



**ANNUAL REPORT  
FOR THE 18 MONTHS'  
PERIOD ENDED  
30 JUNE 2017**

## Corporate Governance Report

### ***Objectives of the Financial Reporting Council***

The Financial Reporting Council (FRC) was established in January 2005, under the Financial Reporting Act (FR Act) 2004 with the objectives of:

- (a) Promoting the provision of high quality reporting of financial and non-financial information by public interest entities (PIEs);
- (b) Promoting the highest standards among licensed auditors;
- (c) Enhancing the credibility of corporate reporting; and
- (d) Promoting quality in accountancy and audit services.

The FRC performs the following activities amongst others in order to achieve these objectives:

- a) issue license to individuals to practice as auditors;
- b) maintain a register of licensed auditors;
- c) monitor the practice of auditors with a view to maintaining high standards of professional conduct and practice;
- d) monitor the annual reports of PIEs and enforce compliance with International Financial Reporting Standards issued by the International Accounting Standards Board and the International Standards for Auditing;
- e) monitor compliance by PIEs with the reporting requirements specified in the Code of Corporate Governance.

### COMPOSITION OF THE COUNCIL

The FRC is governed by a Council constituted of the following as per section 7 of the FR Act 2004:

#### **Chairperson:**

Mr S.B.Domah, appointed on 13 June 2014

#### **Members:**

- Mr Y. Googoolye, First Deputy Governor of the Bank of Mauritius, appointed on 01 August 2006;
- Mrs D.P. Chinien, Registrar of Companies, appointed on 20 January 2005;
- Mr P.K. Kuriachen, Acting Chief Executive, Financial Services Commission, from 04 June 2015 to August 2017;
- Mr M.J. Lamport, Senior Lecturer, Faculty of Law and Management, University of Mauritius, appointed on 20 January 2005;
- Mr T. Leung, Senior Manager of Ernst & Young, appointed on 20 January 2008;
- Mr P. Jhugroo, Chairperson of MIPA, appointed on 21 December 2015;
- Mr D. Li Fook, Member of MIPA appointed on 26 October 2016;
- Ms C. McLraith, Chairperson of Mauritius Institute of Directors, resigned on 03 October 2016
- Mr T.K. Servansingh, Chairperson of Mauritius Institute of Directors, appointed on 26 October 2016 to April 2017
- Mrs Heba Capdevila Jangeerkhan, Chairperson of Mauritius Institute of Directors, appointed in May 2017

Attendance of members for meetings held from January 2016 to June 2017 is as shown below:

<b>Council Members</b>	<b>No. of Meetings Attended</b>
Dr S.G. Domah	9/10
Mr Y. Googoolye	10/10
Mrs D.P. Chinien	10/10
Mr P.K. Kuriachen	5/10
Mr T. Leung	4/10
Mr M.J. Lamport	6/10
Mr P. Jhugroo ( <i>Appointed on 27 January 2016</i> )	8/10
Mr D. Li Fook ( <i>Appointed on 26 October 2016</i> )	4/4
Mr D. Thumiah ( <i>Appointed on 27 January and Resigned on 18 May 2016</i> )	3/3
Ms C. McIlraith ( <i>Resigned on 03 October 2016</i> )	1/6
Mr T.K. Servansingh ( <i>Appointed on 26 October 2016 and Resigned in April 2017</i> )	3/3
Mrs H. Capdevila Jangeerkhan ( <i>Appointed on 31 May 2017</i> )	1/1

## COMPLIANCE WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE

FRC complies with the principles of good governance as stipulated in the Code of Corporate Governance.

## ROLE AND FUNCTIONS OF COUNCIL/CEO

The role and the functions of the Board and the CEO are defined in the Financial Reporting Act. The CEO is responsible for the smooth running of the Council and to advise on the strategic direction of the FRC. Strategic policy decisions are taken collectively by the Council.

## PANEL OF EXPERTS

Four Panels as stipulated in S 17 of the Financial Reporting Act have been established, namely:

- Audit Practice Review Panel (APRP)
- Financial Reporting Monitoring Panel (FRMP) and
- Standard Review Panel (SRP) and the
- Enforcement Panel (EP)

Members of both APRP and FRMP work in close collaboration with the employees of FRC, by providing expert advice on accounting and auditing issues during the review exercise.

Based on the findings of reviews, both FRMP and the APRP refer cases to the EP for appropriate actions/sanctions where required.

## INTERNAL CONTROL/ AUDIT COMMITTEE

FRC is fully funded by the government and the parent Ministry monitors the disbursement of grants on a regular basis on the utilisation of funds.

Given the small size of the organisation and a budget of around MUR 23 million annually, the internal control procedure is built into the operating system.

At the moment, the FRC does not find the need to have a separate audit committee. The Chief Executive Officer oversees all the day-to-day activities of the Council.

The Council considers the management letter of the National Audit Office, and addresses any queries contained therein.

## CODE OF ETHICS/CODE OF CONDUCT

The FRC has established a Code of Ethics for its employees, the members of the Council and members of the panels to promote ethical concerns such as objectivity, fairness, professionalism and confidentiality.

The aim of the code of conduct is to develop a common perspective toward a vision of ethical and professional behavior within the FRC.

To address the issue of confidentiality, oaths of confidentiality are taken by all members of the Council, members of the panels and the employees of FRC.

## MEMBERSHIP OF INTERNATIONAL FORUM FOR INDEPENDENT AUDIT REGULATORS (IFIAR)

FRC is a member of the International Forum for Independent Audit Regulators (IFIAR). The forum consists of 50 members and its main purpose is to share knowledge, and ensure that all members are aligning their strategies towards the main objective, that is ensuring and monitoring audit quality. The interaction with other members enables FRC to share experience on audit inspections and, also, assists in building capacity at the FRC.

FRC pays an annual membership fee of 10,000 euros to IFIAR. Being a member of IFIAR adds to the reputation of FRC. FRC is adopting the international concepts in its operating activities.

## EMPLOYEES WELFARE AND DEVELOPMENT

FRC ensures that the employees obtain sufficient and relevant training to enable them to perform their duties in a most effective and efficient way. The staff of the FRC is encouraged to undertake self-development learning, as it is imperative that they keep themselves updated as to what is happening in the financial markets, the developments in financial reporting and auditing standards and principles of corporate governance.

FRC subscribes to e-IFRS for all the technical staff since this allows them to make on-line research on the requirements and applications of IFRS. In-house training on the application of new IFRS and Auditing Standards is also developed for the benefit of the employees.

They are also given the opportunity to attend the annual workshop on audit inspection organised by IFIAR.

## PERFORMANCE APPRAISAL

Performance appraisal is carried out on annual basis. The appraisal system is a mechanism to assess the behaviour and technical capacity of the employees. The CEO assesses the performance of the employees in a transparent manner, through a face to face interview. The results are also an input to formulate appropriate specific training for the development of the staff.

