

(NBAA)
THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
TANZANIA



UPDATEs ON TECHNICAL ISSUES – FOURTH QUARTER 2022

INTRODUCTION

These updates on Technical Issues – Fourth Quarter 2022 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 Sustainability Standards (ISSs) and International Standard of Supreme Audit Institutions (ISSAIs).

These Technical issues are classified into two broad groups;

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 September, October and November (Inclusive) 2022.

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 |
|---|---|--|
| Exposure Draft: Proposed International Standard on Auditing 500 (Revised) and Proposed Conforming and Consequential Amendments on other ISAs | <p>The International Assurance and Auditing Standard Board 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> |

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current updates on IPSASs

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| <p>Exposure Draft (ED) 83: Reporting Sustainability Program Information</p> | <p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft (ED) 83 on Reporting Sustainability Program Information in the public sector.</p> <p>The objective of the Exposure Draft (ED) 83 is to provide additional guidance for RPG 1, Reporting on the Long-term Sustainability of an entity’s finances and RPG 3 Reporting Service Performance Information to facilitate the reporting of sustainability program information.</p> <p>This additional guidance is expected to enhance awareness about the applicability of, and help in applying the existing guidance in RPG 1 and RPG 3 by clarifying the application of key concepts to reporting related to programs including: -</p> <ul style="list-style-type: none"> • Programs financed by Green Bond • Programs financed by a Carbon Tax • Investment in Infrastructure to Mitigate the Impacts of Climate Change • Tax Expenditures for Sustainability Investments <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSASB-ED-83-Reporting-Sustainability-Program-Information-RPGs-1-3.pdf</p> | <p>IPSASB Deadline: The deadline for stakeholders’ comments is on or before 16th January 2023.</p> <p>NBAA Deadline: Send your comments on or before 10th January 2023.</p> |

INTERNATIONAL FINANCIAL REPORTING FOR NON-PROFIT ORGANIZATIONS (IFR4NPO)

Current updates on IFR4NPO

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| <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> |

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Current updates on IFRSs

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| <p>Proposed IFRS Taxonomy Updates; General Improvements and Common Practices</p> | <p>The IFRS Foundation have issued proposed IFRS taxonomy updates that includes proposed changes to the IFRS Accounting Taxonomy 2022 reflecting general improvements and common reporting practice.</p> <p>The common practice content of the IFRS Accounting Taxonomy reflects information that IFRS Accounting Standards do not explicitly require an entity to present or disclose but that entities nonetheless commonly present or disclose.</p> <p>General improvements are changes to the IFRS Accounting Taxonomy content other than those resulting from new (or amended) IFRS Accounting Standards or common reporting practice, these changes may include label changes to clarify the accounting meaning of an element or an enhanced data model to support more consistent tagging or to better reflect the presentation and disclosure requirements in issued IFRS Accounting Standards, in the IFRS Accounting Taxonomy</p> <p>For more information go to: https://www.ifrs.org/content/dam/ifrs/project/ifrs-taxonomy-update-2022-general-improvements-and-common-practice/iasb-ptu-2022-1-general-improvements-common-practice.pdf</p> | <p>IASB Deadline: The deadline for stakeholders' comments is on or before 16th December 2022.</p> <p>NBAA Deadline: Send your comments on or before 12th December 2022.</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) AND INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT (ISQM)

ISAs and ISQM expected to be applicable soon

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| <p>Final Pronouncement: ISQM 1 (Previously ISQC 1) – Quality management for firms that performs audits or reviews of financial statements, or other assurance or related services engagements</p> | <p>The International Assurance and Auditing Standard Board has issued the International Standard on Quality Management 1 on Quality management for firms that performs audits or reviews of financial statements, or other assurance or related services engagements.</p> <p>The standard replaces the International Standard on Quality Control 1 (ISQC 1), The requires the firm firms performing audits or reviews of financial statements, or other assurance or related services engagements, to apply a risk-based approach in designing, implementing and operating the components of the system of quality management in an interconnected and coordinated manner such that the firm proactively manages the quality of engagements performed by the firm.</p> <p>It requires that, at least annually, the individual(s) assigned ultimate responsibility and accountability for the system of quality management, on behalf of the firm, evaluates the system of quality management and concludes whether the system of quality management provides the firm with reasonable assurance that the objectives of the system are being achieved.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-Quality-Management-ISQM-1-Quality-Management-for-Firms.pdf</p> | <p>Systems of quality management to be designed and implemented by 15th December, 2022.</p> <p>The evaluation of the system of quality management required to be performed within one year following 15th December, 2022.</p> |

