The main functions of the Financial Reporting Council comprise amongst others:

1.0 Technical Updates
- IASB Updates
- IFAC Updates
- IPSASB Updates

2.0 Licensing

3.0 Enforcement

4.0 Annual Report Review

5.0 Audit Practice Review

6.0 Capacity Building

7.0 Appointment at AFIAAR

Contents

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

Monitoring compliance with the requirements of the National Code of Corporate Governance

To be a model organization ensuring quality in auditing, financial and non-financial reporting

To bring corporate confidence in auditing, financial and non-financial reporting among users of financial statements

VISION

MISSION
1.0 TECHNICAL UPDATES

IASB Updates

For the quarter ended 30 June 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.

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
- Equity Method
- Business Combinations—Disclosures, Goodwill and Impairment
- Primary Financial Statements
- Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures
- Lessee Derecognition of Lease Liabilities (IFRS 9)—Potential annual improvement
- Disclosure of Deferred Difference between Fair Value and Transaction Price (IFRS 7 IG)—Potential annual improvement
- Second Comprehensive Review of the IFRS for SMEs Accounting Standard
II. POST-IMPLEMENTATION REVIEW OF IFRS 9—IMPAIRMENT

The IASB met to discuss the forthcoming Request for Information Post-implementation Review of IFRS 9—Impairment.

The IASB approved the publication of the Request for Information for public comment and set a 120-day comment period.

In May 2023, the IASB published the Request for Information to seek stakeholders’ views on the impairment requirements in IFRS 9 and the related disclosures. The comment period closes on 27 September 2023.

III. ANNUAL IMPROVEMENTS TO IFRS ACCOUNTING STANDARDS

The IASB discussed:

- whether to permit early application of the proposed amendments; and
- due process and whether to begin the balloting process.

The IASB tentatively decided to permit early application of the proposed amendments.

Also, the IASB decided to allow a comment period of 90 days for the exposure draft.

IV. DEFINITION OF A LEASE—SUBSTITUTION RIGHTS (IFRS 16 LEASES): FINALISATION OF AGENDA DECISION

The IASB was asked whether it objected to the Agenda Decision Definition of a Lease—Substitution Rights (IFRS 16 Leases). In accordance with paragraph 8.7 of the IFRS Foundation’s Due Process Handbook the IASB did not object to this agenda decision.

In April 2023, the IASB published IFRS Interpretations Committee Agenda Decision Definition of a Lease - Substitution Rights.
V. AMENDMENTS TO TAX ACCOUNTING REQUIREMENTS

The International Accounting Standards Board (IASB) has issued amendments to IAS 12 *Income Taxes*. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform.

The amendments will introduce:

- **A temporary exception**—to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules. This will help to ensure consistency in the financial statements while easing into the implementation of the rules; and

- **Targeted disclosure requirements**—to help investors better understand a company’s exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Companies can benefit from the temporary exception immediately but are required to provide the disclosures to investors for annual reporting periods beginning on or after 1 January 2023.

VI. PROPOSED AMENDMENTS TO THE IFRS FOR SMEs ACCOUNTING STANDARD

On 1 June 2023 the IASB published the Exposure Draft *International Tax Reform—Pillar Two Model Rules—Proposed amendments to the IFRS for SMEs Standard*. The Exposure Draft proposes amendments to help any affected SMEs respond to international tax reform and to align with similar amendments to IAS 12 *Income Taxes*.

The amendments to Section 29 *Income Taxes* of the IFRS for SMEs Accounting Standard are proposed in response to Organisation for Economic Co-operation and Development (OECD) Pillar Two model rules.

The proposed amendments would:

- introduce a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes;
- introduce targeted disclosure requirements for periods when Pillar Two legislation is in effect; and
- clarify that ‘other events’ in the disclosure objective in paragraph 29.38 of the IFRS for SMEs Accounting Standard include enacted or substantively enacted Pillar Two legislation.

The Exposure Draft is open for comment until 17 July 2023.
VII. POST-IMPLEMENTATION REVIEW OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The International Accounting Standards Board (IASB) calls for stakeholder feedback to inform its review of the IFRS Accounting Standard for revenue from contracts with customers, IFRS 15.

IFRS 15 introduced a comprehensive and robust framework for the recognition, measurement and disclosure of revenue that applies to a wide range of transactions and industries. The Standard sets out a single coherent approach to recognising and measuring revenue that provides useful information to investors about the nature, amount, timing and uncertainty of revenue and cash flows arising from a company’s contracts with customers.

