

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

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



1.0 TECHNICAL UPDATES

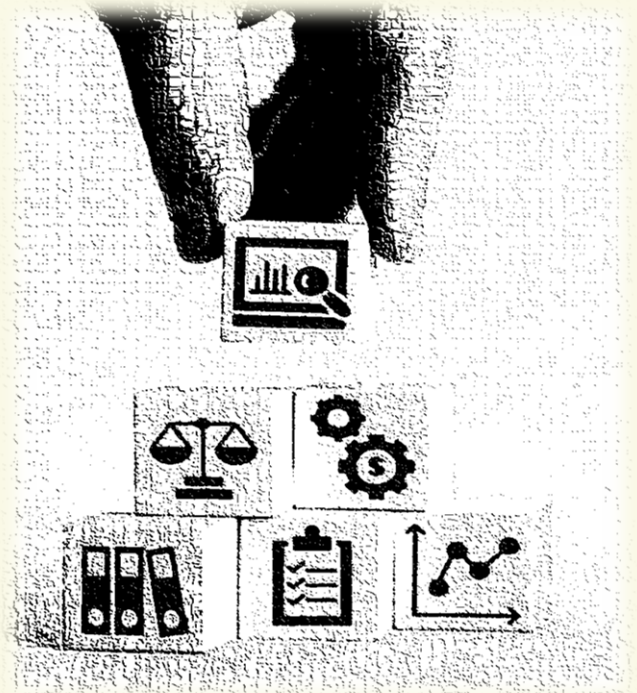
IASB Updates

For the quarter ended 31 March 2024, 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:

- Second Comprehensive Review of the IFRS for SMEs Accounting Standard
- Amendments to the Classification and Measurement of Financial Instruments
- Updating the Subsidiaries without Public Accountability: Disclosures Standard
- Post-implementation Review of IFRS 15 Revenue from Contracts with Customers
- Rate-regulated Activities
- Equity Method
- Post-implementation Review of IFRS 9—Impairment
- Annual Improvements to IFRS Accounting Standards— Final amendments of the following projects:
 - Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)
 - Gain or Loss on Derecognition (Amendments to IFRS 7)
 - Introduction and Credit Risk Disclosures (Amendments to Guidance on implementing IFRS 7)
 - Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing IFRS 7)
- Derecognition of Lease Liabilities (Amendments to IFRS 9)
- Transaction Price (Amendments to IFRS 9)
- Determination of a ‘De Facto Agent’ (Amendments to IFRS 10)
- Cost Method (Amendments to IAS 7)
- Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity (IAS 21): Disclosure and transition requirements and other matters
- Power Purchase Agreements



IASB Updates (cont'd)

II. Exposure Draft Business Combinations—Disclosures, Goodwill and Impairment

The IASB has published for public comment the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*. The Exposure Draft contains proposed amendments to IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

IFRS 3 contains requirements for how an entity accounts for business combinations. The IASB did a post-implementation review of IFRS 3 to assess whether the effects of applying IFRS 3 were as intended. The IASB started the Business Combinations—Disclosures, Goodwill and Impairment project to respond to some areas of focus identified in the post-implementation review.

The proposals to amend IFRS 3 are intended, in particular, to improve the information companies disclose about the performance of business combinations.

The proposed amendments to IAS 36 are intended to improve the application of the impairment test of cash-generating units containing goodwill.

The deadline for submitting comment letters is **15 July 2024**.

III. IASB consults on supplementary proposals to update the IFRS for SMEs Accounting Standard

The IASB has published for public comment the Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard, which supplements the exposure draft published in September 2022.

The proposals in the Exposure Draft would update the IFRS for SMEs Accounting Standard and reflect improvements made to the full IFRS Accounting Standards. The proposals balance the needs of users of SMEs' financial statements, while maintaining the IASB's commitment to only update the Standard periodically.

The deadline for comments on the proposals in the Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard is 31 July 2024.

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

IFAC Updates

During the quarter ended 31 March 2024, the International Federation of Accountants (“IFAC”) had published the following updates on its website:

I. The International Auditing and Assurance Standards Board (“IAASB”) opens consultation on narrow-scope amendments

The IAASB launched a consultation process on proposed narrow scope amendments to achieve greater convergence with the International Ethics Standards Board for Accountants’ (“IESBA”) International Code of Ethics for Professional Accountants (Including Independence Standards).

