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

1.0 Technical Updates
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I. PROJECTS PROPOSALS

The IASB met to discuss about the following project proposals whereby tentative decisions were made:

- Dynamic Risk Management;
- Financial Instruments with Characteristics of Equity;
- Rate-regulated Activities;
- Post-implementation Review of IFRS 15 Revenue from Contracts with Customers;
- Equity Method;
- Business Combinations—Disclosures, Goodwill and Impairment;
- Primary Financial Statements;
- Supplier Finance Arrangements;
- Lack of Exchangeability (Proposed Amendments to IAS 21);

For the quarter ended 31 March 2023, the International Accounting Standards Board (“IASB”) discussed on the following areas of the International Financial Reporting Framework relating to research and Standard Setting and maintenance and consistent application.

- Hedge accounting by a first-time adopter (IFRS 1);
- Determination of a ‘de facto agent’ (IFRS 10);
- Transaction price (IFRS 9);
- Cost method (IAS 7);
- Gain or loss on derecognition (IFRS 7);
- and
- Credit risk disclosures.
II. POST-IMPLEMENTATION REVIEW OF IFRS 9—IMPAIRMENT

The IASB met:

1. to discuss feedback from stakeholders on the first phase of the post-implementation review of the impairment requirements in IFRS 9 Financial Instruments and the credit risk disclosure requirements in IFRS 7 Financial Instruments: Disclosures;

2. to discuss a review of academic literature relevant to this post-implementation review; and

3. to decide on matters about which the IASB will ask questions in a request for information.

Next steps

The IASB plans to approve the publication of the request for information and set a comment period. The IASB expects to publish the request for information by the end of May 2023.

III. DISCLOSURE INITIATIVE—SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES

The IASB met to clarify the relationship between the Exposure Draft Subsidiaries without Public Accountability: Disclosures and the IFRS for SMEs Accounting Standard.

The IASB decided that, in developing reduced disclosure requirements, it will assess separately the costs and benefits for subsidiaries applying the IFRS Accounting Standard Subsidiaries without Public Accountability: Disclosures and the costs and benefits for SMEs applying the IFRS for SMEs Accounting Standard.

Next step

The IASB will continue discussing the feedback on the Exposure Draft.

For further details, refer to the website of the FRC.
I. IAASB LAUNCHES CONSULTATION ON PROPOSED STRATEGY AND WORK PLAN FOR 2024-2027

The International Auditing and Assurance Standards Board (IAASB) has on 11 January 2023 issued a public consultation for its 2024-2027 proposed strategy and work plan.

The consultation paper comprises of the:

b) The proposed strategy which outlines four strategic objectives:

- Support the consistent performance of quality audit engagements by enhancing the auditing standards in areas where there is the greatest public interest need;
- Establish globally accepted standard(s) for assurance on sustainability reporting;
- Strengthen coordination with the International Ethics Standards Board for Accountants and other leading standard setters and regulators to leverage better collective actions in the public interest; and
- Create more agile, innovative ways of working in line with the Monitoring Group’s reform vision.

a) The IAASB’s 2024-2027 work plan which describes the technical standard-setting work required to support the strategy. The work plan focuses on where further standards’ development can best contribute to meeting the needs of stakeholders in the external reporting ecosystem, while balancing timeliness with quality.

This consultation invites views from stakeholders on trends, developments or issues that are considered in developing the Strategy and Work Plan 2024–2027.
II. IESBA PLANS GLOBAL ROUNDTABLES ON SUSTAINABILITY PROJECT

The International Ethics Standards Board for Accountants (IESBA) will hold a series of four global roundtables to obtain input that will help shape the development of new ethics and independence standards for sustainability reporting and assurance.

The objective of the IESBA’s global sustainability roundtables is to obtain stakeholders’ input to key ethics and independence issues relating to sustainability reporting and assurance as well as the related topic of the use of experts.

The quality of the standards to be developed and their ability to meet the needs of the users and any providers of sustainability information will critically depend on timely contributions and input from stakeholders globally. The roundtables being organized aim at providing stakeholders the opportunity to convey relevant information to be addressed in developing the standards.

III. IAASB OPENS PUBLIC CONSULTATION ON LESS COMPLEX GROUP AUDITS

The IAASB opened the public consultation for a group audit-specific section of the proposed auditing standard for less complex entities (LCEs).

The proposed section, Part 10, Audits of Group Financial Statements, is intended to form part of the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) when finalized.

Group audits were not included in the scope of the original Exposure Draft of the ISA for LCE. Given stakeholder feedback, the IAASB reconsidered its decision to exclude group audits and developed proposals that address audits of less complex groups.

With the inclusion of group audits, the IAASB has proposed changes to the Authority of the proposed ISA for LCE.

