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E-NEWSLETTER

FIRST ISSUE 2023



**The regulatory body of the
Accounting Profession in
Mauritius**

VISIT US AT

Suite 1104, 11th Floor, SIT Business Centre
- The CORE, 62, Cybercity, Ebene,
Mauritius

IMPORTANT UPDATES

CONSTITUTION OF THE NEW BOARD

MIPA is self-monitored by the profession in a transparent manner through its Board which consists of members of the professional accountancy bodies specified in the Act and elected by the general assembly. In accordance with section 47 of the Act, the current Board for 2022/23 was constituted on Wednesday 21st September 2022 and the current office bearers are:



Mr. Mohammad Sallah-Ud-Din Surfraz (Den)
Chairperson



Mrs. Valerie Carolle Wong Choi Wah
1st Vice-Chairperson



Mr. Piang Cheong Chin Koon Siw (Nick)
2nd Vice-Chairperson



Mr. Mohammud Umar Quayyam Annowar
Secretary



Mr. Dwarka Soochit
Treasurer



Mr. Krishnanand Jeewon
Board Member

WORLD CONGRESS OF ACCOUNTANTS

MIPA attended the World Congress of Accountants (WCOA), considered as the world's premier event for the accounting profession. The event was held from 18 November to 21 November 2022. This year's theme was 'Building Trust Enabling Sustainability'. It provided delegates with an opportunity to network amongst peers and upgrade their skill sets. It provided insights from industry leaders, deliberating on current and future paradigms of the profession stressing the need of protecting the public interest and responsibility towards a sustainable world.



[View the Grand Opening Ceremony.](#)

RENEWAL OF MOU WITH ICAEW

MIPA renewed its Memorandum of Understanding (MoU) with the Institute of Chartered Accountants in England and Wales (ICAEW) on December 02, 2022, in Mauritius. The MoU was signed by the Chairman of MIPA, Mr. Mohammad Sallah-Ud-Din Surfraz (Den) and the Chief Executive Officer of ICAEW, Mr. Michael Izza.

The momentous signing ceremony was held in the presence of representatives of the ICAEW, namely Mr. Michael Izza, CEO, and Mrs. Meghan Doyle, International Business Development Manager, and the Board members of MIPA: Mr. Mr. Mohammad Sallah-Ud-Din Surfraz (Den), Mrs. Valerie Carolle Wong Choi Wah, Mr. Piang Cheong Chin Koon Siw (Nick), Mr. Mohammud Umar Quayyam Annowar, and Mr. Dwarka Soochit.

The renewal of this MoU demonstrates the strengthening ties and further commitment of MIPA and ICAEW to work even more closely in developing education, training and continuing professional development, and the promotion of high professional standards.



EVENTS

JULY 2022

AML/CFT and UN Sanctions Act for the Accountancy Sector: A Comprehensive and Practical Training

MIPA organised a training session on AML/CFT and UN Sanctions Act for the Accountancy Sector on Wednesday 13th July 2022 via Zoom Webinar. This course has been devised to equip accountants and accountancy firms with practically grounded knowledge of the Amendments to the Financial Intelligence and Anti-Money Laundering Act (FIAMLA), FIAML Regulations 2018 and 2019, Offences and penalties, Applicable regulatory guidelines and interventions, UNSA Screening (Manual), Risk-Based Approach, Risk Assessment, AML/CFT Internal Controls and Filing of STR. A total of 178 participants attended the training session.

ICC Outreach on Introduction to the Virtual Asset Space - Legal Obligations

The Technical Sub-Committee on Legal and Regulatory Requirements, Training and Outreach (TSL), organised a virtual workshop on Introduction to the Virtual Asset Space - Legal Obligations to be held on Friday 22nd July 2022. The primary goal of this workshop is to apprise MLRO/DMLRO/CO of the legal obligations pertaining to the virtual asset space in Mauritius under the Virtual Asset and Initial Token Offering Services Act 2021. This workshop, hosted by MIPA, saw the participation of 365 viewers.

AUGUST 2022

Presentation on the activities of the International Accounting Standards Board (IASB).

