
# Bulletin on Review of Annual Reports for the six months ended 30 June 2023

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## FINANCIAL REPORTING COUNCIL

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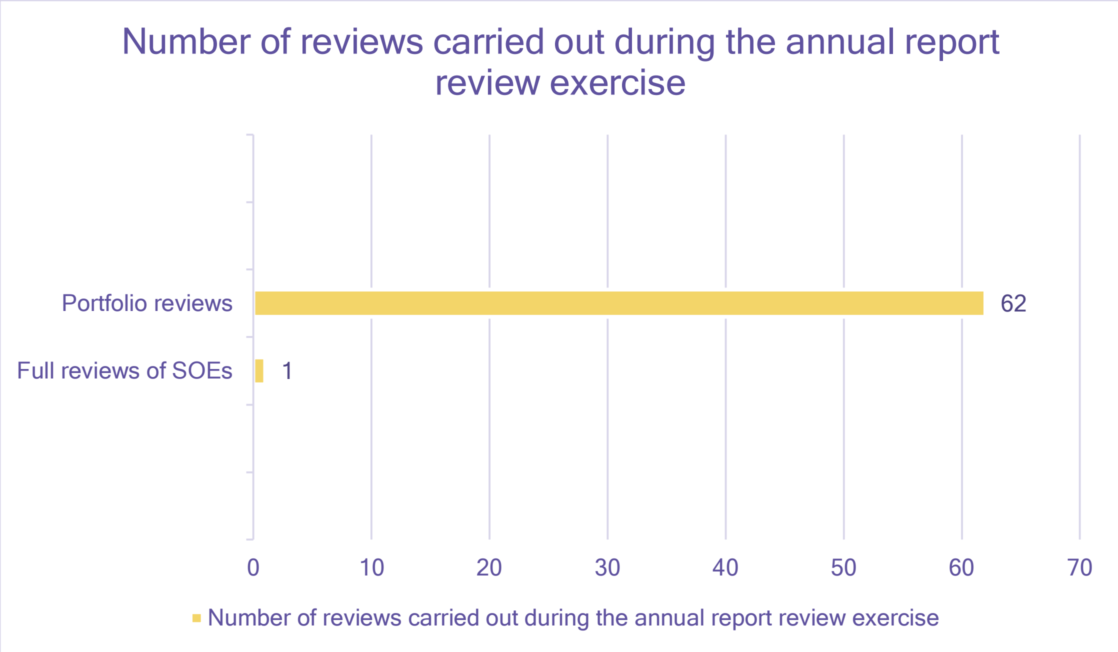
# PART A – EXECUTIVE SUMMARY

The Financial Reporting Council ("FRC") has as main objective to promote the provision of high-quality reporting of financial and non-financial information by Public Interest Entities ("PIEs"). To achieve this objective, FRC conducts the review of the annual reports of entities and State-Owned Enterprises ("SOEs") classified as PIEs, as part of its monitoring activities, in accordance with Section 76(1) of the Financial Reporting Act ("FRA'').

The annual report reviews assist in promoting confidence in corporate reporting and good corporate governance.

The annual report review exercise focused on compliance with applicable accounting standards (International Financial Reporting Standards ("IFRSs") for PIEs other than SOEs) and International Public Sector Accounting Standards ("IPSASs") for SOEs), the National Code of Corporate Governance for Mauritius ("Code") and the Mauritius Companies Act 2001 ("MCA"), taking into consideration the effects of post COVID 19 pandemic on the financial reporting as well as on how the financial and economic effects of the pandemic have been addressed.

FRC has carried out the review of 63 annual reports of 62 PIEs [62 Portfolio Reviews and 1 Full Review of SOE] for the six months ended 30 June 2023, as shown in the diagram below:




The purpose of this bulletin is to provide an overview of the findings identified by FRC from the annual report review exercise of PIEs. It highlights the non-compliances noted with respect to disclosure requirements of the applicable accounting standards[1], the Code and MCA. This bulletin may be of assistance to the PIEs in the preparation of high-quality corporate reports.

