**PUBLIC NOTICE.**

**(NBAA)**

**THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS**

**TANZANIA**



**INVITATION FOR COMMENTS**

**ON THE REVISED TANZANIA FINANCIAL REPORTING STANDARD NO.1 GOVERNANCE REPORT**

The National Board of Accountants and Auditors (NBAA) is seeking comments on the exposure draft which has been posted on **NBAA website: <http://nbaa.go.tz/tas/proposedtfrs1.pdf>**

The National Board of Accountants and Auditors (NBAA) is an accountancy regulatory board established by the Auditors and accountants (Registration) Act No. 33 of 1972 as amended by the Auditors and Accountants (Registration) (amendment) Act No.2 of 1995. NBAA is charged with the responsibility of developing, regulating and promoting the accountancy profession in Tanzania and the setting of standards in accountancy related areas.

**Objective of the Exposure Draft**

NBAA is currently in the process of reviewing TFRS 1: *The Directors’ Report* which was issued in 2010*,* with the aim ofupdating hence accommodating various developments and changes that have taken place since its issuance. Stringent requirements for governance are required to be complied with by Reporting entities whether incorporated or otherwise. Reporting entities are more responsive to quite a number of stakeholders.

**Guidance for respondents**

The table below contains two types of questions namely, general questions and specific questions to the review process, of which NBAA is requesting various stakeholders to abide by the questions provided as a guidance when formulating their comments,

**Deadline for receiving Comments**

The deadline for receiving stakeholders’ comments is on **29th October, 2019 at 16:00hours**.

Please use emails mohamed.msimu@nbaa.go.tz or saimon.kiondo@nbaa.go.tz to send your comments to NBAA.