## REMUNERATION OF MEMBERS AND SENIOR MANAGEMENT

For the period January 2016 to June 2017, the following remuneration including benefits was paid:

### Remuneration of Members of Council and Panels

	<b>Council Members</b>	<b>(Rs)</b>
1.	Dr Satyabhooshun Gupt Domah	<b>450,000</b>
2.	Mr Yandraduth Googoolye	<b>90,000</b>
3.	Mrs Divanandum P. Chinien	<b>90,000</b>
4.	Mr P.K. Kuriachen	<b>90,000</b>
5.	Mr Matthew John Lamport	<b>90,000</b>
6.	Mr Thierry Leung Hing Wah	<b>90,000</b>
7.	Mr Priyaved Jhugroo	<b>90,000</b>
8.	Mr Donald Li Fook	<b>40,000</b>
9.	Mr Damendra Thumiah	<b>15,000</b>
10.	Ms Catherine McIlraith	<b>45,000</b>
11.	Mr Tahen Kumar Servansingh	<b>30,000</b>
12.	Mauritius Institute of Directors (Mrs Heba Capdevila Jangeerkhan)	<b>10,000</b>
13.	Ms Mohoni Nowbotsing (Secretary)	<b>90,000</b>
	<b>Panel Members</b>	
	<b>Financial Reporting Monitoring Panel</b>	
1.	Mr Imrith Ramtohl	<b>7,500</b>
2.	Mr James Siong Seng Leung Yin Kow	<b>7,500</b>
3.	Mr Twaleb Butonkee	<b>5,000</b>
4.	Mr Robee Nobin	<b>5,000</b>
4.	Mrs Jayshree Guness	<b>2,500</b>
	<b>Audit Practice Review Panel</b>	
1.	Mr John Chung Chung Wai	<b>2,500</b>
2.	Mr Priyaved Jhugroo	<b>2,500</b>
3.	Mr Louis Pascal Stephane Moutou	<b>2,500</b>
	<b>Enforcement Panel</b>	
1.	Mrs Divanandum P. Chinien	<b>10,000</b>
2.	Mr Padassery Kuriakose Kuriachen	<b>10,000</b>

3.	Mr Viswajithsing Tuhobol	<b>10,000</b>
	<b>Recruitment Panel</b>	
1.	Mrs Divanandum P. Chinien	<b>10,000</b>
2.	Mr Matthew John Lamport	<b>10,000</b>
3.	Ms Catherine McIlraith	<b>10,000</b>

## PROFILE OF MEMBERS OF COUNCIL AND PANELS MEMBERS

### THE COUNCIL

#### **Dr Satyabhooshun Gupt Domah, Chairperson**

Dr Satyabhooshun Gupt DOMAH holds a Doctorat en Droit Compare (Anglais, Français et Mauricien) from Aix-Marseille University, France and is a barrister at law of the Middle Temple London. He is a former Judge of the Supreme Court of Mauritius and is an elected member of United Nations Committee Against Torture. He has been the Vice President of Commonwealth Magistrates and Judges Association and one of the 3 one-time governors of the Commonwealth Judicial Education Institute. He has been a member of the Board of Tertiary Education Commission and the Board of the Judicial and Legal Institute of Mauritius. He is presently the Judge of Appeal of Seychelles.

#### **Mr Yandraduth Googoolye**

Mr Yandraduth Googoolye is the First Deputy Governor of the Bank of Mauritius since July 2006. He started his career as Accountant at the Bank of Mauritius in 1985. He occupied various positions: Director-Banking Supervision, Director-Operations and Director-Accounting, Budgeting and Payments System. Mr Googoolye is also a member of the Monetary Policy Committee.

#### **Mrs Divanandum Chinien**

Mrs Divanandum Chinien holds a B.A. (Hons) in Law from U.K. She is a barrister-at-law from the Middle Temple, London, UK. She was appointed Registrar of Companies in 1989. Since June 2009, she has also been the Director of Insolvency Services under the Insolvency Act 2009.

#### **Mr Padassery Kuriakose Kuriachen**

Mr. P. K. Kuriachen is the Acting Chief Executive of the Financial Services Commission, Mauritius. He joined the FSC Mauritius in 2013 and is on secondment from the Securities Exchange Board of India (SEBI).

Prior to joining SEBI in 1993, he worked in the banking sector for more than 19 years and has over 21 years of experience as a financial services regulator in multiple jurisdictions. He was previously on secondment at the FSC Mauritius from 2008 to 2010, where he headed the Capital Markets Cluster.

Mr P. K. Kuriachen is a Chartered Financial Analyst (CFA) and a Qualified Banker (CAIIB). He holds a Master's degree in Commerce, Diploma in Business Management and Certificate in Industrial Finance. He is an alumni of Baruch College, New York (CUNY) and of the International School of Business (ISB), India.

### **Mr Matthew John Lamport**

Mr Matthew Lamport holds a Masters in Finance from the University of Mauritius. He has been a full time academic in the Department of Finance and Accounting at the University of Mauritius for the past six years and is currently Senior Lecturer. He is a member of the Association of Chartered Certified Accountants (ACCA). Mr Lamport specialises in teaching financial reporting and financial management to undergraduate and postgraduate students at the University of Mauritius. His research interests include quality of financial reporting, usefulness of annual reports to users, relevance of accounting metrics in explaining movements in stock prices, dividend policy, corporate social responsibility and capital structure.

### **Mr Thierry Leung Hing Wah**

Mr Thierry Leung Hing Wah, Fellow of the Institute of Chartered Accountants, Director at Ernst & Young, is currently in charge of the Professional Practice Group. His main areas of responsibility are audit quality, learning and development, technology based audit tools, and knowledge and application of International Financial Reporting Standards, the Companies Act 2001, the Listing Rules and International Standards on Auditing.

### **Mr Donald Li Fook**

Mr Donald Li Fook is a member of the Institute of Chartered Accountants of Scotland and is an Associate Director in the Transaction Advisory Services of Ernst & Young. He joined Ernst & Young London in 2002, where he completed his traineeship, leading audit assignments on listed FTSE 100 and FTSE 250 companies. He has worked in the UK, Australia and in US, before returning to Mauritius in 2013, and transferring to the Transaction Advisory Services team at Ernst & Young. Today, he provides corporate finance services to clients in Mauritius, South Africa, Democratic Republic of Congo, Kenya, and Madagascar among others. He is passionate about better corporate reporting, and also advises companies on integrated Reporting. He contributed to the Communication, Reporting and Disclosure Sub-Committee of the latest Corporate Governance in Mauritius, and is the Secretary of the Society of Chartered accountants of Mauritius. He was on the organizing committee of the latest Forum of Accountants organized by the MIPA in August 2016

### **Ms Catherine Mclraith**

Catherine Mclraith, a Mauritian citizen, holds a Bachelor of Accountancy degree from the University of the Witwatersrand, Johannesburg, South Africa and has been a member of the South African Institute of Chartered Accountants since 1992. She served her Articles at Ernst & Young in Johannesburg. She then joined the Investment Banking industry and has held senior positions in corporate and specialized finance for Ridge Corporate Finance, BoE NatWest and BoE Merchant Bank in Johannesburg. She returned to Mauritius in 2004 to join Investec Bank where she was Head of Banking until 2010.

