

Our Vision:

To be a model organization ensuring quality in auditing, financial and non-financial reporting.

Our Mission:

To bring corporate confidence in auditing, financial and non-financial reporting among users of financial statements.

Our Objects as per Financial Reporting Act 2004:

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

Our Customers are:

- Public Interest Entities
- Listed Companies
- Auditors
- Professional Accountants
- Government
- General Public

Our Functions:

- Licensing of Auditors
- Approving Audit Firms
- Audit Practice Review
- Financial / Non-Financial Reporting Review

Our Objectives are:

- Ensure adherence to International Financial Reporting Standards (IFRS) and International Standards of Auditing (ISA);
- Ensure compliance with the Code of Corporate Governance, where applicable.
- Provision of training/ seminars to facilitate implementation of accounting standards
- Encourage feedback from all stakeholders to improve quality audit and financial and non-financial reporting

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FINANCIAL REPORTING COUNCIL

(Established under the Financial Reporting Act 2004)

1.0 BACKGROUND

The Financial Reporting Council was established as a body corporate under the Financial Reporting Act (FRA) 2004 on 20 January 2005.

2.0 OBJECTS AND FUNCTIONS of the FRC

The **objects** of the Financial Reporting Council (FRC) as stated in the FRA 2004 are as follows:

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

In order to fulfill the above-mentioned objects, the FRC is entrusted with the following main functions:

- (a) to monitor and review the truth and fairness of financial reporting by public interest entities;
- (b) to monitor the practice of auditors with a view to maintaining high standards of professional conduct;
- (c) to monitor and enforce compliance with International Financial Reporting Standards issued by International Accounting Standards Board and International Standards for Auditing;
- (d) to provide advisory, consultancy and informational services on any matter related to its functions;
- (e) to license auditors and maintain a register of licensed auditors;

- (f) to monitor compliance with the reporting requirements specified in the Code of Corporate Governance and with any other guidelines issued by the National Committee on Corporate Governance;
- (g) to conduct practice reviews of licensed auditors; and
- (h) to advise the Minister generally on any matter relating to financial and non-financial reporting, accounting and auditing.

3.0 CONSTITUTION OF THE COUNCIL and MEETINGS

During the period 01 July 2007 to 30 June 2008, the Council consisted of :

Chairperson: Mr D.B. Seetulsingh, appointed on 20 January 2005;

Members: Mr Y. Googoolye, First Deputy Governor of the Bank of Mauritius, appointed on 01 August 2006;

Dr J.N. Meetarbhan, Chief Executive of the Financial Services Commission, appointed on 03 January 2006;

Mrs D.P. Chinien, Registrar of Companies, appointed on 20 January 2005;

Mr M.J. Lamport, Lecturer, Faculty of Law and Management, University of Mauritius, appointed on 20 January 2005;

Mr L.J.M. Rivalland, representing a professional from the financial services, appointed from 20 January 2005 to 17 September 2007;

Mr T. Leung, Senior Manager of Ernst & Young, appointed on 20 January 2008;

Mr P. Dinan, Chairman of Mauritius Institute of Directors, appointed on 18 March 2008;

Mr K. Reetun, Chairperson of the Mauritius Institute of Professional Accountants, appointed from 15 December 2006 to 15 January 2008;

Mr V. Seetul, representative of MIPA, appointed from 15 December 2006 to 15 January 2008;

Mr E.M.S. Taher (in replacement of Mr M. Rivalland), appointed from 18 September 2007 to 20 January 2008; then as Chairperson

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MIPA, appointed as from 21 January 2008; (alternate Mr O. Badat);

Mr B. Gooroochurn (representative of MIPA), appointed on 20 January 2008.

