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TECHNICAL ASSISTANCE REPORT

MAURITIUS

International Public Sector Accounting Standards (IPSAS) Implementation

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AFRITAC South

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ABBREVIATIONS AND ACRONYMS

AFS South	The IMF's Regional Technical Assistance Center for Southern Africa—AFRITAC
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	Public 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

AFRITAC South (AFS) has fielded a remote capacity development mission during the period of October 5-19, 2020. The mission team comprised Mr. Moulay Abderrahmane El Omari (AFRITAC South Public Financial Management resident advisor) and Ms. Priya Goel (Fiscal Affairs Department expert).

The mission met Mr. Sunil Charanjivsingh Romooah, Director of Audit; Mr. Sunil Dutt Ramdeen, the Accountant-General; Mr. Anandsing Acharuz, Deputy Financial Secretary at the Ministry of Finance, Economic Planning and Development (MoFEPD); Mr. Sanjaysingh Annauth, Deputy Accountant General; Mr. Mahensingh Bheekhee, Lead Analyst; Mr. Javed Suhootoorah, Lead Analyst; Mr. Roshan Sultoo, Lead Analyst; Mr. Sachidanund Ramparsad and Mr. Randhir Kalleechurn, Assistants Accountant 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 statutory bodies, state owned enterprises and local authorities. The mission also met with officials of Mauritius Revenue Authority.

The mission shared its main findings and recommendations with Mr. Gerard Pascal Bussier, Deputy Financial Secretary and with all above senior officials.

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

EXECUTIVE SUMMARY

The IMF/AFS has been supporting the government of Mauritius (GoM) in its efforts to move toward IPSAS based accrual accounting since 2016. The current remote mission was launched with the objective of taking stock of progress made since March 2020 mission, assessing timelines for completion and consolidation of financial statements, determining capacity requirements at different entities being consolidated and evaluating the audit strategies of the National Audit Office to complete the statutory audits of IPSAS based financial statements in a timely and efficient way.

The Authorities are pursuing the implementation of AFS-March 2020 mission's recommendations: The secondary ledger opening balances have been corrected, the valuation of government buildings is underway, the financial reporting framework is being developed. Under the framework, the financial management manual is being updated, templates for consolidated financial statements have been populated on MOFEPD's website. A communication strategy is being developed. The Ministry of Finance, Economic Planning and Development (MOFEPD) is putting in place a resource pool of qualified accountants from MOFEPD and Treasury to assist and support small statutory bodies to move towards IPSAS.

Despite the progress there are several open issues that are yet to be resolved, viz., Recognition and disclosure of employee benefits obligation (which would include pension and post-employment benefits), completion of the fixed assets register, recognition of debt in accordance with IPSAS 41. The working group which was set up for revenue recognition on accrual basis has worked out the accounting policy on revenue reporting, some components of revenue will be recognized on accrual basis in financial statements for FY 2019/20. The accounts of Local Government Authorities (LGA) which are compliant with IPSAS standards have quality issues that need to be addressed.

Consolidation of whole of government accounts requires the individual financial statements to be IPSAS compliant and audited. As per the Finance and Audit Act the financial statements of BCG must be submitted to audit within 6 months of the close of the financial year i.e., by December 31st. Therefore, audited financial statements of all entities being consolidated will need to be audited and submitted to the Treasury by December following the end of the financial year.

The LGA Act stipulates that financial statements must be submitted to audit within 4 months of the close of the financial year, i.e. by October 31st of the year ended June 30th The LGA Act however does not set a deadline for completion of audit. However, to allow for consolidation, LGA accounts must be audited by December and submitted to the Treasury for consolidation. Therefore, the LGA accounts must be submitted to audit earlier than stipulated by the Act ie. within 3 months of the close of the financial year i.e.. by September 30th of the year ended in June. The audit of LGAs will need to be completed by December so that they can be submitted for consolidation. The LGA Act will need to be amended to reflect these changes.

The Statutory Bodies (SBs) and other Extra Budgetary Units (EBUs) have to prepare financial statements within 4 months of the close of the financial year, i.e. by October 31st. The Statutory Bodies Accounts and Audit Act (SBAA Act) does not set a specific deadline for audit but stipulates that audit should be completed within 6 months of submission of accounts to audit. However, for consolidation of SBAA accounts with BCG, the audited accounts need to be submitted to the Treasury by December. In order to meet that deadline, the SB's accounts should be completed by September and audited by December. The SBAA Act need to be amended accordingly.

The Mission had discussions about accounting capacity at the different entities being consolidated. Some large SBs have subsidiaries that are accounting on IFRS basis and will need to be converted to IPSAS for consolidation. Support from the Treasury Department will be required for resolution of these issues. Many small SBs are understaffed and will need help on preparation of accounts.

The National Audit Office (NAO) plays a key role in the consolidation process as financial statements of public sector entities should be audited prior to their consolidation. The NAO is currently functioning at 75% capacity since all the sanctioned positions have not been filled. To complete its existing audit engagements the vacant positions in NAO need to be filled. Going forward, NAO will need to assess its strategy for completing audits of the public sector entities that are added on account of IPSAS.

Currently NAO conducts the financial statements audit and value for money audit. When the number of entities being audited increases, NAO may need to consider disaggregation of financial and value for money audits.

Table 1. Summary of recommendations

Section	Summary of Recommendation	Priority (H/M/L)	Short Term	Medium Term
II	Overview of progress and reform challenges			
	Financial reporting framework to be completed.	H	X	
	Enhancement of presentation and disclosure in the financial statements of FY 2019/20 with regards to liabilities in respect of transferred assets, unutilized conditional grants, employee pension liabilities, debt and financial guarantee contracts.	H	X	
	Disclosure of contingent assets/liabilities and recognition of provision in respect to contingent liabilities if needed	H	X	
	Completion of Fixed Assets Register	H	X	
	Completion of accounting policy with respect to revenues	H	X	
	Completion and correction of Secondary Ledger balances	H	X	
III	Consolidation and Timelines			
	Review of the LGA Act to amend the timeline for preparation of financial statements	H	X	
	Review of the LGA Act to put in a timeline for completion of audit	H	X	
	Review of the SBAA Act to amend the timeline for completion of accounts	H	X	
	Review of SBAA Act to put in a timeline for completion of SB audit	H	X	
	Amendment of Finance and Audit Act to put in the basis of accounting for RRA	M		X
	Amendment of the Finance and Audit Act to put in timelines for completion of RRA accounts and audit	M		X
IV	Audit			
	NAO to assess capacity in terms of unfilled staff positions	H	X	
	NAO to prepare a workplan for itself in the event of consolidation	H	X	

Section	Summary of Recommendation	Priority (H/M/L)	Short Term	Medium Term
	Estimation of workload in event of consolidation and additional capacity required.	H	X	
V	Communication			
	A communication strategy for stakeholders including the Parliamentarians and general public needs to be formulated.	H	X	

I. INTRODUCTION AND BACKGROUND

1- **Government of Mauritius (GoM) has committed to a reform plan to achieve IPSAS compliant full accrual accounting for 2022-23 for the Public Sector.** Reforms have been going on since 2016 with the support of IMF/AFS.