As part of the IASB’s usual post-implementation review (PIR) process for Accounting Standards, it will assess whether the requirements are working as intended.

The Request for Information Post-implementation Review of IFRS 15 Revenue from Contracts with Customers is open for comment until 27 October 2023.

For further details, refer to the website of the FRC.
I. IESBA STAFF RELEASES TO SPOTLIGHT KEY CHANGES TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE IESBA CODE

The staff of the International Ethics Standards Board for Accountants (IESBA) has released a database of Public Interest Entity (PIE) definitions by jurisdiction (jurisdictional PIE database) to further support the adoption and effective implementation of the revisions to the definitions of listed entity and PIE (PIE revisions) in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). This database covers 78 jurisdictions in the Americas, Europe, Africa, Asia, and Oceania.

Among other things, the PIE revisions:

- Expand the list of PIE categories in the Code, including a new category, “publicly traded entity,” to replace the category “listed entity.”

- Recognise the role local bodies responsible for the adoption of the Code play in delineating the specific entities that should be scoped in as PIEs in their jurisdictions, encouraging them to properly define the PIE categories in the expanded definition and adding any other categories relevant to their environments.

- Introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs where they have done so.

The PIE revisions become effective for audits of financial statements for periods beginning on or after 15 December 2024. Early adoption is permitted and encouraged.

II. IESBA STRENGTHENS GLOBAL ETHICS STANDARDS TO RESPOND TO TRANSFORMATIVE EFFECTS OF TECHNOLOGICAL INNOVATION

The IESBA has on 11 April 2023 released the final revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) to further increase the Code’s robustness and expand its relevance in a world being fundamentally reshaped by rapid technological advancements and accelerating digitalization.

The revisions will guide the ethical mindset and behaviour of professional accountants in both business and public practice as they take advantage of the opportunities created by technology and adapt to new technology.
The revisions, which were informed by extensive fact-finding and stakeholder outreach:

- Strengthen the Code in guiding the mindset and behaviour of professional accountants when they use technology.

- Provide enhanced guidance fit for the digital age in relation to the fundamental principles of confidentiality, and professional competence and due care, as well as in dealing with circumstances of complexity.

- Strengthen and clarify the International Independence Standards (IIS) by addressing the circumstances in which firms and network firms may or may not provide a technology-related non-assurance service to an audit or assurance client.

The revisions to the IIS will be effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024. The other revisions to the ethics provisions of the Code will be effective as of December 15, 2024. Early adoption is permitted.

III. **IAASB OPENS PUBLIC CONSULTATION FOR ITS REVISED GOING CONCERN STANDARD**

The International Auditing and Assurance Standards Board (IAASB) has issued on 26 April 2023 the proposed revisions to its current standard on going concern, International Standard on Auditing 570 (Revised), Going Concern.

The proposed changes aim to:

- Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern;

- Strengthen the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism; and

- Enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.

The proposals seek to strengthen going concern requirements by substantially enhancing the auditor’s work effort in relation to going concern and providing enhanced, entity specific information in the auditor’s report.

All stakeholders are invited to comment on the proposed revisions via the IAASB website by August 24, 2023.
IV. IAASB ADVANCES TIMELINE FOR CONSULTATION FOR PROPOSAL ON SUSTAINABILITY ASSURANCE

The IAASB confirmed its intention to advance the consultation on its proposed new standard for sustainability assurance, International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements.

Subject to the expected IAASB approval of the exposure draft in June, stakeholders can expect the public consultation on the proposed standard to open in late July or early August and extend into December. The consultation was originally scheduled to begin in October.

The advanced consultation will support two objectives:

- The earlier publication, accompanied by a comprehensive and global outreach strategy, will enable the IAASB to gain broad and early input into the development of ISSA 5000; and
- The advanced consultation period will better ensure the completion of the final standard in 2024.

V. KEY QUESTIONS FOR AUDIT COMMITTEES OVERSEEING SUSTAINABILITY-RELATED DISCLOSURE

Since many professional accountants serve on and are accountable to audit committees, the International Federation of Accountants (IFAC), has released Key Questions for Audit Committees Overseeing Sustainability-Related Disclosure to prepare audit committees with effective questions to ask when overseeing sustainability and ESG related disclosures.

