

## **REPORT OF THE ACCOUNTANT-GENERAL**

### **1.0 OVERVIEW**

The Accountant-General is the administrative and technical head of the Treasury, which operates under the aegis of the Ministry of Finance and Economic Development.

The key responsibilities of the Accountant-General are:-

- (i) to maintain the accounts of government, to prepare annual Financial Statements and to ensure that accounting systems respond to government's needs for the proper processing, recording and accounting of financial transactions and for financial reporting;
- (ii) to monitor the cash flow positions of government and to ensure that adequate funds are available to meet government's payment obligations in the most cost-effective way;
- (iii) to manage the dispensing of Motor Vehicle Loans and Passage Benefits to government employees, as well as the payment of public service pensions and other retiring allowances, in accordance with prescribed rules, laws and regulations; and
- (iv) to operate as government's main payment centre and to ensure that all payments of government are executed efficiently and in a timely manner.

The Finance and Audit Act requires the Accountant-General to prepare annual Financial Statements presenting fairly the financial transactions and financial position of the Government of the Republic of Mauritius on the last day of every fiscal year. For the fiscal year 2017-2018, the accounts were closed on 30 September 2018 and the Financial Statements were submitted to the Director of Audit within the period prescribed under the Finance and Audit Act.

As mentioned in my Annual Report of 2016-2017, the Treasury has already embarked on the implementation of an accrual-based accounting and reporting framework consistent with International Public Sector Accounting Standards (IPSASs). The main objective of the envisioned framework is to improve transparency, accountability and decision making through the production and publication of financial statements that provide more information on the assets and liabilities of the government.

In conformity with the new provisions of the Finance and Audit Act, additional financial statements were produced in respect of the financial year 2016-2017 and some assets and liabilities were recognised in the statements for the first time. The financial statements have been further enhanced in 2017-2018 by the recognition of additional assets and liabilities.

It is expected that the financial statements of the government would be in full compliance with IPSAS as from 2022-2023, as required under the Finance and Audit Act.

Systems and procedures that will support the development of the new accounting and reporting framework are also being reviewed and enhanced. In particular, a computerised Government Asset Register (GAR) has been developed and recording of assets in the GAR by Ministries and Departments is in progress.

## **2.0 ANNUAL STATEMENTS**

Section 19 of the Finance and Audit Act requires the Accountant-General to sign and submit to the Director of Audit, within 6 months of the close of every fiscal year, statements presenting fairly the financial transactions and financial position of Government on the last day of such fiscal year. Table 1 gives a list of statements submitted to the Director of Audit.

**Table 1 – List of Annual Statements**

<b>STATEMENTS</b>	
<b>A</b>	Statement of Financial Position (with notes)
<b>AA</b>	Statement of Financial Performance (Classification of Expenses by Function)
<b>AB</b>	Statement of Financial Performance (Classification of Expenses by Nature)
<b>AC</b>	Statement of Changes in Net Assets or Equity
<b>AD</b>	Statement of Cash Flow
<b>AE</b>	Statement of Comparison of Budget Estimates and Actual Amounts (Classification of Expenses by Function)
<b>AF</b>	Statement of Comparison of Budget Estimates and Actual Amounts (Classification of Expenses by Nature)
<b>B</b>	Abstract Account of Revenue and Expenditure of the Consolidated Fund
<b>D</b>	Detailed Statement of Revenue of the Consolidated Fund
<b>D1</b>	Detailed Statement of Expenditure by Votes and Sub-Heads of the Consolidated Fund
<b>DA</b>	Progress Report on Achievements and Performance
<b>F</b>	Statement of Investments
<b>G</b>	Detailed Statement of Advances
<b>H</b>	Statement of Special Funds deposited with the Accountant-General
<b>I</b>	Detailed Statement of Deposits
<b>J</b>	Statement of Public Sector Debt
<b>L</b>	Statement of Contingent Liabilities, including details of any Loans, Bank Overdrafts or Credit Facilities Guaranteed by Government
<b>M</b>	Statement of all Outstanding Loans financed from Revenue
<b>N</b>	Statement of Arrears of Revenue
<b>O</b>	Statement of Claims Abandoned
<b>P</b>	Statement of Losses charged to Expenditure
<b>Q</b>	Statement of Stores Losses
<b>R</b>	Tabular Summary of Unallocated Stores
<b>U</b>	Statement of Foreign Aid Received
<b>U1</b>	Statement of Cash Aid Received from Foreign Countries

Statements A to AF are new statements that are being prepared and audited as from the financial year 2016-2017, and were introduced as part of the new accounting and reporting framework being implemented. One of the main goals of introducing the new statements is to enhance both the content and quality of financial information presented, to respond to the needs of a wide range of users and also to ensure compliance with IPSAS. As such, revenue and expenditure are being reported in different statements as follows:

- (i) *Statement of Financial Performance*, showing recurrent revenue and expenditure by both function and nature;
- (ii) *Statement of Comparison of Budget Estimates and Actual Amounts*, showing total actual revenue and expenditure, by both function and nature, compared to Budget Estimates;
- (iii) *Abstract Account of Revenue and Expenditure of the Consolidated Fund*, showing revenue by economic categories and expenditure by votes;
- (iv) *Detailed Statement of Revenue of the Consolidated Fund*, showing revenue by economic items as per the Budget Estimates;
- (v) *Detailed Statement of Expenditure of the Consolidated Fund*, showing expenditure in detail by economic items as per the Budget Estimates.