2- **The current remote Technical Assistance Mission was undertaken to provide advice on reform related issues of capacity, adequacy of laws and regulations and technical accounting issues highlighted in the March 2020 mission.** The Mission held discussions about accounting capacity at different entities to produce IPSAS compliant financial statements. The organizational structure at the Treasury was reviewed. Accounting system and software in use at different levels were reviewed for adequacy and their utility in facilitating consolidation of accounts. The Mission reviewed the various laws and regulations governing the Budget execution cycle. The regulations reviewed included the Finance and Audit Act, the Local Government Act and the Statutory Bodies (Accounts and Audit) Act. These Acts were analyzed and discussed to come up with appropriate changes so that the conversion and consolidation of accounts can be successfully carried out. The Mission held discussions with the National Audit Office to understand their mandate, capacity and ways to adapt to the expected changes in the audit process due to Covid-19.

3- **The reform process is to be carried out in a phased manner.** Phase1 will cover BCG to be fully IPSAS compliant by 2020-2021. Phase 2 will relate to the consolidation of financial statements of Central and General Government which will include the BCG, EBUs and Local Authorities by 2021-22. Phase 3 will relate to the consolidation of financial statements of the entire public sector including the Central and General Government and Public Financial and Public Non-Financial Corporations by 2022-23.

4- **The Full Budgetary Central Government is expected to be on IPSAS full accrual accounting by 20-21 and the Central and General Government by 2021-22.** Audited accounts for 2018-19 for BCG have been prepared in accordance with Section 19(3A)(a) of the Finance and Audit Act, i.e. as far as possible in compliance with IPSAS. LGAs have been preparing IPSAS compliant full accrual statements since 2017. Of the 125 Statutory Bodies, 59 are already on IPSAS while the remaining 76 are to prepare IPSAS compliant accounts for FY 2020-21.

5- **The Treasury has developed a financial reporting framework.** Under this framework formats for consolidated financial statements and Accounting Policies for transitioning from the current basis to IPSAS have been published on the website of MOFEPD and Treasury.

6- **GoM has initiated the preparation of accounting policies for revenue recognition, valuation and disclosure of pensions and valuation of contingent liabilities.** Revenue recognition policies are being discussed and regular reporting of revenue will also begin before year end. The valuation department of the Government of Mauritius is in the process of valuing Government Buildings. Debt has been recognized at amortized cost for the financial statements FY 2019-20. Accounting for investments and inventories will also be done in accordance with IPSAS. However, the Government Asset Register remains incomplete because information from the Ministries and Departments is not forthcoming.

7- **The Treasury accounting system (TAS) will be used to prepare and consolidate accounts.** TAS is used for expenditure reporting and accounting. It has modules for Accounts Payable, Accounts Receivables, Commitments Management, General Ledger and Fixed Assets. TAS is not interfaced with any software other than the budget software. TAS is used to generate budgetary information on cash basis. The Secondary Ledger (SL) which is the accrual based ledger in TAS is not fully functional.

8- **Local Government Authorities (LGAs) use a software called E-Biz which is installed and operated in individual LGAs.** The use of a centralized E-Biz version with real time connectivity to facilitate consolidation of accounts is being considered and a policy decision in this regard is pending. However, despite accounting on IPSAS there are inaccuracies in the LGA financial statements due to which the financial statements for 2019-20 have been sent back by the National Audit Office to Local Authorities to be reworked. In addition, vested lands have been shown in the books of many LGAs while these should be in the books of the BCG. It has been agreed at the MOFEPD level that vested lands will be recorded in the accounts of the central government.

9- **Statutory Bodies (SBs) and Extrabudgetary (EBUs) use individual softwares**. GoM has not analyzed the compatibility of the individual software with TAS. In the short term the accounts of SBs and EBUs will be consolidated using excel.

10- **Accounting capacity at all accounting units for the BCG (Ministries and Departments), LGAs, SBs and SOEs needs to be assessed.** While a formal review of capacity has not been undertaken, the lack of capacity for small SBs could become an issue going forward. There are discussions at MOFEPD about the creation of a resource pool of accountants. It is proposed that this pool of accountants will be available specifically for small statutory bodies which do not have the required resources to prepare IPSAS compliant financial statements.

11- **Timelines for completion and audit of financial statements of LGAs and SBs need to be reviewed for consolidation.** Currently the financial statements of both LGAs and SBs is to be completed within 4 months of the close of the financial year. Thereafter, SB audit is to be completed within 6 months of submission of completed financial statements to audit while there is no deadline for completion of audit of the LGAs. MOFEPD has prepared a revised timeline for the accounts. This has been agreed with all stakeholders.

II. OVERVIEW OF PROGRESS OF REFORM AND CHALLENGES

CURRENT SITUATION

12- **GoM has prepared and submitted to audit the financial statements for BCG including all the line ministries and departments for 2019-2020.** These financial statements are on modified accrual basis as there are some accounting entries which are yet to be converted to accrual basis. These financial statements comply with IPSAS as far as is possible. The Treasury has developed a financial reporting framework wherein accounting formats for consolidated financial statements have been put on the website, regular circulars of the financial statements and the accounting policies for consolidated financial statements have been issued. The Finance and Audit Act 19(1) which is a part of the framework provides that “the Accountant General shall, within 6 months of the close of every fiscal year, sign and submit to the Director of Audit statements presenting fairly the financial transactions and financial position of the Government on the last day of such fiscal year.” This assertion covers the true and fair presentation of financial statements.

13- **There has been progress on reporting Property Plant and Equipment and Employee Benefits.** For Land and PPE, the valuation department is working on assigning appropriate values. In the interim period, until valuation is complete GoM will use the Fair Value as per IPSAS of land in the vicinity of the land being valued. This is an interim measure until the Valuation Department of GoM is working on preparing and applying an appropriate valuation methodology. Any changes in the value of land will be accommodated through a prior period adjustment. Buildings have been recognized at cost, work is in progress to assign fair value to Buildings. Actuarial valuation is being done for Pension.

14- **Local Government Authorities have prepared financial statements for 2018-19 on accrual basis.** The LGAs have prepared the financial statements for the year 2019-20 to audit. There have been delays in the auditing process because the statements had to be amended due to misstatement. A peer review mechanism will be set up to facilitate learning among the LGAs.

15- **Change in accounting policies from International Financial Reporting Standards (IFRS) for large Statutory Bodies (SB) and Financial Reporting Standards for Small Entities (FRS-SE) for small Statutory Bodies is likely to present challenges.** This is because large SBs have subsidiaries that are also accounting on IFRS basis and in order for the SB to be consolidated, all the subsidiaries' financial statements will also need to be converted to IPSAS and consolidated with the parent company. For small SBs there are capacity constraints and oftentimes there are no accountants in place. Therefore, the Treasury department of the Government of Mauritius will need to provide support to both large and small SBs to facilitate IPSAS compliant financial statements.

CHALLENGES

16- **The preparation and consolidation of Full BCG accounts on excel presents the challenge of manual error, control weaknesses due to multiple points of data entry**. Manual data entry into Excel will also be effort intensive and time consuming. BCG is facing the challenge of not getting timely responses from Ministries and Departments about the assets that are in their control. As a result, there are delays in the completion of the fixed assets register.

