



Maldives Marketing and Public Relations Corporations
Republic of Maldives

Information Sheet

**To hire an external auditor to conduct financial audit
for a period of three years (2021, 2022 and 2023)**

2nd February 2022

Section 1 - Instruction to Tenderers	
1.	General
1.1	Announcement Number: (IUL)MMPRC-PRO/1/2022/10
1.2	Announcement Date: 2 nd February 2022
1.3	Project: To hire an external auditor to conduct financial audit for a period of three years (2021, 2022 and 2023)
2.	Procedure of Tendering
2.1	<p>Eligible Tenderers:</p> <p>a) The proponents (the audit firm) who are registered with the Institute of Chartered Accountants of the Maldives as a Public Entity Auditor.</p> <p>b) The auditors who conduct the audit should</p> <ol style="list-style-type: none"> i. Should be a member of a professional accountancy body ii. Should have at least five years of similar audit experience iii. Engagement managers shall have at least five years of similar experience <p>c) The tenderer should not have any dues that needs to be paid to MIRA.</p>
2.2	<p>Amendments to Tender Documents:</p> <p>(a) At any time prior to the deadline for submission of Tenders, the MMPRC may amend the Tendering Document by issuing addenda.</p> <p>(b) Any addendum issued shall be part of the Tendering Document and shall be communicated in writing to all who have obtained the Tendering Document from MMPRC</p> <p>(c) To give prospective Tenderers reasonable time in which to take an addendum into account in preparing their Tenders, the Employer may, at its discretion, extend the deadline for the submission of Tenders</p>
2.3	<p>Registration of Tenderers:</p> <p>To register please email with the following information to procurement@visitmaldives.com by Wednesday, 9th February 2022 before 1300 hrs.</p> <p>Company name:</p> <p>Contact person name:</p> <p>Contact number:</p> <p>Email:</p>
2.4	Pre-bid meeting: Not applicable

2.5	Clarifications of Bidding document, Scope of work: Tuesday, 15 th February 2022 before 1300 hrs.
2.6	Submission of Tenders: Venue: Maldives Marketing & Public Relations Corporation, 4 th Floor, H. Zonaria, Male' Date: Wednesday, 16 th February 2022 Time: 1100 hrs. All parties should come with the soft copy to the bid opening.
3.	Preparation of Tenders
3.1	Cost of Tendering: The Tenderer shall bear all costs associated with the preparation and submission of its Tender, and MMPRC shall in no case be responsible or liable for those costs, regardless of the conduct or outcome of the tendering process.
3.2	Language of Tender: The Tender, as well as all correspondence and documents relating to the Tender exchanged by the Tenderer and MMPRC, shall be written in English or Dhivehi Language. Supporting documents and printed literature that are part of the Tender may be in another language provided they are accompanied by an accurate translation of the relevant passages in English or Dhivehi , in which case, for purposes of interpretation of the Tender, such translation shall govern.
3.3	Documents Comprising the Tender: (a) Quotation with authorized signatory and stamp (b) Audit License (c) Copy of registration Certificate of Sole proprietorship / Partnership / Company / Corporative Society (d) Copy of registration certificate with Institute of Chartered Accountants of the Maldives (ICAM) (e) Profile of the Tenderer (f) Copy of GST Registration Certificate (g) Tax Clearance Certificate issued by MIRA (h) Team members with their roles along with their CVs (i) Qualification of the team members (attested copies) (j) Reference letters of the tenderer and the individual team members
3.4	Period of Validity of Tender:

	<p>(a) Tenders shall remain valid for 90 calendar days after the Tender submission deadline date prescribed by MMPRC. A Tender valid for a shorter period shall be considered an incomplete tender.</p> <p>(b) In exceptional circumstances, prior to the expiration of the Tender validity period, MMPRC may request Tenderers to extend the period of validity of their Tenders. The request and the responses shall be made in writing.</p>
3.5	Tender Security (If required): Not Applicable
3.6	<p>Format of Signing of Tender:</p> <p>The Tenderer shall prepare one original of the documents comprising the Tender as described in Clause 3.3, and clearly mark it "Original". Alternative Tenders, if permitted in accordance with clause 3.8, shall be clearly marked "Alternative".</p>
3.7	<p>GST:</p> <p>The prices shall be quoted inclusive of GST.</p>
3.8	<p>Alternative Tenders:</p> <p>It is permitted to submit Alternative Tenders.</p>
3.9	<p>Incomplete Tender:</p> <p>Any tender that does not include all information and documents stated in clause 3.3 shall be considered as Incomplete Tender. Any incomplete tender shall be disqualified in the evaluation process.</p>
3.9	<p>Conflict of Interest:</p> <p>A Tenderer shall not have a conflict of interest. All Tenderers found to have a conflict of interest shall be disqualified. A Tenderer may be considered to have a conflict of interest with one or more parties in this tendering process, if:</p> <ul style="list-style-type: none"> (a) they have a controlling partner in common; or (b) they receive or have received any direct or indirect subsidy from any of them; or (c) they have the same legal representative for purposes of this Tender; or (d) they have a relationship with each other, directly or through common third parties, that puts them in a position to have access to information about or influence on the Tender of another Tenderer, or influence the decisions of the Employer regarding this tendering process; or (e) a Tenderer participates in more than one Tender in this tendering process. <p>Participation by a Tenderer in more than one Tender will result in the disqualification of all Tenders in which the party is involved. However, this</p>

