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TECHNICAL ASSISTANCE REPORT

MAURITIUS

IMPLEMENTING ACCRUAL ACCOUNTING AND INTERNATIONAL STANDARDS

JULY 2019

PREPARED BY

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AFRITAC South

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ABBREVIATIONS AND ACRONYMS

AFS	IMF's Regional Technical Assistance Center for Southern Africa - AFRITAC South
AG	Accountant General
AO	Accounting Officer
BCG	Budgetary Central Government
CF	Consolidated Fund
CFS	Consolidated Financial Statements
CG	Central Government
DMO	Debt Management Office
FAD	Fiscal Affairs Department
GFSM	Government Finance Statistics Manual (2014)
GG	General Government
GoM	Government of Mauritius
GPFS	General Purpose Financial Statements
ICT	Information and communication technology
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	IPSAS Board
ISAAI	International Standards of Supreme Audit Institutions
LTX	Long Term Expert
MDA	Ministry, Department, and Agency
MR	Mauritius Rupee
MoFED	Ministry of Finance and Economic Development
MRA	Mauritius Revenue Authority
NAO	National Audit Office
PAC	Pubic Accounts Committee
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPP	Public Private Partnership
STX	Short term Expert
TAS	Treasury Accounting System
TWG	Technical Working Group

PREFACE

A technical assistance mission from AFRITAC South (AFS[1]) visited Port Louis, Mauritius during the period March 13 - 26, 2019. The mission team comprised Messrs. Abdul Khan and Frans van Schaik (Fiscal Affairs Department experts) and Mr. Doorgesh Chundunsing (AFRITAC South staff). Messrs. Jean-Luc Helis and Robert Clifton (AFRITAC South Public Financial Management resident advisors) coordinated the mission.

The mission met Mr. Dev. Manraj, the Financial Secretary; Mr. R. Chellapermal and Mr. Gerard Bussier, Deputy Financial Secretaries; Mrs. K. Tse Yuet Cheong, Director of National Audit Office; Mr. Sunil Romooah, the Accountant General; Mr. Anandsing Acharuz and Mr. Ishwarlall Bonomaully, Directors, Ministry of Finance and Economic Development (MoFED); Mr. Sunil Ramdeen, Deputy Accountant General; Mr. Sanjay Annauth, Deputy Accountant General; Mr. Sachidanund Ramparsad and Mr. Randhir Kalleechurn, Assistant Accountants General; and other senior officers of the MoFED, the Treasury and the National Audit Office. The mission held extensive discussions with the Financial Controllers, Accountants, and other officials of Municipal Councils and District Councils. The mission also met with officials of Statistics Mauritius.

The mission would like to thank all of the above individuals and institutions for the frank and candid discussion of all issues, and courtesy extended throughout its stay. The mission also appreciates the courtesy and assistance provided by Mrs. Naimabee Aubdoollah-Suhootoorah, MoFED in respect of mission logistics and scheduling.

[1]AFS provides technical assistance to Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe. AFS donors are the European Union, the United Kingdom, Switzerland, Germany, China, Mauritius, Netherlands, the European Investment Bank, and Australia.

EXECUTIVE SUMMARY

The authorities are moving forward with the reforms to modernize public sector financial reporting according to International Public Sector Accounting Standards (IPSAS). IMF Regional Technical Assistance Center for Southern Africa— AFRITAC South (AFS) provided advice in 2016 on the major areas that would be affected by the move to accrual IPSAS and prepared a roadmap for implementation. This was followed by a mission to review progress in 2018. The authorities requested a follow-up mission to review progress and advise on a number of significant issues and concerns. The mission worked closely with senior officials of the Ministry of Finance and Economic Development (MoFED), Treasury, Municipal and District Councils. This report summarizes the mission's findings and recommendations.

Progress has been made in the implementation of accrual-based financial reporting according to IPSAS. The development of the financial reporting framework, including the form and content of the financial statements and the accounting policies have progressed well. The 2017/18 financial statements of the BCG indicate improvements compared to those of the previous year.

In particular, property plant and equipment has been recognized ahead of the roadmap, though there are important issues that need further consideration. The valuation basis, particularly of land— the most significant asset—should be clarified and disclosed in the financial statements. These assets appear to be exceptionally large compared to other countries and both the assets recognized and the valuation basis should be reviewed and validated. Similarly, the recognition of heritage assets such as public beaches and national parks is at variance with the practice of most advanced countries. It also anticipates the current work of IPSASB on heritage assets. Recognition of heritage assets should be deferred until IPSASB finishes its project and issues its pronouncements.

Pension liabilities are planned to be recognized in the 2018/19 financial statements. The Local Governments Authorities (LGAs) have also made good progress in producing IPSAS compliant financial statements, including recognizing pension liabilities.

However, the necessary improvements to the IT systems are not yet in place. The secondary ledger to support accrual accounting is not ready. Key reports have not yet been developed and tested. The work on finalizing the secondary ledger should be accelerated to ensure that the system is ready for live and reliable operations from July 1, 2019. The asset register system is not being updated by ministries. The Accountant General (AG) is planning to use a roving team to enter the assets acquired in the past, but ministries will still have to enter information for assets as they are acquired.

The senior management of the MoFED are taking a keen interest, and are engaged, in the reform process. They are reviewing the broader implications of the reform and are concerned that a number of issues, discussed below, could arise and potentially cause adverse reactions and comments.

Financial statements could show a negative net assets/equity. This issue can be managed by a well- thought-out communication strategy that explained that, among other things: government have the sovereign power of taxation and therefore do not face bankruptcy, as in the private sector; most countries, including some of the biggest economies, that follow accrual accounting regularly disclose negative net assets/equity in their financial statements; the government has taken policy measures to address this issue (e.g., replacing the defined benefits pension arrangements with a defined contribution scheme). The government could also treat any negative net assets/equity position as an opportunity to consider further policy measures.

The consolidated fund could show a negative balance. The consolidated fund, according to the Constitution, is based on a cash concept. This is confirmed by a recent legal opinion received by the AG. Therefore, subject to the approval of the steering committee, the plan is to present the consolidated fund in the financial statements on a cash basis. This should allay any concerns about the impact of accrual accounting on the consolidated fund balance.

Disclosures about contingent liabilities particularly about legal disputes could be misinterpreted by third parties. The other parties could, for example, argue that such disclosures indicate acceptance by the government of their claims. However, international practice demonstrates that disclosures can be drafted carefully so that they do not provide information in such detail or specificity that it could be used in this manner. There are also examples of the financial statements stating explicitly that the disclosures do not represent either an admission that the claims are valid or an estimation of the possible amount of any award against the government.

There are also concerns that IPSAS would lead to an excessive focus on liabilities and not enough attention on assets. In fact, IPSAS requires recognition and reporting of all assets and liabilities that meet the applicable definitions and recognition criteria. Thus, accrued vacation leave is a liability and should be recognized.

Finally, the authorities requested the mission to consider whether initially the government should comply with IPSAS on a selective basis to avoid or address these risks. However, the discussion in this report indicates that such a course is not warranted, as the risks can be mitigated and managed. On the other hand, the adoption of IPSAS selectively could raise questions about the credibility and neutrality of the financial statements and could itself create a risk of adverse comments and criticism. Such financial statements could also fail to provide a fair presentation and therefore be inconsistent with the Finance and Audit Act. The Financial Secretary agrees that the government should comply with IPSAS and a selective IPSAS approach should not be pursued.

Work on reporting revenues in accordance with IPSAS should commence immediately. Suggested accounting policies should be reviewed and adopted and detailed procedures should be developed. Revenue should be reported in accordance with IPSAS commencing 2020/21 financial statements.

The revised phasing and roadmap of the reforms should be approved by the steering committee. The roadmap sets targets for financial statements of budgetary central government

(2020/21), central government and general government (2021/22), and public sector (2022/23). The revised phasing is summarized as follows:

Balance sheet at July 2019	• **IPSAS statement of assets and liabilities of BCG as at July 1, 2019** • Review report by Director of Audit to Accountant General and MoF • Target: February 2020
TAS on cash and accrual basis from July 2019	• **Treasury Accounting System on dual cash and accrual bases** • Input opening balances of assets and liabilities • Target: Commence transaction recording on dual basis on July 1, 2019
Financial Statements 2020/21	• **IPSAS consolidated financial statements of budgetary Central Govt. (2020/21)** • Target: December 2021 (preparation); February 2022 (Audit by NAO)
Financial Statements 2021/22	• **IPSAS consolidated financial statements of Central & General Govt. (2021/22)** • All assets and liabilities reported • Statutory & other CG bodies & LG entities consolidated with segment information disclosed • Target: March 2023
Financial Statements 2022/23	• **IPSAS consolidated financial statements of public sector (2022/23)** • All assets and liabilities reported • All controlled entities consolidated with segment information disclosed • Target: March 2024

A communication strategy should be developed and implemented covering training, communication, and coordination. Securing cooperation and participation of entities, including submission of financial reports in time would be one of the objectives of the strategy. Related issues such as the need to provide the AG with authority to require information from entities, considering sanctions for non-compliance and developing and communicating a consolidation package (for the controlled entities to provide the information needed for consolidation) should be considered. Responsibilities should be allocated between MoFED and AG.

A dedicated accrual IPSAS project team should be set up at Treasury. The team leader should report to the AG, who should keep the technical working group and relevant committees informed. The team should be adequately resourced—it is estimated that the team would comprise 14 people of whom 5 would be additional staff. These people would work on three major areas: financial reporting, including consolidation and policies; systems, including secondary ledger and asset register; and communication, including training and coordination.

The financial statements of the BCG and the LGAs have been reviewed for consistency with IPSAS and good practice. The gap analysis and related recommendations are included in this report. MoFED, Treasury, and the LGAs should review and implement the recommendations. Gaps identified in the government financial statements include the disclosure of certain contingent liabilities, contingent assets and commitments which is mandatory under IPSAS. Also, as the Government of Mauritius includes general government debt figures in its budgetary central government's financial statements, IPSAS requires more comprehensive information about the general government to put these figures into perspective, such as information about assets and liabilities and entities included. The Government of Mauritius recognizes concessionary loans at face value, but IPSAS requires the grant component of concessionary loans to be recognized as revenues for loans received and expenses for loans given to statutory bodies. IPSAS also requires the recognition of impairment losses for non-performing loans to statutory bodies.

Table 1. Summary of Recommendations

Recommendation	Timeframe & Responsibility
Potential implications of the reform	
1. **Develop and implement a communication strategy** that addresses potential adverse reactions to, and criticisms of, IPSAS-based financial statements and incorporate as part of the overall communication strategy recommended in section VIII.	MoFED; September 2019
2. **Adopt presentation of consolidated fund reflecting its cash nature** as per the Constitution and the latest legal advice.	AG, commencing 2018/19 financial statements
3. **Present net assets/equity classified as**: consolidated fund, special funds, asset revaluation reserve, and accumulated surplus/deficit.	AG, commencing 2018/19 financial statements
IT systems	
4. **Devote resources and accelerate testing of the secondary ledger** according to formal test plan and document, review, and approve test results.	AG by June 15, 2019
5. **Develop, review, test, and approve key financial statements and supporting notes** through the	AG by June 15, 2019

system using, among others, financial statement generator.	
6. **Restrict access to approved reports** and strictly control any amendment to such reports.	AG by June 15, 2019
7. **Process transactions on an accrual basis in the secondary ledger** for all items other than pension liability, inventories, and any other low value items that might be considered appropriate.	AG commencing July1, 2019
8. **Post backlog of assets according to timetable.**	AG, ministries, by land and buildings by June 2019; others June 2023
Revenue reporting	
9. **Adopt formally the accounting policies in respect of tax revenues** along the lines set out in Box 3 of this report.	MoFED, AG by September 2019
10. **Develop detailed policies, procedures, and systems to measure or estimate revenues and receivables to be reported in financial statements** according to approved accounting policies.	Revenue raising entities; MoFED, AG by March 2020
11. **Disclose in the financial statements the accounting policy on tax revenue** and provide analysis of total tax and other non-exchange revenues.	Revenue raising entities, MoFED, AG commencing with 2020/21 financial statements
12. **Recognize revenues on an accrual basis** in accordance with the specified accounting policies and methodologies.	Revenue raising entities, commencing with the 2020/21 financial statements
Budgetary Central Government	
13. **Use the findings from the Section VI on status and issues to prepare financial statements for budgetary central government that comply with all the requirements of accrual-basis IPSAS.**	MoFED, by 2018/19, 2019/20
Local Government Authorities – Status and issues	
14. **Develop uniform accounting policies and report formats to harmonize financial reporting by**	MoFED, TWG, by June 2019

LGAs in preparation for the preparation of consolidated financial statements by the GoM.	
15. Use the findings from the Section VI on status and issues to prepare financial statements of LGAs that comply with all the requirements of accrual-basis IPSAS.	LGAs, by 2018/19, 2019/20
Management and coordination of reforms	
16. Confirm that the deadline (2022/23) for compliance with IPSAS in the Finance and Audit Act applies to the preparation of the financial statements of the budgetary central government comprising ministries and departments.	Steering Committee, Treasury by May 2019
17. Confirm that there is no legal requirement to prepare consolidated financial statements for the central government, general government, and the public sector, though such statements are required by IPSAS.	Steering Committee, Treasury by May 2019
18. Approve the revised phasing approach and roadmap set out in this report.	Steering Committee, AG by June 2019
19. Develop and approve a communication strategy that covers training, communication, and coordination.	Steering Committee by September 2019
20. Develop a strategy and necessary mechanism to enforce compliance with reporting requirements for preparation of consolidated financial statements of CG, GG, and public sector.	MoFED, Treasury by June 2020
21. Approve the establishment of a dedicated accrual IPSAS project team.	Steering Committee by June 2019
22. Recruit any additional resources.	MoFED, Treasury by December 2019
23. Set up project team and start working as a dedicated team.	Treasury, commencing July 2019 and increasing strength as additional staff are recruited

I. INTRODUCTION AND BACKGROUND

1. **The MoFED is proceeding with the implementation of accrual accounting and IPSAS.** This follows advice provided by an IMF Regional Technical Assistance Center for Southern Africa— AFRITAC South (AFS) mission in October 2016[2]. The advice focused on key issues, suggested a phased approach, and provided a roadmap, developed in consultation with the authorities, for the reform. At the request of the authorities, a follow-up AFS mission in March 2018 reviewed and commented on progress made and provided advice on activities and measures necessary to take reform forward. The mission also advised on extending the reform to the local government and developed, in consultation with the authorities, a roadmap that included the activities and sequencing necessary to implement the accrual accounting framework at the local government level. This roadmap is complementary to the roadmap for the central government provided by the previous mission. The two roadmaps together constitute an integrated plan for the implementation of the reforms including change management.

2. **This report reviews the progress made since the last mission and provides advice to maintain and accelerate the pace of work to ensure that project is implemented successfully according to agreed timelines.** The mission provided advice on a range of issues that the authorities were concerned could cause adverse reaction or public criticism. The mission also discussed the authorities' latest views on the legal deadline for the reform, agreed with them a revised phasing of the reform, and incorporated this in a revised roadmap, developed in extensive consultation with the officials. The revised phasing and roadmap are included in this report.

II. PROGRESS OF REFORM

3. **Progress has been made in the implementation of accrual-based financial reporting according to IPSAS.** In particular:

- **work on defining and developing the envisaged financial reporting framework,** particularly the format of the financial statements and the accounting policies have progressed well; this follows the incorporation in 2017 in the Finance and Audit Act of the requirement that the financial statements should be prepared in accordance with IPSAS; the law also requires that the financial statements provide a fair presentation;

- **the financial statements of the BCG for 2017/18 have been prepared.** A start has been made to comply with IPSAS to the extent practicable; and

[2] P. Murphy and A. Khan (March 2017): *Towards Accrual Accounting and the Adoption of International Standards*

- **the Local Government Authorities (LGAs) have also made good progress** in producing IPSAS based financial statements including, the recognition of pension liabilities.

Appendix 1 summarizes the progress made in respect of the recommendations made in report of the AFS PFM mission of March 2018[3].

4. 2017/18 financial statements of the BCG indicate improvements compared to those of the previous year. This is in line with the progressive implementation approach adopted by the authorities. The most significant property, plant, and equipment have been recognized on the basis of valuation carried out by the Government Valuation Department that needs to be clarified and disclosed. Long term debt was recognized in the previous year's financial statements. Work on two other significant areas is in progress:

- Pension liabilities have been valued actuarially and is intended to be reported in 2018/19 financial statements; and
- Work has commenced on the development of accounting policies and procedures to report revenues—particularly non-exchange revenues—in accordance with IPSAS.

Comments on the financial statements of BCG and LGAs including any gaps compared to IPSAS and related recommendations are discussed in Section VI and VII.

5. However, the necessary improvements in IT systems have not yet been achieved. The secondary ledger to facilitate accounting on an accrual basis and producing accrual-based financial statements is still to be fully tested and the reliability of the data in the ledger is yet to be proven. This is discussed in more detail in section IV.

III. POTENTIAL IMPLICATIONS OF THE REFORM

6. The senior management of the MoFED are taking a keen interest, and are engaged, in the reform process. Among other things, they are deliberating the implications of the reform, including any potential sensitivities. In particular, the authorities have some concerns that the preparation of financial statements in compliance with accrual IPSAS could give rise to misinterpretations regarding the financial status of GoM. These issues were discussed and clarified during the mission and are summarized in this section.