17- **There are several outstanding accounting issues like completion of the Fixed Assets register, preparation of accounting policy for revenues and reporting and recognition of Pension liabilities**. In addition, the disclosures in the financial statements should include contingent liabilities. Disclosures should also include management remuneration. There are issues regarding some reports in the Secondary Ledger. The Financial reporting framework for conversion of accounts to IPSAS has started with the formats for financial statements being disseminated on the website. Financial instructions which are a crucial part of this financial reporting framework have been disseminated. The Financial Management Manual of 1990 is being reviewed. While instructions issued by the Minister of Finance on different issues are included, there are several areas where detailed guidance is required.

18- **There are errors in the financial statements of LGAs because of which the statements must be reworked delaying the audit process.** This is a systemic issue which needs to be addressed through analysis and discussion. While the financial statements of the LGAs are their responsibility, the guidance of the Treasury department and the NAO is required to identify the cause for the required rework in the financial statements. Common issues should be identified and guidance should be provided to LGAs on the resolution of these issues.

19- **Large Statutory Bodies (SBs) are currently preparing financial statements on IFRS basis. Switching to IPSAS presents an additional burden**. Many of these bodies also have standalone software that are working on IFRS and not IPSAS. There will be the challenge of making the software IPSAS compliant. In addition, there are some SBs which have subsidiaries which are also preparing financial statements on IFRS. These subsidiaries will also need to switch to IPSAS accounting. The main challenge in converting the financial statements of SBs and their subsidiaries will present in the additional work that is required to switch and of adapting the individual software in use to IPSAS.

20- **Many of the small SBs are understaffed and in many cases are missing accounting staff**. The small SBs account on FRS-SE (Financial reporting standards for Small Entities) and it will be a challenge for them to switch to IPSAS in the absence of appropriately qualified accounting staff.

21- **The process of consolidation could get delayed because of some entities may not be able to meet the timeline for completion of accounts**. There could also be delays in audit if financial statements do not meet quality standards.

RISK MANAGEMENT

Risk	**Mitigation**
Not getting information in time to complete BCG financial statements	Treasury department should consider nominating staff as Accounting Liaison officers at the Ministries and Departments who will follow up on information requirements. Currently information is disseminated by way of circulars and emails issued to Officers -in -charge of finance at the Ministries and Departments.
Large SB's conversion to IPSAS challenges	Accounting support to be provided by Treasury for conversion of IFRS to IPSAS. This issue is especially applicable to small statutory bodies.
Small SBs capacity issues	MOFEPD should put in place a pool of accountants who can prepare financial statements of small SBs.
Inaccuracies in LGA accounts	The Treasury department should provide assistance to the NAO and identify accounting issues that need to be addressed.

RECOMMENDATIONS

22- **Accounting issues should be resolved**. Notable amongst accounting issues are completion of the Fixed Assets Register, disclosure and recognition of employee benefits liability. Issues in the Secondary Ledger with regards to incorrect balances in the reconciliation reports should be resolved.

23- **Capacity issues should be addressed through the creation of a pool of accountants at the MOFEPD and Treasury departmen**t. These accountants may be used by small and large SBs to help with the preparation of financial statements and resolve issues with regards to the conversion of IFRS / FRS-SE statements to IPSAS.

24- **The financial reporting framework should be completed and disseminated**. Financial Management Manual (FMM) needs to be completed and specific guidance by type of accounting entity being consolidated. The review of the FMM would include procedures for financial operations, procurement and supply and internal control. The manual will also include all financial instructions that may be issued on the implementation of accrual IPSAS in the Public Sector.

25- **There should be agreement from all entities on timeline for completion of accounts and submission to audit**. A draft timeline is being prepared and consultations are in progress. In order to ensure that all entities respond to information requirements, the Treasury department should designate Accounting Liaison officers.

III. CONSOLIDATION AND TIMELINES

CURRENT SITUATION

26- **Government of Mauritius (GoM) aims to consolidate audited IPSAS compliant accounts for the whole of government financial statements for FY 2022-23.** Consolidation will address several weaknesses pointed out in the 2018-19 Audit Report including:

- ✓ Bringing together a fragmented asset base. The audit report for 2018-19 brought out weaknesses in asset management. The consolidation of assets at the general government level will bring all government owned/controlled assets in one place and allow for better oversight of assets and maintenance.
- ✓ Strengthening oversight over financial reporting by Statutory Bodies. There are delays in the submission of accounts to audit and as of 14 February 2020, 43 Statutory Bodies had not yet submitted a total of 137 financial statements to the NAO. There are also delays in presenting audited reports to the National Assembly and 237 financial statements in respect of 74 Statutory Bodies had not been presented to the National Assembly. Consolidation of financial statements will pull together all of the financial statements and one consolidated statement can be placed before the National Assembly allowing better oversight and control.
- ✓ Addressing shortcomings in revenue management and ineffective debt recovery.
- ✓ Bringing together indebtedness at various levels of government by aggregating total debt for all levels of government and all controlled entities. As per the 2018-19 audit report, during the year 2018-19 Rs 28.1 billion were spent towards Government debt servicing. This sum represented approximately 20% of total Government expenditure.
- ✓ Monitoring effective utilization of the budget as during 2018-19 budgeted funds of Rs 247.1 million were not utilized. This amount represented 20.1% of the budget for the year.

27- **GoM proposes to achieve full consolidation of Public sector accounts in compliance with IPSAS standards by 2022-23.** This will be done in a phased manner:
- Phase1 will cover 2020-2021 financial statements and consolidation of Full BCG accounts.
- Phase 2 will cover Central and General Government accounts for FY 2021-22.
- Phase 3 will cover accounts for the whole Public Sector for FY 2022-23.

28- **In order to produce IPSAS compliant consolidated Public Sector accounts by 2022-23, there are certain actions which need to be taken in 2020-21 and 2021-22.** This chapter is therefore structured according to the three phases that will lead to the full consolidation of Public Sector accounts for FY 2022-23.

29- **The consolidation of accounts will be done after the individual entities' accounts have been audited.** The timelines for completion and audit of financial statements of Local Government Authorities (LGAs) and Extra Budgetary Units (EBUs) will need to be reviewed in the light of consolidation timelines.

