Issue No. 4 | October to December 2022

FRC MAURITIUS
FINANCIAL REPORTING COUNCIL

Financial Reporting Council

Newsletter

The main functions of the Financial Reporting Council comprise amongst others

- Licensing of auditors;
- Monitoring the truth and fairness of financial reporting through reviews of annual reports of PIEs;
- Monitoring the work of auditors, by conducting onsite/offsite practice reviews; and
- Monitoring compliance with the requirements of the National Code of Corporate Governance.

Key highlights

IASB Updates

For the quarter ended 31 December 2022, the International Accounting Standards Board ("IASB") discussed on the following areas of the International Financial Reporting Framework relating to Research & Standard-setting and Strategy & Governance:

- **AMENDMENTS TO THE CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

  The IASB met to discuss proposed amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures.*

a) ***Contractually linked instruments—Sweep issue***

The IASB considered a sweep issue on the scope of transactions to which the requirements in IFRS 9 for contractually linked instruments apply. The IASB tentatively decided to clarify that when an entity determines whether a transaction contains contractually linked instruments as described in IFRS 9, any financial instruments held by the transferor of the underlying assets in the transaction are excluded.

b) ***Accounting policy choice for derecognition of financial liabilities***

The IASB further considered criteria that would allow an entity to derecognise a financial liability before it delivers cash on the settlement date.

IASB Updates (cont'd)

The IASB tentatively decided that an entity has an accounting policy choice to derecognise a financial liability before the settlement date when:

a. the entity does not have the ability to withdraw, stop or cancel an electronic payment instruction;
b. the entity has lost the practical ability to access the cash as a result of the electronic payment instruction; and
c. the settlement risk associated with the electronic payment instruction is insignificant.

Settlement risk is considered insignificant if the payment system used has these characteristics:

a. the period between the payment initiation date and the settlement date is relatively short and is standardised for the particular payment system concerned; and
b. completion of the payment instruction follows a standard administrative process so that the debtor has reasonable assurance that the transfer will be completed and the cash will be delivered to the creditor.

The IASB tentatively decided to limit the scope of this accounting policy choice to electronic payment systems.

a) *Due process steps*

The IASB tentatively decided to set a comment period of 120 days for the exposure draft being developed for the project.

The IASB discussed the due process steps—including permission to begin the balloting process—for the exposure draft.

Next step

Exposure draft will be prepared for balloting.

- **BUSINESS COMBINATIONS UNDER COMMON CONTROL**

  The IASB met to discuss selecting the measurement method(s) that receiving entities would apply to business combinations under common control.

  Continuing deliberations started at its June 2022 meeting, the IASB discussed:

  a. the principle for selecting which measurement method a receiving entity would apply to a business combination under common control; and
  b. whether in some circumstances—including those described in the Discussion Paper *Business Combinations under Common Control*—a receiving entity would be permitted or required to deviate from the principle and apply a different measurement method.

Next step

The IASB will continue its discussions on selecting the measurement method(s) at a future meeting.

IASB Updates (cont'd)

- **CONTRACTUAL CASH FLOW CHARACTERISTICS OF FINANCIAL ASSETS (AMENDMENTS TO IFRS 9)**

The IASB met to discuss proposed amendments to IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments.*

The proposed amendments to IFRS 7 add disclosure requirements to complement the clarifying amendments the IASB tentatively decided to make to the requirements in IFRS 9 for assessing the contractual cash flow characteristics of financial assets. The IASB tentatively decided to make the clarifying amendments at its September 2022 meeting.

The IASB tentatively decided to propose adding a requirement to IFRS 7 for entities to disclose for each class of financial assets and financial liabilities not measured at fair value:

a. a qualitative description of contractual terms that could change the timing or amount of contractual cash flows, including the nature of any contingent events;
b. quantitative information about the range of changes to contractual cash flows that could result from these contractual terms; and
c. the gross carrying amount of financial assets and amortised cost of financial liabilities subject to these contractual terms.

