

Entrust your reporting matters to us



IFRS & AUDIT Newsletter

Q2 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***

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Proposed narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised)

In July 2022, the IAASB released amendments to ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements and ISA 260 (Revised), Communication with Those Charged with Governance. The proposed amendments will help recently approved changes to the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) related to listed and public interest entities be put into operation.

The changes to the IESBA Code require firms to publicly disclose when the independence requirements for public interest entities have been applied in an audit of financial statements.

Reference:

<https://www.iaasb.org/news-events/2022-07/iaasb-proposes-narrow-scope-amendments-operationalize-changes-iesba-code-enhance-transparency-about>

IAASB LCE conference yields key takeaways

In May 2022, the IAASB held a final conference in Paris to discuss and explore next steps with respect to the separate standard for audits of the financial statements of Less Complex Entities (LCE's). The event produced discussions and possible options for moving forward.

Key takeaways from the discussion included:

- The strong need globally for a separate audit standard focused on the audit of financial statements of LCE's
- The IAASB was encouraged to focus on the public interest objectives of the project in delivering a standard to meet stakeholder needs.
- The urgency of the project, whereby the IAASB where encouraged to proceed as quickly as possible.

Reference:

<https://www.ifac.org/system/files/publications/files/IAASB-Audits-of-LCE-Key-Takeaways.pdf>



New non-authoritative guidance on fraud in an audit of financial statements

New guidance was released by the IAASB to illustrate the relationship between ISA 240, the auditor's responsibilities relating to fraud in an audit of financial statements and other ISA's when planning and performing an audit engagement and reporting thereon.

These include the inter-relationships between ISA 240 and ISA 315 (Revised), ISA 330, ISA 230, ISA 250 (Revised), ISA 260 (Revised), ISA 580, ISA 200 and ISA 700 (Revised), whereby ISA 240 expands on how these standards are applied with a fraud lens.

Furthermore, a project proposal to revise ISA 240 has recently been approved to address the enhancement and clarification of an auditor's responsibilities on fraud in an audit of financial statements.

Reference:

<https://www.iaasb.org/news-events/2022-05/iaasb-issues-new-non-authoritative-guidance-fraud-audit-financial-statements>

New IAASB fact sheet on Engagement Team definition

In May 2022, the IAASB released a new fact sheet in relation to the updated definition of "engagement team". The new fact sheet addresses the clarified definition that was updated to improve quality management at the firm and engagement level.

The new definition of engagement team is:

"All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor's external expert and internal auditors who provide direct assistance on an engagement". ISA 220 (Revised),3 paragraph 12(d).

The fact sheet includes recognition that engagement teams may be organized in a variety of ways, including across different locations or by the activity they are performing. It also notes exclusions from the definition, as well as a diagram outlining personnel included within an engagement team.

References:

<https://www.iaasb.org/news-events/2022-05/new-iaasb-fact-sheet-addresses-engagement-team-definition>

<https://www.ifac.org/system/files/publications/files/IAASB-ISA-220-Fact-Sheet-Engagement-Team.pdf>



Broadened definition of Public Interest Entity

New guidance was released by the International Ethics Standards Board for Accountants that broadens the definition of a public interest entity (“PIE”). The newly revised definition of a PIE now includes more categories of entities whose audits should be subject to additional independence requirements to meet stakeholders’ heightened expectations concerning auditor independence. The revised provisions further include a new category ‘publicly traded entity’ to replace the category ‘listed entity’.

References:

<https://www.iaasb.org/news-events/2022-04/iesba-broadens-definition-public-interest-entity>

<https://www.ethicsboard.org/publications/final-pronouncement-revisions-definitions-listed-entity-and-public-interest-entity-code>

Sustainability Disclosures: A Global Baseline By The End Of The Year

The IFRS Foundation's International Sustainability Standards Board (ISSB) is aspiring to establish the core elements of a global baseline of sustainability disclosures by the end of 2022. The global baseline builds upon, incorporates and protects the heritage of the existing investor-focused sustainability disclosure standards, including the Task Force on Climate-Related Financial Disclosures (TCFD), the Climate Disclosure Standards Board (CDSB), the Sustainability Accounting Standards Board (SASB) Standards, Integrated Reporting and the World Economic Forum's metrics.