	<p>does not limit the inclusion of the same subcontractor in more than one Tender; or</p> <p>(f) a Tenderer or any of its affiliates participated as a consultant in the preparation of the design or technical specifications of the contract that is the subject of the Tender; or</p> <p>(g) a Tenderer, or any of its affiliates has been hired (or is proposed to be hired) by MMPRC.</p>
3.11	<p>Authorization:</p> <p>The original and the Alternative Tender shall be signed by a person duly authorized to sign on behalf of the Tenderer. This authorization shall consist of a written confirmation and shall be attached to the Tender. The name and position held by each person signing the authorization must be typed or printed below the signature.</p>
4.	Submission and Opening of Tenders
4.1	Sealing of Tenders:
4.2	<p>Deadline for Submission of Tenders:</p> <p>(a) Tenders must be received by MMPRC at the address and no later than the date and time clause 2.6 of this document.</p> <p>(b) MMPRC may, at its discretion, extend the deadline for the submission of Tenders by amending the Tendering Document, in which case all rights and obligations of the MMPRC and Tenderers previously subject to the deadline shall thereafter be subject to the deadline as extended.</p>
4.3	<p>Late Tender:</p> <p>MMPRC shall not consider any Tender that arrives after the deadline for submission of Tenders, in accordance with clause 4.2. Any Tender received by MMPRC after the deadline for submission of Tenders shall be declared late, rejected, and returned unopened to the Tenderer.</p>
4.4	<p>Submission Documents:</p> <p>As per the documents stated in the clause 3.3.</p>
5.	Evaluation
5.1	The tender evaluations will be carried out as per the evaluation criteria stated under Section 2 of this document. No other evaluation criteria or methodologies shall be permitted.
6.	Tender Security and Performance Guaranty (Not applicable)

7.	Advance Payment and Advance Payment Guarantee: As per procedure	
8	Penalty & Contract Termination	
8.1	Penalty: MMPRC shall have the right to withhold any payment of the Contract Price, if the Selected party fails to deliver any Works in accordance with the terms of the Agreement.	
8.2	Contract Termination: If the Select Party fails to carry out any obligation under the Agreement, MMPRC may by notice require the Contractor to make good the failure and to remedy it within a specified reasonable time.	
Section 2 - Evaluation Criteria		
Area	Details	Marks
Contract Price	The party that proposes the lowest price shall get the highest marks. For others, marks will be awarded on pro rata basis	40
Profile	The company profile, company registration certificate (Sole proprietorship / partnership / company / corporative society), tax registration certificate and tax clearance from MIRA and audit license should be submitted. Marks will be awarded based on the relatedness of the works undertaken by the company.	10
Qualification and profile of the team	Should submit relevant educational qualifications and CV of the individuals comprising of the team that will work with MMPRC. This should include copies of the attested certificates as supporting document. The team should consist of a minimum of three members.	25
Past Experience	Minimum 3 reference letters of similar projects undertaken within the past 5 years will be required for full marks to be awarded. The reference letter should include the name of the project along with the contact details for reference. Marks can be deducted under past experience if they have worked with MMPRC and their performance was not satisfactory.	25

	TOTAL	100
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Section 3 - Scope of Work	
1.	<p><u>Audit Standard</u></p> <p>The external audit shall be carried out in accordance with International Standards on Auditing (ISA) and includes such tests and auditing procedures, as the auditor considers necessary for the assignment.</p> <p><u>Scope of the service</u></p> <p>1. The scope of the audit service shall include the following:</p> <ol style="list-style-type: none"> a) conduct entry and exit meeting with the management of MMPRC. b) carry out audit of financial statements for the financial year ended 31 December 2021 to 31 December 2023 in accordance with the International Auditing Standards (IAS) and include tests and verification procedures as deemed necessary. c) check and verify all funds have been used in accordance with the established rules and regulations of the corporation; d) give assurance that all goods and services financed have been procured in accordance with the corporation's established rules, policies and procedures. e) confirm that all necessary supporting documents, records and accounts relating to all activities are maintained accordingly with existence of clear linkage between the books of accounts and the financial statements presented; f) assessment of financial statements to adhere that it has been prepared in accordance with applicable accounting standards and give a true and fair view of the underlying transactions; g) assessment of adequacy and effectiveness of the existing accounting controls to monitor financial transactions of the corporation in compliance with IAS and PCB Regulations.

Deliverables

1- Audit Report

Produce an independent Audit Report for the year to be submitted to the Auditor General on internal control over financial reporting and on compliance, and other matters based on the audit of financial statements, in accordance with the guidelines of Auditor General's Office on Audit and Accountability of SOEs and International Standard on Accounting (ISA) 701, and report key audit matters. The opinion on the financial statements prepared by the corporation which consists of the following;

- a. Statement of Profit or Loss and Other Comprehensive Income for the period and
- b. Statement of financial position for the end of the period,
- c. Statement of changes in equity and Cashflow statement
- d. Related notes to the accounts and other explanatory notes.

2. Management Letter:

- a. Specifying the weaknesses or internal control issues and recommendations for improvement.
- b. Fraud risks
- c. Significant departures/non-compliance with procurement guidelines and practices issued by the Privatization and Corporatization Board (PCB)
- d. Implementation status of the recommendations of previous year/s
- e. Significant departures/non-compliance with other directives of PCB; and
- f. An analysis of financial statements, including ratios.
- g. Bringing any other material matters into management's attention.

3. an Agreed-Upon Procedures Engagements in accordance with International Standard on Related Services (ISRS) 4400 in respect to compliance with Corporate Governance Code of the Privatization and Corporatization Board of the Maldives.