The IASB also tentatively decided to propose that:

a. an entity should apply the clarifying amendments to IFRS 9 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except that the entity would not be required to restate comparative information;
b. if, on the initial application of the amendments, an entity changes the classification of a financial asset, the entity should disclose:
   i. the previous measurement category and the carrying amount determined immediately before applying these amendments; and
   ii. the new measurement category and the carrying amount determined after applying these amendments.
c. the effective date will be determined after exposure of the proposed amendments; and
d. early application of the amendments is permitted.

Next step

The IASB will decide whether to begin the balloting process for the exposure draft.

- **DISCLOSURE INITIATIVE—TARGETED STANDARDS-LEVEL REVIEW OF DISCLOSURES**

The IASB met to decide what actions to take on the Targeted Standards-level Review of Disclosures project based on the feedback on the Exposure Draft Disclosure Requirements in IFRS Standards—A Pilot Approach.

IASB Updates (cont'd)

The IASB decided:

a. to use the methods proposed in the Exposure Draft for developing disclosure requirements.
b. to use a 'middle-ground' approach to drafting disclosure requirements.
c. that the 'middle-ground' approach would involve:
   i. providing context-setting, non-prescriptive overall disclosure objectives that describe the overall information needs of users of financial statements.
   ii. not including a cross-reference to paragraph 31 of IAS 1 *Presentation of Financial Statements* at the beginning of the disclosure section of each IFRS Accounting Standard.
   iii. requiring an entity to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements.
   iv. supporting a specific disclosure objective with explanations of the assessments that users make that rely on information an entity discloses by applying the specific disclosure objective.
   v. using prescriptive language when referring to items of information that an entity is required to disclose to meet a specific disclosure objective, subject to the requirements of paragraph 31 of IAS 1.

d. to document the methods for developing disclosure requirements and the approach to drafting them (Guidance for the Board) and publish the document on the IFRS Foundation website.

Next step

The IASB will publish the Guidance for the Board and a project summary.

- **DYNAMIC RISK MANAGEMENT**

The IASB met to begin discussions on the next phase in the development of the Dynamic Risk Management (DRM) model. The IASB discussed:

a) *Managing equity*

The IASB tentatively decided that in determining an entity's current net open risk position, the inclusion of equity is not necessary, and therefore, equity is not an eligible item for the purpose of the DRM model.

b) Notional alignment of designated assets and liabilities

The IASB tentatively decided that in determining an entity's current net open risk position, notional alignment is not required between the designated assets and liabilities.

Next step

The IASB will continue its discussions on the topics identified in the project plan.

IASB Updates (cont'd)

- **EQUITY METHOD**

The IASB met to continue its discussions of application questions on the equity method as set out in IAS 28 Investments in Associates and Joint Ventures.

b) Applying the preferred approach after the purchase of an additional interest in an associate

The IASB tentatively decided that an investor applying the equity method is measuring a single investment in an associate when applying the IASB's preferred approach. Accordingly, when applying the preferred approach in a partial disposal an investor would be required to measure the portion of the investment in the associate to be derecognised as a proportion of the carrying amount of the investment at the date of the disposal. This tentative decision amends the IASB's tentative decision in June 2022.

c) Purchase of additional interest in an associate and share of unrecognised losses

The IASB tentatively decided that an investor applying the equity method that has reduced the carrying amount of its investment in an associate to zero and has herefore stopped recognising its share of an associate's losses would not recognise any unrecognised losses on purchasing an additional interest in the associate.

a) Recognition of losses and components of comprehensive income

The IASB tentatively decided to clarify that an investor would recognise its share of an associate's comprehensive income until its interest in the associate is reduced to zero.

The IASB tentatively decided that when an investor has reduced the carrying amount of its investment in an associate to zero the investor would recognise separately its share of each component of the associate's comprehensive income. The IASB tentatively decided that if an investor's share of an associate's comprehensive income is a loss that is larger than that carrying amount of its investment in the associate, an investor would recognise, in order:

a. its share of the associate's profit and loss; and
b. its share of the associate's other comprehensive income

Next step

The IASB will continue its discussions on application questions within the scope of the project.