### 3.0 AUDIT CERTIFICATE

The Finance and Audit Act requires the Director of Audit to submit to the Minister copies of statements, together with a certificate of audit and a report on all accounts of the Government within the period prescribed in the Section 20(1) of the Act. The Act also requires the Minister to lay those documents before the National Assembly.

The Director of Audit has certified that, the Annual Statements give a true and fair view of the financial position of the Government of the Republic of Mauritius as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Mauritius and in compliance with the Finance and Audit Act.

## 4.0 FINANCIAL SUMMARY

The table hereunder gives a summary of the key elements reported in the Financial Statements for the financial year ended 30 June 2018 which are further analysed at Section 5.0 below.

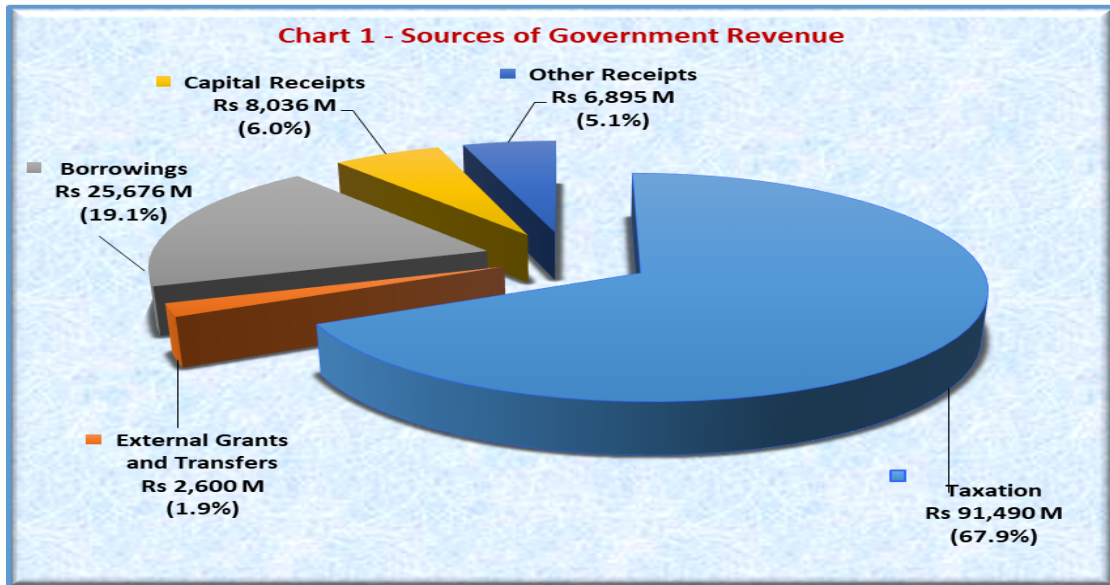
*Table 2 – Financial Summary*

	30 June 2018 Rs'M	30 June 2017 Rs'M
<b>Abstract Account of Revenue and Expenditure of the Consolidated Fund</b>		
Total Revenue	134,697.0	123,054.0
Total Expenditure	135,932.9	130,501.8
<b>Statement of Financial Position</b>		
Consolidated Fund	142,587.9	152,105.0
Government Debt	261,419.2	256,668.8
Loans to Public Enterprises and Other Bodies	9,973.7	11,004.8
Investments	23,410.9	22,091.5
<b>Statement of Public Sector Debt</b>		
Total Public Sector Debt	300,162.9	290,102.9
<b>Statement of Financial Performance</b>		
Revenue (Recurrent)	105,824.6	94,101.1
Expenditure (Recurrent)	114,918.2	107,636.8

