



Entrust your reporting matters to us



IFRS & AUDIT Newsletter

Q1 2022

ABOUT US

Zampa Debattista was founded in 2014 by Matthew Zampa and John Debattista.

Before kicking off their own venture, the partners had accumulated over a decade of experience in accounting and assurance, developing a specialisation – respectively – in Indirect Taxation and Financial Reporting.

Since then, Zampa Debattista has grown to a 360-degree business advisory also covering areas such as Direct Taxation and Assurance.

In 2019, the company launched ZD Academy, an innovative platform offering highly technical courses for accountants and auditors.

Today, Zampa Debattista unites more than 55+ highly trained and dedicated professionals.

As a mid-size company, it offers a comprehensive range of services while maintaining its original, small firm's personal approach.

**We aim to raise the profession with
*Integrity, Honour and Passion***

THE PARTNERS



John Debattista
Founding Partner

John Debattista is a Certified Public Accountant and Registered Auditor. Prior to Zampa Debattista, John occupied the post of audit manager in a medium sized audit firm where he developed a specialisation in the financial services industry and remote gaming sector.

John is one of the founding partners at Zampa Debattista and heads the Assurance function of the office. He is the IFRS leader and acts as an advisor on highly technical IFRS issues. John lectured at the final stages of the ACCA, namely the Corporate Reporting paper. John also lectured the ACA course for the ICAEW, Institute Chartered of Accountants for England and Wales, namely the Corporate Reporting paper. John is also a speaker in various audit and accounting seminars delivered by a number of institutes in Malta. He also lectured the Diploma in IFRS provided by the Malta Institute of Accountants (DiplIFR).

John has also worked abroad on a number of assignments which mainly relate to gaming and financial services



Matthew Zampa
Founding Partner

Matthew is a certified public accountant specialised in indirect taxation. He has been specializing in VAT since 2008 and has been involved in complex VAT assignments both within and outside of Malta.

Matthew, a member of the Malta Institute of Accountants, is also a part-time lecturer with the Malta Institute of Taxation.

Matthew Zampa is also the first Maltese to successfully complete the Expert in EU VAT degree. This coveted degree is administered and awarded by the VAT Forum, an international partnership of indirect tax specialists, founded in 1999.

Matthew forms part of Malta Institute of Accountants tax committee and is a member of the indirect taxation committee of the Malta Institute of Taxation.



Kris Bartolo
Partner

Kris is a Certified Public Accountant and Registered Auditor specialising in financial reporting.

Following the completion of the Bachelor of Accountancy (Honours) Degree at the University of Malta, Kris gained considerable audit practice experience in a medium-sized audit and accountancy firm. He joined Zampa Debattista at the early stages of the firm, in 2014, initially focusing on the management of audit and assurance assignments of local and international clients, operating in various sectors, including wealth management, remote gaming, shipping, manufacturing and retail as well as pension funds. Over the years, his work experience evolved and also covered company valuations, management reporting, and advice assignments relating to the implementation of IFRS requirements, including those surrounding financial statement disclosures.

After serving within the senior management structures of Zampa Debattista, in 2021, Kris was appointed Partner to continue contributing towards the success of the profession and the firm. Kris is a representative on the MIA young members Group and is also a visiting lecturer of audit and assurance and financial reporting at various educational bodies in Malta.

CONTENTS

05 *AUDIT NEWS*

09 *IFRS NEWS*

Contributors to this issue:

IFRS News – Paul Zammit & Abdulla Urmonov

Audit News – Janis Hyzler

230, Second Floor
230 Works Business Centre
Eucharistic Congress Road
Mosta MST 9039
Malta

+356 2235 0000
info@zampadebattista.com

zampadebattista.com

Should you require further information please contact:



John Debattista
Founding Partner
jd@zampadebattista.com



Paul Zammit
Financial Reporting Manager
pz@zampadebattista.com

IFD / IFR Limited Assurance Report – Technical Release by MIA

The MIA has issued a Limited Assurance Report template to assist practitioners in complying with the requirements of Rule R1-2.2.2 and R1-2.2.5 of Part BI of the Investment Services Rules applicable to Investment Services License Holders which qualify as MiFID firms issued under the Investment Services Act 1994 (Chapter 370 of the Laws of Malta)

R1-2.2.2 The auditor must confirm to the MFSA that:

- i. Proper accounting records have been kept, and adequate systems for their control have been maintained, as required by the MFSA pursuant to R1-1.1.8.15, R1-1.1.8.16, and R1-1.1.8.17, during the period covered by the audited MiFID Firms Quarterly Reporting;
- ii. All information and explanations necessary for the purpose of the audit have been obtained;
- iii. The audited MiFID Firms Quarterly Reporting together with the annual financial statements are in agreement with the Licence Holder's accounting records;
- iv. The audited MiFID Firms Quarterly Reporting has been prepared in accordance with the MFSA's requirements in the Guidelines and is consistent with the audited financial statements.

