# REPORT OF THE DIRECTOR OF AUDIT

On the Financial Statements of the District Council of Rivière de Rempart for the year ended 30 June 2019

NATIONAL AUDIT OFFICE\_



### NATIONAL AUDIT OFFICE

## REPORT OF THE DIRECTOR OF AUDIT TO THE DISTRICT COUNCIL OF RIVIÈRE DU REMPART

#### Report on the Audit of the Financial Statements

#### **Opinion**

I have audited the financial statements of the District Council of Rivière du Rempart, which comprise the statement of financial position as at 30 June 2019 and the statement of financial performance, statement of changes in net assets/equity, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the District Council of Rivière du Rempart as at 30 June 2019, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

#### **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 Financial Statements' section of my report. I am independent of the District Council of Rivière du Rempart in accordance with the INTOSAI Code of Ethics, together with the ethical requirements that are relevant to my audit of the financial 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.

#### **Key Audit Matters**

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters to communicate in my report.

#### **Emphasis of matter**

I draw attention to:

- Note 2 to the financial statements concerning Statement of Compliance and Basis of Preparation. The District Council of Rivière du Rempart initiated accrual basis IPSASs on 1 July 2017 and elected to adopt the transitional exemptions in IPSAS 33, First-time Adoption of Accrual Basis IPSASs that allows it a transitional period of up to three years. As a result, the District Council of Rivière du Rempart is not able to make an explicit statement about its full compliance with accrual basis IPSAS.
- Note 39 to the financial statements wherein it is reported that, in 2019, the Arbitrator has issued an award in favour of a contractor for the payment of compound interest of 15.33 per cent on the capital sum of Rs 72.9 million up to the date of its payment and thereon interest of 3.5 per cent per annum on the accrued interest up to the date of final settlement. In January 2022, the Supreme Court annulled the award on a point of law. In April 2022, the contractor has applied for leave to appeal against the judgement. Hearing of the Judicial Committee of the Privy Council has been fixed for 26 April 2023. A contingent liability of Rs 444.7 million was disclosed.

My opinion is not modified in respect of these matters.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial 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 financial 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 financial 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 control.

- 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the District Council of Rivière du Rempart to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial 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 financial 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 Responsibilities for Compliance

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible to ensure that the Council's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.

#### Auditor's Responsibilities

In addition to the responsibility to express an opinion on the financial statements described above, my responsibility includes reporting to the Council whether:

(a) I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit;

b) in my opinion, any loss or deficiency is wholly or partly due to the negligence or

misconduct of any person;

(c) in my opinion, any sum which ought to have been so brought but which, due to wilful

default or negligence, has not been brought into account;

(d) there has been any failure to recover any fee or other change in the manner specified in

Section 101; and

(e) the provisions of Part V of the Public Procurement Act regarding the bidding process

have been complied with.

I performed procedures, including the assessment of the risks of material non-compliance, to

obtain audit evidence to discharge the above responsibilities.

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

for my opinion.

Local Government Act

I have obtained all information and explanations which to the best of my knowledge and belief

were necessary for the purpose of my audit.

Based on my examination of the accounts of the District Council of Rivière du Rempart, I have determined that there is no matter to communicate regarding items (b), (c) and (d) under the

Auditor's Responsibilities section above.

Other Matter

The financial statements of the District Council of Rivière du Rempart for the year ended 30 June 2019, were submitted on 31 October 2019. The amended financial statements were

submitted on 28 March 2023.

Public Procurement Act

In my opinion, the provisions of Part V of the Act have been complied with as far as it could

be ascertained from my examination of the relevant records.

C. ROMOOAH

Director of Audit

National Audit Office

Level 14,

Air Mauritius Centre

**PORT LOUIS** 

24 April 2023



### The District Council of Riviere du Rempart

Financial Statements
Year Ended 30 June 2019



COUNCIL MEETING 23 March 2023

### THE DISTRICT COUNCIL OF RIVIERE DU REMPART STATEMENT OF FINANCIAL POSITION

#### **AS AT 30 JUNE 2019**

	NOTES	30 June 2019	30 June 2018
ASSETS		RS	<u>RS</u>
CURRENT ASSETS			
Cash and cash equivalent	10	44,716,509	25,549,833
Investment	9	732,252	=
Receivables from non-exchange transactions	11	15,989,290	28,903,377
Receivables from exchange transactions	11	13,749,002	13,715,176
Inventories	12	3,768,593	3,242,355
Total Current Assets		78,955,646	71,410,741
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	442,058,291	406,842,129
Investment Property	7	21,266,674	-
Intangible assets	8	35,799	61,619
Investment	9	-	732,252
Receivables from non-exchange transactions	11	2,219,961	2,795,901
Total Non-Current Assets		465,580,725	410,431,901
TOTAL ASSETS		544,536,371	481,842,642
CURRENT LIABILITIES	0.106		
Trade payables from exchange transactions	13	39,673,701	38,093,264
Payables from non-exchange transactions	13	385,000	
Borrowings	14	830,370	924,000
Employee benefits	16	13,974,309	3,363,765
Deferred Income	15	13,512,731	179,743,313
Prepayments Tatal Gurant Liabilities	13	846,700	323,300
Total Current Liabilities		69,222,811	222,447,642
NON-CURRENT LIABILITIES			
Borrowings	14	10,537,061	12,012,000
Employee benefits	16	289,069,161	298,249,965
Total Non-Current Liabilities	Si	299,606,222	310,261,965
TOTAL LIABILITIES		368,829,033	532,709,607
NET ASSETS/(LIABILITIES)		175,707,338	( 50,866,965 )
NET ASSETS/EQUITY			
Accumulated deficit		(112,851,471)	(288,389,149)
Reserves	17	288,558,809	237,522,184
TOTAL NET EQUITY		175,707,338	

Approved by Council at its meeting of 23 March 2023

Prembhoodas Ellayah

**CHAIRMAN** 

The notes  $\ 1\ \text{to}\ 42\ \text{are an integral part of the financial statements}.$ 

Rishi Kumar Nursing
CHIEF EXECUTIVE

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# THE DISTRICT COUNCIL OF RIVIERE DU REMPART STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
Revenue from Non-Exchange Transactions			
Trade Fees	18	18,485,975	20,621,100
Government Grant	21	320,947,752	360,499,213
Fines, Penalties and Levies	19	1,254,175	821,350
Other revenue	22	4,078,940	1,877,060
		344,766,843	383,818,723
Revenue from Exchange Transactions			
Building & Land Use Permit Fee		18,059,058	12,078,511
Rent Income	23	5,657,662	5,400,762
Interest Income	24	795,244	651,052
Other Revenue	25	2,269,740	2,426,309
		26,781,704	20,556,634
Total Revenue		371,548,546	404,375,357
Expenses:			
Compensation of Employees	26	130,270,856	149,794,047
Remuneration of Councillors	37	5,101,311	4,351,597
Utilities	27	28,690,765	26,740,314
Motor Vehicle Expenses	28	4,371,182	3,846,478
Repair and Maintenance	29	8,292,813	7,000,832
Cleaning Services	30	77,895,032	50,184,353
Employee Retirement Benefit Obligation	16	25,817,986	-
Grants and Subsidies	31	13,599,943	11,349,510
Professional and legal fees	32	2,346,207	4,664,798
Finance Cost	33	736,164	681,450
Other Goods and Services	34	10,642,839	8,927,100
Depreciation and Amortisation charges	6, 7 & 8	59,893,166	63,722,996
Total Expenses		367,658,264	331,263,474
Surplus for the year		3,890,282	73,111,883

The notes 1 to 42 are an integral part of the financial statements.

## THE DISTRICT COUNCIL OF RIVIERE DU REMPART STATEMENT OF CHANGES IN NET ASSETS / EQUITY

#### FOR THE YEAR ENDED 30 JUNE 2019

	Passage Fund	Land Revaluation Reserve	Accumulated Deficit	Total
Balance At 01 July 2017	952,113	111,877,540	( 374,088,463 )	( 261,258,810 )
Surplus for the year	-	-	73,111,883	73,111,883
Re-measurement of net defined benefit liability	-	-	12,848,370	12,848,370
Revaluation surplus on property	-	128,340,713	-	128,340,713
Derecognition of land vested by Ministry	-	(3,909,121)	-	(3,909,121)
Transfer to / from accumulated surplus	260,939	-	( 260,939 )	-
Balance At 30 June 2018	1,213,052	236,309,132	(288,389,149)	(50,866,965)
Balance At 01 July 2018	1,213,052	236,309,132	( 288,389,149 )	( 50,866,965 )
Prior year adjustment	-	-	169,090,252	169,090,252
Surplus for the year	-	-	3,890,282	3,890,282
Re-measurement of net defined benefit liability	-	-	2,771,200	2,771,200
Revaluation surplus on property	-	55,025,366	-	55,025,366
Derecognition of land vested by Ministry	-	(4,202,797)	-	(4,202,797)
Transfer to / from accumulated surplus	214,056	-	( 214,056 )	-
Balance At 30 June 2019	1,427,108	287,131,701	( 112,851,471 )	175,707,338

The notes 1 to 42 are an integral part of the financial statements.

## THE DISTRICT COUNCIL OF RIVIERE DU REMPART CASH FLOW STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	<u>RS</u>	<u>RS</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts		
Licences and permits	17,800,953	12,078,511
Finance income	7,597	-
Government Grant	328,697,583	250,403,527
Other income	8,173,181	8,393,824
Trade Fees	20,947,850	18,956,090
TOTAL	375,627,164	289,831,952
Payments		
Compensation of Employees	(164,856,904)	(150,204,215)
Goods and services	(120,524,361)	(94,155,366)
Grants and Subsidies	(5,224,217)	(13,940,748)
Rent paid	(106,500)	(3,652,836)
Other payments	(449,610)	(2,175,151)
TOTAL	(291,161,592)	(264,128,316)
Cash flow from operating activities	84,465,572	25,703,636
CASH FLOWS FROM INVESTING ACTIIVITIES		
Purchase of Property, Plant And Equipments	(65,004,777)	(45,596,332)
Purchase of Investment Property	(831,089)	-
Purchase of Intangible Assets	(40,230)	-
Net cash flow used in investing activities	(65,876,096)	(45,596,332)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments Of Borrowings	(924,000)	(924,000)
Increase In Deposits	1,501,200	2,501,066
Net cash flow from financing activities	577,200	1,577,066
Net Increase in Cash and Cash Equivalents	19,166,676	(18,315,630)
Cash and Cash Equivalents at beginning of year	25,549,833	43,865,463
Cash and Cash Equivalents at end of year	44,716,509	25,549,833
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The notes 1 to 42 are an integral part of the financial statements.