Catherine Mclraith is a Fellow Member of the Mauritius Institute of Directors (“MlOD”). She is an Independent Non-Executive Director and a member of various Committees of a number of public and private companies in Mauritius including AfrAsia Bank Limited, CIEL Limited, Les Gaz Industriels Limited. She is also the Chairperson of the MlOD since October 2014.

## **MEMBERS OF THE FINANCIAL REPORTING MONITORING PANEL**

### **Mr Twaleb Butonkee**

Mr Twaleb Butonkee is the Chairman of the Financial Reporting and Monitoring Panel and is fellow member of the Institute of Chartered Accountants in England and Wales. He has a strong financial and professional services background and in-depth expertise in financial reporting, assurance, governance and risk management relevant to public interest entities operating in Mauritius. He is currently the national audit leader for Deloitte Mauritius.

### **Mr James Siong Seung Leung Yin Kow**

Mr James Siong Seung Leung Yin Kow holds a Bachelor of Commerce (Honours & Summa Cum Laude) from McMaster University (Canada) and a Master of Arts in Economics from York University (Canada). He is also a CFA Charterholder since 2000. He was a member of a task team subcommittee for the Code of Corporate Governance (2004). Mr Leung has 13 years' experience as Fund Manager and 3 years' experience as Stockbroker. He is currently Managing Director of Skanda Business Consultants Ltd which provides corporate advisory services and is a part time lecturer at the University of Mauritius as well as Open University.

### **Mr Imrith Ramtohul**

Mr Imrith is actually the Senior Investment Consultant at Aon Hewitt Ltd, the Mauritian office of Aon Hewitt worldwide, which is present in 120 countries. He previously held positions at Mauritius Union Group, the Stock Exchange of Mauritius and at subsidiaries of South African banking groups Rand Merchant Bank and Nedbank. He is a Member of the CFA Institute Global Investment Performance Standards (GIPS) Investor/Consultant Subcommittee.

Mr Imrith has more than 14 years' experience in the financial services sector. He holds the Chartered Financial Analyst designation and is a Fellow of the Association of Chartered Certified Accountants UK (FCCA). He graduated from the University of Cape Town with a Bachelor of Business Science (Honours) degree.

### **Mrs Jayshree Guness**

Mrs Jayshree Guness is a Fellow member of the ACCA and holds an MBA, International Business. She has over 16 years' experience in the financial services sector. She currently heads the Administration and Enterprise Risk Cluster at the FSC.

## **MEMBERS OF AUDIT PRACTICE REVIEW PANEL**

### **Mr Priyaved Jhugroo**

Mr Priyaved Jhugroo is a Fellow of the Institute of Chartered Accountants in England and Wales. Presently, he is the chairperson of the APRP.



## Mr John Chung Chung Wai

John Chung Chung Wai holds a BSc Management Sciences degree from the London School of Economics. He is also a Fellow of the Institute of Chartered Accountants in England and Wales. He is presently the Managing Partner of KPMG Mauritius.

## Mr Stephane Moutou

Mr Stephane Moutou is a Fellow member of the Association of Chartered Certified Accountants. He also holds an MSc in Risk Management and a BSc in Accounting & Finance from the University of Mauritius.

## LICENSING OF AUDITORS AND APPROVAL OF FIRM NAME

### LICENSING OF AUDITORS

The FRC maintains the Register of licensed auditors on a calendar basis and regularly updates same to reflect movements during the year.

The FRC started the process of registering auditors in the year 2007. The license is issued for a period of 12 months expiring on 31 December each year and the licensee is required to renew his license if he wants to continue to practice as auditor.

At the end of year 2007, 143 individuals were issued with an Auditor's License for the first time.

It is more than 10 years that the FRC has been issuing auditor's license and the number of auditors registered has increased from 143 in year 2007 to reach 207 as at 30 June 2017, representing an increase of around 45 % as shown in the table below:

	YEAR										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>New Licences</b>	143	22	18	18	10	9	13	10	14	10	7
<b>Not Renewed</b>	0	(2)	(11)	(7)	(4)	(2)	(8)	(14)	(5)	(6)	(8)
<b>Total Cumulative as at 31 December</b>	<b>143</b>	<b>163</b>	<b>170</b>	<b>181</b>	<b>187</b>	<b>194</b>	<b>199</b>	<b>195</b>	<b>204</b>	<b>208</b>	<b>207*</b>

*\*Note: Figures as at 30 June 2017*

### REGISTRATION PROCESS

Under normal circumstances, it takes around four weeks for FRC to process an application, provided the application meets all the licensing requirements. Application forms can be downloaded from the website of FRC. A non-refundable fee of MUR 2000 is charged for the processing of the application and the licensing fee is MUR 10,000 per licence. All applications received are verified for completeness as per prescribed criteria and referees are contacted individually whereby they are requested to provide

an assessment of the applicant. The referee is normally a person with whom the applicant should have worked in the past or is currently working on audit engagements. An interview is then carried out with the applicant by officers of the FRC to assess the applicant's technical and administration knowledge of an audit engagement. After the above processes are completed the application is subsequently recommended to the Council for licensing. The meeting of the Council is held on a monthly basis.

## APPROVED FIRM NAMES

FRC also approves name of firm as per Section 35 of the FRA. FRA states that no licensed auditor shall practice as an auditor, on his own account, or in partnership with other persons, in the name of a firm unless the name of the firm has been approved by the Council.

Thus any licensed auditor who wishes to practice in the name of a firm shall apply in writing to the Council in the prescribed form designed for the purpose, and which can be downloaded from the web-site of the FRC. A non-refundable processing fee of MUR 2000 is charged for each application. Applications received are processed and upon satisfying all the criteria for a firm name, same is recommended to the Council for approval.

The number of approved firm name has been constantly increasing from 59 in 2007 to reach a total of 99 as at 30 June 2017 representing an increase of around 68%. The trend for the number of firms approved since 2007 to June 2017 is illustrated in the table below:

	YEAR										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2 017
<b>New Firm name approved</b>	59	19	8	5	7	5	5	7	3	8	2
<b>Removed from approved list</b>	(0)	(1)	(3)	(4)	(2)	(0)	(3)	(4)	(4)	(4)	(4)
<b>Total Cumulative as at 31 December</b>	<b>59</b>	<b>77</b>	<b>82</b>	<b>83</b>	<b>88</b>	<b>93</b>	<b>95</b>	<b>98</b>	<b>97</b>	<b>101</b>	<b>99</b>

## ANNUAL REPORT REVIEWS

FRC reviews the annual reports of Public Interest Entities (PIEs) with the objective of promoting the provision of high quality reporting of financial and non-financial information which undoubtedly enhance the credibility of corporate reporting.