Council Members	Attendance Rate
Mr D.B. Seetulsingh	11/11
Mr Y. Googoolye	6/11
Dr J.N. Meetarbhan	4/11
Mrs D.P. Chinien	9/11
Mr M.J. Lamport	9/11
Mr L.J.M. Rivalland	0/2
Mr T. Leung	4/6
Mr P. Dinan	5/5
Mr K. Reetun	2/4
Mr V. Seetul	3/4
Mr E.M.S. Taher	3/11
Mr B. Gooroochurn	5/6
Mr O. Badat	4/6

3.1 Staff Committee

The Council has set up a staff committee comprising of the following members:

Chairperson: Mr D.B. Seetulsingh

Members: Mr Y. Googoolye
Mrs P.Chinien
Mr M.Lamport

Staff matters such as recruitment, remuneration, promotion and any other human resource matters are considered at the staff committee level before being submitted to Council. From July 2007 to June 2008, the committee met five

times. Council approved an organizational structure for the FRC (see Appendix). Relevant posts should be filled in order to enable FRC to attain its objectives.

4.0 ACTIVITIES during the year

4.1 *Panel of Experts*

In the year 07/08, FRC set up two panels of experts , namely the Audit Practice Review Panel (APRP) and the Financial Reporting Review Panel (FRMP). The functions of both panels are as per Section 19 and Section 20 of the FR Act.

Members of APRP worked in close collaboration with the staff of FRC in devising a questionnaire to assess the level of audit quality in audit practices.

The self-assessment questionnaire was based on the International Standards of Quality Control which is part of International Standards for Auditing. The questionnaire was issued to the audit practices. Licensed auditors were requested to fill it and return to the FRC at latest by the end of August 2008.

4.2 *Documentation of a Reporting Review Manual (RRM)*

One of the main functions of FRC, is to review the financial and non-financial reporting of Public Interest Entities. The FRC compiled a Reporting Review Manual to be used by the technical executives of FRC, when reviewing the annual reports of the PIEs. The RRM sets out the following requirements :

- Compliance with relevant International Financial Reporting Standards (IFRS);
- Analytical data such the going concern concept of the PIE, the liquidity risks and market risks;
- The audit report and independence of the auditor;
- Compliance with Code of Corporate Governance, such as the existence of an Audit Committee and its role, the Directors' remuneration and any related party transactions (where applicable);
- Compliance with any relevant laws and regulations.

Such activity will bring the following benefits:

- (i) it will improve comparability of financial statements. Reports of PIEs will give regulators, policy makers, shareholders and other stakeholders access to greater disclosure, hence the availability of better information flow for taking decisions at the Board level;
- (ii) it will increase confidence in corporate reporting, that is, reporting on financial and non-financial matters and compliance with the Code of Corporate Governance;
- (iii) it will increase transparency and better information flow on companies that will help to reinforce investors' confidence in the management of companies.

By monitoring the quality of published accounts, the FRC contributes towards establishing Mauritius as a leading regional financial centre with a modern and well-regulated infrastructure.

FRC is also of assistance to the regulators – Bank of Mauritius, Financial Services Commission and Registrar of Companies – on the more technical aspects of financial reporting and complex accounting issues.

The pooling of expertise from regulators and the private sector in the Financial Reporting Council and the Panels encourages accountancy firms to improve the quality of reporting.

As the body responsible for the licensing of auditors and regulating the auditing profession, FRC helps Mauritian accountancy firms to keep abreast of international developments.

4.3 State Owned Enterprises (SOEs)

The SOEs listed in the First Schedule of the Financial Reporting Act 2004 prepare accounts which comply with the International Accounting Standards (IFRS and IAS) issued by the International Accounting Standard Board (IASB).

The application of International Standards enhances accountability and transparency of financial reports prepared by the SOEs. Using IFRS for financial reporting will result in consistency and comparability across jurisdictions.

While supervising this reporting requirement, the FRC assists SOEs to build the necessary capacity that will reflect internationally accepted processes and improve their financial management systems.

4.4 Education and Training

One of the functions of FRC as per S5(j) of the FR Act, is to promote quality of financial reporting through the provision of education and training on accounting and auditing.

In April 2008, FRC organised training sessions in collaboration with ACCA on International Financial Reporting Standards and on Audit Quality Control.

