurred expenditure of Rs 1.1 million

In addition, INTOSAI-IDI, AFROSAI-E and ASOSAI and ITEC sponsored the full costs for 23 NAO staff to attend training and seminars abroad. In the absence of necessary information, we could not measure this non-monetary assistance to us.

	Number of Mission	**No. of staff involved**	**Cost**
			Rs
Missions Funded by Government	11	10	1,134,357
Missions Funded by Foreign Donors	14	22	
	25	32	**1,134,357**

Note 18. Rent & Utilities

	Year ended 31 December 2011	**Year ended 31 December 2010**
	Rs	Rs
Rent of Building	4,352,209	4,352,209
Electricity Charges	1,041,244	1,047,008
Telephone	397,031	393,020
Rental of Parking Slot	423,600	424,745
	6,214,084	**6,216,982**

Note 19. Reconciliation of Original Budget and Revised Budget

Basically, expenditure is approved in annual Government Budget. The original budget for the fiscal year 2011 amounted to Rs 91.9 million and no additional funds were needed during the fiscal year.

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

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

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

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

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

b) In budget accounting, capital expenditures are recorded as current year expenses. In accrual accounting this expense is capitalised and depreciated over the useful lives of the assets. These capital expenditures and associated depreciation are recorded at their net value as assets in the Statement of Financial Position. Depreciation expense is recorded in the Statement of Financial Performance.

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

d) In budget accounting, audit fees are recorded during the fiscal year 2011 on a cash basis. In accrual accounting these audit fees are recorded as revenue when the client is billed and adjusted by provisions for bad debts.

Note 21. Segment information

Segment information is based on the principal activities and sources of financing of the NAO. Both Programmes I and II of the Budget are financed by the Government. Whenever possible, accrual adjustments are allocated to revenues and expenses by segment. Owing to the nature of the activities of the NAO, its assets and liabilities are jointly used by the segments, and are not separately disclosed.