A. Net assets

7. A key concern is that the recognition of assets and liabilities in accordance with IPSAS would lead to the presentation of a negative net assets amount on the statement of

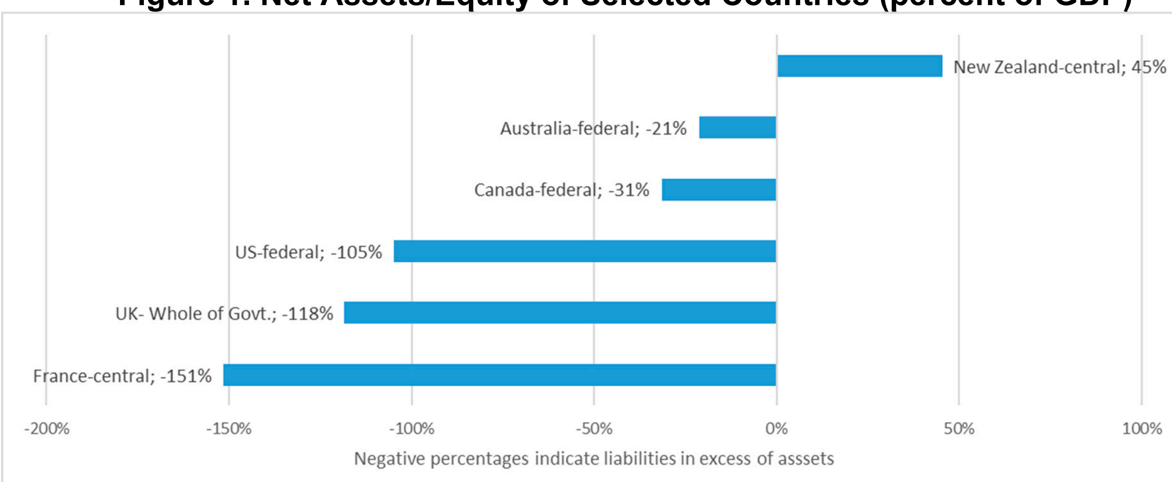
[3] A. Khan and F. van Schaik (March 2018): *Update on Progress Towards Adoption of Accrual Accounting and International Standards*

financial position. The term net assets is defined as the difference between total assets and total liabilities of the reporting entity. In the case of a business entity, a negative net assets position would usually be considered to indicate potentially serious financial difficulties and concerns would be raised about whether the entity would be able to carry on its business as a going concern. The authorities are concerned that any negative net assets for the government might be considered in a similar light by, among others, the parliament and the citizens. This is an understandable concern and is not uncommon among countries moving to accrual accounting.

8. A sound communication strategy would be necessary to manage this issue and limit the possible adverse reactions or criticisms.

- In particular, the MoFED and AG could develop key messages and explanatory materials that would facilitate a proper appreciation of what any negative net assets position means in the government context. In particular, it could be explained that governments, unlike the private sector, have the sovereign power of taxation and therefore do not face bankruptcy.
- Reference could be made to international experience. Mauritius is not unique in having a negative net assets position. In fact, it is quite common even among the richest countries (see Figure 1):

Figure 1. Net Assets/Equity of Selected Countries (percent of GDP)



Source: Net assets/equity - Government financial statements; GDP - https://unstats.un.org/unsd/snaama/Index

While this is not a ground for complacency, the international experience could be used to demonstrate that other government have negative net assets and regularly disclose these in their financial statements

- This could also be turned into an opportunity to consider policy measures that the government has taken or intends to take to, over time, improve the net assets position.

- The MoF could indicate that the government had identified this issue some time ago and that policy measures have already been taken in respect of liabilities for employee pensions, one of the main reasons for a negative net assets position. This was when the government introduced the defined contribution pension arrangements for employees joining after January 1, 2013. This has led to the growth of defined benefit liabilities being contained and, over time, will lead to an improvement in the negative net assets position and, more broadly, of the public finances.

B. Consolidated Fund

9. **A related concern is that the financial statements prepared in accordance with IPSAS could show a negative balance of the consolidated fund.** According to the Constitution the consolidated fund is a cash concept and all cash receipts and payments—be they related to revenues, expenses, acquisition of assets, or proceeds or repayments of debt—should be reflected in the consolidated fund. Any withdrawal from the consolidated fund—except to meet expenditure that is charged upon the consolidated fund by the Constitution or by any other law in force in Mauritius—requires an appropriation law or supplementary estimates duly approved by the assembly. On this basis, the preparation of financial statements on an accrual basis and the liabilities (e.g., for pensions) and assets reported on an accrual basis should not affect the balance of the consolidated fund.

10. **However, the government adopted presentation of the consolidated fund in the financial statements as inclusive of the assets and liabilities of the government.** The government has been reporting some assets and liabilities (e.g., short-term debt) in its financial statements prior to the commencement of the reform to adopt full accrual basis according to IPSAS. The acceptability of this presentation was confirmed through a legal opinion from the solicitor general in connection with the 2016 mission that stated that the authorities "may consider having an adjusted Consolidated Fund, for accounting purposes, to reflect the assets and liabilities of Government." The Treasury prepared a reconciliation of the amount reported as "Accumulated deficit in the Consolidated Fund" as at 30 June 2015 and 31 December 2014, into cash and bank balances and other assets and liabilities (e.g., debt, advances, investments, and accrued interest).

11. **This presentation led to the consolidated fund showing a negative balance prior to the commencement of the reform to implement accrual-basis IPSAS.** According to the financial statements for the year ended June 30, 2016, the consolidated fund showed a negative balance as at June 30, 2016—prior to the move to full accrual accounting and IPSAS. It was restated as a positive balance after recognizing property plant and equipment and long-term debt as part of the progressive implementation the accrual reform.

12. **The presentation of the consolidated fund should be discussed further at the level of the steering committee**. A recent legal opinion has confirmed that the consolidated fund is fundamentally a cash concept and comprise cash, investments and deposits. Accordingly,

liabilities (e.g., for pensions) and non-cash assets (e.g., property, plant and equipment, including land) should be excluded from the consolidated fund. This would avoid the consolidated fund being impacted by the accrual reform and allay any concerns about possible adverse reactions and criticisms that could arise from the financial statements showing a negative consolidated fund balance. Under such an approach, the financial statements would show the consolidated fund, special funds, revaluation reserve, accumulated surplus/deficit, and any other component of net assets/equity as required or permitted by IPSAS.

C. Contingent liabilities

13. There are some concerns that the disclosures about contingent liabilities as required by IPSAS might be in the nature of self-fulfilling prophecies. This relates particularly to the requirement to disclose information about legal disputes that may or may not lead to the government having to make payments to a third party in accordance with the judgment of the court. The concern is that such disclosures would be regarded by the readers as acceptance of liabilities by the government.

14. IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* requires disclosure of contingent liabilities where it is not considered probable that payments or other outflow of resources would be required. Where it is considered more likely than not that payments or other outflow of resources would be required, a provision would need to be made subject to the ability to measure reliably any such amount. Where the possibility of any payments or other outflow of resources is considered remote, disclosure is not required.

15. This concern can be addressed by a careful drafting of the notes disclosing contingent liabilities. Examples of disclosure notes from New Zealand and UK governments' financial statements are provided in Boxes 1 and 2. It should be noted that the New Zealand government discloses the maximum potential cost and makes it clear that this disclosure "does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown." Both governments avoid providing any sensitive or specific information that could be used by litigants or other parties. Mauritius could adopt such an approach and avoid the risks discussed above.

Box 1. Disclosure contingent liabilities related to legal proceeding and disputes – New Zealand

The amounts under quantifiable contingent liabilities for legal proceedings and disputes are shown exclusive of any interest and costs that may be claimed if these cases were decided against the Crown. The amount shown is the maximum potential cost; it does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown.

	Note	Actual 30 June 2018 $m	30 June 2017 $m
Legal tax proceedings	i	146	145
Kiwifruit vine disease Psa-V	ii	94	93
Customs legal dispute	iii	37	78
Ministry of Education - Contractual disputes	iv	24	-
Other legal proceedings and disputes		31	17
Total legal proceedings and disputes		**332**	**333**

i. Legal tax proceedings

When a taxpayer disagrees with an assessment issued following the dispute process, the taxpayer may challenge that decision by filing proceedings with the Taxation Review Authority or the High Court. This contingent liability represents the maximum liability Inland Revenue has in respect of these cases.

ii. Kiwifruit vine disease Psa-V

A post-harvest operator has filed a claim against the Ministry for Primary Industries alleging it is liable for damages they suffered from the kiwifruit vine disease, Psa-V. This plaintiff filed a notice of particulars of loss in September 2016, which quantifies its loss as $93 million. The Ministry defended the claim. On 27 June 2018 the High Court found that the Ministry did not owe a duty of care to Seeka. Strathboss and Seeka filed a cross-appeal on 7 August 2018.

iii. Customs legal dispute

Customs assesses duty payable by taxpayers. Taxpayers may apply for refunds, drawbacks or remission of duty or may challenge the amount of duty assessed. Parties may challenge assessments or refusal of refund applications in the Customs Appeal Authority. The liability is shown as the maximum liability the Crown faces.

iv. Ministry of Education – Contractual disputes

Legal proceedings and disputes represent the amounts claimed by plaintiffs in relation to the performance of the Ministry of Education’s statutory role.

Source: Financial Statements of the Government of New Zealand 2017/18

Box 2. Disclosure contingent liabilities related to legal proceeding and disputes – United Kingdom		
Contingent Liability	**2016/17 GBP billion**	**2015/16 GBP billion**
Department of Health The Department of Health is the actual or potential defendant in a number of actions regarding alleged clinical negligence. In some cases, costs have been provided for or otherwise charged to the Department's accounts. In other cases, there is a large degree of uncertainty as to the department's liability and amounts involved.	35.3	25.6
HMRC HMRC is engaged in a number of legal and other disputes which can result in claims by taxpayers against HMRC. This covers a range of cases, including Corporation Tax and VAT.	18.7	49.1
There was a large decrease in contingent liabilities for HMRC, £18.7 billion in 2016-17 (2015-16: £49.1 billion). This is due to revisions of estimates for cases currently in litigation, reduced likelihood of payment for certain cases and cessation of litigation action. Further information on liabilities arising from clinical negligence and taxes subject to challenge can be found in Note 22 on provisions. In addition, Chapter 1 provides trend information on the government's exposure to quantifiable contingent liabilities.		

16. Existing financial statements disclose guarantees. However, the information provided would need to be supplemented to comply with IPSAS 19 as discussed in section VI *Budgetary Central Government*. Where the guarantees are for PS entities, these contingent liabilities will have to be replaced by the actual liability that would need to be recognized on the consolidated statement of financial position.

D. Vacation leave

17. The authorities sought advice on the reporting of accrued vacation leave. Employees are entitled to 25-35 days of annual leave based on length of service . They can accumulate such leave entitlements up to a maximum of 210 days. At the time of retirement, they may elect to receive payment for this accrued leave or take fully paid leave prior to retirement.

18. Accrued vacation leave entitlements are liabilities of the government for services provided by the employees and should be recognized as an expense and liability. The concern is that in some cases, particularly statutory authorities and state-owned enterprises (SOEs) these liabilities might be material and, among other things, might lead to qualified audit report about whether an entity is a going concern. While this is an understandable concern, one of the benefits of the adoption of accrual accounting and IPSAS is to highlight issues such as these so that their implications might be considered carefully and, where applicable, appropriate policy measures identified to address the issues over time. At the government at a whole level, this is a subset of the negative net assets issue discussed above.

E. Islets and other assets

19. There are some concerns that the financial statements would focus on recognition of liabilities but that all assets would not be recognized. In particular, the islets owned by the government were mentioned as assets that might not be recognized. However, the financial statements for 2017/18, in fact, include the islets valued at MUR 5.3 billion, out of total land valued at MUR 306.8 billion. These represent all islets valued by the Government Valuation Department. There was some discussion about whether there might be some more islets that could be included in the financial statement's assets. This can be investigated further and any such islets—if they satisfy the definition and recognition criteria of assets according to IPSAS 17, *Property Plant and Equipment*—could be included in future financial statements.

20. There is also a concern that the financial statements would include debt liabilities but not the assets that might have been built using the borrowed funds. This appears to relate to borrowings by the government that financed the building of assets that are controlled by SOEs. The example of the Mauritius airport was mentioned. However, it should be appreciated that the financial statements of the budgetary central government can only reflect the assets and liabilities of that entity. If the BCG borrows money to build an asset but does not control it, it cannot be included in BCG's financial statements. If the amount was lent to the SOE that controls the asset, this would be reflected in the BCG financial statements as financial assets (loan). If the BCG provided the funding as a grant to the SOE, this will be treated as an expense and not an asset. The SOE that controls the assets would include the asset, any corresponding liability to the BCG, and any corresponding grants received in its financial statements. However, this issue would be resolved when consolidated financial statements for the public sector are prepared that would report all the assets (including the airport) and liabilities (including the debt that financed the building of the airport) of public sector.

F. Compliance with IPSAS

21. One of the common themes of the authorities' concerns is that IPSAS would require the recognition of all liabilities but not all assets. This would lead to the financial statements presenting an inaccurate, incomplete, or distorted view of the government's financial position. These concerns have led to suggestions that the government should reappraise its decision to adopt accrual accounting and IPSAS and consider implementing a framework based on some kind of "modified" IPSAS basis. Under such a framework, certain major liabilities (e.g., pensions) might not be recognized and reported as required under IPSAS and perhaps some items might be recognized as assets even if they did not meet the definitions and recognition criteria for assets specified in the IPSAS. This selective application of IPSAS would continue until the government is satisfied that it should move to implement IPSAS without such modifications.

22. This approach of selective application of IPSAS is not necessary and might carry its own risks. The above discussion on the specific concerns indicate that these concerns can be addressed or managed. Issue that might potentially provoke adverse reactions can be addressed by a well-thought-out communication strategy and might provide opportunities for considering appropriate policy measures to improve the situation (e.g., in the case of possible negative assets position). Some of the concerns can be addressed through appropriate financial reporting of specific items (e.g., consolidated fund and contingent liabilities). Therefore, an approach involving selective application of IPSAS would appear to be not warranted. Furthermore, adopting such an approach could lead to the credibility and neutrality of the financial statements being questioned. This could, in turn, lead to adverse comments and criticisms that the authorities are concerned about and wish to avoid. Finally, the financial statements that excluded material liabilities or recognized material items as assets that did not meet the definition and recognition criteria of assets would fail to provide a fair presentation of the government's financial position as is required by the Finance and Audit Act.

G. Summary of recommendations

It is recommended that the authorities:

- ***Develop and implement a communication strategy*** that addresses potential adverse reactions to, and criticisms of, IPSAS-based financial statements and incorporate as part of the overall communication strategy recommended in section VIII (MoFED; September 2019);
- ***Adopt presentation of consolidated fund reflecting its cash nature*** as per the Constitution and the latest legal advice; (AG, commencing 2018/19 financial statements);
- ***Present net assets/equity classified as***: consolidated fund, special funds, asset revaluation reserve, and accumulated surplus/deficit.

IV. IT SYSTEMS

A. Secondary ledger (Accrual-based)

23. Mauritius will continue with the existing mostly cash-based budgeting system while preparing financial statements on an accrual basis. It was decided during the mission of 2016 that the dual ledger functionality of TAS should be used to meet the requirements of data on both a cash and accrual basis. The existing primary ledger would continue on the budget basis while the secondary ledger will be operated on an accrual basis. Items would be posted only once but would generate the appropriate entries in the two ledgers.

24. The secondary ledger to support accrual accounting is not yet ready. Although the secondary ledger of the Treasury Accounting System (TAS) is being used in the production environment, the data in this ledger and the functionality of this ledger are not yet fully tested to provide assurance that the system can be used to generate reliable information for the preparation of accrual-based financial statements. Necessary reports including the key financial statements and supporting notes have not yet been developed. At the mission's request an effort was made to generate one report using the financial statement generator functionality, but this only demonstrated that significant work remains to be done to complete the testing and assure the quality of the data in the secondary ledger.

25. The trial balances generated by the primary and secondary ledgers also showed significant differences. It was clear that the balances at the date of the trial balances would not match since the primary ledger had data from July 1, 2018 onwards while the secondary ledger had data only from February 12, 2019. However, even the data posted during the month of March, which should be identical in the two ledgers according to the officials, did not agree.

26. Investigations indicated that there were some explanations for the differences between the trial balances. At the request of the mission, the official carried out further investigations to explain the differences:

i. ***a major cause of the differences was that there was a time lag between the posting of the invoices in the primary and secondary ledgers.*** The invoice was first posted in the secondary ledger as an expenditure and a liability, as is the case under routine accrual accounting. At this stage the primary ledger did not show any expenditure or liability. Therefore, any trial balance at this stage would show more expenditure in the secondary ledger and less in the primary ledger. However, as part of the budgetary controls the system also separately records the invoice as an expenditure and encumbrance at the same time as it is posted to the secondary ledger. On investigation, the officials found that the differences in expenditure accounts between the primary and secondary ledgers matched the amounts shown on the encumbrance ledger.

ii. ***another factor that caused opening balances of cash and bank to be different appears to have been a system issue.*** The secondary ledger was not initially posting the expenditures and also not posting the payment to clear the liabilities. This meant that secondary ledger showed more cash balances than the primary ledger. The officials confirmed that this issue has been resolved.

27. The work on finalizing the secondary ledger should be accelerated to ensure that the system is ready for live and reliable operations from July 1, 2019. It was noticeable that in a matter of a few days during the mission, the officials could investigate and explain the reasons for some significant differences. Necessary resources should be dedicated to conduct testing in accordance with a formal test plan and the test results documented. The necessary financials statements and related reports should be developed using the financial statement generator function and tested extensively. It should be noted that using the financial statement generator does not require technical IT or Oracle expertise. It would be more helpful if the officials developing the reports have an understanding of the primary and secondary ledgers' functions and accounting skills, including an understanding of the accrual financial statements and the chart of accounts used by the primary and secondary ledgers. Strong system administration discipline would be required to control the development of the reports and once the reports are approved, access to the system to modify the reports should be tightly controlled.

28. The issue of whether the secondary ledger would be operated on an accrual basis throughout the year or just to make accrual adjustments at year-end should be decided well before July 1, 2019. In the first case the secondary ledger will operate as an accrual-based transaction processing system throughout the year and would be used to generate accrual financial statements. Under the second option, the secondary ledger will effectively operate as a cash-based ledger with adjustments made at year-end to convert the ledger to contain accrual information to enable the preparation of accrual financial statements.

