REPORT OF THE

# DIRECTOR OF AUDIT

## On the Financial Statements of the Mauritius Society of Authors for the year ended 31 December 2015

NATIONAL AUDIT OFFICE

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## REPORT OF THE DIRECTOR OF AUDIT

## TO THE BOARD OF THE

## THE MAURITIUS SOCIETY OF AUTHORS

**Report on the Financial Statements of the Ex Rights Management Society**

I have audited the financial statements of the Ex Rights Management Society which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income and the statement of changes in equity for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting and accounting standards issued under Section 72 of the Financial Reporting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

**Basis for Qualified Opinion**

*Property, Plant and Equipment – Rs 13,799,034*

Property, Plant and Equipment was overstated at 31 December 2015. Depreciation totalling Rs 2,607,714 have not been charged in accounts.

*Trade and Other Receivables – Rs 18,468,137*

Included under Trade and Other Receivables were Government Grant, Provision for Copyright fees and other monies totalling Rs 14,405,000 that were not collectible.

*Employees Benefits – Rs 4,832,201*

Provisions were not made for refundable Sick Leave amounting to Rs 1,452,560.

## Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the attached financial statements give a true and fair view of financial position of the Ex Rights Management Society as at 31 December 2015 and of its financial performance for the year then ended in accordance with financial reporting and accounting standards issued under Section 72 of the Financial Reporting Act.

**Emphasis of Matter**

The Ex Rights Management Society incurred losses of Rs 820,035 in 2015 and in the three previous accounting years. The accumulated losses of Rs 5,981,434 at 31 December 2015 were understated by Rs 18,465,274 for the effects of matters described in the Basis for Qualified Opinion paragraphs. Artists' share of copyright monies totalling Rs 33,416,325 was used to finance the operations of the Society as of 31 December 2015.

## Report on Other Legal and Regulatory Requirements

***Management's Responsibility***

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the laws and authorities which govern them.

***Auditor's Responsibility***

In addition to the responsibility to express an opinion on the financial statements described above, my responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the laws and authorities which govern them.

This responsibility includes performing procedures to obtain audit evidence about whether the entity's expenditure and income have been applied for the purposes intended by those charged with governance. Such procedures also include the assessment of risks of material non compliance.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Opinion on Compliance

***Statutory Bodies (Accounts and Audit) Act***

The financial statements of the Ex Rights Management Society for the year ended 31 December 2015 were submitted to the National Audit Office on 14 December 2017 that is more than 19 months after the statutory date limit of 30 April 2016.

In my opinion, except for the late submission of financial statements, in all material respects, the activities, financial transactions and information reflected in the amended financial statements are in compliance with the Statutory Bodies (Accounts and Audit) Act.

***Public Procurement Act***

The Ex Rights Management Society is responsible for the planning and conduct of its procurement. It is also responsible for defining and choosing the appropriate method of procurement and contract type in accordance with the provisions of the Act and relevant Regulations. My responsibility is to report on whether the provisions of Part V of the Act regarding the Bidding Process have been complied with.

In my opinion, the provisions of Part V of the Act have been complied with as far as it appears from my examination of the relevant records.

**K. C. Tse Yuet Cheong (Mrs)**
Director of Audit

National Audit Office
Level 14, Air Mauritius Centre
**PORT LOUIS**

29 April 2019.

GHTS MANAGEMENT SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2015

CONTENTS

**...GHTS MANAGEMENT SOCIETY**
**Statement of Financial Position**
**For the year ended 31 December 2015**

| | Notes | 2015 Rs | 2014 Rs |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant & Equipment | 2 | 13,799,034 | 14,011,049 |
| **Total non-current assets** | | 13,799,034 | 14,011,049 |
| **Current assets** | | | |
| Trade & Other Receivables | 3 | 18,468,137 | 18,893,921 |
| Cash & Cash Equivalent | | 55,148,212 | 38,672,440 |
| **Total current assets** | | 73,616,349 | 57,566,361 |
| **Total assets** | | 87,415,383 | 71,577,410 |
| **EQUITY ANO LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Accumulated Fund | 4 | (5,981,434) | (5,161,399) |
| Provident & Social Welfare Fund | 5 | 11,309,284 | 10,234,655 |
| **Society's Fund** | | 5,327,849 | 5,073,255 |
| **Non-current liabilities** | | | |
| Employees benefits | | 4,832,201 | 4,832,201 |
| | | 4,832,201 | 4,832,201 |
| **Current liabilities** | | | |
| Accounts Payable | 6 | 77,255,332 | 61,671,954 |
| | | 77,255,332 | 61,671,954 |
| **Total equity and liabilities** | | 87,415,383 | 71,577,410 |