## THE DISTRICT COUNCIL OF RIVIERE DU REMPART STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2019

	Note	Original Budget RS	Final Budget RS	Actual RS	Performance Difference RS
BUDGETED REVENUE					
Trade Fees		21,800,000	22,144,575	18,485,975	(3,658,600)
Building And Land Use Permit Fee		10,000,000	12,765,287	18,059,058	5,293,771
Government Grant		246,000,000	246,000,000	260,565,630	14,565,630
Rendering Of Services		3,766,700	3,822,353	7,202,855	3,380,502
Finance Income		121,000	50,372	795,244	744,872
Rental Income		5,424,000	5,242,000	5,657,662	415,662
TOTAL BUDGETED REVENUE	_	287,111,700	290,024,587	310,766,424	20,741,837
BUDGETED EXPENSES					
Compensation Of Employees		129,602,294	127,441,320	130,204,531	(2,763,211)
Remuneration of Councillors		4,600,000	5,298,597	5,101,311	197,286
Employee Retirement Benefit Obligation		25,221,279	25,150,415	25,817,986	(667,571)
Cleaning Services		75,156,462	74,814,064	76,474,708	(1,660,644)
Utilities		24,120,000	26,860,814	28,690,765	(1,829,952)
Grants and Subsidies		15,525,000	15,534,990	13,599,943	1,935,047
Repairs And Maintenance		9,870,000	9,593,540	6,945,097	2,648,443
Motor Vehicles Expenses		4,085,000	3,535,017	4,371,182	(836,165)
Professional And Legal Fees		2,380,000	2,380,000	2,346,207	33,793
Goods And Services		5,556,778	7,796,442	7,439,688	356,754
Finance Cost	(i)	635,250	635,250	736,164	(100,914)
Rent		120,000	120,000	120,000	-
TOTAL BUDGETED EXPENSES	<u> </u>	296,872,063	299,160,449	301,847,582	(2,687,133)
NON-RECURRENT					
Advance Car loan payable		(5,300,000)	(1,500,000)	(449,610)	(1,050,390)
Advance Car loan received		730,280	768,756	701,514	67,243
Government Loan repayable		(924,000)	(924,000)	(1,568,569)	644,569
TOTAL NON-RECURRENT	_	(5,493,720)	(1,655,244)	(1,316,666)	(338,578)
CAPITAL EXPENDITURE					
Property, plant and equipment	_	(1,850,000)	(2,208,743)	(2,343,082)	134,339
APPROVED BUDGETED DEFICIT		(17,104,083)	(12,999,848)	5,259,094	23,224,731

## THE DISTRICT COUNCIL OF RIVIERE DU REMPART RECONCILIATION OF APPROVED BUDGET DEFICIT TO DEFICIT FOR THE YEAR FOR THE YEAR ENDED 30 JUNE 2019

APPROVED BUDGETED DEFICIT		5,259,094
NON-BUDGETED REVENUE		
Fines, Penalties And Levies	400,000	
Project Related Government Recurrent grant	3,715,838	4,115,838
NON-BUDGETED EXPENSES		
Youth Employment Programme Allowance	66,325	
E-Waste and Bulky Waste Collection	1,143,611	
Uplifting of drains and canals	1,347,716	
Cleaning of bare lands	276,713	
Divali Night	97,000	
Festival Bal Rann Zariko	95,770	
Independence Day Celebrations	134,832	3,161,967
NON-CASH ADJUSTMENT - EXPENSE		
Provision for bad debts	2,755,550	
Deferred income adjustment	(848,406)	
Depreciation and amortisation	59,893,166	61,800,309
CAPITAL EXPENDITURE FINANCE BY OTHER GRANTS		
Project Related Government Capital grant	55,817,878	55,817,878
Exclude Non Profit/(loss) items included above		
Property, plant and equipment		2,343,082
Advance Car loan payable		449,610
Advance Car loan received		(701,514)
Government Loan repayable		1,568,569
Surplus for the year		3,890,282

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 1. GENERAL INFORMATION

#### **Reporting Entity**

The District Council of Riviere du Rempart is a corporate body established under the Local Government Act 2011 (as amended), Part II Section 3 and 7. The place of management is at Royal Road, Mapou.

#### **Activities of the Local Authority**

The Council's principal activities are the provision of sound public infrastructure and its maintenance, household waste collection, licensing of business activities, issuing of development permit and the promotion of sport, leisure and welfare activities as stipulated under Section 50 of the Local Government Act 2011.

#### **Reporting Date**

The financial reporting period of the Council was for the twelve months ended 30 June 2019.

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements of the District Council of Riviere du Rempart have been prepared under the historic cost convention, unless stated otherwise, and in compliance with the Local Government Act 2011 and comply with International Public Sector Accounting Standards (IPSAS).

The Financial statements are presented in Mauritian Rupees (RS) which is the functional currency of the Council and all values are rounded to the nearest rupee. The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the direct method and the financial statements are prepared on the accruals basis.

Council has shifted from the International Financial Reporting Standards (IFRS) to the International Public Sector Accounting Standards (IPSAS) as from 2017-18, and has opted the three years transitional period in compliance with IPSAS 33. All the IPSASs standards have been applied at the date the financial statements were approved by the Council with the following exceptions.

Description	Effective Date	Effect on the Financial Statements
IPSAS 21 – Impairment of	01 January	Direct effect on Surplus / Deficit in the Statement of
Non-Cash Generating	2006	financial performance and Net Asset
Assets		
IPSAS 26 – Impairment of	01 April 2009	Direct effect on Surplus / Deficit in the Statement of
Cash Generating Assets		financial performance and Net Asset

# THE DISTRICT COUNCIL OF RIVIERE DU REMPART NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – CONTINUED

#### **Summary of Amendments to IPSASs**

The tables below set out the recent newly pronounced standards which have been adopted in the preparation of these financial statements 2018-19.

Standards	Pronouncement	Effective date	Comply as from
IPSAS 34	Separate financial statements	1 January 2017	FY 2017-18
IPSAS 35	Consolidated financial Statements	1 January 2017	FY 2017-18
IPSAS 36	Investment in Associate and Joint Ventures	1 January 2017	FY 2017-18
IPSAS 37	Joint Arrangements	1 January 2017	FY 2017-18
IPSAS 38	Disclosure of interest in Other Entities	1 January 2017	FY 2017-18
IPSAS 39	Employee Benefits	1 January 2018	FY 2017-18
IPSAS 40	Public Sector Combinations	1 January 2019	FY 2018-19
IPSAS 41	Financial Instruments	1 January 2022	FY 2018-19
IPSAS 42	Social Benefits	1 January 2022	FY 2018-19

#### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) CONSOLIDATION OF FINANCIAL STATEMENTS

#### **Controlled Entity**

Controlled entity is an entity which is controlled by another entity, called the controlling entity. Controlled entity over which the controlling entity has the power to govern the operating, financial and non-financial policies. The controlled entity is fully consolidated from the date on which control is transferred up to the date it ceases to be an associate. Upon loss of significant influence over the associate, the controlling entity ceased to consolidate the financial statements of the controlled entity and any remaining investment is recognized at it carrying amount.

Control is also assessed by protective rights, delegated power, de facto control and de facto agency arrangements. When a controlling entity-controlled entity relationship exists, consolidated financial statements are required.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (a) CONSOLIDATION OF FINANCIAL STATEMENTS – CONTINUED

#### Investments in Associates and Joint Venture

An associate is an entity in which the investor has significant influence while a joint venture arises when the investor has joint control. An investment in an associate or a joint venture is accounted using the equity and the proportionate consolidation method, respectively; and it is classified as a non-current asset under the available-for-sale asset in the consolidated financial statements of the controlling entity.

#### (b) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the District Council and the revenue can be reliably measured, regardless of when the payment is received.

The general policy of the Council is to recognize revenue on an accrual basis with the substance of the relevant agreement except to those specified below. Revenue is recognized as deferred income when there is a related condition attached that would give rise to a liability to repay the amount and/or where the income is deferred to match revenue against expenditure.

Financial reporting of revenue arising from exchange transactions when one entity receives asset or services, or has liabilities exchanged, and directly gives approximately equal value in the form of cash, goods, services or use of assets to another entity in exchange. Non-exchange transactions are those transactions where there is no exchange of approximate direct benefits or value between receiving and giving entities.

#### **Revenue from Exchange Transactions**

#### (i) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straightline basis on the accrual basis over the lease terms and is included in revenue in the statement of performance due to its operating nature.

#### (ii) Building and Land Use Permit (BLUP) fee

Building and land use permit fee is recognized on the accrual basis and accounted on the amount actually received and/or collected and development permit actually issued.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (b) REVENUE RECOGNITION – CONTINUED

#### **Revenue from Exchange Transactions - continued**

#### (iii) <u>Interest Income</u>

Interest income is accrued using a time proportion basis based in accordance of the relevant agreement and prevailing rate of interest. Interest income generated from investment of the Passage Liability is credited to the Passage Fund Reserve in equity in compliance with Section 81 (5)(b) of the Local Government Act 2011. Interest on car loan at the concessional rate of 4% is computed using the effective market rate of interest and it is recognized as revenue in the statement of financial performance.

#### (iv) Burial and Incineration fees

Burial and incinerator fees are recognized on the accrual basis that is the amount actually received and / or collected and service actually provided.

#### (v) Other Income

School fee and bus toll are recognized on the accrual basis, unless collectability is in doubt and cannot be recognized when it is uncertain that future economic benefit will flow to the Council, and the fair value of the asset can be measured reliably. While fee payable for duplicate receipt for loss of building and land use permit (BLP) and trade fee receipts are accounted for as income. Bus toll fee is payable one month in advance, else a 50% surcharge is levied on the fee due.

#### **Revenue from Non-Exchange Transactions**

#### (i) Trade fee

Trade fee is payable whenever an economic operator or any person carries out a classified trade as stipulated by the Local Government Act 2011 Section 122 (2). It is an offence to carry out such trade without the payment of the appropriate fees. However, there is a high risk that a trader failed to complete the procedure for cessation of business and thus the probability of receiving payment of trade fee is remote.

Thus, revenue from non-exchange transaction, trade fee, is recognized when the income is measured at fair value, is reliable and collectible. As the collectability of trade fee receivable is not reasonably assured, trade fee receivable and received is recognized on accrual basis.

A surcharge of 50% shall be levied on any amount not paid within the period specified in Section 122 (4) of the Local Government Act 2011.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (b) REVENUE RECOGNITION – CONTINUED

#### **Revenue from Non-Exchange Transactions - continued**

#### (ii) Advertising fee

Advertising fees are accounted for as income on an accrual basis unless collectability is in doubt and cannot be recognized when it is uncertain that future economic benefit will flow to the Council, and the fair value of the asset can be measured reliably.

#### (iii) Government Capital grants

Government capital grant is not recognized until there is reasonable assurance that the Council will comply with the conditions attached to them and that the grants will be received. A liability is recognised in respect of the condition attached to a grant with the specific purpose attached to the grant and related revenue shall recognised in the period the condition is satisfied.

#### (iv) Government grant-in-aid

Grant-in- aid is received from the Central government as compensation to meet expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs. They are recognized in the statement of financial performance in the period in which they become receivable.

#### (v) Transfer from other government entities

Revenue from non-exchange transactions with other government entities are measured at fair value (deemed cost) and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (c) TAXES

#### **Income Tax**

Local Authorities are exempted from payment of taxes on revenue as per the Audit and Finance Act.