Key findings with regard to International Financial Reporting Standards

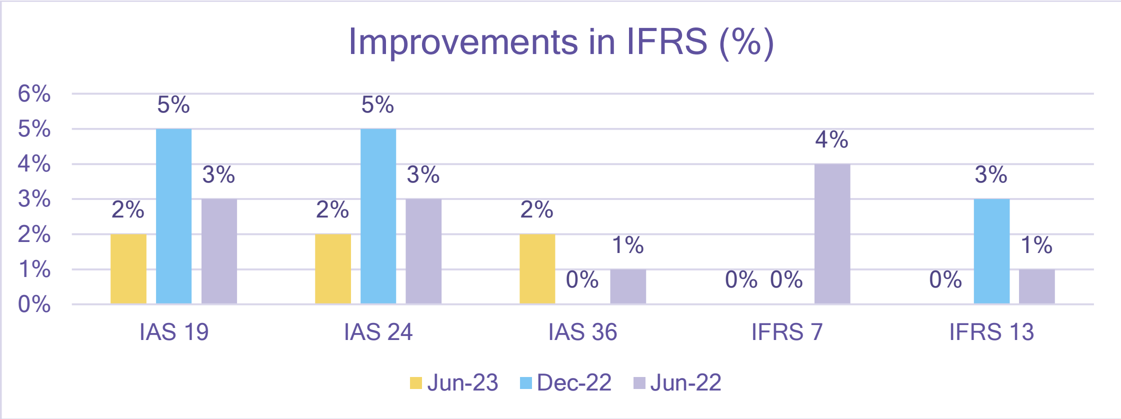
Similar to prior periods, FRC observed a good level of compliance with IFRSs among PIEs reviewed. The areas most often queried during FRC's annual report reviews are employee benefits, related parties and impairment of assets.

Part D of this bulletin provides further details on the observations identified with respect to the above topics.

From the annual report review exercise, it is encouraging to note that, except for IAS 36 *Impairment of assets*, the number of non-compliances with respect to IFRSs have decreased for the six months period ended 30 June 2023.

[1] Section 75(1) of the FRA requires PIEs classified under Categories 1 to 4 of the First Schedule of the FRA to prepare their financial statements in accordance with IFRSs.
Section 75(1A) of the FRA states that entities specified in the first column of the Third Schedule of the FRA, should prepare financial statements in compliance with IPSASs issued by IFAC.

The diagram below illustrates the percentage of non-compliances with IFRSs relating to the periods ended 30 June 2023, 31 December 2022 and 30 June 2022:




Key findings with respect to the Code of Corporate Governance

FRC had conducted the review of the annual reports of 62 PIEs [61 PIEs reviewed on a portfolio basis and full review of 1 SOE] for the six months ended 30 June 2023. The entities were reviewed in light of the requirements of the IFRSs, IPSASs, and the Code.

It is worth noting that all the PIEs reviewed have adopted the Code, hence showing appreciation of good corporate governance practices. This demonstrates a high level of commitment on the part of PIEs.

Out of the 62 PIEs reviewed, 3 had partly complied with the Code. However, the number of non-compliances has remained unchanged as compared to the previous periodic bulletin whilst, the non-compliances have decreased as compared to six months period ended 30 June 2022.

The most common observations made on compliance with the Code were in respect of the following Principles of the Code:

(a) The Structure of the Board and its Committees;
(b) Reporting with Integrity; and
(c) Audit.

Part D of this bulletin analyses each of the above topics in further details.

# PART B – INTRODUCTION

An annual report, prepared in accordance with the relevant laws and standards instils confidence among the general public and stakeholders who use it for decision making for their respective purposes. It is an extensive financial document that provides quantitative and qualitative information to enable a range of stakeholders (including shareholders, potential investors, regulators and the public) to understand a Company's financial performance, its business model, strategy for future growth and key risks.

As such, annual reports should offer a transparent view of an organisation's activities over the course of a financial year and hence the disclosures provided should be clear and concise as well as relevant and useful to users of financial statements.

The COVID-19 pandemic has damaged developing as well as developed economies and reduced the profitability of several companies especially those operating in the hotels, leisure and travel sectors. As part of the annual report review exercise, FRC had assessed the financial performance of entities post COVID, focusing on how the PIEs affected by the pandemic, have addressed the financial and economic effects of the outbreak.

As part of its function, the FRC reviewed the annual reports to ensure compliance with the requirements of relevant accounting standards and the Code, paying particular attention to entities affected by the pandemic.

It is encouraging to note that there has been continuing improvement in the corporate reporting of PIEs in general.

During the six months period ended 30 June 2023, FRC reviewed the annual reports of PIEs for the years 2021 and 2022 across various sectors of the economy. A risk-based approach had been adopted in the selection of the reviews and priority had been given to risky entities, falling under the following categories of the First Schedule of the FRA:

- Entities listed on the Stock Exchange of Mauritius;
- Financial institutions, other than cash dealers, regulated by the Bank of Mauritius; and

- Insurance companies, other than companies conducting external insurance business, licensed under the Insurance Act.

This bulletin describes the main findings identified during the course of the reviews. It provides an overview of the current state of corporate reporting and provides information on shortcomings requiring improvement for PIEs.

