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TECHNICAL ASSISTANCE REPORT

MAURITIUS

IMPLEMENTING ACCRUAL ACCOUNTING AND INTERNATIONAL STANDARDS

JULY 2020

PREPARED BY

ABDUL MUDABBIR KHAN AND FRANS VAN SCHAIK

AFRITAC South

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ABBREVIATIONS AND ACRONYMS

AFS	Regional Technical Assistance Center for Southern Africa—AFRITAC South
AAG	Assistant Accountant General
AG	Accountant General
AO	Accounting Officer
BCG	Budgetary Central Government
CF	Consolidated Fund
CFS	Consolidated Financial Statements
CG	Central Government
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
MoFEPD	Ministry of Finance, Economic Planning and 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 2 - 16, 2020. The mission team comprised Messrs. Moulay Abderrahmane El Omari (AFRITAC South Public Financial Management resident advisor), Abdul Khan, and Frans van Schaik (Fiscal Affairs Department experts).

The mission met; Mr. Gerard Pascal Bussier, Deputy Financial Secretary; Mr. Sunil Romooah, Director of Audit; Mr. Sunil Dutt Ramdeen, the Acting Accountant General; Mr. Anandsing Acharuz, Director, Ministry of Finance, Economic Planning and Development (MoFEPD); Mr. Sanjay Annauth, Deputy Accountant General; Mr. Sachidanund Ramparsad and Mr. Randhir Kalleechurn, Assistant Accountants General; and other senior officers of the MoFEPD and other ministries, 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 Mauritius Revenue Authority, Statistics Mauritius, and Statutory Bodies.

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, MoFEPD in respect of mission logistics and scheduling.

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

EXECUTIVE SUMMARY

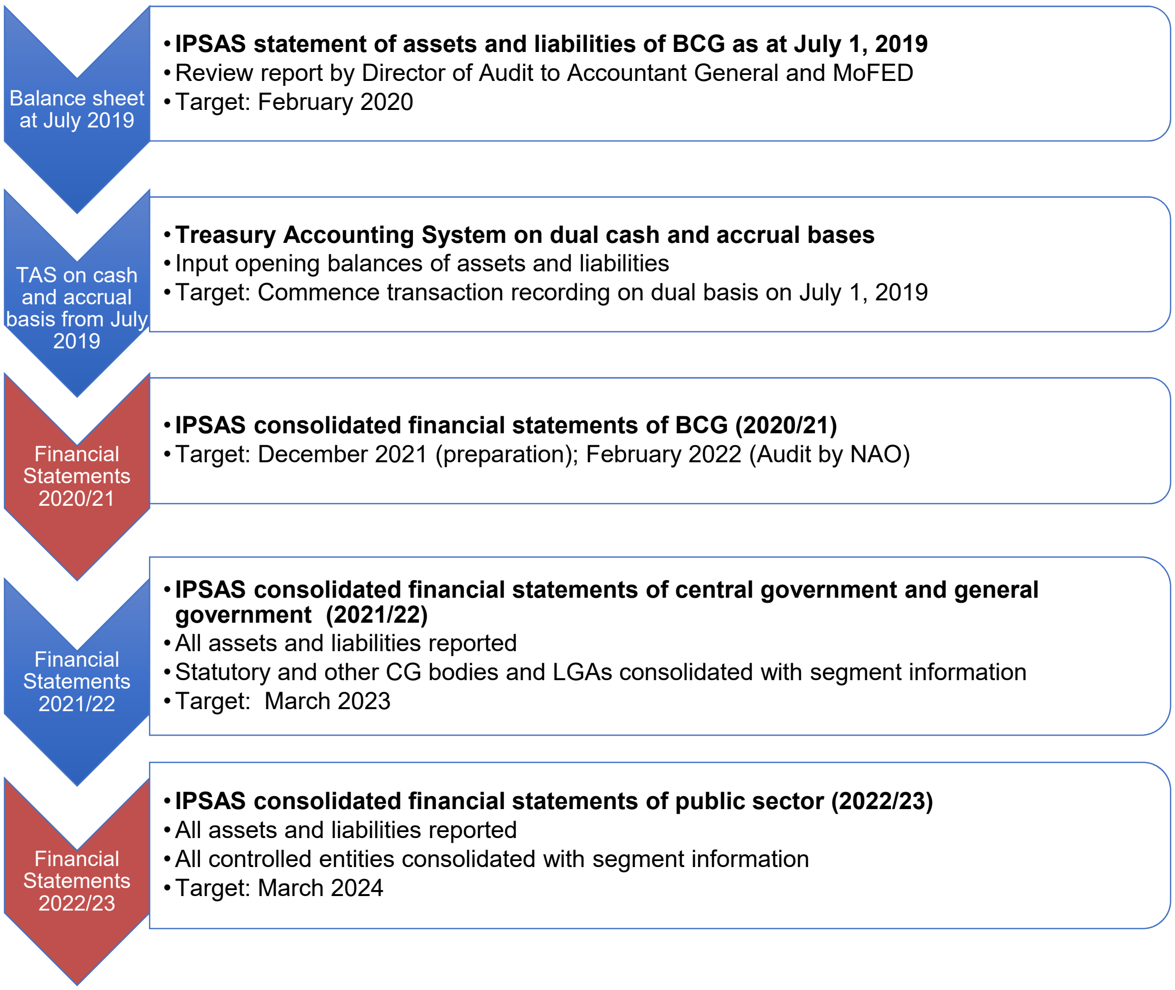
The authorities are proceeding with the implementation of a financial reporting framework based on accrual accounting and International Public Sector Accounting Standards (IPSASs). This follows the authorities' decision in 2016 to improve transparency and accountability by modernizing financial reporting. An IMF Regional Technical Assistance Center for Southern Africa—AFRITAC South (AFS) mission in October 2016[2] provided advice on key issues and worked with the authorities in developing a roadmap for the reform, which was updated in 2019. The authorities are determined to follow the roadmap, including the phased approach summarized in the diagram below. Follow-up AFS missions in 2018 and 2019 reviewed and commented on progress made and advised on issues and challenges. This follow-up mission worked closely with senior officials of the Ministry of Finance, Economic Planning and Development (MoFEPD) including the Treasury and the Ministry of Local Government and Disaster Risk Management. This report summarizes the mission's findings and recommendations.

The implementation of financial reporting based on accrual accounting according to IPSAS has made progress. The financial reporting framework has been substantially developed, including the form and content of the financial statements and the accounting policies for both the budgetary central government (BCG) and the public sector. The 2018/19 financial statements of the BCG indicate improvements compared to those of the previous year. However, some major issues raised last year remain to be addressed.

- **Pension liabilities are not yet recognized in the financial statements.** These should be recognized in 2019/20 financial statements and include full disclosures on post-employment benefit schemes;
- **Reported amounts of property, plant, and equipment remain to be quality assured.** In particular, the exceptionally large amounts reported for land should be reviewed. The recognition of heritage assets such as public beaches and national parks is at variance with the practice of most advanced countries and should be deferred until IPSASB finishes its project and issues its pronouncement. The valuation basis and methodology of land should be documented by the valuation department in the form of a valuation report. This should be reviewed critically by MoFEPD and the Treasury to assess whether the valuation basis and methodology are acceptable in the context of the need for the financial statements to provide a fair presentation of, among other things, assets and liabilities.

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

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. MoFEPD and Treasury should review and implement the recommendations.



The Local Governments Authorities (LGAs) have also made good progress in producing IPSAS compliant financial statements, including recognizing pension liabilities. They have also provided a comparison of budget and actual amounts and some of them have started explaining major variances as required by IPSAS. The Ministry of Local Government and Local Authorities Governance Unit should continue working with the LGAs to follow up on the recommendations in this report.

The secondary ledger to support accrual accounting cannot yet be considered reliable or operational. Progress on improving the ledger has been limited**.** Transactions entered in primary ledger and secondary ledger have been compared and reconciled. However, other necessary work on verifying the data in the secondary ledger has not been done. Test data have been entered in the live system in breach of fundamental internal control and data quality procedures. The opening balances of assets and liabilities (as at July 1, 2019) have been entered in such a manner that the system treats these as transactions for 2019/20 rather than opening balances.

These actions have made the secondary ledger data complex and difficult to understand and may impair the reliability of the ledger. Necessary reports have not been developed and the balances in the ledger have not been verified. The very few reports developed so far indicate serious issues related to report design and the reliability of the reported data. Treasury officials indicated that these reports were first attempts and further work would be done to address all issues.

The government fixed asset register continues to remain incomplete. The ministries are not entering necessary information into the system and without this information the asset register cannot be updated. The plan to use a roving team of interns to enter the assets acquired in the past has not made significant progress.

Work on reporting tax revenues in accordance with IPSAS is making progress. A working group has been set up and is developing further the principles and policies suggested by the previous mission. System scripts are planned to be developed soon to enable the generation of accrual-based revenue numbers, particularly receivables as at July 1, 2020 for entering into the secondary ledger. The working team is confident that revenue would be reported in accordance with IPSAS commencing 2020/21 financial statements as per the roadmap. Corporate tax is the only major category of tax revenue that would continue to be reported at this stage on cash basis due to the lack of a methodology to produce reliable estimates. This policy should be reviewed annually and options to produce reliable estimates including statistical models should be explored.

A start has been made in developing a communication strategy, but this should be developed further. This should cover training, communication, and coordination. A distinction should be made between the communication strategy and the materials used to communicate such as the accounting policies. The strategy should focus on the objectives of communication, coordination and training and identify the target stakeholder groups (e.g., ministers, politicians, senior officials, preparers and analysts of financial statements, and the media) and their needs. Securing cooperation of other entities (e.g., related to ministries, departments, agencies updating the asset register) would be one objective of communication. The strategy should specify what activities would be undertaken, when, how, and by whom and the resource implications. The strategy should be reviewed and approved by the steering committee.

The steering committee should ensure that adequate resources are deployed to the reform activities, particularly the secondary ledger. A dedicated IPSAS project team suggested by the previous mission based on consultations with the former accountant general has not been set up. Only five people are working at most twenty percent of the time on the secondary ledger. This contrasts with the estimate of the former accountant general that six people should be working on the secondary ledger on a full time basis. The steering committee should monitor closely the progress of the work on the secondary ledger. Monthly reports on progress of the secondary ledger should be submitted to the steering committee that clearly describe progress achieved, how much work remains to be done, and a realistic assessment of when this work will be completed.