The above balance sheet is approved as being correct and in accordance with books and records of the Society

CHAIRMAN

Date: 10.07.18

BOARD MEMBER

18.09.18

**IGHTS MANAGEMENT SOCIETY**
**Statement of Comprehensive Income**
**For the year ended 31 December 2015**

| | Notes | 2015<br>Rs | 2014<br>Rs |
|---|---|---|---|
| **INCOME** | | | |
| Annual Government Grant | | 1,078,000 | 1,045,000 |
| Interest | | 449,884 | 1,086,854 |
| Copyright Fees | | 10,150,578 | 11,232,721 |
| | | 11,678,462 | 13,364,575 |
| **EXPENDITURE** | | | |
| Staff Costs | 7 | 9,823,402 | 10,247,153 |
| Administrative Overheads | 8 | 1,792,691 | 2,212,767 |
| Chairman and Board Members Fees | | 578,198 | 573,725 |
| Depreciation | | 216,014 | 210,547 |
| Legal and Professional Fees | | 54,500 | 371,750 |
| Financial Changes | | 33,692 | 29,593 |
| | | 12,498,497 | 13,645,535 |
| Loss For The Year | | (820,035) | (280,960) |

**GHTS MANAGEMENT SOCIETY**

**Statement of Changes in Equity**

**For the year ended 31 December 2015**

| | 2015 | 2014 |
|---|---|---|
| | Rs | RS |
| Opening balance | (5,163,399) | (4,882,439) |
| Calculated Loss for the year | (820,035) | (280,960) |
| Balance | (5,983,434) | (5,163,399) |

Notes to the *financial statements*

*1) Accounting Policies*

The principal accounting policies may Include the following:

*(a) Basis of preparation*

The financial statements has been prepared under the historical cost convention and in accordance with accounting framework for Statutory Bodies. The going concern basis has been adopted.

***(b)Revenue Recognition***

Recurrent government grants are recognised on a cash basis ,as income and are matched against the recurrent expenses of the entity.

Interests and other income are recognised on an accrual basis.

**(c) Inventories**

Inventories have been measured al the lower of cost and net realisable value. Net realizable value means the net amount that the entity will realize from sale of the inventories.

Cost shall comprise of all costs Incurred in bringing lhe inventories to its location and condition. Such costs include purchase costs, conversion costs, and other costs.

**(d) *Property, plant and equipment***

Property, Plant and Equipment are stated at cost or valuation, net of accumulated depreciation. Depreciation is the systematic allocation of funds representing the use of an asset over its useful life.

***The useful life is the period over which the entity is expected to use the asset.***
***The useful life of each components asset shall be determine.***

***The residual value is defined as the amount that an entity would currently obtain from disposing the asset;***

***(i) After deducting the estimated costs of disposals***
***(ii) If it was at the age and condition expected at tile end of its useful life.***

***(d)Property, plant and equipment (continued)***

The residual value of the asset shall be estimated as an entity does not normally depreciate to zero. However, residual value can only be ignored if it is insignificant.

The depreciation charged for each item and for each period shall be recognised in the statement of Financial Performance for the period.

Depreciation is provided on the straight line basis so as to write off ths depreciable value of the assets over their expected useful economic lives.

The annual rates ot depreciation used for the purpose are as follows:

| | |
|---|---|
| Motor Vehicles | 20% |
| Office Equipment | 15% |
| Office Furniture | 10% |

***(e) Cash and Cash Equivalent***

Cash and Cash Equivalents comprise cash at bank and cash in hand.

***(f) Provisions***

A provision is recognized when there is a present obligation (legal constructive) as a result of a past event, and it is probable tha an outflow of resources embodying economic benefits will be required to settle the obligation,and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

***(g) Comparative Figures***

Figures of last year conform to the current year's presentation.

***(h) Retirement Benefit Obligations***

Provisions for retirement benefits for the company are made in accordance with the Statutory Bodies Pension Act 1978 as amended.

The company asset are managed by the (Insurance Company).The cost of providing the benefit is detrmined in accordance with the acturial valuation undertaken every five years.