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| **GENERAL QUESTIONS** | | | | |
| **S/R NO** | **SECTION AFFECTED** | **PARAGRAPH**  **AFFECTED** | **CHANGES** | **QUESTIONS** |
| 1 | Nil | Nil | NBAA has determined to align TFRS 1 with integrated report requirements rather than adopting it (integrated report) as a separate standard. | Do you agree with this proposal?  If not, should NBAA adopt the integrated report separately, why? |
| 2 | Nil | Nil | Other relevant issues | Is there anything apart from the issues which have been identified in the specific questions below, which you think will be of relevance to the review process of TFRS 1?,  What is the issue?  What is the relevance of the issue to the review process? |
| **SPECIFIC QUESTIONS** | | | | |
| **S/R NO** | **SECTION AFFECTED** | **PARAGRAPH**  **AFFECTED** | **CHANGES** | **QUESTIONS** |
| 1 | All sections containing the words replaced. | **All paragraphs containing the words replaced.** | **The change:**  It is proposed to replace “The Directors Report” with “The Governance Report”  ***Reason for the change:***  *To make it comprehensive enough to carter for Directors, Board members, Trustees for pensions, councilors for Local Government, Accounting Officers for Central Government and Independent Departments, Ministerial Advisory Boards for Executive Agencies and all those charged with the responsibility of entity’s governance be it private or public entity by whatever name..* | Do you agree with the proposed changes?  If not, Why? |
| **The change:**  It is proposed to replace the word “members” with “primary users and other stakeholders”  ***Reason for the change:***  *The reference of members is not comprehensive enough to carter for all users and other stakeholders instead the use of the words “primary users and other stakeholders” is expected to be comprehensive enough to refer to all users and stakeholders be it in the private or public sector.* | Do you agree with the proposed changes?  If not, Why? |
| **The change:**  It is proposed to replace “The Directors ” with “Those charged with governance”  ***Reason for the change:***  *Since TFRS 1 is not only applicable to private entities but also it applies to entities in the public sector, therefore, the use of the word director is not comprehensive enough to apply to all.* | Do you agree with the proposed changes?  If not, Why? |
| 2 | Introduction | **Paragraph 3** | **The change:**  It is proposed to give micro entities an option to apply TFRS **1**  ***Reason for the change***  *Providing reporting relief to micro entities* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 4** | **The change**  It is proposed to add the underlined words “potential for those strategies to succeed **toward creating value over the short, medium and long term period**”  ***Reason for the change***  *To align TFRS 1 with integrated reporting on value creation issues.* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 5** | **The change**  It is proposed to add other features (e)&(f) of the governance report.  ***Reason for the change***  *To require preparers of the governance report to make it clear and understandable to help users and other stakeholders to make informed decisions.* | Do you agree with the proposed changes?  If not, Why? |
| 3 | Objective | **Paragraph 2** | **The change**  It is proposed to add the objective of enabling primary users and other stakeholders to understand how their legitimate interests have been or are accommodated in the entity’s current and future plans.  ***Reason for the change***  *Align the standard with the requirement of the integrated reporting.* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 3** | **The change**  It is proposed to add the objective of identifying information to be included in the Governance report for use in assessing an organization’s ability to create value and not setting benchmarks for such things as the quality of an organization’s strategy or the level of its performance.  **Reason for the change**  *Align the standard with the requirement of the integrated reporting.* | Do you agree with the proposed changes?  If not, Why? |
| 4 | Scope | **Paragraph 5** | **The change:**  It is proposed to give micro entities an option to apply TFRS **1**  ***Reason for the change***  *Providing reporting relief to micro entities* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 6** | **The change:**  It is proposed to relocating Para 1 (a) - (c) from the objective section to Para 6 (a) – (c) in the scope section of the standard.  ***Reason for the change:***  *The information depicts relevant details for the scope section rather that the objective part of the standard.* | Do you agree with the proposed changes?  If not, Why? |
| ***The change***  It is proposed to add part (d) into the paragraph six for the standard to cover information on how resources whether or not owned by the entity have been used or affected toward creating value over the short, medium and long term period  ***Reason for the change***  *Align the standard with the requirement of the integrated reporting.* | Do you agree with the proposed changes?  If not, Why? |
| 5 | Definitions | **Paragraph 7** | ***The change***  It is proposed to added definitions about:   1. Those charged with governance 2. Entity 3. Value Creation 4. Primary users 5. Resources 6. Stakeholders 7. Materiality/Material 8. Effectiveness: 9. Efficiency: 10. Inputs: 11. Outputs: 12. Outcomes and a service performance objective:   ***Reason for the change***  *To enhance understandability of various terminologies used by the standard hence simplifying its application.* | Do you agree with the proposed changes?  If not, Why? |
| 6 | Principles | **The heading** | ***The change***  It is proposed to add forewords in the heading referring to guiding principle.  ***Reason for the change***  *The forewords added is expected to provide clear understanding for the reason of the presence of those guiding principles* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 9** | **The change**  It is proposed to include additional examples of those who are referred to as other stakeholders such as “business partners, NGOs, environmental groups, legislators, regulators, policy-makers, civil society organizations, and others”  ***Reason for the change***  *To make TFRS 1 comprehensive enough and align it with the integrated reporting.* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 10** | **The change:**  It is proposed to add ***subparagraph 10.5***, to require entities to provide insights into the organization strategies and how they relate to the organization ability to create value in the short, medium and long term.  ***Reasons for the change:***  *Making the standard require entities provide information on whether entities strategies are linked to value creation process.* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 12** | **The change**  It is proposed to add the words ***“consider materiality”*** in the heading of the guiding principle in paragraph12.  ***Reason for the change***  *Materiality is expected to guide preparers to decide what information to be or not to be included in the governance report.* | Do you agree with the proposed changes?  If not, Why? |