- **FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF EQUITY**

The IASB met to discuss whether and how to clarify the requirements in IAS 32 Financial *Instruments: Presentation* for the presentation of an entity's issued financial instruments.

IASB Updates (cont'd)

The IASB discussed concerns raised by stakeholders relating to an entity's treatment of a subset of financial liabilities if the financial liabilities are measured at fair value through profit or loss in accordance with the requirements in IFRS 9 *Financial Instruments*. Some stakeholders have questioned whether it is appropriate for an entity to recognise changes in the carrying amount of the financial liability in profit or loss when the financial liability contains a contractual obligation to pay the holder an amount based on:

a. the entity's performance; or
b. changes in the entity's net assets.

The IASB tentatively decided against adding to the presentation requirements in IAS 32 for financial liabilities.

The IASB tentatively decided to require an entity with these types of financial liabilities measured at fair value through profit or loss to disclose in each reporting period the total gains or losses that arise from remeasuring such financial liabilities. These disclosures, together with the proposed disclosures of terms and conditions tentatively agreed to by the IASB in April 2021, will help to meet the information needs of users of financial statements.

Next step

The IASB will continue to discuss the presentation of equity instruments in addition to other topics set out in the project plan.

- **GOODWILL AND IMPAIRMENT**

  The IASB met to discuss its project on Goodwill and Impairment. The IASB set out preliminary views on this topic in the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*.

The IASB discussed:

a) ***Identifiable intangible assets acquired in a business combination***

The IASB tentatively decided to maintain its preliminary view and therefore to make no changes to the recognition criteria in IFRS 3 *Business Combinations* for identifiable intangible assets acquired in a business combination.

b) Total equity excluding goodwill

The IASB tentatively decided against proceeding with its preliminary view and therefore tentatively decided not to require an entity to present the amount of total equity excluding goodwill as a separate line item on its statement of financial position.

Next steps

At future meetings the IASB will make decisions on:

a. the details of the disclosure requirements related to business combinations; and

IASB Updates (cont'd)

b. its preliminary views on improving the effectiveness and simplifying the application of the impairment test in IAS 36 *Impairment of Assets* for cash-generating units containing goodwill.

- **POST-IMPLEMENTATION REVIEW OF IFRS 9—CLASSIFICATION AND MEASUREMENT**

  The IASB met to discuss feedback from its Post-implementation Review of IFRS 9 *Financial Instruments*. In particular, the IASB discussed:

a) Financial liabilities and own credit

The IASB decided to take no further action on the matters identified in the feedback on IFRS 9 relating to:

a. the requirements for classification and measurement of financial liabilities; and
b. the presentation of changes in own credit risk.

b) Responding to the feedback and next step

The IASB discussed a summary of its response to feedback from the Post-implementation Review of the classification and measurement requirements in IFRS 9 in order to decide whether to conclude the review. The IASB decided that adequate work had been completed:

a. to conclude the Post-implementation Review; and
b. for the staff to prepare the report and feedback statement on the Post-implementation Review.

Next step

The IASB will publish a Report and Feedback Statement on the *Post-implementation Review of* IFRS *9—Classification and Measurement*.

- **RATE-REGULATED ACTIVITIES**

  The IASB met to redeliberate the proposals in its Exposure Draft *Regulatory Assets and Regulatory Liabilities* relating to:

  a) Inflation adjustment to the regulatory capital base

  The IASB tentatively decided that the Standard specify that an entity is neither required nor permitted to recognise as a regulatory asset inflation adjustment to the regulatory capital base.

  b) Other items included in the regulatory capital base

  The IASB tentatively decided that the Standard specify that:

  a. an entity is required to recognise a regulatory asset or a regulatory liability relating to an allowable expense or performance incentive included in its regulatory capital base when:

IASB Updates (cont'd)

i. the entity's regulatory capital base and its property, plant and equipment have a direct relationship; and
ii. the entity has an enforceable present right (obligation) to add (deduct) the allowable expense or performance incentive to (from) future regulated rates.

b. an entity is neither required nor permitted to recognise a regulatory asset or a regulatory liability relating to an allowable expense or performance incentive included in its regulatory capital base when the entity's regulatory capital base and its property, plant and equipment have no direct relationship.