ACCA Mauritius, in collaboration with MIPA, organised a presentation on the activities of the International Accounting Standards Board (IASB) on Tuesday 16th August 2022, at Voila Bagatelle Hotel.

ICC Outreach on Enforcing the VAITOS Act

The Technical Sub-Committee on Legal and Regulatory Requirements, Training and Outreach (TSL) organised a virtual workshop on 'Enforcing the VAITOS Act' on Thursday 18th August 2022. The primary goal of this workshop is to apprise MLRO/DMLRO/CO of the applicability of the Virtual Asset and Initial Token Offering Services Act 2021. This workshop, hosted by MIPA, saw the participation of 327 viewers.

AUGUST 2022

Training on 3 Statement Model (Advanced Level)

MIPA, in collaboration with FMC Mauritius, organised a two-day training session on 3 Statement Model (Advanced Level), on Wednesday 17th August 2022 and Wednesday 24th August 2022, at Voila Bagatelle Hotel. This course was designed to enable participants to write their own shortcuts; build a financial model using world-class standards such as FAST and ICAEW standards; factor in scenario analysis and automate a financial model using VBA codes.



Training session on ISQM 1, ISQM 2 and ISA 220 Practical Implementation

MIPA, in collaboration with the Financial Reporting Council (FRC), organised a training session on ISQM 1, ISQM 2 and ISA 220 Practical Implementation on Thursday 25th August 2022, at The Westin Turtle Bay Resort & Spa Mauritius, Balaclava. This event welcome more than 100 participants.



SEPTEMBER 2022

Training on 3 Statement Model (Advanced Level)

MIPA, in collaboration with FMC Mauritius, organised a two-day training session on 3 Statement Model (Advanced Level), on Tuesday 20th September and Tuesday 27th September 2022, at the Caudan Arts Centre, Port-Louis. This course was designed to enable participants to write their own shortcuts; build a financial model using world-class standards such as FAST and ICAEW standards; factor in scenario analysis and automate a financial model using VBA codes.

Complimentary webinar on Obligations of professional accountants in Mauritius

ACCA Mauritius organised a complimentary webinar on Obligations of professional accountants in Mauritius on Monday 26 September 2022. The aim of this webinar is to provide an update on the legal obligations of professional accountants vis-à-vis the Mauritius Institute of Professional Accountants (MIPA), the Financial Reporting Council (FRC), and the Financial Services Commission (FSC).

QUARTER 4, 2022



OCTOBER 2022

Joint Event on ‘Disrupting SME Financing through debt investment’

Funkiss, in collaboration with ACCA Mauritius and MIPA, organised a presentation on Disrupting SME financing through debt investment, on Wednesday 12th October 2022, at Flying Dodo, Bagatelle.

Training on IFRS Updates

MIPA, in collaboration with Deloitte, organised a training session on IFRS Updates on Tuesday 25th October 2022, at the Hennessy Park Hotel, Ebene. A total of 78 participants attended the training.



NOVEMBER 2022

ICC Outreach on Customer Due Diligence, Enhanced Due Diligence, Transaction Monitoring and Suspicious Transaction Reporting

The Technical Sub-Committee on Legal and Regulatory Requirements, Training and Outreach (TSL), organised a virtual workshop on ‘Customer Due Diligence, Enhanced Due Diligence, Transaction Monitoring and Suspicious Transaction Reporting’ on Friday 04 November 2022. The primary goal of this workshop is to apprise MLRO/DMLRO/CO of the legal obligations and importance of CDD/EDD, transaction monitoring and Suspicious transaction reporting. This workshop, hosted by MIPA, saw the participation of 453 total viewers.

Virtual Educational Session on the Amendments brought in by Finance Act 2022

MIPA, in collaboration with the Mauritius Revenue Authority (MRA), organised a free virtual session on the Amendments brought in by Finance Act 2022 to the various Fiscal Laws, on Thursday 10th November 2022. This session, hosted by MIPA, saw the participation of a total of 547 attendees.

