Issue No. 8 | October to December 2023

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

Contents

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

1.0 TECHNICAL UPDATES

IASB Updates

For the quarter ended 31 December 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:

- Rate-regulated Activities
- Equity Method
- Primary Financial Statements
- Second Comprehensive Review of the IFRS for SMEs Standard
- Disclosure Initiative—Subsidiaries without Public Accountability
- Amendments to the Classification and Measurement of Financial Instruments
- Provisions—Targeted Improvements
- Power Purchase Agreements
- Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity
- Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard

II. Business Combinations under Common Control

The IASB explored whether to develop requirements for reporting business combinations under common control.

III. International Applicability of the SASB Standards

In December 2023, the International Sustainability Standards Board (ISSB) published amendments to the SASB Standards to enhance their international applicability. These amendments were intended to help preparers apply the SASB Standards regardless of the jurisdiction in which they operate or the type of generally accepted accounting principles (GAAP) they use without substantially altering the SASB Standards' structure or intent. The SASB Standards facilitate the implementation and application of IFRS S1 for preparers.

IASB Updates (cont'd)

IV. IASB consults on improved accounting requirements for financial instruments with both debt and equity features

The International Accounting Standards Board (IASB) has proposed amendments to address the challenges in companies' financial reporting on instruments that have both debt and equity features.

IAS 32 Financial Instruments: Presentation sets out how a company that issues financial instruments should distinguish debt instruments from equity instruments. The distinction is important because the classification of the instruments affects the depiction of a company's financial position and performance.

IAS 32 works well for most financial instruments. However, the instruments have evolved since this IFRS Accounting Standard was initially issued—they are more complex and present new reporting challenges for companies. Companies' solutions to the reporting challenges differ, resulting in diverse accounting practices that make it difficult for investors to assess and compare companies' financial position and performance. Investors are calling for better information, particularly about equity instruments.

To address these challenges, the proposals in the Exposure Draft published today would amend IAS 32, IFRS 7 Financial Instruments: Disclosures, and IAS 1 Presentation of Financial Statements.

The IASB proposes:

- to clarify the underlying classification principles of IAS 32 to help companies distinguish between debt and equity;
- to require companies to disclose information to further explain the complexities of instruments that have both debt and equity features; and
- to issue new presentation requirements for amounts—including profit and total comprehensive income—attributable to ordinary shareholders separate to the amounts attributable to other holders of equity instruments.

The deadline for comments to the Exposure Draft Financial Instruments with Characteristics of Equity—Proposed amendments to IAS 32, IFRS 7 and IAS 1 is 29 March 2024.

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 30 September 2023:

I. The International Federation of Accountants (IFAC) and Chartered Accountants Australia and New Zealand (CA ANZ) release Quality Management Toolkit

The International Federation of Accountants (IFAC) and Chartered Accountants Australia and New Zealand (CA ANZ) released a quality management toolkit to help small- and medium-sized practices (SMPs) implement the International Auditing and Assurance Standards Board's (IAASB) suite of quality management standards.

The Quality Management Toolkit for Small- and Medium-Sized Firms and its companion Illustrative Risk Matrix include a suite of illustrative documents, policies, checklists, sample letters and forms to help SMPs establish their quality objectives, identify and assess quality risks, and design and implement responses to address their identified quality risks.

The toolkit is designed to require each SMP to adapt the content to its nature, circumstances, and engagements, a crucial element given each firm goes through its own unique process developing its quality management system.

II. IFAC releases Sustainability Checklist for Small Businesses

The International Federation of Accountants (IFAC) released a Small Business Sustainability Checklist (the Checklist) to help small- and medium-sized enterprises (SMEs) maximize the benefits of incorporating sustainability into their strategy and business operations.

The Checklist is a diagnostic tool designed to be tailored by each business according to its own unique circumstances, including its industry sector, lifecycle, and products and services provided. It lists a comprehensive range of initiatives and actions to be considered in terms of environmental, social, and governance (ESG) factors. Not all actions in the Checklist will be relevant to every SME, but the Checklist aims to help all organizations to take small steps on what could be a long but highly fulfilling journey.

IFAC Updates (Cont'd)

III. IAASB enhances auditor's report transparency on independence to reflect revisions in the IESBA Code of Ethics

The International Auditing and Assurance Standards Board (IAASB) released amendments aimed at bolstering transparency and providing auditors with a clear mechanism to action changes to the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards).