These proposed revisions have two key objectives.

- First, they would align definitions and requirements in IAASB standards with new definitions for publicly traded and public interest entities in the IESBA Code.
- Second, the amendments would extend the applicability of existing differential requirements for listed entities to meet heightened stakeholder expectations regarding audits of public interest entities (“PIE”).

Key proposed revisions include extending the scope of the entities included under the International Standards on Quality Management and the International Standards on Auditing such that they will be subject to:

- Engagement quality reviews;
- Providing transparency in the auditor’s report on specific aspects of the audit, including auditor independence, communicating key audit matters, and the engagement partner’s name; and
- Communicating with those charged with governance to help them fulfill their responsibility overseeing the financial reporting process, (e.g., communicating about quality management and auditor independence).

The IAASB invited all stakeholders to provide feedback on the Exposure Draft by April 8, 2024.

II. IAASB moves to strengthen auditors’ efforts related to fraud

The IAASB proposed a significant strengthening of its standard on auditors’ responsibilities relating to fraud. Recent corporate failures throughout the world have underscored the benefits of clarifying and enhancing the role of auditors in responding to fraud and suspected fraud as a means of enhancing public trust in financial reporting.

The proposed revisions to International Standard on Auditing 240 (Revised), The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements, include:

IFAC Updates (Cont'd)

- Clarified auditor responsibilities relating to fraud in an audit.
- Emphasized professional skepticism to ensure auditors remain alert to possible fraud and exercise professional skepticism throughout an audit.
- Strengthened identification and assessment of risks of material misstatement due to fraud.
- Clarified response to fraud or suspected fraud identified during the audit.
- Increased ongoing communication with management and those charged with governance about fraud.
- Increased transparency about auditors' responsibilities and fraud-related procedures in the auditor's report.
- Enhanced audit documentation requirements about fraud-related procedures.

The IAASB invites all stakeholder to submit their comments by June 5, 2024.

III. The International Ethics Standards Board for Accountants ("IESBA") opens consultation on global sustainability standards

The IESBA had announced the launch of two Exposure Drafts ("EDs"):

- *International Ethics Standards for Sustainability Assurance ED*, which includes revisions to the existing Code related to sustainability reporting;
- *Using the Work of an External Expert ED*

The goal of these standards is to mitigate greenwashing and elevate the quality of sustainability information, thereby fostering greater public and institutional trust in sustainability reporting and assurance.

The first Exposure Draft proposes a clear framework of expected behaviours and ethics provisions for use by all sustainability assurance practitioners. The second proposes an ethical framework to guide professional accountants or sustainability assurance practitioners in evaluating the suitability of external experts.

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



IPSAS Updates

During the quarter ended 31 March 2024, the International Public Sector Accounting Standards Board (“IPSASB”) had published the following updates on its website:

I. Project proposals

For the quarter ended 31 March 2024, the IPSASB discussed on the following areas.

- **Improvements to IPSAS, 2023**

Improvements to IPSAS, 2023 was approved in March by the IPSASB and is expected to be published in April 2024. This new pronouncement includes amendments to IPSAS to add guidance related to the classification of liabilities and accounting for the lease liability in a sale and leaseback.

- **IFRIC Alignment–Narrow Scope Amendments**

The IPSASB approved Exposure Draft (“ED”) 89, *Amendments to Consider IFRIC Interpretations*. This ED proposes to clarify the application of existing principles in IPSAS, based on five IFRIC Interpretations.

- **Sustainability-Climate-Related Disclosures**

The IPSASB agreed that a government’s ability to set policy is unique to the public sector and specific guidance for governments’ policy setting activities that influence other entities, including other economic sectors, is necessary. The IPSASB also held initial discussions with breakout groups on public sector specific climate-related metrics and transitional provisions.

- **Natural Resources**

The IPSASB agreed the derecognition requirements for natural resources, the transitional provisions, and with the description of conservation to be included in the ED, Natural Resources. The IPSASB also agreed with the subsequent measurement of natural resources and what should be excluded from the ED’s scope.