29. Some senior officials were concerned that the first option would require significant additional work compared to current practice. They were particularly concerned that the processing of invoices as they are received to recognize a liability (accounts payable) would require extra work as they believed that currently this step is not undertaken, and invoices are posted just before payment as one exercise. It was also believed that processing the invoices on this basis would require access to the secondary ledger being given to the ministries and this was considered risky. On further investigation, it was found that the current practice, in fact, is to post invoices first and the payments are made a little later. The invoices record an expenditure and encumbrance in encumbrance ledger used for budgetary control purposes, does not record anything in the primary ledger, and records an expenditure and liability in the secondary ledger. At the stage the encumbrance system and the secondary ledger show comparable information. Once the payments are made the encumbrances and the liabilities are cleared and the primary ledger records the expenditure and the payment. Therefore, at this stage the primary and secondary ledger show comparable data. It was also noted that these processes do not require access to the secondary ledger to be given to the ministries.

30. The secondary ledger should be operated on an accrual basis to the extent practicable. A review and discussion of the assets and liabilities shown on the statement of financial position of the BCG (See Figure 2) illustrated that, with a few exceptions, the secondary ledger would operate on an accrual basis without any additional work being required. Thus, among assets, cash and bank balances, loans and advances, investments, property, plant and equipment, and IMF SDR deposits, and IMF Reserve Tranche position would be accounted for as assets and the related transactions would increase or decrease these asset balances. Similarly, among liabilities, deposits, debt, IMF and accounts payable would be accounted for on an accrual basis. This implies that only a few items including inventories, pension liability (to be recognized in 2018/19) and a few other lower value assets and liabilities would continue to be accounted for on a cash basis throughout the year and adjustments would be made on the basis of information in returns or other documents at the year-end to determine the amounts to be reported in the financial statements. Concerns about extra work to do accrual accounting therefore do not appear to be warranted by facts and a decision should be made to proceed with accrual accounting in the secondary ledger.

Figure 2. Government of Mauritius – Statement of Financial Position as at 30 June 2018

THE ACCOUNTS OF THE GOVERNMENT OF THE REPUBLIC OF MAURITIUS JUNE 2018

STATEMENT A

Statement of Financial Position as at 30 June 2018

	Notes	30 June 2018 Rs	30 June 2017 (Restated) Rs
ASSETS			
Cash and Bank Balances	3	14,551,829,955	25,841,671,079
Loans and Advances	4	13,547,220,135	14,455,467,432
Investments	5	23,410,851,727	22,091,490,633
Inventories	6	1,392,108,933	1,602,567,167
Property, Plant and Equipment	7	364,244,281,920	360,243,661,508
Intangible Assets	8	922,821,681	954,926,970
IMF -SDR Deposits	9	3,443,521,549	3,398,762,179
IMF -Reserve Tranche Position	9	1,031,052,667	1,205,639,372
Other Assets	10	58,892,899	96,984,937
Total Assets		**422,602,581,466**	**429,891,171,277**
LIABILITIES			
Deposits and Deferred Income	11	3,027,352,836	2,171,841,166
Government Debt	12	261,419,217,893	256,668,767,016
IMF -SDR Allocations	9	4,700,954,904	4,639,851,241
Other Liabilities	13	6,522,402,640	6,565,782,512
Total Liabilities		**275,669,928,273**	**270,046,241,935**
Net Assets		**146,932,653,193**	**159,844,929,342**
NET ASSETS/EQUITY			
Special Funds	14	4,344,719,452	7,739,909,510
Consolidated Fund	15	142,587,933,741	152,105,019,832
		146,932,653,193	**159,844,929,342**

28 December 2018

C. ROMOOAH
Accountant-General

1 TREASURY

B. Fixed Asset register

31. The fixed assets register module of the Oracle Financial system has been tested and is functionally operational. The asset register can be updated directly when an invoice is processed through the accounts payable system. It can also be updated by manually entering the information (e.g., ablate out backlog of assets). The system can calculate depreciation. An issue with failure to calculate depreciation where the asset is not paid for has been resolved.

32. A major issue with updating the asset register is that ministries, departments, and agencies of the BCG are not processing the information in the asset register in a timely manner. This applies to both back log of asset and current purchases of assets. The AG has provided templates to MDAs to provide the information, but so far compliance has been disappointing. The AG intends to set up roving teams who would visit MDAs and complete the templates that would be used to update the register.

33. The failure to enter details of assets purchased during the year is potentially creating another issue of concern. Assets purchased are initially posted by the system to asset clearing accounts. When the details of the assets are entered into the register, the amounts are transferred from the clearing accounts and posted to the appropriate asset accounts in the secondary ledger. It is important that this is done regularly and in a timely manner. Otherwise the asset clearing accounts will simply accumulate. This would imply that financial statements could not be prepared directly from the trial balances and the asset register would not provide up-to-date information about the government assets. It would also imply that a critical control feature of the system—reconciliation of the secondary ledger asset balances with the asset register—would not be effective.

34. The AG plans to update the asset register with the backlog of asset. The financial statements of 2017/18 indicate that of the total assets before depreciation of MUR 387.2 billion, MUR 306.7 billion or nearly 80 percent is accounted for by land. The AG has received a compact disc (CD) with the details of the land from the valuation department and intend to load the data into the register by June 2019. Buildings (MUR 27.8 billion or 7 percent of total assets) are also planned to be entered into the register by June 2019. The remaining assets include infrastructure assets and many smaller value moveable items. These will take some time—the AG plans to complete by 2022/23.

C. Summary of recommendations

It is recommended that the authorities:

- ***Devote resources and accelerate testing of the secondary ledger*** according to formal test plan and document, review, and approve test results; (AG by June 15, 2019)

- ***Develop, review, test, and approve key financial statements and supporting notes*** through the system using, among others, financial statement generator; (AG by June 15, 2019)
- ***Restrict access to approved reports*** and strictly control any amendment to such reports (AG by June 15, 2019)
- ***Process transactions on an accrual basis in the secondary ledger*** for all items other than pension liability, inventories, and any other low value items that might be considered appropriate (AG commencing July1, 2019)
- ***Post backlog of assets according to timetable*** (AG, ministries, by land and buildings by June 2019; others June 2023)

V. REVENUE REPORTING

A. Revenue recognition

35. Government revenues can arise from exchange and non-exchange transactions. Exchange revenues arise from transactions in which the transacting parties exchange approximately equal value. Most revenues in the private sector arise from exchange transactions. Interest, dividends, and sales of goods and services at market prices are examples of exchange transactions. Non-exchange revenues arise when the parties to the transactions do not receive and provide equal value. In such transactions one party to a transaction receives value without providing an equivalent value to the other party in return. Taxation revenues are an example of non-exchange transaction. Taxpayers pay taxes because the tax laws of the country require them to do so and do not necessarily receive an equal value in goods and services from the government for the taxes paid.

36. Financial reporting of exchange revenues on an accrual basis does not present significant complexities. For example, revenues from the sales of goods and services would be recognized when the seller completes the transfer to the purchaser of the significant risks and rewards of ownership of the goods or the provision of services. Similarly, interest revenue would be recognized on a time proportion basis that takes into account the effective yield on the asset[4], and dividends are recognized when the government's right to receive the distribution is established. Revenues should be recognized only when it is considered probable that economic benefits would flow to the government and when the amounts can be measured reliably. Any revenues not received in cash by the accounting date are shown as accounts receivable. Receivables need to be reviewed for collectability, bad debts written off and provisions made for any debts where recovery is considered doubtful. The authorities are familiar with accounting for

[4] The effective yield on an asset is the rate of interest required to discount the stream of future cash receipts expected over the life of the asset to equate to the initial carrying amount of the asset (IPSAS 9 *Revenue from Exchange Transactions*, paragraph 35).

non-exchange revenues on an accrual basis, and this subject is not discussed further in this report.

37. The recognition and reporting of non-exchange revenues particularly taxation revenue on an accrual basis can be more complex. Laws and regulations usually establish the right of a government to collect taxes—the most common form of non-exchange of revenues—and set out the basis of the tax and the administration procedures to assess and collect taxes. The main complexities relate to the issues of when a government can recognize taxes as revenue and how to measure the amounts reliably. This is because the underlying economic event (e.g., the earning of profits by corporations) that gives rise to taxation revenue may not always be known and the amounts to be recognized as revenues and receivables may not be capable of being measured reliably when financial statements are prepared. These matters have been and continue to be debated. The arguments range from: (i) taxes should only be recognized when cash is received to (ii) the government's sovereign power of taxation itself is an asset that should be recognized in the financial statements. These views are not supported by standards setters, particularly the IPSAS Board. These types of reporting would be inconsistent with accrual accounting and financial statements prepared on such a basis would not fairly present public finances.

38. Taxation revenues should be recognized when a taxable event has occurred, it is probable that economic benefits will flow to the government, and the amounts can be measured reliably. According to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers*) an asset (receivable) should be recognized when the taxable event occurs, as determined by government, legislature, or other authority. In the case of income taxes for example, the taxable event is the earning of income by the taxpayer in the tax period (see Table 2).

Table 2. Recognition of Tax Revenue on an Accrual Basis

Revenue type	**Taxable event**
Income tax	The earning of assessable income during the taxation period by the taxpayer.
Value added tax	The undertaking of taxable activity during the taxation period by the taxpayer.
Goods and services tax	The purchase or sale of taxable goods and services during the taxation period.
Customs duty	The movement of dutiable goods or services across the customs boundary.
Property tax	The passing of the date on which the tax is levied, or the period for which the tax is levied if the tax is levied on a periodic basis.

Source: IPSAS standards

39. Mauritius' non-exchange revenues are dominated by four major types of tax revenues. Value-added tax, excise duties, corporate tax, and personal income tax account for most (90 percent) of the tax revenues (Figure 3 and Figure 4). The options and methodology for recognition and reporting of these four major types of taxation revenues on an accrual basis according to the principles set out above are discussed in the following sections. Any follow–up assistance on recognition and reporting of tax revenues could be provided through AFS and short terms experts.

Figure 3. Tax Revenues 2016-17 raised by Mauritius Revenue Authority (percent of GDP)

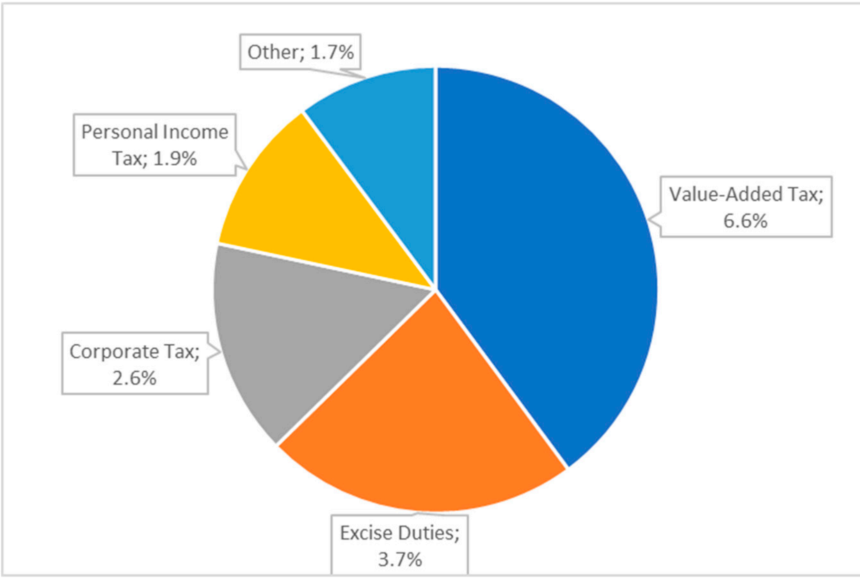
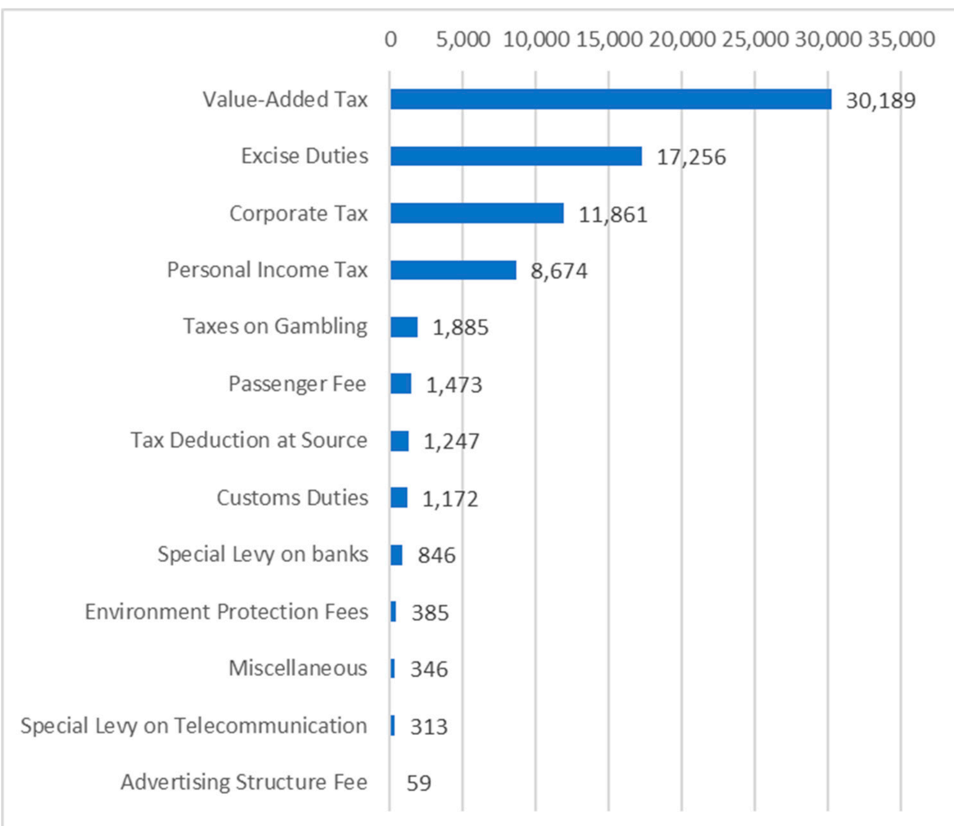


Figure 4: Tax revenues 2016-17 raised by Mauritius Revenue Authority (MUR million)



Value added tax

40. **Value added tax (VAT) for a fiscal year must be settled within a month after the year-end.** VAT is chargeable at 15 percent on all taxable supplies of goods and services and on the importation of goods into Mauritius, irrespective of whether the importer is a taxable person or not. VAT returns are required to be submitted monthly within 30 days of the month and any VAT payable must be paid at the same time.[5] The final return for a fiscal year is required to be submitted within a month after year-end.

41. **Accrued VAT should be recognized based on the annual settlement data.** The authorities should use the VAT settlement data as the basis for estimating the accrued VAT as at the accounting date. The final amount of the VAT due for fiscal year less instalments paid during the year will be settled by the taxpayers within a month after year-end. These amounts should be recognized as receivables and revenues, and in conjunction with the amounts received for the previous 11 months, would constitute the total revenue to be recognized for the fiscal year. If additional information is available that provides a more reliable estimate in certain cases, such information should also be used.

B. Excise duties

42. **Excise duties are payable when imported goods are cleared from Customs.** Local manufacturers also pay customs duty when goods clearance is given for the goods to leave the factory. In both these cases these taxes are payable as they accrue. Therefore, there are no receivables and the revenues are the same whether recognized on a cash or an accrual basis.

C. Corporate tax

43. **Corporate profit taxes for a year are paid in full within six months of the end of the accounting year of the taxpayer.** Taxpayers pay quarterly instalments of 25 percent of the previous year's tax charge by the end of the next quarter. The taxpayer submits a tax return showing the full year's tax liability within six months after the accounting date, deducts the instalments paid and pays any balance due at the same time.

44. **Accrued corporate profit taxes should be recognized based on tax returns and estimates made by the Mauritius Revenue Authority.** The BCG financial statements have to be prepared and submitted for audit within six months after the fiscal year (December 31). As corporations have different accounting dates it is probable that in some cases accrued taxed would be capable of being arrived at using the tax returns. However, there would be cases where the tax returns would not be available when the accrued tax amounts have to be estimated and reported by Mauritius Revenue Authority to the MoFED and the Treasury for the preparation of the BCG financial statements. Policies, procedures, and systems would need to be developed to

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[5] Some VAT is paid quarterly, but these usually do not involve significant amounts.

arrive at reliable measures of the revenue and receivables to be recognized based on, among other things, past history and projections made by Mauritius Revenue Authority in consultation with MoFED. If accrual estimates are not considered reliable, these amounts should not be recognized in the financial statements.

D. Adjustments to tax liability

45. Adjustments arising from resolution of disputes and tax inspections and audits should be recognized as the final tax liabilities are determined. In some cases, the final tax liabilities for a particular fiscal year might only become known significantly later than when the financial statements for that year would need to be prepared. This is because there might be disputes and tax inspections and audits might identify additional taxes payable compared to the amounts shown on tax returns. Any adjustments arising from such dispute resolution, inspections, and audits should be regarded as part of the revisions of estimates used in preparing financial statements. Financial statements include estimated amounts as standard practice and this does not undermine their reliability. According to IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* any revision to such an estimate does not relate to prior periods and is not the correction of an error. Therefore, adjustments arising from dispute resolution, inspections and audits should be recognized in the year the final liability is determined by the tax authorities and agreed by the taxpayers.

E. Disclosure in financial statements

46. Financial statements should provide analysis of taxes and other non-exchange revenues and disclose the accounting policy for the recognition and reporting of revenues. For major classes of revenues, the basis for recognition and measurement should be disclosed and any revenue classes that cannot be measured reliably should be described (See Box 3). The financial statements should also disclose either on the face of, or in the notes, the major classes of taxes and other non-exchange revenues and the related receivables. Reference should be made to IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers*) for the full disclosure requirements.