On request from the SOEs, FRC has organised a three-day course on “IFRS – Back to Basics” delivered by W. Consulting of South Africa. The response for the workshop has been positive. FRC ensures more training and follow-up.

4.5 Licensing auditors

From 01 July 2007 to 30 June 2008, FRC received 43 applications for licences. 36 applications were approved, one application was under consideration and 6 applicants did not obtain their licenses as they failed to meet the requirements prescribed under the FR Act 2004. As at 30 June 2008, there were 161 licensed auditors.

Approval of firm's name

Under Section 35 (1) of the FRA, “no licensed auditor shall practise as an auditor, in the name of a firm unless the name of the firm has been approved by the Council.” Applicants were requested to register their business under the Business Registration Act 2002 and to submit the Business Registration Card to the Council.

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From July 2007 to June 2008, FRC received 28 applications for approval of firms' names. Out of the 28 applications, 25 applications were approved, 1 cancelled and 2 were under consideration.

As at 30 June 2008, FRC had approved 74 Audit Firms' names.

5.0 BUDGET

For the year 2007/2008, FRC has been operating on a budget of Rs 7 M

For the year 2008/2009, additional funds will be required for activities so that FRC meet the objects and the functions set out in Section 4 and Section 5 of the FR Act.

The FRC will eventually aim at raising funds from the following activities:

- Fees from education and training activities
- charging fees for audit practice reviews.

5.1 Staff

The FRC requires the necessary technical personnel in order to be able to attain its objectives and to perform duties such as audit practice reviews and financial reporting reviews. Two technical executives and two assistant technical executives are presently in post. FRC is planning to recruit more technical executives and assistant technical executives. Moreover, to enable the FRC to cope with increasing workload and responsibilities a manager will be recruited . The incumbent will be responsible for carrying out the Audit Practice Reviews.

6.0 FUTURE ACTIVITIES

As at 30 June 2008, Council proposed some amendments to the Financial Reporting Act 2004 in the Finance Bill 2008. These amendments will allow the FRC to be more effective in its output. Government decided to effect amendments in line with the policy of the Ministry of Finance.

6.1 *Financial and non-financial reporting review*

FRC is reviewing the annual reports of PIEs. Initially all the listed companies that meet the definition of a PIE will be reviewed. Those which operate in critical sectors of the economy will be among the first to be reviewed. FRC needs to consider the financial institutions, banking and non-banking, to verify reporting on financial instruments.

6.2 *Audit Practice Review*

FRC has made rules under Section 24 and Section 77 of the Financial Reporting Act. Audit practice reviews will be carried out both off-site and on-site. Off-site audit review consists, among others of issuing self-assessment questionnaires to the Audit Practice to be filled, which are then returned to the FRC for analysis. On-site review is verification of compliance with the Quality Management System as stipulated in the International Standard for Quality Control (ISQC1) and the Individual File Review to verify compliance with all International Standards for Auditing, Regulations made under the Financial Reporting Act and Rules made by the Council.

6.3 *Future Training Activities*

FRC will pursue its activity on education and training. Training courses on the salient issues that have an impact of financial reporting are planned. W. Consulting South Africa has already been contacted to organise training sessions on the following:

- IAS 32, 39, and IFRS 7 which deal with Financial Instruments and Investment in Derivatives, especially for Financial Institutions;
- “IFRS –back to basics” for private companies.

6.4 *Review of composition of members on Panels*

The composition of the Audit Practice Review Panel and the Financial Reporting Review Panel is being reviewed to enable members of the Council to contribute to the work of the Panels and to ease flow of information from panels to council.

6.5 *Setting up of the Enforcement Panel*

Where defaults in reporting by PIEs is so material that it affects the substance of the reporting, the matter will be reported to the FRM Panel and eventually to the enforcement panel for proper course of action.

6.6 *Member of International Forum for Independent Audit Regulators (IFIAR)*

FRC is a member of IFIAR, working arrangements with other members such as United Kingdom, South Africa, Singapore, etc will be considered so as to help the FRC to build its own capacity.

