

UPDATES ON TECHNICAL ISSUES –SECOND QUARTER 2019

Introduction

These updates on Technical Issues – Second Quarter 2019 cover a summary of updates/issues including International Standards on Auditing (ISAs), International Financial Reporting Standards (IFRSs), International Education Standards (IES), International Public Sector Accounting Standards (IPSAS), International Accounting Education Standards (IAES), Code of Ethics for Professional Accountants and International Standards for Supreme Audit Institutions (ISSAI).

This document includes issues published in April, May and June (Inclusive) 2019.

INTERNATIONAL STANDARD ON AUDITING (ISAs)

Current Updates on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Consultation Paper: Audit of Less Complex Entities (LCEs)</p>	<p>The International Assurance and Auditing Standard Board has issued a consultation paper to obtain input so as to determine actions on the challenges faced by practitioners in applying the ISAs in relation to audits of Less Complex Entities (LCEs).</p> <p>The potential possible actions that we have identified that are described further in this document include:</p> <ul style="list-style-type: none"> a) Revising the ISAs: The ISAs could be revised to make the auditor’s work effort clearer, in particular to benefit audits where the circumstances of the entity are less complex, b) The development of a separate standard specifically for audits of smaller entities as it has been the subject of discussion internationally, with a number of jurisdictions having developed, or in the process of developing, drafts or pronouncements, c) Developing Guidance for Auditors of LCEs or Other Related Actions <p>For more information go to: http://www.ifac.org/system/files/publications/files/IAASB-Discussion-Paper-Audits-of-Less-Complex-Entities.pdf</p>	<p>The deadline for stakeholders’ comments is on or before 12th September, 2019.</p>

<p>ISA 540 (Revised) Implementation Support: Flow Charts and Diagram</p>	<p>The International Assurance and Auditing Standard Board through its ISA 540 (Revised) Implementation Working Group has developed two flowcharts and a diagram to support the understanding, and effective implementation, of ISA 540 (Revised).</p> <ul style="list-style-type: none"> • Flowchart 1: ISA 540 (Revised) – Requirements, explains the flow of the requirements in ISA 540 (Revised); • Flowchart 2: ISA 540 (Revised) – Three Testing Approaches, provides an overview of the requirements [paragraphs 18–29 of ISA 540 (Revised)] relating to the three testing approaches, including the linkages between the testing approaches; and • Diagram 1: Linkages between ISA 540 (Revised) and Other ISAs, shows the interrelationship of the requirements in ISA 540 (Revised) and other ISAs. This information will help auditors understand the key linkages and in applying all relevant requirements in relation to the audit of accounting estimates and disclosures. <p>For more information go to: http://www.ifac.org/publications-resources/isa-540-revised-implementation-support-flow-charts-and-diagram</p>	<p>For information</p>
<p>Consultation Paper: Extended External Reporting (EER) Assurance</p>	<p>International Assurance and Auditing Standard Board has issued a consultation paper on Extended External Reporting (EER) Assurance.</p> <p>The project aims at enabling more consistent and appropriate application of ISAE 3000 (Revised) such a that users of EER reports will have greater trust in the resulting assurance reports</p> <p>The IAASB plans to achieve this primarily through the development of a document containing non-authoritative (non-mandatory) guidance (“The non-authoritative guidance document) in applying ISAE 3000 (Revised) to EER.</p> <p>For more information go to: http://www.ifac.org/system/files/publications/files/EER-Consultation-Paper.pdf</p>	<p>The deadline for stakeholders’ comments is on or before 21st June 2019.</p>

INTERNATIONAL EDUCATION STANDARDS (IES)

IES applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IES 7, Continuing Professional Development (Revised)	<p>International Accounting Education Standard Board has issued a revised standard on consultation paper on Extended External Reporting (EER) Assurance.</p> <p>The standard prescribe the Continuing Professional Development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders , and thereby to strengthen public trust in the accountancy profession.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAESB-International-Education-Standard-7_0.pdf</p>	The standard is effective from 1st January 2020.

INTERNATIONAL CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

Current updates on the Codes

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft: Proposed revisions to Part 4B of the Codes to Reflect Terms and Concepts Used in ISAE 3000 (Revised)</p>	<p>The International Ethics Standards Board for Accountants (IESBA) has issued an Exposure Draft on Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised).</p> <p>The Exposure Draft is issued to align the Part 4B of the Codes consistent with the revised assurance terms and concepts in ISAE 3000 (Revised), the revisions includes the following issues:</p> <ul style="list-style-type: none"> • Changes in key terminology, including a revised definition of the term “assurance client”; • Enhanced and clarified independence requirements for attestation engagements; • Clarification of the types of assurance engagement addressed in Part 4B; and • Simplified guidance on assurance engagements that refer to the definitive source of explanatory material on such engagements in IAASB literature. <p>For more information go to: http://www.ifac.org/system/files/publications/files/IESBA-Part-4B-Alignment-to-ISAIE-3000-Revised.pdf</p>	<p>The deadline for stakeholders’ comments is on or before 26th June 2019.</p>