IV. GLOBAL ETHICS BOARD RAISES EXPECTATIONS OF ETHICAL CONDUCT IN TAX PLANNING

The IESBA released for public comment the Exposure Draft Proposed Revisions to the Code Addressing Tax Planning and Related Services.

The proposed revisions respond to public interest concerns about tax avoidance and the role played by consultants, including professional tax advisers, in light of revelations in recent years such as the Paradise and Pandora Papers. The proposals strengthen the ethical expectations for professional accountants in business and in public practice when performing tax planning activities.
Financial Reporting Council

IFAC Updates (Cont’d)

for employing organizations or providing tax planning services to clients, respectively.

V. JOINT STATEMENT FROM THE IESBA AND IAASB CHAIRS ON THE ISSB’S PROGRESS TOWARD INAUGURAL INTERNATIONAL SUSTAINABILITY STANDARDS

The IESBA for Accountants and the International Auditing and Assurance Standards Board applauded the recent announcement on 21 February 2023 by the International Sustainability Standards Board (ISSB) that final decisions for all technical content related to ISSB’s inaugural sustainability standards have been made and that the ISSB is entering the final stages of the standards development process ahead of an expected issuance at the end of 2023.

VI. IPSASB, IFAC & ACCOUNTANCY EUROPE HOST INTERACTIVE DISCUSSION ON PUBLIC SECTOR SUSTAINABILITY REPORTING

As at date, there is no internationally recognized public sector reporting framework which would help governments to measure and report on their critical contributions to addressing the global climate emergency and other sustainability challenges. With its public sector standard setting expertise and support of the international community, the International Public Sector Accounting Standards Board (IPSASB) is exploring and support of the international community, the International Public Sector Accounting Standards Board (IPSASB) is exploring on the changes that may be made with respect to sustainability reporting.

IPSASB, IFAC and Accountancy Europe will host an interactive discussion around key ideas the IPSASB is exploring related to the development of sustainability standards and the resources necessary to deliver the urgently needed public sector reporting guidance.

VII. MOMENTUM ON CORPORATE REPORTING AND RELATED ASSURANCE INVOLVING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES

The largest global companies continue to show momentum on corporate reporting and related assurance involving environmental, social and governance (ESG) issues, according to a new report from the International Federation of Accountants (IFAC) and AICPA & CIMA, the latter two of which form the Association of International Certified Professional Accountants. Significant hurdles remain, however, when it comes to providing consistent, comparable and high-quality sustainability information for investors and lenders.
The IFAC-AICPA & CIMA’s study found that some 95% of large companies reported on ESG matters in 2021. That’s up from 91% in 2019. Sixty-four percent of companies obtained assurance over at least some ESG information in 2021, up from 51% in 2019.

The report also examines the extent to which companies provide forward-looking information on emissions reduction targets and plans. While two-thirds of companies disclosed targets, they lag the rate at which companies report their historic greenhouse gas emissions (97%).

VIII. IESBA STRENGTHENS AND CLARIFIES INDEPENDENCE REQUIREMENTS FOR GROUP AUDITS

The IESBA has on 28 February 2023 released final revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) to address holistically the various independence considerations in an audit of group financial statements. The revisions also deal with the independence and other implications of the changes made to the definition of an engagement team in the Code to align with changes to the definition of the same term in the IAASB’s International Standards on Auditing (ISAs) and International Standards on Quality Management (ISQMs).

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

The first International Public Sector Accounting Standards Board (IPSASB) meeting of the year was held on March 2023. The topics discussed at the meeting were on the following:

I. MEASUREMENT

The IPSASB approved IPSAS 46, *Measurement*, which brings measurement guidance together in a single standard, and introduces a public sector specific current value measurement basis for assets held for their operational capacity and provides additional generic guidance on fair value. This completes the initial phase of the measurement project, now the IPSASB will consider the broader impact of this new guidance across IPSAS in the ongoing Measurement – Application Phase project.

IPSAS 46 will be effective for periods beginning on or after January 1, 2025.

II. REVENUE

The IPSASB approved IPSAS 47, *Revenue*, which is a single standard to account for revenue transactions in the public sector. IPSAS 47 replaces the existing three revenue standards, and presents accounting models which will improve financial reporting and support effective public sector financial management.

IPSAS 47 will be effective for periods beginning on or after January 1, 2026.

III. TRANSFER EXPENSES

The IPSASB approved IPSAS 48, *Transfer Expenses*, which provides guidance on a major area of expenditure for governments and other public sector entities. IPSAS 48 fills a gap which had previously led to ambiguity and inconsistency of accounting policies in the public sector.

IPSAS 48 will be effective for periods beginning on or after January 1, 2026.