Next step

The IASB will continue to redeliberate the project proposals.

For further details, refer to the website of the FRC.

IFAC Updates

The FRC has published details of the following updates from the International Federation of Accountants ("IFAC") on its website during the quarter ended 31 December 2022:

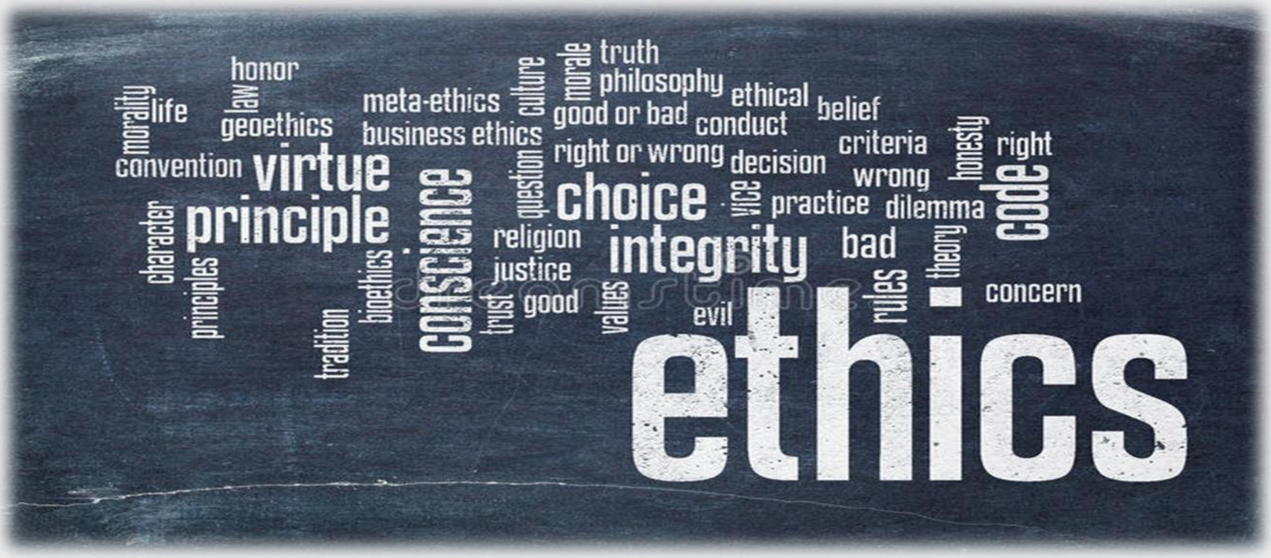
- **IESBA ISSUED ALERT HIGHLIGHTING KEY ETHICS AND INDEPENDENCE CONSIDERATIONS FOR PROFESSIONAL ACCOUNTANTS IN RELATION TO THE MILITARY CONFLICT IN UKRAINE**

  On 03 October 2022, the International Ethics Standards Board for Accountants (IESBA) released the Alert, The Ukraine Conflict: Key Ethics and Independence Considerations. The publication draws the attention of professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs), including firms, to a number of important provisions in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) with which they must comply in carrying out their work as they navigate the unprecedented challenges and risks arising from the Russia-Ukraine war.

  Among other matters, the Alert highlights the ethical implications arising from the wide-ranging economic sanctions many jurisdictions have imposed on Russia and certain Russian entities and individuals as well as Belarus, and the related ethical responsibilities of PAIBs and PAPPs under the Code. It also highlights:

  - Key ethics considerations for PAIBs in relation to the preparation and presentation of information, especially as regards accounting for and disclosing the impact of the Ukraine conflict on their employing organizations' business; and

  - Key ethics considerations for PAPPs in relation to client and engagement acceptance, and in the context of audits of financial statements, key independence considerations relating to overdue fees and the Code's prohibition against assuming management responsibility.