The IAASB amended International Standard on Auditing 700 (Revised), Forming an Opinion and Reporting on Financial Statements and ISA 260 (Revised), Communication with Those Charged with Governance.

The IESBA Code now requires firms to publicly disclose when a firm has applied the independence requirements for public interest entities in an audit of the financial statements of an entity.

The IAASB's amendments provide a clear and practical framework for implementing this new requirement through appropriate communication in the auditor's report and with those charged with governance.

IV. Integrated Internal Control needed to build trust in Sustainability Reporting

IFAC had published Building Trust in Sustainability Reporting: The Urgent Need for Integrated Internal Control to address the demand for high-quality sustainability reporting and to prepare professional accountants for mandatory international and jurisdictional reporting and assurance requirements. This analysis highlights how companies can integrate sustainability information within their existing internal control and governance frameworks.

An integrated internal control approach will lead to higher quality and more integrated reporting and help companies avoid perceptions of greenwashing and regulatory or legal action.

IFAC Updates (Cont'd)

V. New Standard for Audits of Less Complex Entities issued by IAASB

The International Auditing and Assurance Standards Board (IAASB) published the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities, known as the ISA for LCE. The ISA for LCE is a standalone global auditing standard designed specifically for smaller and less complex businesses and organizations.

The standard is effective for audits beginning on or after December 15, 2025 for jurisdictions that adopt or permit its use.

Released alongside the ISA for LCE are a Basis for Conclusions, which details feedback from the public consultation period, a high-level fact sheet, and a frequently asked questions document.

VI. IAASB issues guidance for assurance practitioners when citing IFRS accounting standards

The International Auditing and Assurance Standards Board (IAASB) had issued guidance to help stakeholders understand how to reference IFRS Accounting Standards to follow recent updates to the IFRS Foundation Trade Mark Guidelines.

The updated IFRS Foundation guidelines require, amongst other things, that International Accounting Standards Board standards, including the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), be referred to as "IFRS Accounting Standards".

The IAASB's new guidance clarifies how auditors or practitioners should refer to the IFRS Accounting Standards in their reports. The alert also describes changes that the IAASB intends to make to future editions of the IAASB handbook to address existing references to the IASs and IFRSs.

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

IPSAS Updates

During the quarter ended 31 December 2023, the International Public Sector Accounting Standards Board ("IPSASB") had published the following updates on its website:

I. Project proposals

For the quarter ended 31 December 2023, the International Public Sector Accounting Standards Board ("IPSASB") discussed on the following areas.

- Natural Resources - IFRS Alignment

The IPSASB approved Exposure Draft (ED) 86, *Exploration for and Evaluation of Mineral Resources*, which provides the accounting guidance related to the costs incurred in the exploration and evaluation of mineral resources, and ED 87, *Stripping Costs in the Production Phase of a Surface Mine* (Amendments to IPSAS 12, *Inventories*), which provides guidance on how to account for costs incurred to remove waste material in a surface mining operation.

ED 86 and ED 87 will be exposed in Q1 2024, with a four-month comment period.

- IPSAS 33 - Limited Scope Update

Following the completion of an initial research phase on the implementation experience of IPSAS 33, First Time Adoption of Accrual Basis IPSASs for a group of countries, the IPSASB approved a project brief for a limited-scope project to update and enhance IPSAS 33 to help ensure it is more helpful to initial adopters.

- Natural Resources

The IPSASB agreed on revised recognition criteria and initial measurement proposals, consistent with the Conceptual Framework and IPSAS for tangible assets. The IPSASB also decided that the guidance on natural resources should be in a standalone IPSAS.

- Measurement - Application Phase

The IPSASB continued its discussion on the applicability of Current Operational Value (COV) to various IPSAS. The IPSASB decided to amend IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors to clarify that a change in the measurement model is a change in accounting policy. The IPSASB also considered COV examples related IPSAS 21, Impairment of Non-Cash-Generating Assets to better understand how adding it might work when undertaking impairment testing.

- IFRIC Alignment - Narrow Scope Amendments

The IPSASB began to review those IFRIC and SIC Interpretations not yet considered by the Board to determine whether they were public sector relevant. The IPSASB concluded on how it would determine which IFRIC and SIC Interpretations to propose for inclusion

IPSASB Updates(Cont'd)

in IPSAS, and decided that IFRIC 7, *Applying the Restatement Approach Under IAS 29, Financial Reporting in Hyperinflationary Economies* is applicable to the public sector, and should be incorporated into IPSAS 10, *Financial Reporting in Hyperinflationary Economies*. The remaining outstanding items not yet considered will be discussed by IPSASB in March 2024.