	<p>4. Provide an audit opinion whether the financial statements are prepared in accordance with applicable accounting standards and give a true and fair view of the underlying transactions.</p> <p>5. Produce a report titled <i>“Report to the Auditor General on Internal Control over Financial Reporting, Compliance and Other Matters Based on an Audit of Financial Statements”</i> as per the prevailing guidelines of the Auditor General’s Office/format (Section 4 of the information sheet)</p>
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Section 4 - Guideline of Auditor General Office



REGULATION ON THE AUDIT AND ACCOUNTABILITY OF STATE-OWNED ENTERPRISES

This regulation is made pursuant to the authority granted to the Auditor General by the Audit Act (Law No.4/2007).

REGULATION ON THE AUDIT AND ACCOUNTABILITY OF STATE-OWNED ENTERPRISES

1. Introduction and citation

- (a) This regulation is made pursuant to the authority granted to the Auditor General by section 7(d) of the Audit Act (Law No. 4/2007).
- (b) This regulation may be cited as “Regulation on the Audit and Accountability of State-Owned Enterprises”.

2. Objectives

- (a) To provide a framework for auditor reporting on State-Owned Enterprises (SOEs) governed by this regulation;
- (b) To increase transparency and accountability of those SOEs through audits;
- (c) Enhance communications between the auditor, shareholders, those charged with governance and other stakeholders;
- (d) To obtain assurance on compliance with applicable legislations and frameworks;
and
- (e) To obtain assurance on the effectiveness of fraud prevention mechanism and governance structures.

3. Application

- (a) This regulation shall apply to SOEs established by a Presidential Decree and companies registered under the Companies Act of the Maldives (Law No.10/96), which are required to be audited by the Auditor General under the provisions of the Audit Act (Law No. 4/2007) with the exception of listed companies and financial institutions regulated by Capital Market Development Authority and Maldives Monetary Authority respectively.
- (b) This regulation shall also apply to subsidiaries of SOEs stated in subsection (a).

4. Appointing external auditors

- (a) The external auditor engaged to audit the financial statements of SOEs subject to this regulation shall be appointed by the Board of Directors. The external auditor shall be appointed at the Annual General Meeting as per the Companies Act of the Maldives (Law No. 10/96) and Privatisation and Corporatisation Board's directives. If circumstances prohibit timely appointment of external auditor, auditor shall be appointed at an Extraordinary General Meeting.
- (b) The external auditor shall be a licensed audit firm registered as a Public Interest Entity Auditor (PIE auditor) with the Institute of Chartered Accountants of the Maldives.
- (c) The Board of Directors may consider other factors to evaluate the capacity and capability of the external auditor, including but not limited to audit fees, duration, industry knowledge and expertise, reputation and proposed audit strategy.
- (d) The engagement letter signed by the SOE and the external auditor shall prescribe provisions to comply with this regulation. In the event of a conflict between this regulation and any provision in the Engagement Letter, the regulation shall take precedence over any such provision in the Engagement Letter.
- (e) The SOE shall submit a copy of the Engagement Letter of the appointed external auditor to the Auditor General's Office within five working days of signing the Engagement Letter.

5. Submission of financial statements for external audit

- (a) The SOE shall submit financial statements to the external auditor by 31 March of the succeeding year.
- (b) A copy of the financial statements in subsection (a) shall also be submitted to the Auditor General's Office by 31st March of the succeeding year by the SOE.
- (c) If the SOE fails to submit the financial statements to the external auditor and the Auditor General's Office within the deadline stated in subsection (a) and (b), the Board of Directors of the SOE shall inform the Auditor General's Office within 10 days of non-submission with reasons for delay and revised deadline for submission.

6. Rotation of external auditors and cooling-off period

- (a) An audit firm shall not be appointed to act as the external auditor of an SOE for more than four consecutive years. The SOE shall adopt an external auditor rotation policy to this effect.
- (b) The rotated external auditor stated in subsection (a) above shall serve a cooling-off period of at least two consecutive years before they are being allowed to bid again for the service of an external auditor of the SOE.
- (c) If business, legal or economic circumstances necessitate the engagement of the same external auditor for periods of more than four years, the SOE shall obtain a prior approval from the Auditor General’s Office for signing such engagements.
- (d) For the purpose of this regulation, the external auditor shall maintain the audit files for at least seven years.

7. Obtaining “other services” from the external audit firm

- (a) SOE shall not obtain from the external auditor or any third party that is related to the external auditor, advisory and other services including internal audits, valuation services, consultancy services and other non-audit services which may result in a conflict of interest.
- (b) Notwithstanding the prohibition of “other services” in subsection (a), the SOE may, however, engage the external auditor to provide assurance related services relating to the financial statements such as “interim financial statements” where there is an economic justification to engage the external auditor and there are safeguards to protect the independence of the external auditor. The SOE shall obtain prior approval from the Auditor General’s Office to engage the external auditor for such other services.

8. Auditor Reporting

8.1 Audit Report

- (a) The audit of the financial statements of the SOEs subject to this regulation shall be completed by 31st May of the succeeding year.
- (b) The External auditor shall adopt International Standard on Auditing (ISA) 701 and report on Key Audit Matters in their audit report.

8.2 Management Letter

- (a) The auditor shall submit a management letter (ML) to the SOE by 31st May of the succeeding year, specifying important issues that in the auditor's judgement need attention of the management and Board.
- (b) The management shall provide comments to the issues highlighted in the ML within 15 days of receipt of the ML from the external auditor.