Summary of Recommendations

Recommendation	Timeframe and responsibility
Progress of reform	
1. Include a reference to fair presentation in any description of financial reporting framework	AG, by May 2020
2. Develop the framework in full compliance with IPSAS and disclose by way of a note in the framework the extent to which the existing financial statements do not comply with IPSAS – use Box 1 as a guide	AG, by May 2020
3. Develop a stand-alone document to describe the financial reporting framework	AG, by May 2020
IT systems	
4. Document, review, and approve the full impact of (i) entering test data and (ii) entering opening balances as at July 1, 2019 as 2019/20 transactions in the SL and the manner in which these have been addressed	AG, by May 2020
5. Confirm to steering committee that the above has been done	AG, by May 2020
6. Take steps to ensure that 2020/21 SL does not have any of these issues	AG, by May 2020
7. Verify balances in the SL and adjust as necessary maintaining strict control and audit trail	AG, by May 2020
8. Produce, review, and approve trial balances as evidence that balances have been verified	AG, by May 2020
9. Develop, test, review, and approve all financial statements including notes and other necessary reports	AG, by June 2020
10. Improve the design of three reports developed to-date as discussed in this report	AG, by June 2020
11. Revise chart of accounts as discussed in this report	AG, by April 2020

12. Consider measures to ensure that MDAs complete asset register and cooperate on other issues related to accrual IPSAS implementation	MoFEPD, by June 2020
Revenue reporting	
13. Finalize and adopt formally the accounting policies in respect of tax revenues. The accounting policies recommended by the previous mission's report (Box 3) should be used as a basis and updated as appropriate.	Working Group, Steering Committee by June 2020
14. Develop format of revenue reporting by MRA and other revenue raising entities incorporating a full reconciliation of data on revenue, receivables and cash collected	Working group, AG by June 2020
15. Complete development of detailed policies, procedures, and systems to measure or estimate revenues and receivables to be reported in financial statements according to approved accounting policies	MRA, other revenue raising entities, by June 2020
16. Send opening balances of revenue receivables as at June 30 2020 to MoFEPD and AG	MRA and other revenue raising entities by November 30, 2020
17. Commence reporting revenues twice a year in specified format	MRA and other revenue raising entities commencing 2020/21
Management and coordination of reforms	
18. Make it clear that the roadmap and the key milestones set out in Figure 3 should be followed	Steering Committee by April 2020
19. Dedicate more resources to resolve issues and complete all work to ensure that the SL can be used as a reliable source of data to prepare accrual based financial statements and other reports	AG, starting immediately
20. Dedicate more resources to the accrual IPSAS project as set out in the previous mission's report	AG, starting immediately
21. Monitor closely the allocation of resources to the SL and progress of work on SL including reviewing monthly	MoFEPD senior management, Steering

progress reports and seeking additional information as appropriate	Committee, ongoing
22. Direct Treasury to complete all outstanding work on SL so that it is reliable and fully operational by June 2020	MoFEPD senior management, Steering Committee, immediately
23. Describe progress on SL more clearly in monthly reports to steering committee including achievements, issues, and work that remains to be done, and provide a realistic assessment of when this work will be completed	AG, commencing immediately
24. Develop communication strategy further along the lines set out in this and earlier reports of AFS missions	MoFEPD, Treasury, and steering committee, by June 2020
Budgetary Central Government – Status and issues	
25. Use the findings from the Section V on status and issues to prepare financial statements for budgetary central government that comply with all the requirements of accrual-basis IPSAS except for consolidation.	MoFEPD, by 2020/21
Local Government Authorities – Status and issues	
26. 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 2019/20)	LGAs, by 2019/20

I. INTRODUCTION AND BACKGROUND

1. **The authorities are proceeding with the implementation of a financial reporting framework incorporating accrual accounting and in compliance with IPSAS.** This follows the authorities' decision in 2016 to improve transparency and accountability by modernizing financial reporting. An IMF Regional Technical Assistance Center for Southern Africa— AFRITAC South (AFS) mission in October 2016[3] provided advice on key issues, suggested a phased approach, and worked with the authorities in developing a roadmap for the reform. Follow-up AFS missions in 2018 and 2019 reviewed and commented on progress made and advised on issues and challenges. The 2019 mission provided advice on a range of issues that the authorities were concerned could cause accrual IPSAS based financial statements to be mis-interpreted and lead to adverse reaction or public criticism. The 2019 mission also helped the Treasury revise the roadmap for the reform.

2. **This report reviews the progress made since the last mission and provides advice to ensure that the project is implemented successfully according to agreed timelines.** The mission provided advice on a range of issues, including revenue reporting, the secondary ledger of the Treasury accounting system, and undertook a detailed review of the 2018/19 financial statements of the budgetary central government and local authorities and discussed the findings with officials. The mission also held three workshops – one each with officials of budgetary central government, local authorities, and statutory bodies.

II. PROGRESS OF REFORM

3. **The implementation of accrual-based financial reporting according to IPSAS is progressing.** Two major milestones have been substantially achieved and work is progressing on improving the quality of the BCG financial statements. However, in some other areas adequate progress has not been made. This Section discusses the progress in various areas. Appendix 1 summarizes the progress made in respect of the recommendations made in report of the AFS PFM mission of March 2019[4].

4. **Two important milestones have been substantially achieved.**

- **One milestone relates to the identification of opening balances of assets and liabilities as at July 1, 2019.** The balances have been derived from the financial statements of 2018/19.
- **The other milestone involves the opening balances being entered into the secondary ledger (SL).** While this has been done, there are significant issues with the

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

[4] A. Khan and F. van Schaik (July 2019): *Implementing Accrual Accounting and International Standards*

way this was done, and a consequence is that the quality and reliability of the SL is yet to be established. These and other issues related to the SL are discussed in Section III.

5. **The envisaged financial reporting framework has been substantially developed.** In particular, the development of the accounting policies and format of the financial statements and the accounting policies for both the BCG and public sector have progressed well. The framework does not yet include a reference to fair presentation as required by the Finance and Audit Act. This reference should be included. The framework should be in full compliance with IPSAS. Box 1 provides a summary of the gaps between existing practices and the IPSAS requirements. This Box may be used as a guide to complete the development of the full envisaged framework. Once completed, the framework should be reviewed by the AG, approved by the steering committee, and communicated to the stakeholders.

6. **The financial statements for 2018/19 have been prepared**. The audit of these financial statements—prepared in compliance with IPSAS "as far as possible," as allowed by legislation at this stage—has been completed.

7. **However, the 2018/19 financial statements do not show progress in respect reporting of some significant assets and liabilities**.

- **Although the pension liability for government employees have been determined on an actuarial basis, this liability has not been recognized in the financial statements**. There are some concerns among senior officials that showing this large liability would provide an incomplete view of the government's financial position until all assets including those of entities outside the BCG are recognized. The mission explained that these financial statements relate to the BCG and may only include assets and liabilities of this entity. However, when consolidated financial statements are prepared the assets and liabilities of the whole public sector would be reported. Therefore, in order to provide a fair presentation in accordance with IPSAS and the Finance and Audit Act, it is essential that the financial statements of the BCG recognize all of its liabilities, including employee pension liabilities. The authorities expect that pension liabilities will be recognized in the financial statements for FY 2019/20, subject to Government policy decisions.

- **The very large amounts related to land included as property, plant, and equipment have not yet been quality assured**. The previous mission highlighted this area and recommended that the policy for recognizing natural heritage assets such as parks, national parks, and public beaches should be reconsidered in light of international practice and the work being done on this issue by IPSAS. The mission also recommended that the basis of valuation of land should be clarified. 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 recommended that authorities should revisit 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. No progress has been made in this respect. The mission reiterates the importance of resolving this issue in order that the financial statements provide a fair presentation. The authorities confirmed that a report on the basis of valuation was being prepared by the Valuation Department and would be submitted as soon as practicable.

Specific comments on the financial statements of BCG including any gaps compared to IPSAS and related recommendations are set out in Section V.

8. **Work to enable reporting of revenues on an accrual basis and in compliance with IPSAS has progressed**. Following the advice provided by the previous mission, MoFEPD, Mauritius Revenue Authority (MRA), and the Treasury are developing the principles and policies that would form the basis of reporting revenues. The officials expect to be able to provide, by November 30, 2020, the balances of receivables as at June 30, 2020 for input into the SL.

9. **Preparatory work for the preparation of consolidated financial statements beyond the BCG is in progress**. In addition to developing the accounting policies and formats of financial statements for the public sector, consultations have commenced with the statutory bodies that would be consolidated with the BCG to generate central government financial statements, commencing 2021/22. These statutory bodies would be required to move from their current framework based on IFRS for small and medium-sized entities and necessary legislative changes are expected to be approved as part of the forthcoming Finance Bill.

10. **The Local Government Authorities (LGAs) have made good progress in producing IPSAS-based financial statements**. In particular: property, plant, and equipment are reported more fully; pension liabilities are recognized; a reconciliation between budget execution report and the actual amounts in the statement of comparison of budget and actual amounts has been provided; and an attempt has been made to explain the differences between budget and actual amounts. Comments on the financial statements of LGAs including any gaps compared to IPSAS and related recommendations are provided in Section VI.

11. **However, progress in implementing IT systems to facilitate accrual accounting and preparation of accrual-based financial statements have been limited.** The data in the accrual-based SL, particularly the ledger balances that are of critical importance for the preparation of financial statements have not yet been fully verified. The reliability of the data in the SL is therefore yet to be proven. Progress in MDAs inputting data in the fixed asset register has not made progress. These issues are discussed in more detail in section III.

It is recommended that the authorities:

- ***Include a reference to fair presentation in any description of financial reporting framework*** (AG, by May 2020)

- ***Develop the framework in full compliance with IPSAS and disclose by way of a note in the framework document the extent to which the existing financial statements do not comply with IPSAS and the envisaged framework*** (AG, by May 2020)
- ***Develop a stand-alone document to describe the financial reporting framework (***AG, by May 2020)

III. IT SYSTEMS

A. Secondary ledger (accrual-based)

12. **The authorities decided during the mission of 2016 to use the secondary ledger (SL) functionality of TAS to provide accrual-based accounting data.** The existing mostly cash-based budgeting system will continue and the primary ledger (PL) would continue to operate on a similar basis to facilitate budget execution. The PL and SL would operate in parallel. Transactions would be posted only once but would generate the appropriate entries in the two ledgers. The SL would be used to provide accrual-based reports including financial statements and trial balances. This will streamline the BCG financial statements preparation process and provide an audit trail.

13. **Progress on the configuration and live operation of the SL has been slow.** Although the system was planned to go into live operations from July 1, 2019, as discussed more fully in this Section, this has not been achieved. The system is operating in a mechanical sense. However, secondary ledger is not being checked adequately and its outputs have not been subject to systematic review and acceptance by senior officials. With a new system that is critical for the success and sustainability of the reform, this kind of review and quality assurance is essential.

14. **The balances of the secondary ledger remain to be verified.** The transactions recorded in the primary and the secondary ledger have been compared and the differences have been analyzed and reconciled. However, the balances in the secondary ledger that should comprise the transactions of 2019/20 and the assets and liabilities as at July 1, 2019 have not been analyzed and verified. The acting AG and other Treasury officials indicated that the work on verification of the balances have started and is planned to be completed in the near future.