For the six months period ended 30 June 2023, FRC conducted 63 reviews of 62 PIEs [62 Portfolio Reviews and Full Review of 1 SOE].

*"For the six months ended 30 June 2023, FRC reviewed the annual reports of 62 PIEs."*

The table below shows the number and types of PIEs reviewed and their corresponding sectors:

| Types of reviews | Sectors | | | | | | | | Total number of PIEs | No. of Annual Report Reviews |
|---|---|---|---|---|---|---|---|---|---|---|
| | BIF | Commerce | Industry | Investment | Leisure & Hotels | Property Development | Sugar | Others | | |
| Listed on SEM | 2 | 4 | 10 | 14 | 5 | 4 | 1 | 3 | **43** | **44** |
| Financial institutions regulated by BOM (excluding cash dealers) | 12 | - | - | - | - | - | - | - | **12** | **12** |
| Financial institutions regulated by FSC | 6 | - | - | - | - | - | - | - | **6** | **6** |
| Category 4 PIEs as per the FRA | - | - | - | - | - | - | - | - | - | - |
| SOEs as per the First Schedule of FRA | - | - | - | - | - | - | - | 1 | **1** | **1** |
| **Total** | **20** | **4** | **10** | **14** | **5** | **4** | **1** | **4** | **62*** | **63*** |

* FRC reviewed the annual reports of 62 PIEs during the six months ended 30 June 2023. Out of the above 62 PIEs, 1 had been reviewed for a period of 2 years.

For the six months ended 30 June 2023, the following types of reviews have been carried out:

## A. Portfolio reviews

For the 12 months period ended 30 June 2019, FRC had reviewed the annual reports of PIEs on a portfolio basis for a period of 3 to 5 years. In subsequent periods, the annual reports of the PIEs within these portfolios are being monitored on a yearly basis. In this regard, the particulars of the PIEs within the portfolio are updated taking into consideration new business activities, material transactions and new IFRSs adopted by the entities and legal requirements.

Of note, the PIEs in the portfolio comprise of entities listed on the Stock Exchange of Mauritius and financial institutions regulated by the Bank of Mauritius and the Financial Services Commission, as defined under Categories 1, 2 and 3 of the First Schedule of the FRA.

This portfolio reviews allows FRC to:

i) Understand the performance of the PIEs during the year and raise alarm bell where necessary;
ii) Be up to date with the PIEs instead of reviewing the annual reports only after 6 months after the closing date;
iii) Improve trend monitoring and sector analysis over the years;
iv) Assess the application of complex IFRSs; and
v) Assess the risks associated with the PIEs, in terms of going concern, valuation, revenue recognition and related parties.

As mentioned above, FRC has conducted 62 portfolio reviews of 61 PIEs for the six months ended 30 June 2023. As part of the portfolio review exercise, 1 PIE had been reviewed for a period of 2 years and the remaining PIEs had been reviewed for a period of 1 year.

The table below illustrates the categories of PIEs and their corresponding sectors for portfolio reviews:

| Types of reviews | Sectors | | | | | | | | Total number of PIEs |
|---|---|---|---|---|---|---|---|---|---|
| | BIF | Commerce | Industry | Investment | Leisure & Hotels | Property Development | Sugar | Others | |
| Listed on SEM | 2 | 4 | 10 | 14 | 5 | 4 | 1 | 3 | **43** |
| Financial institutions regulated by BOM (excluding cash dealers) | 12 | - | - | - | - | - | - | - | **12** |
| Financial institutions regulated by FSC | 6 | - | - | - | - | - | - | - | **6** |
| **Total** | **20** | **4** | **10** | **14** | **5** | **4** | **1** | **3** | **61** |

## B. Full review of SOEs

As required by Section 76 of the FRA, FRC monitors the annual reports and corporate governance reports of SOEs listed in the First Schedule of the FRA, to ensure that the annual reports of these entities are in compliance with IPSASs and the Code.

In this connection, FRC had carried out the annual report review of 1 SOE during the six months ended 30 June 2023.

# PART C: ANNUAL REPORT REVIEWS: TREND IN QUALITY REPORTING

As part of its mandate, FRC monitors the annual reports of PIEs in order to promote the provision of high-quality reporting. For the six months ended 30 June 2023, FRC had conducted the reviews of 62 PIEs [61 PIEs reviewed on a portfolio basis and full reviews of 1 SOE], as specified at Part A of this bulletin.

As part of the review exercise, the 62 PIEs were monitored based on the requirements of IFRSs, IPSASs, the Code and the MCA. This section of the bulletin focusses on the level of compliances observed for the 61 portfolio reviews.

