

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

1.0 Technical Updates	
- IASB Updates	2
- IPSAS Updates	5
2.0 Legal Updates	7
3.0 Licensing	8
4.0 IFIAR holds 2024 planetary forum in Osaka, Japan	9
5.0 Pan-African Regulatory Roundtable	10
6.0 Capacity Building	11

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 30 June 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:

- Climate-related and Other Uncertainties in the Financial Statements
- Dynamic Risk Management
- Equity Method
- Post-implementation Review of IFRS 15 Revenue from Contracts with Customers
- Provisions—Targeted Improvements
- Rate-regulated Activities
- Second Comprehensive Review of the IFRS for SMEs Accounting Standard

II. IASB publishes IFRS 18 Presentation and Disclosure in Financial Statements

The IASB had issued IFRS 18 Presentation and Disclosure in Financial Statements. This new IFRS Accounting Standard would replace IAS 1 Presentation of Financial Statements.

IFRS 18 will give investors more transparent and comparable information about companies’ financial performance, thereby enabling better investment decisions. It will affect all companies using IFRS Accounting Standards.

The key elements of the new requirements of IFRS 18 to improve companies’ reporting of financial performance, mainly relate to:

- The structure of the statement of profit or loss;
- Disclosures about Management-defined Performance Measures; and
- Enhanced guidance on grouping information (Aggregating and Disaggregating Information).

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, but companies can apply it earlier.



IASB Updates (cont'd)

III. IASB simplifies financial reporting for eligible subsidiary companies with new IFRS Accounting Standard

The IASB had issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 *Subsidiaries without Public Accountability: Disclosures* permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.

It applies to subsidiary bodies that have an ultimate or intermediate parent body that produces consolidated financial statements in accordance with international financial reporting standards ('IFRS'). Further eligibility criteria include not having debt or equity instruments that are traded on the public market or not having assets held in a fiduciary capacity for banks or credit unions as its primary business.

IFRS 19 provides a way for eligible subsidiaries to resolve their over-disclosures problems by:

- enabling them to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements; and
- reducing disclosure requirements – IFRS 19 permits reduced disclosures better suited to the needs of the users of their financial statements.

The standard will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

IV. IASB issues narrow-scope amendments to classification and measurement requirements for financial instruments

The IASB issued amendments to the classification and measurement requirements in IFRS 9 *Financial Instruments*. The amendments will address diversity in accounting practice by making the requirements more understandable and consistent.

The Amendments clarify:

- the requirements related to the date of recognition and derecognition of financial assets and financial liabilities, with an exception for derecognition of financial liabilities settled via an electronic transfer;
- the requirements for assessing contractual cash flow characteristics of financial assets, with additional guidance on assessment of contingent features; and
- characteristics of non-recourse loans and contractually linked instruments.

The Amendments also introduce additional disclosure requirements for equity instruments classified as fair value through other comprehensive income and for financial instruments with contingent features.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026.

IASB Updates (cont'd)

V. IASB proposes amendments for renewable electricity contracts

The IASB had published an Exposure Draft *Renewable Electricity Contracts*. The exposure draft proposes amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, affecting the accounting for contracts for renewable electricity (issue also known as 'power purchase agreements').

This exposure draft aims at clarifying and amending selected requirements in IFRS 9, which appeared to be challenging in accounting for certain physical or virtual power purchase agreements. This is crucial for contracts with unique characteristics leading to purchasing the amount of electricity produced even if that amount does not fully match the buyer's needs at the time of production, especially in case of long-term contracts.

In particular, the IASB's proposals will:

- address how the 'own-use' requirements would apply;
- permit hedge accounting if these contracts are used as hedging instruments; and
- add disclosure requirements to enable investors to understand the effects of these contracts on a company's financial performance and future cash flows.

Comments had been requested by 7 August 2024.

VI. IASB publishes its review of impairment requirements relating to financial instruments

The IASB had concluded its Post-implementation Review ('PIR') of the impairment requirements in IFRS 9 *Financial Instruments—Impairment*.

The objective of the PIR was to assess whether the effects of applying the impairment requirements are as the IASB intended when it developed these requirements.

Overall, feedback and research carried out during the PIR show that the impairment requirements in IFRS 9 are working as intended and provide useful information to users of financial instruments.

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



IPSAS Updates

For the quarter ended 30 June 2024, the International Public Sector Accounting Standards Board (“IPSASB”) had discussed the following updates:

I. Project proposals

- Measurement-Application Phase

The IPSASB approved Exposure Draft (‘ED’) 90, Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement. This ED proposes amendments to IPSAS to introduce current operational value and add a definition of accounting estimates to IPSAS 3, Accounting Policies, Changes In Accounting Estimates and Errors. ED 90 will be published in Q3 2024 with a 120-day comment period.