The key questions for audit committees cover:

- Roles and responsibilities across the organization
- Data collection, processes and controls
- What’s being reported?
- Audit and assurance
VI. ENHANCING GREENHOUSE GAS (GHG) REPORTING

New guidance to help professional accountants and finance professionals deliver robust greenhouse gas (GHG) reporting has been released today by the International Federation of Accountants (IFAC) and We Mean Business Coalition (WMBC), in partnership with Accounting for Sustainability (A4S), Global Accounting Alliance (GAA) and World Business Council for Sustainable Development (WBCSD).

The guidance is a response to rapidly escalating impacts of climate change and emerging mandatory requirements that companies disclose robust information about their GHG emissions and climate risks and opportunities to help investors allocate capital to the ‘greenest’ companies.

It aims to guide CFOs, accountants and finance professionals to build on existing systems and processes in order to undertake or enhance cost-effective and investor-grade GHG reporting.

The first part of the guidance, 8 Steps to Enhance GHG Reporting: A Roadmap for Accounting and Finance Professionals, provides finance and accounting professionals with a roadmap to engage with others across their business to prepare for GHG emissions reporting requirements aligned to financial reporting processes. While the second, GHG Reporting Building Blocks for Accountants, equips accountants with the technical guidance necessary to collect and enhance the quality of data related to all scopes of GHG emissions at individual entity and group levels.

VII. RELEASE OF ISSB’S FIRST TWO SUSTAINABILITY STANDARDS

As the global voice of the accountancy profession, IFAC has long supported the establishment of the International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of sustainability disclosures, endorsed by IOSCO, and used around the world. The goal is a global system for consistent, comparable, reliable, and assurable sustainability information that can be complemented by local standards or broader public policy needs.

With the release of its first two standards, the ISSB has answered stakeholders’ calls to move with pace, to focus on the needs of investors and capital markets, and to build upon existing and respected frameworks and standards.

For further details, refer to the website of the FRC.
The second International Public Sector Accounting Standards Board (IPSASB) meeting of the year was held on June 2023. The topics discussed at the meeting were on the following:

I. SUSTAINABILITY REPORTING - CLIMATE-RELATED DISCLOSURES

The IPSASB decided to move forward with the development of a public sector specific Climate-Related Disclosures standard and approved a project brief related to this major initiative.

II. CONCEPTUAL FRAMEWORK–LIMITED SCOPE UPDATE–NEXT STAGE (CHAPTER 3)

The IPSASB approved the updated Chapter 3, Qualitative Characteristics, which clarifies the role of prudence in public sector financial reporting and updates the guidance on materiality to better serve the users of financial information.

The updated chapter is expected to be published in July 2023, and the project to revise the IPSASB’s Conceptual Framework is now complete.

III. OTHER LEASE – TYPE ARRANGEMENTS

The IPSASB undertook a first review of the responses to ED 84, Concessionary Leases and Right-of-Use Assets In-kind. The IPSASB agreed that the ED 84 proposals received strong support on balance, and that it should undertake a detailed review of the issues highlighted in the comments letters starting at the September 2023 meeting.

IV. MEASUREMENT–APPLICATION PHASE

The IPSASB agreed current operational value is not an applicable measurement basis for IPSAS 16, Investment Property; IPSAS 26, Impairment of Cash-Generating Assets; IPSAS 27, Agriculture; IPSAS 36, Investments in Associates and Joint Ventures; IPSAS 37, Joint Arrangements; and IPSAS 41, Financial Instruments.

The IPSASB also decided the scope of its IPSAS 21, Impairment of Non-Cash-Generating Assets update should focus on the definition and components of ‘recoverable service amount’.

V. RETIREMENT BENEFIT PLANS

The IPSASB decided to update the disclosure requirements in [draft] IPSAS 49, Retirement Benefit Plans and clarify the objective and scope, by highlighting the requirements are only applicable to retirement benefit plans in the public sector. The IPSASB agreed this clarification would address concerns identified by respondents related to definitions and consolidation.

The IPSASB plans to approve this new IPSAS at its September 2023 meeting.
VI. PRESENTATION OF FINANCIAL STATEMENTS

The IPSASB decided the scope of the project is to replace IPSAS 1, Presentation of Financial Statements with a new IPSAS. The IPSASB further decided that because of the complexity of the topic, the use of a consultation paper is warranted to obtain stakeholder input to support the development of an ED.

The IPSASB will further consider a draft project brief at the September 2023 meeting.