- Other Lease -Type Arrangements

The IPSASB continued the review of responses to ED 84, *Concessionary Leases and Right-of-Use Assets In-Kind*. The IPSASB decided to develop and then expose a standalone ED with non-authoritative guidance on the remaining arrangements included in the Request for Information, *Concessionary and Other Arrangements Similar to Leases*. The new ED will complement ED 84 and propose to update the most recent IPSAS on Revenue and Transfer Expenses on this topic.

III. IPSAS 49, Retirement Benefit Plans

The IPSAS had issued *International Public Sector Accounting Standard (IPSAS) 49, Retirement Benefit Plans.*

IPSAS 49 establishes comprehensive accounting and reporting requirements for the financial statements of retirement benefit plans, with participants comprising current and former public sector employees and other eligible members. The new pronouncement will bring increased transparency and accountability to these public sector entities, ensuring they can fulfill their obligations to employees and other eligible participants who are members of the retirement benefit plan.

The effective date of IPSAS 49 is January 1, 2026, with earlier application permitted.

II. Exposure Draft (ED) 85, improvements to IPSAS, 2023

The IPSASB had issued Exposure Draft (ED) 85, Improvements to IPSAS, 2023.

ED 85 proposes minor improvements to accrual basis IPSAS that arise through publications of the International Accounting Standards Board (IASB). The proposals in this exposure draft may be modified in light of comments received before being issued in final form.

IPSASB Updates (Cont'd)

IV. Conceptual Framework

The IPSASB had published an updated chapter of its Conceptual Framework, which establishes the concepts that are applied in developing IPSAS and Recommended Practice Guidelines (RPGs) and are applicable to the preparation and presentation of public sector entities' general purpose financial reports.

The Conceptual Framework enables the IPSASB to ensure the consistency of its standard-setting by strengthening the linkage between IPSASs. Additionally, the transparency of the concepts underpinning the development of IPSASs and RPGs enhances the IPSASB's accountability.

The updated chapter, Chapter 3, Qualitative Characteristics, completes the limited scope project to improve its Conceptual Framework for Financial Reporting by Public Sector Entities, which also included:

- Chapter 5, Elements in Financial Statements
- Chapter 7, Measurement of Assets and Liabilities in Financial Statements

The updated chapters of the Conceptual Framework became effective for the IPSASB when published.

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

List of new IFRSs and amendments to existing IFRS Accounting Standards applicable for accounting periods beginning on or after 1 January 2023

Entities must prepare for the implementation of new standards and amendments and prepare disclosures of future changes and known or reasonably estimable information about how the financial statements will be affected in the period of initial application (IAS 8 Paragraph 30).

A summary of all new accounting standards and amendments issued with an effective date for accounting periods beginning on or after 1 January 2023 are as follows:

- IAS 1 Presentation of Financial Statements

  Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

  Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

- IAS 12 income Taxes

  Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.

- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

  The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

List of new IFRSs and amendments to existing IFRS Accounting Standards applicable for accounting periods beginning on or after 1 January 2023 (Cont'd)

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

  IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

  The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

2.0 LICENSING

31 DECEMBER 2023

- Licensed Auditors: 226
- Registered Audit Firms: 114
- Foreign Auditors: 4
- Auditor's License Granted: 10
- Audit Firms Registered: 5
- Removal from Register of Audit Firms: 3
- Removal from Register of Licensed Auditors: 4
- Removal from Register of Foreign Auditors: Nil

3.0 ENFORCEMENT

During the quarter ended 31 December 2023, one auditor was issued a private warning and another auditor was issued a letter of concern following the audit practice reviews carried out in accordance with section 77 of the Financial Reporting Act.

Auditor 1 - Letter of Warning

The warning letter was issued to the auditor as he failed to comply with IESBA Code of Ethics, International Standards on Auditing 700 and section 75 and section 39(3) Financial Reporting Act.

Also, FRC had required the auditor to follow relevant training with respect to legal and regulatory requirements as part of his Continual Professional Development. In this regard, FRC would monitor the Continual Professional Development in relation to the legal updates.

Auditor 2 - Letter of Concern

FRC had issued a letter of concern to another licensed auditor. The audit performed by the licensee was not conducted in accordance with the relevant International Standards on Auditing ("ISAs").