- **IPSAS 33–Limited Scope Update**

The IPSASB agreed that IPSAS 33, First-Time Adoption of Accrual Basis IPSAS, should be enhanced by proposing guidance to support the pre-adoption phase of IPSAS implementation. The IPSASB also agreed to explicitly encourage early application of IPSAS during the transitional relief period.



IPSASB Updates(Cont'd)

II. IPSASB issues two Exposure Drafts related to Natural Resources Project

To address the gap in the IPSAS literature on accounting for natural resources, the IPSASB issued a Consultation Paper (“CP”) in May 2022. The IPSASB continues to develop principles for the recognition and measurement of natural resources, with the targeted publication of an Exposure Draft (“ED”) in the second half of 2024. However, following feedback received on the CP concerning the lack of guidance on specific activities related to mineral resources, this is being addressed first with the release of ED 86 and ED 87 for public comment:

- ED 86 proposes a standard on accounting for the costs incurred in the exploration and evaluation of mineral resources, based on the selection of an accounting policy specifying which expenditure should be recognized as exploration and evaluation assets. ED 86 is aligned with the private sector requirements in IFRS 6, Exploration for and Evaluation of Mineral Resources, with limited changes for the public sector context.
- ED 87 proposes adding an authoritative appendix to IPSAS 12, Inventories. The proposed guidance clarifies when to capitalize or expense costs incurred to remove waste material in surface mining operations. ED 87 is aligned with the guidance in IFRIC 20, Stripping costs in the Production Phase of a Surface Mine, with limited changes for the public sector context.

Comments on the EDs are requested by May 31, 2024.

III. IPSASB issues exposure draft on arrangements conveying rights over assets

The IPSASB has released for comment Exposure Draft (“ED”) 88, Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48).

The proposed amendments to IPSAS 47, Revenue are consistent with the principles already exposed in ED 84, Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23), published in January 2023, that were strongly supported by stakeholders. Additionally, ED 88 proposes illustrative examples to accompany IPSAS 47 and IPSAS 48, Transfer Expenses on other types of arrangements conveying rights over assets that are common in the public sector.

The proposals in ED 88 provide new guidance to enhance accountability and decision-making in the public sector that addresses the remaining arrangements identified in the Request for Information, Concessionary Leases and Other Arrangements Similar to Leases not already covered in ED 84.”

Comments on the ED are requested by May 31, 2024.

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

2.0 LICENSING

31 MARCH 2024



Licensed Auditors: 226



Registered Audit Firms: 114



Foreign Auditors: 4



Auditor's License Granted: 3



Audit Firms Registered: 1



Removal from Register of Audit Firms: 2,



Removal from Register of Licensed Auditors: 4



Removal from Register of Foreign Auditors: Nil

3.0 BULLETIN ON ANNUAL REPORT REVIEW FOR THE SIX-MONTH DECEMBER 2023

The Financial Reporting Council (“FRC”) has published the bulletin on annual report review for the six-month ended December 2023.

The purpose of this bulletin is to provide an overview of annual report review exercise and FRC’s main findings from the annual reports reviewed for the period under review. It highlighted the non-compliances noted with respect to disclosure requirements of the applicable accounting standards¹, the Code of Corporate Governance and Companies Act. This bulletin may be of assistance to the PIEs in the preparation of high-quality corporate reports.

FRC has changed its review process and adopted an integrated approach, hence, combining the two main functions of FRC, namely the annual report review and the audit practice review as from July 2023. Under this type of review exercise, FRC reviews PIEs which were being reviewed for the first time or had not been recently reviewed.

