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

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

**MISSION**
To bring corporate confidence in auditing, financial and non-financial reporting among users of financial statements
I. PROJECTS PROPOSALS

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

- Dynamic Risk Management
- Equity Method
- Business Combinations—Disclosures, Goodwill and Impairment
- Application of the Own-use Exception to Some Physical Power Purchase Agreements—Exploring possible narrow-scope amendments to IFRS 9
- Rate-regulated Activities
- Climate-related risks in the financial statements
- Extractive Activities
- Second Comprehensive Review of the IFRS for SMEs Standard

II. PRIMARY FINANCIAL STATEMENTS

The IASB met to discuss in relation to the prospective IFRS Accounting Standard (Standard).

The IASB has completed redeliberations of the proposals in the Exposure Draft General Presentation and Disclosures published in December 2019. The IASB expects to publish the new IFRS Accounting Standard in H1 2024 after completing the balloting process. The objective of the new IFRS Accounting Standard is to improve how information is communicated in the financial statements, with a focus on information in the statement of profit or loss. The Standard will replace IAS 1 Presentation of Financial Statements.
III. DISCLOSURE INITIATIVE—SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES

In July 2021, the IASB published its Exposure Draft Subsidiaries without Public Accountability: Disclosures.

In April 2022, the IASB discussed the feedback on its Exposure Draft; and in June 2022 the IASB decided how it would redeliberate the proposals set out in its Exposure Draft to develop a new IFRS Accounting Standard.

In July 2023, following completion of redeliberations of the proposals in the Exposure Draft, the IASB confirmed it was satisfied that applicable due process requirements have been complied with and sufficient consultation and analysis were undertaken to begin the process for balloting the Standard. The IASB expects to publish the new Standard in the first half of 2024.

IV. AMENDMENTS TO IAS 21 THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

The IASB has issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates.

The amendments respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies. These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The amendments will become effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted.
VI. IASB AMENDS THE IFRS FOR SMES ACCOUNTING STANDARD RELATED TO INTERNATIONAL TAX REFORM

The IASB has issued amendments to the IFRS for SMEs Accounting Standard—the Standard for companies that do not have public accountability.

The amendments to the IFRS for SMEs Accounting Standard are based on the amendments to IAS 12 Income Taxes issued in May 2023. These amendments have resulted from the introduction of the Organisation for Economic Co-operation and Development’s Pillar Two model rules.

The amendments:
- provide a temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules; and
- clarify that the Standard requires companies that apply the Standard to disclose information that enables users of their financial statements to evaluate the nature and financial effect of income tax consequences of the Pillar Two legislation.

Companies can benefit from the temporary exception in this amendment immediately. They are required to provide the disclosures set out in the amendments for annual reporting periods beginning on or after 1 January 2023.

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

V. IASB PROPOSES ANNUAL IMPROVEMENTS TO IFRS ACCOUNTING STANDARDS

The IASB has published proposed narrow-scope amendments to IFRS Accounting Standards and accompanying guidance as part of its periodic maintenance of the IFRS Accounting Standards.

The proposed amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; and IAS 7 Statement of Cash Flows.

The exposure draft is open for comments until 11 December 2023.
I. IFAC Releases Second Installment in Implementation Support Series for Small Firms on the IAASB’s Quality Management Standards

The IFAC released the second installment in a three-part publication series to help small and medium-sized practices implement the International Auditing and Assurance Standards Board’s (“IAASB”) quality management standards.

Installment Two: Developing a Detailed Implementation Plan provides a step-by-step approach to identifying your quality objectives; completing your quality risk assessment process; identifying existing, or creating new, responses to those quality risks; and implementing, documenting, and communicating your system of quality management.

It also:
• Addresses the components of the IAASB’s International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements;
• Contains an example case study to illustrate the transition from the IAASB’s previous quality control standard, International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements; and
• Includes multiple documentation aids covering independence, acceptance and continuance of clients and engagements, resources, and outside consultation, as well as a sample checklist for engagement quality reviews.

II. IAASB issues proposed International Standard on Sustainability Assurance

The IAASB has issued an exposure draft for the ISSA 5000, General Requirements for Sustainability Assurance Engagements. When approved, ISSA 5000 will be the most comprehensive sustainability assurance standard available to all assurance practitioners across the globe. The standard was drafted to work with existing reporting frameworks and those under development, including but not limited to those issued by the EU, ISSB, GRI, ISO, and others.