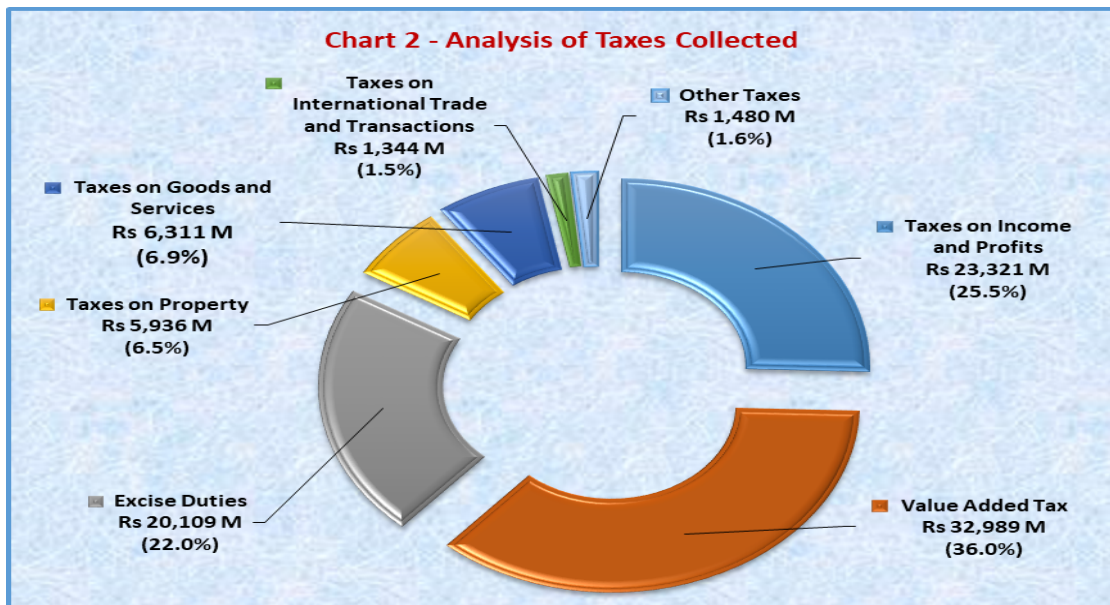
## 5.0 FINANCIAL ANALYSIS

### 5.1 TOTAL REVENUE

A breakdown of total revenue of Rs 134,697.0 M collected during the financial year 2017-2018 is illustrated in chart 1 below:

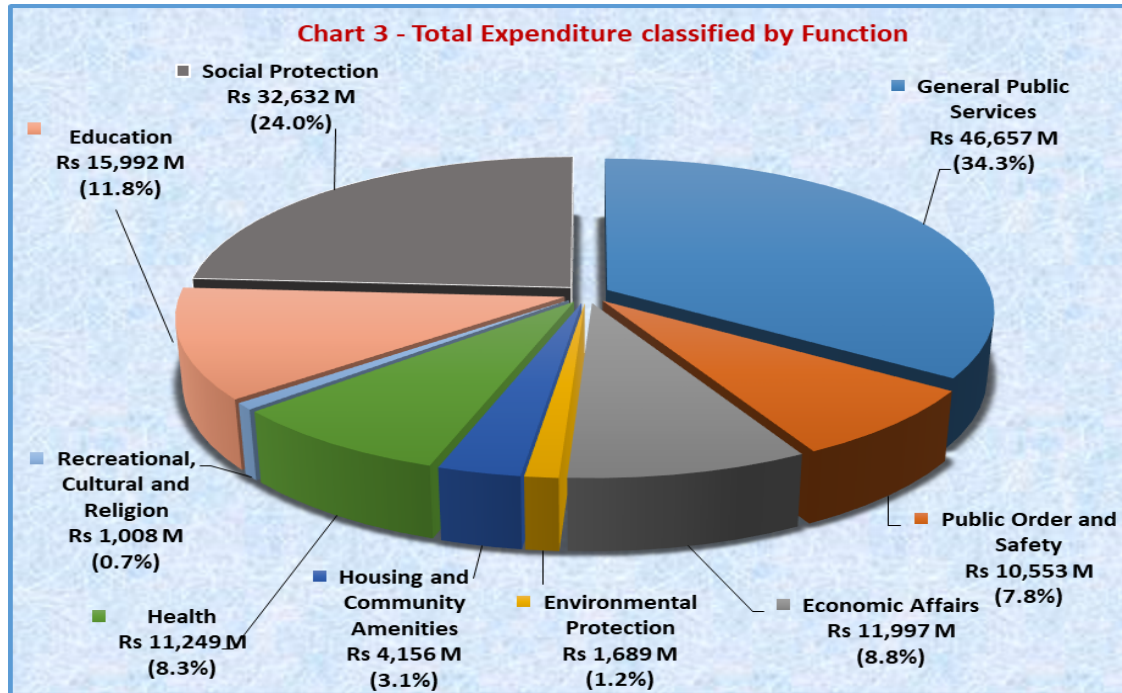


Total taxes collected in the financial year 2017-2018 amounted to Rs 91,490.2 M, details of which are analysed in chart 2 below:



## 5.2 TOTAL EXPENDITURE BY FUNCTION

The total expenditure for the financial year 2017–2018 amounting to Rs 135,932.9 M is analysed by function in chart 3 below:

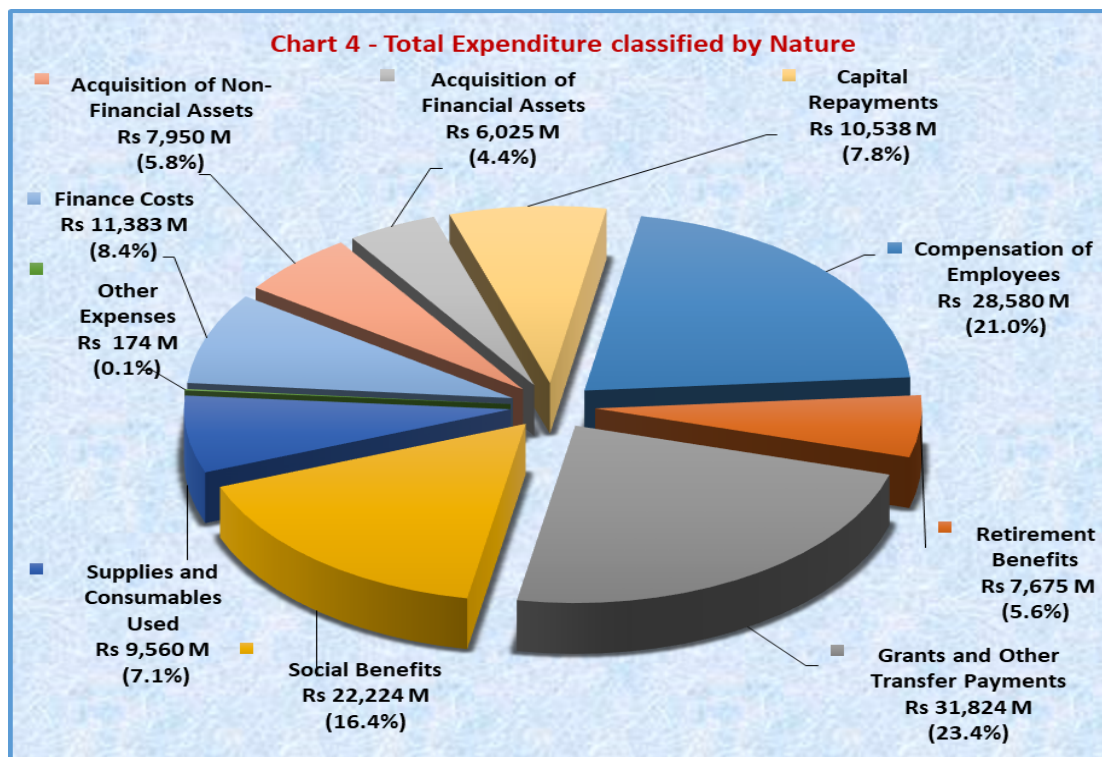


- *General Public Services* relates to administration of executive and legislative organs, administration of financial and fiscal affairs and services, and administration of external affairs and services.
- *Public Order & Safety* relates to public order and safety services provided by Government through police services, fire protection services, law courts and prisons.
- *Economic Affairs* includes expenditure incurred in respect of general economic, commercial, labour affairs and agriculture, tourism, construction and transport.
- *Environmental Protection* relates to services in respect of waste and waste water management and environmental protection.
- *Housing and Community Amenities* relates to activities in respect of housing and community development and provision of amenities such as water supply.
- *Health* covers activities relating to hospital and public health services.
- *Recreational, Cultural and Religion* relates to services provided for recreational, sporting, cultural and religious services.
- *Education* relates to expenditures in connection with provision of pre-primary, primary, secondary, tertiary education and others.
- *Social Protection* includes support and facilities provided to the disabled persons, old age, children and family of social exclusion.



### 5.3 TOTAL EXPENDITURE BY NATURE (ECONOMIC CATEGORIES)

Government expenditure classified by nature (economic categories) for the financial year 2017-2018 is illustrated in chart 4 below:



- *Compensation of Employees* is made up of salaries and allowances paid to employees.
- *Retirement Benefits* includes pensions, gratuities, contributions to 'National Savings Fund', 'Defined Contribution Pension Scheme' and 'Civil Service Family Protection Scheme'.
- *Grants and Other Transfer Payments* are current and capital transfers made by the government to international organisations, other general government units and private enterprises.
- *Social Benefits* includes basic retirement pension, social aid and other recurrent expenses.
- *Supplies and Consumables Used* consists of recurrent expenses incurred and include cost of utilities, fuel and oil, rent, office expenses and maintenance costs.
- *Other Expenses* excludes the above elements and consists mainly of insurance, compensation arising out of government liability, subscription to IMF organisation and miscellaneous expenses.
- *Finance costs* represents interests and management charges paid and accrued for the year on internal and external debts.
- *Acquisition of Non-Financial Assets* represents expenditure incurred on the construction and upgrading of buildings, roads & infrastructures, acquisition of plant and equipment and acquisition of land.
- *Acquisition of Financial Assets* includes loans made to statutory bodies, local authorities and other bodies for specific projects and equity participation.
- *Capital Repayments* comprises of loan repayments to foreign governments and lending agencies and redemption of securities issued.