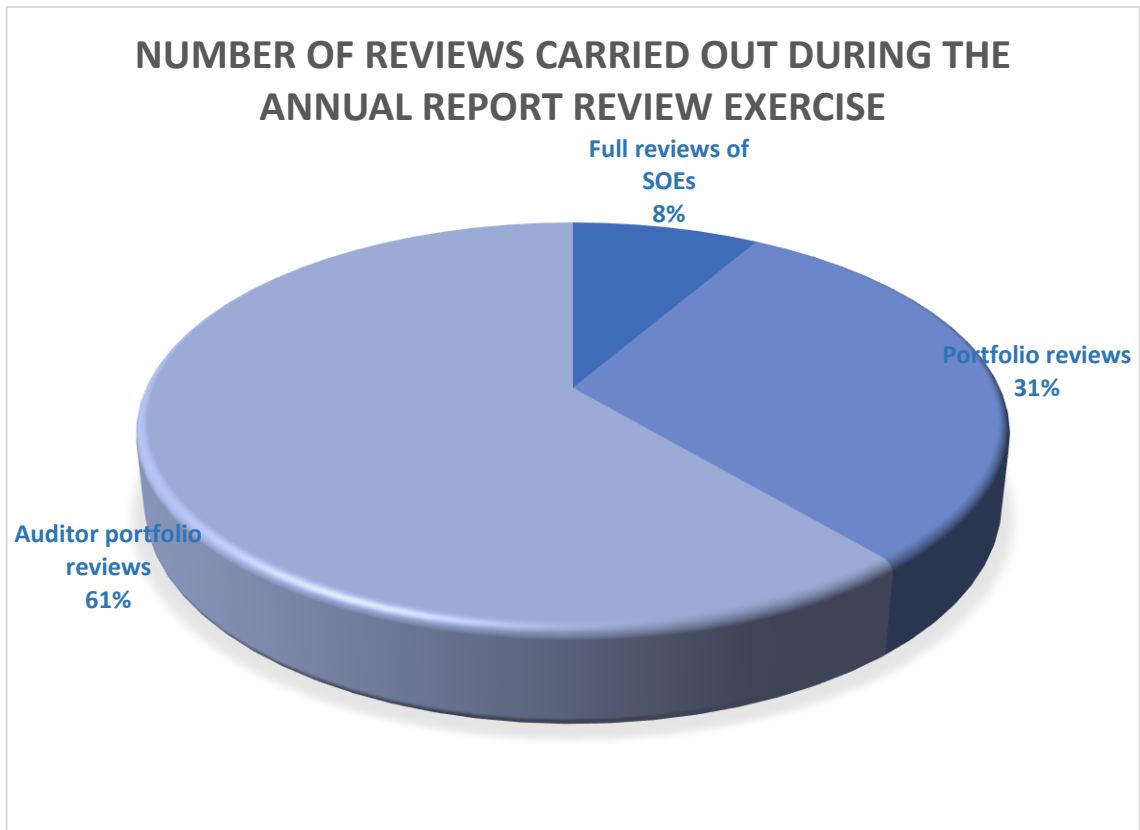


¹ Section 75(1) of the FRA requires PIEs classified under Categories 1 to 4 of the First Schedule of the FRA to prepare their financial statements in accordance with IFRSs.

Section 75(1A) of the FRA states that entities specified in the first column of the Third Schedule of the FRA, should prepare financial statements in compliance with IPSASs issued by IFAC.

3.0 BULLETIN ON ANNUAL REPORT REVIEW FOR THE SIX-MONTH DECEMBER 2023 (Cont'd)

During the six months ended 31 December 2023, FRC has reviewed 38 annual reports of 36 PIEs comprising 11 portfolio reviews, 22 auditor's portfolio reviews and 3 full reviews of SOEs, as shown in the diagram below:



The FRC's review highlighted:

- (a) Key Findings with respect to the International Financial Reporting Standards ("IFRSs")

The most common issues identified were in respect of the following standards:

IAS 19

IFRS 7

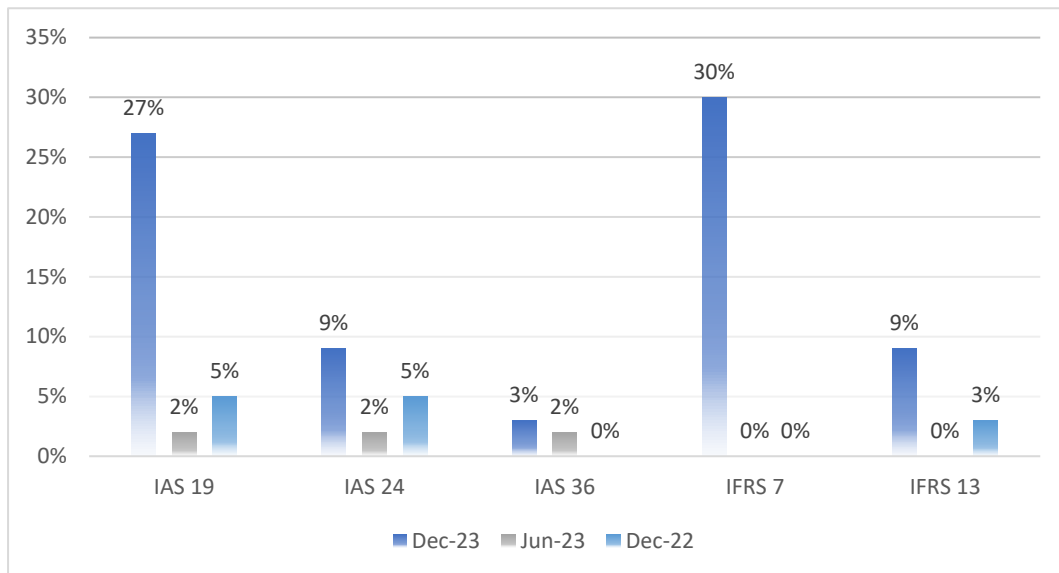
IAS 24

IFRS 13

IAS 36

3.0 BULLETIN ON ANNUAL REPORT REVIEW FOR THE SIX-MONTH DECEMBER 2023 (Cont'd)

The diagram below illustrates the percentage of non-compliances with IFRSs relating to the periods ended 31 December 2023, 30 June 2023 and 31 December 2022:



(b) Key Findings with respect to the Revised Code of Corporate Governance

From the review exercise, it was noted that all the PIEs reviewed had adopted the Code, hence showing appreciation of good corporate governance practices. This demonstrated a high level of commitment on the part of PIEs.

Out of the 36 PIEs reviewed, 4 of the PIEs had not reported on the Code whereas 7 had partly applied the Code.

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

- Principle 2: The Structure of the Board and its Committees;
- Principle 6: Reporting with Integrity; and
- Principle 7: Audit.

The bulletin for the year ended 31 December 2023 is available on the website of FRC. (<http://frc.govmu.org>)

4.0 APPOINTMENT OF FRC'S CHIEF EXECUTIVE OFFICER



FRC is delighted to announce the appointment of Mr. Viswajithsing Tuhobol as the Chief Executive Officer of the Financial Reporting Council ("FRC"), effective from March 18, 2024. Mr. Viswajithsing Tuhobol selection comes after a rigorous evaluation process that assessed both internal talent and external candidates.

Bringing a wealth of experience and proven leadership, Mr. Viswajithsing Tuhobol has enjoyed a distinguished career in civil service. His journey within FRC began in 2009 when he assumed the role of Manager, progressing steadily to the position of Officer-In-Charge since 2015. With credentials including FCCA accreditation and a Master of Business Administration ("MBA") from the University of Mauritius, Mr. Viswajithsing Tuhobol possesses profound expertise in financial reporting.

Reflecting on his new role, Mr. Viswajithsing Tuhobol expressed his gratitude, stating, "*It is a tremendous privilege to step into the CEO role at FRC. With my background, leadership skills, and experience, I am committed to building upon our past successes and fostering continued growth and achievement in the financial sector.*"

FRC extends its heartfelt congratulations to Mr. Viswajithsing Tuhobol on his appointment as CEO of FRC and is eagerly anticipating the remarkable contributions he will make to FRC's future success.

5.0 CAPACITY BUILDING

Webinar on inspection of bank audits (basic)

Inspection of banking institutions can be complex and challenging. In this regard, FRC's officers had participated to a webinar on inspection on bank audits.

This workshop would allow FRC's officers involved in the review exercise to expand their knowledge on the inspection of banking institutions and offer invaluable insights on the banking industry.

- Date of Training: 01 February 2024
- Attendees: 8 Officers
- The resource person: Members of IFIAR

The topics covered under the workshop were as follows:

- Introduction to bank audits
- Selection of inspection areas
- Inspection area: lending business
- Materiality for bank audits



IFIAR Inspection Workshop 2024

Participation at the IFIAR Inspection Workshop 2024 held in Dublin, Ireland

The 2 Managers namely Mohoni Devi Nowbotsing and Bharatee Gooroochurn attended the IFIAR Inspection Workshop 2024 which was hosted by the Irish Auditing and Accounting Supervisory Authority ("IAASA Ireland") on 5-7 March 2024.

