

OFFICE OF THE AUDITOR GENERAL

**AUDITOR GENERAL'S REPORT AND AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

ACM and Associates,
Certified Chartered Accountants

**OFFICE OF THE AUDITOR GENERAL
FINANCIAL STATEMENTS 2013**

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OFFICE OF THE AUDITOR GENERAL

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Auditor General's Report

1. The Office of the Auditor General

The Office of the Auditor General (OAG) is an autonomous office established under Section 3 of the Auditor-General Act, 2010. The OAG is headed by the Auditor-General appointed under Article 158(1) of the Constitution. Article 158 (3) of the Constitution mandates the Auditor-General to audit the accounts of the Cabinet Office, the National Assembly, all government departments and offices, all courts and those related to moneys withdrawn from the Consolidated Fund, all the accounts of any statutory corporation or such other body as may be specified by or under an Act. In carrying out his mandate, the Auditor-General or any person authorised or appointed in that behalf by the Auditor-General shall have access to all books, records, returns, information and other documents relating or relevant to those accounts.

The Auditor-General is further required under Article 158 (5) to within twelve months of the end of the immediately preceding financial year, submit his report to the National Assembly and shall in that report draw attention to irregularities in the accounts audited and to any other matter which in the opinion of the Auditor General ought to be brought to the notice of the Assembly.

2. Activities of the OAG

In carrying out its statutory mandate, the OAG prepares an annual audit program which includes all audits identified to be undertaken during a twelve month period, known as audit cycle, which runs from the month of March in one year to April the following year. The program includes certification audits which are required to be undertaken on an annual basis and the regulatory audits of government entities. The selection of entities included in the program is influenced largely by the materiality of the entity's annual expenditure or the amount of revenue the entity is required to raise. Other relevant factors such as, known audit risks, previous experience and the relative significance of operations of an entity are also taken into account in the auditing programming. The principal objective of the audit is to carry out sufficient audit work to provide a basis for the Auditor-General to form an opinion on the accounts and records of an entity. In determining the extent of work to be undertaken in each audit, a critical assessment is carried out of the strengths and weaknesses of internal control systems in operation, the nature of the transactions involved and the type of opinion required to be expressed.

During the year ending December 31, 2013, the Ministry of Finance approved a budget of SCR11, 866, 000 (2012: SCR9, 886, 000) for the Office of the Auditor General. Actual expenditure for that same period amounted to SCR10, 428, 055 (2012: SCR9, 501, 073), resulting in a budget saving of SCR1, 437, 945 (2012: SCR384, 927).

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Auditor General's Report (Cont'd)

The financial statements which cover the period ending 31st December 2013 are prepared on an Accrual Basis. As such, it takes into account depreciation charges, provisions and other obligations which relates to the current period. Total depreciation of 5CR364, 522 (2012: SCR282, 371) was charged on fixed assets vested in the Office of the Auditor General by the Government on inception and on new acquisitions during the period.

A provision of SCR990, 203 (2012: SCR1, 204, 916) in respect of payment of gratuity and compensation is also provided for in the Accounts. This represents gratuity payable upon completion of employment contract. Compensation is provided for in line with Section 19 (2) of the Employment Act 1995 which states that where the interval between two consecutive fixed term contracts under which a worker is employed by the employer is not more than ninety days, the worker shall be deemed to have been in continuous employment during such interval and such worker shall be entitled to compensation in respect of the entire period of such employment.

Audit fees amounting to SCR18, 400 (2012: 5CR18, 400) was accrued as at year end and paid in the following year.

3. Auditor-General

The Auditor-General is appointed by the President under Article 158 (1) of the Constitution from candidates proposed by the Constitutional Appointments Authority. Appointment is for a seven year term but the person is eligible for reappointment at the end of a term of Office.

Mr. Marc Benstrong is currently the Auditor General serving a second term of seven years effective October 2009.

The Office of the Auditor General (OAG) is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Auditor General to ensure that the financial statements fairly present the state of affairs of the OAG as at the end of the financial period and the results of its operation and cash flows for the period then ended, in conformity with the Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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Auditor General's Report (Cont'd)

The OAG acknowledges that the Auditor General is ultimately responsible for the system of internal financial controls established by the OAG and places considerable importance on maintaining a strong control environment. To enable the Auditor General to meet these responsibilities, the OAG sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the OAG and all employees are required to maintain the highest ethical standards in ensuring the OAG's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the OAG is on identifying, assessing, managing and monitoring all known forms of risk across the OAG. While operation risk cannot be fully eliminated, the OAG endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Auditor General is of the opinion, based on the information and explanations given by the OAG that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the OAG's financial statements. The financial statements have been examined by the OAG's external auditors and their report is presented on page 5 to 6.