It is to be noted that 9 PIEs were queried on matters relating to IFRSs, IPSASs and the Code. This represents 15% of the entities reviewed during the six months ended 30 June 2023 (31 December 2022: 20% and 30 June 2022: 28%) and hence a decrease in the level of findings noted from the annual reports of PIEs. The decline in the number of substantive letters was attributable to a fall in non-compliances noted with respect to the respective accounting standards as well as the Code.

In response to FRC's observations, most PIEs provided explanations and undertook to comply with the non-compliances raised and to take remedial actions in light of FRC's comments. FRC would continue to monitor such undertakings to ensure that the non-compliances raised in previous reviews are being considered by the entities.

The most common IFRSs findings raised over the last three periods (30 June 2023, 31 December 2022 and 30 June 2022) are employee benefits, related parties and impairment of assets. Of note, the observations made throughout the periods were not for the same PIEs.

The table below depicts the level of non-compliances with the most common IFRSs:

| IFRS requirements | Level of non-compliances with IFRSs (%) | | |
|---|---|---|---|
| | Six months ended 30 June 2023 | Six months ended 31 December 2022 | Six months ended 30 June 2022 |
| Number of PIEs adopting IFRSs | 61 | 37 | 73 |
| IAS 19, *Employee Benefits* | 2% | 5% | 3% |
| IAS 24, *Related Party Disclosures* | 2% | 5% | 3% |
| IAS 36, *Impairment of Assets* | 2% | 0% | 1% |
| IFRS 7, *Financial Instruments Disclosures* | 0% | 0% | 4% |
| IFRS 13, *Fair Value Measurement* | 0% | 3% | 1% |

As illustrated in the above table, except for IAS 36, the level of IFRS non-compliances have decreased as compared to the previous period.

On the Corporate Governance side, it is noted that there has been a good level of compliance amongst the PIEs. All the 62 PIEs (including 1 SOE), had reported on the Code, representing a reporting rate of 100% for the six months ended 30 June 2023 (31 December 2022: 98%, 30 June 2022: 100%). This proves that the PIEs are conscious of the need to adopt the Code.

It is also observed that, 3 out of the 62 PIEs (5%) had partly complied with the Code (31 December 2022: 2 PIEs (5%), 30 June 2022: 11 PIEs (14%)). The level of non-compliances with the Code has remained the same as compared to the previous six months period, whilst the non-compliances have decreased as compared to six months period ended 30 June 2022.

# PART D: MAIN FINDINGS FROM REVIEWS OF PIES

Out of the 62 PIEs reviewed during the six months ended 30 June 2023 as part of the portfolio review, FRC raised findings relating to the following areas of corporate reporting:

## 1.0 COMPLIANCES WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

**(a) IAS 33, Earnings per Share**

From the review exercise, FRC observed that **1 SEM listed PIE operating in the commerce sector** had not disclosed earnings per share on the face of the Statement of Comprehensive Income.

**(b) IAS 19, Employee Benefits**

FRC noted that **1 PIE [regulated by FSC]** had not disclosed a description of the risks to which the defined benefit plan exposed the entity.

**(c) IAS 24, Related Party Disclosures**

**1 DEM listed entity [investment sector]** had been queried on the terms and conditions for the related party outstanding balance.

**(d) IAS 36, Impairment of Assets**

**1 of the PIEs [regulated by FSC]** had not disclosed the main events and circumstances that led to the recognition of the impairment loss on improvement to leasehold building.

**(e) IFRS 16 Leases**

FRC queried **1 DEM listed PIE [operating in the property development sector],** on the maturity analysis of lease payments, with the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.

5 PIEs [3 listed on SEM and 2 regulated by FSC] had partly complied with the requirements of IAS 19, IAS 24, IAS 33, IAS 36 and IFRS 16.

## 2.0 COMPLIANCES WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

To ensure consistency in the application of accounting standard in the Public Sector and in line with Government reform to develop a modern accounting and reporting framework, the Financial Reporting Act has been amended to provide for the 16 PIEs which are also listed in the Statutory Bodies (Accounts & Audit) Act to prepare their financial statements under accrual IPSAS framework.

FRC monitors the annual reports and corporate governance reports of the 16 SOEs listed under the First Schedule of the Financial Reporting Act 2004. This ensures that the SOEs are in compliance with the International Public Sector Accounting Standards and the National Code of Corporate Governance, as per Section 76 of the Financial Reporting Act.