Current and proposed timelines for completion of accounts and audit

Entity	**Financial Year End**	**Deadline for submitting Financial Statements to audit**		**Deadline for completion of Financial Statement audit**		**Change required in Act or Law**
		Existing	Proposed	Existing	Proposed	
Ministries and Departments	June 30t	Dec 31st (within 6 months of the close of the FY)	Dec 31st	Feb 28th (within 8 months of the close of the FY)	Feb 28th of the following year	No change
Local Government Authorities	June 30th	Oct 30th (within 4 months of the close of the FY)	September 30th	No deadline	April 30th of the following year	Local Government Act
RRA	June 30th	September 30th	September 30th	Feb 28th (within 8 months of the close of the FY)	Feb 28th (within 8 months of the close of the FY)	No change in timeline
Statutory Bodies	June 30th	Oct 30th (within 4 months of the close of the FY)	September 30th	April 30th of the following year (within 10 months of the close of the FY)	April 30th of the following year	Statutory Bodies Accounts and Audit Act

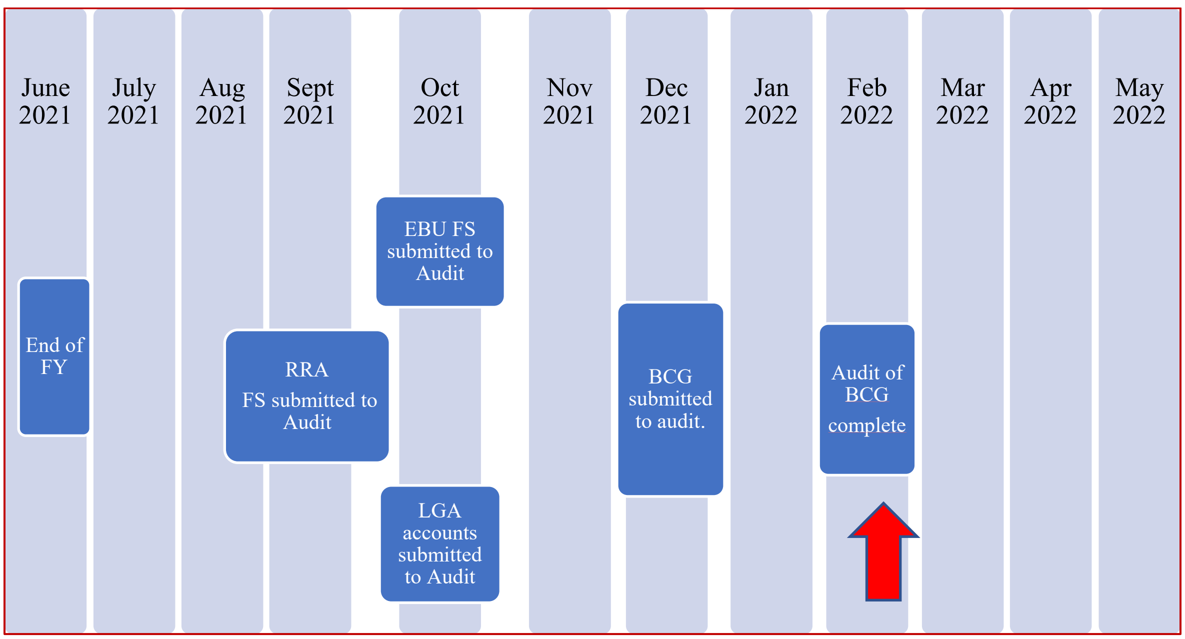
Consolidated financial statements	June 30th		May 31st of the following year		June 30th of the following year	Finance and Audit Act

PHASE 1- BUDGETARY AND CENTRAL GOVERNMENT CONSOLIDATION 2021-22

CURRENT SITUATION FOR GOM MINISTRIES AND DEPARTMENTS

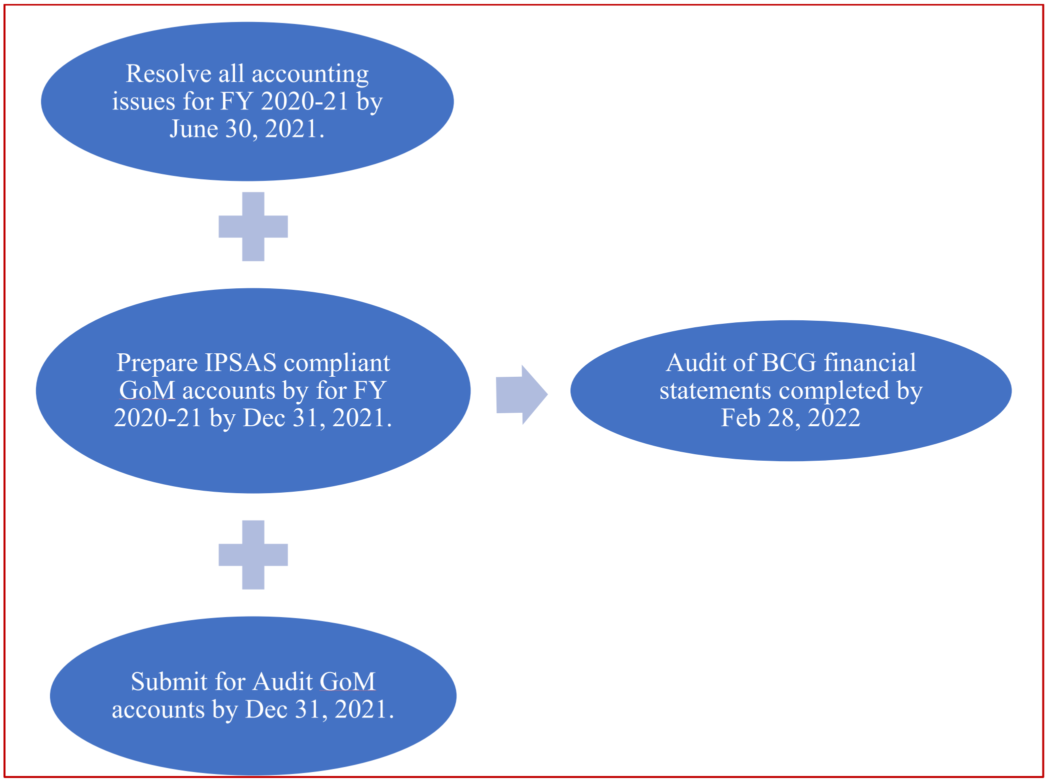
30-In Phase 1 of moving towards IPSAS compliance, the accounts of Government Ministries and Departments would need to be IPSAS compliant by June 30th 2021. The Treasury would need to produce and submit to audit IPSAS compliant accounts for the Budgetary Central Government for FY 2020-21 by December 31, 2021.

Diagram 1



CHALLENGES AND RECOMMENDATIONS FOR MINISTRIES AND DEPARTMENTS

31- **Budgetary and Central Government IPSAS compliant accounts for the FY ended June 30th 2021 are possible to be produced by December 31st 2021 without any changes to legislation. However, there are accounting issues that must be resolved by end of FY 2021.** Notable accounting issues include completion of the Fixed Asset register, disclosure and recognition of employee benefits, regular reporting of revenues, finalization of accounting policies for revenue recognition and impairment for allowance of credit losses, disclosure of contingent liabilities, changes in debt valuation to correspond to IPSAS 41, note disclosure on treatment of concessionary debt and revaluation of investments in line with IPSAS. The financial statements for June 30, 2021 will be generated on cash basis from the system and then adjustment entries will be made to generate full accrual accounts in accordance with IPSAS.