8.3 Submission of the audit report and management letter

The SOE shall submit the audited financial statements in subsection 8.1 (a) and management-commented ML in subsection 8.2 (b) above to the Auditor General's Office within five working days of receiving them.

8.4 Report to the Auditor General on Internal Controls over Financial Reporting, on Compliance and Other Matters based on an Audit of Financial Statements

- (a) The external auditor shall issue a separate report titled "*Report to the Auditor General on Internal Control over Financial Reporting, Compliance and Other Matters Based on an Audit of Financial Statements*".
- (b) The external auditor shall design and carry out the audit to evaluate internal control over financial reporting, compliance with applicable legislation and frameworks and other matters. These are detailed as follows:

(i) Key Internal Controls

Significant issues in design and implementation of internal controls over financial reporting and recommendations for improvement.

(ii) Fraud risk

Fraud risks that the audited entity is exposed to and how the audit was designed to consider such risk and significant audit findings related to fraud and corruption along with recommendations for improvement.

(iii) Compliance with Procurement Guidelines and Practices

The auditor shall report on instances of significant departures from Procurement Procedures and Guidelines for SOEs of Maldives issued by the Privatisation and Corporatisation Board along with recommendations for improvement.

(iv) Compliance with Corporate Governance Code

The auditor shall report on instances of departures from provisions of the Corporate Governance Code for State Owned Enterprises issued by the Privatisation and Corporatisation Board along with recommendations for improvement.

(v) Compliance with Other Directives issued by Privatisation and Corporatisation

The auditor shall report on instances of significant departures from other directives issued by the PCB along with recommendations for improvement.

- (c) The external auditor shall include an analysis of financial statements in the ML. Such analysis shall include financial ratios on the profitability, liquidity, solvency, gearing, efficiency including the year-on-year changes and the auditor's recommendation resulting from their analysis.
- (d) The external auditor shall submit the report stated in subsection (a) to the Auditor General's Office within 30 days of receiving the management-commented ML.
- (e) The Auditor General's Office may publish on its website a template for the report stated in subsection (a).
- (f) Schedules A and B of this regulation provides guidance on the reporting of matters stated in subsection 8.4 (b) and (c).

9. Responsibilities of those charged with governance pertaining to this regulation

- (a) Appointing suitably qualified external auditor to audit the financial statements of the SOE.
- (b) Ensuring that the SOE has adequate systems in place to provide external auditors with financial statements in a form and content that is appropriate for the external auditor to conduct the financial statements audits on time.
- (c) Ensuring that the financial statements are submitted to external auditor for audit by 31st March of the succeeding year.
- (d) Ensuring that the financial statements submitted for audit are also sent to the Auditor General's Office by 31st March of the succeeding year.
- (e) Ensuring that management-commented ML is sent back to the external auditor within 15 days of receiving it for comments.

- (f) Addressing the recommendations provided in the ML referred to in Section 8.2 of this regulation.
- (g) Ensuring that the audited financial statements and ML are submitted to the Auditor General's Office in a timely manner.

10. Responsibilities of the external auditor pertaining to this regulation

- (a) Submit to the Auditor General's Office the report stated in Section 8.4 (a) of this regulation within 30 days of receiving the management-commented ML.
- (b) External auditor shall provide necessary explanations and access to supporting documents and audit teams for the reviews carried out by the Auditor General's Office under this regulation. The External auditor shall provide copies of working papers upon request by the Auditor General's Office.

11. Review of the *Report to the Auditor General on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements*

- (a) The Auditor General's Office shall carry out a review of the report stated in Section 8.4 (a) of this regulation.
- (b) Following the review in subsection (a), the Auditor General's Office shall compile a report based on financial audit and other matters referred to in Section 8.4 of this regulation and communicate its findings to the President of Maldives, Parliament, relevant ministries and public institutions and shall publish the report on Auditor General's Office's website.
- (c) A guideline to carry out the review of the report stated in Section 8.4 (a) of this regulation shall be published by the Auditor General's Office.

12. Post Completion Review of the audit

- (a) The Auditor General's Office shall undertake a post completion review of the audit for quality. The external auditor shall provide access to the audit file and to the audit team that carried out the audit. The External auditor shall provide copies of working papers upon request by the Auditor General's Office.

- (b) A guideline to carry out the post completion review of the audit shall be published by the Auditor General’s Office.

13. Rating the Reviews

- (a) The Auditor General’s Office shall give a rating for the reviews stated in Section 11 and Section 12 of this regulation. The rating for the reviews shall be as follows:
- (a) Good;
 - (b) Satisfactory; or
 - (c) Unsatisfactory
- (b) If the rating for either or both of the reviews stated in Section 11 and Section 12 is “unsatisfactory”, the Auditor General’s Office has the discretion to “Black List” the appointed auditor from bidding for external audit service of SOEs, in addition to writing to the Institute of Chartered Accountants of the Maldives (CA Maldives) for further disciplinary action against such a blacklisted PIE Auditor.
- (c) If an auditor is classified as Black Listed, such an auditor is barred from bidding for the external audit service of the SOEs for a period of three years from the date of blacklisting. Further, an SOE shall not accept audit bid from such an auditor for external audit service for a period of three years from the date of blacklisting the auditor.