IFAC Updates (Cont'd)

Regardless of the environment in which professional accountants operate, the provisions of the Code serve to enhance the quality and consistency of services accountants provide, thus contributing to public trust and confidence in their work.

This publication may also be of interest to national standard setters, the investor and corporate governance communities, regulators and audit oversight bodies, preparers other than PAIBs, professional accountancy organizations, and others with an interest or role in the work of PAIBs and auditors and other PAPPs.

- **IESBA ISSUED PUBLICATION HIGHLIGHTING THE RELEVANCE AND APPLICABILITY OF THE IESBA CODE IN COMBATTING GREENWASHING**

The IESBA has on 21 October 2022 released a Questions & Answers (Q&A) publication, Ethics Considerations in Sustainability Reporting, Including Guidance to Address Concerns about Greenwashing. The publication highlights the relevance and applicability of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) to ethics-related challenges in the context of sustainability reporting and assurance, especially circumstances involving misleading or false sustainability information (i.e., "greenwashing").

Among other matters, the publication spotlights key provisions in the Code that apply in preparing and presenting sustainability information.

It emphasizes the professional accountant's obligation to be straightforward and honest and refrain from being associated with information that is misleading or false, including in situations where they might experience pressure to do so. The publication is intended to assist professional accountants, especially those in business, but might also be of interest to other professionals involved in preparing sustainability reports or disclosures. It will also be useful to regulators and audit oversight bodies, policy makers, investors, those charged with governance, national standard setters, professional accountancy organizations, and others with an interest in the work of professional accountants and in sustainability reporting and assurance.

- **IAASB OPENED PUBLIC CONSULTATION FOR REVISED AUDIT EVIDENCE STANDARD**

The International Auditing and Assurance Standards Board (IAASB) has on 24 October 2022 opened the public consultation for proposed changes to one of its fundamental standards, International Standard on Auditing (ISA) 500, Audit Evidence. The current ISA 500 addresses an auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate evidence to draw reasonable conclusions on which to base the auditor's opinion. The proposed changes:

  - Clarify ISA 500's purpose and scope and explain its relationship with other standards;

IFAC Updates (Cont'd)

- Provide a principles-based approach to considering and making judgments about information intended to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained;
- Modernize ISA 500 to be adaptable to the current business and audit environment, while considering scalability for different circumstances, including the entity and the auditor's use of technology, such as automated tools and techniques; and
- Emphasize the role of professional skepticism when making judgments about information intended to be used as audit evidence and evaluating the audit evidence obtained.

Proposed International Standard on Auditing 500 (Revised), Audit Evidence, provides a "reference framework" for auditors when making judgments about audit evidence throughout the audit.

"The audit and the environment in which an auditor conducts the audit and evaluates audit evidence has evolved significantly in recent years," commented IAASB Chair Tom Seidenstein. "For example, the changing nature and sources of information used by the auditor and the increasing role played by technology demanded a re-examination of the audit standard. These proposed changes will ensure that the standard keeps pace, while retaining a principles-based approach to standard setting."

The IAASB invites all stakeholders to comment on the Exposure Draft via the IAASB website. Comments are requested by April 24, 2023.

- **IFAC RELEASED ADDITIONAL SUPPORT FOR SMALL FIRMS ON THE IAASB'S QUALITY MANAGEMENT STANDARDS**

  The International Federation of Accountants (IFAC) has on 31 October 2022 released the first installment in a three-part publication series to help small- and medium-sized practices implement the International Auditing and Assurance Standards Board's (IAASB) new quality management standards. The IAASB's suite of quality management standards were issued in December 2020 and come into effect on December 15, 2022.

  Installment One: It is time to get ready for the new quality management standards addresses the mindset change the new standards require and the shift in focus from quality control to quality management. It also includes developing a project implementation plan, an introduction to quality objectives, the risk assessment process, and assigning roles and responsibilities. Helpful meeting agenda templates practitioners can use with their colleagues are also included.