PHASE 2- CENTRAL AND GENERAL GOVERNMENT CONSOLIDATION 2021-22

In 2021-22, the financial statements of the Central and General Government will be consolidated after ensuring that they are IPSAS compliant. The Central and General Government includes the following entities:

- **Ministries/Departments**
- **RRA**
- **EBUs / Statutory Bodies**
- **Social Security Funds**
- **Local Authorities**

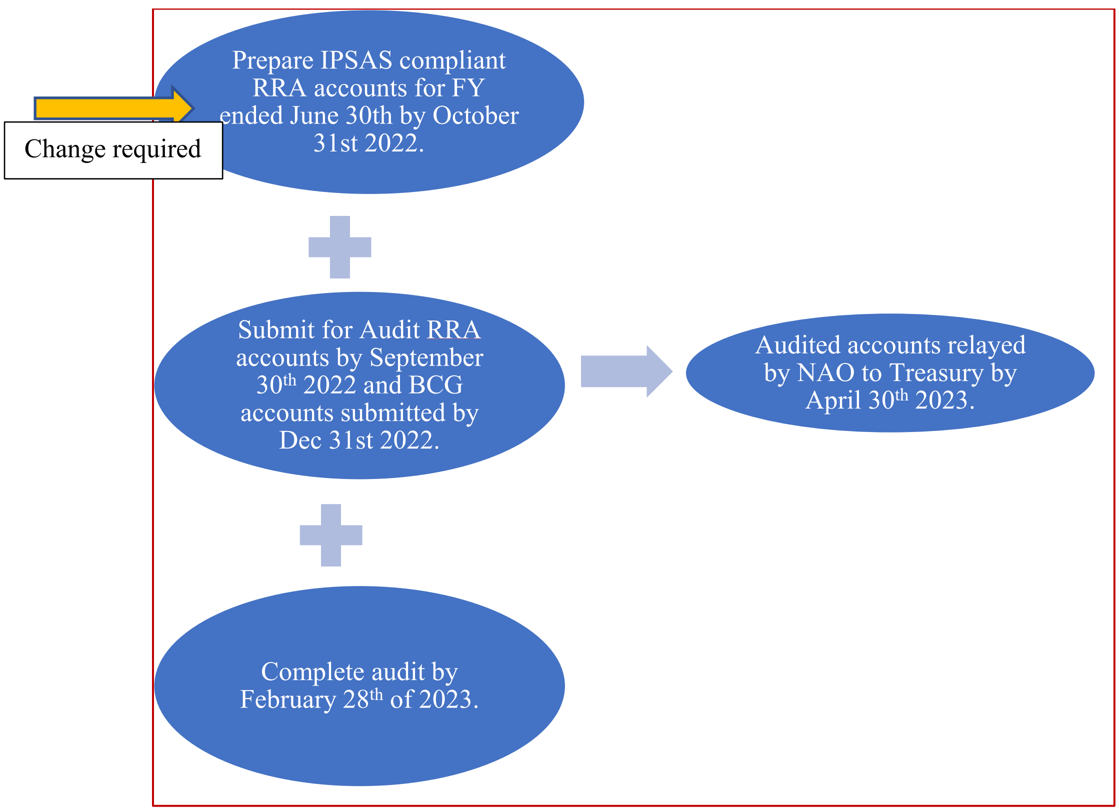
For the purpose of this section, we assume that the accounts of the BCG will be in compliance with IPSAS by 2021-22 as described in the section above.

RODRIGUES REGIONAL ASSEMBLY (RRA)

CURRENT SITUATION FOR RRA

32- **The Finance and Audit Act governs the accounting and audit for RRA**. **Currently the Act does not mention specifically mention the basis of accounting used by RRA.** Going forward, the Act will need to be modified to say that the accounts of RRA will be prepared in accordance with IPSAS full accrual accounting. At present, the basis of accounting used by RRA is modified accrual accounting. In order for the FS of RRA to be consolidated with those of the Central and General government the IPSAS compliant RRA FS have to be completed and submitted to audit by September 30th of the year under audit, 2022. The change in the Finance and Audit Act would need to be made at the soonest.

33- **While no change is envisaged in the audit requirements of RRA, the Finance and Audit Act should mention that the time for completion of audit is by February 28th of the year following the year under audit.** The Act mentions that FS for RRA will be submitted to audit within 3 months of the close of the financial year. As per the Finance and Audit Act, Section 20(1) the audit of financial statements must be completed within 8 months of the close of the financial year ie. by February 28th of the following year 2023.



CHALLENGES AND RECOMMENDATIONS FOR RRA

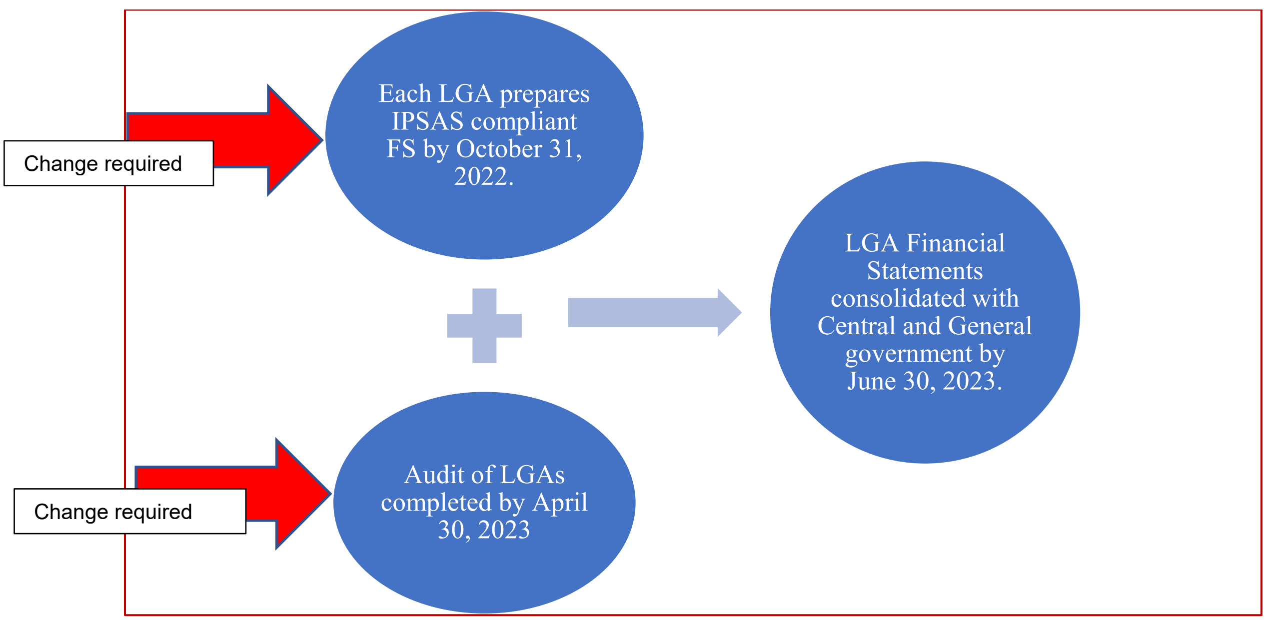
The Finance and Audit Act in (4) mentions that, "Subject to subsection (5), the Commissioner shall, within 3 months of the close of every fiscal year, sign and submit to the Director of Audit statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year." This would need to be changed to include a reference to IPSAS compliant accounts. The text could be amended to read," Subject to subsection (5), the Commissioner shall, within 3 months of the close of every fiscal year, sign and submit to the Director of Audit statements showing fully the financial position of the Island of Rodrigues in compliance with IPSAS, on the last day of such fiscal year."

