FRC MAURITIUS
FINANCIAL REPORTING COUNCIL

Issue No. 14 | April to June 2025

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 30 June 2025, the International Accounting Standards Board ('IASB') had published the following updates with respect to International Financial Reporting Standards ('IFRS') and corporate reporting on its website:

I. Projects Proposals

The IASB met to discuss about the following project proposals in areas of research and standard setting and maintenance and consistent application, whereby tentative decisions were made:

- Rate-regulated Activities
- Intangible Assets
- Statement of Cash Flows and Related Matters
- Financial Instruments with Characteristics of Equity
- Equity Method
- Translation to a Hyperinflationary Presentation Currency (IAS 21)
- Climate-related and Other Uncertainties in the Financial Statements

II. ISSB releases Exposure Draft on targeted amendments to IFRS S2

The International Sustainability Standards Board ('ISSB') had published an Exposure Draft proposing targeted amendments to IFRS S2 *Climate-related Disclosures* that would provide reliefs to ease application of requirements related to the disclosure of greenhouse gas ('GHG') emissions.

The proposed amendments relate to the application of GHG emissions disclosure requirements in IFRS S2, including:

- Relief from measuring and disclosing Scope 3 Category 15 GHG emissions associated with derivatives and some financial activities;
- Relief from the use of the Global Industry Classification Standard ('GICS'), in some circumstances, in disclosing disaggregated financed emissions information;
- Clarification on the jurisdictional relief to use a measurement method other than the Greenhouse Gas Protocol for measuring GHG emissions; and
- Permission to use jurisdiction-required Global Warming Potential ('GWP') values that are not from the latest Intergovernmental Panel on Climate Change ('IPCC').

The Exposure Draft was opened for comment for 60 days, closing on 27 June 2025.

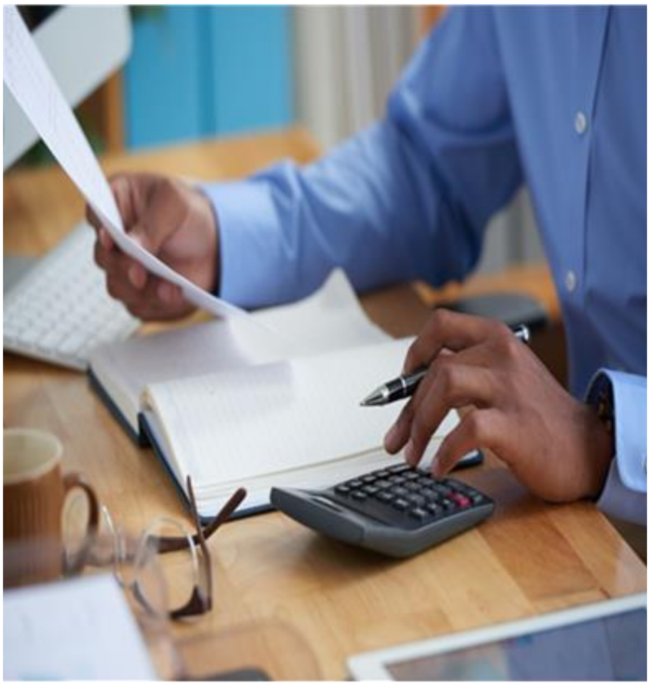
IASB Updates (cont'd)

III. Compilation of Agenda Decisions — Volume 12 published

The IFRS Foundation had published its *12th Compilation of Agenda Decisions* by the IFRS Interpretations Committee, covering the period from November 2024 to April 2025.

The Compilation includes four agenda decisions:

- Guarantees Issued on Obligations of Other Entities;
- Recognition of Revenue from Tuition Fees (IFRS 15 *Revenue from Contracts with Customers*);
- Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts (IAS 7 *Statement of Cash Flows*); and
- Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38 *Intangible Assets*).



IV. IFRS Foundation publishes guidance on disclosures about transition plans

The IFRS Foundation had published a new guidance document *Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2* as part of its commitment to supporting the implementation of IFRS Sustainability Disclosure Standards ('ISSB Standards'). The document builds on disclosure-specific material developed by the Transition Plan Taskforce ('TPT'), for which the IFRS Foundation took responsibility in 2024.

The guidance:

- supports entities applying IFRS S2 *Climate-related Disclosures*;
- is designed to enable entities to provide high-quality information about their climate-related transition when applying IFRS S2; and
- covers disclosures about any 'transition plan' an entity has, including both mitigation and adaptation efforts.