#### **5.4 CONSOLIDATED FUND**

The Finance and Audit Act requires government revenues to be credited to the Consolidated Fund, and for expenditure incurred on the authority of warrants issued by the Minister of Finance and Economic Development, to be charged to the Fund.

The Consolidated Fund has also been adjusted for the purposes of recognising assets and liabilities listed below, in line with the new accrual-based accounting and reporting framework:

- (i) Property, Plant and Equipment;
- (ii) Intangible Assets;
- (iii) Loan to Public Enterprises and Other Bodies;
- (iv) Long Term Borrowings;
- (v) Inventories;
- (vi) Depreciation and amortisation;
- (vii) Prepayments; and
- (viii) Accrued Expenses.

Accordingly, the balance of the Fund as at 30 June 2018, recorded on an accrual basis, stood at Rs 142,587.9 M compared to Rs 152,105.0 M (restated) as at 30 June 2017.

A reconciliation of the Consolidated Fund on a cash basis with that recorded under the accrual basis is shown at page 16 in Note 15 of the Statement of Financial Position.

## 5.5 PUBLIC SECTOR DEBT

The public sector debt outstanding as at 30 June 2018 stood at Rs 300,162.9 M and is analysed in the table below:

*Table 3 - Analysis of Public Sector Debt*

Public Sector Debt	Amount Rs'M	% of Total Public Sector Debt
Government Debt	270,321.3*	90.06
Agencies- Extra Budgetary Units	91.9	0.03
Public Enterprise Debt	29,749.7	9.91
<b>Total Public Sector Debt</b>	<b>300,162.9</b>	<b>100.00</b>

\* Government Debt includes IMF SDR Allocations of Rs 4,700.9 M.

### 5.5.1 GOVERNMENT DEBT

As at 30 June 2018, Government Debt, excluding IMF SDR Allocations (Rs 4,700.9 M), stood at Rs 265,620.4 M, details of which are provided in Table 4 below:

*Table 4 - Government Debt*

Government Debt	Internal	External	Total
	Rs'M	Rs'M	Rs'M
Long Term	145,533.8	39,685.6	185,219.4
Medium Term	54,393.6	137.4	54,531.0
Short Term	25,855.7	14.3	25,870.0
<b>Total (Nominal Value)</b>	<b>225,783.1</b>	<b>39,837.3</b>	<b>265,620.4</b>
<b>Total (at Cost) *</b>	<b>221,585.0</b>	<b>39,834.2</b>	<b>261,419.2</b>

\*Government Debt has been recognised at cost in the Statement of Financial Position and amounted to Rs 261,419.2 M as at 30 June 2018.

## 5.5.2 GOVERNMENT DEBT SERVICING

Total expenditure on government debt servicing during the year amounted to Rs 21,920.5 M and was made up of the following:

*Table 5 - Government Debt Servicing*

Government Debt Servicing	Amount	Total Amount
	Rs'M	Rs'M
<b>Interest:</b>		
External Debt	675.0	
Internal Debt	10,703.3	11,378.3
<b>Capital Repayments:</b>		
External Debt	3,028.9	
Internal Debt	7,508.8	10,537.7
<b>Management/Service Charges</b>		4.5
<b>Total</b>		<b>21,920.5</b>

## 5.6 LOANS TO PUBLIC ENTERPRISES & OTHER BODIES

Loans totalling Rs 1,496.6 M were made to statutory bodies, local authorities and other bodies during the year under review. Capital reimbursements and interests received from borrowers during the year amounted to Rs 2,521.9 M and Rs 77.8 M respectively. The balance of such loans outstanding as at 30 June 2018 was Rs 9,973.7 M, details of which are provided in the Statement of Outstanding Loans (Statement M) included in this report.

## 5.7 INVESTMENTS

The total value of investments, at cost, held by government as at 30 June 2018 stood at Rs 23,410.9 M as shown in the table below:

*Table 6 - Breakdown of Investments held by Government*

Description	Nominal Value Rs'M	Cost Price Rs'M
Quoted Shares	235.2	140.3
Unquoted Shares	15,779.8	17,740.8
Equity Participation	4,907.4	4,907.4
Other Investments *	622.4	622.4
<b>Total</b>	<b>21,544.8</b>	<b>23,410.9</b>

\* Other Investments represent deposits with banks.

Details of investments are given in the Statement of Investments (Statement F) included in this report.