#### Value added Tax

Value added tax paid on the procurement of asset, goods and services is not recoverable from the tax authority and therefore the tax paid is recognised as part of the cost of acquisition of the asset and expenses.

#### Tax deduction at source

Professional and service providers undertake contractual services for local authorities under an exchange transaction. Therefore, under the prevailing income Tax Act the Local authorities should retain a percentage of tax levied on the service cost (depending upon the service provision like consultancy, rental service, etc) and remit same to Mauritius Revenue Authority (MRA) on behalf of the service provider. This retention during the cut off period should be treated as financial liability.

#### (d) INVESTMENT PROPERTY

Investment property is land or buildings, or part of a building, or both held to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purpose or for sale in the ordinary course of business. Investment property is initially recognized at cost including all directly attributable expenses such as borrowing cost, legal fee and duties. In a non-exchange transaction investment property is measured at its fair value (deemed cost) at the date of acquisition or first recognition. It is recognized as an asset when it is likely that future economic benefits or service potential that are associated with the investment will flow to the Council and the cost or fair value of the investment property can be measured reliably.

Investment property acquired through a non-exchange transaction at no cost or for nominal value and if it is recognized for the first time, the asset is measured at its fair value as at the date of acquisition and the fair value gains is recognized under deferred liabilities and discharged to the statement of financial performance

Council has adopted the cost model for all investment properties and these assets are depreciated at the rate of 5% per annum.

# THE DISTRICT COUNCIL OF RIVIERE DU REMPART NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (d) INVESTMENT PROPERTY – CONTINUED

#### De-recognition of Investment Property

Investment property is de-recognised either when it is disposed or when it is permanently withdrawn from use or when there is a change in use and it is re-classified in the financial statement. The difference between the net disposal proceeds and the carrying amount of the asset is recognized as the surplus or deficit in the period of de-recognition.

#### (e) PROPERTY, PLANTS AND EQUIPMENT

#### **Measurement on Initial Recognition**

Property, plants and equipment (PPE) are recognized as assets if it is probable that future economic benefit or service potential associated with the assets will flow to the Council, and the cost or fair value of the item can be measured reliably. PPE is initially recognized at cost which includes any expense that is directly attributed to its construction or manufacture or acquisition to get the asset ready for its intended use, excluding borrowing cost. When an asset is acquired free of charge, or for nominal value, its cost is its fair value (deemed cost) as at the date of acquisition. When significant parts of the PPE are required to be replaced or renewed at intervals, Council recognizes such parts as individual additional assets with a distinct useful life and depreciates them accordingly. All other repairs and maintenance costs are expensed to surplus.

#### **Fair Value**

Fixed assets acquired in a non-exchange transaction at a nominal cost or for free are initially recognized at its deemed cost or its fair value. The fair value gain is accounted in the surplus when the title of the property is legally transferred by the transfer to the transferee. For land transferred by transfer to the transferee for maintenance purpose and the title need remains with the transfer the fair value gain is disclosed separately under land revaluation gains in the statement of net equity.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (e) PROPERTY, PLANTS AND EQUIPMENT – CONTINUED

#### **Class of Assets**

#### (i) Buildings

Buildings held for use in the supply of services and for administrative purposes are recognized in the financial statements at cost or transfer value, being the fair value at the date of transfer of ownership less any subsequent accumulated depreciation and/or accumulated impairment losses. No revaluation is carried out unless required to reflect the fair value.

#### (ii) Freehold Land

Land acquired by Council is initially valued at cost of acquisition and thereafter revaluated at regular interval. No depreciation is applicable.

Land transferred by real estate promoters are in principle transferred to the Council at the token amount of MUR 1 per plot or nominal amount. These land are transferred with conditions attached to the deed of sale which clearly stipulates constraints on its disposal or use. Land transferred is initially recognized in the statement of financial position at deemed cost which equate its market value and subsequently revalued at regular intervals. The difference between the fair and nominal value is credited to the land revaluation reserve in equity.

State land are vested to Council by the central government through its ministries for development, maintenance and administration purpose with constraints on its disposal or its use. These land are initially recognized at fair value on the date of transfer. The surplus between fair value and transfer cost is recognized in land revaluation reserve in equity. State land is de-recognised in the financial statement when the land is taken back by the central government and the land revaluation reserve is reduced by a corresponding amount in equity.

Land is subject to revaluation to determine the fair value on a rolling basis once every five years.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (e) PROPERTY, PLANTS AND EQUIPMENT – CONTINUED

#### (iii) Public Infrastructure

Construction and acquisition of community assets such as drains, new roads, resurfacing of existing roads, street lighting network, sport facilities, children playground and other community infrastructures are recognized under the public infrastructure and are depreciated during their economic useful life.

Cost of patching of roads, fixing of traffic signs and names plates are charged to the statement of financial performance as expenses in the year they are incurred. However, overhauling of roads are capitalized.

#### (iv) Other tangible fixed assets

IT equipment, office equipment, plants, machineries, furniture, fixtures, fittings and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses, and stated at its carrying value.

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or transfer of the asset. Any replacement of a significant part of an existing fixed asset is disclosed as individual assets with a specific useful life and depreciated accordingly. The replacement cost includes major cost of inspection and capitalized to the total cost. All other cost of repairs and maintenance are recognized in surplus or deficit as incurred.

Assets acquired in a non-exchange transaction free of charge or at nominal value are initially recognized at its fair value thereof at the date of acquisition and depreciated accordingly. The corresponding credit is recognized as income in the statement of financial performance otherwise it is deferred as a liability if there are conditions attached to the use of the asset.

Depreciation is charged so as to write off the cost of fixed assets less the residual value at the annual estimated rates over their useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (e) PROPERTY, PLANTS AND EQUIPMENT – CONTINUED

#### (v) Impairment of Assets

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. An impairment loss is recognized in the surplus or deficit.

#### (vi) De-recognition of Assets

Property, plant and equipment and/or any significant part of an asset are de-recognized upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising upon de-recognition or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the surplus or deficit in the statement of financial performance.

#### (vii) Assets Under Construction

Assets in the course of construction are carried out at cost less any recognized impairment loss. Cost includes professional fees and any related cost but excluding borrowing costs which is charged to surplus. Depreciation is chargeable as from the date the asset is classified to Property, Plants and Equipment for its intended use and the asset start generating economic benefit or service provision.

#### (viii) Depreciation Rates

The annual rates are used in the calculation of depreciation:

Building	5%
Public Infrastructure	20%
Computer and Equipment	25%
Furniture, Fixtures and Fittings	10%
Motor Vehicles	20%

#### (f) LEASES

Lease is classified as finance lease when all the risks and benefits incidental to ownership of an asset is transferred to the Council. Though the title is not transferred to the lessee, the asset under finance lease is recognized as asset and liability at the lower of the present value of minimum lease payments and the fair value of the property determined at the inception of the lease. The discount rate used is the incremental borrowing rate or the interest rate implicit in the lease. The land and building element of a lease is considered separately for the purpose of lease classification.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (f) LEASES – CONTINUED

#### (i) Finance Lease

Assets under finance lease is depreciated over its useful economic life. The asset is depreciated over the shorter of the estimated useful life of asset and the lease term when there is no reasonable certainty that council will obtain ownership of the asset by the end of the lease period.

Finance lease payment is apportioned between finance charge and reduction in outstanding lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost is recognized as expense in the statement of financial performance.

Finance lease receivable is recognized as asset in the statement of financial position at an amount equal to the net investment in the lease. Revenue received under a finance lease is recognized in the statement of financial performance based on a pattern reflecting a constant periodic rate of return on the Council's net investment.

#### (ii) Operating Lease

In an operating lease all risks and rewards incidental to ownership of the asset do not substantially transferred to the Council. Under an operating lease:

- The rent payment is recognized as expenses in the surplus or deficit on a straight-line basis over the lease term.
- Rent received/receivable from an operating lease agreement is recognised as income on a straightline basis over the lease term under the revenue from exchange transaction in the statement of financial performance.

Asset held under operating lease is disclosed in Council's statement of financial position according to its nature. Any initial direct cost incurred in finalizing an operating lease agreement is capitalized in the carrying amount of the leased asset and recognized them as expense over the lease term on the same basis as the lease revenue.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (g) INTANGIBLE ASSETS

Intangible assets are recognized if it is probable that future benefits or services potential that are attributable to the asset will flow to the Council, and the cost or fair value of the asset can be measured reliably. Internally generated intangible assets are not recognized. An intangible item that does not meet both the recognition and definition criteria is expensed in statement of financial performance when incurred.

Following the initial recognition as an intangible asset, it is accounted for using the cost model less any accumulated depreciation and impairment losses, except for an intangible asset acquired through a non-exchange transaction where it is measured at deemed cost or fair value at the date of acquisition. The economic useful life of an intangible asset is assessed as finite or infinite.

Application software is classified as an intangible asset while operating software is recognized as property, plant and equipment as it cannot be separated from the latter. The cost of intangible is amortized over its useful economic life. Impairment test is carried out whenever there is indication that the asset may be impaired.

Operating Software (Office) and software licenses

4 years (25%)

The amortization period and the amortization method for an intangible asset with a finite life are reviewed at the end of each reporting year. Any changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period and/or method as appropriate, and are treated as changes in accounting estimates. Amortisation expense is recognized in surplus or deficit under the amortization cost of intangible assets.

Gains or losses arising from de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is de-recognized.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (h) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, Council assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, Council makes an estimate of the asset recoverable amount.

A cash generating asset is an asset that is held with the primary objective of generating a commercial return whereas a non-cash generating asset is one from which Council do not intend to realize commercial return. Impairment test is carried out for intangible asset with an indefinite useful life or an intangible asset not yet available for use by comparing its carrying amount with its recoverable amount.

#### (i) Impairment of Cash Generating Assets

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use, and it is determined for an individual asset, unless does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or the cash generating unit exceeds its recoverable amount, the asset is considered impaired and it is written down to its recoverable amount. Any impairment loss or gain is immediately recognized in surplus or deficit.

When the estimated impairment loss exceeds the carrying amount of the asset to which it relates, Council recognizes a liability if it is required by another standard.

In computing the value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of financial performance in those expense categories consistent with the nature of the impaired asset.

# THE DISTRICT COUNCIL OF RIVIERE DU REMPART NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (h) IMPAIRMENT OF NON-FINANCIAL ASSETS – CONTINUED

#### (ii) Impairment of Non-cash Generating Assets

An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

The depreciated replacement cost approach has been adopted by Council, where the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The fair value less cost to sell is the market value/price less cost of disposal based on the best available information. An individual assessment of asset is carried out at each reporting date to identify any indication that previously impairment loss may no longer exist or may have decreased. An estimation of the asset's recoverable service amount is carried out. A previously recognized impairment loss is reversed only when there has been a change in the assumptions used to determine the asset's service amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior year. The reversal is recognized in the statement of financial performance under other gain/loss.