15. **Until the balances are verified, the data in the SL cannot be considered reliable.** The balances at the end of any reporting period are used to generate financial statements and other reports. The balances of the asset and liability accounts are particularly important as they provide the data for the preparation of the statement of financial position and related notes. No statement of financial position has been produced as at any date other than July 1, 2019 incorporating the opening balances. As more fully discussed below, this sole statement based on SL balances as at the beginning of 2019/20 also has several issues. Until the statement of financial position and the related notes are fully developed and tested and then produced and verified with live data on a regular basis, the SL cannot be considered to be operational. In

particular, it cannot yet be considered to be a reliable basis for the preparation of financial statements and related reports.

16. The manner in which data have been entered in the SL for 2018/19 raises serious concerns about the SL's reliability and usability. Firstly, test data were entered in the live version of the SL. This is a breach of a fundamental internal control and data quality procedures. The treasury officials assured that these have been reversed. However, the original entries and the reversals will continue to make the SL and any reports difficult to understand and interpret. Secondly, the balances of assets and liabilities as at July 1, 2019 were entered in 2018/19 as transactions of that year. The combined effect of these two issues on the SL has been to raise questions about the reliability of the data (e.g., in the trial balances) in the SL. It has also made the data in the SL difficult to understand.

17. Standard system generated reports such as trial balances have been impacted by these two issues. The trial balances, usually a straightforward report of balances, are confusing and difficult to interpret. Thus the information shown on trial balances as opening balances might not be the true opening balances, and transactions during the year on the trial balances might not be the genuine transactions during the year. These trial balances require review and quality assurance that may indicate the need for corrective entries to the SL. They also require formal approval by the AG. Treasury officials indicated that review and quality assurance of the trial balances have started and would be completed as soon as possible.

18. The full impact of these two issues on the SL and the manner in which these have been addressed should be documented, **reviewed, and approved**. The mission scrutinized some of the reports briefly and discussed a range of issues that appear to be the consequences of these two issues. A more thorough review could identify other issues. Such a review should be undertaken and a detailed report should be prepared documenting all the issues and the corrective actions taken. This report should also include explanations that help users understand the reports including trial balances where, for example, (i) opening balances may not mean opening balances, or (ii) the debits and credits columns do not include just transactions for the period, but also opening balances, test data and reversals of test data.

19. It must be ensured that the SL for 2020/21 does not repeat these problems. The balances as at July 1, 2020 must be checked to ensure that these are correct and agree with the financial statements. It must also be ensured that they appear as opening balances and not transactions for 2020/21. Strict quality control processes must be instituted and test data must not be entered in the live SL.

20. Little progress has been made in respect of the development and testing of reports. Only two reports—statement of financial position and statement of financial performance (expenditure by function) have been developed so far using the Financial Statement Generator (FSG) functionality of TAS. As discussed more fully below, there are significant quality issues with these reports. These reports also show different presentations and, in some cases, amounts when compared to 2018/19 financial statements. Given that the financial statements and the reports developed using FSG are produced by the Treasury, such differences should never arise and reflect a lack of adequate review and quality assurance procedures. It also reflects a lack of adequate coordination among treasury officials working on the financial statements and those on the SL. Other reports including the cash flow statement, statement of changes in net assets/equity, the comparison of budget and actual amounts, and the notes to the financial statements have not been developed. These should be completed and the full set of reports should be subject to extensive reviews and approval by the AG.

21. The development of reports including financial statements should be accelerated using existing report generation functionalities. The acting AG has stated that the Treasury is awaiting expert assistance from the service providers so that reports can be produced that would be of a higher quality than those generated by using FSG. However, this should not be used as a reason for not developing FSG reports that can be developed, so that these can be used until such expertise and better reports are available. Without such reports being produced and quality assured the reliability and completeness of the secondary ledger cannot be established.

Statement of assets and liabilities

22. The statement of financial position generated from the secondary ledger as at July 1, 2019 includes numbers that are not accurate. Treasury officials stated that this FSG report was a first attempt and further work and testing has to be done to address all issues, including those raised in this mission report. Developed using FSG and referred to as statement of assets and liabilities, this report should reflect the assets and liabilities as per the financial statements of 2018/19. Unfortunately, this is not the case and the amounts (e.g., cash and bank balances, investments, and consolidated fund) on these two reports do not always agree. As a result, the reports show different net assets/equity amounts although the amounts in the SL are supposed to have been based on the financial statements. This could be either because the balances have not been input correctly into the SL or because the report has not been designed correctly. The amounts in the statement of assets and liabilities also do not always agree with the corresponding SL trial balance. For example, the consolidated fund balance appears as follows:

Table 1. Consolidated Fund balance as at July 1, 2019

Report	Balance
FSG Statement of Assets and Liabilities (Pre July 19)	167,236,474,320.64 (Debit)
Trial balance (TB) Pre July SL year to date	167,211,625,903.60 (Debit)
Statement of Financial Position (part of the 2018/19 financial statements)	28,320,944,755 (Credit)

23. **The differences in the consolidated fund balances appear to be caused mainly by an incorrect definition of the consolidated fund in the secondary ledger**. The secondary ledger appears to define the consolidated fund as inclusive of accumulated surplus/deficit, which is incorrect. The 2018/19 financial statements, on the other hand, shows the balance of the consolidated fund separately from the accumulated surplus/deficit. Treasury officials confirmed that necessary adjustments will be made to the secondary ledger balances to reflect balances as they appear in the 2018/19 financial statements.

24. **The report and the underlying chart of accounts used in the secondary ledger do not meet the requirements of the Constitution or accounting standards**. The consolidated fund and the accumulated surplus/deficit relate to important concepts: the former is required by the Constitution and the latter by IPSAS. Any sound design of an accrual-based chart of accounts should include two separate accounts for these items. As designed, the chart of accounts and any reports generated from the secondary ledger would therefore show an incorrect balance of the consolidated fund as defined by the Constitution and would not show any accumulated surplus/deficit as required by IPSAS. The chart of accounts approach is also inconsistent with recommendations of previous missions and decision by the authorities to present these items in separate lines on the statement of financial position. The officials explained that they initially kept these two items together but intended to separate them in the near future. However, it is important to ensure that these fundamental accounts are recorded correctly from the outset. It is particularly important that these issues are resolved before concluding that the SL is operational.

25. **The design of the report also requires improvements**. As designed, the net assets/equity section of the report includes debit and credit balances without distinguishing them by using positive and negative signs. This section also does not show the asset revaluation reserve as recommended by the previous mission. Finally, this section shows a line item described as “reserves” that appears to correspond with the line item Reserve (Assets) in the 2018/19 financial statements. It should be noted that this line item should not be shown separately, but included as part of accumulated surplus/deficit.

26. **The report should clearly state that it represents assets and liabilities as at July 1, 2019**. The report is described as showing year-to-date amounts when in fact this statement should show balances as at a particular date. This appears to be an example of the impact on the SL of posting the balances as at July 1, 2019 as transactions of 2019/20. If this is the case, other reports from the secondary ledger could also contain inaccuracies and be potentially misleading.

Statement of financial performance

27. **The statement of financial performance generated from the secondary ledger contains serious design flaws and consequently shows significantly inaccurate amounts**. Proceeds from borrowings is included as part of the revenues contrary to the fundamental principle of accrual accounting. This has led to, among other things, the report showing a surplus or deficit that is meaningless and might be significantly misleading. The fact that such a

fundamental error remained undetected until the mission pointed it out suggests that the report has not been subject to even a cursory review. Treasury officials stated that the FSG report is still work-in-progress and necessary work will be done to resolve all issues, including those identified in this mission report.

28. The report shows revenue line-items that are different from the 2018/19 financial statements. Table 2 shows the line items used by the reports and the financial statements. It should be noted that this report from the secondary ledger does not identify separately non-exchange and exchange revenues. This is required by IPSAS and is reflected in 2018/19 financial statements. The report also does not show separately any of the revenues from exchange transactions reported in the financial statements. It is not clear whether the report missed to pick up these relevant accounts or whether the accounts have been mis-classified and included as part of other items in the report.

Table 2. Revenue line items in financial statements and FSG report

2018/19 financial statements	FSG report produced from secondary ledger
Revenue from non-exchange transactions	
Taxation	Taxation
Fines, Penalties and Forfeits	
External Grants and Aid	Revenue from External Grants and Transfers
Transfers and Contributions	
Revenue from exchange transactions	
Licenses	
Property Income	
Sales of Goods and Services	
Social Contributions	
Other Revenue	
	Proceeds from borrowing
	Capital Receipts
	Other Receipts

29. The report shows bottom-lines that are not understandable and could be significantly inaccurate. The report shows a line-item “surplus of actual revenue over expenditure” of MUR 28.48 billion and then a deficit of MUR 9.05 billion, but does not show how the deficit is derived from the surplus of MUR 28.48. Table 3 reflects the presentation of the report.

Table 3. Statement of financial performance for the period July 1, 2019 to March 4, 2020

Items	Total
Total Revenue	108,799,351,866
Total Expenses	80,320,586,724
Surplus of Actual Revenue over Expenditure	(28,478,765,142)
Other Gains/(Losses)	
Gains on Disposal of Investments	
(Losses)/Gains on Foreign Exchange Transactions	
Deficit	9,053,266,506

30. The report analyzes expenses by functions. The amounts have been arrived at by attributing the total expenses of organization units to functions. Finance costs (MUR 8.5 billion) have been shown separately and not allocated to functions. This is consistent with the 2018/19 financial statements. A statement of financial performance analyzing expenses by their nature has not yet been prepared. Since the trial balances presented to the mission show expenses by their nature the statement of financial performance could not be compared to the trial balance.

Consolidated Fund reconciliation

31. The report of reconciliation of the consolidated fund balances in the PL and the SL (FSG PL_SL_050320) raises numerous questions and should be thoroughly reviewed and revised. Firstly, the report is stated to be related to year-to-date (YTD) actual pre July but includes balances at end of February 2020. In fact, the first item shows the PL balance (-55,756,491,140) as at end of February as reflected in the February trial balance. This is then reconciled to a balance of secondary ledger as at July 1, 2019. This requires review and explanation. Furthermore, the secondary ledger balance shown on this document is different from the related trial balance and the FSG statement of assets and liabilities – each of these documents show a different balance. The reconciliation report also shows various items (e.g., PPE and intangible assets) that do not agree with corresponding amounts on the 2018/19 financial statements, These issues were raised with officials but no explanations were available, again indicating a lack of review and quality assurance process. Treasury officials stated that this report was a first attempt and work is underway to address the limitations.

Other issues

32. The trial balance includes a revaluation reserve balance that should be reviewed. Though this account is called revaluation reserve, the balance of this account relates to initial recognition of "non-purchased land" according to the 2018/19 financial statements. As recommended previously, initial recognition should be reflected in accumulated surplus/deficit. Subsequent revaluation gains should be reflected in the revaluation reserve and should be reported separately in the statement of financial position. The chart of accounts should be revised to include the accumulated surplus/deficit account. Should it be considered necessary to continue to be able to identify this balance, a "child" account could be defined whose parent is the accumulated surplus/deficit. Treasury officials stated that they are aware that the reserve does not relate to revaluation reserve and will make the necessary modifications.