  The three-part series will provide tips and guidance for practical implementation of the IAASB's standards. Installment two will focus on developing a detailed implementation plan and installment three will address monitoring and remediation. Installment One joins IFAC's collection of available resources that support quality management implementation, including webinars, articles and videos, as well as the IAASB first-time implementation guides, all of which are available at ifac.org/qualitymanagement.

For further details, refer to the website of the FRC.

IPSAS Updates

- **REVENUE AND TRANSFER EXPENSES**

The IPSASB finished discussing all principle-related Revenue and Transfer Expenses issues. In particular, the Board agreed to strengthen the consistency between the transfer expense accounting and presentation requirements with those throughout existing IPSAS. The IPSASB also reviewed the revised authoritative text of the draft Transfer Expenses IPSAS, which reflects the revised principles developed in previous meetings.

- **REPORTING SUSTAINABILITY PROGRAM INFORMATION**

The IPSASB approved ED 83, *Reporting Sustainability Program Information*, which proposes additional guidance to RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances,* and RPG 3, *Reporting Service Performance Information.* The additional guidance proposes illustrative examples and implementation guidance to clarify the application of key concepts in the guidance to reporting on sustainability program information. ED 83 will be exposed for a 60-day period from the date of publication.

- **DIFFERENTIAL REPORTING**

The IPSASB reviewed several differential reporting models. The different approaches adopted by various jurisdictions allowed the Board to gain a better understanding as to the various practices worldwide. The IPSASB will continue its research and follow developments as it looks to develop a differential reporting model that can be applied globally for the public sector.

- **ED 78 - PROPERTY, PLANT, AND EQUIPMENT**

The IPSASB approved IPSAS [X], *Property, Plant, and Equipment.* IPSAS [X] replaces IPSAS 17, *Property, Plant, and Equipment* and adds public sector guidance on heritage and infrastructure assets and aligns with the new measurement principles.

To align effective dates, IPSAS [X], *Property, Plant, and Equipment* is expected to be issued in the first half of 2023 together with the suite of measurement related guidance under development.

- **MEASUREMENT**

The IPSASB reviewed a final draft of IPSAS [X], *Measurement*. The IPSASB clarified the concept of deemed cost, including its applicability to property, plant, and equipment held for operational capacity. The IPSASB decided to add a second phase to the Measurement project where it will evaluate the application of current operational value, for specific IPSAS not yet explicitly considered in the first phase Measurement project. The second phase will commence after the planned approval of IPSAS [X], *Measurement* in March 2023.

- **OTHER LEASE - TYPE ARRANGEMENTS**

The IPSASB approved Exposure Draft (ED) 84, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23).

IPSAS Updates

ED 84 will be published in January 2023 for a 4-month comment period, together with a Feedback Statement summarizing the IPSASB's decisions and thinking related to the feedback received to the January 2021 Request for Information, *Concessionary Leases and Other Arrangements Similar to Leases*.

- **TRANSFER EXPENSES AND REVENUE**

  The IPSASB completed a detailed review of the core text, application guidance, bases for conclusions, and implementation guidance sections in the draft Revenue IPSAS and draft Transfer Expenses IPSAS. In addition, the IPSASB agreed on the list of illustrative examples for both draft IPSAS, and confirmed the proposed approach to finalize amendments to other IPSAS in preparation for the expected approval of both draft standards at the March 2023 meeting.

- **CONCEPTUAL FRAMEWORK – LIMITED SCOPE UPDATE – NEXT STAGE**

  The IPSASB reviewed four specific matters for comment related to assets and liabilities in ED 81, *Conceptual Framework Update*, Chapter 3, *Qualitative Characteristics and Chapter 5, Elements in Financial Statements*. The IPSASB decided, as proposed in ED 81, to:
  - Adopt the revised definitions of a liability and an asset;
  - Include restructured guidance that aligns with the components of the liability definition and new guidance on the transfer of resources; and
  - Adopt the rights-based approach to the guidance on resources in the definition of an asset.

For further details, refer to the website of the FRC.