Box 3. Illustrative Accounting Policy for Taxation Revenue

Taxation revenue is recognized when a taxable event has occurred, it is probable that the economic benefits from the taxable event will flow to the government, and the revenue can be measured reliably. Where the recoverability of the revenue is subject to significant uncertainty, no revenue is recognized. Material taxes and duties are accounted for on an accrual basis. The amounts recognized in the financial statements can be different from the final amounts agreed as due from the taxpayer, based on tax inspections and audits. However, this information may not be available for several years subsequent to the accounting year. Any necessary adjustments arising from such final agreements are recognized as a change in accounting estimate in the year the final amounts are agreed. The taxation events for the material tax steams are as follows:

Revenue Type	Revenue Recognition Point
Value added tax	The undertaking of taxable activity during the taxation period by the taxpayer
Excise and customs duty	The movement of dutiable goods or services across the customs boundary
Corporate tax	The earning of assessable profit during the taxation period by the taxpayer
Personal income tax	The earning of assessable income during the taxation period by the taxpayer

Value added taxes are recognized on an accrual basis based on the VAT returns. Any amounts received in advance are treated as a liability. The final returns are submitted and the full amounts due for the year are settled by the end of July—one month after the end of the fiscal year—but before these financial statements are finalized. The amounts recognized as revenue is based on the final returns. Any receivables at the accounting date (June 30) are usually settled by the time the financial statements are finalized.

Excise and customs duties are recognized at the time of the clearance of imported goods and manufactured goods and are received in cash in full at that time.

Corporate profit taxes are recognized on accrual basis based on estimates made by the Mauritius Revenue Authority. Tax payers pay corporate taxes in advance in quarterly instalments based on 25 percent of the amount of tax payable related to the previous year. The final returns are submitted and final amounts due are paid six months after the accounting date of the taxpayer. The estimates of total tax revenue and any receivables are made based on past experience and projections and judgment of the Mauritius Revenue Authority. Receivables are not recognized if they cannot be measured reliably.

Personal income taxes are recognized on accrual basis based on returns of the taxpayers. Taxes are collected monthly on pay as you earn (PAYE) basis and any adjustments are made based on returns received by September 30. Adjustments are usually not significant.

F. Summary of recommendations

It is recommended that the authorities:

- ***Adopt formally the accounting policies in respect of tax revenues*** along the lines set out in Box 3 of this report (MoFED, AG by September 2019);
- ***Develop detailed policies, procedures, and systems to measure or estimate revenues and receivables to be reported in financial statements*** according to approved accounting policies; (Revenue raising entities; MoFED, AG by March 2020);
- ***Disclose in the financial statements the accounting policy on tax revenue*** and provide analysis of total tax and other non-exchange revenues (Revenue raising entities, MoFED, AG commencing with 2020/21 financial statements);
- ***Recognize revenues on an accrual basis*** in accordance with the specified accounting policies and methodologies (Revenue raising entities, commencing with the 2020/21 financial statements).

VI. BUDGETARY CENTRAL GOVERNMENT – STATUS AND ISSUES

47. There is a need to review the status of the accounting practices currently followed by Budgetary Central Government and identify the gaps between the existing practices of the Government of Mauritius and the requirements under IPSAS. The authorities plan to make gradual progress over the coming years in addressing these gaps with the aim to achieve compliance with IPSAS by 2022/23.

General Information about the Entity

48. GoM's financial statements do not include the general information about the entity as required by IPSAS. IPSAS financial statements should include the following information about the reporting entity: domicile and legal form of the entity, the jurisdiction within which it operates, a description of the nature of the entity's operations and principal activities, and reference to the relevant legislation governing the entity's operations.

Presentation of Budget Information in the Financial Statements

49. The financial statements of Budgetary Central Government include two comparisons of budget and actual amounts, one (statement AE) with a classification of expenses by function, the other (statement AF) with a classification of expenses by nature. The two comparisons show identical revenues (on cash basis) and identical surplus/(deficit) figures. The mission recommends amending the Finance and Audit Act to prescribe using the IPSAS terminology, i.e. 'Comparison of Budget and Actual Amounts', rather than 'Statement of Comparison of Budget Estimates and Actual Amounts'. Both comparisons include a column showing the original budget, as approved by the National Assembly, and a column labeled 'Total

Provisions after Supplementary Appropriation and Virement'. The mission recommends using the IPSAS terminology 'Final Budget' for the latter.

50. The financial statements do not include a note disclosure explaining the budgetary basis adopted in the approved budget. IPSAS 24, paragraph 39, requires such a disclosure. Budgetary basis means 'the accrual, cash, or other basis of accounting adopted in the budget that has been approved by the legislative body' (IPSAS 24, paragraph 7). IPSAS requires the actual amounts in the Comparison of Budget and Actual Amounts to be presented on a comparable basis to the budget. Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same entities, and for the same period as the approved budget. (IPSAS 24, paragraph 7).

51. According to the authorities, the actual amounts in the comparison of budget and actual amounts are prepared on the cash basis except for advances, finance costs, loans and deposits, which are accounted for on an accrual basis, and carry-over of capital expenditure, which is accounted for on an 'appropriation basis'. This 'appropriation basis' is prescribed in Finance and Audit Act 2017, article 3A: 'Where an amount has been appropriated by the National Assembly for the purpose included in an item of capital expenditure for a fiscal year and the amount earmarked for a project has not already been fully incurred or reallocated to any other item of capital expenditure at the end of that fiscal year, the balance of the provision earmarked for that project may be carried over to a period not exceeding 3 months in the following fiscal year without the necessity for further appropriation by the National Assembly but shall be subject to such limitations and conditions as may be specified in financial instructions issued under section 22.'

52. The financial statements do not include a note disclosure explaining the classification basis adopted in the approved budget. IPSAS 24, paragraph 39, requires such a disclosure. The classification basis might for example be described as "an economic classification in accordance with GFSM 2014" or "a functional classification in accordance with the Classification of Functions of Government (COFOG).

53. The financial statements include a note disclosure (Note 2.2) identifying the entities included in the accounts, stating: 'The accounts are for the Budgetary Central Government, which includes only Ministries and Government Departments.' IPSAS 24, paragraph 45, requires: 'An entity shall identify in notes to the financial statements the entities included in the approved budget.' Note 2.2 needs to be amended to clarify that transfers to Special Funds are appropriated and included in the budget for the year of payment and included as expenditure in the budget, but that the revenue and expenditure of the Special Funds are not included in the Approved Budget. A Special Fund is a 'fund established for a specific purpose' in accordance with article 103 of the Constitution. Statement H – 'Statement of Special Funds deposited with the Accountant-General' lists the following Special Funds as per June 30, 2018:

- Build Mauritius Fund;

- Curatelle Fund;
- Morris Legacy Fund;
- National Resilience Fund;
- Prime Minister's Relief Fund; and
- National Environment Fund.

54. The financial statements do not include a reconciliation of the actual amounts in the comparison of budget and actual amounts (budget execution statement) and the cash flow statement, as required by IPSAS 24, paragraph 47. This reconciliation aims to clarify to the users of the financial statements any differences that may arise between receipts, payments and surplus/deficit according to the cash flow statement and receipts, payments and surplus/deficit according to the budget execution statement. The mission demonstrated to the Accountant-General's staff how to prepare such a reconciliation.

55. The financial statements do not include a reconciliation of the actual amounts in the budget execution statement and the statement of financial performance. Although not required by IPSAS, the mission recommends including this reconciliation because the credibility and understandability of the accrual-based financial statements will be enhanced if the users of the financial statements understand why the revenues, expenses and surplus/deficit in the budget execution statement differ from the accrual figures in the statement of financial performance. The Accountant-General's staff have already prepared this reconciliation for the year 2017/18.

Accounts payable

56. GoM recognizes 'Accruals' on its statement of financial position. According to the notes 'Accruals are expenses incurred by the Government during a financial year but not yet paid as at year end.' It is common for financial statements to make a distinction between accruals and accounts payable. Both accruals and accounts payable for goods, services and capital expenditure provide useful information, including for cash and debt management. For the accounts payable information to be dependable, all invoices should be entered into the system immediately after receipt. The IFMIS should be capable of routinely reporting all current accounts payable and providing an aging analysis. A useful disclosure in the notes of the consolidated financial statements would be to indicate the extent to which payment obligations are overdue, if any, and the level and trends of payment arrears[6].

[6] 'Arrears can be defined as outstanding payment obligations that the government has failed to discharge in a reasonable period of time. They can arise on any expenditure item, including wages, debt service payments, transfers, and expenditure on goods and services'. Source: IMF Technical Guidance Note, Commitment Controls, 2009.

Previous period's comparative information and column headings

57. GoM's financial statements do not include all required previous period's comparative information. IPSAS requires that comparative information is disclosed in respect of the previous period for all numerical information in the financial statements, except for the comparison of budget and actual amounts. Comparative information shall be included in narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. This applies for example to Annex to Statement D1 - Consolidated List of Carry-Over of Capital Expenditure and Statement J - Statement of Public Debt.

58. Column headings should display the period (2017-2018 or the year ended June 30, 2018) if the amounts presented are flows or the reporting date (June 30, 2018) if the amounts presented are stocks. This applies for example to 'Annex to Statement D1 - Consolidated List of Carry-Over of Capital Expenditure for the financial year 2017-2018'. The heading of the column in this statement reads 'Amount Carried-over Rs'. This heading should be June 30, 2018 to indicate that this is an amount carried over at a certain date. Another column should be added showing the amounts as per June 30, 2017 for comparative purposes.

Critical accounting judgements and key sources of estimation uncertainty

59. GoM does not disclose critical accounting judgements and key sources of estimation uncertainty. IPSAS 1 requires disclosure of:

- The judgments that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements;
- The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property, plant and equipment

60. GoM presents exceptionally high amounts of land on its statement of financial position. The total value of land recognized as per June 30, 2018 is MUR 306,684,091,654. This equals 66.39% of GDP (2017 GDP[7] is MUR 460,881,000,000). Table 2 demonstrates that this is considerably higher than land recognized by other central governments that implemented accrual accounting.

Table 3. Government Land of Selected Countries (percent of GDP)

Government	Reporting date	Government Land (percent of GDP)
Canada-Federal	June 30, 2018	0.08%
France-Central	June 30, 2018	0.11%

[7] Source: - https://unstats.un.org/unsd/snaama/Index

US-Federal	June 30, 2018	0.12%
Australia-Federal	June 30, 2018	0.67%
New Zealand-Central	June 30, 2018	17.48%
Mauritius-Budgetary Central Government	June 30, 2018	66.39%
South Africa	March 31, 2017	0.31%

GoM should clarify the valuation basis applied in measuring land. Currently, the financial statements merely state: 'land … is recognized at a value estimated by the Government Valuation Department' without specifying which valuation basis the Government Valuation Department applied. The mission recommends revisiting GoM's recognition and measurement policy to verify whether the valuation basis applied by Government Valuation Department is in line with IPSAS and with international best practice.

61. IPSAS 17 allows a choice of accounting model between cost and revaluation model. IPSAS requires a consistent choice for an entire class of PPE but allows different choices for different classes. The cost model may for example be applied to IT equipment, while the revaluation model is applied to road infrastructure. Government entities should analyze by class of PPE which model is most suitable. Under the cost model the asset is carried at cost less accumulated depreciation and impairment losses. Under the revaluation model the asset is carried at revalued amount, which is fair value at revaluation date less subsequent depreciation and impairment losses. Revaluations should be carried out regularly. Revaluation increases are credited directly to a revaluation account in equity. However, the increase should be recognized as revenue in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized as an expense in surplus or deficit. Revaluation decreases are debited first against the revaluation surplus related to the same class of assets, and any excess against surplus or deficit.

Natural heritage assets

62. GoM recognizes considerable amounts of property, plant and equipment (PPE) which appear to be natural heritage assets, such as:

	June 30, 2018 (MUR million)
Parks and Gardens	14,719
National Parks	51,957
Public Beach	14,070
	80,746

The total of these three categories alone amount to 17.5% of GDP. The mission recommends presenting heritage assets as a separate class of assets to clearly indicate the nature of these assets to the users of the financial statements. Revenue generated from heritage assets is normally insignificant compared to the operating costs incurred to maintain and preserve such heritage assets. GoM's financial statements should clarify the valuation bases of the heritage assets. GoM is quite unique in recognizing such large amounts in heritage assets on the statement of financial position. Other countries either do not recognize heritage assets in their financial statements, or only for limited amounts. See Box 4 for accounting policies for heritage assets in selected countries. The Accounting Standards Board (ASB) of South Africa issued Standard of Generally Recognised Accounting Practice (GRAP) 103 - *Heritage Assets*.

Box 4. Accounting policies for heritage assets in selected countries

United States of America - Federal Government – 2016-2017 financial statements

Some heritage assets are used both to remind us of our heritage and for day-to-day operations. These assets are referred to as multi-use heritage assets. One typical example is the White House. The cost of acquisition, betterment, or reconstruction of all multi-use heritage assets is capitalized as general Property, Plant, and Equipment (PP&E) and is depreciated.

For financial reporting purposes, other than multi-use heritage assets, stewardship assets are not recorded as part of PP&E. Stewardship assets consist of public domain land (stewardship land) and heritage assets. Examples of stewardship land include national parks, wildlife refuges, national forests, and other lands of national and historical significance. Heritage assets include national monuments, and historical sites that among other characteristics are of historical, natural, cultural, educational, or artistic significance. Stewardship land and most heritage assets are considered priceless and irreplaceable, and as such they are measured in physical units with no financial value assigned to them.

United Kingdom – Whole of Government Accounts 2016-2017

Heritage assets and community assets are either not capitalised, or included at cost or a token value and are not revalued.

South Africa 2017 financial statements

Heritage assets, which have cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations are shown at cost.

New Zealand 2016-2017 financial statements

Conservation estate (national parks, forest parks, conservation areas, reserves): Valued based on ratable valuations where possible. Land not matched to a ratable valuation was assessed using a calculated average per hectare rate. [In New Zealand the ratable value is the value set by the local authority or council in order to determine rates for a property.]

63. IPSASB is preparing guidance on recognition and measurement of heritage assets. Currently, IPSAS 17 Property, Plant and Equipment does not require or prohibit the recognition of heritage assets. An entity which recognizes heritage assets is required to comply with the disclosure requirements of IPSAS 17 with respect to those heritage assets that have been recognized and may, but is not required to, comply with other requirements of IPSAS 17 in respect of those heritage assets. IPSASB has an active project to improve financial reporting for heritage by public sector entities and to support the comparability of heritage-related information in financial statements, while providing information that users need for accountability and decision making. IPSASB issued a consultation paper 'Financial Reporting for Heritage in the Public Sector' in April 2017 and is currently reviewing responses and preparing a draft pronouncement. There was a wide variety of views from constituents in the area of measurement. Comments included the definition of useful lives for heritage items; impairment considerations; the application of deemed cost if historical cost is not available; the circumstances where items are replaceable and therefore replacement cost might be applicable, but noting that heritage items are likely to be irreplaceable; and finally, when market values for heritage items might be available and applicable. The mission recommends that GoM defers the recognition and measurement of heritage assets until the completion of the project and the issuance of further guidance by IPSASB.

Disclosures about financial instruments

64. GoM does not provide the disclosures about financial instruments required by IPSAS 30 *Financial Instruments: Disclosures*. These disclosures should enable financial statement users to evaluate:

- The significance of financial instruments to an entity's financial position and performance:
    - The entity's financial position - including information about financial assets and financial liabilities by category; special disclosures when the fair value option is used; reclassifications; derecognition; breaches of terms of agreements and offsetting of financial assets and liabilities;
    - The entity's performance in the period, including information about recognized revenues, expenses, gains and losses; interest revenues and expenses; fee income; and impairment losses;
    - Accounting policies; and the fair values of each class of financial asset and financial liability;
- The nature and extent of risks arising from financial instruments:
    - Qualitative information about exposures to each class of risk and how those risks are managed;
    - Quantitative information about exposures to each class of risk, separately for credit risk, market risk (including sensitivity for market risk);
- Special disclosures for concessionary loans.

65. The financial statements do not explain the non-cash increase in public debt. Central government's debt (domestic and external) rises from 256.7 billion MUR to 261.4 billion MUR during the financial year 2017-2018. This is an increase of 4.8 billion MUR. The net cash inflows from financing activities amount to only 4.2 billion MUR. It is important for the users of the financial statements to know whether this non-cash increase in public debt is caused by the 532 million MUR presented as losses on foreign exchange transactions in the statement of financial performance. Another common explanation may be found in third party payments, i.e. foreign lenders paying directly to suppliers of goods and services.

66. The mission recommends providing disclosures that enable users of financial statements to evaluate changes in the government's debt, including both changes arising from cash flows and non-cash changes such as the effect of changes in foreign exchange rates. The best way to do this is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The reconciliation should provide sufficient information to enable users of the financial statements to link items included in this reconciliation to the statement of financial position and the cash flow statement. This disclosure requirement has recently been added to IPSAS 2 Cash Flow Statements (paragraphs 55A-55E) and will be effective as from fiscal year 2019-2020. Note 12 Government Debt provides a separate table for each of the types of government debt. The following table presents total amounts for all government debt and thus allows the user of the financial statements to note the link with the cash flow statement and the statement of financial performance. The amounts issued and redeemed match the amounts in the financing activities in the cash flow statement. The exchange differences are close to the losses on foreign exchange transactions in the Statement AA - Statement of Financial Performance for the financial year 2017-2018.

Reconciliation between Government Debt	
Opening stock at 1 July 2017	256,668,767,016
Issued	82,958,402,529
Redeemed	(78,739,065,090)
Exchange differences	531,113,438
Closing stock at 30 June 2018	261,419,217,893

67. GoM has yet to make necessary amendments so that its government bonds and treasury notes are measures at amortized cost using the effective interest rate method as required by IPSAS. Amortized cost is the amount at which a financial asset or liability is measured at initial recognition, less principal repayments and plus or minus any unamortized original premium or discount. IPSAS 29 requires the amortized cost to be calculated using the effective interest method. The effective interest rate exactly discounts the expected stream of future cash payments or receipts through maturity to the net carrying amount at initial recognition. This rate can be determined using the IRR-function (Internal Rate of Return) in Microsoft Excel. By applying the effective interest rate there is a constant interest rate on the carrying amount. The effective interest rate is the internal rate of return. The following example clarifies the amortized cost using the effective interest rate.

Assumptions:

- Coupon rate of 4%
- Face value of the bond of 100 (redemption amount)
- An initial consideration (actual receipts from issuing the bond) of 110; and
- Duration of 5 years.