B. Fixed Asset register

33. Little progress has been made by MDAs in entering data into the register. This was a problem discussed during the last mission. At that stage the plan was to recruit interns under the Youth Employment Program (YEP) and deploy them to enter the necessary information into the register. However, this has been a slow process. During the latest Steering Committee meeting (February 11, 2020) it was reported that the Ministry of Labour submitted a list of 100 potential candidates under YEP to assist in the recording of assets in the GAR. The Treasury has shortlisted 11 out of 100 candidates and 9 responded positively. The acting AG stated that further actions have been initiated to recruit the YEP interns. 5 YEP interns have been recruited, and procedures have reached an advanced stage in the recruitment for 25 more interns to record assets in Ministries/Departments. The acting AG expects that all YEP interns will be employed by end of this financial year.

34. The lack of an up-to-date asset register is a matter for concern. The implications of this were discussed in the previous mission's report and are not repeated here. However, the reluctance of the MDAs to cooperate in this matter should be addressed by the MoFEPD. Cooperation of MDAs would be necessary on this and other issues on a continuing basis in connection with the preparation of accrual- based financial statements. MoFEPD should consider possible measures to ensure that such cooperation is forthcoming.

C. Summary of recommendations

It is recommended that the authorities:

- ***Document, review, and approve the full impact of entering test data and entering opening balances as at July1, 2019 as 2019/20 transactions in the SL and the manner in which this have been addressed*** (AG, by May 2020)
- ***Confirm to steering committee that the above has been done*** (AG, by May 2020)
- ***Take steps to ensure that 2020/21 SL does not have any of these issues*** (AG, by May 2020)
- ***Verify balances in the SL and adjust as necessary maintaining strict control and audit trail*** (AG, by May 2020)
- ***Produce, review, and approve trial balances as evidence that balances have been verified*** (AG, by May 2020)
- ***Develop, test, review, and approve all financial statements including notes other necessary reports*** (AG, by June 2020)

- ***Improve the design of three reports developed to-date as discussed above*** (AG, by June 2020)
- ***Revise chart of accounts as discussed above*** (AG, by April 2020)
- ***Consider measures to ensure that MDAs complete asset register and cooperate on other issues related to accrual IPSAS implementation*** (MoFEPD, by June 2020)

IV. REVENUE REPORTING

A. Introduction

35. The mission of 2019 recommended that revenues be recognized on an accrual basis commencing with the 2020/21 financial statements. The report of that mission included an analysis of the major categories of revenues and concluded that the four major categories of revenue—value added tax (VAT), excise duties, corporate tax and personal income tax—should be given priority at the early stages of revenue reporting on accrual basis (see Figures 1 and 2). The mission also advised on applicable principles and recommended accounting policies.

B. Current status

36. Progress has been made on preparatory work for revenue recognition. A working group known as the Special Cell for Revenue Accounting comprising MOFEPD, Treasury, MRA and all major revenue-collecting agencies has been established to work as a team on revenue accounting and reporting. The team has studied the recommendations of the previous mission and is developing the policies further and considering the procedures for revenue recognition.

Figure 1. Tax revenues 2017-18 raised by Mauritius Revenue Authority (percent of GDP)

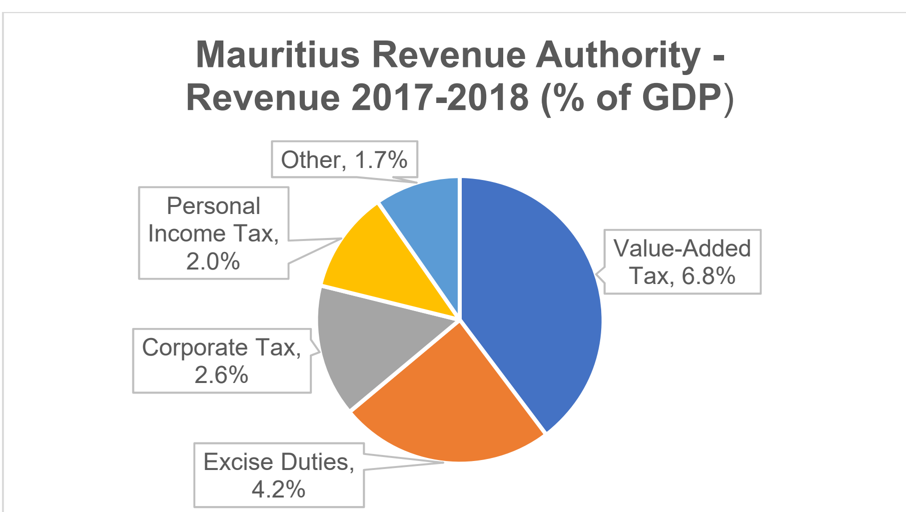
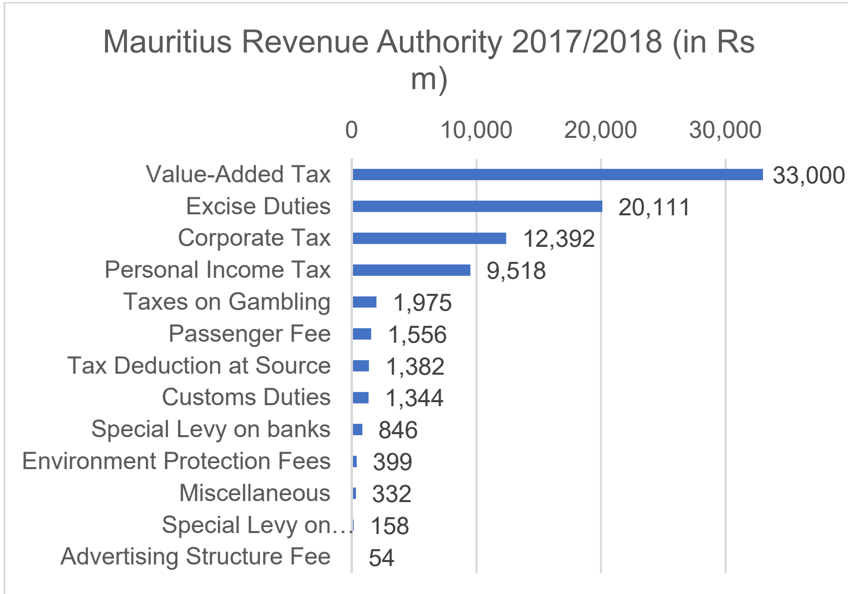


Figure 2. Tax revenues 2017-18 raised by Mauritius Revenue Authority (MUR million)



37. All major categories of revenues, except corporate tax, will be reported on an accrual basis in the 2020/2021 financial statements. The working group have come to the conclusion that VAT, excise duties, and PIT can be accounted for on an accrual basis and have issued guidance to their IT experts to develop the necessary systems that would enable the determination of the accrual based revenue and receivables amounts for reporting to the MoFEPD and Treasury for inclusion in the financial statements.

38. Corporate tax will continue to be recorded on cash basis at this stage. The working group has considered the feasibility of the recognition of corporate tax on an accrual basis, but concluded that at this stage it would not be practicable to develop reliable estimates. It is therefore proposed to continue to report corporate tax on the existing cash basis. This decision should be reviewed annually to assess whether corporate tax can be reported on an accrual basis. An option might be to recognize taxes on an accrual basis where reliable estimates are available because, for example, the companies' tax return are received by June 30. The working group should also consider whether modeling techniques can be used to estimate corporate taxes on an accrual basis by 2022/23, the legal deadline for IPSAS compliance. IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* provides guidance on the use of models, particularly paragraphs 67-70 and IG 3 and IG 4.

39. The form in which tax information is to be submitted for incorporation in BCG financial statements should be considered. It would be desirable to provide the information in the format of the financial statements to ensure that information is internally consistent. For example, total revenues must agree with cash collected plus/minus change in receivables. The cash collected should, in turn agree with cash received in the government bank account, It is noted that the MRA Act (Section 10.5) includes requirements for reporting data of this type. It should therefore not be difficult to present this information in the format of financial statements. The Treasury should develop the format in consultation with the working group.

C. Summary of recommendations

It is recommended that the authorities:

- ***Finalize and adopt formally the accounting policies in respect of tax revenues. The accounting policies recommended by the previous mission's report (Box 3) should be used as a basis and updated as appropriate.*** (Working Group, Steering Committee by June 2020);
- ***Develop format of revenue reporting by MRA and other revenue raising entities incorporating a full reconciliation of data on revenue, receivables and cash collected*** (Working group, AG by June 2020)
- ***Complete development of detailed policies, procedures, and systems to measure or estimate revenues and receivables to be reported in financial statements*** according to approved accounting policies; (MRA, other revenue raising entities, by June 2020);
- ***Send opening balances of revenue receivables as at June 30 2020 to MoFEPD and AG*** (MRA and other revenue raising entities by November 30, 2020)
- ***Commence reporting revenues twice a year in specified format*** (MRA and other revenue raising entities commencing 2020/21)

V. BUDGETARY CENTRAL GOVERNMENT – STATUS AND ISSUES

A. Introduction

40. This Section reviews accounting practices followed by Budgetary Central Government in its 2018/2019 financial statements and identifies the gaps between these practices and the requirements under IPSAS. Box 1 provides a summary of the gap analysis. The authorities plan to make gradual progress over the coming years in addressing these gaps with the aim to achieve compliance of BCG financial statements with all IPSASs except for consolidation by 2020/21 and compliance will all IPSASs including consolidation by 2022/23.

B. Current status

41. In GoM's financial statements, each statement is immediately followed by related notes. This is not common practice and leads to inconsistencies such as a reconciliation between the budgetary result and the cash flow statement shown ahead of the comparison of budget and actual amounts and the cash flow statement. IPSAS 1 *Presentation of Financial Statements*, paragraph 21, instead requires all statements to be presented upfront, subsequently followed by all notes. The financial statements should therefore be structured as follows:

a. A statement of financial position;
b. A statement of financial performance;
c. A statement of changes in net assets/equity;
d. A cash flow statement;
e. A comparison of budget and actual amounts; and
f. Notes, comprising a summary of significant accounting policies and other explanatory notes.

42. GoM's statement of financial position do not present a current/non-current distinction of assets and liabilities, nor present assets and liabilities in the order of liquidity. IPSAS 1 *Presentation of Financial Statements*, paragraph 70 requires a current/non-current distinction of assets and liabilities, except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity. GoM's statement of financial position begins with Cash and Cash Equivalents, which is the most liquid of all assets, and continues with Loans and Advances, Investments and Inventories. However, Inventories are more liquid than Investments. The notes to GoM's financial statements show the current/non-current distinction for most but not all classes of assets and liabilities. IPSAS 1, paragraph 70 requires this distinction for all line items that combine amounts expected to be recovered or settled (a) no more than twelve months after the reporting date and (b) more than twelve months after the reporting date. This is for example the case for payables.

