



INTRODUCTION

1. This assessment of public sector accounting and auditing is to facilitate more efficient implementation of Public Financial Management (PFM) in Maldives through better quality accounting and public audit processes. It is intended to provide greater stimulus for more cost-effective outcomes of government spending. The specific objectives are (a) to provide the country's accounting and audit authorities and other interested stakeholders with a common well-founded knowledge as to where local practices stand in comparison with internationally developed standards of financial reporting and audit; (b) to assess the prevailing variances; (c) to chart paths to reduce the variances; and (d) to provide a continuing basis for measuring improvements.

2. In conducting this assessment of the Maldives, information on national standards and practices for accounting, financial reporting, and auditing in the government budget sector and in the state-owned enterprise sector were collected from diagnostic questionnaires that were completed in cooperation with country authorities. The diagnostic questionnaires incorporated the principles contained in the public sector accounting and auditing standards promulgated by International Organization of Supreme Audit Institutions (INTOSAI) and International Federation of Accountants (IFAC). The responses to these questionnaires were further explored through discussions conducted by a World Bank team with the country authorities. These discussions included examination of accounts and audit reports and working papers, to explore the quality of the processes and the products. Annex A further explains the methodology used for the assessment.

3. The analysis in this report has been conducted in the light of PFM reform plans that the Government of the Maldives has been implementing. A Public Finance Act was enacted in 2005. In response to the Act, the Ministry of Finance and Treasury is engaged in implementing an accounting system to support annual accounts for each ministry and for the State. The legislature is in the process of approving a new National Audit Act. The Auditor General has been invited to form a committee that will provide comments on the proposed law. The legislation of a new National Audit Act and the implementation of an Institutional Development Plan for the Office of the Auditor General should introduce modern audit reporting and a modern audit organization. A program for provision of technical assistance to the Office of the Auditor General is under implementation through an Institutional Development Fund (IDF) grant provided by the World Bank.

4. Annex B provides a summary of international accounting and auditing standards referred to in this study. Annex C and D provide country accounting and auditing legislation, respectively. Annex E includes a description of the benefits of accrual basis of accounting. The report is accompanied by a Supplemental Table of Standards and Gaps, which summarizes for each component of current accounting and auditing standards, the present position, and the options for improvements that would bring Maldives into closer conformance with the international standards.