The purpose of this workshop is to bring together professionals and experts to exchange knowledge, discuss emerging trends, and collaborate on innovative solutions.

Some IFIAR Members noted a shift of higher risk audits from larger audit firms (Big 4 and larger mid-tier firms) to other mid-tier and smaller firms. Concerns have been raised as to whether these smaller firms would have sufficient skills, expertise and capacity to conduct quality audits of these PIEs, as well as the appropriate robust risk management structures, controls and processes in respect of such PIE audits.

IFIAR Inspection Workshop 2024
(Cont'd)

The FRC Mauritius co-presented on the topic 'Movement of high-risk audits from large to small audit firms' with other 2 regulatory bodies from Japan and Singapore and this session was intended to exchange views and experiences on what audit regulators should consider for identifying, mitigating or addressing these risks.

From the presentation it was noted that there is movement of high-risks audits from large audit firms to mid-tier and smaller firms for diverse reasons which included the following:

- Rotation of audit firms;
- Way for avoiding modified auditor's report;
- Delays in reporting;
- Robust quality system of large firms.

Regulatory measures have been taken following the movement of high-risks audits from large audit firms to mid-tier and smaller firms which included the following:

- The smaller audit firms were reviewed to ensure that they have the resource and relevant quality system to engage with risky clients;
- Rules have been issued whereby the ISQM 2 has been extended to all Insurance Companies and Banks, mandating the appointment of an EQCR partner;
- Meetings with Audit Committees of listed entities are held as part of the audit practice review process.

With diverse speakers, interactive sessions, and networking opportunities, the workshop was a valuable platform for intellectual growth and professional development. During the workshop, the speakers from different jurisdictions presented on the following topics:

Elective Session Topics

1. Inspection of bank audits
2. Inspection of insurance audits
3. Movement of high-risk audits from large to smaller firms
4. Exploring Automated Tools and Techniques in Auditing: Challenges, Risks, and Key Insights
5. Rebuilding inspection approaches of regulators / changes in supervisory models

Core Syllabus Session Topics

1. Initial inspection of ISQM 1 implementation
2. Enforcement – The Intersection of Inspection and Investigation
3. Auditor's challenge of management's accounting estimates

Free Form Session Topics

1. Inspection of data analytics used in audits
2. Ethical Rules and the Use of Technology in Audits
3. Assurance engagements on sustainability reporting - Inspection Challenges
4. Inspecting auditors' responsibility relating to fraud
5. Inspection of Digitalized Business
6. Inspection of the Engagement Quality Control Review (EQCR)



6.0 PARTICIPATION AT THE QUALITY ASSURANCE REVIEW GUIDELINES VALIDATION WORKSHOP

Mr Viswajithsing Tuhobol Chief Executive Officer of the Financial Reporting Council attended the Quality Assurance Review Guidelines Validation Workshop.

The workshop was organised by the Pan African Federation of Accountants (“PAFA”) in collaboration with the African Forum for Independent Accounting and Audit Regulators (AFIAAR) and was hosted by the Accounting and Auditing Board of Ethiopia (“AABE”). This event was held from 19 to 22 March 2024 at Addis Abba Ethiopia.

This event brought together Heads of Assurance Quality Review Departments or their representatives from audit regulators, professional accountancy organisations charged with regulatory responsibilities for audit quality and other organisations, providing opportunities for attendees to engage with thought leaders and to promote the sharing of ideas and strategies for improved audit oversight and investor protection.

The aim of the workshop was to provide a platform for Heads of Assurance Quality Review Departments to review and validate the update PAFA Quality Assurance Review guidelines that align the new Quality Management standards and global developments in audit quality. The workshop also included a training component for the Heads of Quality Assurance departments.



7.0 STAFF WELFARE

Independence Day

On 12 March 1968, Mauritius got independence from the British Empire. This year commemorates the 56th anniversary of the country's freedom. The theme retained for this year's National Day Celebration is "Ansam Nou Avanse".

In this regard, FRC celebrated the independence day on 11th March 2023. The spirit of patriotism came alive with the singing of the National Anthem and sharing of special quadri-coloured cakes.


Happy Independence Day!




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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