The Financial Statements set out on pages 7 to 15, which have been prepared on the going concern basis, were approved by the OAG on 16th July 2014 and were signed on its behalf by:



Mr. Marc Benstrong
Auditor General

OFFICE OF THE AUDITOR GENERAL FINANCIAL STATEMENTS 2013

INDEPENDENT AUDITOR'S REPORT

TO THE AUDITOR GENERAL OF THE OFFICE OF THE AUDITOR GENERAL (OAG)

Report on the financial statements

We have audited the financial statements of the Office of the Auditor General (OAG) on pages 7 to 15 which comprise the Statement of Financial Position for the year ended December 31, 2013, the Statement of Comprehensive Income, Statement of Changes In Equity, Statement of Cash Flow for the year ended December 31, 2013 and a summary of significant accounting policies and other explanatory information.

This report is made solely to OAG. Our audit work has been undertaken so that we might state to the OAG those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the OAG, for our audit work, for this report, or for the opinions we have formed.

OAG's responsibility for the financial statements

The OAG is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards accepted in Seychelles and in compliance with the requirements of Office of the Auditor General under Section 26 of the Auditor General Act, 2010. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the financial statements (continued)

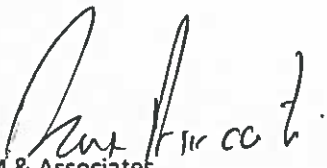
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the OAG as of December 31, 2013, and of its financial performance and its cash flows for the year ended December 31, 2013 in accordance with the Generally Accepted Accounting Standards applicable in Seychelles and comply with the requirements of the Auditor General Act, 2010.

Report on other legal and regulatory requirements

- We have no relationship with or interests in the OAG other than in our capacities as auditors and dealings with the OAG in the ordinary course of business.
- We have obtained all the information and explanations we have required.
- In our opinion, proper accounting records have been kept by the OAG as far as it appears from our examination of those records.


ACM & Associates

PO BOX 1289

VICTORIA

Date:

16th July 2014

ACM & Associates
Chartered Certified Accountants
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**OFFICE OF THE AUDITOR GENERAL
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STATEMENT OF FINANCIAL POSITION - AS AT DECEMBER 31, 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		SCR	SCR
NON-CURRENT ASSETS			
Property, Plant and Equipment	2	<u>1,307,945</u>	<u>1,561,796</u>
CURRENT ASSETS			
Trade and other receivables	3	497,197	585,762
Cash and cash equivalents	4	194,788	124,248
		<u>691,985</u>	<u>710,010</u>
TOTAL ASSETS		<u>1,999,930</u>	<u>2,271,806</u>
EQUITY AND LIABILITIES			
EQUITY			
Accumulated surplus/(deficits)		(330,756)	(521,868)
Capital reserve		<u>73,076</u>	<u>133,169</u>
TOTAL EQUITY		<u>(257,680)</u>	<u>(388,699)</u>
NON-CURRENT LIABILITIES			
Capital grant	5	<u>1,234,868</u>	<u>1,425,190</u>
TOTAL NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Accruals	6	32,539	30,400
Provision for Gratuity and Compensation	7	990,203	1,204,916
TOTAL CURRENT LIABILITIES		<u>1,022,742</u>	<u>1,235,316</u>
TOTAL LIABILITIES		<u>2,257,610</u>	<u>2,660,506</u>
TOTAL EQUITY AND LIABILITIES		<u>1,999,930</u>	<u>2,271,806</u>

These financial statements have been approved for issue by the OAG on

16th July 2014

AUDITOR GENERAL

Mr. Marc Benstrong



The notes on pages 10 to 15 form an integral part of these financial statements.
Auditors' report on pages 5 to 6.