Pursuant to point (iv) of R1-2.2.1, the auditor must also confirm to the MFSA that the audit has been conducted in accordance with International Standards on Auditing and whether:

- i. In the auditor's opinion, the Licence Holder has maintained internal control systems adequate to safeguard customers assets and clients' money as required pursuant to R1-1.4.11 throughout the period covered by the audited MiFID Firms Quarterly Reporting or otherwise highlight the deficiencies identified; or
- ii. Nothing came to the auditors attention that indicates that the Licence Holder held customers' assets and clients money during the period covered by the MiFID Firms Quarterly Reporting.

The Limited Assurance Report template can be located as follows:

<https://zampadebattista.com/app/uploads/2022/06/Limited-Assurance-Report-template-issued-by-MIA-on-18.04.22.pdf>



ISA 600 (Revised)

7 April 2022, the IAASB released a revised version of ISA 600, Special Considerations – Audits of Group financial statements (including the work of component auditors).

The revised standard becomes effective for audits of group financial statements for periods beginning on or after 15 December 2023.

ISA 600 (Revised) includes a more detailed risk-based approach to planning and performing a group audit, which focuses the group auditor's attention and work effort on identifying and assessing the risks of material misstatement of the group financial statements and designing and performing further audit procedures to respond to those assessed risks.

Reference:

<https://www.iaasb.org/news-events/2022-04/iaasb-modernizes-its-standard-group-audits-support-audit-quality>

Release of first-time implementation guide for ISA 220, Quality Management for an audit of financial statements

The IAASB released its first-time implementation guide for ISA 220 on 17 February 2022. The guide will help stakeholders understand the standard and properly implement its requirements as intended.

The standard, along with ISQM 1 and ISQM 2, was released in December 2020 and will come into effect on 15 December 2022.

Link to first-time implementation guide:

<https://www.iaasb.org/publications/isa-220-first-time-implementation-guide>

Reference:

<https://www.iaasb.org/news-events/2022-02/new-implementation-guide-available-quality-management-audits-financial-statements>



Installment focused on technology

In March 2022, IFAC released an installment focusing on technology and specifically Artificial Intelligence. The article emphasizes the importance of having an inquiring mind and being aware of potential biases that might adversely influence the exercise of professional judgement.

This two-page publication highlights the application of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code), in particular, the relevance of the Code's fundamental principles and its conceptual framework to addressing ethics issues that might arise when artificial intelligence (AI) is used or implemented by professional accountants. Specifically, the installment sets out an AI scenario to assist accountants in identifying, evaluating and addressing threats to compliance with the Code's fundamental principles.

Reference:

<https://www.ifac.org/system/files/publications/files/Exploring-the-IESBA-Code-A-Focus-on-Technology-Artificial-Intelligence.pdf>

ISSB publish its first two proposed standards addressing climate and general sustainability-related disclosures

The ISSB has introduced two new proposed standards to address the urgency of the climate crisis and embark on a course for companies to transition to such ISSB Sustainability Disclosure Standards as they become available.

Feedback on these two proposed standards is required by 29 July 2022.

Reference:

<https://www.ifac.org/news-events/2022-04/ifac-congratulates-issb-publication-its-first-two-proposed-standards-addressing-climate-and-general>

IFAC releases new implementation tool for auditors

In April 2022, IFAC released a new resource entitled 'Auditing Accounting Estimates: ISA 540 (Revised) Implementation Tool'. Such tool will assist auditors in the implementation of the revised ISA 540 standard by providing an overview of steps practitioners should take and related considerations.

Such implementation tool contains "what", "why" and "how" suggestions. The choice of procedures an auditor decides to undertake will be a matter of professional judgement.