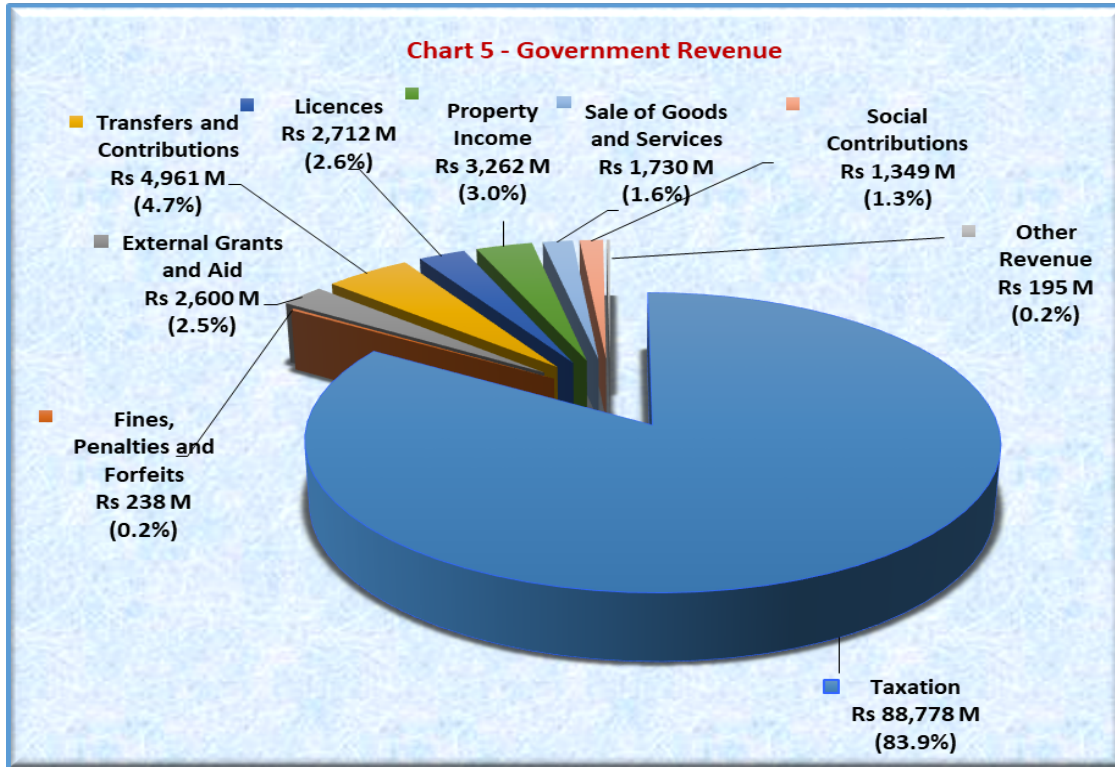
## 5.8 SPECIAL FUNDS

The total amount of Special Funds deposited with the Accountant-General as at 30 June 2018 was Rs 4,344.7 M, details of which are provided in the Statement of Special Funds (Statement H) included in this report.

## 5.9 STATEMENT OF FINANCIAL PERFORMANCE

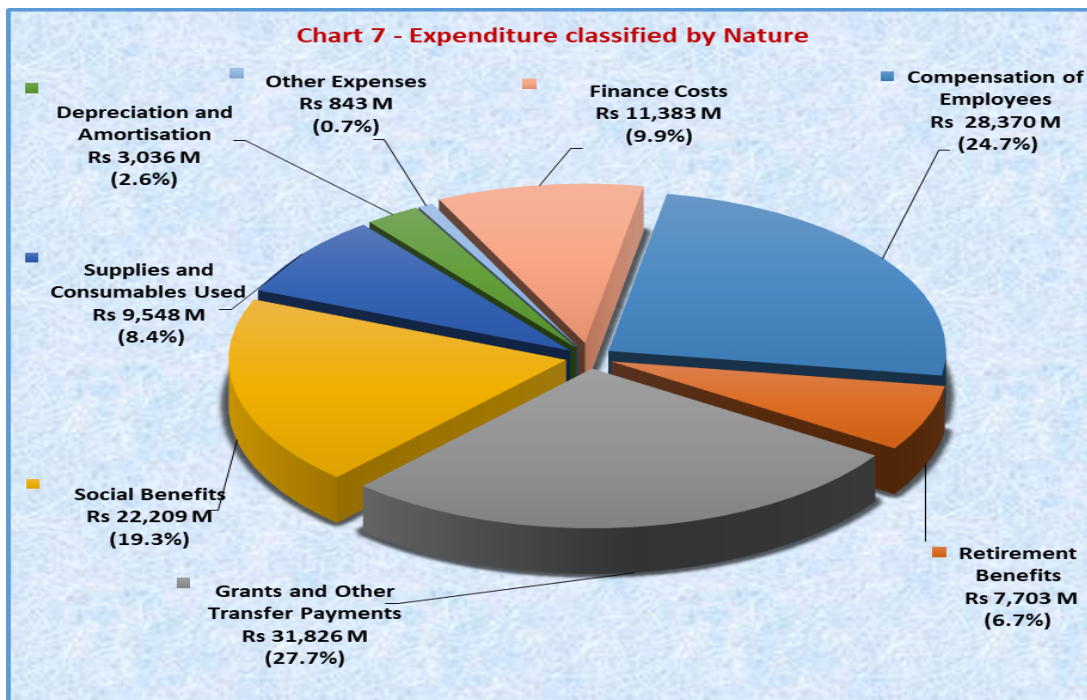
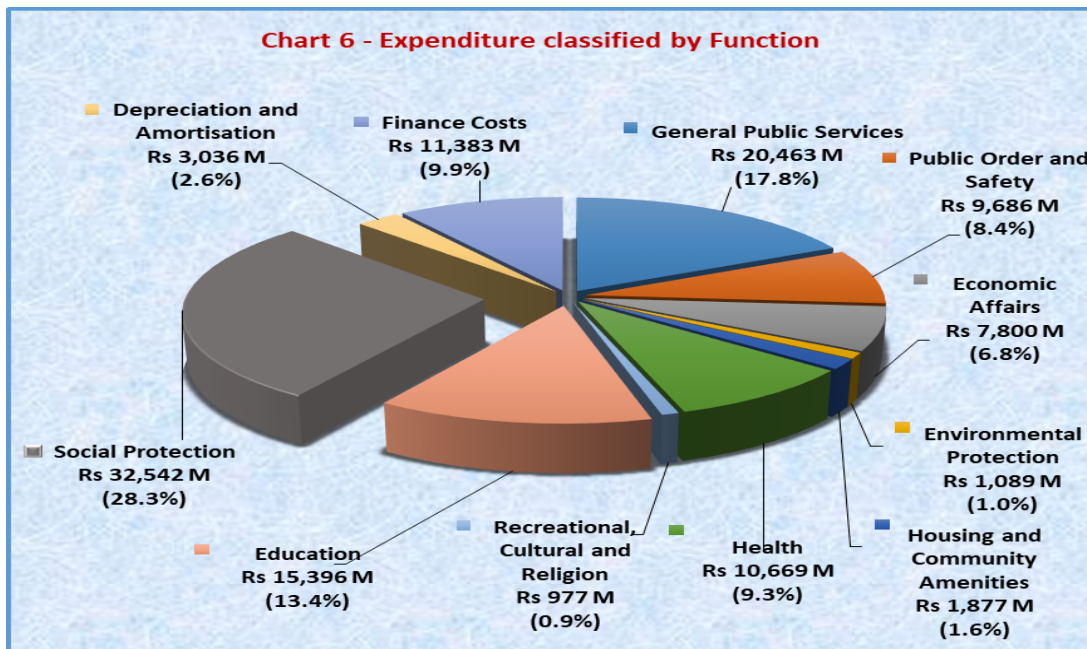
### 5.9.1 REVENUE