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STATEMENT OF COMPREHENSIVE INCOME - FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 SCR	2012 SCR
Audit Fees		315,429	299,146
Government Subvention	1.3	10,380,445	8,184,427
Additional government fund		-	19,205
Other Income	8	383,530	402,692
Total Income		11,079,404	8,905,470
Operating Expenses	9	(10,888,292)	(8,958,723)
Operating Surplus/ (Deficit)		191,112	(53,253)
Other comprehensive income		-	-
Surplus/ (Deficit) for the year		191,112	(53,253)

STATEMENT OF CHANGES IN EQUITY - FOR THE YEAR ENDED DECEMBER 31, 2013

	Capital Reserve SCR	Revenue Excess/ Deficit SCR	Total SCR
Balance at January 01, 2012	349,003	(230,689)	118,314
Adjustment	(82,665)	(237,926)	(320,591)
Profit for the year	-	(53,253)	(53,253)
Amortisation of capital reserve	(133,169)	-	(133,169)
Balance at December 31, 2012	133,169	(521,868)	(388,699)
Balance as at January 1, 2013	133,169	(521,868)	(388,699)
Profit for the year	-	191,112	191,112
Amortisation of capital reserve	(60,093)	-	(60,093)
Balance as at December 31, 2013	73,076	(330,756)	(257,680)

The notes on pages 10 to 15 form an integral part of these financial statements.
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STATEMENT OF CASH FLOW - PERIOD FROM JANUARY TO DECEMBER 31, 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		SCR	SCR
OPERATING ACTIVITIES			
Profit/ (loss) for the year		191,112	(53,253)
<i>Adjustments:</i>			
Retained earnings adjustment			-
Release of capital grant to income statement	5	(322,552)	(198,848)
Amortisation of capital reserve		(60,093)	(133,169)
Increase in provision for gratuity and compensation	7	622,106	701,409
Depreciation	2	358,289	282,371
Loss on Disposal		1,498	(70,000)
Operating Surplus before working capital changes		<u>790,360</u>	<u>528,510</u>
<i>Changes in working capital:-</i>			
Trade and other receivables		88,564	(585,762)
Accruals		<u>2,139</u>	<u>12,000</u>
		881,063	(45,252)
Gratuity and Compensation paid	7	<u>(836,818)</u>	<u>(135,640)</u>
Net cash flow from operations		<u><u>44,245</u></u>	<u><u>(180,892)</u></u>
Investing Activities			
Purchase/ Transfer of Non-Current Assets	2	(132,230)	(1,377,954)
Proceeds from sale of asset		26,295	70,000
Capital grant received	5	<u>132,230</u>	<u>1,373,659</u>
Net cash flow from investing activities		<u><u>26,295</u></u>	<u><u>65,705</u></u>
Net movement in cash and cash equivalents		70,540	(115,187)
Cash at Bank at January 1,		<u>124,248</u>	<u>239,435</u>
Cash at Bank at December 31,	4	<u><u>194,788</u></u>	<u><u>124,248</u></u>
Represented by:			
Cash at bank	4	<u><u>194,788</u></u>	<u><u>124,248</u></u>

The notes on pages 10 to 15 form an integral part of these financial statements.
Auditors' report on pages 5 to 6.

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NOTES TO THE FINANCIAL STATEMENTS -- FOR THE YEAR DECEMBER 31, 2013

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Generally Accepted Accounting Practice. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Seychelles Rupees.

1.1 Equipments

The OAG was vested with all the assets under its stewardship as at 30th June 2010. In arriving at the fair value of those assets, an internal evaluation was carried out based on the age of the asset, current market value where known and/or the actual acquisition value where such information was available.

Equipments are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Computer software	3 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and has significantly different patterns of consumption of economic benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.2 Employee benefits

The OAG operates a contract system for all its employees. All staffs were transferred on a 2 to 3 year contract with payment of gratuity at the end of the contract. The gratuity is equivalent to between 5% and 15% of total earnings under the contract. Compensation is provided for in line with Section 19 (2) of the Employment Act 1995 to reward employees for continuous services for employees who have renewed at least their second contract.

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NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED DECEMBER 31, 2013

The provision made in the financial statements is gratuity payment and compensation measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting period date.

1.3 Government subvention

Government subventions are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. A government subvention that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

1.4 Amortisation of Capital Reserve

Capital Reserve relates to fixed assets transferred to the OAG office by the Government of Seychelles on the 1st July 2010.

The transfer of these assets has been classified as a government capital grant which is amortised on the average life of the assets transferred.