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current issues on IPSASs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Consultation Paper: Measurement</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a consultation paper to request comments on the project for the establishment of a comprehensive measurement framework for the public sector.</p> <p>The Measurement project is undertaken with the rationale that measurement requirements in IPSAS should be amended to better align them with the Conceptual Framework's measurement concepts. The project's objectives are to:</p> <ul style="list-style-type: none"> a) Provide more detailed guidance on the implementation of commonly used measurement bases, and the circumstances under which these measurement bases will be used; b) Address transaction costs and borrowing costs; and c) Where necessary, issue amended IPSAS with revised requirements for measurement at initial recognition, subsequent measurement, and measurement-related disclosure. <p>For More information go to: http://www.ifac.org/system/files/publications/files/IPSASB-Consultation-Paper-Measurement_0.pdf</p>	<p>The deadline for stakeholders' comments is on or before 30th September 2019.</p>

IPSASs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IPSAS 41 : Financial Instruments	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a new International Public Sector Accounting Standard 41 on financial instruments which replaces IPSAS 29: Financial Instruments: Recognition and Measurements.</p> <p>IPSAS 41 improves financial reporting for financial instruments, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf</p>	<p>Effective for annual periods beginning on or after 1st January 2022. Earlier application is permitted.</p>
IPSAS 42, Social Benefits	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued IPSAS 42 on social benefits.</p> <p>The standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.</p>	<p>Effective for the period beginning on or before 1st January 2022.</p>

It seeks to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. To accomplish this, IPSAS 42 establishes principles and requirements for:

- Recognizing expenses and liabilities for social benefits;
- Measuring expenses and liabilities for social benefits;
- Presenting information about social benefits in the financial statements; and
- Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity

For More information go to:
<http://www.ifac.org/system/files/publications/files/IPSAS-42-Social-Benefits.pdf>

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Current Updates on IFRSs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft ED/2019/1: Interest Rate Benchmark Reform: Proposed Amendment to IFRS 9 and ISA 39.</p>	<p>The International Accounting Standards Board (Board) has issued an Exposure Draft for public comment on interest rate benchmark reform.</p> <p>The reform is done due the presence of the undermined confidence in the reliability and robustness of some existing interest rate benchmarks as a result of attempted market manipulation of some interest rate benchmarks, together with the post-crisis decline in liquidity in interbank unsecured funding markets.</p> <p>The reform is expected to have financial reporting implications on the following identified grounds;</p> <ul style="list-style-type: none"> a) issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate (pre-replacement issues); and b) Issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative interest rate (replacement issues). <p>The proposals set out in this Exposure Draft address only the pre-replacement issues.</p> <p>For more information go to: https://www.ifrs.org/-/media/project/ibor-reform/ed-ibor-reform-may-19.pdf</p>	<p>The deadline for stakeholders' comments is on or before 17th June 2019.</p>
<p>IFRS Foundation Exposure Draft: Proposed Amendments to the IFRS Foundation Due Process Handbook</p>	<p>The Trustees of the IFRS Foundation have issued an Exposure Draft for public comment on the proposed amendments to its Due Process Handbook.</p> <p>The IFRS Foundation Due Process Handbook (Handbook) sets out the due process procedures that apply to the International Accounting Standards Board (Board) and the IFRS Interpretations Committee (Committee).</p>	<p>The deadline for stakeholders' comments is on or before 29th July, 2019.</p>

	<p>The Trustees of the IFRS Foundation (Trustees) committee—the Due Process Oversight Committee (DPOC)—is responsible for monitoring the Board’s and the Committee’s compliance with these due process procedures. The DPOC also reviews and, if necessary, amends the due process procedures in the light of changing due process conventions and comments from stakeholders.</p> <p>The amendment is undertaken as a result of stakeholders’ perception survey conducted in 2017 that showed the Foundation’s due process is highly regarded but that some stakeholders question whether the due process could be made more efficient without having a negative impact on the quality of work.</p> <p>The main proposed changes are to:</p> <ul style="list-style-type: none"> • update the procedures relating to the use of effects analysis—assessing the likely effects of a new or amended IFRS Standard—to ensure that they are consistent with current activities and make it clear that such analyses take place at all stages of the standard-setting process; and • clarify the role and status of agenda decisions published by the Interpretations Committee and amend the handbook to make agenda decisions a tool for the Board. <p>For more information go to: https://www.ifrs.org/-/media/project/due-process-handbook-review/proposed-amendments-to-due-process-handbook-april-2019.pdf</p>	
<p>Exposure Draft ED/2019/2: Annual Improvements to IFRS Standards 2018-2020.</p>	<p>The International Accounting Standards Board (Board) has issued an Exposure Draft for public comment on the proposed narrow-scope amendments to four IFRS Standards.</p> <p>The Annual Improvements process provides a mechanism for dealing efficiently with a collection of minor amendments to IFRS Standards limited to changes that either clarify the wording in an IFRS Standard or correct relatively minor unintended consequences, oversights or conflicts between requirements in the Standards</p> <p>The four proposed amendments included in this year’s annual improvements</p>	<p>The deadline for stakeholders’ comments is on or before 20th August, 2019.</p>