LOCAL GOVERNMENT AUTHORITIES (LGAs)

CURRENT SITUATION FOR LGAS

34- **LGAs in Mauritius have been preparing IPSAS compliant financial statements since 2017.** LGA financial statements for 2019-20 were prepared to be fully compliant with IPSAS. The statutory auditor for LGAs is the National Audit Office (NAO). At present, the FS are to be submitted to audit within 4 months of the close of the FY, by October 31. The NAO mentioned that considerable rework was required in the LGA financial statements submitted to audit. As a result, the audit of the LGA financial statements was delayed. It is important that LAGU in consultation with the NAO should identify the issues that caused the delays and remedy these.

35- **In the 2019-20 LGA financial statements there was an issue of presentation of vested lands.** Vested lands are being recorded in the LGA financial statements (FS) while they should be in the financial statements of BCG. LAGU clarified that the decision to include vested lands in the BCG FS was formally taken in October 2020 and hence this issue arose. Going forward LGAs would not include vested lands in their financial statements.



CHALLENGES AND RECOMMENDATIONS FOR LGAS

36- **In order to meet the deadline of consolidation of LGA FS into the Central and General Government by FY 22the timelines for both the preparation of FS and their audit will need to be changed.** The FS will need to be prepared and submitted to audit within 3 months of the close of the financial year by September 30, 2022 and audit will need to be completed by April 30th of the following calendar year, 2023. The audited FS can therefore be handed to the

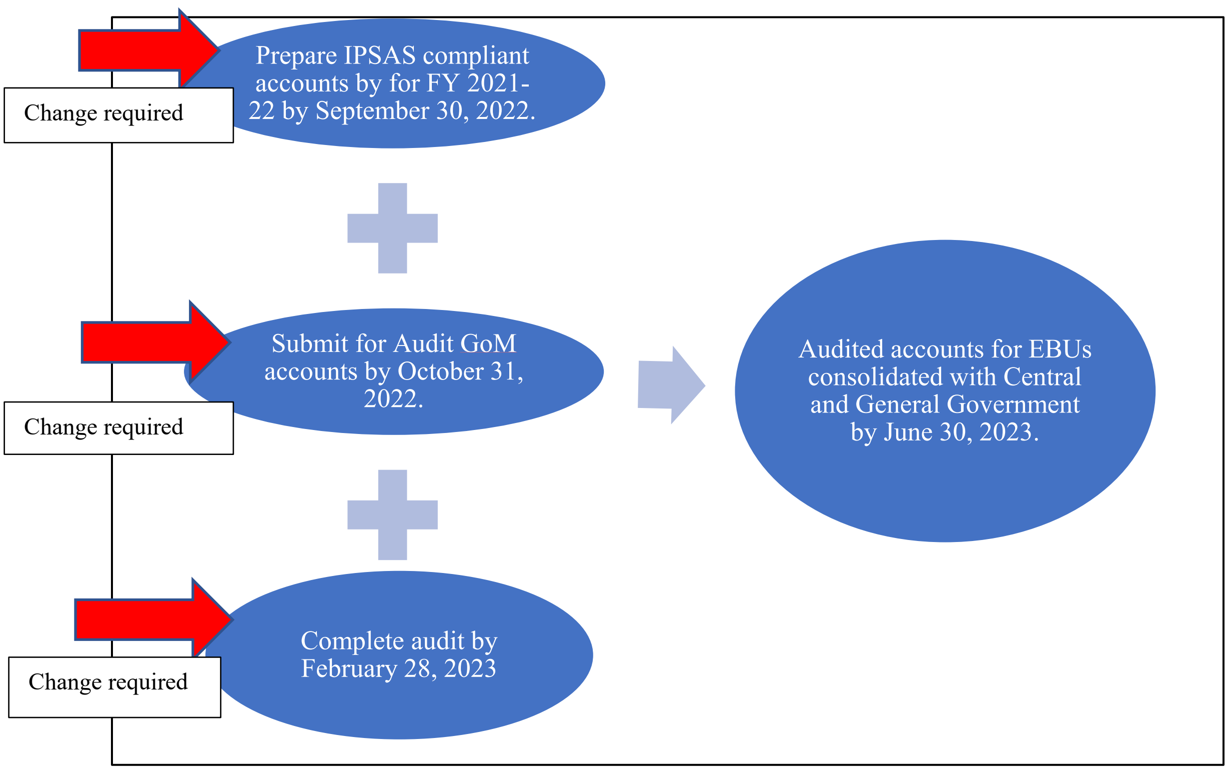
Treasury for consolidation by April 30th 2023 of the following year and can be assimilated into the Central and General government consolidation by June 30th of the following year.

EXTRA BUDGETARY UNITS

CURRENT SITUATION FOR EBUs

37- **The Extra Budgetary Units (EBUs) are also called Statutory Bodies (SBs). The EBUs are required to complete FS for the year 2021-22 by October 31, 2022 (within 4 months of the close of the FY)**. As per the Statutory Bodies Accounts and Audit Act, bodies covered under the 1st part of the 2nd schedule prepare FS on IPSAS while bodies on the 2nd part prepare FS as per IFRS or FRSSE. Large SBs will need technical support to consolidate subsidiaries which are accounting on IFRS. Small SBs will need capacity enhancement as many of them are missing accounting staff.

38- **As per the Statutory Bodies Accounts and Audit Act (SBAA) the audit of EBUs is required to be completed by April 30, of the year following the year under audit.** Some EBUs are audited by 'qualified' auditors. Qualified auditors may be either an auditor licensed under the Financial Reporting Act or the Director of Audit.



CHALLENGES AND RECOMMENDATIONS REGARDING EBUs

39- **For EBUs to meet the deadline for consolidation of accounts with Central and General government for FY 2021-22, changes will be required to the SBAA Act for submission of accounts to audit.** Currently, EBUs are required to submit their accounts to audit within 4 months of the close of the FY ie. by October 30th of the FY. The timeline for preparation of IPSAS compliant accounts will need to be brought forward to September 30th, 2022 ie within 3 months of the close of the financial year as opposed to the earlier deadline of 4 months from the close of the financial year.

40- **The SBAA was updated through the Finance Bill 2020 to provide for all SBs to prepare their financial statements on IPSAS, except the FSC**. In addition to the SBAA Act, the relevant Acts for the respective SBs may also need to be changed.

41- **The audit of SBAAs is currently required to be completed by April 30th of the following FY.** The SBAA Act on Pg 8, Para 7(3) stipulates that "The auditor shall, within 6 months of the date of receipt of the annual report pursuant to subsection (2), submit the annual report and his audit report to the Board." This may be amended to read, "The auditor shall, within 3 months of the date of receipt of the annual report pursuant to subsection (2), submit the annual report and his audit report to the Board." No change in the audit regulations is envisaged. The NAO will complete the audit of the SBAs by April 30th of the following year.

CONCLUSION FOR CENTRAL AND GENERAL GOVERNMENT CONSOLIDATION 2021-22 CONSOLIDATION

42- **GoM and NAO have determined that the timeline for consolidation of financial statements by the Treasury can be met if both EBUs and LGAs complete the preparation of FS within 3 months of the close of the financial year by September 30th.** The LGA Act will need to be changed to facilitate this. The NAO in consultation with GoM has decided that the audits for both EBUs and LGAs will be completed by April 30th of the year following the FY being audited. Thereafter the audited accounts will be handed over to the Treasury for consolidation.