#### (i) FINANCIAL INSTRUMENTS

All financial instruments are initially measured at fair value plus or minus and in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Certain short-term receivables and payables are measured at the original invoice amount at initial recognition, if the effect of discounting is immaterial.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (i) FINANCIAL INSTRUMENTS – CONTINUED

#### (i) Financial Assets

Financial assets are recognized on the date that Council is committed to purchase or sell the asset and/or date on which the assets are transferred or delivered. The Council's financial assets include: cash and cash equivalent; term deposits; trade and other receivables; loans and other receivable; and inventories.

Financial assets are classified as:

- a) Subsequently measured at amortised cost,
- b) Fair value through net assets/equity or
- c) Fair value through surplus or deficit on the basis of both the management model for financial assets and the contractual cash flow characteristics of the financial asset.
- (a) A financial asset is measured at amortized cost if the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (b) A financial asset is measured at fair value through net assets/equity if the financial asset is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (c) A financial asset is measured at fair value through surplus or deficit unless it is measured at amortized cost in accordance with Para (a) above or at fair value through net assets/equity in accordance with Para (b).

Financial assets or part of it is derecognized: firstly, when the right to receive cash flows from the asset have expired or is waived. Secondly, when Council has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party. Thirdly, when Council has transferred substantially all the risks and rewards of the assets and/or Council has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received is recognized in surplus or deficit.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (i) FINANCIAL INSTRUMENTS – CONTINUED

#### (i) Financial Assets - continued

On disposal, the cumulative gain/loss previously recognized in net assets/equity is transferred to surplus or deficit together with the net difference between the carrying amount and consideration received.

#### The Council's financial assets include the following:

#### Loans to Employees

Loans to employees are provided to purchase motor car/motor cycle in line with the Pay Research Bureau recommendations. Loans are repayable in 84/72/18/15 monthly installments and an equal amount of interest is payable at the rate of 4% per annum during the loan period. After its initial measurement such assets are subsequently measured at amortised cost using the effective interest method less any impairment loss. For concessionary loans, the difference between the fair value and the loan is recognized as expenditure. However, if a present obligation exists, an asset is recognized and as the present obligation is satisfied, the liability is systematically reduced by an equal amount recognized as expense.

#### Impairment of financial assets

Loss allowance is measured at an amount equal to lifetime expected credit losses for Receivables that result from exchange and non-exchange transactions and lease Receivables.

An impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, is recognised in surplus or deficit

#### (ii) Financial Liabilities

A financial liability is recognised in the Statement of Financial Position when, and only when, the Council becomes party to the contractual provisions of the instrument. Except for short-term payables, at initial recognition, a financial liability is measured at its fair value plus or minus, in the case of a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

After initial recognition, a financial liability is measured at amortized cost or irrevocably designated a financial liability as measured through surplus or deficit.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (i) FINANCIAL INSTRUMENTS – CONTINUED

#### (ii) Financial Liabilities – continued

The Council's financial liabilities include the following:

#### Interest Bearing Loans and Borrowings (loan)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus/deficit when the liabilities are derecognized as well as through the amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Interest-bearing loans and borrowings that are expected to be settled within 12 months after the reporting are classified as current liabilities.

#### Concessionary Loans

Concessionary loans are granted to or received by the Council at below market terms. Below market terms result from interest concessions. Examples: loans from Government

As concessionary loans are granted or received at below market terms, the transaction price on initial recognition of the loan may not be its fair value. At initial recognition, the Council therefore analyses the substance of the loan granted or received into its component parts, and accounts for those components.

The Council assesses whether the transaction price represents the fair value of the loan on initial recognition by determining the fair value of the loan. Where an entity cannot determine fair value by reference to an active market, it uses a valuation technique. Fair value using a valuation technique is determined by discounting all future cash receipts using a market-related rate of interest for a similar loan.

Any difference between the fair value of the loan and the transaction price is treated as follows:

- (a) Where the loan is received by the Council, the difference is accounted for in accordance with IPSAS 23
- (b) Where the loan is granted by the Council, the difference is treated as an expense in surplus or deficit at initial recognition.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (i) FINANCIAL INSTRUMENTS – CONTINUED

#### (ii) Financial Liabilities – continued

#### De-recognition of financial liabilities

A financial liability (or a part of a financial liability) is de-recognised (removed from the Statement of Financial Position) when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, waived, cancelled or expires.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in surplus or deficit.

If part of a financial liability is repurchased, the previous carrying amount of the financial liability is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between (a) the carrying amount allocated to the part derecognized and (b) the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is be recognized in surplus or deficit.

#### (j) TRADE AND OTHER PAYABLES UNDER EXCHANGE TRANSACTION

All known trade payables are recognized at cost value. They are classified as current liabilities if payment is due within one year. Otherwise, they are presented as non-current liabilities. Short term payables may be measured at the original invoice amount if the effect of discounting is immaterial.

#### (k) PREPAYMENTS

Prepayments are recognized as financial liabilities when payment for goods or services has been made advance by clients or suppliers in of obtaining a right to access those goods or services.

The Council recognizes prepayments in relation to the following: rent, services.

Deposit by clients is released after the clients terminate the contract or undertakings within the term of the agreement, otherwise if the clauses of agreement are defaulted and/or infringed then the Deposit is confiscated to make good the impact of the defaults clause.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (I) SERVICE CONCESSION ARRANGEMENT ASSETS AND LIABILITIES

Service concession assets are assets that are operated by third party against payment under Service Concession Arrangement. The Council has adopted IPSAS 32 "Service Concession Arrangement Assets" and as at the reporting date there is no such asset in its property, plants and equipment which needs reclassification in line with the Standards.

#### (m) PROVISIONS

Provision is recognized if, as a result of a past event, the Council has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties required to settle the present obligation. When the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement, for example under an insurance contract.

#### (n) LOANS AND BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Interest bearing loans and borrowings are subsequently stated at amortized cost using the effective interest method. Any gain or loss derived from the difference between the proceeds and the redemption value is recognized in the surplus or deficit in the statement of financial performance over the period of the borrowings. Borrowing from government bearing concessionary rate of interest is subsequently measured at amortised cost using the effective interest method and the concessionary interest payment is recognized as a deferred revenue and released to the surplus/deficit in the statement of financial performance systematically.

#### (o) INVENTORIES

Inventories are measured at cost upon initial recognition. Inventory received free or at nominal cost in a non-exchange transaction is recognized at fair value at the date of acquisition.

Raw materials are accounted at purchase cost using the weighted average cost method.

# THE DISTRICT COUNCIL OF RIVIERE DU REMPART NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (o) INVENTORIES - CONTINUED

Work-in-progress and finished goods are accounted at cost of direct materials plus labour cost and a proportion of overheads based on the normal operating capacity, but excluding borrowing cost.

After initial recognition, inventory is measured at the lower of cost and net realisable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price or the market price less the estimated costs of completion of the sale, exchange or distribution.

Inventories are stated at weighted average value or weighted average price of lots of items where balance of the lot is greater than zero. Value for the item of stock is the cost charged by supplier. The Council values inventories at weighted average cost since all the items are interchangeable between departments. The Council practices the first in first out basis (FIFO) for the issue of stock items and stock items are replenished when the balance reaches nearly zero and as such the weighted average value equate the replacement cost (Fair value). Inventories are recognized as an expense when issued for utilization and consumption in the provision of services and administration of the Council. Inventories written-off is recognised as an expense.

#### (p) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank net of overdraft, cash in hand, short term deposits with a financial institutions and highly liquid investment with a maturity period of not exceeding three months which is readily convertible into cash and is not subject to significant risk of change in value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

#### (q) RECEIVABLES FROM EXCHANGE TRANSACTION AND NON-EXCHANGE TRANSACTIONS

Receivables from exchange transactions are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivable is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (q) RECEIVABLES FROM EXCHANGE TRANSACTION AND NON-EXCHANGE TRANSACTIONS - CONTINUED

Receivables from non-exchange transactions comprises: trade fees, grant-in-aid, advertising fees, any penalties associated with these activities and as well as any other benefit receivables that do not arise out of a contract. These receivables are initially recognized at the amount normally receivable that reflect the trade and advertising fees. Subsequently, the amount receivables are adjusted for surcharge and tested for impairment.

#### (r) CONTINGENT LIABILITIES

The Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources is remote.

#### (s) CONTINGENT ASSETS

The Council does not recognize a contingent asset, but discloses details of any possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Council in the notes to the financial statements.

#### (t) EMPLOYEE RETIREMENT BENEFIT

#### (i) State Plan

The Council contributes 6 % of the gross emoluments of part-time employees and employees who are not on a permanent and pensionable establishment to the National Pension Fund. The Council also contributes 2.5% of the gross emoluments of all employees to the National Savings Fund. These contributions are directly expensed in the surplus/deficit in the statement of financial performance in the year they are due.

#### (ii) Defined Contribution Plan

Defined contribution plans are post-employment benefit plans under which the District Council pays fixed contributions (12% of gross emoluments) into another entity, the State Investment Company of Mauritius Limited ("SICOM Ltd"), for new full-time employees who joined the Local Authorities from 1 January 2013 onwards. The District Council has no further payment obligations once the contributions have been paid. These contributions are expensed in the surplus/deficit in the statement of financial performance in the year they are due.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (t) EMPLOYEE RETIREMENT BENEFIT – CONTINUED

#### (iii) Retirement Pension to Retirees Before 1 July 2008

The Council pays retirement pension to those employees who retired before 1 July 2008. However, the total pension liabilities should be recognized in the statement of Financial Position even for those before June 2008, where there was no contribution by employee and employers to meet the foreseeable liabilities of the employee.

The obligation has been calculated by independent actuaries from SICOM Ltd and the accounting policy is as per the defined benefit plan.

The pension is expensed in the surplus / deficit in the statement of financial performance in the year they are due.

#### (iv) Compassionate Allowance

In accordance with the Local Authority Employees (Allowance) Regulations 1964 (GN 159 of 1964) the Council also pays Compassionate Allowance to part time employees who have been in service for more than 5 years on their retirement. This has been computed based on the number of year of services up to the year end, average annual wage for the last 5 years.

#### (v) Defined Benefit Plan

The Council operates a defined benefit plan, administered by and invested with SICOM Ltd. The pension plan is funded by payment of contribution to the fund (Council: 12% of gross emoluments and employee: 6% of gross emoluments) taking account of the recommendations of the Pay Research Bureau (PRB) report.

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, dependent on factors such as years of service and compensation.

The liability recognised in the statement of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation has been calculated by independent actuaries from SICOM Ltd using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields on bonds.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (t) EMPLOYEE RETIREMENT BENEFIT – CONTINUED

#### (v) Defined Benefit Plan - continued

Actuarial gains and losses arising from changes in actuarial assumptions are credited/charged to equity in the statement of changes in equity in the period when they arise.

Past service costs are recognised immediately in the statement of financial performance.

#### (vi) Bank of Sick Leave

Employee entitlements to bank sick leave as defined in the PRB report are recognized as and when they accrue to employees. An accrual is made for the estimated liability for bank sick leave. Bank of sick leave are expensed in the period the employee renders the service and a liability is recognized in respect of amount not paid at the end of the financial year.