14. Offences and Penalties

- (a) According to section 20 (a) 1 of the Audit Act (Law No. 4/2007), non-compliance with this regulation is an offence, and the Auditor General has the authority, pursuant to section 20 (c) of the Audit Act (Law No. 4/2007), to levy fines and penalties and take other legal actions against the SOE or external auditor that commits such an offence. Fines and penalties for offences are given below.

Offence	SOE Category	Penalty
Penalties for the SOE		
Failure to submit the financial statements to the AGO by the deadlines stated in	Category A (business with annual turnover above MVR 100 million)	Fine between MVR 30,000/- and MVR 40,000/-

Section 9 (d) of this regulation.	Category B (business with annual turnover between MVR 20 million and MVR 100 million)	Fine between MVR 20,000/- and MVR 30,000/-
	Category C (business with annual turnover below MVR 20 million)	Fine between MVR 10,000/- and MVR 20,000/-
Failure to submit the audited financial statements and management-commented ML to the Auditor General's Office within the deadline stated in Section 8.3 of this regulation.	Category A (business with annual turnover above MVR 100 million)	Fine between MVR 30,000/- and MVR 40,000/-
	Category B (business with annual turnover between MVR 20 million and MVR 100 million)	Fine between MVR 20,000/- and MVR 30,000/-
	Category C (business with annual turnover below MVR 20 million)	Fine between MVR 10,000/- and MVR 20,000/-
Penalties for external auditors appointed by the SOE		
Failure to submit to the Auditor General's Office the report stated in section 8.4 (a) of this regulation within 30 days of receiving back management-commented ML	Category A (business with annual turnover above MVR 100 million)	Fine between MVR 30,000/- and MVR 40,000/-
	Category B (business with annual turnover between MVR 20 million and MVR 100 million)	Fine between MVR 20,000/- and MVR 30,000/-

	Category C (business with annual turnover below MVR 20 million)	Fine between MVR 10,000/- and MVR 20,000/-
Failure to provide necessary explanations and access to supporting documents and audit teams for the reviews carried out by the Auditor General's Office under this regulation.	Category A (business with annual turnover above MVR 100 million)	Fine between MVR 30,000/- and MVR 40,000/-
	Category B (business with annual turnover between MVR 20 million and MVR 100 million)	Fine between MVR 20,000/- and MVR 30,000/-
	Category C (business with annual turnover below MVR 20 million)	Fine between MVR 10,000/- and MVR 20,000/-

(b) **Penalties for other offences**

Non-compliance with any other provision of this regulation is punishable in according with Section 20 (c) of the Audit Act (Law No. 4/2007).

15. Effective Date

This regulation comes into effect upon publication in the government Gazette.

Schedule A

FINANCIAL ANALYSIS AND INTERPRETATION REPORT

Interpretation of Financial Ratios

To understand the financial position of [COMPANY NAME] we have performed a Financial analysis for the years Our Calculations and the interpretations on the ratio are stated below.

(i) Profitability Ratios

The main profitability ratios are as follows.

(a) Gross Profit Margin

$$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100$$

(b) Net Profit Margin

$$\frac{\text{Net Profit before Interest and Tax}}{\text{Revenue}} \times 100$$

(c) Return on Capital Employed

$$\frac{\text{Profit before Interest, Tax and Dividends}}{\text{Total Capital Employed including interest bearing debt}} \times 100$$

(d) Return on Equity

$$\frac{\text{Profit after Interest, Tax and Preferential Dividends}}{\text{Equity Capital}} \times 100$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

(ii) Liquidity

Liquidity relates to the amount of cash available to the business. Cash position of the firm is looked upon to assess the liquidity. In addition, the future cash position by comparing short term assets (which should translate into cash relatively soon) with short term liabilities (which will require cash to settle them relatively soon).

The main liquidity ratios are as follows:

(a) Current Ratio

$$\text{Current Assets} : \text{Current Liabilities}$$

(b) Acid Test Ratio

$$(\text{Current Assets} - \text{Inventory}) : \text{Current Liabilities}$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

(iii) Gearing

Gearing refers to the way the company is financed. It is concerned with two types of financing, namely Debt (borrowings) and Equity (shareholders' funds). Gearing can be understood as long term liquidity. There are three main ratios used to assess gearing:

(a) Debt / Equity Ratio

$$\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity}}$$

(b) Debt / Total Capital

$$\frac{\text{Total Interest Bearing Debt}}{\text{Debt} + \text{Equity}}$$

(c) Interest Cover

$$\frac{\text{Profit before Interest and Tax}}{\text{Interest payable}}$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

(iv) Activity / Efficiency

Activity ratios try to assess how well the business utilizes the resources at its disposal. The main areas of concern are as follows:

(a) Asset turnover

$$\frac{\text{Sales Revenue}}{\text{Total Assets} - \text{Current liabilities}}$$

(b) Stock turnover

$$\frac{\text{Cost of Sales}}{\text{Average Inventory}}$$

(c) Trade receivables collection period (in days)

$$\frac{\text{Trade Receivables}}{\text{Credit Sales}} \times 365$$

(d) Trade payables payment period (in days)

$$\frac{\text{Trade Creditors}}{\text{Credit Purchases}} \times 365$$

(e) Expenses as % of sales

$$\frac{\text{Total expenses}}{\text{Sales}} \times 100$$

(f) Operating Cycle

$$\text{Inventory days} + \text{Receivables days} - \text{Payables days}$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

(v) **Investor Ratios**

These ratios are especially relevant to investors, especially in quoted companies which have a verifiable share value. The most important ones are as follows:

(a) Earnings per share

$$\frac{\text{Profit attributable to ordinary shareholders}}{\text{No. of Ordinary Shares}}$$

(b) Price earnings ratio

$$\frac{\text{Price per share}}{\text{Earnings per share}}$$

(c) Earnings yield

$$\frac{\text{Earnings per share}}{\text{Price per share}} \times 100$$

(d) Dividend per share

$$\frac{\text{Total ordinary dividend for the year}}{\text{No. of ordinary Shares}}$$

(e) Dividend yield

$$\frac{\text{Dividend per share}}{\text{Price per share}} \times 100$$

(f) Dividend cover

$$\frac{\text{Earnings per share}}{\text{Dividends per share}}$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

Overall Conclusion on the Financial position of the Company:

Financial ratio analysis is more meaningful when it is compared against calculation financial ratios of two-time period of the firm. Based on the calculated figures, a brief conclusion (positive/negative/adverse/good) shall be included in the report.

Over all Recommendations

Recommendation shall be based on the calculated figures and depth analysis of the each and every items of the financial statements. And also a depth critical analysis, knowledge on the particular industry and financial ratios and experience of the auditor.

Schedule B

Report to the Auditor General on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Introduction

This report is produced pursuant to section 9 of the Regulation on the Audit and Accountability of State-owned Enterprises. This report has six sections. They are:

- a) Assessment on compliance of PCB Corporate Governance Code;
- b) Assessment on Key Internal Controls;
- c) Assessment on Fraud Risks;
- d) Assessment on the Compliance with Procurement Procedures and Guidelines for SOEs of Maldives issued by PCB; and
- e) Other Matters

Our conclusions, findings and recommendations for the above areas are discussed below.

Section A: Assessment on Compliance of Corporate Governance Code

Based on our review, we conclude that [COMPANY NAME] **significantly complies/does not comply** with PCB Corporate Governance Code for State Owned Enterprise. However, there are areas to be improved which are discussed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

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Section B: Assessment on Key Internal Controls

Based on our review, we conclude that (COMPANY NAME) **significantly complies/does not comply** with COSO Internal Control – Integrated Framework. However, there are areas to be improved which are discussed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

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Section C: Assessment on Fraud Risks

Based on our review, we conclude that COMPANY NAME **significantly complies/does not comply** with COSO Fraud Risk Management Guide. However, there are areas to be improved which are discussed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

Section D: Assessment on the Compliance with Procurement Procedures and Guidelines for SOEs of Maldives

Based on our review, we conclude that [COMPANY NAME] significantly complies with PCB Procurement Procedures and Guidelines for SOEs of Maldives and procurement guidelines issued by the Ministry of Finance. However, there are areas to be improved which are discussed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

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Section F: Assessment on the Compliance with Other Directives issued by PCB

Based on our review, we conclude that COMPANY NAME significantly complies with the directives issued by PCB. However, there are areas to be improved which are discussed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

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Section G: Other Matters

Any other matters that the auditor may want to address; along with recommendations for improvement.



1st AMENDMENT TO THE REGULATION NO: 2021/R-152 (THE REGULATION ON THE AUDIT AND ACCOUNTABILITY OF STATE-OWNED ENTERPRISES)

This regulation is made pursuant to the authority granted to the Auditor General by the Audit Act (No.4/2007).

1st Amendment to the Regulation no: 2021/R-152

1. Amendment of Schedule A as follows:

Schedule A

FINANCIAL ANALYSIS AND INTERPRETATION (TO BE INCLUDED IN THE MANAGEMENT LETTER)

Interpretation of Financial Ratios

To understand the financial position of [SOE NAME] we have performed a financial analysis for the year [financial year]. Our Calculations and the interpretations of the ratios are discussed below.

(i) Profitability Ratios

The main profitability ratios are as follows.

(a) Gross Profit Margin

$$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100$$

(b) Net Profit Margin

$$\frac{\text{Net Profit before Interest and Tax}}{\text{Revenue}} \times 100$$

(c) Return on Capital Employed

$$\frac{\text{Profit before Interest, Tax and Dividends}}{\text{Total Capital Employed including interest bearing debt}} \times 100$$

(d) Return on Equity

$$\frac{\text{Profit after Interest, Tax and Preferential Dividends}}{\text{Equity Capital}} \times 100$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

(ii) Liquidity

Liquidity relates to the amount of cash available to the business. Cash position of the firm is looked upon to assess the liquidity. In addition, the future cash position by comparing short term assets (which should translate into cash relatively soon) with short term liabilities (which will require cash to settle them relatively soon).

The main liquidity ratios are as follows:

(a) Current Ratio

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

(b) Acid Test Ratio

$$\frac{(\text{Current Assets} - \text{Inventory})}{\text{Current Liabilities}}$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

(iii) Gearing

Gearing refers to the way the company is financed. It is concerned with two types of financing, namely Debt (borrowings) and Equity (shareholders' funds). Gearing can be understood as long term liquidity. There are three main ratios used to assess gearing:

(a) Debt / Equity Ratio

$$\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity}}$$

(b) Debt / Total Capital

$$\frac{\text{Total Interest Bearing Debt}}{\text{Debt} + \text{Equity}}$$

(c) Interest Cover

$$\frac{\text{Profit before Interest and Tax}}{\text{Interest payable}}$$

Auditors Interpretation

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Recommendation for improvements

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Management Comments

(iv) Activity / Efficiency

Activity ratios try to assess how well the business utilizes the resources at its disposal. The main areas of concern are as follows:

(a) Asset turnover

$$\frac{\text{Sales Revenue}}{\text{Total Assets} - \text{Current liabilities}}$$

(b) Stock turnover

$$\frac{\text{Cost of Sales}}{\text{Average Inventory}}$$

(c) Trade receivables collection period (in days)

$$\frac{\text{Trade Receivables}}{\text{Credit Sales}} \times 365$$

(d) Trade payables payment period (in days)

$$\frac{\text{Trade Creditors}}{\text{Credit Purchases}} \times 365$$

(e) Expenses as % of sales

$$\frac{\text{Total expenses}}{\text{Sales}} \times 100$$

(f) Operating Cycle

$$\text{Inventory days} + \text{Receivables days} - \text{Payables days}$$

Auditors Interpretation

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Recommendation for improvements

.....