The effective interest rate is calculated as 1.89% which is the internal rate of return of a cash inflow of 110, followed by annual cash outflows of 4 and a redemption amount of 100. The carrying amount shown in the table is measured at amortized cost.

Table 4. Amortized Cost Using the Effective Interest Rate Method

Redemption amount (face value):	100
Nominal interest	4
Initial consideration	110

Year	Carrying amount brought forward	Interest expense	Cash flow	Carrying amount carried forward
01-01-2017	Effective interest rate:	1.89%	110	110.00
2017	110.00	2.07	-4	108.07
2018	108.07	2.04	-4	106.11
2019	106.11	2.00	-4	104.11
2020	104.11	1.96	-4	102.08
2021	102.08	1.92	-104	-

68. GoM's financial statements present cash rather than cash and cash equivalents. IPSAS requires cash and cash equivalents to be presented, rather than cash only. Cash includes bank accounts and petty cash. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, for example time deposits.

69. GoM's financial statements do not include a disclosure of cash balances that are not available for use. IPSAS requires these disclosures. GoM should disclose in the notes to the financial statements, together with a commentary, the nature and amount of significant cash balances that are not available for use by the entity.

Disclosure of general government debt and public sector debt

70. GoM's budgetary central government financial statements include information about general government debt and public sector debt (Statement J- Statement of Public

Sector Debt) as required by Section 19 of the Finance and Audit Act. IPSAS does not require any information that goes beyond the boundaries of the reporting entity (ministries and departments), but does require that any disclosures in the financial statements meet the qualitative characteristics of information. The qualitative characteristics of information included in IPSAS financial statements are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. The preparer of GoM financial statements in accordance with IPSAS, when including the Statement of Public Sector Debt, should verify that this information about the public sector meets the qualitative characteristics of information.

71. IPSAS 22 *Disclosure of Financial Information About the General Government Sector* includes requirements for those governments that elect to present information about the General Government Sector (GG) in their financial statements. Because GoM includes disclosures about GG debt, IPSAS 22 becomes applicable. IPSAS 22 requires disclosing at least information about revenues, expenses, assets and liabilities, net surplus or deficit, net assets/equity and cash flows. Reporting only GG debt is therefore not in compliance with IPSAS 22. As GoM is planning to issue consolidated financial statements for General Government and subsequently for the Public Sector in the coming years, this will cease to be an issue. Financial information about the GG should be disclosed in conformity with the accounting policies adopted for preparing and presenting the financial statements of the government. The GG disclosures shall be reconciled to the financial statements of the government showing separately the amount of the adjustment to each equivalent item in those financial statements. Entities preparing GG disclosures shall disclose the significant controlled entities that are included in the GG.

72. GoM does not account for concessionary loans in accordance with IPSAS. Concessionary loans are loans at below market terms. Concessionary loans usually have contractual interest rates that are intentionally set below the market interest rate that would otherwise apply. The degree of concessionality can be enhanced with grace periods, frequencies of payments and a maturity period favorable to the debtor. Since the terms of a concessionary loan are more favorable to the debtor than market conditions would otherwise permit, concessionary loans effectively include a transfer from the creditor to the debtor. Central government in Mauritius regularly receives concessionary loans from international institutions and central government regularly provides concessionary loans to statutory bodies in the country. As government currently measures these concessionary loans at historic cost (face value) application of IPSAS 29 *Financial Instruments: Recognition and Measurement* might make a considerable difference. IPSAS requires concessionary loans to be measured at amortized cost. The off-market portion of the loan (the difference between the proceeds of the loan and the present value of the contractual payments in terms of the loan agreement, discounted using the market related rate of interest), is recognized as non-exchange revenue or a liability in accordance with IPSAS 23 for loans received and as an expense or asset for loans provided to statutory bodies.

73. GoM should account for financial guarantee contracts in accordance with IPSAS. (IPSAS 29, paragraphs AG92-AG97). Central government in Mauritius regularly provides loan guarantees to statutory bodies. If the statutory bodies pay a market-based fee for the guarantee, IPSAS 29 provides guidance on the timing of revenue recognition. If the statutory bodies do not pay central government a market-based fee for the guarantee, these are non-exchange transactions. Financial guarantee contracts are contracts that require the issuer (in this case central government) to make specified payments to reimburse the holder (the lender to the statutory body, for example a bank) for a loss it incurs because a specified debtor (the statutory body) fails to make payment when due in accordance with the terms of a loan. IPSAS requires financial guarantee contracts, like any other financial asset and financial liability, to be initially recognized at fair value of the financial guarantee contract (not of the underlying loan). As central government issues this contract in its capacity as shareholder or owner of the statutory body, the counterparty entry in the accounts of the government should be its investment in that entity. IPSAS 29 includes extensive guidance on the valuation of guarantees.

Contingent Liabilities and Contingent Assets

74. GoM's financial statements contain a note disclosure reporting on contingent liabilities in 'Statement L - Statement of Contingent Liabilities including details of any Loans, Bank Overdrafts or Credit Facilities Guaranteed by Government as at 30 June 2018.' If the possibility of outflow is remote, then no disclosure is required. Contingent liabilities are not recognized in the statement of financial position due to uncertainty regarding any possible amount or timing of any possible underlying claim or obligation. Other contingent liabilities that may need to be disclosed in accordance with IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* include long-term agreements (e.g. public-private partnerships) and potential court awards for compensation claims. A contingent liability arises when:

- There is a possible obligation to be confirmed by a future event that is outside the control of the entity;
- A present obligation may, but probably will not, require an outflow of resources embodying economic benefits or service potential;
- A sufficiently reliable estimate of the amount of a present obligation cannot be made (this is rare).

75. GoM should monitor these guarantees and assess whether it has become probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations. At that point in time a provision will have to be recognized as a liability, assuming that a reliable estimate can be made.

76. GoM does not disclose any contingent assets. IPSAS 19, paragraph 105, requires an entity to disclose a brief description of the nature of any contingent assets, but only if an inflow of economic benefits or service potential is probable. A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity. Where practicable, an estimate of the financial effect of the contingent asset should also be disclosed. Contingent assets are not recognized in the statement of financial position due to uncertainty regarding any possible amount or timing of any possible underlying claim or obligation.

77. The standard emphasizes that contingent assets should only be disclosed where there is a reasonable expectation that benefits will flow to the entity. There is therefore no requirement to disclose information about all contingent assets. If the realization of revenue is virtually certain, the related asset is not a contingent asset and recognition of the asset and related revenue is appropriate. It is important that disclosures for contingent assets avoid giving misleading indications of the likelihood of revenue arising. Many central governments in fact do not disclose any contingent assets, including the Federal Government of the United States, Canada and France. Australia does disclose a quantified contingent asset stating that various Australian government entities are pursuing various claims and legal actions that are pending court or other processes. The New Zealand government includes a note disclosure about several contingent assets, including a quantified contingent asset related to tax disputes:

'A contingent asset is recognised when the Inland Revenue has advised a taxpayer of a proposed adjustment to their tax assessment. The taxpayer has the right to dispute this adjustment and a disputes resolution process can be entered into. The contingent asset is based on the likely cash collectable from the disputes process based on experience and similar prior cases, net of losses carried forward.'

Commitments

78. GoM does not disclose commitments. The only commitments required to be disclosed in IPSAS financial statements are contractual commitments for the acquisition of each class of property, plant, and equipment recognized in the financial statements (IPSAS 17, paragraph 89) and for the acquisition of intangible assets. (IPSAS 31, paragraph 121.e).

Segment information

79. GoM's financial statements do not include segment information. IPSAS 18 Segment Reporting requires GoM to report financial information by segments to better understand GoM's past performance and to identify the resources allocated to support the major activities of GoM, and enhance the transparency of financial reporting and enable the GoM to better discharge its accountability obligations. IPSAS requires presenting for each segment: revenues, expenses, assets, liabilities, and the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period. IPSAS does not require complete statements of financial performance, position and cash flows for each of the segments.

80. Segments will usually be based on the programs the government operates, the activities it undertakes or the major goods and services the government provides. IPSAS states that an entity normally looks to its organizational structure and internal reporting system for the purpose of identifying its segments. One alternative is a *service segment* structure. This is the most common segment structure for central governments. Organizations are usually managed and report internally along service lines because this reflects the way in which major outputs are identified, their achievements monitored, and their resource needs identified and budgeted. Where this occurs the internal reporting system reflects a service segment structure. The functions presented in GoM's statement of financial performance by function may reflect an appropriate segment structure to be applied in GoM's segment information. Another alternative is a *geographical segment* structure. An entity may be organized and may report internally to the governing body and senior management on a regional basis. Where this occurs the internal reporting, system reflects a geographical segment structure. Determining the composition of segments and the number of reportable segments requires considerable judgment. In making this evaluation, GoM should consider determining which segment structure the users of GoM's financial statements find most appropriate for assessing GoM's past performance in achieving its objectives and for making decisions about the future allocation of resources.

Related Party Disclosures – key management personnel remuneration and loans

81. GoM's financial statements currently do not include a disclosure about management remuneration and loans. IPSAS 20 Related party disclosures requires a disclosure about key management remuneration and loans provided to key management personnel and close members of their families. Paragraph 34 requires disclosures on specific transactions with key management personnel and close members of their families. Key management personnel include all members of the governing body of an organization and, persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity.

82. Paragraph 34 requires three sets of disclosure with respect to key management personnel and close members of their families. The required disclosures are:

a. Aggregate remuneration of key management personnel and the number of individuals, divided into major classes of key management personnel;

b. Aggregate of all other remuneration and compensation provided by the reporting entity to key management personnel and close members of their families, divided into that provided to key management personnel and that provided to family members; and

c. Information about loans provided to key management personnel and close members of their families, when the loans are not widely available to persons who are not key management personnel, or the loans are not widely known by members of the public.

Loans to statutory and other bodies

83. The financial statements recognize on its statement of financial position outstanding loans made by government to statutory and other bodies, details of which are given in Statement M - Statement of all Outstanding Loans financed from Revenue. These balances should be assessed in accordance with IPSAS 29 *Financial Instruments: Recognition and Measurement* at the end of each reporting period as to whether there is objective evidence that any of the loans is impaired. If such evidence exists, the entity should apply IPSAS 29 to determine the amount of the impairment loss. However, these requirements in IPSAS 29 will be superseded by requirements in IPSAS 41 *Financial Instruments*. IPSAS 41 is effective for all financial years beginning on or after January 1, 2022. As early adoption is encouraged, GoM should consider early adopting IPSAS 41, avoiding the need to adopt IPSAS 29 first and then having to move to IPSAS 41 a few years later. In accordance with the requirements of IPSAS 29, impairment losses on financial assets measured at amortized cost are only recognized to the extent that there is objective evidence of impairment. In other words, a loss event needs to occur before an impairment loss can be booked (*incurred loss model*). IPSAS 41 introduces the *expected credit loss model*, resulting in the recognition of a loss allowance before the credit loss is incurred. Under this approach, entities need to consider current conditions and reasonable and supportable forward-looking information that is available without undue cost or effort when estimating expected credit losses.

Investments

84. Government accounts for its investments in companies at cost. In accordance with IPSAS the government's investments in controlled entities, associates and joint controlled entities may be accounted for in either one of three ways:

a) At cost; or

b) As a financial instrument in accordance with IPSAS 29 *Financial Instruments: Recognition and Measurement*; or

c) Using the equity method as described in IPSAS 36 *Investments in Associates and Joint Ventures*.

85. The mission considers the equity method as being more informative than the cost method and recommendable for GoM. Box 5 provides an example of the equity method.

Box 5: The equity method of valuing investments

The equity method is a method of accounting whereby the investment is initially recognized at cost, and adjusted thereafter for the post-acquisition change in the investor's share of net assets/equity of the investee. The surplus or deficit of the investor includes the investor's share of the surplus or deficit of the investee. For example, if the government purchased a 40% interest in a company at the beginning of the year for CU (Currency Unit) 600,000 and the company made a profit of CU 250,000 and paid dividends of CU 50,000 during the same year, the valuation would be as follows:

Initial valuation	600,000
Government's 40% of net income	100,000
Government's 40% share of dividends	(20,000)
Valuation as per year-end	680,000

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Employee pension liabilities

86. GoM's financial statements do not recognize or disclose employee benefits liabilities. The missions recommends prioritizing the adoption and implementation of the accounting standard that provides guidance on the accounting for pension obligations: IPSAS 39 *Employee Benefits*. Showing the full extent of the government's pension liabilities towards its employees is an essential element of transparency and provokes a better-informed discussion about retirement age, level of pension premium, pension payments and funding of state pensions.

87. Some of GoM's pension arrangements qualify as defined benefit plans. Under defined benefit plans, IPSAS requires a liability to be recognized in the statement of financial position equal to the net of the:

- Present value of the defined benefit obligation (the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods); and
- Fair value of plan assets, if any, at the reporting date.

Under IPSAS 39, employee benefits liabilities do not qualify as contingent liabilities but should be recognized as liabilities on the statement of financial position. From GoM's financial statements, the fiscal risks inherent in the pension arrangements are unclear.

88. The Government of Mauritius obtained the value in respect of employee pension liability at June 30, 2018 from an independent actuary at SICOM, the State Insurance Company of Mauritius. The amount that should be recognized on the statement of financial position is MUR 117,282,999,397. As the plan is unfunded, there are no plan assets to be recognized. The liability has not been recognized on the statement of financial position as at June 30, 2018. As

GDP for the year 2017 amounts to MUR 460,881,000,000, the government's employee pension liability equals 31.9% of GDP. As Net Assets/Equity at June 30, 2018 amounts to RS 146,932,653,193, recognition of this employee pension liability alone would not make Net Assets/Equity negative given the high property, plant and equipment amounts on the statement of financial position.

Inventories

89. GoM recognizes inventories but the valuation policy is not in accordance with IPSAS. GoM measures its inventories at cost on a first in first out basis (FIFO). IPSAS requires inventories to be measured at the lower of cost and net realizable value. Where inventories are acquired through a non-exchange transaction, their cost shall be measured as their fair value as at the date of acquisition. However, inventories are required to be measured at the lower of cost and current replacement cost where they are held for:

- Distribution at no charge or for a nominal charge;
- Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Managing Capital

90. GoM does not disclose information that enables users of its financial statements to evaluate the government's objectives, policies, and processes for managing capital as required by IPSAS 1, paragraphs 148A-148B. The entity discloses qualitative information about its objectives, policies, and processes for managing capital, including (but not limited to) a description of what it manages as capital (e.g. net assets/equity or Consolidated Fund) and how it is meeting its objectives for managing capital. The entity also provides summary quantitative data about what it manages as capital. Some entities regard capital as including only some components of net assets/equity (e.g., Consolidated Fund).

Transitional provisions in IPSAS 33 First-Time Adoption of Accrual Basis IPSASs

91. When implementing IPSAS, the government may apply several transitional provisions in IPSAS 33 *First-Time Adoption of Accrual Basis IPSASs* which provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis IPSASs. IPSAS 33 allows a first-time adopter to take advantage of certain exemptions that affect fair presentation and compliance with accrual basis IPSASs. If a first-time adopter takes advantage of the exemptions that affect the fair presentation and its ability to assert compliance with accrual basis IPSASs, it will not be able to make a statement of compliance with IPSAS during the period of transition. Since GoM's Finance and Audit Act (Section 19) requires 'statements presenting fairly the financial transactions and financial position of Government on the last day of such fiscal year,' applying any of the exemptions in IPSAS 33 that affect fair presentation would not be in compliance with the Act. While applying exemptions that affect the fair presentation and the first-time adopter's ability to assert compliance with accrual basis IPSASs during the period of transition to accrual basis IPSASs, a first-time adopter will prepare so-called *transitional IPSAS financial statements*. By applying transitional provisions, the government may limit the amount of work needed to prepare the opening statement of financial position. Some of the work is eliminated altogether; some work is deferred until after transition date. Applying some of the provisions including those on property, plant, and equipment, defined benefit plans and other employee entitlements, and financial instruments affects fair presentation of the financial statements and attract qualified audit opinion.

A. Summary of recommendations

It is recommended that the authorities:

- ***Use the findings from the Section VI on status and issues to prepare financial statements for budgetary central government that comply with all the requirements of accrual-basis IPSAS.*** (MoFED, by 2018/19, 2019/20).

VII. LOCAL GOVERNMENT AUTHORITIES – STATUS AND ISSUES

92. The Minister of Finance and Economic Development decided, that 'all Local Government Authorities (LGAs) shall prepare their financial statements in accordance with IPSAS accruals basis with effect from July 1, 2017'.[8] Given the transition provisions allowed under IPSAS 33 *First-Time Adoption of Accrual Basis IPSASs,* this implies that the LGAs have until 2020/21 to achieve a full compliance with IPSAS.

93. There is a need to review the status of the accounting practices followed by the LGAs in Mauritius in their 2017/18 financial statements and compare them with the requirements under IPSAS. The Technical Assistance report of the IMF AFS mission of March 2018 includes a detailed gap analysis between IPSAS requirements and the 2016/17 financial statements issued by the LGAs and made a number of recommendations. Overall the LGAs made considerable progress in following these recommendations. This section notes the achievements and focuses on the main issues still outstanding.

94. The Ministry of Local Government invited finance officers of the LGAs to participate in several meetings with the mission to discuss outstanding accounting issues in preparation of full compliance with IPSAS.

Financial reporting framework

95. Some LGAs' financial statements include an assertion that they comply with IPSAS without fully complying with all IPSAS standards. Financial statements should not be described as complying with IPSAS unless they comply with all the requirements in all IPSAS standards. The mission recommends including a note listing the deviations from IPSAS, until a full compliance is achieved

Presentation of financial statements

96. Some LGAs' financial statements do not yet include the general information about the entity as required by IPSAS 1, paragraph 150. IPSAS financial statements should include the following information about the reporting entity: domicile and legal form of the entity, the jurisdiction within which it operates, a description of the nature of the entity's operations and principal activities, and reference to the relevant legislation governing the entity's operations.