- IPSAS 33–Limited Scope Update

The IPSASB approved ED 91, Limited-scope Updates to First-time Adoption of International Public Sector Accounting Standards (‘IPSAS’) (Amendments to IPSAS 33). This ED proposes amendments to existing requirements to emphasize exemptions available to those using the standard. The ED also proposes non-authoritative guidance to help clarify the standard's application for first-time adopters, including information to help identify the appropriate point to apply IPSAS 33 in their overall transition plan to accrual-basis IPSAS. ED 91 will be published in Q3 2024 with a 120-day comment period.

- Sustainability-Climate-Related Disclosures

The IPSASB continued the development of the Climate-related Disclosures ED by reviewing the proposed principles on metrics and targets, transitional provisions, and general requirements. The IPSASB clarified that the ED will address public policy programs (such as regulations, taxation, subsidies, and incentives) that are explicitly designed to address climate-related risks and opportunities. The IPSASB plans to approve the ED at its September 2024 meeting.

- Natural Resources

The IPSASB continued developing its Natural Resources ED by reviewing the draft specific matters for comment, core text, application guidance, and basis for conclusions. In addition, the IPSASB agreed on the topics for which implementation guidance and illustrative examples would be developed in the ED. The IPSASB plans to approve the ED at its September 2024 meeting.

- Strategy and Work Program

The IPSASB reviewed the responses received to its 2024-2028 Strategy and Work Program Consultation. The proposals were strongly supported by stakeholders, which only required the IPSASB to make minor clarifications. The IPSASB plans to approve the final 2024-2028 Strategy and Work Program at its September 2024 meeting.

IPSAS Updates(Cont'd)

- Presentation of Financial Statements

The IPSASB continued the development of its Consultation Paper and Illustrative ED related to the project to develop a replacement for IPSAS 1, Presentation of Financial Statements. The IPSASB considered several important project issues, including agreeing to retain the current/non-current distinction as the primary method for classifying assets and liabilities on the statement of financial position. The IPSASB will continue its deliberations on this project in September 2024.

II. IPSASB seeks comments on proposed amendments considering IFRIC interpretations

The International Public Sector Accounting Standards Board ('IPSASB') released Exposure Draft ('ED') 89,

ED 89 proposes amendments based on five IFRIC Interpretations issued by the IFRS Interpretations Committee which the IPSASB had not yet considered. The IPSASB proposes amendments to IPSAS for guidance based on the IFRIC Interpretations which are applicable for public sector entities and helpful in applying existing IPSAS principles.

II. IPSASB seeks comments on proposed amendments considering IFRIC interpretations (cont'd)

Feedback to ED 89 will help shape the updates to IPSAS to clarify the application of existing accounting principles for these specific matters.

Comments had been requested by June 17, 2024.

III. IPSASB issues improvements to IPSAS, 2023

The IPSASB had issued *Improvements to IPSAS, 2023*.

Improvements to IPSAS, 2023 includes improvements to IPSAS in order to align with amendments to IFRS Accounting Standards based on IASB's Narrow Scope Amendments projects.

The pronouncement was approved by the IPSASB in March 2024.

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



2.0 LEGAL UPDATES

Amendment to the Financial Reporting Act with respect to authorised companies

The Minister of Finance, Economic Planning and Development presented the Mauritius National Budget 2024/2025 on 7 June 2024 ('the Budget'), whereby a legislative amendment for authorised companies was announced.

Currently, authorised companies are subject to minimal reporting requirements, benefiting from tax exemptions and reduced compliance obligations. However, there was a concern that the authorised companies may be qualified as a Public Interest Entity ('PIE') under the parameters of the First Schedule of the Financial Reporting Act ('FRA'). In such circumstances, this may trigger additional compliance burdens, deter foreign investors and undermine the jurisdiction's competitiveness and economic growth objectives.

The Budget had now provided that amendments will be made to the Financial Reporting Act ('FRA'). In this respect, authorised companies licensed by the Financial Services Act, are excluded from the definition of public interest entities. This amendment aims at reducing compliance burdens, providing regulatory relief and bolstering the attractiveness and repute of the Mauritius International Financial Centre.



30 June 2024



Licensed Auditors: 226



Registered Audit Firms: 113



Foreign Auditors: 4



Auditor's License Granted: 4



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

4.0 INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ('IFIAR') HOLDS 2024 PLENARY MEETING IN OSAKA, JAPAN

The 2024 IFIAR Plenary Meeting was hosted by Japan FSA/CPAAOB1 on April 16-18, 2024. Representatives from 48 IFIAR Member jurisdictions met in Osaka, Japan to participate in discussions focusing on key developments and emerging trends in the audit industry.