Management Comments

(v) Investor Ratios

These ratios are especially relevant to investors, especially in quoted companies which have a verifiable share value. The most important ones are as follows:

(a) Earnings per share

$$\frac{\text{Profit attributable to ordinary shareholders}}{\text{No. of Ordinary Shares}}$$

(b) Price earnings ratio

$$\frac{\text{Price per share}}{\text{Earnings per share}}$$

(c) Earnings yield

$$\frac{\text{Earnings per share}}{\text{Price per share}} \times 100$$

(d) Dividend per share

$$\frac{\text{Total ordinary dividend for the year}}{\text{No. of ordinary Shares}}$$

2. Amendment of Schedule B as follows:

Schedule B

Report to the Auditor General on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Introduction

This report is produced pursuant to section 8.4 of the *Regulation on the Audit and Accountability of State-owned Enterprises No: 2021/R-152*. This report has six sections. They are:

- a) Assessment of compliance with the PCB Corporate Governance Code;
- b) Assessment of Key Internal Controls;
- c) Assessment of Fraud Risks;
- d) Assessment of Compliance with Procurement Procedures and Guidelines for SOEs of the Maldives issued by the PCB;
- e) Assessment of Compliance with Other Directives issued by the PCB; and
- f) Other Matters

Our findings and recommendations for the above areas are discussed below.

Section A: Assessment on Compliance of Corporate Governance Code

Report on Factual Findings based on Agreed Upon Procedures carried out in line with International Standard on Related Services (ISRS 4400) on the compliance of [SOE NAME] with the Corporate Governance Code issued by the PCB.

[note: bring the AUP Report here with the procedures carried out under the AUP engagement]

Section B: Assessment on Key Internal Controls

We have carried out assessment of [SOE NAME]’s key internal controls as per International Standards on Auditing (ISAs). Our findings discussed with the management are detailed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

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Section C: Assessment on Fraud Risks

We have carried out assessment of [SOE NAME]’s fraud risks as per International Standards on Auditing (ISAs). Our findings discussed with the management are detailed below.

Finding 1

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Implication

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Recommendation for improvements

.....

Management Comments

Section D: Assessment of the Compliance with Procurement Procedures and Guidelines for SOEs of the Maldives

We have carried out assessment of [SOE NAME]’s compliance with PCB Procurement Procedures and Guidelines for SOEs of the Maldives. our findings discussed with management are detailed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

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Section E: Assessment on the Compliance with Other Directives issued by PCB

We have carried out assessment of the [SOE NAME]’s compliance with other directives issued by the PCB. Our findings discussed with management are detailed below.

Finding 1

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Implication

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Recommendation for improvements

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Management Comments

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Section F: Other Matters

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[Note: bring here Any other matters that the auditor may want to address; along with recommendations for improvement.]

Section A of *Report to the Auditor General on Internal Controls over Financial Reporting, on Compliance and Other Matters based on an Audit of Financial Statements.*

Assessment of Compliance with Corporate Governance Code of the Privatisation and Corporatisation

REPORT OF FACTUAL FINDINGS

To the Auditor General and Board of Directors

We have performed the procedures agreed with you (Board of Directors) and enumerated in an annexure to this report, with respect to the Corporate Governance Code issued by the Privatisation and Corporatisation Board (PCB). Our engagement was undertaken in accordance with the principles set out in International Standard on Related Services (ISRS 4400) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you to meet the compliance requirement of the Corporate Governance Code issued by the PCB, and to discharge our pertinent responsibility stipulated in the *Regulation on the Audit and Accountability of the State-owned Enterprises 2021/R-152*.

We report our findings below:

(List the results of the procedures performed)

Because the above procedures do not constitute an audit or review made in accordance with International Standards on Auditing (ISAs), we do not express any assurance on the compliance with the directions of Corporate Governance Code issued by the PCB.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with ISAs, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purposes set forth in the first paragraph of this report and for your information. This report relates only to the items specified above and does not extend to any financial statements of SOE, taken as a whole.

Practitioner

Date

- (c) Check that the Chairperson of the Board has ensured that issues discussed at the Board committees are reported to the Board and any committee recommendations are considered for approval by the Board.
- (d) Check that the Chairperson of the Board has not unilaterally issued policies without consulting with the Board as a whole with full frank and discussions being completed.