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NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED DECEMBER 31, 2013

2. EQUIPMENTS

	<u>Furniture & Fittings</u>	<u>Motor vehicles</u>	<u>Office Equipment</u>	<u>IT Equipment</u>	<u>Total</u>
<u>Costs:</u>	SCR	SCR	SCR	SCR	SCR
Balance at January 1, 2013	1,035,504	644,279	242,732	562,511	2,485,026
Additions during the year	32,845	-	9,155	90,230	132,230
Disposal	(121,453)	-	(84,215)	(52,150)	(257,818)
Balance at December 31, 2013	946,896	644,279	167,672	600,591	2,359,438
<u>Depreciation:</u>					
Balance at January 1, 2013	217,558	174,935	147,561	383,176	923,230
Charge for the year	88,584	128,856	24,348	116,500	358,288
Disposals	(100,536)	-	(78,761)	(50,728)	(230,025)
Balance at December 31, 2013	205,607	303,791	93,148	448,948	1,051,493
<u>Net book values:</u>					
As at December 31, 2013	<u>741,289</u>	<u>340,488</u>	<u>74,524</u>	<u>151,643</u>	<u>1,307,945</u>
As at December 31, 2012	<u>817,946</u>	<u>469,344</u>	<u>95,171</u>	<u>179,335</u>	<u>1,561,796</u>

3. TRADE AND OTHER RECEIVABLES

	<u>2013</u>	<u>2012</u>
	SCR	SCR
Audit fee receivables	-	109,146
Deposits	333,564	426,794
Prepayments	65,627	49,822
Receivable from treasury	98,006	-
	<u>497,197</u>	<u>585,762</u>

All receivables are denominated in Seychelles rupees and approximate their fair values.

**OFFICE OF THE AUDITOR GENERAL
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NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED DECEMBER 31, 2013

4. CASH AND CASH EQUIVALENT

	<u>2013</u>	<u>2012</u>
	SCR	SCR
Cash on hand	1,000	1,000
Nouvobanq account	193,788	123,248
	<u>194,788</u>	<u>124,248</u>

5. CAPITAL GRANT

	<u>2013</u>	<u>2012</u>
	SCR	SCR
January 1,	1,425,190	-
Addition during the year	132,230	1,373,659
Adjustment	-	250,379
Release to the income statement	(322,552)	(198,848)
December 31,	<u>1,234,868</u>	<u>1,425,190</u>

The capital grant represents equipments financed through government subvention received during the financial year. It is being amortized at the same rate the related equipments are being depreciated during the financial year.

6. ACCRUALS

	<u>2013</u>	<u>2012</u>
	SCR	SCR
Accounting fee	12,000	12,000
Audit fee	18,400	18,400
Accruals	2,139	-
	<u>32,539</u>	<u>30,400</u>

**OFFICE OF THE AUDITOR GENERAL
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NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED DECEMBER 31, 2013

7. GRATUITY AND COMPENSATION

	<u>2013</u>	<u>2012</u>
	SCR	SCR
January 1,	1,204,915	639,146
Payments made during the year	(836,818)	(135,640)
Increase/(decrease) in provision	622,106	701,409
December 31,	<u>990,203</u>	<u>1,204,915</u>
 Analysed as:	 <u>2013</u>	 <u>2012</u>
	SCR	SCR
Provision for Gratuity	416,398	779,462
Provision for Compensation	573,806	425,454
	<u>990,203</u>	<u>1,204,916</u>

8. OTHER INCOME

	<u>2013</u>	<u>2012</u>
	SCR	SCR
Unwinding of capital reserve	60,093	133,169
Release of amortisation of capital grant	322,552	198,848
Gain on disposal of asset	-	70,000
Sale of audit report	885	675
	<u>383,530</u>	<u>402,692</u>

**OFFICE OF THE AUDITOR GENERAL
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NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED DECEMBER 31, 2013

9. ADMINISTRATIVE EXPENSES

	<u>2013</u>	<u>2012</u>
	SCR	SCR
Advertising	11,040	4,450
Auditors Remuneration	16,000	18,400
Audit Report Fee retained by treasury	885	-
Bank Charges	413	242
Cleaning	19,691	15,995
Consultancy	50,000	30,050
Depreciation Expense	358,289	282,371
Employees Costs	6,520,401	5,715,830
Insurance	65,682	24,549
Premises Rental	2,038,647	836,138
License Fee	3,869	3,869
Motor Vehicles Expenses	28,168	20,750
Employee Gratuity and Compensation	622,106	701,409
Petrol and oil	112,703	89,912
Postage	1,384	2,682
Printing and stationery	233,193	176,165
Professional Fees	12,000	17,000
Repairs and Maintenance	37,748	212,264
Staff Welfare	54,002	36,458
Entertainment	20,454	5,261
Subscriptions	6,388	14,776
Telephone and Fax	81,872	76,000
Training	120,247	242,999
Travel-local	2,944	19,675
Travel-overseas	132,737	161,844
Utilities	316,956	233,650
Other Expenses	18,397	15,984
Loss on Disposal	1,498	-
Exchange loss	578	-
	<u>10,888,292</u>	<u>8,958,723</u>