PHASE 3- PUBLIC SECTOR CONSOLIDATION 2022-23

In 2022-23, the consolidation of the financial statements of the entire Public Sector would include the consolidation of the following entities:

- **Ministries/Departments**
- **EBUs**
- **Social Security Funds**
- **Local Authorities**
- **RRA**
- **Non-Financial Corporations**
- **Financial Corporations**

In this section, the Non-Financial Corporations and Financial Corporations are added to the Central and General Government. Public Financial and Non-Financial Corporations are governed by their respective Acts. These entities prepare accounts on IFRS basis and While these entities' financial statements need to be presented on IPSAS basis, this does not make it incumbent on these entities to convert their accounting system to IPSAS. The Mission agrees with the MOFEPD that companies should continue to maintain accounts on IFRS. Going forward the MOFEPD will need to consider the best way to consolidate these accounts with those of the general government.

CHALLENGES AND RECOMMENDATIONS FOR PUBLIC SECTOR CONSOLIDATION

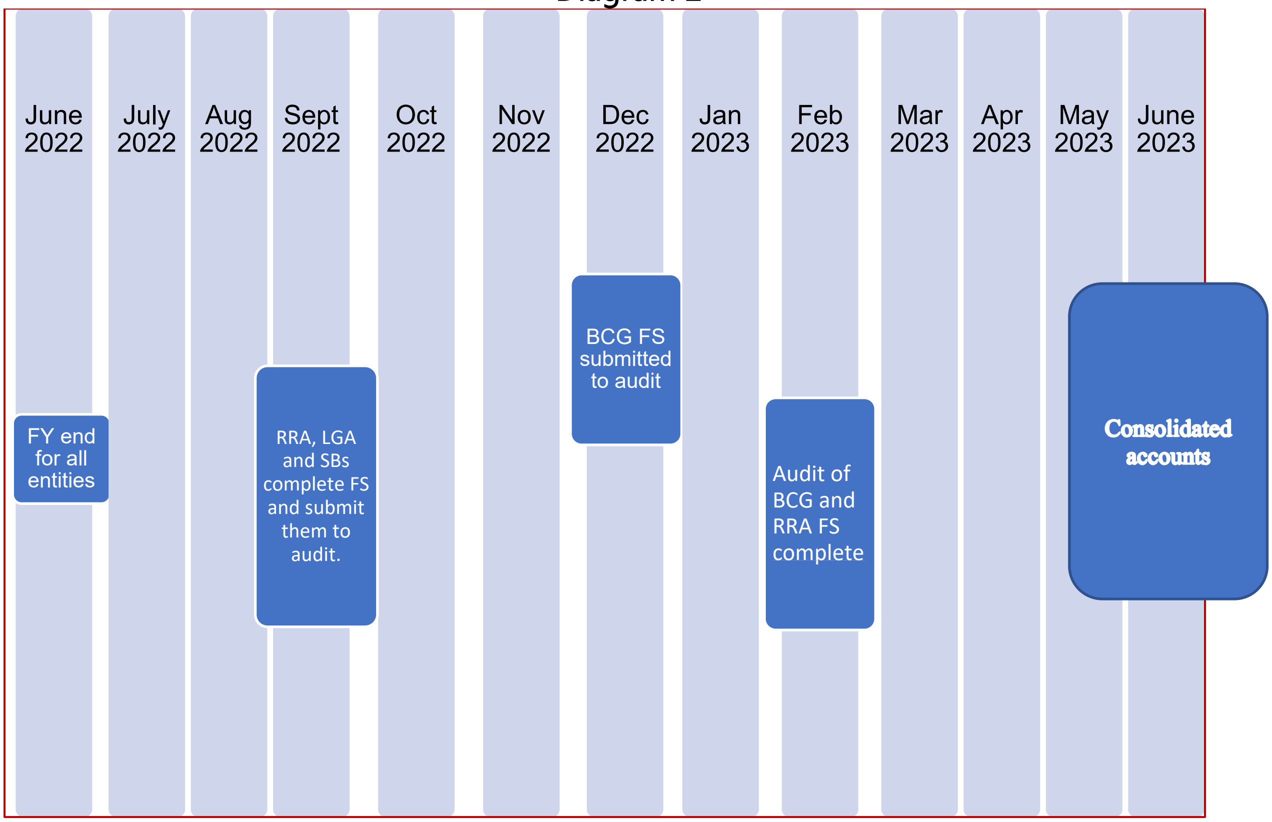
43- NAO and GoM will review the laws and regulations governing the finalization of LGA, RRA and SB financial statements and the completion of their audit need to be reviewed. The Finance and Audit Act will need to be amended to make reference to IPSAS standards for RRA. The Act will also make mention of the time for completion of RRA audit by February 28th of the year following the year under audit.

44- The LGA Act will need to be changed to set the date for finalization of FS and submission to audit within 3 months of the financial year ie. by September 30th. The LGA Act does not currently set out a deadline for completion of audit. It will need to be updated to say that the audit of LGAs will be completed by April 30th of the year following the year under audit.

45- The SBAA Act will need be amended to set September 30th as the date for finalization of accounts of SBs. The SBAA Act will also make a reference to the compliance with IPSAS.

46- The Diagram 2 below shows the revised timelines for completion of consolidation.

Diagram 2


June 2022
July 2022
Aug 2022
Sept 2022
Oct 2022
Nov 2022
Dec 2022
Jan 2023
Feb 2023
Mar 2023
Apr 2023
May 2023
June 2023
FY end for all entities
RRA, LGA and SBs complete FS and submit them to audit.
BCG FS submitted to audit
Audit of BCG and RRA FS complete
Consolidated accounts

IV. AUDIT

CURRENT SITUATION

47- **The NAO has an important role to play in the consolidation process since the accounts of all entities being consolidated will need to be audited before they are consolidated.** The following entities are currently audited by the NAO:

- All Ministries and Government Departments
- All Commissions of the Rodrigues Regional Assembly
- All Local Authorities
- Most Statutory Bodies
- Special Funds
- Other Bodies and Donor-funded Projects
- A few State-owned Companies

48- **The mandate of NAO is set by the Constitution of Mauritius.** Section 110 of the Constitution provides that the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited by NAO. In addition to the Constitution, the mandate of NAO is set out in the Finance and Audit Act (Sections 16 & 17(2), 17(3), 19 and 20), the Local Government Act (Section 136,138 and 139), the Statutory Bodies Act (Section 7 and 9). It is this mandate of NAO which makes them responsible for all statutory audit of all the entities that will be consolidated.

49- **The NAO conducts Regularity (Financial Statements) and Performance Audit.** Regularity Audit covers audit of financial statements and makes an assertion about the overall fair presentation of financial statements and soundness of internal controls in the organization. Performance audit is geared to assert on the value for money and whether government undertakings, operations, programs and activities are operated in accordance with the principles of economy, efficiency and effectiveness. It may be noted that most Supreme Audit Institutions conduct both of these audits. The Box 1 below provides a summary of practices in other countries.

Box1. Audit International practices

USA - The Government Accountability Office (GAO) of the US has detailed guidance on financial statement audit and performance audit. The GAO has published 4 books on government auditing standards, federal appropriations law and standards for internal control and report federal fraud, waste and abuse.

