

(NBAA)
THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
TANZANIA



UPDATEs ON TECHNICAL ISSUES – FIRST QUARTER 2023

INTRODUCTIO

These updates on Technical Issues – First Quarter 2023 cover a summary of updates/issues including International Standards on Auditing (ISAs), International Financial Reporting Standards (IFRSs), International Ethics Standards for Professional Accountants, International Public Sector Accounting Standards (IPSAS), International Financial Reporting for Non-Profit Organizations (IFR4NPO) and International Standard of Supreme Audit Institutions (ISSAIs).

These technical updates are classified into two broad categories;

Part one: Invitation to comment

This part analyses a number of new raised issues i.e., Exposure Drafts and Consultation Papers that request constructive comments from our members and a broad range of stakeholders within Tanzania. For each new issue raised, a respective commenting deadline is specified as prescribed by comments seeking authority i.e. NBAA, IASB, IESBA, IAASB, IPSAB, IIRC, INTOSAI etc.

Extra related deadline at which NBAA would like to receive stakeholders' comments is as well specified therein. Please use emails mohamed.msimu@nbaa.go.tz or saimon.kiondo@nbaa.go.tz to send your comments before the specified NBAA due dates.

Part two: New Issued Standards, amendments and Guidelines

This part gives updates on the new standards which have been currently issued and those standards which are expected to be applicable in the next coming years.

Note: This document includes issues published in January, February and March (Inclusive) 2023.

PART ONE: INVITATION TO COMMENT

NBAA invites comments on the following updates on or before the due dates as specified by NBAA.

INTERNATIONAL STANDARD ON AUDITING (ISAs)

Current updates on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft: Proposed International Standard on Auditing 500 (Revised) and Proposed Conforming and Consequential Amendments on other ISAs</p>	<p>The International Auditing and Assurance Standard Board (IAASB) has issued an Exposure Draft on Proposed International Standard on Auditing 500 (Revised) and Proposed Conforming and Consequential Amendments on other ISAs.</p> <p>The Exposure Draft is proposing some changes to the extant ISA 500 with the following objectives.</p> <ul style="list-style-type: none"> • Clarify the purpose and scope of ISA 500 and explain its relationship with other standards. • Develop a principles-based approach to considering and making judgments about information to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained, recognizing the nature and sources of information in the current business and audit environment. • Modernize ISA 500 to be adaptable to the current business and audit environment, while considering the scalability of the standard to a wide variety of circumstances regarding the use of technology by the entity and the auditor, including the use of automated tools and techniques. • Emphasize the role of professional scepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained. <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-Exposure-Draft-ISA-500-Audit-Evidence.pdf</p>	<p>IAASB Deadline: The deadline for stakeholders' comments is on or before 24th April 2023.</p> <p>NBAA Deadline: Send your comments on or before 18th April 2023.</p>
<p>Exposure Draft: Proposed Part 10, Audit of Group Financial Statements of the Proposed ISA for Audit of Financial Statements of Less Complex Entities</p>	<p>The International Auditing and Assurance Standard Board (IAASB) has issued an Exposure Draft on Proposed Part 10, Audit of Group Financial Statements of the Proposed ISA for Audit of Financial Statements of Less Complex Entities.</p> <p>Previously, , audits of group financial statements (group audits) were excluded from the scope of the ED-ISA for LCE. This was done because the IAASB, on balance, had the view that</p>	<p>IAASB's Deadline: The deadline for stakeholders' comments is on or before 2nd May 2023.</p>

	<p>group audits inherently exhibited characteristics of complexity within an entity and, consistent with other areas of complexity, had not been contemplated in the design of the proposed standard.</p> <p>Given the need for the stakeholder to include group audits, IAASB decided to include certain group audits in the scope of the proposed ISA for LCE, IAASB subsequently developed requirements in this area which had not previously been exposed for public comment.</p> <p>Given the IAASB’s decision to include certain group audits in the scope of the proposed ISA for LCE, the Exposure Draft proposes the following</p> <ul style="list-style-type: none"> • Additions to Part A, Authority of the ISA for Audits of Financial Statements of Less Complex Entities (the Authority) (see Section 2-A); • A new part on group audits, proposed Part 10, Audits of Group Financial Statements (see Section 2-B); and • Conforming amendments to other parts of the proposed ISA for LCE (see Section 2-C) <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-less-complex-entity-group-audits-exposure-draft.pdf</p>	<p>NBAA’s Deadline: Send your comments on or before 26th April 2023.</p>
<p>Consultation Paper: The IAASB’s Proposed Strategy and Work Plan for 2024 - 2027</p>	<p>The International Auditing and Assurance Standard Board (IAASB) has issued a Consultation Paper on the IAASB’s Proposed Strategy and Work Plan for 2024 - 2027.</p> <p>This consultation invites views from stakeholders on trends, developments or issues that IAASB should consider in developing its Strategy and Work Plan 2024–2027. The Consultation Paper comprises three sections:</p> <ul style="list-style-type: none"> • Section I – Request for Comments; • Section II – Our Proposed Strategy for 2024–2027 (our proposed Strategy); and • Section III – Our Proposed Work Plan for 2024–2027 (our proposed Work Plan). <p>Respondents are asked to provide views or suggestions in response to the questions in the Request for Comments section.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-Consultation-Strategy-2024-2027.pdf</p>	<p>IAASB’s Deadline: The deadline for stakeholders’ comments is on or before 11th April 2023.</p> <p>NBAA’s Deadline: Send your comments on or before 5th April 2023</p>