97. The Ministry of Local Governments prepared a standard format of financial statements for LGAs in order to align layout, classification and accounting policies. The LGAs did not follow this format in preparing the 2017/18 financial statements but are planning to do so in their 2018/19 financial statements. Several presentation issues will thus be resolved, such as

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[8] Letter to the Permanent Secretary, Ministry of Local Government, dated 14 February 2017.

including all required previous period's comparative information, and presenting current year's figures in the left column and comparative figures for last year in the right column.

Presentation of budget information in financial statements

98. **LGAs now present a comparison of budget and actual amounts (budget execution statement).** In accordance with IPSAS, this comparison shows original budget, final budget and the actual amounts on a comparable basis. For most LGAs, the actual amounts in the comparisons generally equal the amounts in the statement of financial performance (including depreciation) which means that these LGAs report budget execution on an accrual basis. This is a notable difference from the way Budgetary Central Government presents the actual amounts in the comparison of budget and actual amounts, which is on a cash basis with a limited number of exceptions (see Section VI).

99. **LGAs' include limited or no explanations of the differences between budget and actual amounts and between original and final budgets in their financial statements.** In order to fully comply with IPSAS this information, which is essential for accountability and decision-making purposes by local councils, should be disclosed.

100. **The LGAs' financial statements do not include note disclosures relating to the budget**, such as a note explaining the budgetary basis (which for most LGAs is the accrual basis) and classification basis adopted in the approved budget, and a note disclosure identifying the entities included in the approved budget. LGAs should include such a disclosure to clarify to the users of the financial statements the relationship between the District Councils and the Village Councils within their purview.

101. **The LGAs' financial statements do not include a reconciliation of the actual amounts in the comparison of budget and actual amounts (budget execution statement) and the cash flow statement,** as required by IPSAS 24, paragraph 47(a). This reconciliation aims to clarify to the users of the financial statements any differences that may arise between receipts, payments and surplus/deficit according to the cash flow statement and receipts, payments and surplus/deficit according to the budget execution statement. The LGAs preparing the comparison of budget and actual amounts on an accrual basis, there is no need to include a reconciliation of the actual amounts in the budget execution statement and the statement of financial performance, as they show identical actual amounts. For those LGAs that prepare the comparison of budget and actual amounts on a different basis than the accrual basis, the mission recommends including a reconciliation with the statement of financial performance.

Related party disclosures

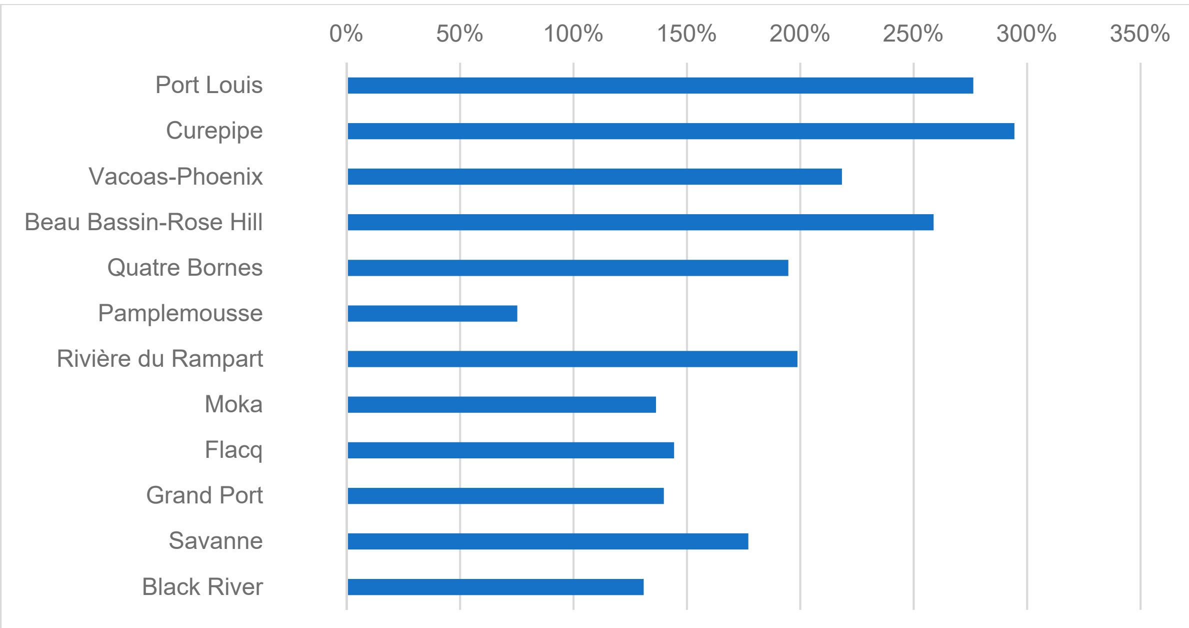
102. **Most LGAs' financial statements do not yet include any related party disclosures**, as required by IPSAS. Related parties include, amongst others, key management personnel, such as the mayor and close members of the family, higher or lower level of government (central

government, village councils), controlled entities, public enterprises, joint ventures, and associates.

Employee pensions

103. All LGAs recognize pension liabilities on their statement of financial position, as determined by an independent actuary at the State Insurance Company of Mauritius (SICOM). This is a considerable step forward as reporting the full extent of pension liabilities in the financial statements is essential for accountability and decision-making purposes. Figure 5 shows the employee benefits liability as per June 30, 2018 minus pension investments and plan assets, if any, displayed as a percentage of personnel expenses. Pamplemousse's percentage (75%) is considerably lower than the other ones, apparently caused by the relative low number of years of service of Pamplemousse's employees as this LGA was established in 2013.

Figure 5. Employee Benefits minus pension investment (percent of personnel expenses)



104. Most LGAs do not recognize 'vacation earned but not taken' and sick leave. IPSAS 39 *Employee Benefits* requires a liability to be recognized on the statement of financial position representing the future compensated absences. The entity shall measure the liability as the amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Passage fund

105. Some LGAs account for the Passage Fund as part of net assets/equity, although the Passage Fund seems to constitute a liability. This is because LGAs have an obligation, under certain circumstances, to pay passage benefits (long-term leave) to officers. The Passage Fund is established by the Local Government Act, Sections 81(5) and 81(6). Receipts of the Passage Fund consist mainly of passage benefits due to the officers of the local authority, income derived from investments of the Passage Fund, and any sum that may become payable to the Passage Fund following the transfer of an officer from another institution. Payments out of the Passage Fund are solely payments of passage benefits for officers.

Accounts payable, accruals and arrears

106. Some LGAs do not accrue for goods and services received if the invoice has not arrived and also do not report arrears. All LGAs recognize some accounts payable on their statement of financial position. The accrual basis requires that the entity accrues for goods and services received before reporting date even if the entity did not receive an invoice before the date of preparation of the financial statements ('delivery principle'). A useful disclosure in the notes of the consolidated financial statements would be to indicate the extent to which payment obligations are overdue and the level and trends of payment arrears.

Provisions

107. LGAs provide only limited disclosures about the nature of the provisions on the statements of financial position. IPSAS requires a brief description of the nature of the obligation and the expected timing of any resulting outflows, an indication of the uncertainties about the amount or timing of those outflows.

Contingent liabilities

108. Some LGAs do not disclose contingent liabilities, as required by IPSAS. Only if the possibility of an outflow is remote, no disclosure is required. Section VI *Budgetary Central Government* provides further guidance.

Commitments

109. Most LGAs do not disclose commitments as required by IPSAS 17, paragraph 89 and IPSAS 31, paragraph 121c. Section VI *Budgetary Central Government* provides further guidance.

Revenues

110. LGAs do not report consistently on trading fees, licence fees and other fees and do not indicate whether they consider them exchange or non-exchange transactions. Some LGAs recognize taxes on the statement of financial performance when they receive the cash and do not recognize tax receivables on the statement of financial position. Other LGAs recognize revenues on an accrual basis. In order to facilitate consolidation, the mission recommends developing a common accounting policy.

Investments

111. A number of LGAs report financial investments on their statement of financial position, but most of them are unclear about the valuation policy. This should be resolved when all LGAs apply the common reporting format prepared by the Ministry of Local Government.

Cash and cash flows

112. Most LGAs now prepare a cash flow statement showing an increase and decrease in cash that reconciles with the opening and closing cash and cash equivalents for the year as required by IPSAS.

113. The financial statements of three LCs present the cash flow statement following the indirect method rather than the direct method (Rivière du Rempart, Pamplemousse, Black River). At consolidation, central government would need to convert an indirect method cash flow statement into a direct method cash flow statement, which inevitably leads to some inaccuracies. The mission therefore recommends preparing a direct method cash flow statement by all LGAs.

114. Some LGAs' financial statements present cash rather than cash and cash equivalents. IPSAS requires presenting cash and cash equivalents, rather than cash only. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, for example time deposits.

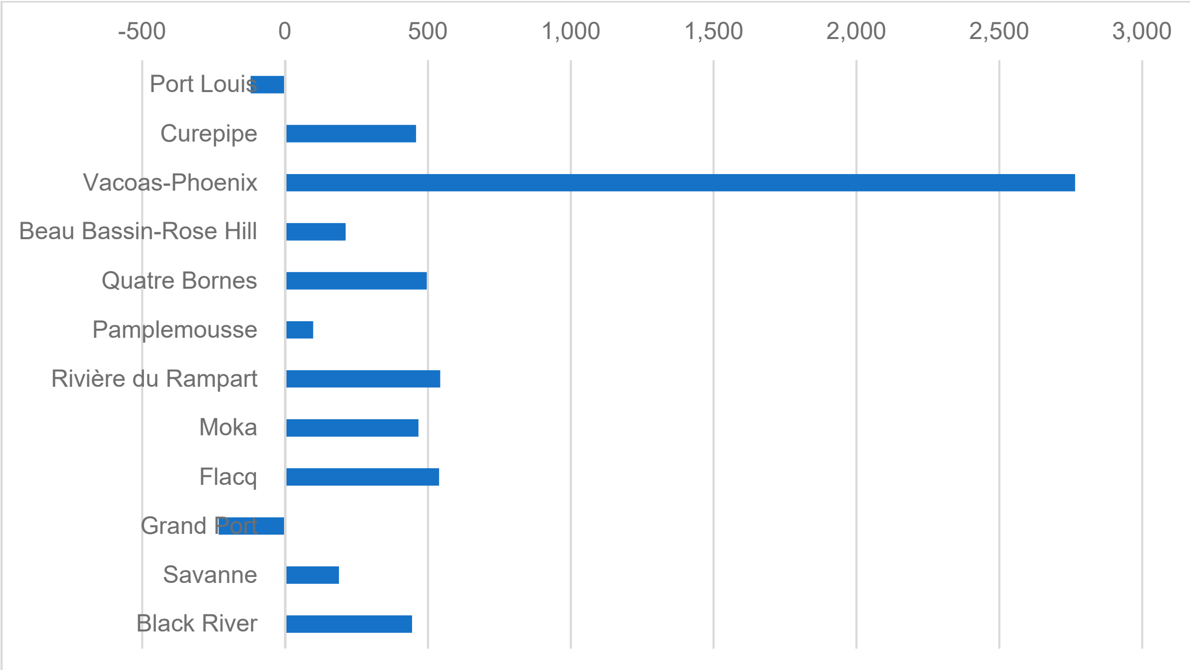
115. Most LGAs' financial statements include a note disclosure showing a breakdown of cash and cash equivalents. IPSAS requires such a note disclosure, including all controlled bank accounts providing a breakdown by major bank accounts.

116. Most LGAs' financial statements do not include a disclosure of cash balances that are not available for use and a disclosure of restrictions on cash balances. LGAs should disclose in the notes to the financial statements, together with a commentary, the nature and amount of significant cash balances that are not available for use by the entity and cash balances that are subject to external restrictions, e.g. amounts to be used only for specific development projects.

Net assets/equity

117. For two LGAs, liabilities exceed assets, i.e. net assets/equity is negative. This applies to Port Louis and Grand Port, as highlighted in Figure 6. Many governments that have fully implemented accrual accounting have negative net assets/equity, mainly because of their pension liabilities. For more information about net assets/equity, refer to Section III *Potential implications of the reform*.

Figure 6. Net Assets/Equity of LGAs as at June 30, 2018 (MUR million)

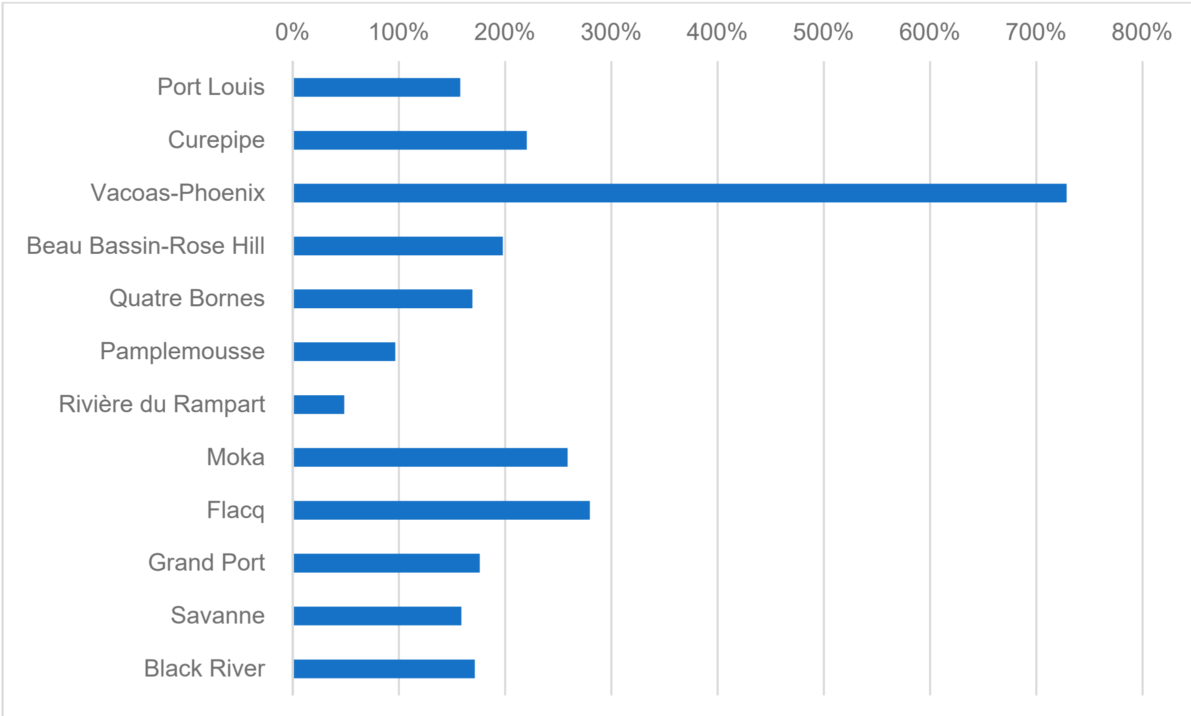


Non-financial assets

118. In order to prepare for compliance with IPSAS, the LGAs should complete and subsequently maintain asset registers. A key challenge in preparing for accrual accounting is to complete the identification of all material existing assets, record them systematically and value them. The LGAs should subsequently review the existence and completeness of the assets and their valuation on a regular basis.

119. LGAs are in the process of recognizing their property, plant and equipment (PPE), and some LGAs have recognized more PPE than others. Figure 7, showing PPE as a percentage of revenue, indicates that Vacoas-Phoenix has PPE far in excess of others. That may change in the near future once other LGAs complete the recognition and measurement of their PPE.

Figure 7. Property, Plant and Equipment of LGAs as at June 30, 2018 (percent of total revenues)



Inventories

120. All LGAs recognize inventories but most LGAs do not disclose the valuation policy. IPSAS 12 *Inventories* includes specific requirements for valuation of inventories by governments.

Consolidated financial statements

121. LGAs' financial statements do not include a listing of significant controlled entities. IPSAS requires such a listing including the name. The financial statements of LGAs should include lower levels of government such as villages, only if controlled by the LGAs. There is a need for LGAs to review all related parties in order to evaluate whether they are controlled by the LC.

A. Summary of recommendations

It is recommended that the authorities:

- Develop uniform accounting policies and report formats to harmonize financial reporting by LGAs in preparation for the preparation of consolidated financial statements by the GoM (MoFED, TWG, by June 2019).
- Use the findings from the Section VI on status and issues to prepare financial statements of LGAs that comply with all the requirements of accrual-basis IPSAS. (LGAs, by 2018/19, 2019/20).

VIII. MANAGEMENT AND COORDINATION OF REFORMS

A. Management of reforms

122. Change management issues were discussed in the reports of the previous two missions advising on implementation of accrual accounting and IPSAS.[9] This section does not repeat the earlier discussion. Instead this section discusses issues that have arisen since the previous mission and require attention so that the reform can continue to make progress in accordance with the agreed revised roadmap set out in Appendix 2.

Revised roadmap for reform

123. The interpretation of the legal deadline for compliance with IPSAS has been revised since the last mission. As discussed in the report of that mission, the Finance and Audit Act 2017 requires the financial statements of government to be prepared in compliance with IPSAS, for the fiscal year 2022/23 and onwards. This deadline was interpreted as applicable to the consolidated financial statements of the public sector and the previous mission recommended that this be clarified as follows:

> "Clarify that the extended deadline (2022/23) for full compliance with IPSAS in the Finance and Audit Act applies to the preparation of the consolidated statements of the public sector as a whole and other deadlines and milestones of the roadmap continue to be applicable (MoFED and Treasury by June 2018)."

124. However, during this mission the AG advised that the intention of the legal provision was that the 2022/23 deadline relates to the budgetary central government's financial statements and not the consolidated financial statements. There is no legal deadline for the consolidated financial statements, though full compliance with IPSAS would require consolidated financial statements to be prepared. It is necessary to confirm this revised interpretation and its implications.