This guidance is intended to be used by jurisdictions adopting or otherwise using ISSB Standards. Jurisdictions can, if they choose, supplement the disclosures required by IFRS S2 with requirements for further information aimed at meeting the needs of a broader group of stakeholders or to address specific jurisdictional information needs, to the extent that the sustainability-related financial disclosures are clearly identifiable and not obscured by additional information.

This guidance document does not add to or otherwise change the requirements in IFRS S2. The IFRS Foundation will continue to monitor disclosures provided by entities applying IFRS S2 and will consider the need to enhance the application guidance in IFRS S2.

IASB Updates (cont'd)

V. IFRS Foundation updates going concern educational material to reflect latest developments

The IFRS Foundation had published an updated version of its educational material to support the consistent application of IFRS Accounting Standards related to going concern assessments.

Companies preparing financial statements using IFRS Accounting Standards are required to assess their ability to continue as a going concern. This educational material brings together the relevant requirements and explains how they might apply to a range of company situations. It is designed to support understanding and consistent application of the Standards but does not change or add to existing requirements.

Originally published in 2021, the educational material has been updated to reflect recent developments—most notably, the IASB's issuance of IFRS 18 Presentation and Disclosure in Financial Statements.

The updated educational material also removes outdated references to the International Auditing and Assurance Standards Board ('IAASB') and its project on Going Concern. In December 2024, the IAASB approved International Standard on Auditing (ISA) 570 (Revised 2024), Going Concern, which is now referenced in the updated educational material.

VI. IASB launches review of IFRS 16 *Leases*

The IASB had published a Request for Information as part of its Post-implementation Review of IFRS 16 *Leases*.

VI. IASB launches review of IFRS 16 *Leases* (cont'd)

IFRS 16 aimed to improve information that companies provide about their lease arrangements to investors and other users of financial statements. The Standard was issued in January 2016 and came into effect in January 2019.

This review will evaluate whether IFRS 16 is broadly working as intended for investors, companies, auditors and regulators.

The Request for Information is open for comment until 15 October 2025.

VII. IASB issues revised Practice Statement on management commentary

The IASB had issued a revised Practice Statement on management commentary. The revised Practice Statement supports improvements to and greater global alignment in management commentary and narrative reports accompanying the financial statements.

Investors had highlighted shortcomings in current practice. In response, the IASB carried out a major overhaul of the Practice Statement to help improve the quality and focus of information provided to investors.

The IASB intends for the revised Practice Statement to serve as a global benchmark for regulators to use in updating or developing their national requirements and guidance. It would also provide a comprehensive resource for companies to help meet investors' information needs.

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

IFAC Updates

For the quarter ended 30 June 2025, the International Federation of Accountants ('IFAC') had published the following updates on its website:

I. IAASB requests feedback on proposed narrow-scope amendments related to working with experts

The International Auditing and Assurance Standards Board ('IAASB') had opened a public consultation on narrow-scope amendments to its standards to maintain interoperability between IAASB standards and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code').

These proposed amendments address recent revisions to the IESBA Code related to using the work of an external expert.

The targeted amendments focus on the following IAASB standards:

- ISA 620, *Using the Work of an Auditor's Expert*
- ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*
- ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ISRS 4400 (Revised), *Agreed-upon Procedures Engagements*

The proposed amendments include:

- A requirement to consider relevant ethical requirements when auditor uses an external expert (ISA 620); and
- New application material, including that relevant ethical requirements may prohibit use of work of external expert if not competent, capable or objective (ISA 620 and other standards).

Stakeholders are invited to comment on these proposed amendments by July 24, 2025.

II. IAASB announces withdrawal of ISAE 3410 for assurance engagements on greenhouse gas statements

The IAASB had approved the withdrawal of International Standard on Assurance Engagements ('ISAE') 3410, *Assurance Engagements on Greenhouse Gas Statements*.

This decision follows the approval and certification in 2024 of the International Standard on Sustainability Assurance ('ISSA') 5000, *General Requirements for Sustainability Assurance Engagements*.

ISSA 5000 addresses assurance of all types of sustainability information, including greenhouse gas emissions, regardless of how that information is presented. It is effective for assurance engagements on sustainability information reported for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026.

Consequently, the withdrawal of ISAE 3410 will take effect from the effective date of ISSA 5000.

IFAC Updates(cont'd)

III. IAASB strengthens auditor responsibilities for going concern through revised standard

The IAASB had released its revised International Standard on Auditing 570 (Revised 2024), Going Concern.

The revised standard responds to corporate failures that raised questions regarding auditors' responsibilities by significantly enhancing the auditor's work in evaluating management's assessment of an entity's ability to continue as a going concern. Effective for audits of financial statements for periods beginning on or after December 15, 2026, the standard will also increase consistency in auditing practices and strengthen transparency through communications and auditor reporting on matters related to going concern in a consistent manner.