4. Role of the CEO/Managing Director

- (a) Check that the CEO/Managing Director:
 - I. developed and recommended to the Board a long-term vision and strategy for the company that will generate satisfactory levels of shareholder value and positive, reciprocal relations with relevant stakeholders;
 - II. developed and recommended to the Board annual business plans and budgets that support the company’s long-term strategy. In the development of these plans, it is essential that the CEO/MD ensures a proper assessment of the risks under a variety of possible or likely scenarios is undertaken and presented to the Board (whether through a separately constituted Board Risk Committee or through an Executive Risk Management Committee);
 - III. strived consistently to achieve the company’s financial and operating goals and objectives, and ensure that the day-to-day business affairs of the company are appropriately managed and monitored; and
 - IV. served as the chief spokesperson for the company on all operational and day-to-day matters. The Chairperson and CEO/ MD should discuss and agree with the Board the division of responsibilities for communication to shareholders and other stakeholders. It is important that the CEO/MD and other key officers attend AGM and be prepared to present material operational developments to the meeting.

5. Board Meetings

- (a) Check that the Board have its annual plan which provides for a number of meetings to be held, tentative agenda items and the form these will be held.
- (b) Check that Board meetings are held pursuant to the Articles of Association of the Company.
- (c) Check that the time gap between any two meetings is not more than three months.

6. Audit Committee

- (a) Check if the Board has established an Audit Committee empowered to oversee due diligence and control over the financial aspects of the Company’s operations and performance.
- (b) Check the composition of the Board’s Audit Committee. It should be based on the size of the Board:

If the board consists of seven (7) Directors, Audit Committee should have 3 members and if the Board consists of five (5) Directors, Audit Committee should have 2 members.

- (c) Check that the Chairperson of the Audit Committee is an independent non-executive Director.
- (d) Check that the Chairperson of the Audit Committee have substantial accounting or financial experience.

7. Risk Management

- (a) Ensure that the Board carries out the total process of risk management, including the systematic and continuous identification and evaluation of risks as they pertain to the organisation, followed by action to terminate, transfer, accept or mitigate each risk.
- (b) Check that the Board has communicated its risk management policies to Management and all other employees as appropriate to their roles within the organisation and ensured that communication has been effective and understood.

8. Internal Audit

- (a) Check that the SOE has set up an internal audit function to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.
- (b) Ensure the Internal audit function was nominated by the Audit Committee and appointed by the Board.
- (c) Check that the internal audit department is resourced properly, and whether the audit committee has ensured deployment of sufficient and appropriate human resources in the function.
- (d) Check that the head of internal audit have an appropriate professional qualification and experience in internal auditing.
- (e) Check that the Internal audit function reports to a level within the SOE that allows the function to fully accomplish its responsibilities. And that the head of internal audit have ready and regular access to the chairperson of the Company and the chairperson of the audit committee.
- (f) Check that the internal audit report to the audit committee at the Board all its reports, whilst administratively, it reports its findings to the CEO/MD for the purpose of implementing recommendations for improvements.
- (g) Check if the appointment or dismissal of the head of the internal audit is only done by the agreement of majority of members in the audit committee.

- (h) Check if period meetings were held between internal auditors and external auditors for matters of mutual interest, the management letters and reports, and sharing common understanding of audit techniques, methods and terminology.
- (i) Check whether all the internal auditors of the SOE, have signed Code of Ethics for internal auditors published by Institute of Internal Auditors, Global.

9. Code of Ethics

- (a) Check that the Board has developed a code of ethics, with clear policies and procedures for Directors, Management and employees.
- (b) Check that the SOE adopted a code of ethics which sets out clear corporate values and standards of behaviour in its dealings.
- (c) Check that the Code of Ethics of the Company have been signed by the members of Board, management and staff members.

10. Code of Conduct

- (a) Check that the Board has laid down a code of conduct for all Board members and senior management of the SOE.
- (b) Check whether the code of conduct is circulated and also posted on the website of the Company.
- (c) Check whether the SOE has strictly complied with Guidelines and policies promulgated by the PCB/Ministry of Finance with respect to the structure, composition, selection, appointment and service conditions of Board of Directors and senior management personnel.

11. Company Secretary

- (a) Check if the Board of Directors have appointed a Company Secretary who is competent to discharge the functions of secretary of the SOE.
- (b) Check if the Company Secretary is a full-time staff member appointed by and accountable to the Board.
- (c) Check if the Company Secretary send the Board Meeting attendance to PCB quarterly.
- (d) Check whether Company Secretary has ensured timely, accessible and accurate filing of corporate statutory records as required by the law (Board meeting minutes), PCB and by the company's articles and by-laws
- (e) Check if Company Secretary has signed minutes of Board meetings and ensured that minutes are signed by the Board of Directors present at the meeting.

12. Reporting and Disclosure

- (a) Check that the Board has ensured that any report delivered as an annual report includes, or has appended to it, a statement which acknowledges the directors' responsibilities for internal control and describes the methods by which this responsibility is discharged.
- (b) Check that this "Statement of Directors' Responsibilities" is signed by two or more Directors as representatives of the Board.
- (c) Check that the disclosure of the methods used by the Board to discharge its responsibility for internal control must, as a minimum, include a description of the following:
 - I. the systems and processes in place for implementing, maintaining and monitoring of the internal controls;
 - II. the process by which the Board derives assurance that the internal control systems are effective;
 - III. the existence or otherwise of an internal audit function, and for companies where no internal audit function exists, the frequency of reviews for the need to establish one and the date of the last such review;
 - IV. any significant enterprise areas not covered by the internal controls including joint ventures, subsidiaries or associates; and
 - V. the process applied to any material problems disclosed in the annual report or financial statements.

13. Other Matters

- (a) Any other significant matter(s) related to the governance of the SOE.

3. This regulation will come into operation upon publication in the government gazette.
