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AUDITOR GENERAL'S OFFICE

Malé, Republic of Maldives

Date: 10 August 2014

(PR)7-STKH/7/2014/48

Press Release

Subject: Auditor General's report On the Financial Statements of the Maldives Civil Aviation Authority for the Financial Year Ended 31 December 2013

The Auditor General's Office (AGO) issued an audit report on the financial statements of Maldives Civil Aviation Authority on 08 August 2014 and published the same on our website www.audit.gov.mv.

According to the AGO, Maldives Civil Aviation Authority used its annual budget approved by its Board for the financial year 2013, in all material respects, for the achievement of its objectives and for the purposes intended in the budget and within the limits set therein, in accordance with Public Finance Act and Public Finance Regulations.

Despite being satisfied with the level of compliance with public finance legislation by the Authority, the AGO observes that the Authority departed from the basis for preparation and presentation of the financial statements of the public institutions laid down in the Ministry of Finance and Treasury's circular (No. 4/2012), which is the International Public Sector Accounting Standard (IPSAS): *Financial Reporting under the Cash-Basis of Accounting*; this basis recognises payments when outflow of cash occurs, and receipts when cash is received to the entity. According to the audit report, the Authority as stated in its Accounting Policy Note 2.1 treats a transaction as expenditure to be presented in the financial statements, when it is posted to the Public Accounting System, rather than when it is actually paid. The report also finds that the Authority does not identify and make necessary adjustments to the financial statements in relation to those transactions that have been posted, but not have been paid for during the financial year.

The report also refers to a provision in the Public Finance Act (No. 3/2006) that is in conflict with the financial reporting framework prescribed by the Ministry of Finance and Treasury; section 8 of the Act states that 'if an account for goods or services supplied in a financial year is presented for payment to the Minister within 30 working days after the end of that financial

year, the Minister may approve the payment of that account from moneys appropriated in the budget for that financial year or from the Advance Fund in accordance with subsection 23(a) of this Law'. According to the audit report, this provision in law would tend to allow the payments made within the first 30 working days of the current fiscal year to be posted to the General Ledger pertinent to the previous fiscal year in which the goods and services were received; such a practice would represent a departure from the cash-basis of accounting as some payments made within the 30-day window could end up being recorded as payments on the face of the Statements of Cash Receipts and Payments pertaining to a fiscal year, at the end of which the payments were still outstanding.

According to the AGO, out of the total airport service charge share (USD 2 per passenger) to be credited to Civil Aviation Fund which, according to the Authority, was estimated at MVR 44.7 million, only MVR 23.4 million was credited to the Fund as at 31 December 2013. The AGO's report also notes that, pursuant to section 31 of the Maldives Civil Aviation Authority Act, 'the expenditures of the Authority shall be made out of the Civil Aviation Fund' highlighting the need to adequately fund the operations of the Authority as stipulated in law.



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