PIEs are required to comply with Section 75 of the Financial Reporting Act, while preparing their annual reports. In this respect, FRC monitors the annual reports of PIEs for compliance with the following:

- International Financial Reporting Standards (IFRS);
- Relevant laws and regulations applicable to the PIE;
- Reporting on corporate governance as the requirements of the National Code of Corporate Governances; and

- Section 75(3) of the Financial Reporting Act with regards to Statement of Compliance.

## REVIEWS CONDUCTED BY FRC

FRC has started the annual report review of PIEs in the year 2008. As at 30 June 2017, FRC had conducted the reviews of 1133 annual reports (full and follow up reviews) as illustrated in the table below:

	YEAR								
Categories	2008/2009	2010	2011	2012	2013	2014	2015	2016/2017	Total
Listed	63	64	46	56	54	53	39	53	428
Other PIEs	22	88	73	85	115	139	105	78	705
<b>Total</b>	<b>85</b>	<b>152</b>	<b>119</b>	<b>141</b>	<b>169</b>	<b>192</b>	<b>144</b>	<b>131</b>	<b>1133</b>

The outcome of certain annual report reviews is brought to the attention of respective regulatory bodies for any action under the relevant law.

Some of the issues identified from 01 January 2016 to 30 June 2017 annual report reviews were with respect to going concern, related party balances, financial risk management policies, fair value measurements, provision of non-audit services by auditors and disclosures on board committees.

FRC informed the PIEs on the issues identified from the annual report reviews and the PIEs gave their undertakings to improve the quality of their reporting in future annual reports. It is good to note that from 2008 to 2017 there has been an improvement in the corporate reporting of PIEs in general.

Going forward, FRC would pay particular attention to the new laws and regulations, and new/revised standards effective in 2016/2017 (including IFRSs) that had been applied in the annual reports of PIEs.

## AUDIT PRACTICE REVIEW

Pursuant to 77(1) of the Financial Reporting Act, FRC undertakes audit practice reviews of licensed auditors with the objectives of promoting the highest standards among licensed auditors and improving the quality of audit services provided by the auditors.

The reviews are carried out to assess the quality of the audit engagements undertaken by the licensed auditor for compliance with the requirements of:

- Financial Reporting Act;
- International Standard on Quality Control 1 (ISQC1);
- International Standards on Auditing (ISA);
- IFAC Code of Professional Conduct and Ethics;
- Licensing Rules; and
- Rules Established by FRC on Audit Practice Review.

FRC has started audit practice review in the year 2008. As at 30 June 2017, FRC has conducted the reviews of 217 auditors (onsite/offsite/full and follow-up reviews) as follows: -

Year/ Reviews	2008	2009	2010	2011	2012	2013	2014	2015	2016/ 2017	Total
Audit Firms	3	10	26	18	17	21	71	19	9	194
Licensed Auditors	4	21	30	23	19	21	71	19	9	217
Engagement Files	7	51	54	32	36	34	82	22	22	340

The findings from the review exercise are submitted to the Audit Practice Review Panel (APRP) and the Panel decides on the way forward depending on the gravity of the non-compliances. The Panel may refer a case to the Enforcement Panel for appropriate action or it may recommend for a second review.

## INVESTIGATION

FRC also conducts investigation on auditors. Investigation power is conferred to the Council as per Section 78 of the Financial Reporting Act 2004 on any complaint made against a licensed auditor.

During the period January 2016 to June 2017, FRC has conducted 3 investigation exercises following complaints received against the auditors of 3 entities for not performing the audit properly.

Two of the three investigations have been completed and the two auditors' concerned have been sanctioned with the issue of warning letters.

Regarding the third one, the report has been completed and the Council has referred it to the Enforcement Panel for appropriate action to be taken.

**FINANCIAL STATEMENTS  
FOR THE 18 MONTHS'  
PERIOD ENDED  
30 JUNE 2017**



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ECTOR OF AUDIT**

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**On the Financial Statements  
of the Financial Reporting Council  
for the 8-month period ended 30 June 2017**

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**NATIONAL AUDIT OFFICE**

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# NATIONAL AUDIT OFFICE

## REPORT OF THE DIRECTOR OF AUDIT TO THE COUNCIL OF THE FINANCIAL REPORTING COUNCIL

Financial Reporting Council	
Received on:	02/05/18
Reference:	18/C(85(a))
Hand/Post:	H

### Report on the Audit of the Financial Statements

#### Opinion

I have audited the financial statements of the Financial Reporting Council, which comprise the Statement of Financial Position as at 30 June 2017, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the 18-month period then ended, and Notes to the Financial Statements including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Financial Reporting Council as at 30 June 2017, and of its financial performance and its cash flows for the 18-month period then ended in accordance with International Financial Reporting Standards and in compliance with the Statutory Bodies (Accounts and Audit) Act.

#### Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* Section of my report. I am independent of the Financial Reporting Council in accordance with the Code of Ethics for Supreme Audit Institutions, together with the ethical requirements that are relevant to my audit of the financial statements in Mauritius, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there is nothing to report in this regard.



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Financial Reporting Council for the 18-month period ended 30 June 2017, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in compliance with the Statutory Bodies (Accounts and Audit) Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Financial Reporting Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the Council's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Financial Reporting Council's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Financial Reporting Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Financial Reporting Council to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

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

I have obtained all information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit.

In my opinion, in all material respects:

- the Financial Reporting Council has complied with the Act and any directions of the Minister to whom its responsibility is assigned, in so far as they relate to the accounts;
- as far as could be ascertained from my examination of the financial statements submitted to me, expenditure incurred were not of an extravagant or wasteful nature, judged by normal commercial practice and prudence;
- the Financial Reporting Council has been applying its resources and carrying out its operations fairly and economically.

### ***Public Procurement Act***

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

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



**K.C TSE YUET CHEONG (MRS)**  
Director of Audit

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

30 April 2018

## Statement of Financial Position as at 30 June 2017

		18 months ended 30 June 2017	31 December 2015
	Notes	Rs	Rs
<b>ASSETS</b>			
<b>Non –current assets</b>			
Plant and equipment	3	1,132,992	1,613,306
Intangible assets	3.a	122,996	491,984
Car advance to staff	19	1,476,131	1,253,720
Deposits	4	149,492	149,492
		-----	-----
		2,881,611	3,508,502
		-----	-----
<b>Current assets</b>			
Trade and other receivables	5	452,858	516,400
Car advance to staff	19	696,964	514,821
Cash and cash equivalents	6	651,430	977,316
		-----	-----
		1,801,252	2,008,537
		-----	-----
<b>TOTAL ASSETS</b>		<b>4,682,863</b>	<b>5,517,039</b>
		=====	=====
<b>GENERAL FUND AND LIABILITIES</b>			
<b>Reserves</b>			
General Fund	2.16	(28,241,917)	(25,786,690)
		-----	-----
<b>Non Current Liabilities</b>			
Retirement benefit obligations	23	18,465,398	15,901,565
Provision for payment of sick leave	17	5,036,698	4,221,214
Provision for payment of passage benefits	15	956,781	931,154
Provision for payment of vacation leave	18	4,116,895	3,334,330
Car advance repayable	19	1,476,131	1,253,720
Government Grant	14	677,527	1,303,160
		-----	-----
		30,729,430	26,945,143
		-----	-----
<b>Reserves and Non Current Liabilities</b>		<b>2,487,513</b>	<b>1,158,453</b>
		-----	-----
<b>Current Liabilities</b>			
Trade and other payables	7	319,925	2,641,635
Provision for payment of passage benefits	15	600,000	400,000
Car advance repayable	19	696,964	514,821
Government Grant	14	578,461	802,130
		-----	-----
		2,195,350	4,358,586
		-----	-----
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,682,863</b>	<b>5,517,039</b>
		=====	=====