Presentation of budget information in the financial statements

43. The 2018-2019 statement of comparison of budget estimates and actual amounts (Statement AF, classification of expenses by nature) includes the approved budget which follows the format of the Statement of Government Operations. However, Statement AF includes an additional line-item 'Total Revenue less Total Expenses including Contingencies', which should be deleted as it is not in accordance with the logic of the Statement of Government Operations. Table 4 summarizes Statement AF.

Table 4. Summary of Statement AF Statement of comparison of budget estimates and actual amounts 2018/2019) in 1,000 MUR

	Original estimates	Final budget	Actual amounts
Recurrent revenue	106,940	106,940	104,906
Recurrent expenditure	(115,892)	(117,022)	(111,922)
Capital revenue	10,497	10,497	3,359
Capital expenditure	(17,889)	(16,835)	(12,105)
Budget balance (before net acquisition of financial assets)	**(16,344)**	**(16,420)**	**(15,762)**
Net acquisition of financial assets	(9,320)	(9,244)	(7,605)
Government borrowing requirements	25,664	25,664	23,367

The line-item 'Net acquisition of financial assets' in Statement AF consists of:

	Actual amounts
Loan to Parastatal Bodies	(796,691,277)
Reimbursement of Loan by Parastatal Bodies	97,828,563
Equity Purchase/Participation	(6,835,396,670)
Equity Sale	577,200
Equity Purchase/Participation	(46,786,849)
IMF Subscription	(24,850,000)
IMF SDR Sale	75,352
Net Acquisition of Financial Assets	**(7,605,243,681)**

It should be noted that according to GFSM 2014, Net acquisition of financial assets in a Statement of Government Operations should include movements in other financial assets such as advances, investments, and cash.

44. GoM financial statements do not include explanations of the differences between budget and actual amounts and between original and final budgets. IPSAS requires:

- an explanation of material differences between the budget for which it is held accountable and actual amounts. This explanation may be included as a note disclosure in the financial statements or in other public documents issued in conjunction with the financial statements, if a cross reference to those documents is made in the notes.
- an explanation of whether changes between the originally approved budget and the final budget are a consequence of reallocations within the budget or other factors. This explanation may be included as a note disclosure in the financial statements or in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

45. In accordance with IPSAS, GoM financial statements include a note disclosure identifying the entities included in the approved budget: "The Estimates are for the Budgetary Central Government, which includes Ministries and Government Departments. Transfers to Special Funds are appropriated and included as expenditure in the approved Estimates in the year of expenditure. However, the revenue and expenditure of the Special Funds are not included in the approved Estimates."

46. According to Note 2.1, "the Estimates (Budget) of the Government is appropriated by votes of expenditure on a cash basis, except for cost of borrowings which is appropriated on an accrual basis". IPSAS 24, paragraph 39, requires such a disclosure of the budgetary basis. 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 that the Comparison of Budget and Actual Amounts is prepared on the same basis as the approved budget. However, the description of the budgetary basis in GoM's financial statements is inaccurate, as it does not mention the carry-over of capital expenditure, which is accounted for on an 'appropriation basis'. The mission recommends describing the budgetary basis more accurately in accordance with the Finance and Audit Act, article 3A which states:

"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."

47. The actual amounts in the Comparison of Budget and Actual Amounts do not seem to be presented on the same accounting basis as the budget. The actual amounts deviate from the cash basis of accounting not just for interest accrued and carry-over of appropriations for capital expenditure, but also for movements in advances, deposits and investments, described in Note 19 as "Below the line". This means that the actual amounts are not presented on a comparable basis to the budget as required by IPSAS. This becomes clear from Table 5

Reconciliation of actual budget balance and net cash flows, which demonstrates that the movements in advances, deposits and investments are bridging items between actual budget balance and net cash flows. IPSAS requires the actual amounts to be on a comparable basis to the budget – that is, on the same basis of accounting, for the same entity and reporting period, and adopt the same classification structure. The mission recommends presenting the actual amounts in the Comparison of Budget and Actual Amounts on a comparable basis to the budget, as required by IPSAS.

48. The financial statements include a reconciliation of the actual amounts in the comparison of budget and actual amounts and the net cash flows from operating, investing and financing activities in the cash flow statement (Note 19), 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 the actual amounts in the comparison of budget and actual amounts and the cash flows. However, this reconciliation is incorrectly based on a line-item labeled 'Total Revenue less Total Expenses including Contingencies'. The mission recommends instead reconciling the headline figure 'Budget balance' with the net cash flows from operating, investing and financing activities in the cash flow statement, as illustrated in Table 5.

Table 5. Reconciliation of actual budget balance and net cash flows 2018/2019 in MUR

Budget Balance	**(15,761,898,441)**
Basis differences:	
Carry-over of capital expenditure (increase)	113,037,204
Interest accrued (increase)	385,485,671
Advances (increase)	(2,452,095,925)
Deposits (decrease)	(721,373,576)
Investments (increase)	(296,735,727)
Loan to Parastatal Bodies	(796,691,277)
Reimbursement of Loan by Parastatal Bodies	97,828,563
Equity Purchase/Participation	(6,835,396,670)
Equity Sale	577,200
Equity Purchase/Participation	(46,786,849)
IMF Subscription	(24,850,000)
IMF SDR Sale	75,352
Borrowings (disbursement -/- repayment)	19,446,579,910
Entity differences:	
Special Funds (net)	(2,119,279,303)
Net cash flows (cash flow statement)	**(9,011,523,868)**

49. The financial statements also include a reconciliation of the actual amounts in the comparison of budget and actual amounts and the revenues and expenses in the statement of financial performance (Note 17). Although not required by IPSAS**,** paragraph 47, including this reconciliation enhances the credibility and understandability of the accrual-based financial statements by helping the users of the financial statements understand why the actual amounts in the comparison of budget and actual amounts differ from the accrual figures in the statement of financial performance. However, this reconciliation is again incorrectly based on the 'Total Revenue less Total Expenses including Contingencies'. The mission recommends instead reconciling the headline figure 'Budget balance' with statement of financial performance, as illustrated in Table 6. Furthermore, Note 17 has a topline "Deficit in the Statement of Financial Performance" and a bottom line "Deficit as presented in the Statement of Comparison of Budget Estimates and Actual Amounts." The mission recommends changing places and present the actual budget amount as the topline and the accrual amount from the statement of financial performance as the bottom line, to be consistent with Note 19 and more in line with IPSAS 24.

Table 6. Reconciliation of actual budget balance and accrual deficit 2018/2019 in MUR

Budget Balance	**(15,761,898,441)**
Carry-over of budget appropriation (increase)	113,037,204
Purchase of non-financial assets	7,916,172,496
Depreciation and amortization	(3,245,011,848)
Gains on disposal of investments	548,342
Losses on foreign exchange transactions	(47,092,445)
Prepayments	1,057,235
Accruals	(377,142,821)
Inventories	225,801,900
Subscriptions to international organizations	(46,786,849)
Deficit according to statement of financial performance	**(11,221,315,227)**

50. The financial statements do not provide a reconciliation between the amounts of revenues and expenditure published in the Annual Report of MOFEPD in October 2019, and the revenues and expenses in the statement of financial performance. This is because the Annual Report contains only amounts relating to the MoFEPD. GoM only reports BCG budget actuals in the statement of comparison of budget estimates and actual amounts included in the BCG financial statements which are published in March 2020, i.e. more than eight months after year-end. The mission recommends that consideration be given to publishing a budget execution statement of BCG sooner after year-end.

51. GoM's financial statements present the cash flow statement following the direct method which is helpful for the users of the financial statements. The direct method cash flow statement discloses major classes of gross cash receipts and gross cash payments. IPSAS encourages entities to apply the direct method because it is more informative to the users of the financial statements. GoM also provides a reconciliation of the surplus/deficit from ordinary activities with the net cash flow from operating activities by adjusting for changes in inventories and operating receivables and payables and for non-cash items such as depreciation and provisions (Note 18). IPSAS 2, paragraph 29, encourages this reconciliation for entities reporting cash flows from operating activities using the direct method.

Previous period's comparative information and column headings

52. GoM's financial statements present restated amounts in previous period's comparative information. However, the financial statements do not include a note disclosure explaining the nature of the restatement as required by IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.

53. Column headings should display the period (2018-2019 or the year ended June 30, 2019) if the amounts presented are flows or the reporting date (June 30, 2019) if the amounts presented are stocks. The financial statements include several statements that relate to flows and that nevertheless have a heading with a date. This applies for example to the Statement of financial performance (Statement AB). The column heading should be Year ended June 30, 2019 instead of June 30, 2019.

Recognition of debt in financial instruments

54. Recognizing public debt on the balance sheet constitutes accounting for public debt on an accrual accounting basis. Issues in accounting for debt and debt servicing costs on an accrual basis include valuation of the loans and the calculation of debt servicing cost. The adoption of accrual accounting for public debt has a number of implications for the calculation of debt servicing costs, including the calculation of interest expense (including accrued interest) on a yield-to-maturity basis for interest on bonds. Also, the discount may be amortized over the term of the instrument and is recognized as an additional debt servicing expense. As explained below, concessionary loans will have a lower book value under IPSAS than under current accounting practices. The mission recommends measuring public debt (and all other financial assets and liabilities) in accordance with IPSAS 29 *Financial Instruments: Recognition and Measurement* and provide disclosures in accordance with IPSAS 30 *Financial Instruments: Disclosures*. IMF's March 2019 report provides more guidance.

55. GoM's financial statements present premium separately from the government bonds and treasury notes to which they relate (Note 12). However, premium is not a separate liability and should be included in the line-items "Balance at 1 July" and "Balance at 30 June" in the reconciliation tables in Note 12. GoM measures government debt at cost instead of 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. By applying the effective interest rate there is a constant interest rate on the carrying amount. IMF's March 2019 TA report includes an example illustrating the calculation of amortized cost using the effective interest rate method.

Disclosures about financial instruments

56. GoM provides limited disclosures about the nature of its borrowings. The mission recommends providing the disclosures about financial instruments required by IPSAS 30 *Financial Instruments: Disclosures* including, but not limited to, the following disclosures about public debt:

a. A breakdown between loans at concessional and loans at commercial terms and conditions;

b. The nominal amount in addition to the carrying amount, if different;
c. A maturity analysis (breakdown of future cash outflows relating to principal repayments by time bracket, e.g. less than 3 months, 3-12 months, 1-5 years, 5-10 years, and more than 10 years);
d. A sensitivity analysis for currency exchange and interest rate risk to which the government is exposed at the end of the reporting period, showing how surplus or deficit and net assets/equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

57. GoM's financial statements do not include a reconciliation between the opening and closing balance of total borrowings. This disclosure requirement has recently been added to IPSAS 2 *Cash Flow Statements* (paragraphs 55A-55E) and has an effective date of periods starting January 1, 2021 or later. The mission recommends providing this disclosure to 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 reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities 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. Note 12 Government Debt provides a separate table for each of the types of government debt. Table 7 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 (losses of MUR 144,259,752) are quite different from the losses on foreign exchange transactions in the Statement AA - Statement of Financial Performance for the financial year 2018-2019 (MUR 47,092,445) and require an explanation. From the following reconciliation it becomes clear that there have not been any third-party payments, i.e. foreign lenders paying directly to suppliers of goods and services.