ISA 570 (Revised 2024) introduces several key changes:

- **Robust risk assessment.** Auditors must conduct, in a more timely manner, thorough risk assessments to determine whether events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern.
- **Evaluating management's assessment.** Auditors must evaluate management's assessment of going concern irrespective of whether events or conditions are identified. In doing so, auditors must consider the potential for management bias and evaluate the underlying method, significant assumptions, and data used when management formed its assessment. Additionally, auditors must evaluate whether management's judgements and decisions indicate potential bias.
- **Extended date of evaluation period.** The auditor's evaluation period for going concern now extends at least twelve months from the date of approval of the financial statements, contributing to an assessment of more relevant, decision-useful information.
- **Enhanced transparency.** The standard requires clearer communication in the auditor's report about the auditor's responsibilities and work related to going concern and strengthened communications with those charged with governance and external parties.

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

IPSAS Updates

During the quarter ended 30 June 2025, the International Public Sector Accounting Standards Board ('IPSASB') had published the following updates:

I. Project proposals

- Climate-related Disclosures

The helpful stakeholder feedback to IPSASB SRS ED 1, *Climate-related Disclosures* led the IPSASB to consider the complexity of having different reporting perspectives included in a single standard. The IPSASB decided to adopt a phased approach towards developing guidance:

- Phase 1, Own Operations, will finalize the first-ever public sector sustainability reporting standard tailored for the public sector that's already in development, focusing on how public sector entities disclose climate-related risks and opportunities to their own operations.
- Phase 2, Public Policy Programs, will develop a separate standard for those specific public sector entities responsible for the outcomes of climate-related public policy programs.

This phased approach will meet the urgent need for public sector guidance while allowing additional time to address the more complex reporting.

I. Project proposals (cont'd)

- Measurement – Application Phase

The IPSASB approved the Final Pronouncement, *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement*, amending IPSAS Standards to align with the measurement principles in IPSAS 46. These amendments are effective January 1, 2028.

Where support for the proposals in the exposure draft was mixed, i.e., the introduction of current operational value in IPSAS 31, *Intangible Assets*, the IPSASB decided to continue analysis independently so the otherwise strongly supported guidance could be delivered in a timely manner.

- Natural Resources

As part of the development of the final pronouncement, the IPSASB confirmed the guidance on tangible natural resources will be located in a separate, standalone IPSAS Standard. The IPSASB also discussed stakeholder feedback and agreed the only tangible natural resources in scope of the proposals were those held for conservation and decided to clarify the guidance.

IPSAS Updates(cont'd)

I. Project proposals (cont'd)

- Improvements to IPSAS

The IPSASB discussed potential clarifications to enhance the consistency of IPSAS 35, *Consolidated Financial Statements*, and IPSAS 40, *Public Sector Combinations*. The IPSASB decided to include the consolidation-related amendments in the next exposure draft on improvements to IPSAS Standards, which collects improvements approved throughout 2025 and is expected to be approved in March 2026. Potential amendments to public sector combinations will be analyzed further at a future IPSASB meeting as a separate narrow scope amendment.

- IPSAS 33 – Limited Scope Update

The IPSASB continued to analyze respondents' feedback to ED 91, *Limited-Scope Updates to First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*. The IPSASB aims to make the first-time adoption standard more user-friendly by improving navigation, clarifying principles, and releasing additional implementation guidance. The IPSASB intends to approve the revised Standard at the September 2025 meeting.

- Post-Implementation Reviews

The IPSASB's first post-implementation review will be on IPSAS 20, *Related Party Disclosures*.

I. Project proposals (cont'd)

- Post-Implementation Reviews (cont'd)

To help inform the next review, the IPSASB decided to conduct a survey of national standards setters on which IPSAS Standards should be a priority based on which pronouncements have been modified before adoption, and/or have not been adopted at the local level.

II. IPSASB proposes aligning materiality definition across the conceptual framework and IPSAS accounting standards

The IPSASB had released the IPSAS Exposure Draft ('ED') 93, *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)* for public comment.

This ED seeks to provide more consistent guidance on materiality across the IPSASB's financial reporting literature to assist entities in its application, and help them to develop clearer, more useful financial reports.

IPSAS ED 93 proposes aligning the definition of material between the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and IPSAS Standards by:

- Clarifying that an entity is required to consider the information needs of primary users instead of other users of GPFRs; and
- Aligning the definition of material in IPSAS 1, *Presentation of Financial Statements*, with Chapter 3: Qualitative Characteristics of the Conceptual Framework.