Approved by the Council on 01 September 2017

**Dr Satyabhooshun Gupt Domah**  
Chairperson

**Mrs Divanandum Packiry Chinien**  
Council Member

**Viswajithsing Tuhobol**  
Officer In Charge

**Statement of Profit or Loss and Other Comprehensive Income for the period 01 January 2016 to 30 June 2017**

		<b>18 months ended 30 June 2017</b>	<b>December 2015</b>
	<b>Notes</b>	<b>Rs</b>	<b>Rs</b>
<b>Revenue</b>			
Government Grant	8	36,204,922	21,905,166
Deferred Capital Grant	14	1,294,448	885,491
Licence Fees	20	4,376,000	2,126,000
Other Income	9	210,000	655,885
		<u>42,085,370</u>	<u>25,572,542</u>
<b>Expenses</b>			
Administrative Expenses	11	36,459,721	22,605,417
Provisions for Sick Leave, Passage Benefit and Vacation Leave	12	2,479,914	1,216,143
Other Operating Expenses	13	3,534,488	2,143,103
Loss on disposal of Asset	10	6,233	13,156
		<u>42,480,356</u>	<u>25,977,819</u>
<b>(Deficit)/Surplus for the year</b>		<u><b>(394,986)</b></u>	<u><b>(405,277)</b></u>
<b>Other Comprehensive Income</b>			
Item that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		<b>(2,060,241)</b>	<b>(6,949,159)</b>
<b>Total Comprehensive Income/(Losses) for the year</b>		<u><b>(2,455,227)</b></u>	<u><b>(7,354,436)</b></u>

## Statement of Changes in Equity for the period 01 January 2016 to 30 June 2017

	Accumulated Surplus/(Loss) Rs
Balance at 1 January 2016	(25,786,690)
Deficit for the period	(394,986)
Other Comprehensive Income (loss) for the period	(2,060,241)
	-----
Balance at 30 June 2017	<b>(28,241,917)</b>
	=====

The accumulated loss in General Fund has arisen because of the various provisions that have to be made with respect to long term employees' benefits namely:

1. Retirement benefit obligation amounting to Rs 18,465,398 –Note 23
2. Provision for the payment of sick leave amounting to Rs 5,036,698 – Note 17
3. Provision for the payment of passage benefits amounting to Rs 1,556,781 –Note 15
4. Provision for the payment of vacation leave Rs 4,116,895 –Note 18

## Statement of Cash Flows for the period 01 January 2016 to 30 June 2017

	18 months ended 30 June 2017	12 months ended 31 December 2015
<b>Cash flows from operating activities</b>		
Deficit of income over expenditure	(2,455,227)	(7,354,436)
<i>Adjustment for:</i>		
Depreciation	1,288,215	839,270
Interest Income	-	(2,885)
Loss/(Profit) on disposal of Asset	6,233	13,156
Pension Costs	2,563,832	6,833,002
Deferred Income	(1,288,215)	(839,270)
Provision for passage benefits	225,628	282,371
Provision for sick leave	815,484	48,759
Provision for vacation leave	782,565	(493,181)
<b>Cash flows from operating activities before working capital changes</b>	<b>1,938,515</b>	<b>(673,214)</b>
Decrease /(Increase) in receivables and prepayments	63,542	(76,303)
Increase/(Decrease) in creditors and payables	(2,321,710)	138,404
<b>Net Cash Flows generated from operations</b>	<b>( 319,653)</b>	<b>(611,113)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(445,146)	(91,685)
Interest Income	-	2,885
Deferred Capital Grant on Asset disposed of	(6,233)	(46,221)
Cash received on Asset disposed of	-	33,065
<b>Net cash used in investing activities</b>	<b>(451,379)</b>	<b>(101,956)</b>
<b>Cash Flows from financing activities</b>		
Grant from Government for Capital Expenditure	445,146	91,685
Car Loan received from Ministry	1,275,000	1,245,000
Car Loan paid to Staff	(1,275,000)	(1,245,000)
Car Loan reimbursed by staff	870,446	531,688
Car Loan refunded to Ministry	(870,446)	(531,688)
<b>Net cash used in financing activities</b>	<b>445,146</b>	<b>91,685</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(325,886)</b>	<b>(621,384)</b>
Cash and cash equivalents at beginning of period	977,316	1,598,700
<b>Cash and cash equivalents at end of period</b>	<b>651,430</b>	<b>977,316</b>
<b>Represented by Cash and Bank Balances</b>	<b>651,430</b>	<b>977,316</b>

# **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

## **1. FUNCTION OF THE COUNCIL**

The Financial Reporting Council (the "Council" or "FRC") has been established as a body corporate and its objects as per section 4 of the FRC Act 2004 are as follows:-

- a) promote the provision of high quality reporting of financial and non-financial information by public interest entities;
- b) promote the highest standards among licensed auditors;
- c) enhance the credibility of financial reporting; and
- d) improve the quality of accountancy and audit services.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

### **2.1 Statement of compliance**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards ("IFRS").

### **2.2 Basis of preparation**

The financial statements are prepared under the historical cost convention. The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The Financial Statements represent 18 months' period from 1 January 2016 to 30 June 2017. Comparatives are for a 12 months' period from 1 January 2015 to 31 December 2015.

### **2.3 Foreign currency**

#### *Functional and presentation currency*

The financial statements are presented in Mauritian Rupees ("Rs") which is the functional and presentation currency of the Council that is the currency of the primary economic environment in which the FRC operates. The Mauritian Rupee is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to FRC.

#### *Transactions and balances*

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions.

### **2.4 Revenue recognition**

Revenue earned by the Council is recognised on the following basis:

Recurrent Grant received from the Government of Mauritius is accrued in the year in which it is received.

Processing fees in respect of all applications have been accounted for in the financial year in which they are received. Licence fees only in respect of applications received during the year up to June 2017 have been accounted for.

Interests on bank deposits have been accounted for on a cash basis.