#### (vii) Unutilized Vacation Leave

Employee entitlements to vacation leave as defined in the PRB report are recognized as and when they accrue to employees. An accrual is made for the estimated liability for unutilized vacation leave. Vacation leaves are expensed in the period the employee renders the service and a liability is recognized in respect of amount not paid at the end of the financial year.

#### (viii) Compassionate Allowance

Compassionate allowance is recognized as a liability and an expense for part-time employees of the village councils. The allowance is payable on retirement from service based on the average salary of five last year multiplied by the number of years of service.

#### (ix) Termination Benefits

Termination benefit is recognized as a liability and an expense when the Council is demonstrably committed to terminate the employment of one or more employees before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

The difference between the benefit provided for termination of employment at the request of the employee and a higher benefit provided at the request of the entity is a termination benefit.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (t) EMPLOYEE RETIREMENT BENEFIT – CONTINUED

#### (ix) Termination Benefits - continued

A liability in relation to termination benefits are recognized at the earlier of: when the entity can no longer withdraw the offer of those benefits and when the entity recognizes costs for a restructuring that is within the scope of IPSAS 19 and involves the payment of termination benefits.

Termination benefits are measured on initial recognition and subsequent changes are recognized in accordance with the nature of employee benefit, provided that, in cases where the termination benefits are an enhancement to post-employee benefits, the requirements for post-employment benefits are applied. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

#### (u) SOCIAL BENEFITS

Social benefits are cash transfers provided to specific individuals or household who meet eligibility criteria to mitigate the effect of social risks. Such benefits may cover an unemployment benefit, child benefits, medical aid, social aid and old age pension which is not covered under the employees retirement benefit.

#### (v) NATURE AND PURPOSE OF RESERVES

The Council creates and maintains reserves in terms of specific requirements for payment of passage credit and revaluation reserve is met for the recognition of fixed asset in the financial statements at nominal value or for free transfer. Any recognition or de-recognition of such land transferred to Council is accounted through the land revaluation reserve.

#### **Passage Fund Reserve**

Enacted under Section 81 of the Local Government Act 2011, a passage fund has been created by the Council to finance the payment of passage benefit to officers transferred from other Local Authorities, from the public service, from a statutory body or from any other institution.

In compliance with the Section 81(5) of the LGA 2011, all income derived from investment of the unutilized passage benefit payable to employees of the Council is transferred to equity under the item passage fund reserve in the statement of change in net assets/equity.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (v) NATURE AND PURPOSE OF RESERVES - CONTINUED

#### **General Fund**

Pursuant to Section 80 of the Local Government Act 2011 all local authorities are required to credit all revenue received in the general fund and pay all expenses and liabilities out of it.

#### **Land Revaluation Reserve**

The first-time recognition at fair value of land and property acquired in a non-exchange transaction from the Central Government or private entities for maintenance and administration purpose only without transfer of ownership are disclosed in the financial statement under the property revaluation reserve in the statement of changes in assets / equity separately to the general fund for a fair and true presentation of the financial statements.

#### (w) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or manufacture of qualifying fixed assets, which are assets that necessarily take substantial period of time to get ready for their intended use\_are added to the cost of those fixed assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of the specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Otherwise all other borrowing costs are recognized in the statement of financial performance in the period in which they are incurred.

The interest rate payable on the government loan is fixed at 5% throughout the repayment period.

#### (x) SEGMENT REPORTING

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial performance to evaluate past performance in achieving objectives and in making decisions about future allocation of resources.

Segments are reported in a manner consistent with the budget and monitoring reported to the parent Ministry and board of Councillors. The Ministry and Council are responsible for allocating financial and non-financial resources and assessing performance of the operating segments.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (x) SEGMENT REPORTING (CONTINUED)

Administrative and provision of services are reported separately as two different segments in line with the budget approved by the government.

#### (y) RELATED PARTIES

Related parties are entities that control or have significant influence over the reporting entity and parties that are controlled or significantly influenced by the reporting entity.

Members of key management are regarded as related parties and comprise the Chief Executive, Deputy Chief Executive, Head of Departments, District Councillors, members of Executive Committee and Permit and Business Monitoring Committee.

The Ministry of Local Government and Ministry of Finance and Economic Development are also regarded as related parties given that they have significant financial and operational influences over the council day to day operation. Land, property, plants and equipment are transferred to Council free of charge.

The Village Councils are managed and significantly influenced by its Chairperson, Vice-Chairperson and Village Councillors, given that they are separate legal entities as per local Government Act 2011. The District Council is responsible for overviewing the administration and management of funds. The District Council and its officers have no significant influence over the decision-making process of the Village Councils. The expenditure of Village Councils are disclosed under grant and subsidies in one line.

#### (z) EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events that occurs between the reporting date and the date—the audited financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the reporting date which require adjustment to the financial statements. Non-adjusting events are those that are indicative of conditions that arose after the reporting date which do not require adjustment of financial statements.

# THE DISTRICT COUNCIL OF RIVIERE DU REMPART NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### (aa) BUDGET INFORMATION

Budget information of local authorities are required to be made readily available for public inspection under section 85(e) of the Local Government Act 2011.

The annual budget estimates are prepared and approved by Council on the accruals basis and same are submitted to the parent ministry for its approval in compliance with Section 85 of the LGA 2011. The Minister approved the estimates in consultation with the Local Authorities Governance Unit of the Ministry of Finance and Economic Development with or without amendment.

During the financial year, the Council carried out monthly budget monitoring exercise to identify the need for any additional funding and a final revised budget estimates was submitted with expected expenditure and revenue for the ministerial approval.

Any difference between revised and actual expenditure and income is provided in the notes to the financial statements. The explanation gives the reasons for overall growth or decline in the budget and detail information of overspending and/or underspending on line items.

The budget and the financial statements are prepared using the accrual basis, however the presentation of the budget is based on line budgeting while the financial statements are prepared on the accruals basis using the nature based classification, IPSAS compliance and including the capital expenditure.

On the other hand, the budget estimates are approved by government on the accrual basis excluding capital expenditure and other projects related expenditures. The capital budget and specific purpose expenditures are approved separately during the financial year.

A comparison of budget and actual amounts, prepared on comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

The Council is not exposed to timing difference and equity difference, but exposed to basis difference, differences due to format, classification and under-provision leading to overspending.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

## 4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IPSAS requires the District Council to make certain accounting estimates and judgements that have an impact on the policies and the amounts reported in the financial statements. Estimates and judgements are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made, although actual experience may vary from these estimates.

The estimates and assumptions that have a significant risk of causing adjustment to carrying amounts of assets and liabilities are discussed below:

#### (i) Going Concern

Local authorities are financially and economically dependent on the Central Government for its operation and service provision to the citizen. The Council is of the view that the Central Government will continue to support district and municipal councils financially in the future through grant-in-aid appropriated by the National Assembly.

#### (ii) Provisions, Contingent liability and Contingent Asset

Provisions are measured at the management's best estimation of the potential financial obligational based on past event and available information at the reporting date. Contingency liability arises when there is a possible obligation to be confirmed by a future event that is outside the control of the Council, and it is disclosed in the notes to financial statements.

#### (iii) Provision for Bad Debts

Provision is made when there is objective evidence that the District Council will not be able to collect certain debts. This is made based on detailed analysis and historical experience.

#### (iv) Useful Economic Life and Residual Values

The economic useful life and its residual value is assessed based on the nature of the asset, its susceptibility and adaptability to changes in technology and process; the environment where the asset is deployed; expert advice; financial capacity to replace the asset; and change in the market in relation to the asset.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

## 4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

#### (v) Fair Value Estimation

Financial assets and financial liabilities recognized in the statement of financial position are derived from the active market based on the market price. In the absence of an active market the fair value is determined using valuation techniques such as discounted cash flow model. The inputs to the models are obtained from the market, otherwise judgment is required in establishing fair value. Judgement includes the consideration of inputs like liquidity risk, credit risk and volatility. Any change in assumptions may affect the fair value of the assets and liabilities.

#### (vi) Defined Benefit Obligations

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions such as discount rate, expected salary increase and mortality. Any change in these assumptions will impact the carrying amount of pension obligations.

#### (vii) Change in accounting policies

Any effect of change in accounting policies is applied retrospectively. The effect of changes in accounting policy are applied prospectively if retrospective application is impractical.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 5 FINANCIAL RISK MANAGEMENT

The District Council is exposed to financial, credit and liquidity risks. The overall risk management of the District Council is focused on the mitigation of liquidity and credit risks, and seek to minimize potential adverse effects on the financial performance and service delivery of the Council.

#### (i) Financial Risk

The only financial assets that Council may have are cash, cash equivalents and short-term bank deposit while the financial liability, other than its supplier liabilities, is its bank overdraft.

#### (ii) Interest Risk

Council does not have assets and liabilities that are materially exposed to any change in interest rate.

#### (iii) Credit Risk

Credit risk arises from credit exposures to customers. The Council does not consider the need to have an independent rating of its customers. In fact, no trade fee receipt is issued on credit while three-month credit facilities are allowed to holders of market stall in principle.

#### (iv) Liquidity risk

Liquidity risk is the risk of the Council not being able to meet its obligations as they fall due. Council's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without affecting service provision to citizen. Prudent liquidity risk management implies maintaining sufficient cash on demand to meet expected operating expenses through a good monitoring of credit facilities from suppliers, the use of cash flow forecast and monthly budget monitoring.