VII. DIFFERENTIAL REPORTING

The IPSASB reflected on the findings and constituent input from the research and scoping activities, and how to best address the public needs that gave rise to a call for an international differential reporting model. The IPSASB agreed the development of other forms of guidance, rather than a standard-setting solution, may be more feasible and better address the public interest needs.

The IPSASB will consider the types of guidance and the future approach for this project at its September 2023 meeting.

VIII. FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSASS

The IPSASB discussed feedback from jurisdictions with experience applying IPSAS 33. The IPSASB agreed steps should be taken to better enable the use of IPSAS 33 in practice.

The IPSASB decided to consider alternatives on how it could improve IPSAS 33 at its September 2023 meeting.

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

- Licensed Auditors: 222
- Registered Audit Firms: 113
- Foreign Auditors: 4
- Auditor's Licensed Granted: 4
- Audit Firms Registered: 3
- Removal from Register of Audit Firms: 2
- Removal from Register of Licensed Auditors: 2
- Removal from Register of Foreign Auditors: Nil
3.0 ENFORCEMENT

Letter of Warning

The warning letter was issued to one auditor as he failed to comply with ISA 570, Paragraph 22 on ‘Going Concern’ in respect to the audit of a 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.

Letters of Concern

A description of the cases whereby letters of concern were issued to three auditors, was as follows:

- **Auditor 1**
  
  As per the documentation in the audit file of one company, the auditor had obtained the audited financial statements of the investee company and used net asset value (NAV) to support the valuation of ‘Investment in financial Assets designated as fair value through profit and loss’.

  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.

- **Auditor 2**
  
  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 3**
  
  The third 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.
During these times of increased economic and geopolitical uncertainty it is even more important that investors and other stakeholders have confidence in the information that companies provide. In this regard, FRC plays a key role to ensure that the annual reports of Public Interest Entities (PIEs) promotes the provision of high-quality reporting of financial and non-financial information which undoubtedly enhance the credibility of corporate reporting.

PIEs are required to comply with Section 75 of the Financial Reporting Act, while preparing their annual reports. In this respect, FRC monitors the annual reports of PIEs for compliance with the following:

- International Financial Reporting Standards (IFRS);
- Relevant laws and regulations applicable to the PIE; and
- Reporting on corporate governance as per the requirements of the National Code of Corporate Governance.

**Reviews conducted by FRC**

As at 30 June 2023, FRC has reviewed the annual reports of 90 PIEs as illustrated in the table below:

- **Listed on SEM**: 55
- **Insurance Companies**: 11
- **Statutory Bodies**: 1
- **Financial Institution regulated by BOM**: 23

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**ANNUAL REPORT REVIEWS**
The areas most often queried during FRC’s annual report reviews were with respect to:

- Employee Benefits
- Related Parties
- Independence of directors
- The level of the fair value hierarchy within which the assets were classified
High quality audit is essential to maintaining trust and confidence in the financial markets. If Mauritius is to retain its position as a well-regulated and reputable professional services marketplace, and a financial centre, outstanding audit quality and rigorous professionalism is at the heart of this.

Pursuant to section 77(1) of the Financial Reporting Act, FRC undertakes audit practice reviews of licensed auditors with the objectives of promoting the highest standards among licensed auditors.

The reviews are carried out to assess the quality of the audit engagements undertaken by the licensed auditor for compliance with the requirements of:
• Financial Reporting Act;
• International Standards on Auditing (ISA); and
• IFAC Code of Professional Conduct and Ethics.

As at 30 June 2023, FRC has conducted audit practice reviews

<table>
<thead>
<tr>
<th>License Auditors</th>
<th>Audit Firms</th>
<th>Engagement Files</th>
</tr>
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<tr>
<td>16</td>
<td>16</td>
<td>32</td>
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The key findings of the reviews related to:

• Adequacy of presentation and disclosures of financial statements;
• Planning and risk assessment;
• Fraud consideration;
• Consideration of laws and regulations;
• Related parties; and
• Audit report.
6.0 CAPACITY BUILDING

6.1 Online training to FRC’s officers

- Workshop on International Standards on Auditing (ISA)

In recent years, new and amended ISAs have been issued. The changes continue to have a significant impact on the audit process for ISA-compliant statutory audits. Therefore, FRC officers involved in the audit practice reviews have to keep updated with the frequent changes and latest development in ISAs.