Stakeholders are invited to submit their comments on the IPSAS Exposure Draft by 14 July 2025.

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

2.0 LEGAL UPDATES

Regulatory measures from the Mauritius National Budget 2025-2026

The Prime Minister and Minister of Finance, Dr. the Hon. Navinchandra Ramgoolam presented the 2025-2026 budget speech themed 'From abyss to prosperity: rebuilding the bridge to the future' on 05 June 2025.

The Mauritius 2025/2026 budget has introduced regulatory measures impacting Public Interest Entities ('PIEs') in respect of Companies Act and Financial Reporting Act. Details of the proposed amendments to the law are set out below:

- Companies Act

  The Companies Act will be amended to clarify that all PIEs will have to prepare an annual report, irrespective of their turnover, within 6 months after their balance sheet date.

  The purpose of this amendment in the Companies Act is to address any uncertainties and close a loophole in this Act and ensure consistency in the reporting requirements across different sections of the Companies Act. Also, this amendment to the Companies Act will no longer allow PIEs to be exempted from preparing annual reports. All PIEs will now be required to prepare annual reports, as per section 221 of the Companies 2001.

- Financial Reporting Act

  The Financial Reporting Act will be amended to align the definition of public interest entity with international best practices.

  FRC has taken steps to revise the definition of public interest entity in light of a comparison on the definition of public interest entity across countries and is carrying out a consultation on the proposed definition of public interest entity which may be included in the First schedule of the Financial Reporting Act. The FRC's objectives in revising the definition of public interest entity are to enhance transparency, accountability and robust oversight to safeguard the public interest in a complex and interconnected global economy.

3.0 LICENSING

30 June 2025

- Licensed Auditors: 227
- Registered Audit Firms: 111
- Foreign Auditors: 4
- Auditor's License Granted: 2
- Audit Firms Registered: 1
- Removal from Register of Audit Firms: Nil
- Removal from Register of Licensed Auditors: Nil
- Removal from Register of Foreign Auditors: Nil

4.0 THEMATIC REVIEW ON FINANCIAL AND NON-FINANCIAL RISKS DISCLOSURES

In recent decades, there has been a growing demand for improved transparency and relevance in the reporting of business risks. Users of financial statements increasingly seek decision-useful information particularly regarding the key risks faced by Public Interest Entities ('PIEs').

In response, the Financial Reporting Council ('FRC') conducted a thematic review to evaluate the quality of financial and non-financial risk disclosures in the annual reports of selected PIEs.

The review levered a sample of 40 PIEs comprising of 16 listed entities and 24 non-listed companies, randomly selected across the following seven sectors:

Sectors	Number of PIEs
Leisure & Hotels	7
Property Development	3
Commerce	8
Conglomerates	4
Bank, Insurance and Finance ('BIF')	12
Industry	4
Sugar	2
Total	40

To guide the review, the FRC developed an internal checklist based on established financial and non-financial risk disclosure requirements. This tool enabled the systematic assessment of the nature and extent of risk information disclosed across the selected annual reports.

General observations on the financial and non-financial risk disclosures

- The nature and extent of risk disclosures varied on the size, sectors and governance structures of the PIEs.
- Financial risk disclosures were generally consistent with IFRS requirements.
- Listed and larger PIEs with established audit and risk management committees provided more structured and comprehensive disclosures.
- Smaller non-listed PIEs often provided the minimum non-financial risk information, largely limited to what is required by the Code of Corporate Governance.
- Financial risks were usually disclosed in financial statements, whilst non-financial risks disclosures appear in the corporate governance reports or other statutory reports. However, a clear linkage between financial risks and non-financial risks was often lacking.

Cross-sectoral comparison: BIF and Non-BIF sectors

- Entities within the BIF sector demonstrated more comprehensive disclosures for both financial and non-financial risks owing to regulatory oversight by institutions such as the Bank of Mauritius and the Financial Services Commission.
- PIEs outside the BIF sector generally exhibited less detailed risk reporting.

4.0 THEMATIC REVIEW ON FINANCIAL AND NON-FINANCIAL RISKS DISCLOSURES (CONT'D)

Key findings on the financial and non-financial risk disclosures

Whilst many PIEs demonstrated good compliance with International Financial Reporting Standards and the Code of Corporate Governance Principles, several gaps were identified:

- Incomplete information on liquidity risk including cash outflow and maturity analysis of financial assets (IFRS 7).
- Limited explanation of risk management procedures as required by the Code of Corporate Governance.