Table 7. Reconciliation between opening and close government debt

	2018-2019	**2017-2018**
Opening stock at 1 July	261,419,217,893	256,668,767,016
Redeemed	(70,924,821,681)	(78,739,065,090)
Issued	90,371.401,590	82,958,402,529
Exchange differences	144,259,752	531,113,438
Loan written off	(399,903,912)	
Closing stock at 30 June	280,610,153,642	261,419,217,893

Disclosure of debt information beyond budgetary central government

58. 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 Accountant-General, when including the Statement of Public Sector Debt in BCG's financial statements in accordance with IPSAS, should verify that this information about the public sector meets the qualitative characteristics of information.

59. 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. IMF's March 2019 provides more guidance.

Commitments

60. 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).

Goodwill

61. Goodwill arises when a buyer acquires an existing business. If the consideration transferred (usually the payment made for buying the existing business) exceeds the net amount of assets, liabilities and non-controlling interest in the existing business, that excess is recognized as goodwill on the statement of financial position of the acquirer. At the request of the authorities the mission considered whether GoM should recognize any goodwill arising from the operations of the Mauritius-Africa Fund Ltd. Based on the documents reviewed, it seems that

Mauritius-Africa Fund Ltd has not acquired any existing business as yet, so no goodwill arises on its statement of financial position. Mauritius-Africa Fund Ltd may incur expenditure to generate future economic benefits or service potential, but this does not result in goodwill that meets the recognition criteria in IPSAS 31 *Intangible Assets* nor in its IFRS equivalent, IAS 38. Such expenditure is often described as contributing to internally generated goodwill. Internally generated goodwill is not recognized as an asset.

Gap analysis

62. Box 1 identifies the gaps between accounting practices followed by the Government of Mauritius in its 2018/2019 financial statements and the requirements under IPSAS. The authorities plan to address these gaps with the aim to achieve compliance of BCG financial statements with all IPSASs except for consolidation by 2020/21 and compliance will all IPSASs including consolidation by 2022/23.

Box 1. Required actions to close the gap on IPSAS compliance

The following actions need to be undertaken for the financial statements of the Government of Mauritius to comply with IPSAS. This gap analysis only highlights the major gaps and is not meant to be exhaustive. References to IPSAS requirements are provided in brackets.

Presentation of financial statements

1. Present all financial statements upfront and subsequently present notes to the financial statements in a systematic manner (IPSAS 1, par. 21)
2. Include a disclosure of the expected impact of the implementation of major new standards: IPSAS 41 and 42 (IPSAS 3, par. 35)
3. Replace column headings '30 June 2019' by 'Year ended 30 June 2019' in all columns presenting flows rather than stocks throughout the financial statements (IPSAS 1, par. 63)
4. Include any additional information that may be relevant in understanding the financial position and liquidity of the government (IPSAS 1, par. 127)
5. Include cross references on the financial statements to related information in the notes (IPSAS 1, par. 128)
6. Disclose critical accounting judgements and key sources of estimation uncertainty (IPSAS 1, par. 137, 140)
7. Disclose information about the government's objectives, policies, and processes for managing capital (IPSAS 1, par. 148A)
8. Include information about 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 (IPSAS 1, par. 150)

Statement of financial position

9. Present assets and liabilities with a current/non-current distinction or in the order of liquidity (IPSAS 1, par. 70)
10. Separately disclose amount of liabilities recognized in respect of transferred assets subject to conditions (IPSAS 23)
11. Indicate the extent to which payment obligations are overdue, if any, and the level and trends of payment arrears (IPSAS 30)

Statement of changes in net assets/equity

12. Remove from the statement of changes in net assets/equity: capitalization of dividend and net movement in investments, loans to statutory and other bodies, government debt and special funds (IPSAS 1)

Cash flow statement

13. Report noncash transactions of investment and financing in the financial statements in a way that provides all the relevant information about these investing and financing activities (IPSAS 2, par. 54)

Correction of errors

14. Include information about restatements because of errors made in previous years that have been corrected (IPSAS 3)

Inventories

15. Amend valuation basis of inventories: lower of cost and net realizable value (IPSAS 12, par. 15)

Property, plant and equipment

16. Complete recognition and valuation of all property, plant and equipment (IPSAS 17)
17. Align recognition and measurement of land and heritage assets with international practice (IPSAS 17)
18. Include disclosures about valuation basis and depreciation method used (IPSAS 17, par. 88)
19. Start depreciation when asset is available for use, instead of charging full year depreciation in the year of acquisition (IPSAS 17, par. 71)
20. Disclose amount of contractual commitments for the acquisition of property, plant, and equipment (IPSAS 17, par. 89)
21. Apply impairment standards (IPSAS 21, 26)

Segment reporting

22. Include segment reporting (IPSAS 18, par. 12)

Provisions

23. Recognize provisions and provide disclosures about their nature (IPSAS 19)

Related party disclosures

24. Include related party disclosures (IPSAS 20)

Tax revenues and receivables

25. Recognize tax revenues and tax receivables on an accrual basis and provide disclosures (IPSAS 23)

Budget information in the financial statements

26. In the comparison of budget and actual amounts, rename the column Total Provisions into Final Budget (IPSAS 24, par. 7)
27. Explain material difference between budget and actual amounts (IPSAS 24, par. 14)
28. Amend description of budgetary basis and include a note disclosure about the classification basis adopted in the approved budget (IPSAS 24, par. 39)
29. Remove line-item 'Total Revenue less Total Expenses including Contingencies' from Statement AF Statement of Comparison of Budget Estimates and Actual Amounts

30. Amend reconciliations of actual amounts on a comparable basis and actual amounts in the financial statements to start out with Government borrowing requirements (IPSAS 24, par. 47)
31. Present actual amounts in the comparison of budget and actual amounts on a comparable basis, i.e. remove deviation from cash-basis caused by advances, deposits and investments (IPSAS 24, par. 14)

Public debt and other financial instruments

32. Account for concessional loans at amortized cost (IPSAS 29)
33. Include premium in the value of the borrowings to which they relate
34. Measure government bonds and treasury notes at amortized cost using the effective interest rate method (IPSAS 29)
35. Improve disclosure of nature and risks associated with public debt, including interest rates and exchange rate risk (IPSAS 30)
36. Include disclosure of maturity analysis and sensitivity analysis of financial liabilities (IPSAS 30)
37. Include reconciliation between opening and closing balance of total borrowings, including the non-cash increase in public debt (IPSAS 2, par. 55A-55E)
38. Ensure that debt information beyond budgetary central government meets qualitative characteristics of information
39. Account for financial guarantee contracts in accordance with IPSAS 29, par. AG92-AG97
40. Report on significance of financial instruments to an entity's financial position and performance and nature and extent of risks arising from financial instruments (IPSAS 30, par. 38)

Intangible assets

41. Apply IPSAS 31 as applicable

Consolidated financial statements

42. Prepare consolidated financial statements including all controlled entities including (IPSAS 35)
43. Agree and eliminate all inter-entity transactions and balances in full (IPSAS 35, par. 40)
44. Enforce timely preparation and audit of financial statements of all controlled entities (IPSAS 1, par. 69)

Equity investments and loans to state-owned enterprises and other entities (on-lent)

45. Apply equity method to equity investments instead of measurement at cost (IPSAS 36)
46. Take concessionary terms and conditions into account when measuring loans to state-owned enterprises and other entities (IPSAS 29).
47. Review loans to state-owned enterprises and other entities for impairment (IPSAS 29)

Employee benefits

48. Recognize full employee benefits liabilities on the statement of financial position and expenses in the statement of financial performance (IPSAS 39)
49. Remove employee contributions from social contributions currently included in revenue (IPSAS 39)
50. Include full disclosures on post-employment benefit schemes (IPSAS 39, par. 137-154)

C. Summary of recommendations

It is recommended that the authorities:

- ***Use the findings from the Section V on status and issues to prepare financial statements for budgetary central government that comply with all the requirements of accrual-basis IPSAS except for consolidation.*** (MoFEPD, by 2020/21).

VI. LOCAL GOVERNMENT AUTHORITIES – STATUS AND ISSUES

A. Introduction

63. **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'.**[5] 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.

64. **There is a need to review the status of the accounting practices followed by the LGAs in Mauritius in their 2018/19 financial statements and compare them with the requirements under IPSAS.** Overall the LGAs made considerable progress over the last several years. This Section notes the achievements and focuses on the main issues still outstanding.

65. **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.

B. Current status

Presentation of budget information in financial statements

66. **LGAs now present a comparison of budget and actual amounts.** In accordance with IPSAS, this comparison shows original budget, final budget and the actual amounts on a comparable basis.

67. **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.

68. **The LGAs' financial statements do not include note disclosures relating to the budget**, such as a note explaining the budgetary 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.

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

69. The LGAs' financial statements do not include a reconciliation of the actual amounts in the comparison of budget and actual amounts 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 comparison of budget and actual amounts. 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 comparison of budget and actual amounts 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.

70. The budgetary basis of LGAs remains unclear. IPSAS 24 requires disclosing the budgetary basis, which is the basis of accounting adopted in the budget that has been approved by the legislative body. Determining and adequately describing the budgetary basis is important as IPSAS requires reporting the actual amounts in the comparison of budget and actual amounts on the same basis as the approved budget. During extensive discussions with representatives (mostly financial controllers) of the LGAs the mission drafted the following description of the accounting basis apparently applied by the LGAs in presenting the actual amounts in the comparison of budget and actual amounts:

"The *recurrent budget* is approved by the LGA and the Minister of Local Government. This budget is prepared on an accrual basis (i.e. revenue and expenses are budgeted on an accrual basis), with the following exceptions:

a. Certain employment expenses including vacation pay and pensions are budgeted on a cash basis;

b. The budget does not include depreciation;

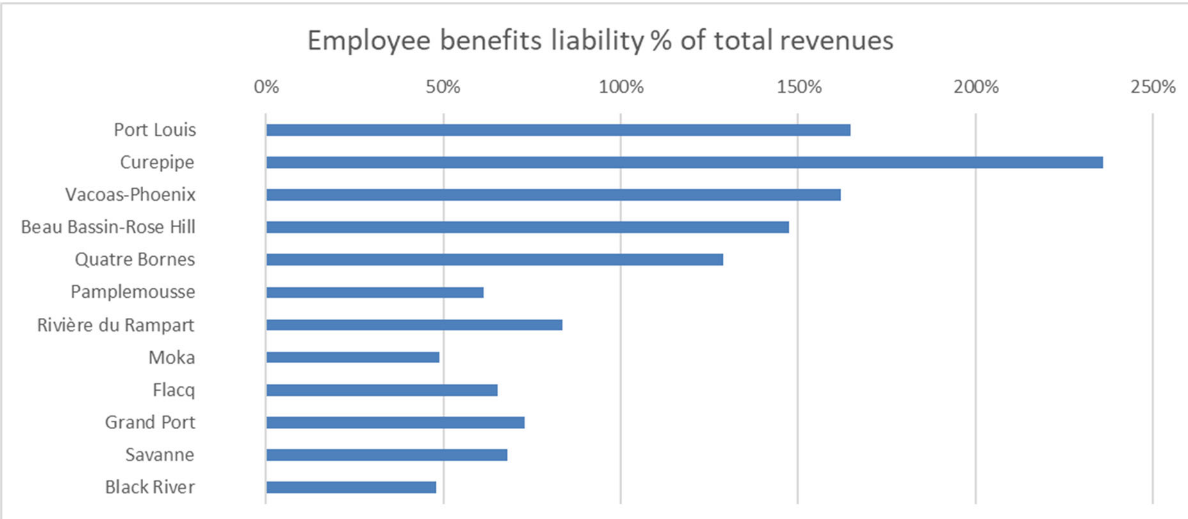
c. The budget includes acquisition of small items, but does not include acquisition of large items as these are provided from a *capital budget* approved the Minister of Local Government."