FRC has reviewed the annual report of 1 SOE during the six months period ended 30 June 2023 and the entity had been queried on the following issues relating to **IPSAS 39, *Employee Benefits:***

- Description of the risks to which the defined benefit plan exposed the entity; and
- Disclosure of the sensitivity analysis of each significant assumptions, methods and assumptions used, changes in the methods and assumptions.

1 SOE has been reviewed during that period and the entity has partly complied with IPSAS 39.

## 3.0 COMPLIANCES WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE

As per Section 75(2) of the FRA, PIEs are required to adopt corporate governance in accordance with the National Code of Corporate Governance.

The Code introduces a principles-based approach and requires application on an "apply and explain" basis. It aims at establishing principles for good corporate governance leading to transparency, accountability and a long-term perspective.

The following 8 corporate governance principles have been designed to be applicable to all organisations covered by the Code:

- Principle 1: Governance Structure
- Principle 2: The Structure of the Board and its Committees
- Principle 3: Director Appointment Procedures
- Principle 4: Director Duties, Remuneration and Performance
- Principle 5: Risk Governance and Internal Control
- Principle 6: Reporting with Integrity
- Principle 7: Audit
- Principle 8: Relations with Shareholders and Other Key Stakeholders

FRC observed the following from the review of the 62 PIEs, including 1 SOE:

<u>Compliance with the Code of Code of Corporate Governance</u>

It is good to note that, all the 62 PIEs reviewed during the six months ended 30 June 2023, had reported on the Code.

The following were noted from the review of the annual reports of the 62 PIEs:

- 34 PIEs (including 1 SOE) had fully applied the 8 principles of the Code;
- 25 PIEs had provided explanations for not complying with certain sections of the Code (See Paragraph A below); and
- 3 PIEs had partly applied the Code (See Paragraph B below).

With respect to the level of compliance with the Code, the following were observed:

**A. <u>Details of explanations provided by the PIEs that have not applied the Code</u>**

For those 25 PIEs that have provided explanations for not applying the Code, the following were noted:

- *<u>Principle 1: Governance Structure (6 PIEs)</u>*

All the 62 PIEs reviewed had reported on the National Code of Corporate Governance.

34 PIEs had fully applied the 8 principles of the Revised Code of Corporate Governance.

Out of the 62 PIEs reviewed, 3 had partly complied with the Code of Corporate Governance.

The following observations were noted:

- The Board's charter, appropriate job descriptions and organisation chart had not been approved.
- The requirements of the Code had not been published on the Company's website.

The explanations provided by the entities in question with respect to the above were as follows:

- The Board charter is currently being drafted and will be adopted at the earliest.
- The Board is of the view that the responsibilities of the Directors should not be confined in a Board charter and has consequently resolved not to adopt a charter. It is governed by the Company's constitution and the Mauritius Companies Act 2001.
- Every person has a written contract stating job description.
- Given the simple structure of the Company and the fact that the Company's workforce comprises of only 3 employees, the Company has decided not to present an organisation structure.
- The Board believes that all material information on the Company and its governance framework, recommended to be disclosed on the website as per the Code, is available to shareholders and stakeholders through annual report and financial statements filed at the Registrar of Companies. The Company is in the process of updating its website to contain such disclosure requirements as recommended by the Code.
- Considering the current size of the Company and given that the website is headquartered at the Head-0ffice, the Corporate Governance Report has not been uploaded on the website.

25 PIEs have provided explanations for not applying the following Principles of the Code:

- Principle 1: Governance Structure
- Principle 2: The Structure of the Board and its Committees
- Principle 3: Director Appointment Procedures
- Principle 4: Director Duties, Remuneration and Performance
- Principles 5: Risk Governance and Internal Control
- Principles 6: Reporting with Integrity
- Principles 7: Audit

- *Principle 2: The Structure of the Board and its Committees (20 PIEs)*

The main findings noted were as follows:

- The Board of Directors did not comprise of female Director.
- The Board of Directors did not consist of adequate number of executive and independent Directors.
- No Audit (Risk Management) and Corporate Governance Committees had been established.
- Details of other directorships in other companies had not been disclosed.
- The Audit & Risk Committee was not composed of a majority of Independent Directors.
- The Chairman of the Audit and Risk Committee was not Independent.
- No Corporate Governance and remuneration Committees had been constituted.
- The Chairman of the Audit & Risk Committee no longer deemed independent since he had served on the Board for more than nine consecutive years from the date of his initial election.