DECEMBER 2022

ICC Outreach on Roles of Compliance Officer & Money Laundering Reporting Officer and Beneficial Ownership

The Technical Sub-Committee on Legal and Regulatory Requirements, Training and Outreach (TSL), organised a virtual workshop on ‘Roles of Compliance Officer & Money Laundering Reporting Officer and Beneficial Ownership’ on Wednesday 14th December 2022. The primary goal of this workshop is to apprise MLRO/DMLRO/CO of their roles and duties under the law and the legal obligations pertaining to Beneficial Ownership. This workshop, hosted by MIPA, saw the participation of 374 total viewers.

EDITOR'S PICK

BUSINESS EMAIL COMPROMISE

By Mrs. Devika Doorgah and Mrs. Meenakshi Ramchurn



The Accountancy profession has greatly evolved during the past years and we note that Accountants are called upon to learn about ongoing uncertainties of the external environment and its impact on the business. As Professional Accountants, one must have a good knowledge of the strategic and business risks affecting their respective organization in order to maintain operational resilience in the current fast-changing, interconnected environment.

In line with this continuous upskilling process, Accountants should keep abreast of the risks that may be faced by an organisation, and fraud risks can be considered amongst one of the primary risks as it may impact the on-going concern of the organization. Large frauds have led to the downfall of entire organizations, massive investment losses, significant legal costs, incarceration of key individuals, and erosion of confidence in the capital markets. One of those common fraud scams is Business Email Compromise (BEC) also known as Email Account Compromise (EAC)/ Chairman Fraud.

According to the Federal Bureau of Investigation (FBI) of the United States Government, BEC — is one of the most financially damaging online crimes. It exploits the fact that so many of us rely on email to conduct business be it personal or professional.

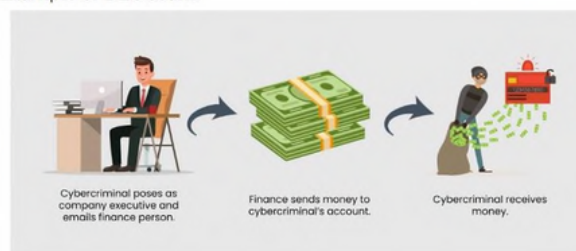
Every year, businesses, government agencies, and non-profits throughout the world lose trillions of dollars due to this type of fraud. The COVID-19-

pandemic and the resulting economic recession have further raised the level of risk, which is expected to bring a dramatic increase in fraud levels in the coming years.

Fraudsters are making the most of this situation to further ramp-up BEC scams as they have the know-how of tricking the victims into performing transfers to an account or location the fraudster has access to.

In a typical BEC scheme, the victims receive an email they believe is from one of their stakeholders, but this specific email requests funds be sent to a new account or otherwise alters the standard payment practices. BEC fraud is very profitable since it only needs to be successful a few times to be highly cost-effective for criminals.

Example of BEC scam:



The Risks to Businesses, which experienced BEC fraud:

- Significant financial loss
- Reputational damage
- Impact of Stock Market Price
- Loss of Jobs in some cases
- Loss of credibility

To protect yourself from this fraud, be on the lookout for the following red flags:

- Unexplained urgency
- Last minute changes in wire instructions or recipient account information
- Last minute changes in established communication platforms or email account addresses

- Communication is made only by email and refusal to communicate via telephone or online voice or video platforms
- Requests for advanced payment of services when not previously required
- Requests from employees to change direct deposit information
- Carefully examine the email address, URL, and spelling used in any correspondence. Scammers use slight differences to trick your eye and gain your trust.
- Communicate the official police record for the complaint lodge to your bank
- To report the matter to the Mauritian National Computer Security Incident Response Team on MAUCORS – The Mauritian Cybercrime Online Reporting System (MAUCORS) which is a secure channel for reporting cybercrimes. Depending on the nature of the incident, it shall then be escalated to the relevant institution for investigation.

What to do in case you or your company is victim of Fraudulent Transfers?

- Immediately contact your bank to report the incident and request for a recall of funds;
- Have the communication devices (smart phone, PC, Tablet) scanned/disinfected and update them with an effective antivirus so as to get rid of any malware/spyware;
- Inform the contacts/suppliers that their e-mail might have been compromised and to scan their communication devices as well and exercise due care as regards e-mails purportedly emanating from them;
- Consider to change email password or email address and communicate the new email address to the bank and contacts at the earliest;
- Perform a call back systematically with suppliers (on registered phone number) whenever an invoice is received by email for payment;
- Use precaution when opening emails from acquaintances and do not open email attachments unless they are from trusted sources;
- Establish corporate policies and an employee awareness program to inform employees of how malware is introduced and what to do if malware is suspected;
- Keep records of your customers' habits including the details, and reasons behind payments.