"It was a pleasure to welcome our colleagues from independent audit regulators around the world to Osaka in an environment where the expectations for high quality audit is ever growing", said Takashi Nagaoka, IFIAR Chair and Secretary-General of Japan CPAAOB. "IFIAR's annual Plenary meeting is a vital opportunity to continue our work in addressing the most important emerging developments facing audit regulators today and to pursue our shared goal of ensuring high-quality audit – and our ambitious agenda over three days provided Members with a platform to share experiences, knowledge and perspectives in matters relevant to audit oversight."

Across a series of panel discussions, Members, Observers and other key stakeholder representatives addressed several important topics, including audit firm governance, sustainability reporting and assurance, and the increased use of technology by audit firms.



5.0 PAN-AFRICAN REGULATORY ROUNDTABLE

Sustainability reporting globally has evolved from what is considered a business non-essential to a responsible business practice today. Among the key trends shaping the corporate sustainability landscape today are the consolidation among stand-setters; regulation focused on ESG-related disclosures; and maturation of ESG data and disclosures within private markets.

Prior to the release of the International Sustainability Disclosure Standards ('ISSB Standards'), the Stock Exchange of Mauritius ('SEM') and the Bank of Mauritius ('BOM') had issued guidelines for their licensees on ESG reporting practices.

A Pan-African Regulatory Roundtable on the ISSB Standards was hosted by the FRC Mauritius in collaboration with AFIAAR, ISSB and GFANZ on 7-8 May 2024 in Mauritius. The Roundtable was attended by 72 participants comprising 37 foreigners from different jurisdictions in the African Continent and 35 local stakeholders.

The objectives of the Roundtable were to:

- promote dialogue and knowledge exchange;
- foster collaboration across the African Continent;
- culture a shared appreciation for the value of ISSB Standards in channelling capital flows to Africa;
- formulate a collective strategy for providing capacity-building support in implementing these standards; and
- fortify African capital markets to unlock private sector funding in alignment with global sustainability objectives.

Among the participants, it was noted that different jurisdictions are in the different stage of their adoption journey.

Each stage of the adoption journey comes with its own unique needs and challenges. To address these effectiveness, it is essential to focus on capacity building, continuous advocacy and digitalization, particularly through XBRL Taxonomy. These measures will help jurisdictions navigate implementation challenges more smoothly and progress through the adoption process successfully.

S.O PAN-AFRICAN REGULATORY ROUNDTABLE (cont'd)



6.0 CAPACITY BUILDING

Training to FRC's officers

Training sessions on sustainability reporting

Sustainability reporting has become an important component in corporate accounting in recent years as companies pay more attention to sustainability and social responsibility issues. It plays a pivotal role in ensuring transparency, accountability, and long-term viability of companies and has witnessed significant regulatory changes in today's evolving business landscape.

A workshop comprising of a training session on 'Introduction to Sustainability Standards' and a complimentary session on 'Application of Sustainability Standards', had been organised by the Mauritius Institute of Professional Accountants ('MIPA'), in collaboration with FRC Mauritius, the Pan African Federation of Accountants ('PAFA'), and the IFRS Foundation on 9 May 2024 and 10 May 2024 at Maritim Resort and Spa Mauritius.

Among the attendees, 13 FRC's officers had participated to these sessions to help them gain a wider understanding of the significance of sustainability reporting and IFRS Sustainability Disclosure Standards. Also, the training sessions allowed the officers to enhance their knowledge in sustainability reporting.

The sessions kicked off with a welcoming remark from Mr Viswajithsing Tuhobol, CEO, FRC Mauritius, Mr Kamal Raj Sadien, CEO, MIPA, Mr Lebogang Senne, Technical Director, PAFA and Ndidin Nnoli-Edozien, Board Member, ISSB.

The workshop also featured a panel on Sustainability Reporting in African Regulation, presentations regarding introduction and implementation of IFRS S1, IFRS S2 and interactive discussions on PAFA accountancy profession's strategy on sustainable reporting.

Also, a few Mauritian companies provided a brief on their journey towards sustainability.



6.0 CAPACITY BUILDING (cont'd)

Refresher Course in International Standards on Quality Management

The International Auditing and Assurance Standards Board ('IAASB') had released International Quality Management Standards 1 and 2 ('ISQM 1' and 'ISQM 2') and ISA 220, which are effective for audits of financial statements for periods beginning on or after 15 December 2022.

Of all the regulatory changes, the new standards on quality standards have the most significant impact on working practices at the firm level. FRC's reviewers must ensure they are well-versed in this transformative shift in audit quality management.

In this regard, 13 officers had attended a course on ISQM1, ISQM2 and ISA 220 which had been organised by Mauritius Institute of Professional Accountants ('MIPA') in collaboration with Caseware Africa and Adapt IT on 11 June 2024 at Le Meridien Hotel.

The topics covered in the refresher course were as follows:

- ISQM1, ISQM2 & ISA 220;
- ISQM1 implementation examples in SQM;
- Common IFIAR Findings and Audit Quality Indicators; and
- Resources – EQR Consideration.



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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