Stakeholders have until December 1 to provide feedback and insights. The final standard will be issued before the end of 2024.
III. APESB AND IESBA STAFF JOINTLY ISSUE GUIDANCE ILLUSTRATING APPLICATION OF IESBA CODE TO TECHNOLOGY-RELATED SERVICES PROVIDED BY AUDITORS

Rapid advances in technology are transforming the way professional accountants conduct their work. To assist them in ethically navigating the challenges and opportunities brought by these advances, the Staff of the Australian Accounting Professional & Ethical Standards Board (“APESB”) and the Staff of the International Ethics Standards Board for Accountants (“IESBA”) has jointly released Applying the Code’s Conceptual Framework to Independence: Practical Guidance for Auditors In Technology-related Scenarios.

The publication describes key technology-related provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) and provides auditors with three practical examples involving technology-related non-assurance services to illustrate how to apply the Code’s requirements with respect to independence.

This non-authoritative publication was developed jointly by the Staff of the APESB and IESBA under the auspices of the IESBA’s Technology Task Force, initiated as part of the IESBA’s Phase 2 Technology Working Group activities.

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 September 2023. The topics discussed at the meeting were on the following:

I. Retirement Benefits Plans

The IPSASB approved IPSAS 49, Retirement Benefits Plan. This pronouncement provides accounting and reporting requirements for plans that provide retirement benefits to public sector employees.

IPSAS 49 will be effective for periods beginning on or after January 1, 2026.

II. Measurement-Application Phase

The IPSASB reviewed the applicability of current operational value to several IPSAS and concluded it applies to assets within the scope of IPSAS 32, Service Concession Arrangements: Grantor, but decided to perform further analysis on its applicability for IPSAS 12, Inventories, and IPSAS 43, Leases.

The IPSASB considered proposals to revise the definition of, and guidance on, recoverable service amount in IPSAS 21, Impairment of Non-Cash-Generating Assets. The IPSASB will consider illustrative examples at the December meeting.

III. Improvements to IPSAS 2023

The IPSASB approved ED 85, Improvements to IPSAS, 2023. ED 85 is expected to be published in October 2023 with a consultation period of 60 days.

IV. Sustainability-Climate-Related Disclosures

The IPSASB received presentations from the IFRS Foundation, International Sustainability Standards Board, and New Zealand External Reporting Board to receive updates on their work related to sustainability reporting guidance and better understand their journeys specifically related to development of climate-related reporting standards.

Using the project brief approved in June 2023, the IPSASB agreed on its approach to developing its climate-related disclosure standard, including how it would incorporate climate expertise into the process.

V. Natural Resources

The IPSASB agreed to revise the definition of a natural resource as a naturally occurring item which embodies service potential or the capability to generate economic benefits.

The IPSASB also decided to reconsider the proposals on recognition and measurement, and whether the proposed guidance should be located in a standalone standard or as amendments to existing IPSAS.

For further details, refer to the website of the FRC.
Laws and Regulations

Accountants and auditors must keep up to date with changes in accounting standards and have to understand the financial reporting impact arising from legal and other regulatory changes.

In July 2023, amendments had been made to the First Schedule of the Financial Reporting Act 2004 (“FRA”), whereby the following 9 additional statutory bodies have been classified as Public Interest Entities (“PIEs”):

1. Financial Services Commission
2. Higher Education Commission
3. Human Resource Development Council
4. Independent Broadcasting Authority
5. Information and Communication Technologies Authority
6. Open University of Mauritius
7. Université des Mascareignes
8. University of Mauritius
9. University of Technology, Mauritius

Amongst the above 9 PIEs, it is noted that:

- 8 statutory bodies shall prepare financial statements in compliance with the International Public Sector Accounting Standards (“IPSAS”) issued by IFAC and submit same to the Financial Reporting Council; and
- The Financial Services Commission shall adopt the IFRS as issued by the IASB.

As at date, there are 25 statutory bodies which are classified as Public Interest Entities, and are governed by the Financial Reporting Act.
The renewal exercise for the licensed auditors for the calendar year 2024 has already started.

- Licensed Auditors: 224
- Registered Audit Firms: 114
- Foreign Auditors: 4
- Auditor’s License Granted: 7
- Audit Firms Registered: 5
- Removal from Register of Audit Firms: 3
- Removal from Register of Licensed Auditors: 3
- Removal from Register of Foreign Auditors: Nil
4.0 ENFORCEMENT

In the quarter ended 30 September 2023, 1 auditor was issued a letter of concern following the on-site audit practice review exercise carried out in accordance with section 77 of the Financial Reporting Act.

From the review of the two engagement files of the auditor, it was noted that the observations made were not significant in isolation. However, in combination of the number of non-compliances with ISAs, the observations were pervasive.

5.0 ANNUAL REPORT REVIEW 2023/2024

The Financial Reporting Council (“FRC”) has been taking steps to streamline the annual report review and auditing processes.

The FRC is responsible for the monitoring of financial reporting for public interest entities (“PIEs”) and the conduct of audit practice reviews of licensed auditors and audit firms.