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current updates on IPSASs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft (ED) 84: Concessionary Leases and Right-of-use Assets In-kind (Amendment to IPSAS 43 and IPSAS 23)</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft (ED) 84 on Concessionary Leases and Right-of-use Assets In-kind (Amendment to IPSAS 43 and IPSAS 23).</p> <p>This ED is part of phase two of the Leases project intended to propose amendment to IPSAS 43 on accounting for concessionary leases and consequential amendments to IPSAS 23 as well as proposing amendments to IPSAS 23 for new accounting for right-of-use assets in-kind.</p> <p>The ED proposes to initially measure the right of use asset in a concessionary lease at the present value of payments for the lease at market rates based on the current use of the underlying asset. Concessionary leases are referred to as leases at below market terms</p> <p>For More information go to: https://www.ifac.org/system/files/publications/files/ED-84-Concessionary-Leases-Right-of-Use-AssetsIn-kind.pdf</p>	<p>IPSASB Deadline: The deadline for stakeholders' comments is on or before 17th May 2023.</p> <p>NBAA Deadline: Send your comments on or before 15th May 2023.</p>

INTERNATIONAL FINANCIAL REPORTING FOR NON-PROFIT ORGANIZATIONS (IFR4NPO)

Current updates on IFR4NPO

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft CIPFA/ED/2022/1 International Non-Profit Accounting</p>	<p>As actively observed by the International Accounting Standard Board (IASB) and the International Public Sector Accounting Standard Board (IPSASB), CIPFA in collaboration with Humentum have issued the Exposure Draft on the Internationally Financial Reporting for Non-Profit-Organisations (NPOs).</p> <p>The IFR4NPO project sought views, via a Consultation Paper issued in January 2021, on the proposal that the IFRS for SMEs Accounting Standard be used as the basis for a single set of authoritative guidance for NPOs.</p> <p>Having taken account of the feedback from the consultation, adaptations to IFRS for SMEs are being proposed to create International Non-Profit Accounting Guidance (INPAG) as NPO specific financial reporting guidance.</p> <p>For more information go to: https://www.ifr4npo.org/ed1/</p>	<p>Project Deadline: The deadline for stakeholders' comments is on or before 31st March 2023.</p> <p>NBAA Deadline: Send your comments on or before 27th March 2023.</p>

CODES OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

Current updates on the Codes

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft: Proposed Revisions to the Code Addressing Tax Planning and Related Services</p>	<p>The International Ethics Standards Board for Accountants has issued an Exposure Draft on Proposed Revisions to the Code Addressing Tax Planning and Related Services.</p> <p>The objective of the project is to develop a principles-based framework, leveraging the fundamental principles and the conceptual framework of the Code, to guide professional Accountants in Public Practice (PAPPs’) and Professional Accountants in Business (PAIBs’) ethical conduct when providing tax planning (TP) and related services (TP services) to clients, or performing TP activities for employing organizations, thereby maintaining the Code’s robustness and relevance as a cornerstone of public trust in the global accountancy profession.</p> <p>The IESBA proposes an ethical framework that will guide PAs to:</p> <ul style="list-style-type: none"> • Comply with the fundamental principles and highlight the types of threats to such compliance that might be created when performing TP activities. • Exhibit the mindset and behaviour expected of them following the Role and Mindset provisions of the Code. • Understand the applicable tax laws and regulations, which might include the legislative intent behind the relevant laws and regulations, and, if relevant, the economic purpose and substance of the transaction. • Exercise professional judgment to establish a credible basis for the TP advice in circumstances of uncertainty. • Consult internally or externally with experts as needed, which might be part of specific actions to address identified threats. • Communicate relevant matters or concerns with the individual client, management, or those charged with governance, including as part of an escalation process where necessary. • Evaluate the need for transparency, having regard to professional accountants’ duty of confidentiality under the Code. 	<p>IESBA’s Deadline: The deadline for stakeholders’ comments is on or before 18th May 2023.</p> <p>NBAA’s Deadline: Send your comments on or before 15th May 2023.</p>