2.0 LICENSING

31 DECEMBER 2022

Licensed Auditors: 220

Registered Audit Firms: 112

Foreign Auditors: 4

Auditor's Licenses issued during the quarter December 2022: 4

Audit Firms Registered during the quarter December 2022: 3

Removal from Register of Audit Firms: 3

Removal from Register of Licensed Auditors: 3

Removal from Register of Foreign Auditors: Nil

3.0 ENFORCEMENT

During the quarter ended 31 December 2022, one auditor was issued a warning and another auditor was issued a letter of concern based on the engagement file reviews in the normal course of audit practice review.

Auditor 1 - Letter of Warning

The warning letter was issued to the auditor as he failed to comply with ISA 570, Paragraph 22 on 'Going Concern' in respect to the audit of an insurance company where the financial statements of the company included a note disclosing the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The auditor issued an audit report with an emphasis of matter paragraph drawing attention to the Note on the financial statements.

Based on the facts of the case, the auditor should have included a separate paragraph under the heading 'Material uncertainty related to going concern' in line with ISA 570, Paragraph 22.

Auditor 2 – Letter of Concern

As regards the letter of concern to an auditor, was with respect to the audit of an insurance company the financial statements of which included the item 'Investment in financial Assets designated as fair value through profit and loss'. The investment related to unquoted investment in another company in the hotel industry.

The documentation in the audit file stated that the auditor had obtained the audited financial statements of the investee company and used net asset value (NAV) to support the valuation of investment.

However, there was no audit work in the file to substantiate the fair value of investment as claimed by the Auditor, as the audited financial statements of the investee company was not available due to the Covid-19 pandemic.

4.0 CURRENT AND ONGOING PROJECTS

Guidance on Accounting for Revenue under the IPSAS Framework

The Guidance on Accounting for Revenue under the IPSAS was circulated to the stakeholders for comments as part of the due process. The Guidance will be published this year.

Discount rates and duration of liabilities used in the actuarial valuation of post-employment benefit plans

Reference be made to Issue 3 of FRC Newsletter where a status on this item was published.

A survey has been carried among the actuaries and the findings of the survey revealed that:

- There is only one method prescribed by the IAS 19 rules to recognise employee benefits as and when service is rendered and it is the Projected Unit Cost (PUC) method.
- IAS19 is prescriptive on the discount rate. It is unlikely that wide differences will arise if the data source and yield curve model are standardised.
- The maximum term of government bond is 20 years which corresponds to a duration of around 13 years. Since the duration of liabilities often extend beyond 13 years, an extrapolation is done.

FRC met one of the actuaries who has responded to the survey and it was understood that:

- Generally, it is observed that the concept of duration of pension liabilities is different to terms of government bonds.
- There is no high-quality bonds and no published yield curves in Mauritius. Hence, the discount rates are determined by reference to market yields on government bonds.
- The models and assumptions are prescribed by the requirements of IAS 19 *Employee Benefits*. The discount rates should be the same if there are no differences between the year ends and durations of pension plans.

A workshop will be organised on this matter in collaboration with the MIPA whereby the accountants, auditors and PIEs are targeted.

5.0 ANNUAL REPORT REVIEW

Thematic Review – Reporting on Covid-19 Impact

The COVID 19 pandemic has created unprecedented challenges for companies reporting their financial results for those annual reports with financial year starting on or after 1 January 2020. The pandemic has mainly affected Public Interest Entities (PIEs) in sectors such as leisure and hotels and transport. The outbreak of the pandemic has impacted on businesses and has a corporate reporting effect on their financial statements and directors' reports.

PIEs have to consider regulatory updates and monitor the impact of COVID 19 on their financial reporting to ensure that the disclosures in annual reports are relevant and useful to users of financial statements, taking into consideration the impact of the Covid 19 pandemic.

The Financial Reporting Council (FRC) has carried out a thematic review of 167 annual reports of PIEs post COVID-19 to have an understanding on the impact of COVID-19 on businesses through the disclosure made under the following areas:

- Going concern;
- Impairment and fair valuation; and
- Subsequent events.