#### **NOTES TO FINANCIAL STATEMENTS**

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 6 PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	Public Infrastructure	Computer & Equipment	Furniture, Fixtures & Fittings	Motor Vehicles	Asset under construction	<u>Total</u>
	<u>RS</u>	<u>RS</u>	<u>RS</u>	<u>RS</u>	<u>RS</u>	<u>RS</u>	<u>RS</u>	<u>RS</u>
<u>Depreciation Rate:</u>	0%	5%	20%	25%	20%	20%	0%	
COST:								
As at 01 July 2017	45,611,396	127,982,294	158,171,860	14,655,285	3,367,413	42,602,465	15,058,367	407,449,080
Additions	128,340,713	7,872,635	31,191,343	2,418,378	3,358,094	-	755,882	173,937,045
De-recognition of land vested by the Central	(2,000,424)							(2.000.424)
Government	(3,909,121)	-	-	-	-	-	- (4.4.675.004)	(3,909,121)
Transfer from Assets under Construction	-	14,675,881	-	-	-	-	(14,675,881)	-
As at 30 June 2018	170,042,988	150,530,810	189,363,203	17,073,663	6,725,507	42,602,465	1,138,368	577,477,004
As at 01 July 2018	170,042,988	150,530,810	189,363,203	17,073,663	6,725,507	42,602,465	1,138,368	577,477,004
Revaluation of land	55,025,366	· · · -	-	-	-	-	-	55,025,366
De-recognition of land vested by the Central								
Government	(4,202,797)	-	-	-	-	_	-	(4,202,797)
Additions	-	160,080	61,893,849	1,644,422	516,054	-	790,372	65,004,777
Transfer to Investment Property	-	(22,073,470)	-	-	-	-	-	(22,073,470)
Scrap	-	-	(3,264,295)	-	-	-	-	(3,264,295)
As at 30 June 2019	220,865,557	128,617,420	247,992,757	18,718,085	7,241,561	42,602,465	1,928,740	667,966,585
ACCUMULATED DEPRECIATION:								
As at 01 July 2017	-	15,171,218	53,748,466	9,303,647	1,609,054	27,180,228	-	107,012,613
Charge for the year	-	6,464,278	35,950,358	3,914,607	1,328,100	8,298,378	-	55,955,721
Depreciation adjustment	-	(1,779,657)	9,446,198	-	-	-	-	7,666,541
As at 30 June 2018		19,855,839	99,145,022	13,218,254	2,937,154	35,478,606		170,634,875
As at 01 July 2018	-	19,855,839	99,145,022	13,218,254	2,937,154	35,478,606	-	170,634,875
Charge for the year	-	6,284,917	44,198,517	2,743,492	1,268,814	4,186,148	-	58,681,888
Transfer to Investment Property	-	(492,657)	-	-	-	-	-	(492,657)
Disposal/Scrap	-	-	(2,915,812)	-	-	-	-	(2,915,812)
As at 30 June 2019		25,648,100	140,427,727	15,961,746	4,205,968	39,664,754		225,908,294
Carrying Value	-							
As at 30 June 2019	220,865,557	102,969,320	107,565,030	2,756,339	3,035,593	2,937,711	1,928,740	442,058,291
As at 30 June 2018	170,042,988	130,674,971	90,218,181	3,855,409	3,788,353	7,123,859	1,138,368	406,842,129

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#### 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amount of the fixed assets approximate their fair values.

All the fixed assets were acquired out of non-exchange government grant without any condition. All land, property, plant and equipment were vested for maintenance purpose without any title deed.

All land acquired by Council was initially valued at near market price for similar property at the date of first recognition. At Rs 100,000 perche.

INVESTMENT PROPERTY	2019
	RS
COST	
As at 01 July	-
Additions	831,089
Recognised at cost during the year (Transfer from PPE)	22,073,470
As at 30 June	22,904,559
DEPRECIATION	
As at 01 July	-
Transfer from PPE	492,657
Charge for the year	1,145,228
As at 30 June	1,637,885
CARRYING VALUE	
As at 01 July	-
As at 30 June	21,266,674

Buildings have been recognised at its deemed cost which represent the cost of replacement at the reporting date which equate the market value for similar property. The deemed cost was transferred to the deferred liabilities and discharged to surplus during the economic lives of the assets.

(i) Rental revenue from the investment properties for FY 2018/19 have been recognised in surplus or deficit and are as follows:

	<u>RS</u>
Petit Raffray Multipurpose Complex	193,000
Cafétériat Building	200,000
Commercial Building - Riviere du Rempart	12,000
	405,000

(ii) Direct operating expenses (including repairs and maintenance) arising from investment property during the period amounted to Rs 370,180

The fair value of the investment property at 30 June 2019 has been arrived at on the basis of a valuation carried out by the officers of the Public Infrastructure Department of the Council.

The valuation was bases on the market cost for the construction of similar building and properties. The construction cost of the Mapou Village Hall was used as base.

#### FOR THE YEAR ENDED 30 JUNE 2019

8	INTANGIBLE ASSETS	2019	2018
		RS	RS
	Cost	<del>_</del>	<del></del>
	As at 01 July	402,938	402,938
	Addition	40,230	-
	As at 30 June	443,168	402,938
	Depreciation		
	As at 01 July	341,319	240,585
	Charge for the year	66,050	100,734
	As at 30 June	407,369	341,319
	Carrying Value	35,799	61,619
	Intangibles includes depreciated cost of office software and office licenses.		
9	INVESTMENTS	<u> 2019</u>	<u>2018</u>
,	THE PART OF THE PA	<u>2015</u> <u>RS</u>	<u>2010</u> RS
	Long term investments	- -	732,252
	6	-	
	Short term investments	732,252	
	Investments relate to fixed deposits held with financial institutions presently I The maturity date is 27 February 2020.	naving floating interest	rate of 2.3%.
10	CASH AND CASH EQUIVALENT	2019	2018
10	CASH AND CASH EQUIVALENT	201 <u>3</u> RS	2018 RS
	Cash in Hand	5,016	<u></u> 5,016
	Cash at Bank	44,711,493	25,544,817
		44,716,509	25,549,833
			<u> </u>
	Amount available for Capital Projects	-	-
	The amount of significant cash and cash equivalent balance held by the Couthe Council are:	ncil that are not avail	able for use by
	Deposits from third parties	9,640,888	8,856,126
	Retention monies payable to contractors	8,239,807	6,432,373
	Employees liabilities	12,967,639	11,589,632
		30,848,334	26,878,131
	Funds available/(short) to settle trade payables	13,868,175	(1,328,298)

TUE	VEAD	FNDFD	20	HINE	2010

11	RECEIVABLES	<u>2019</u>	<u>2018</u>
	/:\ DESERVADUES EDONA EVOLUNIOS EDANICACTIONIS	<u>RS</u>	<u>RS</u>
	(i) RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Market Fee	6,752,239	6,081,139
	Bus Toll	4,918,250	4,801,975
	Other receivables	4,550,163	3,070,062
		16,220,652	13,953,176
	Allowance for impairment	(2,471,650)	(238,000)
	Net receivables from exchange transactions	13,749,002	13,715,176
	Allowance for impairment includes provision for impairment on market fee de	btors amounting to F	Rs 1,628,050 and
	bus toll debtors amounting to Rs 183,600		
	( ii ) RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
	Advertising Fee	201,280	232,955
	Advance to Employees	2,995,314	3,507,020
	Government Grant	13,941,884	27,760,137
	Other receivables	1,592,773	199,166
		18,731,252	31,699,278
	Allowance for impairment	(522,000)	-
	Net receivables from non-exchange transactions	18,209,252	31,699,278
	Receivables from non-exchange transactions is classified as follows:		
	Non-Current Receivables	2,219,961	2,795,901
	Current Receivables	15,989,290	28,903,377
		18,209,252	31,699,278
		· ·	

Allowance for impairment includes provision for impairment on bus toll debtors amounting to Rs 275,400, advertising fees amounting to Rs 430,200 and market fees amounting to Rs.2,288,050

Advance to Employees refers to car loan granted to employees and the balance as at 01 July 2018 have been fair valued using an effective rate of 7.66% following early adoption of IPSAS 41.

Advance to employees	<u>2019</u>	<u>2018</u>
	<u>RS</u>	<u>RS</u>
Balance at Start	3,507,020	2,753,155
Fair value adjustment (refer to Note below)	(430,520)	-
New Borrowing	449,610	1,286,885
Repayment	(701,514)	(533,020)
Increase in discounted amount during the period	170,718	-
Balance at Close	2,995,314	3,507,020
Nominal value of loan	3,255,116	3,507,020
Receivable as follows:		
Current - Before One Year	775,353	711,119
Non-current - After One Year	2,479,763	2,795,901

Nominal value of loan

12	INVENTORIES	2019	2018
12	INVENTORIES	<u>2015</u> RS	RS
	Chroat Lantarna with Dragkets	· <del></del>	
	Street Lanterns with Brackets	757,874	253,080
	Gas	459,113	327,721
	Spart Parts, Stationery, Materials, Gas and Other Office Consumables	3,493,722	3,603,670
	Provision for write-off of obsolete items	(942,116)	(942,116)
		3,768,593	3,242,355
	Inventories recognised as an expense during the year ended 30 June 2019 am 10,251,255).	ounted to Rs 20,588,164	4 (2018 - Rs
	Items of stocks under the Inventories are valued at weighted average using the	ne First In First Out basis	
13	PAYABLES	2019	2018
13	(i) Trade payables from exchange transactions	<u>2015</u> RS	RS
	Trade payables	15,111,232	20,705,313
	Retention money payable	8,239,807	6,432,373
	Accrued expenses	7,528,473	2,422,752
		30,879,513	29,560,438
	( ii ) Trade payables from non-exchange transactions		
	Amounts refundable (Trade fee)	385,000	-
	, m, -		
	(iii) Prepayment		
	Rent, bus toll, advertising and school fees paid in advance	846,700	323,300
	( iv ) Deposits		
	Deposit refundable on demand from market stall holders and contractors		
		8,794,188	8,532,826
		40,905,401	38,416,564
14	BORROWINGS	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Balance at Start	12,936,000	13,860,000
	Fair value adjustment (refer to Note below)	(743,640)	-
	Reimbursement	(924,000)	(924,000)
	Increase in discounted amount during the period	99,071	
	Balance at Close	11,367,431	12,936,000
	Payable as follows:		
	Current - Before One Year	830,370	924,000
			-
	After One Year and Before Five Years	3,383,025	3,696,000
	After Five Years	7,154,036	8,316,000
	Non-Current	10,537,061	12,012,000
	Mandad at a flag	44 550 000	42.025.022

11,550,000

12,936,000

#### 14 BORROWINGS (CONTINUED)

Payable as follows:  Current - Before One Year	924,000	924,000
After One Year and Before Five Years	3,696,000	3,696,000
After Five Years	6,930,000	8,316,000
Non-Current	10,626,000	12,012,000

The borrowing comprising of loan from the central government is unsecured. The loan is repayable in instalments by 30 June 2032. Interest is fixed at 5%. IPSAS 41 has been early-adopted in FY18/19 and the Government loan balance as at 01 July 2018 has been fair valued accordingly using an effective market rate of 6.26% bases on the market average rate of interest.

15	DEFERRED INCOME	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Balance at Start	179,743,313	197,092,147
	Prior year adjustments	(169,090,252)	-
	Add: Grant received during the year	342,589	46,273,428
	Less: Deferred grant recognised as revenue	-	(63,622,262)
	Add: Public Contributions and Donations	2,920,327	
	Transfer to surplus for condition met.	(403,245)	-
	Balance at Close	13,512,731	179,743,313

A liability has been recognised in respect of the condition attached to the grant and contribution. The related revenue will be recognised in surplus or deficit in the period the condition is satisfied.

Council has opted to change its accounting policy for the recognition of government grant as revenue in the year its become receivable. As such capital grant is henceforth recognised as revenue in the statement of performance.

16	EMPLOYEE BENEFITS	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Provision for Unutilised Sick Leave Pay	33,734,522	30,929,187
	Provision for vacation leave pay	31,595,586	30,916,537
	Passage benefit	9,267,297	8,156,005
	Compassionate Allowance	998,229	998,229
	Provision for Retirement pension and gratuity	227,447,836	230,613,772
		303,043,470	301,613,730
	Current Liabilities	13,974,309	3,363,765
	Non-Current Liabilities	289,069,161	298,249,965

Provision for retirement benefit includes provision for unutilised vacation leave, provision for bank of sick leave and provision for compassionate allowance payable on retirement to eligible employees.