The explanations provided with respect to the above were as follows:

- The Board is considering the appointment of a female Director and the recruitment process is still ongoing as the Company remains committed in finding the suitable candidate.
- The Board is of the view that given its size, having one independent Director is in line with the Code's spirit.
- The Board is in the process of recruiting an executive Director.
- Pursuant to section 18 (4) (b) of the Mauritian Banking Act 2004, a subsidiary of a foreign bank is required to have 40 per cent non-executive Directors instead of 40 per cent independent Directors. In line with this requirement and given that the Bank is wholly owned subsidiary of a foreign Bank, it has appointed more than 40 percent of non-executive Directors on its Board and no independent Director. The Board is of the opinion that the appointment of Non-Executive Directors from other Group

entities is sufficient to ensure independence.

- The Board has a non-discriminatory policy and endeavours to have representation at its senior governance position. The Board believes that, based on its size and the industry that it is operating in, the current Directors possess the appropriate expertise and knowledge to discharge their duties and responsibilities effectively and to meet the Company's business requirements.

- Given the decision of the Board to appoint a Non-Executive Director as Interim Chairperson of the Board, the required percentage of Independent Director changed from 40 per cent to 50 per cent. The Board is already progressing on its endeavour to find this equilibrium via an ongoing onboarding exercise to bring the Bank into compliance with an appropriate directorship mix.

- The Board believes that the attendance of senior executives at the meetings and various sub-Committees of the Board fulfils the spirit of the Code.

- No Audit (Risk Management) and Corporate Governance Committees had been established since the Company's sole business consists of an investment in a Company, which is equipped with fully fledged systems of corporate governance. Corporate Governance and Audit (Risk Management) matters proper to the Company are taken up at Board level.

- The Board has decided to only disclose other directorship in public and listed companies. Details of other directorships are available at the Company's registry.

- The Board is in the process of reviewing the composition of the Audit & Risk Committee to align with the requirements of the Code.

- Further to the resignation of the Chairman and Member of the Audit & Risk Committee, an Interim Chairman has been appointed. The Board is in the process of reviewing the Chairmanship of the Audit & Risk Committee in order to align with the requirements of the Code.

- All matters pertaining to Corporate Governance are regularly reviewed and discussed by the Board. Hence, a Committee on Corporate Governance has not been constituted.

- The Bank has been dispensed from constituting a separate Remuneration Committee. The exemption was granted by Bank of Mauritius.

- Given the nature of the Company and the relatively small size of its Board all the corporate governance functions and that of the Audit Committee have been continued to be discharged by the Board of Directors as a unit.

- The Audit and Risk Committee is presently composed of one independent Director, the other Members being non-executive, non-independent Directors. The Board is satisfied that the skills, knowledge of the organisation and experience of those non-executive Directors allow them to discharge their responsibilities towards the Company and its shareholders effectively.

- The Bank has been dispensed by the Bank of Mauritius from establishing a local advisory Board. The Executive Committee of the Bank meets regularly and operates as a general Committee under the direct authority of the Board of the Company.

- The Board believes that the Chairperson of the Audit & Risk Committee has the requisite skills and experience to chair the Committee and that he continues to amply demonstrate independence of thought and action in this role.

▪ *Principle 3: Director Appointment Procedures (7 PIEs)*

The main observations were as follows:

- The Board did not have in place a formal succession plan for its members and senior management.

- Directors were not elected on a regular basis.

- The requirements of the Code were not published on the Company' website.

The explanations provided with respect to the above were as follows:

- The Corporate Governance Committee is responsible for the identification and nomination of suitable candidates to fill Board vacancies, should they arise. The Board is considering the aspect of succession planning for both its members and senior management positions.

- The Board believes that all material information on the Company and its governance framework, recommended to be disclosed on the website as per the Code, is available to shareholders and stakeholders through annual report and financial statements filed at the Registrar of Companies. The Company is in the process of updating its website to contain such disclosure requirements as recommended by the Code.

- The term of reference of the Corporate Governance Committee states that Committee is responsible to identify and nominate candidates for the approval of the Board to fill Board/Management vacancies as and when they arise. Given that the Board has been working on revisiting the terms of references of the multiple Committees and redefining the fundamental functions as required as implied under the section "Board Committees". As at date, this exercise being complete, adequate succession planning is now a priority for the Committee to bring about proper structure and formalisation.

- The Board does not favour the re-election of Directors on an annual basis, as it does not consider this practice to be in the best interest of the Company. Furthermore, in accordance with its Constitution, not more than one third of the Directors in office retire at every Annual meeting – the latter being eligible for re-election.

▪ *Principle 4: Director Duties, Remuneration and Performance (11 PIEs)*

The issues identified were as follows:

- The Board did not undertake a formal evaluation of its own performance and that of its Committees; resulting in no annual development plan being produced.