7.0 CONCLUSION

The importance of an institution like the FRC lies in better control of financial reporting and enforcement of accounting standards as well as auditing standards for transparency in the reports of PIEs and SOEs. The FRC will work with other regulators like the Bank of Mauritius, the Financial Services Commission and the Registrar of Companies, and MIPA to ensure compliance in respective fields.

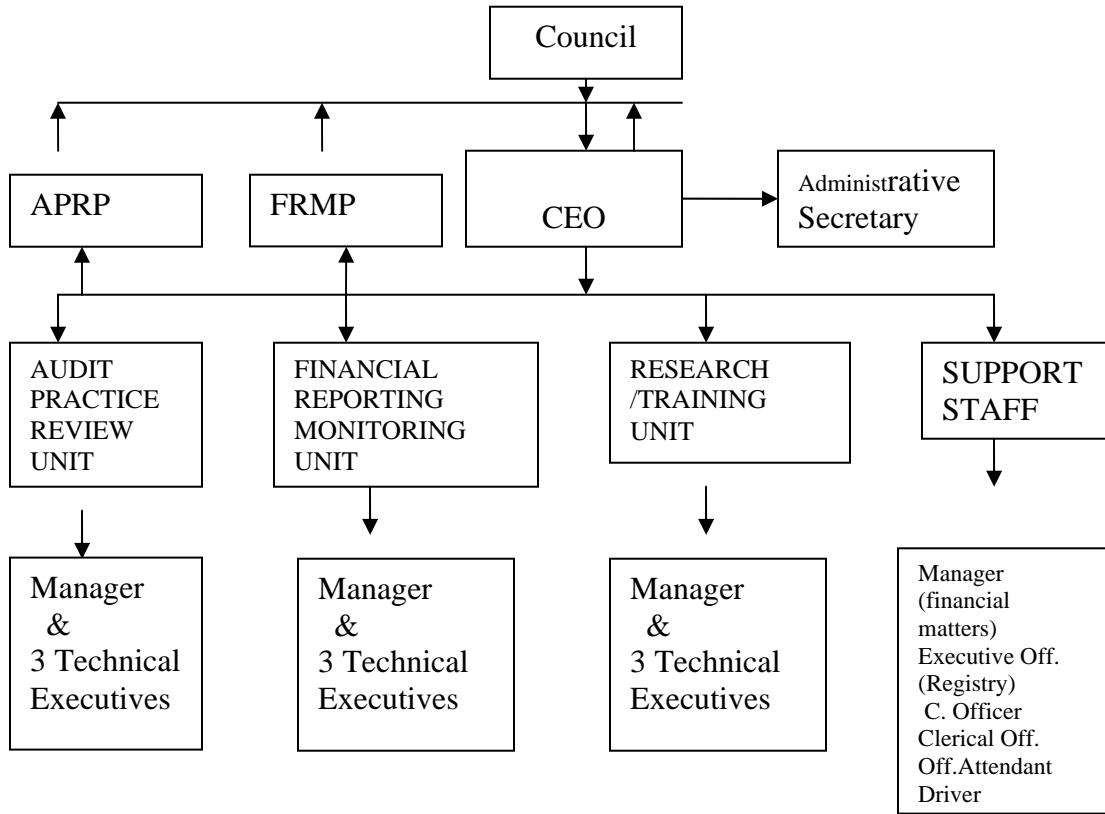
The FRC will organise workshops for the benefit of accountants and auditors, in collaboration with ACCA or on its own. It will also organise sensitisation/training programmes for the benefit of PIEs (especially State Owned Enterprises) to encourage them to raise their standard of financial reporting and to have Good Corporate Governance.

D.B. Seetulsingh
Chairperson

S. Naiken (Mrs)
Chief Executive Officer

October 2008

FRC Organisational Structure



APRP: Audit Practice Review Panel

FRMP; Financial Reporting Review Panel