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| | <ul style="list-style-type: none">• Develop an appropriate level of documentation throughout the process to substantiate their judgments, decisions, and actions.• Respond to suspected non-compliance with laws and regulations when they encounter information that suggests TP might have “stepped over the line” into an actual or suspected breach of tax laws and regulations. | |
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For more information go to: <https://www.ifac.org/system/files/publications/files/Tax-Planning-and-Related-Services-Exposure-Draft.pdf>

INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS (ISSAIs)

Current Updates on ISSAIs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Due process for INTOSAI Framework of Professional Pronouncements:</p> <p><i>Procedures for developing, revising and withdrawing the International Standards of Supreme Audit Institutions (ISSAIs) and other 10 pronouncements on www.issai.org</i></p>	<p>The International Organization of Supreme Audit Institutions (INTOSAI) through its Forum for INTOSAI Professional Pronouncements (FIPP) which aims at supporting professional development of Supreme Audit Institutions has issued a due process for INTOSAI Framework of Professional Pronouncements.</p> <p>This due process defines the procedures through which INTOSAI issues professional standards and other pronouncements which must be followed when developing, revising and withdrawing the International Standards of Supreme Audit Institutions (ISSAIs) and any other pronouncements that form part of INTOSAI’s framework of professional pronouncements</p> <p>The purpose of the due process is to maintain the integrity and rigour of the ISSAIs and all other professional pronouncements in the framework</p> <p>Support the continued professionalization of the work within INTOSAI on ISSAIs and other professional pronouncements.</p> <ul style="list-style-type: none"> • Ensure that all professional pronouncements in the framework are subject to a suitable and adequate consultative process and level of scrutiny leading to their approval. • Ensure that all professional pronouncements in the framework follow a quality control process where consistency with other pronouncements is achieved. • Clarify the different roles, duties and responsibilities in INTOSAI’s standard-setting process. • Ensure transparency in the work performed on all professional pronouncements. • Ensure accountability. <p>For more information go to: https://www.intosaifipp.org/wp-content/uploads/2021/01/Due-process-IFPP1.pdf</p>	<p>For information</p>

PART TWO: NEW ISSUED STANDARDS, AMENDMENTS AND GUIDELINES

This part includes all newly issued standards amendments, guidelines and technical pronouncements of which NBAA would like to urge members and other stakeholders to get prepared for their application.

INTERNATIONAL STANDARDS ON AUDITING (ISAs)

ISAs expected to be applicable soon

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Final Pronouncement: International Standard on Auditing 600 (revised), Special Considerations—Audits of Group Financial Statements (including the work of component auditors)</p>	<p>The International Assurance and Auditing Standard Board has issued International Standard on Auditing 600 (600) for Special Considerations on Audits of Group Financial Statements (including the work of component auditors).</p> <p>The objectives of the standard are to help an auditor to:</p> <ul style="list-style-type: none"> (a) With respect to the acceptance and continuance of the group audit engagement, determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained to provide a basis for forming an opinion on the group financial statements; (b) Identify and assess the risks of material misstatement of the group financial statements, whether due to fraud or error, and plan and perform further audit procedures to appropriately respond to those assessed risks; (c) Be sufficiently and appropriately involved in the work of component auditors throughout the group audit, including communicating clearly about the scope and timing of their work, and evaluating the results of that work; and (d) Evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed, including with respect to the work performed by component auditors, as a basis for forming an opinion on the group financial statements. <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-2021-Handbook-Volume-1.pdf</p>	<p>Effective for audits of group financial statements for periods beginning on or after 15th December 2023.</p>
<p>Final Pronouncement: Conforming and Consequential Amendments</p>	<p>The International Assurance and Auditing Standard Board has issued a Conforming and Consequential Amendments to the IAASB's Other Standards.</p>	<p>Effective dates are as per the final pronouncements of each individual amended standards</p>

to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards	<p>This is a compilation of limited amendments to the IAASB's suite of standards in response to the quality management standards.</p> <p>The amendments address any actual or perceived inconsistencies between the quality management standards and the full suite of IAASB standards to ensure that all the standards operate in conjunction with each other without conflict.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-Final-Pronouncement-Conforming-Amendments.pdf</p>	
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CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