The success, in terms of global implementation, also requires collaboration – internationally – during this development stage. The ISSB is pledging to take special care of the needs of emerging and developing economies, as well as those of small and business entities, in this journey of development and implementation of sustainability disclosures. The global baseline approach is expected to be crucial for the future of sustainability reporting in terms of its ultimate purpose – sustainable economic, social and environmental systems. Following development, its implementation will depend on the desired level of cooperation at a national (or possibly regional) level.

There were already several appointments to the ISSB – the full board is expected to be in place during the current quarter (Q3 of 2022).

Collaboration Between ISSB And Global Reporting Initiative (GRI)

The GRI is an independent, international organization that helps businesses and other organisations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. The result of this are sustainability reporting standards known as GRI Standards.

In March, the GRI and the ISSB announced a MoU committing both organisations to coordinate work programmes and standard-setting activities. Both organisations recognize the need to harmonise sustainability reporting internationally.

In May, technical representatives from both organisations outlined a number of initiatives that could help this purpose.



The Future Of Integrated Reporting

Integrated reporting combines financial reporting and sustainability reporting. The aim of integrated reporting is to help users understand the value of a business in terms of not only the current position and performance, but also the probable impact of management's plans and external factors, as well as the value in the long-term.

The IASB and ISSB have communicated plans for the future role, governance and development of the Value Reporting Foundations's (VRF) integrated reporting framework and integrated thinking principles. The integrated reporting framework will become part of the materials of the IFRS foundation. It will initially be positioned as a voluntary resource for preparers. From a board level, there will be active encouragement of the continued adoption of the integrated reporting framework by preparers.

The VRF consolidation is expected to happen on 1 August 2022. Once the VRF shall be consolidated, the IASB and ISSB will work together to agree on how to build on and integrate the Integrated Reporting Framework into their standard-setting projects and requirements.

The idea is that principles in the Integrated Reporting Framework shall be utilized in the standard-setting work of both boards.

Similarities and differences between the Integrated Reporting Framework and Management Commentary will be addressed.

The IASB and ISSB plan to release a corporate reporting framework. This would include principles and concepts from the current Integrated Reporting Framework and would guide companies on how to prepare an integrated report, based on the requisites from both an IASB and ISSB perspective.



Post-Implementation Review Of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure Of Interest In Other Entities'

The IASB has concluded its Post-Implementation Review of three accounting standards – IFRS 10, IFRS 11 and IFRS 12.

The conclusion is that the standards' requirements are working as intended and costs have not risen in an unexpected way.

There were no matters of high or medium priority. On the other hand, five topics judged to be of low priority were addressed:

1. Subsidiaries that are investment entities
2. Transactions changing the relationship between an investor and investee
3. Transactions involving 'corporate wrappers' – that is a tool used by investors, trusts or families to structure a pool of assets into a single security.
4. Collaborative arrangements outside the scope of IFRS 11
5. Additional disclosures about interests in other entities

The above topics could be explored if they are judged to be of high priority in the next agenda consultation.

Any further guidance required by the stakeholders would fall under the remit of IFRIC insofar as they meet the submission criteria.



IASB Workplan – Expected Highlights Of Q3

The following are the upcoming highlights expected to happen during Q3, based on the IASB's work plan:

- 'Extractive Activities' (IFRS 6) – a decision about the direction of this research project is expected to be taken.
- Disclosure Initiative 'Targeted Standards-level Review of Disclosures' (IAS 1, IAS 19 and IFRS 13) – a decision about the direction of this standard-setting project is expected to be taken.
- 'Lease Liability in a Sale and Leaseback' (IFRS 16) – an IFRS amendment in this respect is expected.

Exposure Draft Feedback Deadlines

29th July 2022 is the deadline for submitting feedback in relation to the first two exposure drafts relating to sustainability reporting standards:

- IFRS S1 'General Requirements For Disclosure Of Sustainability-Related Financial Information'
- IFRS S2 'Climate-Related Disclosures'



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.

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