## **2.5 Government Capital Grant**

Government Grant devoted to acquisition of non current assets has been recorded as Capital Grant and is amortised to the Comprehensive Income Statement, over the expected useful life of the related asset on a basis consistent with its depreciation policy.

## **2.6 Expenditure**

Expenses are accounted for on an accrual basis.

Office rental payments termed as operating expenses are charged off on a straight line basis over the lease period as per the lease agreement.

## **2.7 Taxation**

The Council is exempt from payment of income tax as per Section 31 of the Financial Reporting Council Act 2004.

## **2.8 Plant & Equipment**

Plant & Equipment are stated at historical cost less accumulated depreciation on cost. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated on a straight line method to write off the cost of each asset to its residual value over its estimated useful life. The estimated useful life of certain assets has been reviewed as at 31 December 2013 as follows:

<b>Assets</b>	<b>Years</b>
Furniture and Fittings	10 to 15
Office equipment	5 to 15
Computer equipment/software	5 to 15
Motor Vehicle	5

A full year depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal.

Expenditure on office equipment of over Rs 2,000 is treated as asset, otherwise it is expensed in the Profit & Loss in the year incurred.



## **2.9 Provisions**

A provision is recognised in the statement of financial position when the Council has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## **2.10 Impairment of non-financial assets**

The carrying amounts of assets are assessed at each balance sheet date to determine whether there are any indications of impairment. If any such indication exists, the Council estimates the recoverable amount of the asset being the higher of the asset's net selling price and its value in use, in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for any excess of the asset's carrying amount over its recoverable amount and is taken directly to the statement of comprehensive income.

The market value of Plant & Equipment approximates to Net Book Value and management is of the opinion that there is no impairment.

## **2.11 Cash and cash equivalents**

Cash comprises cash in hand and cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash which are not subject to significant risk of change in value.

## **2.12 Financial instruments**

Financial assets and financial liabilities are recognised on the Council's statement of financial position when the Council has become a party to the contractual provisions of the financial instruments.

Financial instruments are initially measured at fair value. Subsequent to the initial recognition, they are measured as follows:

### *(i) Trade Receivables*

Trade receivables are stated at nominal value which approximates the amortised cost.

### *(ii) Trade Payables*

Trade payables are stated at nominal value which approximates the amortised cost.

## 2.13 Standards, amendments to published standards and interpretations effective in the reporting period

### Disclosure Initiative (Amendments to IAS 1)

The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

## 2.14 Standards, amendments to published standards and interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2017 or later periods, but which the FRC has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective.

Sn	IAS/IFRS	Date Issued	Effective Date	Early adoption Permitted
1	IFRS 9 Financial Instruments (2014)	July 2014	01-Jan-18	Yes
2	IFRS 15 Revenue from Contracts with Customers	May 2014	01-Jan-18	Yes
3	Amendments to IFRS 15 Revenue from Contracts with Customers	September 2015	01-Jan-18	Yes
4	Amendments to the Basis for Conclusions on IFRS 15 Revenue from Contracts with Customers	September 2015	01-Jan-18	Yes
5	IFRS 16 Leases	January 2016	01-Jan-19	Yes
6	IFRS 17 Insurance Contracts	May 2017	01-Jan-21	Yes
7	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Effective date deferred indefinitely	Yes
8	Clarifications to IFRS 15 'Revenue from Contracts with Customers'	April 2016	01-Jan-18	Yes
9	Classification and Measurement of Share-based	June 2016	01-Jan-18	Yes

	Payment Transactions (Amendments to IFRS 2)			
10	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	September 2016	01-Jan-18	Yes
11	Transfers of Investment Property (Amendments to IAS 40)	December 2016	01-Jan-18	Yes
12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	January 2016	01-Jan-17	Yes
13	Disclosure Initiative (Amendments to IAS 7)	January 2016	01-Jan-17	Yes
14	Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12	December 2016	01-Jan-17	Yes
15	IFRIC 22 Foreign Currency Transactions and Advance Consideration	December 2016	01-Jan-18	Yes
16	IFRIC 23 Uncertainty over Income Tax Treatments	June 2017	01-Jan-19	Yes

All the above new/revised IAS/IFRS are not relevant for FRC.

## 2.15 Significant Management judgement in applying accounting policies

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities:

### 1. Useful lives of depreciable assets

The FRC reviews the estimated useful lives of its depreciable assets at each reporting date and relevant assessment had been made in note 2.8 of the financial statements.

### 2. Comparatives

The comparative figures in the financial statements relate to the year ended 31 December 2015.

## 2.16 Section 30 of Financial Reporting Act

### Funding

1. The Council shall establish a General Fund into which all monies received by the Council shall be paid, and out of which all payments and charges on the Council shall be effected.
2. The Council shall derive its funds from-
  - (a) funds allocated to it by the Government,
  - (b) fees or other charges levied under this Act; and
  - (c) such other source as may be approved by the Minister.

Notes to and forming part of the financial statements for the period ended 30 June 2017

**3. Plant and Equipment**

	Furniture and Fittings Rs	Office Equipment Rs	Computer Equipment Rs	Total Rs
<u>Cost</u>				
At 01 January 2016	1,610,005	706,795	3,747,088	6,063,888
Additions	26,640	33,925	384,581	445,146
Disposal	(72,565)	(53,897)	(1,459,967)	(1,586,429)
	-----	-----	-----	-----
At 30 June 2017	1,564,080	686,823	2,671,702	4,922,605
	-----	-----	-----	-----
<u>Depreciation</u>				
At 01 January 2016	1,153,432	451,706	2,845,444	4,450,582
Charge for the period	137,125	86,319	695,783	919,227
Depreciation on disposal	(66,332)	(53,897)	(1,459,967)	(1,580,196)
	-----	-----	-----	-----
At 30 June 2017	1,224,225	484,128	2,081,260	3,789,613
	-----	-----	-----	-----
<u>Net Book Values</u>				
<b>As at 30 June 2017</b>	<b>339,855</b>	<b>202,695</b>	<b>590,442</b>	<b>1,132,992</b>
	=====	=====	=====	=====
As at 31 December 2015	456,573	255,089	901,644	1,613,306
	=====	=====	=====	=====

**3.a Intangible Assets**

	Software
<u>Cost</u>	
At 01 January 2016	1,229,959
Additions	-
	-----
At 30 June 2017	1,229,959
	-----
<u>Amortisation</u>	
At 01 January 2016	737,975
Charge for the year	368,988
	-----
At 30 June 2017	1,106,963
	-----
<u>Net Book value</u>	
<b>As at 30 June 2017</b>	<b>122,996</b>
	=====
As at 31 December 2015	491,984
	=====

**4. Deposits**

	18 months ended 30 June 2017 Rs	Year ended 31 December 2015 Rs
Deposit on rent	137,492	137,492
Deposit on telephone	12,000	12,000
	-----	-----
	149,492	149,492
	=====	=====

Notes to and forming part of the financial statements for the period ended 30 June 2017

