

IFIAR 2020 Member Profile – FRC

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Mauritius</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Financial Reporting Council (FRC)</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>3rd Floor Anglo Mauritius House Intendance Street Port Louis Mauritius</p> <p><u>Tel.</u>: 230 2136800 <u>Fax</u>: 230 2136900 <u>Email</u>: frc.mauritius@intnet.mu <u>Website</u>: http://frc.govmu.org</p> <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>FRC was established for the purpose of the Financial Reporting Act to regulate auditors.</p> <p>Our Vision:</p> <p>To be a model organization ensuring quality in auditing, financial and non-financial reporting.</p> <p>Our Mission:</p> <p>To bring corporate confidence in auditing, financial and non-financial reporting among users of financial statements.</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>Our Objects as per Financial Reporting Act 2004:</p> <ul style="list-style-type: none"> (i) To promote the provision of high-quality reporting of financial and non-financial information by public interest entities; (ii) To promote the highest standards among licensed auditors; (iii) To enhance the credibility of financial reporting; and (iv) To improve the quality of accountancy and audit services <p>Our Functions:</p> <ul style="list-style-type: none"> (i) Licensing of Auditors (ii) Registration of Audit Firms (iii) Audit Practice Review (iv) Financial / Non-Financial Reporting Review <p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>As mentioned last year, FRC has introduced penalties on licensed auditors and audit firms. FRC has worked on Regulations under the Financial Reporting Act on the quantum of the penalties that may be imposed on auditors and audit firms. Once same is published in the Government Gazette, it will become effective.</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</p> <p>The Board of FRC is constituted as per Section 7(1) of the Financial Reporting Act, where new members are ex-officio members. Section 7(1) of the Financial Reporting Act states the following:</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>(1) The Council shall consist of-</p> <ul style="list-style-type: none"> (a) a Chairperson suitably qualified and experienced in the field of business, finance, accountancy or law to be appointed by the Prime Minister (Independent); (b) a Deputy Governor of the Bank of Mauritius (Independent); (c) the Chief Executive of the Financial Services Commission (Independent); (ca) a representative of the Ministry responsible for the financial services (Independent); (d) the Registrar of Companies (Independent); (e) an elected member of the Mauritius Institute of Professional Accountants (Independent); (f) an academic from a tertiary education institution, knowledgeable in accounting and financial reporting matters to be appointed by the Minister (Independent); (g) a professional from the financial services sector suitably qualified and experienced in the field of business, finance or law who shall be appointed by the Minister (Dependent); (h) the Chairperson of the Mauritius Institute of Professional Accountants (Dependent); (i) the Chairperson of the Mauritius Institute of Directors (Independent); (j) a representative of the National Committee on Corporate Governance, to be designated by the Minister (Independent). <p>As per Section 7 of the Financial Reporting Act, the Council shall not, at any one time, consist of more than 2 members who are licensed auditors.</p> <p>At present, there are 10 members (including 2 licensed auditors) and the Chief Executive Officer who attends the meetings. Hence the ratio of independent to dependent is 8:2 as illustrated above (<i>those dependent have been highlighted in red</i>).</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>It is constituted by Section 7 of the Financial Reporting Act, as set out above in 3.1.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for</p>

	<p>example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.³</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <hr/> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>Every member has to take an oath of confidentiality under the Financial Reporting Act.</p> <p>One of the members who is not independent from the audit profession, does not have voting rights. Also the term of office for this member is one year as per law.</p> <p>As per law, every member shall hold office for a period of 3 years. A member may be re-appointed but may not serve for more than 6 out of every 8 years.</p> <p>The Chairperson of the Board is an independent member.</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>

³ Ibid.

	<p>FRC has 2 main operating panels namely the Audit Practice Review Panel and the Financial Reporting Monitoring Panel.</p> <p>There are no members of the profession involved in these Financial Reporting Monitoring Panel.</p> <p>The Audit Practice Review Panel consists of 7 members including 3 licensed auditors and 3 staff of FRC.</p> <p>Role: Members of operating panel under the Financial Reporting Act. The role of the members is restricted to the Financial Reporting Act.</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>FRC falls under the aegis of the Ministry of Financial Services, Good Governance and Institutional Reforms. The funding is fully on grant received from the government.</p> <p>The budget is prepared by FRC and presented to the Ministry for approval.</p> <p>As per law, every board member shall be paid such fees as the Council may, with the approval of the Minister, determine.</p> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>Management prepares annual estimates based on the activities and resources required to fulfil the functions of the Financial Reporting Council. After internal discussions and approval of the Council, same is submitted to the Ministry of Finance for consideration. Discussions are held with the Ministry of Finance on the budget proposals and thereby the Ministry of Finance approves the budget which is presented to the parliament together with the national budget.</p> <p>The budget is funded totally by the Government of Mauritius.</p>