The mission recommends that the Ministry of Local Government works with the LGAs and the MoFEPD to agree on a budgetary basis. Subsequently, clear instructions should be issued to provide clarity to all concerned.

Employee pensions

71. 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 considerable differences between LGAs in the employee benefits liability as a percentage of revenue. The mission recommends that the Ministry of Local Government analyzes these differences and provides further guidance to LGAs, if needed.

Figure 5. Employee benefits liability as at June 30, 2019 (percent of revenue)



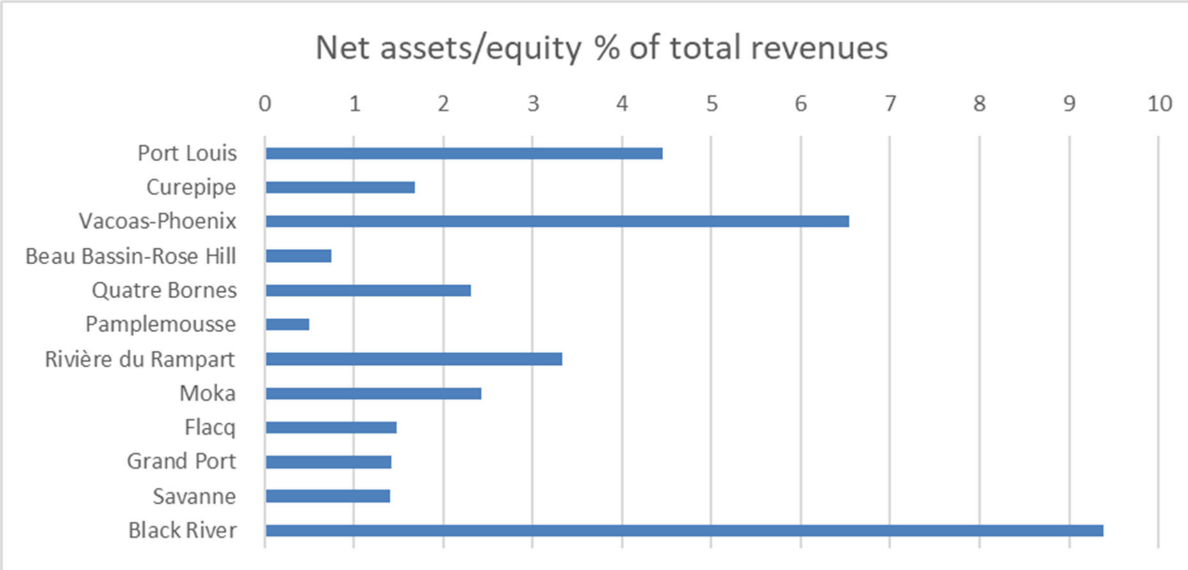
Cash and cash flows

72. All LGAs now present the cash flow statement following the direct method. This will facilitate the preparation of consolidated financial statements of general government and public sector. IPSAS encourages entities to apply the direct method because it is more informative to the users of the financial statements. For entities reporting cash flows from operating activities using the direct method, IPSASB also encourages to provide a reconciliation of the surplus/deficit from ordinary activities with the net cash flow from operating activities. This reconciliation would usually be provided in the notes to the financial statements. Some of the LGAs do prepare this reconciliation.

Net assets/equity

73. For all LGAs, assets exceed liabilities, i.e. net assets/equity is positive, as shown in Figure 6. In general, local governments are more likely to have positive net assets/equity than central government if central government carries the public debt on its books and provides grants to local governments.

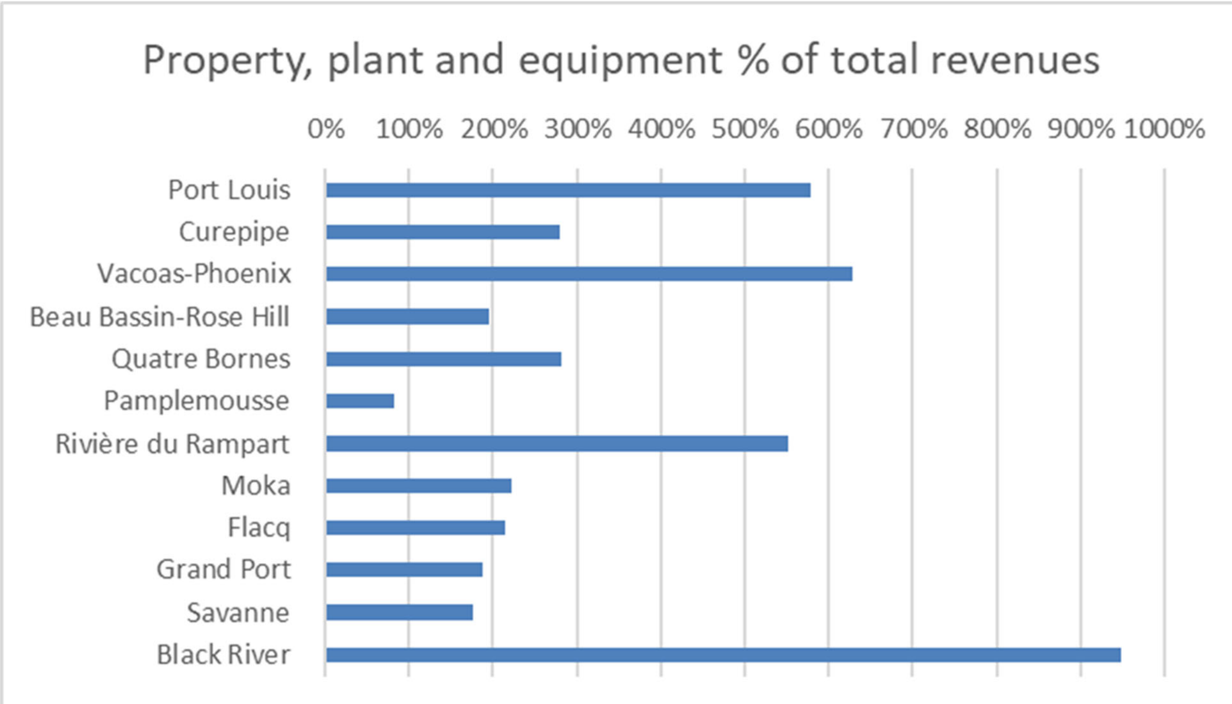
Figure 6. Net assets/equity of LGAs as at June 30, 2019 (% of total revenues)



Non-financial assets

74. The LGAs should continue completing and maintaining asset registers. Considerable progress in this area has been achieved in recent years. The LGAs should continue reviewing the existence and completeness of the assets and their valuation on a regular basis. Figure 7 shows considerable differences between LGAs in PPE as a percentage of revenue. The mission recommends that the Ministry of Local Government analyzes these differences and provides further guidance to LGAs, if needed.

Figure 7. Property, plant and equipment of LGAs as at June 30, 2019 (percent of total revenues)



75. 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.

C. Summary of recommendations

It is recommended that the authorities:

- ***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 2019/20).

VII. MANAGEMENT AND COORDINATION OF REFORMS

76. This Section discusses issues that have arisen since the previous mission and require attention at the senior level. The objective is to ensure that slippages and other issues are challenged so that the reform can continue to make progress in accordance with the agreed timelines. Change management issues, including communication, coordination and training, were discussed in the reports of the earlier missions advising on implementation of accrual accounting and IPSAS.[6] This Section does not repeat the earlier discussion.

A. Management of reform

77. The targets set in the roadmap should not be changed. A revised roadmap for the reform was prepared by the MoFEPD and Treasury in close consultation with the mission of March 2019 mission. Figure 3 summarized the key milestones in the previous mission's report and is reproduced below for easy reference. There have been some suggestions that the roadmap would not be adhered to. In particular, It has been suggested that the financial statements of the BCG in compliance with IPSAS would be deferred by a year to 2021/22. However, the authorities are determined to follow the timetable set out in the roadmap according to which IPSAS financial statements are to be prepared for the: BCG for the 2020/21; CG and GG for 2021/22; and the public sector for 2022/23. The mission agrees with the authorities that the roadmap should not be revised, particularly when it was revised last year. The authorities' decision would also avoid the risk of establishing an environment where the plans and roadmaps are frequently revised and therefore not taken seriously.