IV. NATURAL RESOURCES

The IPSASB completed a first review of the responses to its Natural Resources Consultation Paper. The IPSASB agreed to develop an ED to propose accounting requirements for natural resources, including a principled approach to describing and identifying natural resources. The IPSASB also decided to develop a separate ED based on IFRS 6, *Exploration for and Evaluation of Mineral Resources* to introduce IPSAS guidance on accounting for the costs incurred during exploration, evaluation, and extraction activities.
V. CONCEPTUAL FRAMEWORK – LIMITED SCOPE UPDATE – NEXT STAGE (CHAPTER 3)

The IPSASB reviewed responses to ED 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics*. The IPSASB agreed to update the qualitative characteristic of faithful representation to discuss prudence, and added guidance to clarify that omitting, misstating or obscuring information are factors relevant to consider when making materiality judgments.

VI. MEASUREMENT – APPLICATION PHASE

The IPSASB agreed which IPSAS are in the scope of the application phase of the Measurement project. The IPSASB also concluded that the applicability of current operational value should be evaluated at initial and subsequent measurements for each IPSAS in scope of the project.

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

- Licensed Auditors: 220
- Registered Audit Firms: 113
- Foreign Auditors: 4
- Auditor's Licensed Granted: 2
- Audit Firms Registered: 2
- Removal from Register of Audit Firms: 1
- Removal from Register of Licensed Auditors: 2
- Removal from Register of Foreign Auditors: Nil
In the quarter ended 31 March 2023, 2 auditors were issued letters of concern following the on-site audit practice review exercise carried out in accordance with section 77 of the Financial Reporting Act.

**Auditor 1**

From the review of one of the auditors, it was noted that the audits for 2 clients selected for review were not conducted in accordance with the relevant International Standards on Auditing (“ISAs”). There were a number of shortcomings identified from the review of the 2 engagement files which in aggregate were pervasive.

**Auditor 2**

The second auditor who was issued a letter of concern had not demonstrated clarity in his reasoning in the audit of assumptions used in impairment of loans which was not clear from the audit documentation in the engagement file selected for review.
Financial statements should generally be prepared on a going concern basis, unless this would not be appropriate because the companies are intended to be wound up or there are no realistic alternatives to do so. Going concern is a basic accounting principle as well as one of the fundamental assumptions under the International Financial Reporting Standards.

The FRC decided to undertake a project on ‘going concern disclosures’ as this area is pervasive and is a matter of concern for both preparers and auditors, especially with the negative impact of the COVID 19 pandemic.

The project would aim to research:

- the issues identified from the annual reports and audit practice reviews with respect to going concern disclosures; and
- Whether there would be a need for any action by the FRC as regulator to improve going concern disclosures by PIEs.
The Financial Reporting Council (FRC) has issued a Guidance on Accounting for Revenue under the IPSAS Framework, which was approved on 27 February 2023.

The Guidance was prepared after taking into consideration the challenges faced by various SOEs on the accounting treatment of revenue from exchange and non-exchange transactions as per IPSAS requirements (IPSAS 9 and IPSAS 23).

This guidance applies to all entities complying with IPSAS in preparing their Financial Statements under accrual based.

This Guidance has been prepared by following a due process which interalia includes:
• Internal consultations;
• Draft of the Guidance on Revenue IPSAS Framework;
• External consultation;
• Finalisation of the Guidance;
• Approval of Council; and
• Dissemination to the stakeholders.

A copy of the Guidance on Accounting for Revenue under the IPSAS is available on the website of FRC.
The Financial Reporting Council ("FRC") has published the bulletin on annual report review for the six-month ended December 2022 on FRC's website.

The annual report reviews focus on compliance with applicable accounting standards (International Financial Reporting Standards ("IFRSs") for PIEs other than SOEs) and International Public Sector Accounting Standards ("IPSASs") for SOEs) and the National Code of Corporate Governance for Mauritius (Code). The impact of the COVID-19 pandemic and its economic effects have also been considered during the review exercise.

FRC has carried out 99 reviews of the annual reports of 80 PIEs [42 Portfolio Reviews, 54 Thematic Reviews and 3 Full Reviews of SOEs] for the six months ended 31 December 2022.

This bulletin provides an overview of the findings from the annual report review exercise of Public Interest Entities ("PIEs"). It highlights the non-compliances noted with respect to disclosure requirements of IFRSs and the Code.

KEY FINDINGS WITH REGARD TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Similar to prior periods, FRC observed a good level of compliance with IFRSs among PIEs reviewed. The areas most often queried during FRC’s annual report reviews are employee benefits, related parties, and the level of the fair value hierarchy within which the assets were classified.