A follow-up exercise should be carried out to ensure that the auditor has taken corrective measures to address the shortcomings.

4.0 CAPACITY BUILDING

TRAINING TO FRC'S OFFICERS

Workshop on IFRS Accounting Standards

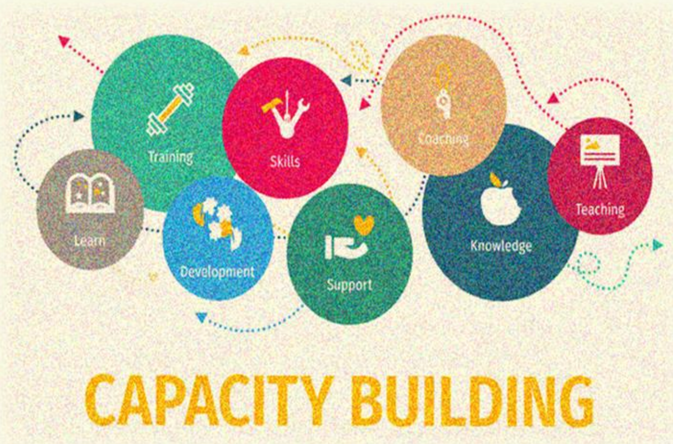
IFRS and their implementation can be complex and challenging. Also, IFRS standards are continuously evolving. In this regard, FRC had organised an inhouse Workshop on IFRS Accounting Standards for its officers involved in the review exercise.

This workshop would allow FRC's officers involved in the review exercise to expand their knowledge in IFRS, develop a wider understanding of the interpretation of the new and forthcoming accounting standards and prepare themselves for the changing landscape of financial reporting.

- Date of Training: 23 October 2023
- Attendees: 10 Officers
- The resource person: Mr Yousouf Hansye

The topics covered under the workshop were as follows:

- Discounting in IFRS
- Update on recent amendments
- Forthcoming new standards



Training Course on Advanced Microsoft Excel

Today most organisations require people with IT skills and Microsoft Excel is a tool which is commonly used for records or basic interpretations of data. IT is becoming an essential tool in many organisations which help to enable the performance of employees. Moreover, Microsoft Excel is necessary in most work environment and help businesses to manage, track and analyse organisation's data.

A training course on advanced Microsoft Excel had been organised by Civil Service College Mauritius and was delivered by means of face-to-face batches in different dates. In September and October 2023, FRC's officers attended the training on advanced Microsoft Excel in two batches (please refer to details below). This training has allowed them to gain advanced-level skills in Excel and apply new skills to deliver Excel-related work in a more proficient manner.

Dates of training attended by FRC's officers	5th and 7th September 2023 (batch 1); and 3rd and 5th October 2023 (batch 2).
Presenter	Ms Nivedita Gobin
Attendees	13 Officers
Venue	7th Floor, Fooks House, Bourbon Street, Port Louis

The topics covered in the training were as follows:

o Advanced formula o Chart layout / Styles o Pivot Tables o VLookup and HLookup	o Forms o Visual Basic o Macros o Drop down list

5.0 PROMOTION AND STAFF WELFARE

Promotion exercise of FRC staff

During the quarter ended 31 December 2023, four officers of the FRC have been promoted:

Name	Present post	Promoted post
Mrs Roopa Sharma Fangoo	Senior Financial Executive	Accountant/Senior Accountant
Mrs Kritee Devi Taukoordass	Management Support Officer	Office Management Assistant
Mr Ramen Tyacootee	Senior Office Attendant	Head Office Auxiliary
Mr Ganessen Vivian Joy Vadamootoo	Office Attendant	Senior Office Attendant

FRC extends heartfelt congratulations to the above staff on their recent promotions.

5.0 PROMOTION AND STAFF WELFARE (cont'd)

End of year celebrations

The end of the year is a great time to get together as a team and celebrate accomplishments, achievements and look forward to the exciting challenges and opportunities that lie ahead in 2024. In December 2023, the FRC invited its team to celebrate the End of Year Party at Le Domaine Anna and hosted an end of year office lunch.

The Officer-in-Charge seized the opportunity to thank the employees for their hard work and gave a speech with respect for the next year resolutions which would inspire and motivate them heading into the next year. In this respect, he acknowledged that healthiness and team collaboration should be a top priority for all employees as this would contribute to fostering a stronger workforce.

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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