16	EMPLOYEE BENEFITS (CONTINUED)		
	EMPLOYEE RETIREMENT BENEFIT OBLIGATION	<u>2019</u> RS	<u>2018</u> <u>RS</u>
	Amounts recognised in balance sheet at end of period/year:	<u>K5</u>	<u>11.5</u>
	Defined benefit obligation	344,966,476	334,115,537
	Fair value of plan assets	(117,518,641)	(103,501,765)
	Liability recognised in statement of financial position at end of year	227,447,835	230,613,772
	Amounts recognised in income statement:		
	Service cost:		
	Current service cost	8,702,754	8,542,422
	Past service cost	-	-
	(Employee contributions)	(3,842,535)	(3,758,170)
	Fund Expenses	314,777	225,463
	Net Interest expense/(income)	14,606,596	16,059,967
	Profit Loss Charge	19,781,592	21,069,682
	Re-measurement:		
	Liability (gain)/loss	(4,007,999)	(10,459,467)
	Assets (gain)/loss	1,236,799	(2,388,903)
	Total Other Comprehensive Income (OCI) recognised	(2,771,200)	(12,848,370)
	Total	17,010,392	8,221,312
	Movements in liability recognised in balance sheet:		
	At start of period/ year	230,613,772	242,049,734
	Amount recognised in P&L	19,781,592	21,069,682
	(Actuarial Reserves transferred in)	-	(104,094)
	(Employer Contributions)	(7,683,847)	(7,514,994)
	(Direct benefits paid by Employer)	(12,492,482)	(12,038,186)
	Amount recognised in OCI	(2,771,200)	(12,848,370)
	At end of period/year	227,447,835	230,613,772
	Actual return on plan assets:	5,707,057	8,521,670

The plan is a defined benefit arrangement for the employees and it is funded only for pensionable service as from 1 July 2008. The assets of the funded plan are held independently and administered by The State Insurance Company of Mauritius Ltd.

	<u>2019</u>	<u>2018</u>
Reconciliation of the present value of defined benefit obligation	<u>RS</u>	<u>RS</u>
Present value of obligation at start of period/year	334,115,537	328,781,243
Current service cost	8,702,754	8,542,422
Interest cost	21,550,452	22,192,734
(Benefits paid)	(15,394,268)	(14,941,395)
Liability (gain)/loss	(4,007,999)	(10,459,467)
Present value of obligation at end of period/year	344,966,476	334,115,537

## FOR THE YEAR ENDED 30 JUNE 2019 16 EMPLOYEE BENEFITS (CONTINUED)

EMDLOVEE DETIREMENT DENIETT ORLICATION (CONTINUED)		
EMPLOYEE RETIREMENT BENEFIT OBLIGATION (CONTINUED)	2010	2010
Describing of fair value of also seeds	<u>2019</u>	<u>2018</u>
Reconciliation of fair value of plan assets	<u>RS</u>	<u>RS</u>
Fair value of plan assets at start of period/year	103,501,765	86,731,509
Expected return on plan assets	6,943,856	6,132,767
Employer contributions	7,683,847	7,514,994
Employee contributions	3,842,535	3,758,170
Actuarial Reserves transferred in	-	104,094
(Benefits paid, Assurance, Fees and Other Outgoings)	(3,216,563)	(3,128,672)
Asset gain/(loss)	(1,236,799)	2,388,903
Fair value of plan assets at end of period/year	117,518,641	103,501,765
Distribution of plan assets at end of period/year		
Percentage of assets at end of year	<u>2019</u>	<u>2018</u>
Fixed Interest Securities and cash	58.70%	59.50%
Loans	3.40%	3.70%
Local equities	13.10%	14.60%
Overseas bonds and equities	24.20%	21.60%
Property	0.60%	0.60%
Total	100%	100%
Additional disclosure on assets issued or used by the Council		
Percentage of assets at end of period/year	(%)	(%)
Assets held in the entity's own financial instruments	-	-
Property occupied by the entity	-	-
Other assets used by the entity	-	-
Components of the amount recognised in net assets/equity	2019	2018
, , , , , , , , , , , , , , , , , , ,	RS	RS
Asset experience gain/(loss) during the period/year	(1,236,799)	2,388,903
Liability experience gain/(loss) during the period/year	4,007,999	10,459,467
Elability experience gain, (loss) dailing the period, year	2,771,200	12,848,370
Year		2018-19
Expected employer contributions (Rs)		7,891,865
Expected employer continuations (ns)		7,031,003
Weighted average duration of the defined benefit obligation		12 years
(Calculated as a % change in PV of liabilities for a 1% change in discount rate)		

The plan is exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

### 16 EMPLOYEE BENEFITS (CONTINUED) EMPLOYEE RETIREMENT BENEFIT OBLIGATION (CONTINUED)

	<u>2019</u>	<u>2018</u>
Discount rate	6.45%	6.75%
	4.00%	4.00%
Future pension increases	3.00%	3.00%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	PA (90) Tables rated down by t	wo years
Retirement age	As per Second Schedule in the Statutory Bodie	es Pension
		Funds Act

The discount rate is determined by reference to market yields on bonds.

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 38.6 M (increase by Rs 47.1 M) if all other assumptions were held unchanged.
- If the expected salary growth would increase (decrease) by 100 basis points, the defined benefit obligation would increase by Rs 19.6 M (decrease by Rs 17.3 M) if all assumptions were held unchanged.
- If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 10.1 M (decrease by Rs 10.1 M) if all assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

17	RESERVES	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Balance at Start	237,522,184	112,829,653
	Land Revaluation Reserve	50,822,569	124,431,592
	Passage Fund	214,056	260,939
	Balance at Close	288,558,809	237,522,184

Reserves on the above items will not be re-classified subsequently to Surplus Or Deficit and they will be used for specific purpose.

18	TRADE FEES	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Annual trade fee received	18,458,925	20,586,100
	Occasional trade fee received	27,050	35,000
		18,485,975	20,621,100

FOR THE YEAR ENDED 30 JUNE 2019

19	FINES, PENALTIES AND LEVIES	<u> 2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Surcharge on late payment of trade fee	683,875	794,000
	Surcharge on bus toll	170,300	27,350
	Building and Land Use Permit (BLUP) fines	400,000	-
		1.254.175	821,350

Under Section 127 A(5)(a) of the Local Government Act 2011 ( amended ) a fine of Rs 50,000 is payable for a construction without an appropriate Building and Land Use Permit or construction contrary to an approved permit and plans. Upon payment of the fine a permit is issued for construction already started.

20	PUBLIC CONTRIBUTIONS AND DONATIONS	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Street Lanterns Network	-	2,372,760
	Sponsorship and donations in Kind		
		-	2,372,760
	Unspent balance at beginning of year	3,708,077	1,335,317
	Current year receipts		2,372,760
	Conditions met - Transferred to Revenue	( 787,750 )	-
	Conditions to be met - Deferred Revenue ( Liabilities )	2,920,327	3,708,077
21	GOVERNMENT GRANT	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Grant-in-aid	260,565,630	202,374,750
	Project Related Revenue Grant	3,715,838	5,865,080
	Project Related Capital Grant	55,817,878	130,005,753
	Grant in Kind		4,904,796
		320,099,346	343,150,379
	Transfer to Surplus for condition met	1,190,995	63,622,262
	Conditions attached to grant not met - Deferred Liabilities	(342,589)	(46,273,428)
	Grant recognised as revenue in surplus	320,947,752	360,499,213

Government grant comprises of gross inflows of economic benefits received and receivable, both of recurrent and capital nature. A liability has also been recognised in respect of the condition attached to the grant and related revenue will be recognised in the period the condition is satisfied.

22	OTHER NON-EXCHANGE REVENUE	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Advertising Fee	328,110	1,633,060
	Public Contributions	335,000	-
	Road obstruction fee	167,000	244,000
	Other Income	3,248,830	-
		4,078,940	1,877,060

Other income comprises of stale cheques amounting to Rs 840,766 which have been added back, long overdue creditors amounting to Rs 2,399,385 which have been written back and the fair value adjustment on early adoption of IPSAS 41 on concessionary loans. The fair value of the loans receivable and payable has been recomputed using effective rate of interest of 6.26%, and the net difference between the loan amount and the fair value of the loan on subsequent measurement has been recognised as non-exchange revenue in accordance with IPSAS 23.

	TO FINANCIAL STATEMENTS HE YEAR ENDED 30 JUNE 2019		
23	RENT INCOME	<u>2019</u>	<u>2018</u>
		RS	RS
	Market Stall Fee	5,041,500	4,977,600
	Rental Income	616,162	423,162
		5,657,662	5,400,762
	-		
24	FINANCE INCOME	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Investment income	525,144	557,076
	Interest on advance car loan to staff	270,100	93,976
		795,244	651,052
	Interest generated from investment of passage fund amounting to Rs 262,309 passage reserve fund in equity.	(2018 - Rs 286,752) wa	s transferred to
25	OTHER EXCHANGE REVENUE	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	School Fee	103,800	97,200
	Bus Toll	1,194,000	1,508,350
	Purial 9 Incinoration Foo	771 100	702 050

25	OTHER EXCHANGE REVENUE	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	School Fee	103,800	97,200
	Bus Toll	1,194,000	1,508,350
	Burial & Incineration Fee	771,100	782,050
	Other	200,840	38,709
		2,269,740	2,426,309
26	COMPENSATION OF EMPLOYEES	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Basic Salary and Salary Compensation	87,963,329	81,579,831
	Overtime and Allowances	6,649,699	6,856,487
	Uniform and Protective Equipment	2,269,899	1,624,539
	Retirement benefits	6,128,786	30,016,654
	Provision for Passage Benefit	3,298,051	3,146,875
	Travelling and Transport	11,990,605	12,054,976
	Training Cost	88,289	74,479
	Provision for Unutilised Sick pay	4,084,752	6,626,648
	End of Year Gratuity	7,566,253	7,628,661
	Staff Welfare	231,194	184,897
		130,270,856	149,794,047
27	UTILITIES	2019	<u>2018</u>
_,	OTHER TEST	RS	<u>2010</u> RS
	Electricity	25,481,213	24,026,431
	Water	720,463	655,774
	Gas	1,480,063	1,444,214
	Telephone	1,009,027	613,895
		28,690,765	26,740,314
28	MOTOR VEHICLE EXPENSES	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Fuel and Oil	2,720,498	2,505,796
	Repairs and Maintenance	1,145,116	1,340,682
	Road tax and Insurance	505,568	
		4,371,182	3,846,478
			·