The FRC had organised a three-half day in-house Workshop on International Standards on Auditing (ISA). This online learning programme is the route to a better understanding of ISAs and the audit process.

The topics covered under the workshop were as follows:

- ISA 315 (Revised 2019) Identifying and Assessing the Risks of Material Misstatement
- ISA 320 Materiality in Planning and Performing an Audit
- ISA 540 (Revised 2018) Auditing Accounting Estimates and Related Disclosures
- IFRs Financial Statements from an enforcement perspective
- ISA 220 Quality Control for an Audit of Financial Statements
- ISA 240 The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements

Date of Training: 26, 29 and 30 June 2023
Attendees: 13 Officers
The resource person: Mr Yousouf Hansye
Webinar on ISA 315 (Revised 2019) Identifying and Assessing the Risks of Material Misstatements

The ISA 315 (Revised) issued in August 2021 has been revised to enable more robust and consistent risk identification and assessment. The key enhancements include enhancing the application of professional skepticism in audit, encourage a more robust risk assessment and thereby more focused responses to identified risks.

This webinar allows FRC’s officers to understand what changes have been made to ISA 315 which is effective for audits of financial statements for periods beginning on or after 15 December 2021 and provides more understanding and testing controls.

Date of Training: 27 June 2023.
Attendees: 13 Officers.
The resource person: Members of IFIAR

The topics covered in the workshop were as follows:

- Inspection experience with ISA 315 (old)
- Overview of the main updates ISA 315 (new)
- Discussion on the expected impact of the revised standard on audit files and on audit file inspections
GHG accounting and reporting is crucial to efforts in tackling climate change, providing data on where emissions are emitted and where they are sequestrated. Using the right accounting and reporting practices is foundational to reducing footprint and managing its resource utilization and risks.

This workshop aims to provide FRC officers with an understanding of the GHG accounting and reporting principles and frameworks in any corporate and government value chain.

The topics covered in the workshop were as follows:

- Introduction to GHG emissions and climate crisis
- GHG inventory and its drivers
- Measuring GHG emissions
- Verifying GHG inventory reporting
Encouraged by the interest and support shown by the regulatory bodies of auditing and accounting of various countries in the African continent, the African Forum of Independent Accounting and Auditing Regulators (“AFIAAR”) was established in 2018 by the following founder members:

- Botswana
- Ethiopia
- Lesotho
- Malawi
- Mauritius
- Mozambique
- Namibia
- South Africa
- Tanzania
- Zambia
- Zimbabwe

The AFIAAR enables its members to cooperate and collaborate regarding the need for proper regulation of the accounting and auditing professions, their respective practical experiences and the support they may provide to one another in the field, the sharing of information including but not limited to the regulation of professional practice rights, the regulation of accounting and auditing standards.

The AFIAAR seeks to enhance consistency between countries on audit quality and independent regulation while creating opportunities for countries to collaborate with one another in areas such as inspections and investigations to improve results and efficiency in protecting the public.

AFIAAR has its own Charter since 2018 to guide its activities. The duties and responsibilities of the AFIAAR and its activities are laid down in the Charter.

Till date, AFIAAR Members met 5 times, and the 5th meeting held on 03 May 2023 marked the end of the term of Mr Admire Ndurunduru from Zimbabwe as AFIAAR Chairperson, and Mr Viswajithsing Tuhobol has been unanimously elected by the Members of AFIAAR as the new Chairperson of AFIAAR.

Congratulations and good luck to Mr Viswajithsing Tuhobol!

Activities of AFIAAR since 2018

<table>
<thead>
<tr>
<th>Date</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1st Meeting held in Zimbabwe</td>
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<tr>
<td></td>
<td>Drafting and adoption of Charter</td>
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<tr>
<td>2018</td>
<td>2nd Meeting (Inaugural Meeting) held in Mozambique</td>
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<tr>
<td>2019</td>
<td>3rd Meeting held in Mauritius</td>
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<tr>
<td>2020</td>
<td>No activities due to Covid-19 pandemic</td>
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<tr>
<td>2021</td>
<td>4th Meeting held virtually</td>
</tr>
<tr>
<td>2023</td>
<td>5th Meeting held virtually</td>
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</table>
During the meetings, knowledge and information in the fields of audit regulation and corporate reporting were shared among the members following which various policies and procedures have been established by various members.
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.

Contact us  📞 (+230) 213-6800  📧 Secretariat@frcmauritius.org

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