The composition of revenue of Rs 105,824.6 M as per the Statements of Financial Performance (Statements AA and AB) is illustrated in chart 5 below:



### 5.9.2 EXPENDITURE

In the Statement of Financial Performance, expenditure of Rs 114,918.2 M is reported by both function and nature (economic categories), and is illustrated in chart 6 and chart 7 below:





## **6.0 ACKNOWLEDGEMENT**

I take this opportunity to express my gratitude to the Financial Secretary, the Director of Audit and Heads of Ministries and Departments for their continued support and collaboration.

I am also thankful to all the staff of the Treasury for their hard work and commitment. I wish to put on record their sustained efforts to enable the timely preparation and submission of the statutory financial statements.



**C.ROMOOAH**

**Accountant-General**

**09 April 2019**

**AUDIT  
CERTIFICATE**



# NATIONAL AUDIT OFFICE

## REPORT OF THE DIRECTOR OF AUDIT

### TO THE NATIONAL ASSEMBLY

#### Report on the Audit of the Annual Statements

#### Opinion

I have audited the Annual Statements of the Government of the Republic of Mauritius on pages 1 to 303, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, the statement of changes in net assets or equity, the statement of cash flow and the statement of comparison of budget estimates and actual amounts for the year then ended, other Statements and notes to the accounts, including a summary of significant accounting policies.

In my opinion, the accompanying Annual Statements give a true and fair view of the financial position of the Government of the Republic of Mauritius as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Mauritius and in compliance with the Finance 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 Annual Statements* Section of my report. I am independent of the entities (Ministries and Government Departments) in accordance with the INTOSAI Code of Ethics together with the ethical requirements that are relevant to my audit of the Annual Statements in Mauritius, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of Matter

I draw attention to Note 7(c) to the Accounts, wherein it is disclosed that Infrastructure Assets, Transport Equipment and Other Machinery and Equipment represent cost of assets acquired as from specified dates. The Infrastructure Assets do not include assets acquired by Government on behalf of other Public Sector Bodies, and Other Machinery and Equipment exclude office equipment acquired under recurrent expenditure items.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Annual Statements of the current period. These matters were addressed in the context of my audit of the Annual Statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

### *Loans and Advances*

Statement M – “Statement of All Outstanding Loans Financed from Revenue” provides details of loans financed from revenue advanced to Statutory Bodies, Private Bodies, Other Bodies and Private Individuals. Total loans due to Government (Capital only), as per Note 4 to the Accounts, amounted to some Rs 10 billion, and the original amounts of foreign loans as per Note 1 to Statement M, were stated at their rupee equivalent on date of issue. At 30 June 2018, the outstanding balance of loans advanced in foreign currencies were translated to their rupee equivalent at the closing rate of exchange published by the Bank of Mauritius. Capital due but not yet paid as at that date amounted to some Rs 1.3 billion.