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| <p>Final Pronouncement: ISQM 2 – Engagement Quality Reviews</p> | <p>The International Assurance and Auditing Standard Board has issued the International Standard on Quality Management 2 on engagement quality reviews.</p> <p>The International Standard on Quality Management 2 (ISQM 2) deals with:</p> <ul style="list-style-type: none"> (a) The appointment and eligibility of the engagement quality reviewer; and (b) The engagement quality reviewer’s responsibilities relating to the performance and documentation of an engagement quality review <p>An engagement quality review to be performed in accordance with this standard is a specified response that is designed and implemented by the firm in accordance with ISQM 1.</p> <p>The standard requires that, the performance of an engagement quality review to be undertaken at the engagement level by the engagement quality reviewer on behalf of the firm.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-Quality-Management-ISQM-2-Engagement-Quality-Reviews.pdf</p> | <p>The standard is effective for:-</p> <ul style="list-style-type: none"> (a) Audits and reviews of financial statements for periods beginning on or after 15th December, 2022; and (b) Other assurance and related services engagements beginning on or after 15th December, 2022 |
| <p>Final Pronouncement: IAS 220 (Revised) – Quality Management for An Audit of Financial Statements</p> | <p>The International Assurance and Auditing Standard Board has issued a revised ISA 220 (Revised) on quality management for an audit of financial statements.</p> <p>The standard deals with the engagement partner and engagement team’s responsibilities for quality management for an audit of financial statements.</p> <p>The revised standard modernizes the approaches for an auditor to be able to manage quality at the engagement level to obtain reasonable assurance that quality has been achieved such that:</p> <ul style="list-style-type: none"> (a) The auditor has fulfilled the auditor’s responsibilities, and has conducted the audit, in accordance with professional standards and applicable legal and regulatory requirements; and (b) The auditor’s report issued is appropriate in the circumstances <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-International-Standard-Auditing-220-Revised.pdf</p> | <p>This ISA is effective for audits of financial statements for periods beginning on or after 15th December, 2022.</p> |

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| <p>Final Pronouncement: Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards</p> | <p>The International Assurance and Auditing Standard Board has issued a Conforming and Consequential Amendments to the IAASB's Other Standards.</p> <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> | <p>Effective dates are as per the final pronouncements of each individual amended standards</p> |
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CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

Codes expected to be applicable soon

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| <p>Final Pronouncement: Revision of the code addressing Objectivity of an engagement quality reviewer and other appropriate reviewers</p> | <p>The International Ethics Standard Board for Accountants has issued a final pronouncement on the revised code addressing objectivity of engagement quality reviewer and other appropriate reviewers.</p> <p>The revisions provide guidance that supports ISQM 2 in addressing the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity. Among other matters, the guidance:</p> <ul style="list-style-type: none"> • Elaborates on the need to identify, evaluate and address threats to compliance with the fundamental principle of objectivity that might arise in the appointment of an individual as an EQR for a given engagement; • Explicitly refers to and supports the requirement in ISQM 2 for a firm to establish, as a condition for eligibility, a cooling-off period of two years before an engagement partner can assume the EQR role on the same engagement; and • Emphasizes that this cooling-off requirement in ISQM 2 serves the dual objective of supporting compliance with the fundamental principle of objectivity and the high quality of engagements. | <p>Effective as follows:</p> <p>(a) For Part 4A: audits and reviews of financial statements for periods beginning on or after 15th December, 2022.</p> <p>(b) For Part 4B: assurance engagements beginning on or after 15th December, 2022.</p> <p>(c) For all other engagements within the scope of Part 3: engagements beginning on or after 15th</p> |

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| | For More information go to: https://www.ethicsboard.org/publications/final-pronouncement-objectivity-engagement-quality-reviewer-and-other-appropriate-reviewers | December, 2022. Early adoption is permitted. |
| Final Pronouncement: Revisions to the Fee related Provisions of the Code | <p>The International Ethics Standard Board for Accountants has issued a final pronouncement on Revisions to the Fee related Provisions of the Code.</p> <p>The revisions include: -</p> <ul style="list-style-type: none"> • a prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client; • in the case of PIEs, a requirement to cease to act as auditor if fee dependency on the audit client continues beyond a specified period; • communication of fee-related information to TCWG and to the public to assist their judgments about auditor independence; and • enhanced guidance on identifying, evaluating and addressing threats to independence. <p>For More information go to: https://www.ifac.org/system/files/publications/files/Final-Pronouncement-Fees.pdf</p> | <p>Effective for audits of financial statements for periods beginning on or after 15th December, 2021.</p> <p>Early adoption will be permitted.</p> |

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

IPSASs applicable for the next coming years

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| IPSAS 43: Leases | <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> <p>(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.</p> <p>(b) A lease liability because they have a present obligation to make future lease payments in</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> |

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| | <p>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> <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-43-Leases_0.pdf</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 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 operations to be presented separately in the statement of financial performance. <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-44-Non-current-Assets.pdf</p> | <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>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> |

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| <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>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 2023.</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</p> | <p>Effective for annual periods beginning on or after 1st January 2023.</p> |

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| | <p>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>Earlier application is permitted.</p> |
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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRSs applicable for the next coming years

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| <p>IFRS 17 “Insurance Contracts”</p> | <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> <ol 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, 2023.</p> <p>Earlier adoption is encouraged.</p> |

INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS (ISSAIs)

Current Updates on ISSAIs

| PROJECTS/APPROVED STANDARDS | CHANGES | EFFECTIVE DATE |
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| <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 your information</p> |

For more information, contact:

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