Australia -The Australian National Audit Office (ANAO) provides for both the financial statement audit and performance audit.

Canada - The Office of the Auditor General (OAG) of Canada audits the activities of the government and performs both financial statements audit and performance audit.

New Zealand -The office of the Controller and Auditor General (CAG) is the Supreme Audit Institution of New Zealand. It conducts both financial audit and performance audit.

50- **At present, NAO audits 1867 units across 477 auditable entities and the number of auditees is expected to increase with the consolidation of accounts.** The average percentage of completion of financial statements audits for FY2018-19 was 81%. The Table 2 below gives the details of financial statements audits completed by NAO.

Table 2. Audits Planned and Completed

	Audits Planned	Audits Completed	% Completed
Ministries and Government Departments	314	308	98
Rodrigues Regional Assembly	30	30	100
Statutory Bodies	131	96	73
Local Authorities	339	234	69
Special Funds	21	15	71
Other Bodies	26	16	62
State Owned Companies	6	2	33
International Donor Agencies projects	10	7	70

CHALLENGES

51- NAO is unable to fulfil the performance indicators that it has set for itself. NAO's key performance indicators are:

1) Submission of Audit Report within the statutory date limit
2) Percentage of financial statements audited and certified within 6 months of submission
3) Number of Performance Audit reports issued

52- The main challenges to timely submission of audit reports within the statutory date limit is a shortage of capacity, rework in financial statements, late submissions of financial statements and increase in the complexity of accounting transactions. NAO is currently working with 75% of its full complement of staff. The shortage of staff has affected the coverage of substantive testing of transactions and balances of small entities. There is a problem of late submission of audit reports by auditees and rework required because of discrepancies in accounts. On an average 36% of the financial statements certified during the year had to be reworked.

53- Going forward, the number of auditees will increase and so will reliance on digitized audit evidence. The number of auditees will increase as all the Public Financial and Non-Financial Corporations will be added to the list of auditees as a part of the consolidation process. There will also be challenges to the audit process because of Covid – 19. The pandemic may necessitate a greater reliance on digitized audit evidence and remote auditing. At present, the auditors rely on paper-based audit evidence and the level of digitization is very low. NAO auditors may require training in remote audit and auditing IPSAS based financial statements.

54- The pressure to complete both financial statement audit and performance audit at the same time adds to the pressure of meeting timelines for the NAO. At present the performance audit is limited to Ministries, Departments and Divisions. Performance audit is constrained by the staffing constraints and unavailability of data. There is also little appreciation of performance auditing. However, NAO considers performance audit important to the audit process and will continue to carry out this throughout the year with a report presented at June 30th of the year following the FY under audit.

RECOMMENDATIONS

55- NAO will need to assess capacity required to complete audits in time as the number of audited entities will increase as a result of the consolidation. As the NAO is currently functioning with 75% of the number of staff positions allocated, capacity constraints are a limitation to the timely completion of audits. With the addition of new auditees following the consolidation, NAO will need to assess the number of staff days per auditee. The re-assessment of control risk and revised levels of substantive testing would need to be carried out to assess the workload of the NAO after consolidation**.**

56- Audit Capacity augmentation will need to consider the filling up of vacant positions and alternative assurance mechanisms like internal audit. Since the NAO conducts audits on a risk based approach, the re-assessment of risk across auditees would need to be re-evaluated and the workprogram days required should be calculated. The assurance derived from internal audit should be calibrated into the workprogram. Due consideration may be given to ways of optimizing year end pressure like interim testing of transactions and balances.

57- Alternative models of statutory audit may be considered. One option could be contracting qualified private sector auditors to audit Local Government Authorities and Statutory

Bodies. Another option could be the setting up of a three-tier model of audit where there are designated auditors for the accounting of the accounts of the Government of Mauritius including all of its Ministries and Departments, the Local Government Authorities and Statutory Bodies. However, the choice that will finally be made will be a policy decision of the GoM.

58- **NAO may consider disaggregating the financial statements' audit and value for money audit.** This step would enable NAO to stagger the deadlines for completion of both audits. The financial statements' audit may be completed by February 28th of the year following the year under audit while the value for money audit may be conducted from March 1 through June 30th of the year following the year under audit.

59- **Key recommendations for NAO include**: filling in vacant posts, estimating the number of audit days required under consolidation, placing reliance on internal audit, considering the use of interim testing and developing a work program with altered deadlines for audit.

V. COMMUNICATION STRATEGY AND CHANGE MANAGEMENT

CURRENT SITUATION

60- **The Government of Mauritius has established a communication strategy for the staff and accountants of the GoM.** The strategy includes the issuance of circulars and upgrading the websites of the Ministry of Finance and Treasury websites. Accounting policies and formats are also posted on the website. Further circulars on IPSAS implementation will be posted on the websites as the process of implementation continues. The next phase of the communications strategy is to prepare for communication with Parliamentarians and civilians.

CHALLENGES

61- **There no formal change management team in the Government of Mauritius**. It is important to communicate the benefits of IPSAS to different stakeholders like accounting entities being consolidated, parliamentarians and general public. The consolidation of IPSAS based accounts will cover more than 477 auditable accounting units. There will be a requirement of information from the auditable entities. If the auditable entities are aware of the significance of information sought, the accounting entities will be more participative in the process.

RECOMMENDATIONS

62- **MOFEPD may consider putting in place a formal communication strategy that pulls together the advantages of IPSAS based consolidation**. The communication strategy may consider different information requirements of the various stakeholders involved in the process. The communication for accounting staff may focus on the technical benefits from implementing IPSAS like recording and valuing assets and liabilities, reporting on commitments and contingent liabilities and representation of the overall financial condition of the entity. The communication to Parliamentarians may focus on advantages on account of transparency, costing of programs, appropriate recording of commitments and reporting of overall financial robustness. MOFEPD in collaboration with the Treasury and the FRC is working on preparing training sessions and workshops with different stakeholders.

VI. WAY FORWARD

63- **Going forward, all outstanding accounting issues at the BCG and other entities need to be resolved.** BCG issues would include the completion of the Fixed Asset Register, development of the revenue accounting policy, recognition of employee benefits and recognition of debt in accordance with IPSAS 41. Accounting issues at the LGAs and SBs should be analyzed in coordination with the NAO. The 2018-19 Audit report for GoM mentions that audits of Statutory Bodies, Local Authorities and other Public Entities are delayed due to the late submission of accounts and the frequent re-work required.

64- **GoM and NAOs have re-considered deadlines for completion of accounts and audits of LGAs and SBs.** The timelines for completion of financial statements and submission to audit for LGAs and SBs have been revised to September 30 of the FY. The respective Acts governing both LGAs and SBs will need to revised to present the amended deadlines. In addition, the LGA Act will need to be amended to set a deadline for completion for Audit. The NAO in consultation with GoM has decided to complete the audits of all LGAs and EBUs by April 30th of the year following the FY under audit.

65- **NAO is a critical player in the consolidation, and it is important that they assess the impending increase in workload and calibrate the staff requirements and audit capacity accordingly**. In addition to assessing the revised work program under consolidation and capacity building, NAO would need to consider alternative ways of organizing their work.