Where can you also report this misfortune of being victim of Fraudulent Transfers Scam?

- To report the matter officially to the Cybercrime Unit of the Police who should investigate the case

WORLD CONGRESS OF ACCOUNTANTS 2022

A personal perspective

By Subhas Purgus, FCCA, Consultant at Masterson Associates Ltd



I had the pleasure and privilege to attend the 21st World Congress of Accountants (WCOA) which was held at the Jio World Convention in Mumbai, India from 18 to 21 November 2022.

It was my second attendance at such an event after the last one in Sydney in 2018.

The WCOA 2022 was attended by over 6,500 professional accountants from over 120 countries around the world. Another 3,500 of our peers were connected virtually.

The program of the 4-day event was packed with topics of accounting, taxation, global economy, empowerment, new technology, motivation, and positive thinking among others. The theme of this edition of WCOA was “Building Trust, Enabling Sustainability” which was very relevant in today’s global economic situation and challenging times.

The event was hosted by the Institute of Chartered Accountants of India (ICAI) and I must say they have done a herculean and marvelous job in terms of organization, security, and entertainment. The ICAI which has reached 73 years of existence has given tremendous service to all stakeholders in India and is at the forefront of new developments and maintains the highest standards at all levels of the profession.

Several eminent speakers, business experts, and celebrated leaders graced the event and enthralled the audience with thought-provoking messages.

The WCOA provided delegates the opportunity to network among peers and upgrade their skills. The crucial role of the accountant in relation to trust and professional ethics was emphasized in most of the presentations. The event was an appropriate platform for interaction among regulators, standard setters, academicians, and professional accountants both from the public sector and the practice. The WCOA also provided a unique opportunity for showcasing innovative ideas and a glimpse of what the future may look like for the profession.

One thing that really struck me was the solidarity and the bonding among the Indian Chartered Accountants. Although there were thousands of them, I got the feeling that they were united in the mission to make a huge success of the Congress and to showcase India as a leader in the global economy. They are very enthusiastic and optimistic about the future of their country. I personally concluded that right now the best country to live in and invest in is ‘Incredible India’.

The ACCA being one of the Gold sponsors had organized a Reception/dinner for its members who attended the Congress. It was a rewarding experience to network with ACCA members from India. I also had the opportunity to meet with Helen Brand, the ACCA CEO whom I have known since 1997, and the current President, Mr. Joseph Owolabi.

I note that attending such an event is not a priority to Mauritians, although I understand a dozen of us were at the WCOA in India. It was a pleasure to meet with Den Surfraz and Dwarka Soochit, Chairman and Treasurer respectively of the MIPA at the event. I most sincerely request my fellow professionals to form part of this global event at least once in their lifetime. It is a highly inspiring occasion and something to remember. No wonder, the WCOA is commonly known as the “Olympics of Accountants” and participation is what counts rather than winning a medal.

UNDERSTANDING THE SOLVENCY TEST

Mr. Ravi Sookur FCCA and Ms. Shahina Chattun FCCA



What the law says?

As per Section 6(1) of the Companies Act 2001 before making a distribution (such as paying a dividend), a company shall satisfy the solvency test:

A company shall satisfy the solvency test where -

- a. the company is able to pay its debts as they become due in the normal course of business; and*
- b. the value of the company's assets is greater than the sum of –*
 - i. the value of its liabilities; and*
 - ii. the company's stated capital.*

In determining whether the value of a company's assets is greater than the value of its liabilities, the Board of Directors needs to rely on:

- i. in the case of a public company or a private company other than a small private company, the most recent financial statements of the Company prepared in accordance with International Accounting Standards;*
- ii. in case of small private company, the most recent financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances; and*
- iii. a valuation of assets or estimates of liabilities that are reasonable in the circumstances*

The solvency of a business is assessed by looking at the Statement of Financial Position (SOFP) - commonly known as the Balance Sheet. However, the Company should ensure that it has adequate cash resources before any payment of dividend.