Key findings from the thematic reviews, are as follows:

Going Concern

From the thematic reviews, FRC noted that in most cases the PIEs had not included the following information:

- Material uncertainties that may cast doubt on the company's going concern status;
- The level of drawn and undrawn finance facilities in place;
- Information on the covenants that were in place and expected to be breached;
- Factors including the scenario modelling affecting the PIEs' going concern assessment; and
- Expanded disclosures relating to COVID 19 on liquidity risk.

Impairment and fair valuation

In some cases, the PIEs had not provided disclosures in light of the COVID 19 pandemic with regard to:

- Changes in accounting judgments that had a material impact on the companies' financial statements;
- Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives; and

- Key assumptions and inputs used in determining fair values of financial and non-financial assets.

➢ Subsequent events

In some instances, there were no disclosures in respect of:

- Management's consideration of the assessments of the subsequent events;
- Information on the most likely impact of COVID 19 outbreak on the companies' operations, strategies and business models after the reporting dates;
- The forecast of future income and cash flows and its impact on valuation and recoverable amount of assets in light of the COVID 19 crisis; and
- The mitigating measures in response of the COVID 19 pandemic made under the 'Subsequent Events' notes.

Way Forward

Given the uncertainty surrounding COVID 19, companies need to continually monitor developments and ensure that they are providing up-to-date and meaningful disclosure when preparing annual reports and financial statements. The level and detail of disclosures surrounding the impact of COVID 19 are dependent upon the significance of the impact that COVID 19 had, and is expected to have, on the business' operations and activities.

Whilst FRC had seen good disclosures in the annual reports of PIEs, there is scope for improvement. The PIEs are encouraged that the following disclosures be made in the annual reports:

- Going concern disclosures in annual financial statements should clearly explain the key assumptions and judgements taken in determining whether the companies are able to operate as a going concern. In particular, any significant judgements taken in determining whether or not there is a material uncertainty in respect of going concern must be clearly documented.
- With respect to going concern, impairment and fair valuation, PIEs are encouraged to provide clear disclosures on judgements and sensitivity analyses which include details of a range of possible outcomes to be provided for areas subject to significant estimation uncertainties.
- Consistency in disclosures between the going concern assessments, impairment and fair value and subsequent events areas of the financial statements has to be made, in light of the COVID 19 related accounting consequences.

The PIEs are encouraged to consider the findings within this thematic review report, when drafting their next annual reports.

The full report on the Thematic Review is available on the website of FRC (http://frc.govmu.org)

6.0 PROMOTION AND STAFF WELFARE

Promotion exercise of FRC staff

There has also been notable recognition of FRC staff over the last year. Five officers of the FRC have been promoted:

Name	From	To
Mrs D. Chan	Assistant Technical Executive	Technical Executive
Mr D. Mudhoo	Assistant Technical Executive	Technical Executive
Mrs R. Chuttoo	Technical Officer	Assistant Technical Executive
Mr Z. Serally	Technical Officer	Assistant Technical Executive
Ms G. Ramgolam	Management Support Officer	Human Resource Executive

This promotion exercise of the officers has provided an opportunity for the employees to develop their career and consolidates the FRC's team in line with the new dynamism being brought to the Council to deliver on new expectations set for the financial services sector.

Senior Citizen at FRC

Last year, Ms Mala Seetaramadoo, Confidential Secretary, celebrated her 60th birthday in presence of her colleagues.

Congratulations, Ms Mala Seetaramadoo, on her 60th year!

End of Year Celebration

The end of year office party is traditionally for spending a moment of fun with colleagues after the hard work carried out during the year. The FRC invited its employees to celebrate the End of Year Party at Casuarina Resort & Spa.

The Officer-In-Charge seized the opportunity to thank the employees for their hard work and commitment showed during the year 2022.

Resources

The FRC on a monthly basis publishes on its website updates from the International Accounting Standards Board ("IASB") and International Federation of Accountants ("IFAC"). For more information on these updates, you may refer to the following websites:

- FRC – frc.govmu.org
- IASB – iasb.org
- IFAC – ifac.org

For more details on the topics referred in this issue, the reader may visit the website of FRC (http://frc.govmu.org) or contact the FRC.

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