- Evaluation of the Board was not conducted by an external and independent facilitator.

- The corporate governance section of the website did not contain the related party transactions policy.

- Details of remuneration paid to each individual Director had not been disclosed.

- The requirements of the Code were not published on the Company's website.

The explanations provided with respect to the above were as follows:

- No Board appraisal exercise had been performed during the year under review as there was no formal evaluation plan. An internal Board evaluation exercise with the Head of Human Resources has been initiated and is currently in progress.

- The Board is of view that it is adequately balanced and current Directors have the right skills/experience for their duties.

- The related party transaction policy is not yet published on the website as no formal policy was available. The policy is currently being drafted.

- The Board evaluation was usually conducted every two years. With a view to enhancing the Directors' effectiveness, a Board's performance review will now be proposed to be carried out yearly with the assistance of the Company Secretary.

- A comprehensive Board evaluation exercise, led by the Chairman, is carried out every two years, The Board considers that the current evaluation process satisfies the Company's present requirements.

- In accordance with the Board Charter, a Board and Committee Evaluation process is conducted every two years. The next one was due end 2021 but due to the pandemic, was postponed to 2022.

- The remuneration of Directors of the Company is determined by the Minister of Finance. When the Minister of Finance appoints the Directors under the Mauritius Civil Service Mutual Aid Association Act, the terms and conditions of remuneration are also specified. For executive Director, the remuneration is reviewed and approved by the Board of Directors. The Directors consider the requirement for individual disclosures of Director's remuneration to be commercially sensitive information and regard it as not being in the interest of Mutual Aid to make such disclosure.

- The remuneration of the executive Directors has not been disclosed on an individual basis as the Board is of the opinion that this information is sensitive.

- The Board believes that all material information on the Company and its governance framework, recommended to be disclosed on the website as per the Code, is available to shareholders and stakeholders through annual report and financial statements filed at the Registrar of Companies. The Company is in the process of updating its website to contain such disclosure requirements as recommended by the Code.

- *Principles 5: Risk Governance and Internal Control (2 PIEs)*

FRC noted that 2 of the PIEs did not adopt any whistle blowing procedure.

In that respect, the entities provided the following explanations:

- A whistle blowing policy had not been adopted but the Company is committed to implement same.

- Whistle blowing procedures will be elaborated within the code of ethics and will be published on the Company's website.

- *Principles 6: Reporting with Integrity (1 PIEs)*

The main observation relating to the Principle 6 of the Code was with respect to publication of documents on the Company's website.

The explanation provided in that respect was as follows:

- The Board believes that all material information on the Company and its governance framework, recommended to be disclosed on the website as per the Code, is available to shareholders and stakeholders through annual report and financial statements filed at the Registrar of Companies. The Company is in the process of updating its website to contain such disclosure requirements as recommended by the Code.

- *Principles 7: Audit (1 PIE)*

From the review exercise, FRC observed that 1 entity did not have an internal audit function.

In this regard, the entity explained that this function was not considered essential given the nature of the Group's business. However, in order to be in line with the requirements of the National Code of Corporate Governance, the Company is strongly considering the setting up of an internal audit function.

**B. Details of non-compliances for PIEs who had partly complied with the Revised Code of Corporate Governance**

As mentioned above, 3 listed PIEs [1 Commerce, 1 Industry and 1 Investment] had partly complied with the Code and the findings noted are as follows:

- Relevant documents had not been published on the Company's website.

- The 'Share price information' and 'Financial highlights' published on the website had not been updated.

- The Audit and Risk Committee was chaired by a non-executive Director, which is not in line with the requirements of the Code.

- The Corporate Governance Report did not contain information on the length of tenure of the current audit firm and when a tender was last conducted.

## 4.0 COMPLIANCE WITH THE GUIDELINES ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In 2013, FRC had issued Guidelines on Compliance with the Code of Corporate Governance pursuant to Sections 6(2)(f) and 75 of the FRA. These Guidelines set out the essential principles of Corporate Governance and facilitate the compliance and monitoring tasks of FRC.

The above Guidelines on Corporate Governance require PIEs to interalia:

(a) Submit a statement of compliance together with the Corporate Governance Report and the annual report;

(b) State the extent of compliance with the requirements of the Code of Corporate Governance; and

(c) Give explanations in the Statement of Compliance whenever they have not complied with any requirement of the Code.

It is good to note that **all the 62 PIEs reviewed, including 1 SOE,** had complied with the Guidelines on Corporate Governance and hence enclosed a statement of compliance in their annual report.

All the 62 PIEs reviewed had complied with the Guidelines on Corporate Governance.