| **The change**  It is proposed to add ***subparagraph 12.6*** to describe materiality especially on how relevant maters are decided to be included in the entity’s governance report.  ***Reason for the change***  *To align with the integrated reporting by providing guidance on how materiality can be decided upon by an entity.* | Do you agree with the proposed changes?  If not, Why? |
| 7 | Disclosure  Requirements | **Paragraph 15** | **The change**  It is proposed to add the underlined words “potential for those strategies to succeed **toward creating value over the short, medium and long term period**”  ***Reason for the change***  *To align TFRS 1 with integrated reporting on value creation.* | Do you agree with the proposed changes?  If not, Why? |
| **The change**  It is proposed to add part (c) as among the key elements for the disclosure requirements.  ***Reason for the change***  *To align TFRS 1 with the integrated reporting on requiring disclosure of elements related to the resources, principal risks and uncertainties and relationships that may affect the entity’s value creation process in the short, medium and long term period.* | Do you agree with the proposed changes?  If not, Why? |
| 8 | Details of particular matters | **Paragraph 16** | **The change**  It is proposed to add part (i) as among the list of the issues for the OFR to provide information with respect to effectiveness and efficiency utilization of resources of public sector entities.  ***Reason for the change***  *Ensure wider coverage of TFRS 1 by enhancing disclosure of effectiveness and efficient use of public sector resources.* | Do you agree with the proposed changes?  If not, Why? |
| 9 | Nature of the operation | **Paragraph 18** | **The change**  It is proposed to add part (d) to require public sector entities to disclose information about effectiveness and efficiency utilization of public resources.  ***Reason for the change***  *Ensure wider coverage of TFRS 1 by enhancing disclosure of how effective and efficient public sector entities utilize public resources.* | Do you agree with the proposed changes?  If not, Why? |
| **The change**  It is proposed to add a ***subparagraph 18.2*** so as to provide additional information on issues related to entities’ external environment  ***Reason for the change***  *To align with the integrated reporting by elaborating matters required to be considered with respect to disclosure of information about the entity’s external environment.* | Do you agree with the proposed changes?  If not, Why? |
| 10 | Public sector entities | **Paragraph 23** | **The change**  It is proposed to introduce another section on ***public sector entities*** with **paragraph *23*** together with its related ***subparagraphs*** so as to include requirements specifically for public sector entities to disclose its service performance information.  ***Reason for the change***  *To propose requirements for service-oriented entities i.e. public sector entities to report service performance information that is useful for accountability and decision-making purpose for public sector entities since bottom-line figure is not the only measure. Financial and non-financial information is important in gauging their performance. This is in line with Recommended Practice Guideline No. 3 issued by IPSASB.* | Do you agree with the proposed changes?  If not, Why? |
| 11 | Entity Operating Model | **The heading** | **The change**  It is proposed to introduce another section about ***entity operating model***.  ***Reason for the change***  *To align it with the integrated reporting in which it is referred to as “Business Operating Model”. In the TFRS 1 it proposed to be referred to as “Entity Operating Model” so as to make it fit for the purpose to both private and public sector entities.* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 24 to 25** | **The change**  It is proposed to include in the OFRS the requirements for entities to provide description about entity’s operating model i.e. inputs, operating activities, outputs and outcomes.  ***Reason for the change***  *To align the TFRS 1 with the integrated reporting for entities to disclose information about its business model of which for the case of TFRS 1 it is proposed to be referred to as entity operating model.* | Do you agree with the proposed changes?  If not, Why? |
| 12 | Current and future development and performance | **Paragraph 26** | **The change**  It is proposed to introduce another ***subparagraph 26.4*** for an entity to provide information on how an entity has responded to key stakeholders’ legitimate needs and interests.  ***The reason for the change***  *Align TFRS 1 with the integrated reporting on how entities respond to stakeholders’ legitimate needs and interest toward creating value overtime.* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 27** | **The change**  It is proposed to introduce ***subparagraph 27.2*** for an entity to provide information about anticipated changes from the external environment by showing their effects to the entity as well as how the entity is prepared to respond to those changes.  ***The reason for the change***  *Align TFRS 1 with the integrated reporting by giving future oriented information to enable primary users and other stakeholders make informed decisions.* | Do you agree with the proposed changes?  If not, Why? |
| 13 | Resources | **Paragraph 28** | **The change**  A new ***subparagraph 28.1*** is proposed for entities to disclose information about all available resources which have affected entity’s ability to create value over time, regardless of whether they are owned or controlled by the entity.  ***Reason for the change***  *To align TFRS 1 with the integrated reporting for the disclosure of capitals (resources) which have affected the ability of the entity to create value over time, not necessarily whether they are owned or controlled by an entity.* | Do you agree with the proposed changes?  If not, Why? |
| **The change**  A new ***subparagraph 28.2*** is proposed for the preparers to understand that each available resource has its importance toward the process of creating value over time.  **Reason for the change**  *To align TFRS 1 with the integrated reporting for preparers understanding of the importance of the available resources.* | Do you agree with the proposed changes?  If not, Why? |