KEY FINDINGS WITH RESPECT TO THE REVISED CODE OF CORPORATE GOVERNANCE

From the review exercise, FRC noted that, except for 1 PIE, all the PIEs reviewed, had adopted the Revised Code of Corporate Governance. Out of the 40 PIEs reviewed, 2 PIEs had partly complied with the Code of Corporate Governance whilst only 1 SOE had not reported on the Code of Corporate Governance. However, the number of non-compliances has significantly decreased as compared to the previous periods.

The most common observations made on compliance with the Revised Code of Corporate Governance were in respect of the following:

(a) The Structure of the Board and its Committees;
(b) Director Duties, Remuneration and Performance;
(c) Reporting with Integrity; and
(d) Audit.

It is good to note that most of the PIEs reviewed during the period, had complied with the requirements of the Revised Code of Corporate Governance and show appreciation of good corporate governance practices. This demonstrates a high level of commitment on the part of PIEs.

The bulletin for the year ended 31 December 2022 is available on the website of FRC. (http://frc.govmu.org).
7.0 CAPACITY BUILDING

7.1 INHOUSE TRAINING TO OFFICERS

IFRS standards are continuously evolving and their application can be complex and challenging. Therefore, officers involved in the annual report reviews have to keep updated with the frequent changes and latest development in IFRSs. The FRC had organised a Three-Day In-House Workshop on IFRS Accounting Standards scheduled on January 2023 for its officers involved in the review exercise.

➢ Date of Training: 16, 17 and 19 January 2023.
➢ Attendees: 16 Officers.
➢ The resource person: Mr Yousouf Hansye.

The topics covered under the workshop were as follows:

- IFRS 17 Insurance Contracts
- IAS 12 Income Taxes
- IFRS 16 Leases
- IFRS 3 Business Combinations
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in other Entities
- IFRS Refresh in other IASs
- Questions and answers
7.0 CAPACITY BUILDING (Cont’d)

7.2 IAS 19 EMPLOYEE BENEFITS

Defined Benefit Obligation (“DBO”) is a key item in the financial statements of almost all Public Interest Entities. The figure of the DBO is a product of a set of dynamic variables which necessitate the use of reliable estimates over a period of time. Key estimates such as the discount rates are applied for the calculation of retirement benefit obligations.

In view of understanding the different approaches adopted by different actuaries, FRC conducted a survey on discount rates used in the valuation of defined benefit plans among the actuaries in November 2022. The findings of the survey revealed that the models and assumptions applied in the calculation of defined benefit obligations are as 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. Also, it is unlikely that wide differences on discount rates will arise if the data source and yield curve model are standardised.

In this respect, FRC initiated an awareness workshop on IAS 19 in collaboration with the Mauritius Institute of Professional Accountants (MIPA) whereby the accountants, auditors and PIEs were targeted.

The purpose of the training session was to:
- provide a wider understanding on IAS 19 *Employee Benefits* to stakeholders, more specifically on the discount rate used for the purpose of valuation of retirement benefit obligations; and
- increase the transparency of the actuarial process.
7.3 IFIAR INSPECTION WORKSHOP 2023

Two officers namely Mohoni Nowbotsing and Bharatee Gooroochurn attended the 17th IFIAR Inspection Workshop, which was hosted by the PPPK Indonesia on March 7-9, 2023 in Indonesia. After 2 years of travel restriction due to Covid-19, this workshop was IFIAR’s first in-person workshop since 2020.

IFIAR Inspection Workshops are designed to share knowledge and practical experience among independent audit regulators who are IFIAR Members on inspections related techniques and topics.

There were 27 presenters from 16 IFIAR Members, and it was an opportunity to enhance the collaboration among the regulators of 54 jurisdictions who are IFIAR Members.

This in-person workshop promoted more interactive discussion among Members to share knowledge and experience, regarding the following topics.

1. Inspection Tactics - Bank Audits
2. Inspection of Auditor’s Identification and Assessing Risk of Material Misstatements (ISA 315 Revised)
3. Inspection Tactics - IT Audit
4. ESG Reporting and Assurance - Possible Implications for Audit Regulators
5. Inspection of Small and Medium Size Audit Firms
6. The New ISQM 1 - Inspection Approaches and Challenges
7. Inspection of Ethical Rules
8. Inspection Findings – Assessments, Reporting, Sanctions
10. Audit Quality Indicators (AQIs) Insights
11. Inspection Aspects of Technology used in Audit
12. Regulatory Authorities’ Methodology Innovation & Communications
13. Inspections of Fair Values and Other Accounting Estimates (ISA 540 Revised)
14. Joint Inspections
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.

Contact us  

(+230) 213-6800  

frc.mauritius@intnet.mu

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