Example 1

Below is an example on how the solvency test is applied:

Distribution of Dividend (Rs 3M)

	Before distribution of dividend at 31 Dec 21	Distribution of dividend	After distribution of dividend at 31 Dec 21
Fixed Assets	4,000,000		4,000,000
Trade and other receivables	1,500,000		1,500,000
Loan receivables	2,000,000		2,000,000
Deposits	200,000		200,000
Fixed deposits	850,000		850,000
Cash and cash equivalents	6,250,000		6,250,000
	<u>14,800,000</u>	-	14,800,000
Proposed dividend	-	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Total assets	<u>14,800,000</u>	<u>(3,000,000)</u>	<u>11,800,000</u>
Share capital	1,000,000		1,000,000
Total liabilities	<u>5,500,000</u>		<u>5,500,000</u>
Total Liabilities + stated capital	<u>6,500,000</u>		<u>6,500,000</u>
Excess	<u>8,300,000</u>		<u>5,300,000</u>
	Solvency test satisfied		Solvency test satisfied

In this example, the company satisfies the solvency test, both before and after the Proposed Dividend amount. It also has the cash resources to pay such dividends.

In practice, there are cases where there are not sufficient cash resources as at the date when the dividend proposal is approved. Some of the assets might still be in terms of Receivables and not immediately liquid. However, the company can pay these dividends as and when cash resources become available during the course of the year.

What if the solvency test requirements are not met?

We can consider broadly 2 situations:

1. A company which is not able to pay its debts as they become due is often said to be “cash-flow” insolvent.
2. A company where the total liabilities are greater than the total assets is often said to be “balance-sheet” insolvent.

Under the first situation above, the company may need to dispose of some illiquid assets to meet its payment obligations and the Board can take certain actions to alter the company’s position to make it become cash-flow solvent.

However, in the second situation, it might be advisable to look at the components of the Balance Sheet to determine whether the company is actually in a distress situation which the Board should consider or whether the ‘insolvency’ situation is merely arising as a result of Presentation of Financial Statements under applicable accounting standards.

In the event the Board finds that the company is indeed in an Insolvent position, then it should stand guided by the requirements of S162 of the Companies Act 2001 as explained further in the article (see paragraph Other Board considerations).

Example 2

We look at a hypothetical example whereby a company invoices its customer a huge amount for a service to be provided over several years and, as per the contractual agreement, the full consideration is paid upfront. This will give rise to a Deferred Revenue (a liability in the Balance Sheet). This Deferred Revenue sitting on the Balance Sheet will be recognised as Revenue in the Income Statement over the remaining years of the service agreement, as and when the services are performed.

It is worth noting that such a 'liability' is definitely not a financial liability as defined under IAS 32, since the outflow of economic benefits associated with it is the performance of a service rather than a contractual obligation to pay cash. However, the law, as it is written, does not provide clarity on whether such liabilities should be disregarded when computing the Solvency test for distribution or any other purpose.

The responsibility should lie with the Board to decide whether to include such liabilities in the equation.

Other Board considerations

The solvency test is also relevant to S162 of The Companies Act 2001, especially as far as the Board is concerned.

'162. Duty of directors on insolvency

1. *A director of a company who believes that the company is unable to pay its debts as they fall due shall forthwith call a meeting of the Board to consider whether the Board should appoint a liquidator or an administrator.*
2. *Where a meeting is called under this section, the Board shall consider whether to appoint a liquidator or an administrator, or to carry on the business of the company.*
3. *Where -*
 - a. director fails to comply with subsection (1);*
 - b. at the time of that failure the company was unable to pay its debts as they fell due; and*
 - c. the company is subsequently placed in liquidation,*

the Court may, on the application of the liquidator or of a creditor of the company, make an order that the director shall be liable for the whole or any part of any loss suffered by creditors of the company as a result of the company continuing to trade.

In this situation, the solvency test is necessary for the Board to determine whether the company is able to pay its debts as they fall due and take a decision under the circumstances to avoid being personally liable for losses suffered by creditors.