Areas for improvement in relation to financial and non-financial risks

The FRC encourages PIEs to strengthen their financial and non-financial risk reporting practices by incorporating the following:

Financial risks disclosures

- Clear details on the level of drawn and undrawn finance facilities in place (IAS 7).
- Cash flows disclosures representing changes in operational capacity and information by reporting segment (IAS 7).

Non-financial risks disclosures

- Identification and classification of non-financial risks into internal and external sources.
- Disclosure of risk appetites and associated metrics.
- Use of stress tests to assess the financial resilience and the capital adequacy.
- Highlight of top and emerging risks of the entity, reviewed regularly by senior management/committee.
- Trend analysis of key risks indicators over time.
- Use of key risk indicators to quantify exposure to major negative events.
- Classification of risks based on their probability and the potential impact.
- Interaction of risks disclosures with the entity's strategy, business model and key performance indicators.
- Future outlook and opportunities relating to identified risks.
- Consistent reporting of the principal risks and uncertainties across all sections of the annual report.

Conclusion

The FRC urges PIEs to consider the findings of this thematic review as they prepare their future annual reports. Enhanced risk disclosures not only provide transparency but also help stakeholders make better informed decisions.

The full report on the Thematic Review is available on the website of FRC (http://frc.govmu.org).

Disclaimer

It must be noted that the FRC's findings and recommendations are not exhaustive. In some cases, FRC did not gather enough information to determine as to why there were no specific risk disclosures in the annual reports of the PIEs and disclosures were not made for unknown and indeterminate reasons.

5.0 CAPACITY BUILDING

Webinar on ISQM

Training to FRC's officers

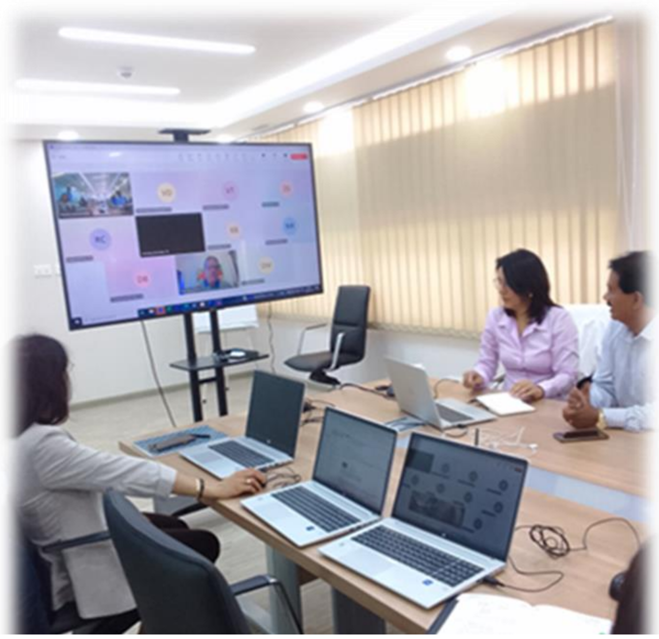
ISQM 1, ISQM 2, ISA 220 and their related ISAs are standards that strengthen, modernize the audit firm's approach to quality management and continue to have a significant impact on the audit processes. The application of these standards can be complex and challenging in an evolving audit ecosystem.

In this regard, FRC's officers had attended a two half-day webinar entitled 'Mastering ISQM 1 & 2: A Practical Guide for Audit Firms in Mauritius' (please refer to details below). This training had allowed FRC's officers involved in the review exercise to develop a deeper understanding of ISQM 1 and 2 and other ISAs relating to common quality deficiencies. This training had also enabled FRC's reviewers to gain practical insights into implementing these standards.

- Date of Training: 26 May 2025 and 28 May 2025
- Attendees: 13 Officers
- The resource person: Gavin Huber, trainer in ISQM and auditing standards and a quality assurance reviewer

The topics covered in the webinar were as follows:

- ISQM 1 - Quality Management Approach
- ISQM 2 - Engagement Quality Review
- ISA 220 (Revised) - Quality Management for an Audit
- ISA 315 (Revised) - Understanding Entity and Identifying Risks
- ISA 330 and ISA 500 - Designing and Performing Procedures
- ISA 540 (Revised) - Auditing Accounting Estimates
- ISA 580 - Written Representations



Resources

The FRC on a monthly basis publishes on its website updates from the International Accounting Standards Board ('IASB'), International Federation of Accountants ('IFAC') and International Public Sector Accounting Standards Board ('IPSASB'). For more information on these updates, you may refer to the following websites:

- FRC – frc.govmu.org
- IASB – iasb.org
- IFAC – ifac.org
- IPSASB - ipsasb.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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