Given the material size of the outstanding loans (Capital only) and arrears, and the low recovery rate of debts, I have identified the valuation of outstanding loans and arrears as a Key Audit Matter.

### *How my audit addressed the Key Audit Matter*

I assessed the accuracy and completeness of outstanding loans by verifying that all transactions regarding the loans were correctly recorded in the Advance Ledgers. The accuracy of the closing balances of foreign loans was tested taking into consideration closing rate of exchange for their translations.

For all new loans advanced during the year, I checked for authorisation and verified that a loan agreement has been drawn and duly signed by the parties concerned.

For existing and new loans, I checked that repayments had been effected as per the terms and conditions of the loan agreements. I also verified that the conversion of outstanding loans into share capital had been properly authorised by the Ministry of Finance and Economic Development.

For capital due but not yet paid, I selected a sample of cases, and independently checked the computation of arrears. In all cases examined, the computation of arrears of revenue was correct.

### *Government Debt*

As at 30 June 2018, Government Debts totalled some Rs 261.4 billion. The debts were reported at cost in the Statement of Financial Position and Note 12 to the Accounts.

New issues of securities for Government's borrowing requirement were in respect of Treasury Bills, Treasury Notes and Government of Mauritius (GoM) Bonds and amounted to Rs 37.2 billion, Rs 20.1 billion and Rs 24.9 billion respectively. Redemption of Treasury Bills, Treasury Notes, GoM Bonds and Mauritius Development Loan Stock (MDLS) were Rs 37.2 billion, Rs 17.7 billion, Rs 7.2 billion and Rs 323.7 million respectively.

As for liquidity management and mopping up of excess liquidity, there were no new issues of securities. Redemptions amounting to Rs 12.7 billion, Rs 603.3 million and Rs 6.5 million were made for Treasury Bills, Three year GoM Savings Notes and Five year GoM Savings Bonds respectively.

New loans contracted from external sources amounted to Rs 805.5 million and repayments of external loans were Rs 3 billion.

Given the various instruments used for Government Debt management, and the material size of the Debt which accounted for some 95 per cent of total liabilities, I have identified the valuation of Government Debt in the Statement of Financial Position as a Key Audit Matter.

#### *How my audit addressed the Key Audit Matter*

I assessed the accuracy and completeness of Government Debt by ensuring that all transactions were recorded in the respective individual debt ledgers and that ledger balances and abstracts were reconciled on a monthly basis. Officers of the Public Debt Management Unit and the Treasury were interviewed, and appropriate and sufficient documentary evidence was obtained to substantiate recorded transactions.

I tested the accuracy of the closing balances of external loans, taking into consideration closing rate of exchange for their translations. For all new loans contracted by Government, I verified that Loan Agreements were signed.

For issues and redemptions of securities, I checked for authorisation and that proper documentary evidence was available. The accuracy of interest payments was also ascertained.

#### **Responsibilities of the Accountant General and Those Charged with Governance for the Annual Statements**

The Accountant General is responsible for the preparation and fair presentation of these Annual Statements in accordance with accounting principles generally accepted in Mauritius and in compliance with the Finance and Audit Act, and for such internal control as management determines is necessary to enable the preparation of Annual Statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Ministries' and Departments' financial reporting process.



## **Auditor's Responsibility for the Audit of the Annual Statements**

My objectives are to obtain reasonable assurance about whether the Annual 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 Annual 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 Annual 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 controls.
- 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 Ministries' and Departments' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Annual Statements, including the disclosures, and whether the Annual 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 Annual 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**

### *Management's Responsibility for Compliance*

In addition to the responsibility for the preparation and presentation of the Annual Statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the Annual Statements are in compliance with the laws and authorities which govern them.

### *Auditor's Responsibility*

In addition to the responsibility to express an opinion on the Annual Statements described above, my responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the Annual Statements are, in all material respects, in compliance with the laws and authorities which govern them. This responsibility includes performing procedures to obtain audit evidence about whether the Ministries' and Departments' expenditure have been applied to the purposes intended by the legislature, and all reasonable precautions have been taken to safeguard the collection of public money. Such procedures include the assessment of the risks of material non-compliance.

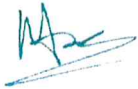
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Opinion on Compliance**

### *Finance and Audit Act*

I have obtained all information and explanations I have required for the purpose of my audit.

In my opinion, except for the matters mentioned in my Report for the year ended 30 June 2018, in all material respects, the activities, financial transactions and information reflected in the Annual Statements are in compliance with the Finance and Audit Act.



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

National Audit Office  
Level 14, Air Mauritius Centre  
**Port Louis**

27 February 2019