	18 months ended 30 June 2017	Year ended 31 December 2015
--	---------------------------------	--------------------------------

**5. Trade and Other Receivables and Prepayments**

	Rs	Rs
Fees for Audit Practice Review	35,000	35,000
Prepayment	417,858	481,400
	-----	-----
	452,858	516,400
	=====	=====

*Trade Receivables are stated at nominal value*

**6. Cash and Cash Equivalents**

	Rs	Rs
Bank balances	647,890	972,878
Cash in hand	3,540	4,438
	-----	-----
	651,430	977,316
	=====	=====

**7. Trade and other Payables**

	Rs	Rs
Accrued Expenses	306,168	334,857
Accrued payment of sick leave	-	328,465
Licence fee received in advance	13,757	1,978,313
	-----	-----
	319,925	2,641,635
	=====	=====

*Trade Payables are stated at nominal value*

**8. Government Grant**

	Rs	Rs
Grant from Government of Mauritius	36,650,068	21,996,850
Less Grant devoted to Capital Expenditure	(445,146)	(91,684)
	-----	-----
	36,204,922	21,905,166
	=====	=====

**9. Other Income**

	Rs	Rs
Bank Interest	-	2,885
Revenue from Workshop organized by FRC	-	198,000
Fees iro Audit Practice Review	210,000	455,000
	-----	-----
	210,000	655,885
	=====	=====

**10. Disposal of Asset**

	Furniture & Fittings Rs	Office Equipment Rs	Computer Equipment Rs	TOTAL Rs
Cost of Asset	72,565	53,897	1,459,967	1,586,429
Cumulative depreciation	(66,332)	(53,897)	(1,459,967)	(1,580,196)
	-----	-----	-----	-----
Net Book Value	6,233	-	-	6,233
Sales Proceeds	-	-	-	-
	-----	-----	-----	-----
Profit/(Loss) on Disposal	( 6,233)	-	-	(6,233)
	=====	=====	=====	=====

Notes to and forming part of the financial statements for the period ended 30 June 2017

	18 months ended 30 June 2017	Year ended 31 December 2015
<b>11. Administrative Expenses</b>	<b>Rs</b>	<b>Rs</b>
Salaries and allowances	21,161,671	13,037,530
Fees to Council & Panel Members	1,315,000	957,500
Travelling	3,022,127	1,651,871
Other staff costs	493,786	299,018
NSF	174,320	114,756
Pension Cost- Defined Benefits	2,679,193	1,348,225
Pension Cost- Defined Contributions	110,131	61,008
Depreciation	1,288,215	839,270
Rent	3,413,768	2,222,225
Postages and stationery	193,097	88,351
Telephone and Electricity	1,387,247	907,586
General Offices Expenses	1,221,166	729,232
Refundable sick leave	-	348,845
	-----	-----
	36,459,721	22,605,417
	=====	=====
<b>12. Other Provisions</b>	<b>Rs</b>	<b>Rs</b>
Increase in provision for payment of sick leave	815,484	526,759
Increase in provision for payment of passage benefits	881,865	513,365
Provision for payment of vacation leave	782,565	176,019
	-----	-----
	2,479,914	1,216,143
	=====	=====
<b>13. Other Operating Expenses</b>	<b>Rs</b>	<b>Rs</b>
Subscription	365,670	129,683
Overseas mission expenses	684,213	-
Communication and training	1,537,512	1,213,621
Membership fees	625,486	358,595
Workshop expenses organized by FRC	-	168,235
Legal and professional fees	321,607	272,969
	-----	-----
	3,534,488	2,143,103
	=====	=====
<b>14. Capital Grant</b>	<b>Rs</b>	<b>Rs</b>
Carrying Amount as at start of period	2,105,290	2,899,097
Less Amount relating to Asset disposed of	(6,223)	(46,221)
Add grant devoted to Capital during the year	445,146	91,684
Less deferred income for the year	(1,288,215)	(839,270)
	-----	-----
Carrying amount as at end of period	1,255,988	2,105,290
Current Liability	(578,461)	(802,130)
	-----	-----
Non Current Liability	677,527	1,303,160
	=====	=====

Notes to and forming part of the financial statements for the period ended 30 June 2017

**15. Passage Benefits**

	<b>18 months ended 30 June 2017 Rs</b>	<b>Year ended 31 December 2015 Rs</b>
Balance as at start of the period	1,331,154	1,048,783
Passage benefits earned during the period	881,865	523,378
	<b>2,213,019</b>	<b>1,572,161</b>
Passage benefit paid during the period	(656,238)	(230,993)
Passage benefit foregone	-	(10,014)
	<b>1,556,781</b>	<b>1,331,154</b>
Passage benefit payable in less than one year	600,000	400,000
Passage benefit payable in more than one year	956,781	931,154
	<b>1,556,781</b>	<b>1,331,154</b>

**16. Financial Commitments**

The lease for 3522 sq ft on the third floor of Anglo Mauritius House in Port Louis has been renewed for a period of two years starting 15 April 2017. The lease of 2017 sq ft was also renewed for a period of two years starting 01 June 2017.

**17. Provision for payment of sick leave**

	<b>18 months ended 30 June 2017 Rs</b>	<b>Year ended 31 December 2015 Rs</b>
Balance as at start of the period	4,221,214	4,172,454
Less payments effected during the period	-	(478,000)
	<b>4,221,214</b>	<b>3,694,454</b>
Add increase in provision for sick leave	815,484	526,760
	<b>5,036,698</b>	<b>4,221,214</b>

Sick leave not taken at the end of the year is accumulated up to a maximum of 110 days as at 31 December 2015 as per the recommendations of the PRB Report. Sick leave accumulated in bank is computed at the rate of 1/22 (no. of days x salary). For unutilized sick leave to be payable in the short term, please refer to Note 7.

**18. Provision for payment of vacation leave**

	<b>18 months ended 30 June 2017 Rs</b>	<b>Year ended 31 December 2015 Rs</b>
Balance as at start of the year	3,334,330	3,827,511
Less payments effected during the period	-	(669,200)
	<b>3,334,330</b>	<b>3,158,311</b>
Add increase in provision for vacation leave	782,565	176,019
	<b>4,116,895</b>	<b>3,334,330</b>

## Notes to and forming part of the financial statements for the year period ended 30 June 2017

As per the PRB 2013 vacation leave can henceforth be encashed upon retirement and computed at 1/30 of retiring salary.

### 19. Car Advance

Car loans advanced by the Ministry of Finance and granted to employees of the FRC is repayable within seven years.

	18 months ended 30 June 2017 Rs	Year ended 31 December 2015 Rs
Amount repayable within one year	696,964	514,821
Amount repayable within remaining years	1,476,131	1,253,720
	-----	-----
Total as at period end	2,173,095	1,768,541
	=====	=====

### 20. Licence and Processing Fees

A licence fee of Rs 10,000 is charged per calendar year and an additional one off processing fee of Rs 2,000 from new applicants. A processing fee of Rs 2,000 is also charged for applications for the approval of auditing firm's name.