In the previous years, FRC had carried out annual report reviews and audit practice reviews separately as 2 different functions. In 2023, the FRC decided that its review process be modified whereby the 2 functions namely the annual report review and the audit practice review be integrated which would enable FRC to identify issues more easily.

The review process began by the selection of auditors for audit practice reviews. Subsequently, annual reports for PIEs have been picked up from the portfolio of auditors who have been selected for review. Also, FRC selected annual reports of PIEs within the portfolio of some other auditors for annual report reviews who are within the audit firms of the auditors selected for audit practice review. This would help to identify any firmwide issue more specifically relating to quality management.

FRC selected 90 PIEs for annual report reviews from the portfolio of 15 auditors. A risk-based approach has been adopted whereby entities listed on SEM, financial institutions regulated by BOM and Category 4 of the First Schedule of the FRA have been selected.
The 15 auditors have been selected by giving due consideration to those auditing PIEs, having large portfolio of GBCs, and the cycle of 5 years or those whose have never been reviewed by the FRC.

Also, a new methodology for annual report reviews has been designed which focusses on significant risky areas and considers any matter that should be dealt at the Audit Practice Review level.

The table below details the number of PIEs selected for annual report reviews of the 15 licensed auditors:

<table>
<thead>
<tr>
<th>No. of PIEs in the portfolio of the 16 auditors</th>
<th>Entities listed on SEM</th>
<th>Financial institutions regulated by BOM</th>
<th>Financial institutions regulated by FSC</th>
<th>Category 4 of the First Schedule of the FRA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>11</td>
<td>4</td>
<td>14</td>
<td>54</td>
<td>83</td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>38</td>
<td>50</td>
</tr>
<tr>
<td>Total no. of PIEs selected for review</td>
<td>18</td>
<td>8</td>
<td>10</td>
<td>54</td>
<td>90</td>
</tr>
</tbody>
</table>

The integration of annual report review and audit practice review would bring various benefits such as:

- Improvement in corporate reporting and auditing practice reviews;
- Identification of risk on a timely basis;
- Better collaboration with stakeholders and other regulators;
- Ease to set and develop Policies/Rules;
- Effective selection of audits;
- Complete picture of the specific findings noted from the reviews; and
- Improvement in the legal framework especially with respect to the provisions on sanctions.
The FRC has published the bulletin on annual report review for the six-month ended June 2023 on FRC’s website. The bulletin provides an overview of the findings identified by FRC from the annual report review exercise of PIEs. It highlights the non-compliances noted with respect to disclosure requirements of the applicable accounting standards, the Code and Mauritius Companies Act 2001. This bulletin may be of assistance to the PIEs in the preparation of high-quality corporate reports.

FRC has carried out the review of 63 annual reports of 62 PIEs [62 Portfolio Reviews and 1 Full Review of SOE] for the six months ended 30 June 2023, as shown in the diagram:

### 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 impairment of assets.

Also, it is encouraging to note that, except for IAS 36 Impairment of assets, the number of non-compliances with respect to IFRSs have decreased for the six months period ended 30 June 2023.

The diagram on the next page illustrates the percentage of non-compliances with IFRSs relating to the periods ended 30 June 2023, 31 December 2022 and 30 June 2022:
KEY FINDINGS WITH RESPECT TO THE REVISED CODE OF CORPORATE GOVERNANCE

From the review exercise, it is worth noting that all the PIEs reviewed have adopted the Code, hence showing appreciation of good corporate governance practices. This demonstrates a high level of commitment on the part of PIEs.

Out of the 62 PIEs reviewed, all have fully complied with the relevant requirements of the Code, except for 3 entities which had partly complied with the Code.

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

(a) The Structure of the Board and its Committees;
(b) Reporting with Integrity; and
(c) Audit.

The bulletin for the six-months ended 30 June 2023 is available on the website of FRC. (http://frc.govmu.org)
One of the functions of the FRC is to license auditors and establish and maintain a register of licensed auditors, as per section 5 of the Financial Reporting Act.

Since 2005, FRC has been granting licence to individuals who carry out audit of financial statements of companies (section 33 of the Financial Reporting Act refers).

The licence is valid for one year and expires on 31 December of each year, and the auditor’s licence is subject to renewal at the end of each calendar year. This is a quite cumbersome task especially when updating the register where human errors may be inevitable, and hence to avoid same, much time is spent in updating and maintaining the register. Hence, the FRC has developed a computerised register of licensed auditors.

Benefits of the new register of auditors can be summed up as:

- **Record keeping:** The computerised software would enable FRC to facilitate its record keeping. Changes in auditors’ files would be captured more easily and efficiently;
- **Fast data retrieval:** The status of the application and history of licensed auditors would be easily tracked in the new system;
- **Time-saving:** The use of a computerised system makes the registration process quicker and more efficient;
- **Error reduction:** The computerised system helps minimize errors and omissions; and
- **Multiple analysis:** This analysis will ease in making decision-making policies.
The accounting profession is undergoing significant changes due to advancements in technology and changing business environments.