5. Inspection System	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>The basis for the direct responsibility for inspections is provided in the law. The FRC has the power to conduct practice reviews which is provided for under Section 77 of the Financial Reporting Act which stipulates the following:</p> <p>(1) The Council, or any officer authorised by it in writing, may review the practice of an auditor and may, for that purpose—</p> <p>(a) inspect any relevant book, document and record in the possession, or under the control of the auditor, his partner or employee and make copies of or take any abstract of or extract from any such book, document and record; and</p> <p>(b) seek information or clarification from any partner or employee of the auditor.</p> <p>(2) Subject to subsection (3), every auditor shall, at the request of the Council, or any officer authorised by it in writing, produce any relevant book, document or record in his possession or under his control for the purposes of subsection (1).</p> <p>(3) Nothing in this section shall be taken to compel the production by an auditor of a book, document, record or material containing—</p> <p>(a) any information which is confidential under the Banking Act or any other enactment; and</p> <p>(b) a privileged communication by or to a legal practitioner in that capacity,</p> <p>except in so far as the disclosure of the information is made according to law.</p> <p>The practice review is conducted in line with the APR Rules 2008 (amended in 2012) established by the Council under the Financial Reporting Act.</p> <p>FRC has other functions other than practice reviews. Each function in terms of methodology and material requirements is well established. In this sense, we may say that FRC has a</p>

	<p>separate inspection unit. However, due to limited resources, FRC does not have full-time inspectors to conduct the practice reviews. The personnel (full time staff of FRC) conduct both practice reviews and the other functions of FRC.</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The FRC has a policy whereby licensed auditors from big firms are inspected annually, whilst licensed auditors from other firms are inspected on a 3-year cycle.</p>						
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <table border="0" data-bbox="563 1084 1342 1189"> <tr> <td>Licensed Auditors</td> <td style="text-align: right;">214</td> </tr> <tr> <td>Number of registered audit firms:</td> <td style="text-align: right;">112</td> </tr> <tr> <td>Number of public interest entities (PIEs):</td> <td style="text-align: right;">565 (Approximately)</td> </tr> </table> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>90% of the listed entities are audited by large audit firms.</p>	Licensed Auditors	214	Number of registered audit firms:	112	Number of public interest entities (PIEs):	565 (Approximately)
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<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p>						

	<p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁴ are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>FRC is wholly responsible for the registration of auditors, that is it receives the application, processes the application, assesses the application, approves the application and issues the license.</p>
	<p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁵ are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>As per law, FRC has the power to set auditing and ethical standards, however, at present the jurisdiction adopts the International Standards on Auditing and the IFAC Code of Ethics for Professional Accountants issued by IFAC.</p>
	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit</p>

⁴ For the purpose of this Member Profile, the audit profession does not include an individual who is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

⁵ Ibid.

	<p>profession⁶ are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">Not applicable</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>FRC has the power to enforce which is provided for under Section 21 of the Financial Reporting Act. For that purpose, FRC has an Enforcement Panel established under Section 17 of the Financial Reporting Act which has the mandate to determine the appropriate action to be taken after considering the findings and recommendations of the Audit Practice Review Panel (this panel has the role to conduct the practice reviews under Section 20 of the Financial Reporting Act). Of note, ‘action’ is interpreted as sanction.</p> <p>The Enforcement Panel shall inform the Council of any determination made, and the Council notifies the auditor of its final decision (that is the Council has the power to impose the sanctions on the auditors).</p> <p>The process of enforcement is provided under Section 21 of the Financial Reporting Act which stipulates the following:</p> <p>(1) The Enforcement Panel shall, as soon as practicable, consider any findings and recommendations referred to it by the Financial Reporting Monitoring Panel, the Audit Practice Review Panel, or the Council and shall, on the basis of the findings and recommendations, determine the appropriate action to be taken.</p> <p>(2) Where the Enforcement Panel makes a determination under subsection (1), it shall inform the Council thereof.</p> <p>(3) The Council shall, within 30 days of receipt of the determination under subsection (2), ratify, vary or make such other decision as it considers appropriate and it shall give written notice to the public interest entity, licensed auditor or audit firm, as the case may be, of its final decision.</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners</p>
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	<p>from the audit profession⁷ are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p>
	<p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p style="text-align: center;">Not applicable</p>
<p>8. Main Other Responsibilities of the Member outside the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>Yes, as per Section 76 of the Financial Reporting Act, FRC has the responsibility to review the annual reports of the public interest entities.</p> <p>Section 75 of the Financial Reporting Act requires every PIE to comply with IFRS and the National Code of Corporate Governance. In this regard, FRC reviews the annual reports to ensure that same is in compliance with the Financial Reporting Act.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <ul style="list-style-type: none"> (a) FRC Mauritius has worked on Regulations on quantum of penalty to be imposed on auditors and publication in the Government Gazette is being awaited; (b) Rules on registration of audit firms is being finalized; (c) FRC Mauritius and the Bank of Mauritius agreed on a Memorandum of Understanding in December 2019; (d) FRC Mauritius and the PAAB of Namibia agreed on a Memorandum of Understanding in December 2019; (e) FRC hosted the 2nd AFIAAR meeting which was held in May 2019;

⁷ Ibid.