125. Despite the interpretation, the authorities indicated a readiness to work towards an earlier implementation of the reform. In particular, the authorities are willing to prepare financial statements earlier than the legal deadline and would aim to prepare the consolidated

[9] P. Murphy and A. Khan (March 2017): *Towards Accrual Accounting and the Adoption of International Standards*

A. Khan and F. van Schaik (March 2018): *Update on Progress Towards Adoption of Accrual Accounting and International Standards* financial statements of the public sector starting with 2022/23. The agreed revised phasing is as follows[10]:

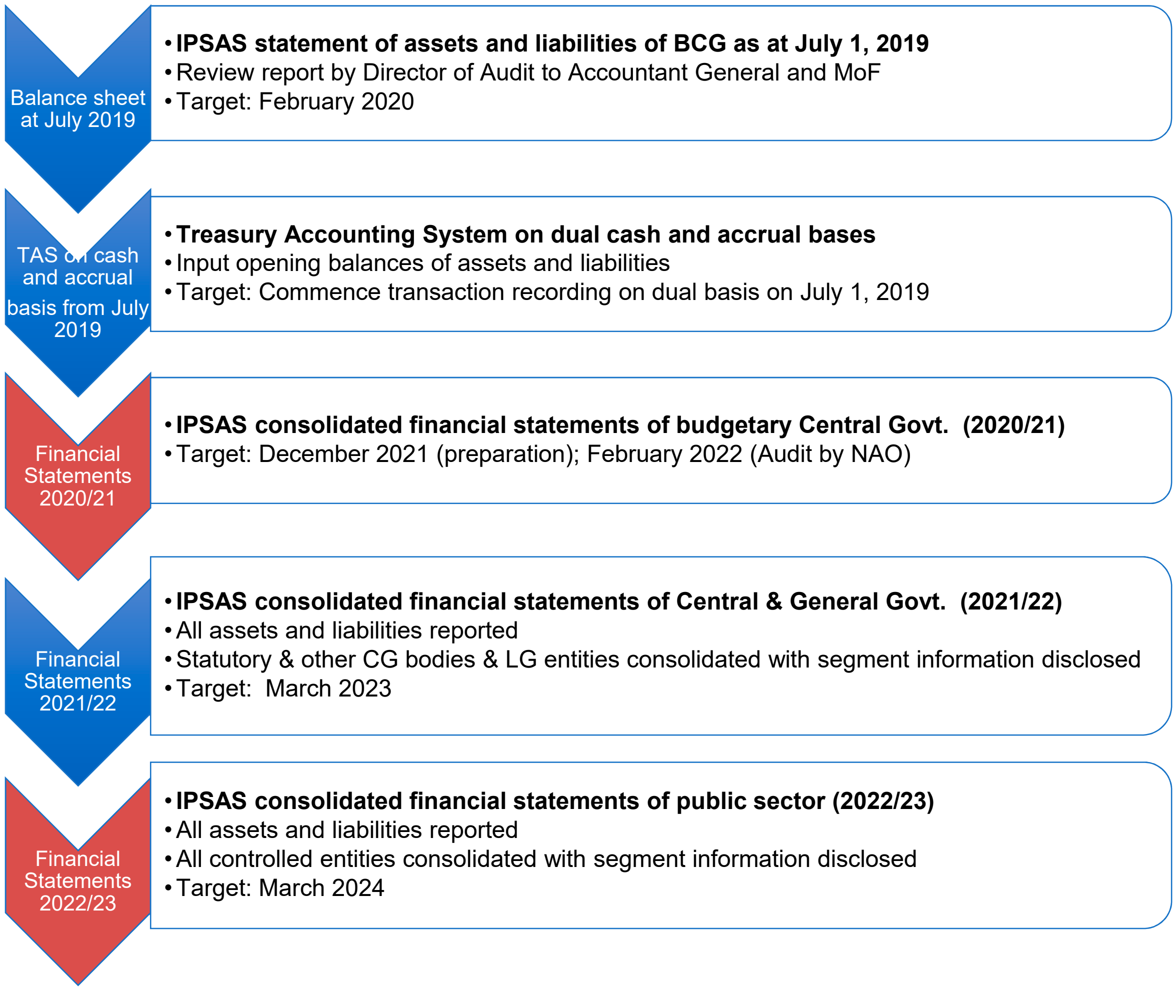
- Development of an opening statement of financial assets and liabilities as at July 1, 2019 – target: February 2020;
- Reconfiguration and live operation of the Treasury Accounting System (TAS) on dual accrual and cash basis – target: commencing July 1, 2019;
- IPSAS financial statements of budgetary central government (BCG) including all assets and liabilities for 2020/21 – target: December 2021;
- IPSAS financial statements of central government (CG) including all assets and liabilities for 2021/22 – target: February 2023;
- IPSAS financial statements of general government (CG) including all assets and liabilities for 2021/22 – target: March 2023
- IPSAS financial statements of public sector including all assets and liabilities for 2022/23 – target: March 2024.

Figure 8 summarizes the revised phased approach.

126. The detailed roadmap developed in 2016 has also been revised to reflect the revised phasing and is included in Appendix 2. It should be stressed that the roadmap has been revised during the mission jointly by the AG and his officials, MoFED, and the mission based on extensive consultation. This should be regarded as the government's roadmap for the reform. The roadmap is a tool for the management of the reform and it does not have legal connotations.

[10] The original planned phasing and roadmap were developed during the mission in 2016 and set out in A. Khan and F. van Schaik (March 2018): *Update on Progress Towards Adoption of Accrual Accounting and International Standards*

Figure 8. Revised Phased Approach to adoption of an Accrual Framework



B. Coordination

Participation of entities in the reform

127. The preparation of financial statements according to IPSAS would require cooperation from a range of entities. There are some concerns that such cooperation might not be forthcoming at all or in time thereby affecting the progress and success of the reform. This issue is already being faced when BCG entities have been unresponsive to the request to enter details of their assets in the asset register despite templates being issued by the AG. This has led to the asset register being incomplete. Unless this issue is addressed, the asset register will be incomplete, the secondary ledger will not show assets under the right categories. The AG is intending to establish and deploy a roving team to do the necessary work for the BCG entities.

128. Extensive coordination, communication, and training supported by effective enforcement mechanism would be required to achieve the necessary cooperation and compliance. As noted above, even the MDAs within the BCG are not fully cooperating on the asset register. This would suggest that persuading statutory bodies and state-owned enterprises including companies to provide detailed financial statements in a format specified by the AG/MoFED would require a well-thought-out strategy incorporating training, communication, and enforcement mechanism. It is understood that the AG, who is likely to be responsible for the preparation of the consolidated financial statements, has no authority over these entities. Existing laws and regulation should be reviewed and if necessary revised to require compliance. Sanctions might need to be included in the laws or regulations to deal with persistent non-compliance. Consolidated financial statements should disclose entities that have been consolidated and those that have not, due to their failure to provide financial statements. Consideration might need to be given to provide the AG with authority to obtain information necessary for consolidation according to a timetable specified by the AG. Coordination with LGAs is improving, though a mismatch of key policies and formats of financial statements continues to be a risk and should be monitored until the LGA systems and processes have been fully aligned with the requirements for consolidated financial statements.

129. A consolidation package should be developed in due course to specify and communicate clearly the information that entities outside the BCG would need to provide to the AG for the preparation of consolidated financial statements. A consolidated package comprises the formats or templates of all the financial statements that the controlled entities would need to complete. The consolidation package would include all the notes that would need to be completed, including the accounting policies that should be followed in completing the templates. The consolidation package would also require identification of transactions and balances with other controlled entities and the central government to facilitate their elimination from the consolidated financial statements. As part of the communication strategy the controlled entities should be advised of the plan to develop and circulate the consolidation package.

130. The mission reiterates the importance of a well-thought-out communication strategy. It should focus on a number of key areas: training different groups of stakeholders; communication of information and obtaining feedback or inputs from stakeholders; coordination to ensure that work is progressing in accordance with a common timetable that is understood by all parties. Some work might have to be shared by the treasury and the MoFED and it would be appropriate to specify the allocation of responsibilities and tasks. Thus, the treasury should be responsible for all training and technical materials, while MoFED would be responsible for communication and coordination, particularly beyond the BCG entities. It would be necessary for the involved officials of the MoFED and the treasury to work in close coordination to avoid duplications, omissions, and contradictions. The steering committee should review and approve the communication strategy and ensure that it is adequately resourced, and implemented.

C. Resourcing

131. A dedicated accrual IPSAS project implementation team should be set up within the AG's office. The previous mission suggested that three task teams be set up and support the

Technical Working Group (TWG). Based on experience and developments to date, it is suggested that time has come for a dedicated project team to ensure that the detailed and intensive work that is necessary is completed effectively and in a timely manner. The team will be led by team leader who will report to the AG, who as the head of the TWG would ensure that the TWG is kept fully informed of the project's progress. It could have sub-teams or groups: one—the financial reporting group—responsible for development of the reporting framework and preparation financial statement including consolidated financial statements; a systems group responsible for ensuring that the secondary ledger and the asset register are operating smoothly, generating and testing reports before they are put in use; and an asset register group responsible for ensuring it is up-to-date, complete, and reconciled with the secondary ledger, and communication group responsible for training, communication, and coordination in consultation with MoFED.

132. The AG estimates that 14 people would need to be dedicated to work on the project. The financial reporting group would need a staff of six, the systems group would need a staff of six, the asset register group would need three people, and the communication team could start with one staff member and evolve over time. It is expected that 10 of these places could be filled through rotating existing staff and 5 would need to be recruited. However, the skills mix of these people have to be right. At least 3 people with skills with the Oracle system appears to be a pressing need as the AG identifies the weakness in this area as major issue. These people might need to be recruited or contracted. The others would need to have accounting skills and might comprise a combination of accountants and technicians. Two accountants with relevant qualifications and experience would need to be recruited or contracted. It is noted that the ten additional dedicated people to work on accrual accounting suggested by the mission of 2016 were not recruited.

D. Summary of recommendations

It is recommended that the authorities:

- ***Confirm that the deadline (2022/23) for compliance with IPSAS in the Finance and Audit Act applies to the preparation of the financial statements of the budgetary central government*** comprising ministries and departments (Steering Committee, Treasury by May 2019);
- ***Confirm that there is no legal requirement to prepare consolidated financial statements for the central government, general government, and the public sector***, though such statements are required by IPSAS (Steering Committee, Treasury by May 2019);
- ***Approve the revised phasing approach and roadmap*** set out in this report ((Steering Committee, AG by June 2019);
- ***Develop and approve a communication strategy*** that covers training, communication, and coordination (Steering Committee by September 2019)

- ***Develop a strategy and necessary mechanism to enforce compliance with reporting requirements*** for preparation of consolidated financial statements of CG, GG, and public sector (MoFED, Treasury by June 2020)
- ***Approve the establishment of a dedicated accrual IPSAS project team*** (Steering Committee by June 2019);
- ***Recruit any additional resources*** (MoFED, Treasury by December 2019)
- ***Set up project team and start working as a dedicated team*** (Treasury, commencing July 2019 and increasing strength as additional staff are recruited)

APPENDIX 1. PROGRESS MADE ON IMF RECOMMENDATIONS MARCH 2018

	CENTRAL GOVERNMENT	Responsible	Status as per March 2019
1	Complete the development of the financial reporting framework, including the form and content of the financial statements; accounting policies and related guidance	(Treasury, MoFED by December 2018).	Submitted to steering committee: • Form and content • Accounting policies
2	Complete the opening statement of financial assets and liabilities	(Treasury, MoFED by August 2018).	Statement as per July 1, 2018 prepared. Complete, except: • Revenues receivables (only arrears reported) Opening statement will be July 1, 2019.
3	Resolve TAS set up issues and commence live operation of secondary accrual-based GL	(Treasury, MoFED by July 1, 2018).	Some progress made, not yet operational. Plan to go live July 1, 2019. Testing complete, however trial balance and reports still to be tested
4	Amend specified sections of Finance and Audit Act	(MoFED, Treasury by June 2020).	• Legal opinion received; to be discussed (Consolidated Fund) • Budget versus actual comparison outstanding: work has commenced; to be completed.
5	Adopt definition of general government and public sector for financial statements consistent with Statistics Mauritius	(MoFED, Treasury by June 2018)	To be formalized, e.g. in financial instructions, circular, financial reporting framework
	LOCAL GOVERNMENT		

6	Request the Permanent Secretary, Ministry of Local Government, to issue an instruction to the LGAs to implement accrual accounting and IPSAS in accordance with the time-bound integrated road map for implementation of accrual accounting, IPSAS, and asset register as presented in Appendix 1.	(MoFED, by June 2018)	PS sent letter to all LGs to prepare IPSAS financial statements as from 2017/18
7	Develop uniform accounting policies and report formats to harmonize financial reporting by LGAs in preparation for the preparation of consolidated financial statements by the GoM	(MoFED, TWG, by December 2018).	Circulated first draft of uniform accounting policies; final yet to be issued. Report format not yet developed; target date in time for 2018/2019 financial statements (October 2019)
8	Use the findings from the gap analysis to prepare financial statements that comply with all the requirements of accrual-basis IPSAS. Appendix 1 summarizes the recommendations to be carried out by the LGAs	(LGAs, by 2017/18, 2018/19, 2019/20 as indicated in Appendix 1).	Pension liability, vacation, sick leave, passage, recognized. Explanation budget actual Reconciliation actual in budget comparison cash flow
9	Prepare an amendment to the Local Government Act 2011 establishing a deadline for the submission by the Director of Audit of audit opinion on financial statements	(Minister of Local Government, in consultation with the NAO, by December 2018).	to be done
10	Work together to find ways to speed up the year-end closing and auditing process	(LGAs and NAO, by December 2018).	Beau Bassin-Rose Hill is the only audit opinion finalized as per March 2019. Audit at other Local Councils not yet started.
	MANAGEMENT AND COORDINATION OF REFORMS		

11	Clarify that the extended deadline (2022/23) for full compliance with IPSAS in the Finance and Audit Act applies to the preparation of the consolidated statements of the public sector as a whole and other deadlines and milestones of the roadmap continue to be applicable	(MoFED and Treasury by June 2018).	Interpretation has been revised: 2022/23 applies to BCG only. Consideration will be given to revising the Act to specify requirements for consolidated financial statements beyond BCG.
12	Make the framework available to all stakeholders including LGAs and statutory bodies that are required to follow IPSAS	(Treasury, MoFED by December 2018).	Framework being finalized, submitted to Steering Committee. Circulation deadline April 2019.
13	Consider providing interim guidance to the LGAs and statutory bodies for the preparation of 2017/18 financial statements pending the completion of the development of the framework	(Technical Working Group, by June 2018)	Practical Completion Report – Accrual based IPSAS (February 21, 2019) including draft accounting policies and formats circulated to LGs.
14	Continue to focus on operationalizing the secondary GL, even if the 2017/18 financial statements have to be prepared from sources outside TAS, such as returns	(Treasury, MoFED as soon as possible).	In progress.
15	Monitor contingent liabilities and report these in accordance with IPSAS	(MoFED - monitoring; Treasury-reporting commencing 2017/18 financial statements).	To be done by Ministry of Finance in time for 2018/2019 financial statements
16	Improve coordination with LGAs and statutory bodies that are required to follow IPSAS and include their representatives in the technical working group	(MoFED, Treasury commencing May 2018).	Done
17	Address human resource issues and ensure that the newly created or vacant positions are filled without undue delay	(MoFED, Treasury by June 2018).	Ongoing

APPENDIX 2. INTEGRATED ROAD MAP FOR IMPLEMENTATION OF ACCRUAL ACCOUNTING, IPSAS, AND ASSET REGISTER

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
1. Financial reporting framework	- Review high level framework in this report - Develop further as needed and obtain approval for the main elements of the framework	- Review and refine framework.		- Continue to apply the framework, and keep changes to a minimum			Treasury MoFED
2. Presentation of financial statements	- Develop and obtain necessary approvals for the form and content of the accrual based financial statements in accordance with IPSAS (particularly IPSAS 1)	- Review and refine presentation of CFS progressively as content and coverage of financial statements expand (see below) - Include progressively in CFS columnar presentation of constituent sectors (budgetary central govt., central govt., general govt., nonfinancial public corporations and public financial corporations)					Treasury MoFED

<table>
<tr><th colspan="8">Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register</th></tr>
<tr><th>Activity area</th><th>Phase I
2018/19</th><th>Phase II
2019/20</th><th>Phase III
2020/21</th><th>Phase IV
2021/22</th><th>Phase V
2022/23</th><th>Phase VI
2023/24</th><th>Responsib le Agency</th></tr>
<tr><td>3. Chart of accounts (CoA)</td><td>- Revise CoA for use in both cash accrual accounting general ledgers (GLs)
- Load and test revised CoA in TAS GL
- Document and approve test results</td><td>- Start operating dual accrual and cash GL
- Keep under review and identify and address any issues with accrual CoA based on experience</td><td colspan="2">- Continue to review and refine CoA based on experience</td><td colspan="2">- Keep further revision to CoA to the minimum</td><td>Treasury
MoFED
BCG entities</td></tr>
<tr><td>4. Legal framework</td><td>- Identify and draft necessary legal changes to implement accrual accounting and IPSAS
- Obtain parliamentary approvals of legal amendments</td><td colspan="3">- Review and refine regulations and develop additional regulations progressively to support the increase in the content and coverage of financial statements</td><td colspan="2">- Keep changes to regulations to the minimum</td><td>Treasury
MoFED
Solicitor General</td></tr>
</table>

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register

Activity area	Phase I 2018/19	Phase II 2019/20	Phase III 2020/21	Phase IV 2021/22	Phase V 2022/23	Phase VI 2023/24	Responsib le Agency
05. TAS to operate on dual cash accrual basis	- Service provider to provide dual cash and accrual operation functionality - Test extensively and accept formally (based on documented test results) dual functionality including for fixed asset accounting and register	- Commence live operation of TAS on dual cash and accrual basis - Enter opening balances of assets and liabilities - Review TAS trial balances and reports regularly and address any issues - Generate accrual financial statements during the year from TAS and review and address issues - Continue to test fixed asset accounting and register functionality	- Use TAS data to generate 2019/20 cash and accrual financial of statements of BCG	- Continue to operate TAS on dual cash and accrual bases and generate cash and accrual financial statements of BCG (see consolidation section below for consolidated financial statements of central govt., general govt., and public sector)			Treasury (Supported by Service provider - currently SIL)