## 5.0 REPORTING BY AUDITORS IN COMPLIANCE WITH SECTION 39(3) OF THE FINANCIAL REPORTING ACT

Section 39(3) of the FRA requires an auditor to report whether the disclosures made in the Corporate Governance Report are consistent with the Code. Also, FRC had published Guidelines on Corporate Governance for auditors to assist in their reporting on Corporate Governance and help compliance with the Code as detailed below:

- In 2013, FRC issued the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2013 which provides for the format of the auditors' reports as per the requirements of the Old Code of Corporate governance.
- In 2019, the above Guideline was repealed and was replaced by the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2019 which updates the form and content of auditors' reporting on corporate governance, in line with the principles of the Revised Code of Corporate Governance.
- In 2022, the FRC made amendments to the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2019, whereby the auditor's report on compliance with the Code of Corporate Governance should be presented under the "Reporting on other legal requirements" paragraph and should appear under the "Financial Reporting Act" subparagraph, in the Auditor's Report.

From the review exercise, FRC noted that **all the auditors of the PIEs reviewed** had reported on the consistency of the requirements of the Code.

However, **2 of the auditors of listed entities** have reported on the Code under the 'Other information' Paragraph instead of under "Report on Other Legal and Regulatory Requirements" paragraph.

It is good to note that all the auditors of the PIEs reviewed had reported on the consistency of the requirements of the Code.
However, 2 auditors have reported on the Code under 'Other information' Paragraph instead of under "Report on Other Legal and Regulatory Requirements" paragraph.

## 6.0 COMPLIANCE WITH THE MAURITIUS COMPANIES ACT 2001

As required by the Mauritius Companies Act 2001, the Board of every Company shall, prepare an annual report on the affairs of the entity during the accounting period ending on that date.

As part of the annual report review of the 61 PIEs, the annual reports were reviewed to ensure compliance with the relevant requirements of the Mauritius Companies Act 2001.

From the review exercise, FRC observed the following:

- **1 listed entity in the industry sector** had not disclosed audit fees paid during the year;
- **1 entity regulated by BOM** had taken exemption from the need to comply with paragraphs (a) and (d) to (i) of section 221(1) of the Companies Act 2001 in accordance with section 221(4) of Act, despite this exemption is not applicable to PIEs;
- **1 entity regulated by BOM** had not disclosed the remuneration and benefits paid to executive and independent Directors, on an individual basis; and
- Certain independent Directors of **2 listed PIEs [operating in the Commerce and Industry sector]** had served on the Board for more than nine years from the date of their first elections.

5 PIEs reviewed had partly complied with the relevant requirements of the Mauritius Companies Act 2001.

## 7.0 DETAILS OF NON-COMPLIANCES PER CATEGORIES OF AUDITORS

A PIE is required to have its annual report audited by a licensed auditor as per Section 195 of the Companies Act 2001 and Section 33 of the FRA. It is the auditor's responsibility to form an opinion on the PIE's financial statements and issue an auditor's report as a result of an audit of the financial statements.

For the six months period ended 30 June 2023, following the review exercise, 5 PIEs had been queried for not fully complying with the requirements of IFRSs and 3 had been queried for not fully complying with the Code. These entities had been audited by 5 different audit firms.

FRC noted the following as regard the 8 above mentioned PIEs:

- **5 entities representing 63% of the above 3 PIEs were audited by 2 different big audit firms;** and
- **The remaining 3 PIEs (37%) were audited by medium/small audit firms.**

One of the auditors of a **PIE regulated by FSC** had also been queried for having acted as auditor of the Company for more than seven years, which not in line with the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics.

The table below provides further details of PIEs with IFRSs and the Code non-compliances per categories of audit firm:

5 entities representing 63%, were audited by Big 4 Audit Firms.

**PIEs with non-compliances relating to IFRSs and the Code per categories of audit firm:**

| Categories of Audit Firm | Number of PIEs not complying with IASs / IFRSs | Number of PIEs not complying with the Code |
|---|---|---|
| Big 4 Audit Firm | 4 | 1 |
| Others | 1 | 2 |

# PART E: FOLLOW UP ISSUES

During the course of the review, FRC considered the issues noted from the PIEs' annual reports reviews that would require follow up in the respective entities' next annual reports.

In this regard, FRC will carry out close monitoring and follow up regarding **2 listed PIEs [1 Industry and 1 Property Development]**.

The areas that would require follow-up are as follows:

- Going concern; and
- Appointment of Independent Directors.

FRC will carry out close monitoring and follow up regarding 2 listed PIEs [1 Industry and 1 Property Development].