Reference:

<https://www.ifac.org/news-events/2022-04/ifac-releases-new-implementation-tool-auditors>



Overview of the proposed standards

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (Exposure Draft)

The objective of the proposed standards is to require an entity to disclose information about its significant sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity (IFRS S1, 2022, p. 22).

IFRS S1 requires an entity to prepare and disclose sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. The definition of 'sustainability-related financial information' was intentionally set broadly by the ISSB taking into consideration that information required and relevant to assessing enterprise value will change over time. According to the ED, entities can apply the IFRS Sustainability Disclosure Standards regardless of their different accounting frameworks.

As per recommendations of Taskforce for Climate-related Financial Disclosures (TCFD), the proposed standards require the entities to consider a four-pillar approach for the disclosure of information about significant sustainability-related risks and opportunities such as governance, strategy, risk management and metrics and targets. There are further requirements and guidance that support the provision of comparable and connected information relating to the following features:

- Reporting entity
- Connected information
- Materiality
- Fair presentation
- Comparative information
- Frequency of reporting
- Location and information
- Sources of estimation and outcome uncertainty
- Errors
- Statement of compliance



The management of the entity is required to use judgement to identify the relevant disclosures, in the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability matter. The management should consider the metrics associated with the disclosure topics included in the industry-based SASB standards and the most recent pronouncements of other standard-setting bodies that do not conflict with the requirements of an IFRS Sustainability Disclosure Standard when making the judgement.

IFRS S2 Climate-related Disclosures (Exposure Draft)

IFRS S2 requires an entity to disclose information about its exposure to significant climate-related risks and opportunities. It will enable the users of an entity's general purpose financial reporting to assess the effect of those risks and opportunities on the entity's enterprise value, on an entity's planning, business model and operations, as well as on the strategy for managing these risks and opportunities (IFRS S2, 2022, p. 33). The proposed standard is also based on four content pillars which were derived from the Recommendations of the TCFD.

Governance

The entities use governance controls, procedures and processes for monitoring and managing the climate-related risks and opportunities.

Strategy

The climate-related risks and opportunities may improve, threaten or transform the entity's strategy and business model. Therefore, the IFRS S2 sets out the following disclosure requirements:

- the significant climate-related risks and opportunities that it reasonably expects could affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term;
- the effects of significant climate-related risks and opportunities on its business model and value chain;
- the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans;
- the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term — including how climate-related risks and opportunities are included in the entity's financial planning; and
- the climate resilience of its strategy (including its business model) to significant physical risks and significant transition risks (IFRS S2, 2022, p. 35).



Risk management

The exposure draft requires to disclose information about the processes that an entity uses to identify, assess and manage its climate-related risks and opportunities.

Metrics and targets

The information relating to how an entity uses metrics and targets to measure, monitor and manage its climate-related risks and opportunities needs to be disclosed in the general purpose financial statements according to the draft proposed standards.

IFRS S2 requires the following metric disclosures:

- o cross-industry metrics (that is, metrics that are relevant and applicable regardless of the industry in which an entity operates);
- o industry-based metrics, which differ based on the industry that the entity is reporting in or whose business model or underlying activities share common features with those of the industry;
- o other metrics used by the board or management to measure progress towards the targets set by management to mitigate or adapt to climate-related risks or maximise climate-related opportunities; and
- o targets set by management to mitigate or adapt to climate-related risks or maximise climate-related opportunities (IFRS S2, 2022, p. 40).

The proposed standards will apply after the effective date is announced which will be determined after issuing the final standards. However, the EDs propose:

- the ability to apply earlier than any mandatory effective date; and
- relief from providing comparative information in the year of adoption.

The ISSB is also planning to launch a consultation on its standard-setting priorities later in 2022. The consultation looks to provide feedback on the following:

- the sustainability-related information needs of investors when assessing enterprise value; and
- further development of industry-based requirements, building on SASB standards.



DISCLAIMER

While every effort was made to ensure that the contents of this newsletter are accurate and reflect the current position at law and in practice, we do not accept any responsibility for any damage which may result from a change in the law or from a different interpretation or application of the local law by the authorities or the local courts.

The information contained in the newsletter is intended to serve solely as a guidance and any contents of a legal nature therein do not constitute or are to be interpreted as legal advice. Consulting your tax practitioner is recommended in case you wish to take any decision connected to contents of this newsletter.