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
6. **Liabilities**							
6a. Employee pension liabilities	- Specify accounting policy and new methodology (including actuarial valuation) for calculation in accordance with IPSAS (particularly IPSAS 39) - Complete preparatory work, including documentation of pension arrangements and consultation with actuaries	- Calculate balance as at July 1, 2019 according to new methodology, including actuarial valuation - Enter opening balances in TAS - Account for pensions on dual cash and accrual basis - Prepare template for notes - Recognize pension liability in IPSAS financial statements for 2018/19	- Recalculate balance as at June 30, 2020 according to new methodology, including actuarial valuation - Refine and improve data and presentation for future financial statements - Continue to report pension liability in financial statements	- Refine and improve data and presentation for future financial statements - Continue to report pension liability in financial statements		- Continue to report pension liability in financial statements	Treasury (Supported by government actuaries)

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
6b. Debt	- Specify accounting policy and procedures - Review quality and completeness of data, particularly on long term (LT) debt	- Value debt consistently with accounting policy and, if necessary, revalue as at July 1, 2019 - Enter opening balances of debt in TAS - Account for debt on dual basis in TAS - Recognize all debt as liability in 2018/19 accrual financial statements - Prepare template for notes - Prepare disclosure notes for IPSAS financial statements for 2018/19	- Refine and improve data and presentation for future financial statements - Continue to report debt liability in financial statements	- Refine and improve data and presentation for future financial statements - Continue to report debt liability in financial statements		- Continue to report debt liability in financial statements	Treasury Debt Management Unit

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
6c. Accounts payable	- Specify accounting policy and procedures - Complete preparatory work, including for any necessary surveys to identify creditors and balances owing - Prepare information for financial statements for 2018/19	- Identify and quantify balances as at July 1, 2019 - Enter opening balances in TAS - Account for accounts payable on dual basis in TAS - Prepare template for notes	- Recognize in 2019/20 financial statements - Refine and improve data and presentation for future financial statements	- Refine and improve data and presentation for future financial statements - Continue to report liability in financial statements		- Continue to report liability in financial statements	Treasury BCG entities
6d. Other liabilities incl. provisions	- Analyze circumstances and identify areas where liabilities incl. provisions may arise (e.g., leave entitlements, passage benefits, guarantees if payments probable) - Specify accounting policy and procedures for other liabilities incl. provisions	- Quantify balances as at July 1, 2019 - Enter opening balances in TAS - Prepare template for notes - Record in TAS on dual basis as appropriate	- Recognize in 2019/20 financial statements - Refine methodologies and improve data and presentation	- Continue to recognize in financial statements - Refine and improve data for future financial statements		- Continue to recognize in financial statements	MOFED Treasury BCG entities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register

Activity area	Phase I 2018/19	Phase II 2019/20	Phase III 2020/21	Phase IV 2021/22	Phase V 2022/23	Phase VI 2023/24	Responsible Agency
7. Contingent liabilities and commitments							
7a. Contingent liabilities	- Analyze circumstances and identify areas where CL may exist - Specify accounting policy and procedures (IPSAS 19) - Review quality and ensure completeness of existing data	- Assess probability of payments related to guarantees and other contingent liabilities - Estimate provisions if payments are probable and include in opening balances in TAS	- Recognize provisions, if needed, in 2019/20 financial statements - Disclose all contingent liabilities according to IPSAS 19	- Continue to recognize and disclose according to IPSAS 19			MOFED Treasury BCG entities
7b. Commitments			- Analyze circumstances and identify areas where commitments may exist - Specify accounting policy and procedures (IPSAS 19) - Review quality and ensure completeness of existing data	- Disclose material commitments in 2020/21 financial statements	- Continue to disclose in financial statements		MOFED Treasury BCG, CG, GG, and other public sector entities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsib le Agency**
8. Financial assets							
8a. Receivables (exchange revenues)	- Consult with revenue authorities	- Analyze circumstances to identify areas where receivables may arise - Specify accounting policies and procedures - Review completeness and quality of existing data	- Quantify receivables as at July 1, 2020, and any related provisions for potentially irrecoverable amounts - Enter opening balances in TAS - Account for receivables on dual bases in TAS - Prepare template for notes -Review receivables and provide for any potentially irrecoverable amounts	- Recognize receivables in 2020/21 financial statements	- Refine receivables data and presentation - Continue to report receivables in financial statements subject to reliability and recoverability		MOFED Treasury Revenue Authorities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
8b. Receivables (non-exchange revenues)	- Consult with MRA and other revenue authorities	- Analyze circumstances to identify areas where receivables may arise - Specify accounting policies, including taxable events according to IPSAS 23 - Prepare guidance for estimating receivables	- Quantify receivables as at July 1, 2020, and any related provisions for potentially irrecoverable amounts - Enter opening balances in TAS - Account for receivables on dual bases in TAS - Prepare template for notes - Review receivables and provide for any potentially irrecoverable amounts	- Recognize receivables in 2020/21 financial statements - Keep receivables data under review to assess reliability and recoverability	- Refine receivables data and presentation - Continue to report receivables in financial statements subject to reliability and recoverability		MOFED Treasury MRA Other revenue authorities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
8c. Finance and operating leases (Govt. is the lessor)	-Consult with Mins of Housing and Land and Mins. Agro Industry	- Develop accounting policies consistent with IPSAS particularly IPSAS 13 - Identify and review leases and classify as finance or operating leases	- Prepare template for notes - Record leases in TAS or separate asset register for management - Enter opening balances of finance leases in TAS GL as part of receivables - Record in TAS any additions or reductions of finance leases	- Recognize finance leases in 2020/21 financial statements	- Refine and improve data for financial statements - Continue to report finance leases		MOFED Treasury Mins of Housing and Land and Agro Industry
8d. Investments	- Specify accounting policies, including taxable events according - Review quality and completeness of existing data - Recognize investments in 2017/18 financial statements	- Enter balances as at July 1, 2019 in TAS GL (based on 2018/19 financial statements) - Account for investments on dual bases in TAS - Review and refine accounting policies - Continue to report investments in financial statements	- Continue to review investments and need for revaluation as at accounting date - Continue to recognize investments in financial statements - Review investments and need for revaluation				Treasury MoFED

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsib le Agency**
8e. Other financial assets	- Analyze circumstances to identify areas where other financial assets may arise - Specify accounting policies and procedures - Review quality and completeness of existing data - Recognize other financial assets in 2017/18 financial statements	- Enter opening balances as at July 1, 2019 in TAS (based on 2018/19 financial statements) - Account for Other Financial Assets on dual bases in TAS	- Review accounting policies and refine data and presentation - Continue to report in financial statements				Treasury BCG entities

<table>
<tr><th colspan="8">Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register</th></tr>
<tr><th>Activity area</th><th>Phase I
2018/19</th><th>Phase II
2019/20</th><th>Phase III
2020/21</th><th>Phase IV
2021/22</th><th>Phase V
2022/23</th><th>Phase VI
2023/24</th><th>Responsib le Agency</th></tr>
<tr><td colspan="8">9. Non-financial assets</td></tr>
<tr><td>9a. Fixed asset register</td><td>- Incorporate revised classification in Asset register and GL in TAS
- Review data quality and classification of pilot entities’ (Treasury and other MOFED Departments) assets and revise as needed</td><td colspan="3">- Enter information about assets in register as it becomes available (see below) –complete by June 30, 2022.
- Refine and improve quality of information
- Reconcile FAR with GL asset accounts and financial statements</td><td colspan="2">- Keep assets register up-to-date and reflect additions, disposals and any other adjustments (e.g., asset life, condition, revaluation)
- Continue to reconcile assets register with asset accounts and financial statements
- Undertake physical verification (including condition) of assets and reconcile with asset register on a rolling basis to cover all assets over three years
- Use register and other information to ensure assets are maintained properly</td><td>MOFED Treasury BCG entities

(see below for specific entities)</td></tr>
</table>

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsib le Agency**
9b. Land	- Specify accounting policies according to IPSAS (particularly IPSAS 17) - Review quality and completeness of existing data - Undertake an inventory of land - Establish cost or values - Recognize land in 2017/18 financial statements	- Enter in register land controlled -Enter opening balances as at July 1, 2019 and enter in TAS GL which must agree with register - Commence recording transactions in dual cash and accrual TAS	- Continue to record land and related transactions on dual cash and accrual basis - Continue to report land in financial statements - Refine and improve data for financial statements for future years				MOFED Treasury, Mins of Housing and Land Valuation Department Other BCG entities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
9c. Buildings	- Specify accounting policies, including useful lives - Recognize buildings in 2017/18 financial statements	- Enter in register controlled buildings - Review quality and completeness of existing data including in the booklet "Government Owned Buildings" - Enter opening balances as at July 1, 2019 in TAS GL (based on 2018/19 financial statements) - Commence recording transactions in dual cash and accrual TAS - Review depreciation calculation throughout the year	- Continue to enter in register (complete backlog by 2020/21) - Continue to record buildings and related transactions on dual cash and accrual basis (complete backlog by 2020/21) - Continue to report buildings in financial statements - Refine and improve data for financial statements for future years - Review useful economic life of assets - Review for impairment - Reconcile GL balances with FAR.				MOFED Treasury MPI PMO BCG entities Valuation Department

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register

Activity area	Phase I 2018/19	Phase II 2019/20	Phase III 2020/21	Phase IV 2021/22	Phase V 2022/23	Phase VI 2023/24	Responsible Agency
9d. Roads, bridges, tunnels, harbors, dams, and other infrastructure assets	- Specify accounting policies, including useful lives - Review quality and completeness of existing data - Establish cost or values - Recognize infrastructure assets in 2017/18 financial statements	- Undertake an inventory of infrastructure assets - Enter in register infrastructure assets - Enter opening balances as at July 1, 2019 in TAS GL (based on 2018/19 financial statements) - Commence recording transactions in dual cash and accrual TAS - Review depreciation calculation throughout the year - Continue to recognize infrastructure assets in 2018/19 financial statements	- Continue to record infrastructure assets and related transactions on dual cash and accrual basis (complete backlog by 2021/22) - Continue to report infrastructure assets in financial statements - Refine and improve data for financial statements for future years - Review useful economic life of assets - Review for impairment - Reconcile GL balances with FAR.				MOFED Treasury Road Development Authority National development Unit MPI MEPU Valuation Department

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
9e. Machinery, and equipment, including transport, ICT, and others	- Specify accounting policies, including useful lives - Review quality and completeness of existing data - Establish cost or values - Recognize machinery and equipment in 2017/18 financial statements	- Undertake an inventory of machinery and equipment - Enter in register machinery and equipment - Enter opening balances as at July 1, 2019 in TAS GL (based on 2018/19 FS) - Commence recording transactions in dual cash and accrual TAS - Review depreciation calculation throughout the year	- Continue to record machinery and equipment and related transactions on dual cash and accrual basis (Complete backlog by 2021/22) - Continue to report machinery and equipment in financial statements - Refine and improve data for financial statements for future years - Review useful economic life of assets - Review for impairment - Reconcile GL balances with FAR.				MOFED Treasury MPI BCG entities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsib le Agency**
9f. Other fixed assets, including cultivated biological asset		- Consult with Mins of Housing and Land and Mins. Agro Industry -Specify accounting policies, including useful lives - Review quality and completeness of existing data	- Establish cost or values at July 1, 2020 - Enter opening balances as at July 1, 2020 in TAS GL - Commence recording transactions in dual cash and accrual TAS	- Commence recognizing biological assets in 2020/21 financial statements	- Continue to record Other fixed assets and related transactions on dual cash and accrual basis - Review for impairment - Continue to report Other fixed assets in financial statements - Refine and improve data for financial statements for future years - Reconcile GL balances with FAR. - Review useful economic life of assets		MOFED Treasury Mins. of Agro Industry BCG entities
9g. Finance lease (where Govt. is the lessee)		- Identify and classify leases as finance or operating leases, if any If significant leases exist: - Develop accounting policies consistent with IPSAS particularly IPSAS 13 - Prepare template for notes		- Establish and enter opening balances of finance lease liabilities and assets as at July 1, 2021 (refer above under PPE) - Recognize finance lease liabilities in 2020/21 financial statements - Report commitments under operating leases	- Continue to report finance lease liabilities and operating lease commitments in financial statements - Refine and improve data for financial statements		Treasury BCG entities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsib le Agency**
9h. Public private partnerships (PPPs)	Not applicable currently						
9i. Intangible assets including software	- Develop accounting policies consistent with IPSAS (particularly IPSAS 31) - Estimate useful lives - Recognize intangible assets in 2017/18 financial statements - Calculate amortization	- Continue to report intangible assets - Enter opening balances as at July 1, 2019 in asset register and GL in TAS - Account for intangible assets in dual mode in TAS	- Continue to report intangible assets - Refine and improve data for financial statements for future years				Treasury Mins. of ICT BCG entities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
9j. Inventories	- Develop accounting policies consistent with IPSAS particularly IPSAS 12 - Review available data for quality and completeness and prepare plan for identification and valuation of inventories - Identify and value inventories as June 30, 2018 - Prepare template for notes - Recognize inventories in 2017/18 financial statements (based on returns)	- Undertake physical verification of inventories by BCG entities for annual reporting - Continue to report inventories in financial statements - Refine data for financial statements for future years					Treasury BCG entities

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
10. Consolidated financial Statements (CFS)							
10a. Consolidated financial statements (CFS)		- Develop accounting policies consistent with IPSAS (particularly IPSAS 34 – 38) - Explore and decide on options for systems and processes for consolidation (Oracle, Hyperion, others)		- Generate CFs for Central Government - Set up systems and processes for consolidating General Govt.	- Generate CFs for General Government - Set up systems and processes for consolidating public sector		Treasury
10b. CFS of Budgetary Central Govt. (BCG)			- Refine and improve accounting policies, processes, and data quality and completeness based on experience and any NAO review comments	- Generate CFS for BCG for 2020/21 using TAS - Continue to refine policies, processes, and data	- Continue to produce CFS for BCG as part of CFS for GG	- Continue to produce CFS for BCG as part of CFS for public sector	Treasury (BCG entities to be responsible for reconciling intra-BCG items)

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
10c. CFS of Central Govt. (CG)		- Amend Statutory Bodies (Accounts and Audit) Act for entities listed at Part II of Schedule II to prepare accounts on IPSAS basis	- Review and, if needed, revise list and classification of controlled CG entities - Develop and approve consolidation package (CP) to incorporate FS and supplementary information - Set up systems and processes incl. eliminations, for preparing CFS of the CG	- Review and, if needed, revise list and classification of controlled CG entities - Set up systems and processes incl. eliminations, for preparing CFS of the CG - Issue instructions to CG entities to submit CP for 2021/22 - Refine and improve accounting policies, processes, and data quality and completeness based on experience and any NAO review comments	- Prepare CFS for 2021/22 for the CG - Continue to refine and improve accounting policies, processes, and data quality and completeness based on experience and any NAO review comments	- Continue to prepare CFS for CG as part of CFS for public sector (see below)	Treasury BCG and CG entities to be responsible for reconciling intra CG items

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
10d. CFS of General Govt. (GG)	- Communicate with LA’s	- Continue to communicate with LA’s and commence communication with Statutory Bodies	- Continue to communicate with LA’s and Statutory Bodies - LA’s submit IPSAS Financial Statements for 2019/20 to NAO - MoLG to consolidate LA’s accounts for management review - Develop and approve consolidation package (CP) to incorporate FS and supplementary information	- Document procedures, incl. eliminations, for preparing CFS for the GG - Continue to communicate with LA’s and Statutory Bodies and train staff - Issue instructions to GG entities to submit CP for 2021/22	- Prepare CFS for 2021/22 for the GG - Refine and improve accounting policies, processes, and data quality and completeness based on experience and any NAO review comments	- Continue to prepare CFS for GG as part of CFS for public sector (see below)	LA’s, MoLG, Treasury, Statutory Bodies to be responsible for reconciling intra GG items

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
10e. CFS of Public Sector (PS).		- Consult with State Law Office, Companies and Business Registration Department, Financial Reporting Council and SOEs	- Review and amend where necessary legal and other provisions, including timely submission of FS by SOEs etc.	- Keep under review adequacy of legal and other requirements - Develop and approve consolidation package (CP) to incorporate FS and supplementary information	- Document procedures, incl. eliminations, for preparing CFS for the PS - Communicate with PS entities and train staff - Issue instructions to PS entities to submit CP for 2022/23	- Prepare CFS for 2022/23 for the PS - Refine and improve accounting policies, processes, and data quality and completeness based on experience and NAO comments	Treasury PS entities to be responsible for reconciling intra public sector items

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsib le Agency**
11. Project management, training and change management							
11a. Project management	- Establish Governance Arrangements, specify roles and responsibilities, decision making and issues resolution (MOFED)	- Develop a detailed project plan based on this report and roadmap, including training (Project Manager) - Mobilize and allocate manpower resources (MOFED) - Monitor and manage project (Project Manager) - Report to AG (Project Manager) - Report to Steering Committee (AG)	- Continue to monitor and manage project (Project Manager) - Continue to report to AG (Project Manager) - Continue to report to Steering Committee (AG)				MOFED (Steering Committee) Treasury (Project Manager and AG)
11b. Training		- Develop training plan for different stakeholders - Provide training according to plan	- Continue to assess training needs and provide training				MoFED Treasury (Project Manager)

Appendix 2. Integrated road map for implementation of accrual accounting, IPSAS, and asset register							
Activity area	**Phase I 2018/19**	**Phase II 2019/20**	**Phase III 2020/21**	**Phase IV 2021/22**	**Phase V 2022/23**	**Phase VI 2023/24**	**Responsible Agency**
11c. Communication and Coordination		- Develop a communication strategy	- Continue to assess needs and communicate as appropriate with stakeholders				MOFED Treasury
12. Audit and review							
12a. Audit and review	- Hold consultations with NAO regarding review and audit of financial statements including CFS	- Develop an indicative plan to obtain NAO's feedback on financial statements	- Review comments from NAO and implement necessary improvements				NAO