**RIGHTS MANAGEMENT SOCIETY**
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**For the year ended 31 December 2015**

**2. NON CURRENT ASSETS**

| | Repertoire | Motor Vehicle | Repertoire de la presse | Renovation Works | Land | Building | Office Equipment & Website | Software | Office Furniture | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost | Rs | Rs | Rs | Rs | Rs | Rs | Rs | Rs | Rs | Rs |
| At 01 January 2015 | 390,000 | 805,000 | 140,000 | 6,411,193 | 1,513,409 | 4,439,330 | 2,580,309 | 642,864 | 1,736,625 | 18,658,730 |
| Additions | | | | | | | 3,999 | | - | 3,999 |
| Disposal | | | | | | | | | | |
| At 31 December 2015 | 390,000 | 805,000 | 140,000 | 6,411,193 | 1,513,409 | 4,439,330 | 2,584,308 | 642,864 | 1,736,625 | 18,662,729 |
| Accumulated Depreciation | | | | | | | | | | |
| At 01 January 2015 | - | 805,000 | - | - | - | - | 2,538,358 | - | 1,304,323 | 4,647,681 |
| Charge for the year | | - | | | | | 42,351 | | 173,663 | 216,014 |
| At 31 December 2015 | - | 805,000 | - | - | - | - | 2,580,709 | - | 1,477,986 | 4,863,695 |
| NET BOOK VALUE | | | | | | | | | | |
| At 31 December 2015 | 390,000 | - | 140,000 | 6,411,193 | 1,513,409 | 4,439,330 | 3,599 | 642,864 | 258,639 | 13,799,034 |
| At 31 December 2014 | 390,000 | - | 140,000 | 6,411,193 | 1,513,409 | 4,439,330 | 41,951 | 642,864 | 432,302 | 14,011,049 |

## 3. Accounts Receivable

| | 2015 Rs | 2014 Rs |
|---|---|---|
| Inventory | 63,632 | 23,862 |
| Other Debtors & Prepayments | 18,404,505 | 18,870,059 |
| | 18,468,137 | 18,893,921 |

## 4. ACCUMULATED FUND

| | | |
|---|---|---|
| Opening Balance | (5,161,399) | (4,880,439) |
| Correction of prior adjustment | - | - |
| | (5,161,399) | (4,880,439) |
| Surplus for the year | (820,035) | (280,960) |
| | (5,981,434) | (5,161,399) |

## 5. OTHER STATUTORY

| | | |
|---|---|---|
| Opening Balance | 10,234,655 | 9,123,397 |
| Contribution received during the year | 2,203,494 | 1,891,108 |
| Adjustrnents | (1,128,865) | (779,850) |
| As at 31st December 2015 | 11,309,284 | 10,234,655 |

## 6. ACCOUNTS PAYABLE

| | | |
|---|---|---|
| Undistributed copyright rights | 77,037,492 | 61,036,668 |
| Accruals & Supply Creditors | 217,841 | 635,286 |
| | 77,255,333 | 61,671,954 |

## 7. STAFF COSTS

| | 2015 Rs | 2014 Rs |
|---|---|---|
| Salaries, bonus and allowances | 7,648,246 | 8,148,358 |
| Travelling & Transport | 540,824 | 674,442 |
| Pension Contribution and FPS | 1,343,907 | 1,252,067 |
| National Savings Fund | 118,540 | 105,960 |
| Staff Welfare and other benefits | 111,670 | - |
| Passage benefits | 60,215 | 55,726 |
| Training costs | - | 10,600 |
| | 9,823,402 | 10,247,153 |
| **Prior year adjustment** | | |
| Actuarial adjustment- current year employee benefits | - | - |
| | 9,823,402 | 10,247,153 |

## 8. ADMINISTRATIVE EXPENSES

| | 2015 Rs | 2014 Rs |
|---|---|---|
| Rent | 80,500 | 66,000 |
| Office expenses | 116,898 | 63,260 |
| Telephone and fax | 242,342 | 243,280 |
| Electricity and water | 215,961 | 202,989 |
| Repairs and maintenance | 87,499 | 199,774 |
| Printing and stationery | 225,130 | 256,929 |
| Insurance - General | 55,103 | 35,952 |
| Car running expenses | 65,380 | 27,726 |
| Overseas mission | 142,300 | 108,967 |
| Holograms and stamps | 26,975 | 128,589 |
| Security | 223,766 | 233,448 |
| Licences | - | 22,622 |
| Advertising | 75,073 | 42,057 |
| Hired Transport | 7,649 | 111,714 |
| Overheads | 228,116 | 469,460 |
| | 1,792,691 | 2,212,767 |