Codes expected to be applicable soon

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Final Pronouncement: Revision to the code relating to the Definition of Engagement Team and Group Audits</p>	<p>The International Ethics Standards Board for Accountants (IESBA) has issued a final pronouncement on the Revision to the code relating to the Definition of Engagement Team and Group Audits.</p> <p>The revisions deal with the independence and other implications of the changes made to the definition of an engagement team in the Code to align with changes to the definition of the same term in the IAASB, ISAs and ISQMs.</p> <p>Among other matters, the revisions:</p> <ul style="list-style-type: none"> • Strengthen and clarify the independence principles: • Specify the need for, and content of, appropriate communication on independence matters between the group auditor firm and component auditor firms participating in the group audit. • More explicitly set out the process to address a breach of an independence provision at a component auditor firm, reinforcing the importance of transparency and appropriate communication with those charged with governance of the group. • Amend the definitions of the terms “engagement team” and “audit team” in the Code to recognize the different and evolving engagement team structures, and address the implications of those definitional changes. • Provide guidance to facilitate the determination of who is included in an engagement team or an audit team. • Revise the definitions of a number of existing terms and establish new defined terms with respect to independence in a group audit context. <p>For More information go to: https://www.ethicsboard.org/publications/final-pronouncement-objectivity-engagement-quality-reviewer-and-other-appropriate-reviewers</p>	<p>Effective for audits of financial statements for periods beginning on or after 15th December 2023.</p>

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

IPSASs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>IPSAS 43: Leases</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a new International Public Sector Accounting Standard 43 which replaces IPSAS 13 on issues related to leases.</p> <p>IPSAS 43 is a final product of phase one dealing with lease accounting model (s) for both lessees and lessors on the same definition of a lease as in IFRS 16.</p> <p>Now, IPSAS 43 requires the lease to recognize: -</p> <ul style="list-style-type: none"> (a) A right-of- use asset because they control the right to use the underlying compared with IPSAS 13 where the lease recognizes the underlying asset when the lease is classified as a finance lease but not when it is classified as an operating lease. (b) A lease liability because they have a present obligation to make future lease payments in accordance with the lease contract (once the underlying asset has been made available and the lessee has the right to use it). Under IPSAS 13, a lease liability is not recognized when the lessee classifies the lease as an operating lease. <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-43-Leases_0.pdf</p>	<p>Effective for annual periods beginning on or after 1st January 2025.</p> <p>Earlier application is permitted for entities that apply IPSAS 41 at or before the date of initial application of this standard.</p>
<p>IPSAS 44: Non - current Assets Held for Sale and Discontinued Operations</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a new International Public Sector Accounting Standard 44 non-current assets held for sale and discontinued operations.</p> <p>The standard specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be:</p> <ul style="list-style-type: none"> • Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease; and • Presented separately in the statement of financial position and the results of discontinued 	<p>Effective for annual periods beginning on or after 1st January 2025.</p> <p>Earlier application is permitted, and it is early applied entities shall disclose that fact and apply IPSAS 43 on leases at the same time.</p>

	<p>operations to be presented separately in the statement of financial performance.</p> <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-44-Non-current-Assets.pdf</p>	
<p>Final Pronouncement: Improvements to IPSAS, 2021</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a final pronouncement on Improvements to IPSAS, 2021.</p> <p>The pronouncement deals with non-substantial changes to IPSAS through a collection of amendments that are unrelated, it categorizes the improvements to IPSAS into two parts: -</p> <p>Part I: General Improvements to IPSAS Relates to amendments arise from comments received from stakeholders</p> <p>Part II: IFRS alignment improvements to IPSAS Relates to amendments arise through consideration of the annual improvements and narrow scope amendments to projects of the IASB.</p> <p>For More information go to: https://www.ifac.org/system/files/publications/files/Improvements-to-IPSAS-2021_1.pdf</p>	<p>Effective dates are as per the final pronouncements of each individual amended standard.</p>
<p>Final Pronouncement: Amendments to IPSAS 5, Borrowing Costs – Non-Authoritative Guidance</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a non-authoritative guidance on amendments to IPSAS 5, Borrowing Costs.</p> <p>The objective of this pronouncement is to add non-authoritative material to IPSAS 5, Borrowing Costs, and to provide guidance for determining the extent to which borrowing costs can be capitalized.</p> <p>The amendments add implementation guidance and illustrative examples, which IPSAS 5 does not currently contain.</p> <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSASB-Final-Pronouncement-Amendments-IPSAS-5-Borrowing-Costs.pdf</p>	<p>No amendment to authoritative standard.</p>
<p>IPSAS 41: Financial Instruments</p>	<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>Effective for annual periods beginning on or after 1st January 2023.</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>Earlier application is permitted.</p>
<p>IPSAS 42, Social Benefits</p>	<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>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:</p> <ul style="list-style-type: none"> • 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 <p>For More information go to: http://www.ifac.org/system/files/publications/files/IPSAS-42-Social-Benefits.pdf</p>	<p>Effective for annual periods beginning on or after 1st January 2023.</p> <p>Earlier application is permitted.</p>

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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 contractb. 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, 2023.</p> <p>Earlier adoption is encouraged.</p>

For more information, contact:

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