	<p>consultation document are:</p> <p>IFRS 1 First-time Adoption of International Financial Reporting Standards: The proposed amendment is to simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Standards after its parent company has already adopted them. The proposed amendment relates to the measurement of cumulative translation differences.</p> <p>IFRS 9 Financial Instruments: The proposed amendment is to clarify the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognize a financial liability.</p> <p>Illustrative Examples accompanying IFRS 16 Leases: The proposed amendment is to remove the potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16.</p> <p>IAS 41 Agriculture: The proposed amendment is to align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.</p> <p>For more information go to: https://www.ifrs.org/-/media/project/annual-improvements-2018-2020/ed-annual-improvements-2018-2020.pdf</p>	
<p>Exposure Draft ED/2019/3: Reference to the Conceptual Framework: Proposed amendments to IFRS 3.</p>	<p>The International Accounting Standards Board (Board) has issued an Exposure Draft for public comment on the proposed three amendments to IFRS 3.</p> <ol style="list-style-type: none"> The first proposal is to remove from IFRS 3 a reference to an old version of the Board’s Conceptual Framework, as the recognition principle in IFRS 3 requires the assets and liabilities recognized in a business combination to meet the definitions of assets and liabilities in the 1989 Framework, the definition of assets and liabilities in 2018 Conceptual framework is different from those in 2009 Framework, The second proposal in this Exposure Draft is to add to IFRS 3 an exception to its recognition principle. For liabilities and contingent liabilities that would be 	<p>The deadline for stakeholders’ comments is on or before 27th September 2019.</p>

	<p>within the scope of IAS 37 or IFRIC 21 if incurred separately, an acquirer should apply IAS 37 or IFRIC 21 respectively, instead of the Conceptual Framework,</p> <p>3. The third proposal in this Exposure Draft is to make the IFRS 3 requirements for contingent assets more explicit by adding to IFRS 3 an explicit statement that an acquirer should not recognize contingent assets acquired in a business combination.</p> <p>For more information go to: https://www.ifrs.org/-/media/project/updating-a-reference-to-the-conceptual-framework-amendments-to-ifs-3/exposure-draft/exposure-draft-reference-to-the-conceptual-framework-ifs-3.pdf</p>	
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IFRSs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IFRS 17 “Insurance Contracts”	<p>The International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contract. The standard applies to all entities that issue insurance contracts.</p> <p>The standard provides consistent accounting for all insurance contracts</p> <ul style="list-style-type: none"> a. Updated information about obligations, risks and performance of insurance contract b. Increased transparency in financial information reported by insurance companies <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf</p>	<p>For annual financial statements beginning on or after 1st January, 2021.</p> <p>Earlier adoption is encouraged.</p>

INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS (ISSAIs)

Current Updates on ISSAIs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft: Compliance audit iCAT - Version 0</p>	<p>The International Organization of Supreme Audit Institutions (INTOSAI) through its INTOSAI Development Initiative (IDI) has issued an Exposure Draft on Compliance Audit iCAT – Version 0.</p> <p>The IDI aims at making sure that Supreme Audit Institutions (SAIs) around the world move towards ISSAI compliant audit practices by developing and maintaining ISSAI Implementation Handbooks namely ISSAI Compliance Assessment Tools (iCATs) and guidance, Quality Assurance (QA) tools and guidance for financial, performance and compliance audits</p> <p>The IDI has developed a new compliance audit iCAT (Exposure Draft 0). The iCAT is a tool for mapping an SAI’s compliance audit practice against the compliance audit methodology based on the ISSAI 4000.</p> <p>INTOSAI invites comments for the proposed ISSAI Compliance Assessment Tool for compliance Audit (iCAT- Version 0) to replace the earlier compliance audit iCAT.</p> <p>For more information go to: http://www.intosai.org/news/200519-idi-compliance-audit-icat-exposure-draft.html</p>	<p>The deadline for stakeholders’ comments is on or before 31st July 2019.</p>