The Fifth Forum of Accountants was organised by the Mauritius Institute of Professional Accountants ("MIPA") on 24 August and 25 August 2023 at Le Meridien Hotel.

Among the 150 attendees at the Forum, 8 FRC officers attended the Fifth Forum of Accountants with an intention to enhance capacity building of reviewers towards the effective discharge of his/her functions.

The Forum involved presenters and panels of distinguished leaders who exchange their experience, knowledge, latest trends, practices and insights on how the accounting profession will remain sustainable in the ever-evolving landscape of the sector.

Prominent speakers and members of the panels discussed about areas related to the topic ‘Sustainability of the Accounting Profession’ for the Fifth Forum of Accountants which provided an insight in the evolution of the accounting profession and its role in building and protecting economies and organisations in a sustainable global economy.

The Officer-In-Charge of FRC, Mr Viswajithsing Tuhobol was one of the presenters at the Forum and provided a good highlight of:

- Sustainability of the Profession;
- Accounting and Auditing Regulatory System in Mauritius; and
- Overview of the works of FRC.

In addition to the presentation of the Officer-In-Charge, other speakers and members of the panels cover the following topics:

- AML/CFT
- Sustainability Standards
- The future of accountancy education – incorporating new technologies
- E-invoicing
- Global Business
- Cybersecurity and the Accounting Sector
- ESG and Sustainability
- Governance and Performance
- Risk Management
- Fintech Growth – challenges to regulation and central banking
- Virtual Assets and VASPs
- Small and Medium Practice
- AI and Automation Technology

5th Edition of the Forum of Accountants: Sustainability of the Accounting Profession
The Annual IIA Mauritius Conference 2023 theme of "Elevating Impact" was organised by the Institute of Internal Auditors in collaboration with Techgenic Ltd. The conference has brought together industry leaders, professionals, and visionaries from across the globe to share invaluable insights, foster meaningful connections, and chart the course for a future of amplified impact.

Date of conference: 17 and 18 August 2023  
Attendees: 6 Officers  
Venue: InterContinental Resort Mauritius Balaclava

The topics covered in the conference were as follows:

- Ability to elevate impact in Leadership & Governance
- Fostering Trust and Transparency: The Power of Effective Corporate Governance
- Agile leaders in the age of disruption
- Unleashing the Power Within: Exploring Talent Effusion Strategies for Sustainable success
- Safeguarding your Business, Empowering your Future
- Elevating the Profession for the Future
- Sustainable procurement
- Success beyond numbers: An overview of MCB Group’s Sustainability Approach and Journey.
- Unveiling the Path to Financial Resilience: Navigating Today’s Challenges, Securing Tomorrow’s Success
- The impact of ESG on internal audit function
- MUR 1 trillion economic potential of Mauritius
- The effect of sustainability reporting on the role of the auditor
- Embracing An Intelligent & Agile Risk Management Framework
- Evolution of AI and its transformative impact on Business

This conference has allowed FRC’s officers to broaden their horizons and foster a well-rounded understanding of emerging trends and best practices in accounting.
9.0 PARTICIPATION AT THE FORUM OF THE HEADS OF ASSURANCE QUALITY REVIEW DEPARTMENTS IN AFRICA

The Officer-In-Charge of the FRC, Mr Viswajithsing Tuhobol participated at the Forum of the Heads of Assurance Quality Review Departments, which was held in Nairobi, Kenya on 30 and 31 August 2023.

The Forum was jointly organized by the Pan African Federation of Accountants (“PAFA”) and the AFIAAR and was hosted by the Institute of Public Accountants of Kenya (“ICPAK”).

The Forum has provided a platform for strengthening Quality Assurance Review (“QAR”) Departments and harmonising QAR systems across Africa through a common methodology and training.

The Forum was beneficial for Heads of QAR Departments to:

- Take stock of what is already available nationally, regionally and internationally;
- Share QAR approaches, opportunities and challenges, and lessons learned;
- Identify gaps in current systems and discuss solutions to address the gaps;
- Input in the development of a common audit quality review methodology and scalable tools;
- Input in the development, coordination and delivery of a training for quality assurance reviewers;
- Ideate on the development of an automated cloud-based AQR process; and
- Develop a plan to tailor and roll out the common audit quality review methodology and tools at national level.

The Officer-In-Charge of FRC as chairperson of the AFIAAR addressed the Forum by a leading message and participated in 2 working sessions to share the Mauritian experience:

(a) In developing the Audit Quality Review Processes; and
(b) On AQR findings from an assessment, reporting and sanction perspective.
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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