| **Subparagraph 28.3** | **The change**  It is proposed to add additional information on the classification of available resources in ***subparagraph28.3 as part (a) to (e)***.  ***Reason for the change***  *To align TFRS 1 with the integrated reporting by ensuring a wider coverage of resources that may be used or affected by an entity in its process of creating value over time.* | Do you agree with the proposed changes?  If not, Why? |
| **Subparagraph 28.4** | **The change**  A ***subparagraph 28.4*** is proposed to require entities to provide information on the factor that affect the availability, quality and affordability of the available resources.  ***Reason for the change***  *To align TFRS 1 with the integrated reporting by requiring entities to provide information on those factors affecting the availability, quality and affordability of the available resources.* | Do you agree with the proposed changes?  If not, Why? |
| 14 | Principle risks, uncertainties and opportunities | **Paragraph 29** | **The change:**  It is proposed to add the words “**together with a commentary on their approach”**  ***Reason for the change***  *To align TFRS 1 with integrated reporting for entities to disclose commentary on how they approach principle risks and uncertainties.* | Do you agree with the proposed changes?  If not, Why? |
| **The change**  A ***subparagraph 29.5*** is proposed to require necessary items to be included in the disclosure the policy for managing principle risks.  ***Reason for the change***  *To align the TFRS 1 with the integrated reporting and the risk management framework for the disclosure of the magnitude, likelihood and mitigation processes about entity’s principle risks.* | Do you agree with the proposed changes?  If not, Why? |
| **The change**  A ***subparagraph 29.6*** is proposed to require disclosure information on uncertainties that an entity is facing.  **Reason for the change**  *To align the TFRS 1 with the integrated reporting* | Do you agree with the proposed changes?  If not, Why? |
| 15 | Relationship | **The heading** | **The change:**  It is proposed to add the word “stakeholders” before the word Relationship to read **“Stakeholders’ relationship”.**  ***Reason for the change***  *To restrict the relationship to entity’s stakeholders.* | Do you agree with the proposed changes?  If not, Why? |
| **Paragraph 30** | **The change**  It is proposed to include ***subparagraphs 30.1 to 30.4*** to enhance the disclosure of how an entity’s relationships with various stakeholders influence the nature of its operation.  **Reason for the change**  *To align the TFRS 1 with the integrated reporting* | Do you agree with the proposed changes?  If not, Why? |
| **The change**  It is proposed to add the word “**for profit oriented entities”** in subparagraph 30.4.  **Reason for the change**  *To align the TFRS 1 with Technical Pronouncement No.1 of 2018.* | Do you agree with the proposed changes?  If not, Why? |
| 16 | Capital structure and treasury policies | **Paragraph 31** | **The change**  A new **subparagraph 31.2** is proposed to require disclosure of information for long lasting assets.  **Reason for the change**  *To align the TFRS 1 with the integrated reporting* | Do you agree with the proposed changes?  If not, Why? |
| 17 | Membership of the board of directors | **The heading** | **The change:**  A new heading is proposed to be read as “Corporate Governance Issues”**.**  ***Reason for the change***  *The proposed change is expected to cover a number of issues include membership of the board, corporate governance statement and others, it also expected to be comprehensive enough to cover for private and public sector as well.* | Do you agree with the proposed changes?  If not, Why? |
|  |  | **Paragraph 42** | **The change**  It is proposed to add a new paragraph to enhance the disclosure of how the entity’s culture, ethics and values are reflected in its use of and effects on the available resources on the process of creating value over time.  **Reason for the change**  *To align the TFRS 1 with the integrated reporting* | Do you agree with the proposed changes?  If not, Why? |
| 18 | Appointment of Auditors | **Paragraph 43** | **The change**  It is proposed to add bullets on auditor’ physical address, registration and TIN number, how the auditor is appointed including rotation requirement if any.  ***Reason for the change***  *Enhance transparency on auditing issues.* | Do you agree with the proposed changes?  If not, Why? |
| 19 | Statement of responsibility by those charged with governance | **Paragraph 44** | **The change**  It is proposed to replace the words “Board’s Standards” with the words “in accordance with applicable standards, rules, regulations and legal provisions”  ***Reason for the change***  *Enhance clarity of TFRS 1 because financial statements are not prepared in accordance with Board’s standards.* | Do you agree with the proposed changes?  If not, Why? |
| 20 | Disabled Persons and Gender Balance | **Paragraph 50** | **The Change:**  It is proposed to introduce requirement on Gender balance reporting**.**  ***Reason for the change***  It is the Government requirement that entities should maintain gender balance at places of work. | Do you agree with the proposed changes?  If not, Why? |
| 21 | Prejudicial issues | **Paragraph 51** | **The change**  It is proposed to include this part to TFRS 1 for disclosure of issues which were outside the control of the respective entity in achieving their objectives  ***Reason for the change***  *Provide a room for entities to disclose issues which were outside their control.* | Do you agree with the proposed changes?  If not, Why? |
| 22 | Publication of the governance report and financial statements | **Paragraph 52** | **The change**  It is proposed to include a new section and a paragraph to require Public Interest Entities (PIE) to publish their audited financial statements in their website after 30 days of the approval of the audited financial statements.  ***Reason for the change***  *Align with NBAA’s Technical Pronouncements to enhance the accessibility of the entity’s audited financial statements.* | Do you agree with the proposed changes?  If not, Why? |
| 23 | Effective Date | **Paragraph 54** | **The change**  The standard is proposed to become operative for financial statements covering accounting periods beginning on or after 1st January 2021.  ***Reason for the change***  *1st January 2021 will be an effective period for entities to start applying the standard.* | Do you agree with the proposed changes?  If not, Why? |

**DIRECT CONTACTS**

For further information please contact:

**EXECUTIVE DIRECTOR**

**NBAA NATIONAL AUDIT OFFICE “AUDIT HOUSE” 8TH FLOOR,**

**4 UKAGUZI ROAD**

**P.O. BOX 1271**

**41104 TAMBUKARELI DODOMA, TANZANIA**

**TEL: +255 26 2963318-9**

**FAX: 2151746 E-mail:** [**info@nbaa.go.tz**](mailto:info@nbaa.go.tz)

**WEBSITE: www.nbaa.go.tz**