### 21. Financial Risk Management Objectives and Policies

#### Financial risk factors

The Council's activities expose it to a variety of financial risks, such as market risk (including cash flow interest risk) and credit risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

#### Credit Risk

The Council takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Council's main credit risk concentration is its cash and cash equivalents and trade receivables.

With respect to credit risk arising from financial assets which comprise of cash and cash equivalents and trade receivables, the Council's exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

At the end of the reporting period there are no significant concentrations of credit risk exposure.



## Notes to and forming part of the financial statements for the year ended 31 December 2015

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	18 months ended 30 June 2017	Year ended 31 December 2015
	Rs	Rs
Trade receivables	35,000	35,000
Cash and cash equivalents	651,430	977,316
	-----	-----
	686,430	1,012,316
	=====	=====

The financial assets are neither past due nor impaired at the balance sheet date. The cash and cash equivalents are maintained with regulated financial institutions within acceptable credit and concentration guidelines.

## 22. Fair values of Financial Instruments

Except where otherwise stated, the fair values of the Council's financial assets and liabilities approximate their carrying amounts.

## 23. Retirement benefit obligations

There exists two plans funded by both the employer and the employee and both are administered by the State Insurance Company of Mauritius Ltd (SICOM)

- **-Defined benefit plan for employees who joined the organization prior to January 2013**

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost as well as gains and losses on curtailments and settlements)
- Net interest expense or income

### Remeasurement

The FRC presents the first two components of defined benefit costs in profit or loss as pension cost. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

**Notes to and forming part of the financial statements for the year ended 31 December 2015**

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Actuarial valuation done by SICOM Ltd is attached.

- **Defined contribution plan for employees who joined the organization after 1 January 2013**

A defined contribution plan is a pension plan under which the organization pays fixed contributions into a separate entity. The organization has no legal obligation to pay further contributions if the the fund does hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution plans are recognized as an expense.

**FIGURES FOR IAS 19 ADOPTION FOR:**  
**Financial Reporting Council**  
**For period ending 30 June 2017**

	18-month period ending 30 June 2017	Year ending 31 December 2015
<b>Amounts recognised in balance sheet at end of year:</b>	Rs	Rs
Defined benefit obligation	32,563,307	26,467,554
Fair value of plan assets	(14,097,909)	(10,565,989)
<b>Liability recognised in balance sheet at end of year</b>	<b>18,465,398</b>	<b>15,901,565</b>
<b>Amounts recognised in income statement:</b>		
Service cost:		
Current service cost	2,245,651	1,298,307
Past service cost	0	0
(Employee contributions)	(1,069,968)	(676,810)
Fund Expenses	68,219	39,516
Net Interest expense/(income)	1,435,291	687,212
P&L Charge	2,679,193	1,348,225
<b>Remeasurement</b>		
Liability (gain)/loss	2,085,584	6,150,230
Assets (gain)/loss	(25,343)	798,929
Total Other Comprehensive Income (OCI) recognised	2,060,241	6,949,159
<b>Total</b>	<b>4,739,434</b>	<b>8,297,384</b>
<b>Movements in liability recognised in balance sheet:</b>		
At start of year	15,901,565	9,068,563
Amount recognised in P&L	2,679,193	1,348,225
(Contributions paid by employer)	(2,175,601)	(1,464,382)
(Actuarial Reserves in)	0	0
Amount recognised in OCI	2,060,241	6,949,159
At end of year	<b>18,465,398</b>	<b>15,901,565</b>
<b>Actual return on plan assets:</b>	<b>1,005,251</b>	<b>166,567</b>

The plan is a defined benefit arrangement for the employees and it is funded. The assets of the funded plan are held independently and administered by The State Insurance Company of Mauritius Ltd.

**FIGURES FOR IAS 19 ADOPTION FOR:**  
**Financial Reporting Council**  
**For period ending 30 June 2017**

	18-month period ending 30 June 2017	Year ending 31 December 2015
<i>Reconciliation of the present value of defined benefit obligation</i>	Rs	Rs
Present value of obligation at start of period	26,467,554	19,822,517
Current service cost	2,245,651	1,298,307
Interest cost	2,580,587	1,486,689
(Benefits paid)	(816,069)	(2,290,189)
Liability (gain)/loss	2,085,584	6,150,230
Present value of obligation at end of period	32,563,307	26,467,554
<i>Reconciliation of fair value of plan assets</i>		
Fair value of plan assets at start of period	10,565,989	10,753,954
Expected return on plan assets	1,145,296	799,477
Employer contributions	2,175,601	1,464,382
Employee Contributions	1,069,968	676,810
(Benefits paid + other outgo)	(884,288)	(2,329,705)
Asset gain/(loss)	25,343	(798,929)
Fair value of plan assets at end of period	14,097,909	10,565,989
<i>Distribution of plan assets at end of period</i>		
<i>Percentage of assets at end of year</i>	June 2017	December 2015
Fixed Interest securities and cash	56.6%	58.1%
Loans	4.4%	4.3%
Local equities	15.8%	15.9%
Overseas bonds and equities	22.6%	21.0%
Property	0.6%	0.7%
Total	100%	100%
<i>Additional disclosure on assets issued or used by the reporting entity</i>		
<i>Percentage of assets at end of year</i>	June 2017	December 2015
	(%)	(%)
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other assets used by the entity	0	0
<i>Components of the amount recognised in OCI</i>		
Year	June 2017	December 2015
Currency	Rs	Rs
Asset experience gain/(loss) during the period	25,343	(798,929)
Liability experience gain/(loss) during the period	(2,085,584)	(6,150,230)
	(2,060,241)	(6,949,159)
<i>Year</i>	2017/2018	
Expected employer contributions	1,498,386	
<b>(Estimate to be reviewed by Financial Reporting Council )</b>		
Weighted average duration of the defined benefit obligation	23 years	
(Calculated as a % change in PV of liabilities for a 1% change in discount rate)		

## FIGURES FOR IAS 19 ADOPTION FOR: Financial Reporting Council For period ending 30 June 2017

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The plan is exposed to actuarial risks such as : investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	18-month period ending 30 June	Year ending 31 December 2015
Discount rate	6.50%	7.50%
Future salary increases	4.00%	5.00%
Future pension increases	3.00%	3.00%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	Pa 90 Tables rated down by 2 years	
Retirement age	As per Second Schedule of the Statutory Bodies Pension Fund Act	

The discount rate is determined by reference to market yields on bonds.

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 5.6M (increase by Rs 7.3M) if all other assumptions were held unchanged.

- If the expected salary growth would increase (decrease) by 100 basis points, the defined benefit obligation would increase by Rs 3.8M (decrease by Rs 3.2M) if all assumptions were held unchanged.

- If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 0.7M (decrease by Rs 0.7M) if all assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.