78. The Treasury should direct more efforts to ensure that the secondary ledger contains reliable and complete data. The Treasury explained that they would be working on the SL balances in the near future. However, it is not clear why this has not yet been completed eight months after the year-end. One reason appears to be that resources dedicated to this work is inadequate—treasury officials estimate that 5 persons have been working at most 20 percent of their time on these issues; a sixth person started work recently. This contrasts with the former AG's estimate that this area would require at least six people on a full-time basis, as discussed in the previous mission's report. Such under-resourcing is inexplicable as this has been known to be a challenging issue that would require a great deal of effort to complete. The former AG also

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

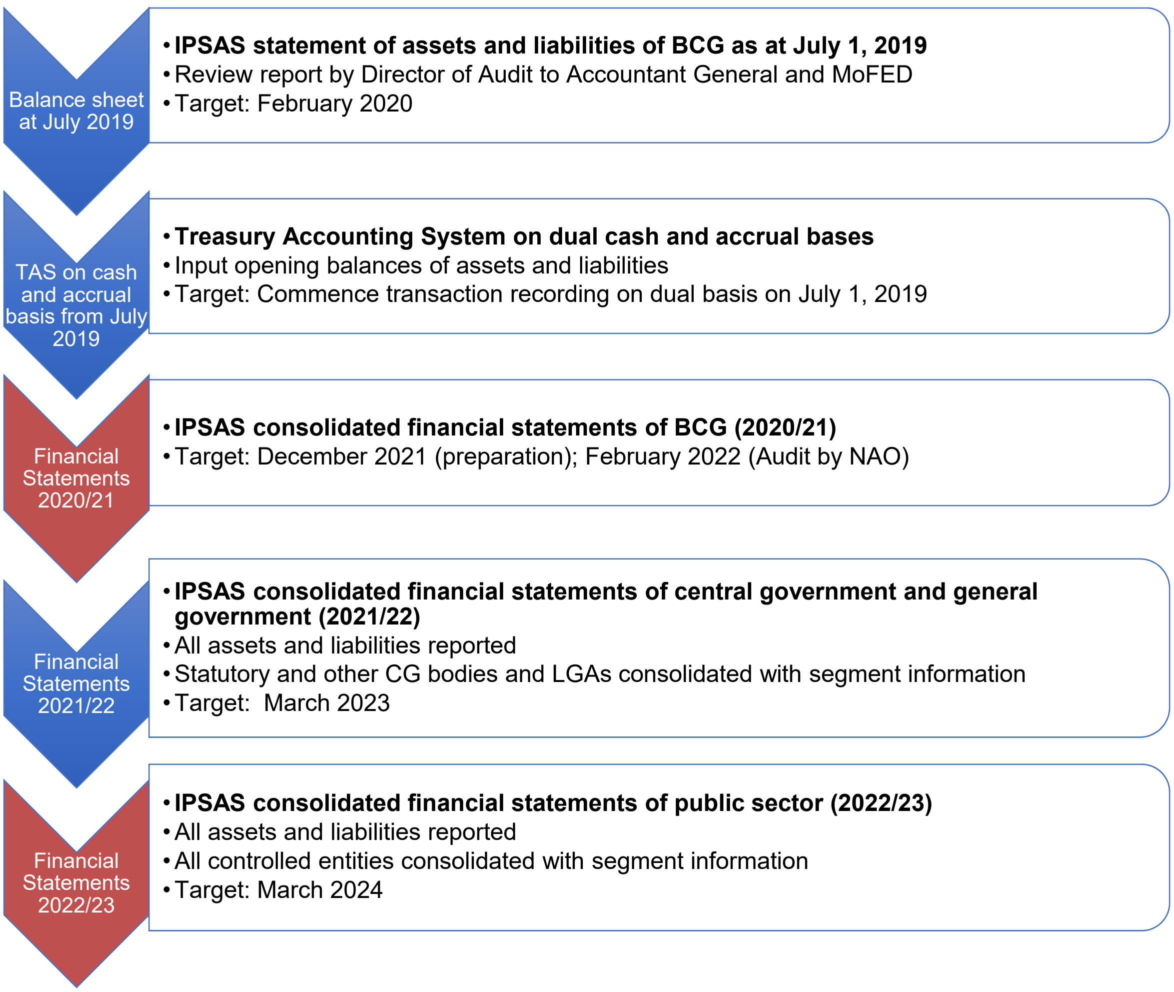
A. Khan and F. van Schaik (March 2018): *Update on Progress Towards Adoption of Accrual Accounting and International Standards*

A. Khan and F. van Schaik (July 2019): *Implementing Accrual Accounting and International Standards* identified the need for specialist skills in the systems. However, no such resource has been recruited.

79. The Treasury should also direct more resources to other major workstreams of the accrual IPSAS reform project. These issues were discussed with the former AG and the previous mission's report sets out the resource requirements as estimated by him. The mission reiterates the recommendations of the previous mission.

80. According to the roadmap, the secondary ledger should be used to prepare the financial statements for 2019/20. This requires the balances in the secondary ledger to be verified as soon as possible. The Steering Committee should direct that this work be given priority and completed by end-June 2020 and monitor the progress of this work on a regular basis.

Figure 3. Phased approach to adoption of an accrual framework



81. The allocation of resources to and the progress of work on the accrual IPSAS project particularly SL should be subject to close monitoring. The MoFEPD senior management and the steering committee should ensure that the necessary additional resources are dedicated to work on this issue on a full-time basis. They should also monitor that the dedicated resources are, in practice, working on SL issues and not being redirected to work on other issues. They should also direct that the SL must be reliable and fully operational by June 2020.

82. Monthly reports to the steering committee on progress of the SL should clearly describe progress achieved and the work that remains to be done, and provide a realistic assessment of when this work will be completed. The steering committee should review the progress reports and seek additional information where appropriate. As reports are developed and verified, these could be circulated to the steering committee to demonstrate the progress being made in this area. Broad general statements that the system is operational or partly operational without specific information about what is working and what is not should be avoided. For example,

- The minutes of the steering committee meeting of December 17, 2019 state:

  "….. stated that the accuracy of SL is dependent on the PPE element in GAR but nothing prevents the SL to be operational;" and

- the minutes of the steering committee meeting of February 20, 2020 state:

  "….. stated that the platform of the Secondary Ledger (SL) is ready and partly operational since July 1, 2019. Currently assets, prepayments, accruals are being captured by the system and it is expected for the system to be fully operational by mid of March 2020 since some tests still need to be carried out"

The above does not provide any indication that major issues remain outstanding. For example, that report development and testing has barely commenced and will require a great deal of work to complete. It also does not indicate that the balances of the SL are not yet verified. The claim that nothing other than the PPE element of the GAR prevents the system from being operational overlooks these issues. The expectation that the system would be fully operational by middle of March was unrealistic and the fact is that the system is not fully operational as of March 15. As discussed in Section III, significant efforts would be required to verify the SL balances and to develop and test reports before the system can be considered fully operational and ready for use as a reliable source of reports including financial statements.

B. Communication, coordination and training

83. A draft communication strategy has been developed. The draft strategy comprises a circular to be issued by the MoFEPD to all MDAs. This circular informs the recipients of the reforms being undertaken and various actions taken to implement the reform. The form and content of the financial statements and the draft accounting policies for both the BCG and public sector are intended to be attached to the circular.

84. The draft communication strategy should be developed further. A distinction should be made between communication materials and communication strategy. The strategy should focus on the objectives of communication, coordination and training, the target stakeholder groups (e.g., ministers, politicians, senior officials, preparers and analysts of financial statements, and the media) and their needs. It should be appreciated that the needs of different stakeholders would vary. While the preparers and analysts would need training on technical issues including IPSAS, ministers and politicians probably would benefit from higher level discussion of the objectives of the reforms, how the reform objectives would be achieved and how the financial statements would help them. The communication strategy should then specify how these needs would be satisfied, when various communication and training activities would take place, what materials would be used, who will do what. The resource implications should be specified. The strategy should be reviewed and approved by the steering committee, who should also ensure that the necessary resources are allocated. AFS will continue to support authorities in their effort and strategy to implement IPSAS.

C. Summary of recommendations

It is recommended that the authorities:

- ***Should make it clear that the roadmap and the key milestones set out in Fig 3 should be followed.*** (Steering Committee by April 2020);
- ***Dedicate more resources to resolve issues and complete all work to ensure that the SL can be used as a reliable source of data to prepare accrual based financial statements and other reports*** (AG, starting immediately)
- ***Dedicate more resources to the accrual IPSAS project as set out in the previous mission's report*** *(*AG, starting immediately*)*
- ***Monitor closely the allocation of resources to the SL and progress of work on SL including reviewing monthly progress reports and seeking additional information as appropriate*** (MoFEPD senior management, Steering Committee, ongoing)
- ***Direct Treasury to complete all outstanding work on SL so that it is reliable and fully operational by June 2020*** (MoFEPD senior management, Steering Committee, immediately)
- ***Describe progress on SL more clearly in monthly reports to steering committee including achievements, issues, and work that remains to be done, and a provide realistic assessment of when this work will be completed*** (AG, commencing immediately)
- ***Develop communication strategy further along the lines set out in this and earlier reports of AFS missions*** *(MoFEPD, Treasury, and steering committee, by June 2020)*

APPENDIX 1. PROGRESS MADE ON MARCH 2019 MISSION'S RECOMMENDATIONS

		Responsible	Status as per March 2020
	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 of 2019 IMF report	MoFEPD; September 2019	A draft prepared. Needs significant further development.
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	Done
3	Present net assets/equity classified as: consolidated fund, special funds, asset revaluation reserve, and accumulated surplus/deficit.	AG, commencing 2018/19 financial statements	Not done fully: A reserve is shown separately for initial identification of land. This should be part of accumulated surplus/deficit.
	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	Not done. See mission's report for details.
5	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	Not done. See mission's report for details

		Responsible	Status as per March 2020
6	Restrict access to approved reports and strictly control any amendment to such reports	AG by June 15, 2019	Not applicable – see above
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	Not done fully. In particular, accounts payable are not being processed on an accrual basis.
8	Post backlog of assets according to timetable	AG, ministries, by land and buildings by June 2019; others June 2023	Limited progress as MDAs are not entering information in the system.
	REVENUE REPORTING		
9	Adopt formally the accounting policies in respect of tax revenues along the lines set out in Box 3 of the 2019 report	MoFEPD, AG by September 2019	No formal adoption yet; however work is progressing.
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; MoFEPD, AG by March 2020	Policies, procedures substantially developed. System (script) being developed.
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, MoFEPD, AG commencing with 2020/21 financial statements	Will be done in 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	Will be done commencing 2020/21 financial statements.

		Responsible	Status as per March 2020
	BUDGETARY CENTRAL GOVERNMENT – STATUS AND ISSUES		
13	Use the findings from the Section VI of 2019 IMF report on status and issues to prepare financial statements for budgetary central government that comply with all the requirements of accrual-basis IPSAS.	MoFEPD, by 2018/19, 2019/20	Progress has been made. Box 1 lists major remaining gaps.
	LOCAL GOVERNMENT AUTHORITIES – STATUS AND ISSUES		
14	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	MoFEPD, TWG, by June 2019	Achieved
15	Use the findings from the Section VI of 2019 IMF report 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	Considerable progress made in 2018/19 financial statements. Full compliance planned in 2019/20 financial statements.
	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	No formal confirmation, but the interpretation is accepted by senior officials
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	No formal confirmation, but the interpretation is accepted by senior officials

		Responsible	Status as per March 2020
18	Approve the revised phasing approach and roadmap set out in this report	Steering Committee, AG by June 2019	The chairperson of the steering committee confirmed that the authorities are determined to follow the phasing approach and roadmap.
19	Develop and approve a communication strategy that covers training, communication, and coordination	Steering Committee by September 2019	A draft prepared. Needs significant further development.
20	Develop a strategy and necessary mechanism to achieve compliance with reporting requirements for preparation of consolidated financial statements of CG, GG, and public sector	MoFEPD, Treasury by June 2020	Not done as at the time of the mission (March 2020)
21	Approve the establishment of a dedicated accrual IPSAS project team	Steering Committee by June 2019	Not done
22	Recruit any additional resources	MoFEPD, Treasury by December 2019	Not done.
23	Set up project team and start working as a dedicated team	Treasury, commencing July 2019 and increasing strength as additional staff are recruited	Not done.