29	REPAIRS AND MAINTENANCE	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Building, Village Halls and other Structure	940,555	549,319
	Furniture, Fittings and Equipment	2,379,595	1,051,462
	Roads and Traffic Sign	2,155,936	2,319,662
	Street Lighting Networks	1,136,339	1,020,217
	Sport and leisure facilities	336,044	203,579
	Public Infrastructure and Community Assets	293,079	1,024,227
	Cemeteries, Incinerators and Cremation Grounds	450,924	546,317
	Other repair and maintenance	600,341	286,049
		8,292,813	7,000,832
30	CLEANING SERVICES	<u>2019</u>	2019
30	CLEANING SERVICES	201 <u>9</u> RS	<u>2018</u> <u>RS</u>
	Hired Scavenging Services	68,287,200	<u>k3</u> 47,007,600
	Hired of Cleaning Equipment	704,100	318,900
	Cleaning of Public Toilets	444,260	396,580
	Cleaning of Prains, Rivers and Bareland	2,143,284	1,698,942
	E-Waste and Bulky Waste Collection	1,143,611	116,755
	Refuse bins	4,900,000	345
	Cleaning materials and other	272,577	645,231
	cleaning materials and other	77,895,032	50,184,353
		77,033,032	30,10 1,033
31	GRANTS AND SUBSIDIES	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Grant to Village Councils	12,906,886	10,671,495
	Grant to NGO's and Socio-Cultural Groups	252,777	250,000
	Grant to Sport Organisations	35,000	74,800
	Financial and Social Aid	100,490	99,175
	Contribution to ADC and ICLEI	304,790	254,040
		13,599,943	11,349,510
	Annual contribution of Rs 200,000 to the Association of District Councils ( ADC	) and the annual subs	scription of 3,000
	USD to the International Council for Local Environment Initiatives (ICLEI ).		
32	PROFESSIONAL AND LEGAL FEES	<u>2019</u>	2018
		<u>RS</u>	<u>RS</u>
	Audit fee	200,000	200,000
	Legal fee	582,980	4,303,798
	Professional and Consultancy fee	1,563,226	161,000

2,346,207

4,664,798

33	FINANCE COSTS	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Loan Interest	736,164	681,450
		736 164	681 450

A long term loan of Rs 42 M contracted from a commercial bank were purchased back by the Central Government and Council is required to pay back the capital together with the interest computed at the rate of 5% per annum. The loan will be fully paid by 25 June 2032.

34	OTHER GOODS AND SERVICES		<u>2019</u>	<u>2018</u>
			<u>RS</u>	<u>RS</u>
	Printing, Postage & Stationery		1,371,407	1,194,646
	Press Notice and Publications		256,152	208,803
	Books and Periodicals		226,425	223,945
	Committee expenses		193,651	153,074
	Chairperson entertainment		94,145	90,085
	Bank charges and fee		44,186	57,909
	Security services		1,739,950	1,331,700
	General Insurance		362,474	832,815
	Rent payable		120,000	120,000
	Organisation of Activities	Note 35	2,726,461	2,914,848
	Overseas Travelling and Allowances		=	300,000
	Sundry Expenses		90,988	181,588
	Provision for bad debts		2,755,550	-
	Provision for write-off of inventories		=	942,116
	Assets scrapped		348,257	-
	Bad debts written off		-	355,410
	Other Office Incidentals		313,194	20,161
			10,642,839	8,927,100

Other office incidentals includes an amount of Rs 304,382 incurred in connection with the inauguration of Petit Raffray Multipurpose Complex.

Provision of Rs 942,116 has been made to write-off obsolete stock items.

35	ORGANISATION OF ACTIVITIES	<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Organisation of Social and Welfare Activities	405,649	387,205
	Organisation of Cultural and National Activities	1,036,586	1,869,515
	Organisation of Sport and Leisure Activities	1,092,456	466,503
	Twinning Activity	113,256	140,759
	Educational Activity	78,513	50,866
		2,726,461	2,914,848

36	NOTES TO CASH FLOW STATEMENTS		
		<u>2019</u>	<u>2018</u>
		<u>RS</u>	<u>RS</u>
	Reconciliation of net cash flow from operating activities to deficit/(surplus)		
	Surplus for the year	3,890,282	73,111,883
	Adjustments for:		
	Impairment of receivables	2,049,850	-
	Fair Value adjustment - interest - IPSAS 29	(384,767)	-
	Provision for Employee Retirement Benefit Obligation	4,200,941	1,435,291
	Scrapped assets	348,483	-
	Depreciation of Fixed Assets, Investment Property and Intangible Assets	59,893,166	63,722,996
		69,997,955	138,270,170
	Changes in Working Capital	<u>RS</u>	<u>RS</u>
	Increase in Inventories	(526,238)	(1,638,174)
	Increase/(decrease) in Payables	3,604,964	(82,327,321)
	Increase/(decrease) in Deferred liabilities	242,342	(17,348,833)
	Decrease/increase in Receivables	11,146,549	(11,252,206)
	Net cash flow from operating activities	84,465,572	25,703,636

#### 37 RELATED PARTY DISCLOSURES

- (a) Local Authorities (including District Councils) are controlled by the Ministry of Local Government.
- (b) Related party disclosures have not been made for transactions with related party that are:
- (i) Within a normal supplier or client/recipient relationship,
- (ii) Transactions with the Ministry, Central Government and other government agencies are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangement between government agencies.
- (iii) The Central Government is excluded from the disclosure requirement given that the Council is financially and economically dependent on the government grant.
- (iv) Village Councils falling under jurisdiction of the District Council are excluded on the basis that they are financially dependent on the latter.

#### (c) Key Management Personnel Compensation

The key management personnel are the members of Council or Board of Councillors, who together constitute the governing body of the District Council and any other persons having the authority and responsibility for planning, directing and controlling the activities of the Council.

#### FOR THE YEAR ENDED 30 JUNE 2019

#### 37 RELATED PARTY DISCLOSURES (CONTINUED)

	<u>2019</u>	<u>2018</u>
	<u>RS</u>	<u>RS</u>
Chairpersons and District Councillors	5,101,311	4,351,597
Key Management Personnel	6,250,965	6,680,197
	11,352,276	11,031,794

The Executive Committee is responsible for the approval of procurement of goods and service for values above Rs100,000 subject to the procedures and exceptions laid in section 160 of the Local Government Act 2011. The PBMC is responsible for the determination and approval of Outline Planning Permissions and Building and Land Use Permits.

#### (d) Loan advances to Key Management Personnel

	<u>2019</u>	<u>2018</u>
	<u>RS</u>	<u>RS</u>
Opening balance	724,738	867,309
Repayments	(142,571)	(142,571)
Closing balance	582,167	724,738

#### 38 COMMITMENTS

#### (i) Preferential loan from the Central Government

Government loan of Rs 43 M was granted payable over 20 years semi-annually starting on 25 December 2012 in equal instalments, together with 5% interest per annum payable as from 26 June 2009 semi-annually until 30 June 2032. Payment is deducted at source, i.e., at the Accountant-General Office.

	<u>2019</u>	<u>2018</u>
	<u>RS</u>	<u>RS</u>
Payment due within one year	1,518,969	1,559,250
Payment due within two to five years	6,899,068	7,103,250
Payment due later than five years	7,708,094	8,962,800
	16,126,131	17,625,300
(ii) Council as lessor		
Future minimum lease income under non-cancellable operating leases		
Due within one year	600,000	200,000
Due within two and three years	1,200,000	400,000
	1,800,000	600,000

#### 38 COMMITMENTS (CONTINUED)

The land and building at Pereybere Beach was let to be used as restaurant for a period of three years and renewable under the provision in the Local Government Act 2011. The property is maintained by the tenants at no cost to the Council. The rent chargeable has been increased to Rs 50,000 per month as from 01 July 2019.

#### (iii) Capital Commitments

Approved	but not	yet contractea:
5 11: 1 6		

Public Infrastructure	409,200,000	296,700,000
Approved and Contracted		
Public Infrastructure	8,382,500	29,842,189
Total Capital Commitments	417,582,500	326,542,189

A capital grant of Rs 317.4 Million has been approved under the Local Development Project for the construction of a new market fair including a traffic centre at Belmont, Goodlands. Contract will be awarded in October 2019; Rs 50 M has also been approved for the construction of a Multipurpose Complex at La Clemence, Riviere du Rempart; Rs 24 M has been approved for community assets under Local Development Fund 2019-20.

Fund was approved and contracts were awarded for the construction of drains, stage décor at Petit Raffray Multipurpose Hall, construction of block wall with fencing at Cottage and MUGA project with the collaboration of Mauritius Telecom at Goodlands.

#### 39 CONTINGENCIES

The Council is a defendant in several legal actions involving the non-issue of building and land use permit, cases on illegal construction, for the non-payment of trade fee and bus toll.

	<u>2019</u>	<u>2018</u>
	Rs.	Rs.
Alphamix Ltd	444,657,619	429,701,257

On the ongoing court case Alphamix Ltd vs The District Council of Riviere du Rempart, the Arbitrator had issued the final award in favour of Alphamix Ltd in the year 2019 for the payment of compound interest of 15.33% on the capital sum of Rs 72.9 million up to the date of its payment and thereon 3.5% interest per annum on the accrued interest up to the date of full and final settlement.

Following the final award issued, The District Council of Riviere du Rempart lodged a case at the Supreme Court for a Recours en Annulation in the year 2019.

On 14 January 2022 the Supreme Court annulled the award on point of law.

However, Alphamix Ltd has applied in April 2022 for leave to appeal against the judgement to the Judicial Committee of the Privy Council.

The Council has retained the same team to represent at the Judicial Committee of the Privy Council.

Hearing of both parties at the Judicial Committee of the Privy Council has been fixed for 26 April 2023.

#### 40 EVENTS AFTER REPORTING DATE

As at the date of approval of the financial statements no such post balance sheet even was known which may materially affect the financial reporting and the fair and true view of the financial statements with the exception of the above contingencies.

# THE DISTRICT COUNCIL OF RIVIERE DU REMPART NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 41 COMPARATIVE INFORMATION

Certain comparative figures and numbers were re-classified to conform to the current year presentation. Such reclassifications have no effect on the previously reported surplus or deficit or the equity of the Council.

#### (i) Property, Plant and Equipment

Land has been regrouped under Property, Plant and Equipment. Work-in-progress has been classified as Assets under Construction under Property, Plant and Equipment.

#### (ii) Deferred Income

In Financial Year 2018/19, the Council has re-visited its accounting policies and has decided to recognise all Government Grant under revenue in the statement of financial performance. Grant has been reclassified to Deferred Income where the conditions attached to it has not been met in compliance to IPSAS 23.

#### (vi) Additional information on Assets and Liabilities

	Amount as previously reported	Re-classification	Restated amount	Effect on Accumulated Surplus/ (Deficit)
	2017/18			
Property, Plant and Equipment	120,745,541	73,976,875	194,722,416	-
Land	71,412,154	(71,412,154)	-	-
Work-in-Progress	2,564,721	(2,564,721)	-	-

#### **Prior year adjustments**

Government grant for capital expenditure previously recognised as liability and charged to surplus during the economic useful life of the asset acquired has now been changed. Grant received during the year has been recognised as revenue in the Statement of Finacial Performance.

#### 42 APPROVAL OF THE FINANCIAL STATEMENTS

The amended financial statements were approved by the full Council and authorised for its issue at its meeting of 23 March 2023.