

Integra International Audit & Accounting Alert

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Worldwide Update

Periodic roundup of recent and upcoming actions and activities by audit and accounting organizations throughout the world.

International

IASB – International Accounting Standards Board (www.ifrs.org)

1. **Financial Instruments with Characteristics of Equity**, Discussion Paper issued June 28, 2018, responding to concerns that some complex financial instruments that exhibit aspects of both debt and equity are difficult to classify under IAS 32, *Financial Instruments: Presentation*. The discussion paper proposes an approach “that would: • provide a clear rationale for why a financial instrument would be classified as either a liability or equity without fundamentally changing the existing classification outcomes of IAS 32; and • enhance the information provided through presentation and disclosure. The comment period ends January 7, 2019.

IFAC – International Federation of Accountants (www.ifac.org)

1. **International Public Sector Accounting Standards Board (IPASB) - Exposure Draft 66, Long-Term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation**, released August 20, 2018, “to propose amendments to IPSAS to converge with the narrow-scope amendments to IAS 28, *Investments in Associates and Joint Ventures* and IFRS 9, *Financial Instruments*,” issued in October 2017. The comment period ends October 22, 2018.
2. **International Public Sector Accounting Standards Board (IPASB) - IPSAS 41, Financial Instruments**, issued August 14, 2019, “provides users of financial statements with more useful information than IPSAS 29, by: • 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. The effective date is January 1, 2022, with earlier adoption encouraged.

3. **International Ethics Standards Board for Accountants (IESBA) - Final Pronouncement: Revisions to the Code Pertaining to the Offering and Accepting of Inducements**, issued July 19, 2018, “sets out clear expectations for all professional accountants to understand and comply with laws and regulations that prohibit the offering or accepting of inducements in certain circumstances, such as those related to bribery and corruption. It also requires the application of an intent test where inducements are not specifically prohibited by law or regulation, and the application of the conceptual framework in all other circumstances.”
4. **Guide to Using International Standards on Auditing in the Audits of Small - and Medium-Sized Entities** – published July 17, 2018, to provide practical guidance to help “firms efficiently and proportionally apply the ISAs on SME audits and is designed for use by all practitioners.”
5. **The International Auditing and Assurance Standards Board (IAASB) - Exposure Draft, ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement**, released July 16, 2018, “proposes more robust requirements and improved guidance to: • Drive consistent and effective identification and assessment of risks of material misstatement; • Modernize ISA 315 to meet evolving business needs, including information technology, and how auditors use automated tools and techniques, including data analytics, to perform audit procedures; • Improve the standard’s applicability to entities across a wide spectrum of circumstances and complexities; and • Focus auditors on exercising professional skepticism throughout the risk identification and assessment process.” The comment period ends November 2, 2018.

ACCA – Association of Chartered Certified Accountants (www.accaglobal.com/)

CIMA – Chartered Institute of Management Accountants (www.cimaglobal.com)

IIRC - International Integrated Reporting Council (www.theiirc.org)

Africa, Europe, India, and the Middle East (AEIME)

FRC – Financial Reporting Council of the UK (www.frc.org.uk)

1. **The audit of defined benefit pension obligations**, report published July 26, 2018. “The FRC focussed on the quality of audit of pension balances and related disclosures in 51 of its audit inspections in 2017/18 and found that in almost half, improvement was required in at least one aspect of the audit work, as well as identifying areas of good practice. In many cases the existence of multiple pension arrangements and/or financial and risk management transactions, such as liability-driven investment strategies, partial buy-outs and longevity swaps, have made valuation judgements and their audit complex.”
2. **Proposal to revise ISA (UK) 540 (Revised June 2016) Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures**, consultation paper and impact assessment issued July 23, 2018, “reflect revisions made by the International Auditing and Assurance Standards Board (IAASB), and addresses issues arising from evolving financial reporting frameworks, particularly the move to accounting for financial instruments on an

expected loss basis which is of particular significance for banks.” The consultation period ends September 21, 2018.

3. **Blockchain and the future of corporate reporting: How does it measure up?** – report issued June 19, 2018, “considers how current developments and use-cases of blockchain technology might impact corporate reporting processes in the future. It concludes that, whilst cost, complexity and lack of standardisation of blockchains might be inhibiting factors, the growing use of blockchain means that those involved in corporate reporting processes need to consider its potential disruptive impact.”

ICAEW - *Institute of Chartered Accountants in England and Wales* (<https://www.icaew.com/>)

EFRAG – *European Financial Reporting Advisory Group* (www.efrag.org)

Americas, Asia, Australia and New Zealand (AAANZ)

AICPA – *American Institute of Certified Public Accountants* (www.aicpa.org)

1. **Auditing Standards Board (ASB) – Exposure Draft – Proposed Statement on Standards for Attestation Engagements (SSAEs) - Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification**, issued July 11, 2018, proposes that:
 - “It would no longer require the practitioner to request a written assertion from the responsible party when the practitioner is reporting directly on the subject matter.
 - It would more closely harmonize AT-C section 210 with the limited assurance provisions of International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits and Reviews of Historical Financial Information, including changing the term review engagement to limited assurance engagement. The proposed revisions to AT-C section 210 more explicitly describe the types of procedures a practitioner may perform in a limited assurance engagement. These procedures are much the same as the procedures a practitioner may perform in an examination engagement, except that the nature, timing, and extent of those procedures are tailored to a limited assurance engagement. Finally, the proposed revisions to AT-C section 210 would require that the practitioner’s report include an informative summary of the work performed as a basis for the practitioner’s conclusion.
 - It would revise AT-C section 215 by — no longer requiring that all of the parties to the engagement (the engaging party, the responsible party (where applicable), and users of the practitioner’s report) agree to the procedures to be performed and take responsibility for their sufficiency. Instead, the proposed revision would require that the engaging party acknowledge the appropriateness of the procedures and would explicitly allow the practitioner to develop, or assist in developing, the procedures, and — allowing the practitioner to issue a general use report, unless the procedures are prescribed and the practitioner is precluded from designing or performing additional procedures, the criteria are not available to users, or the criteria are suitable only for a limited number of users.” The comment period ends October 11, 2018.

2. **Financial Reporting Executive Committee (FinREC) – Working Drafts – Allowance for Credit Losses Implementation Issues – Issue 1: Zero Expected Credit Losses and Issue 22: Reversion Method: Estimation vs. Accounting Policy**, issued August 10, 2018. These drafts offer guidance for how to deal with the stated issues when applying the new FASB standard on Current Expected Credit Losses (CECL). The comment period ends October 10, 2018.

FASB – *Financial Accounting Standards Board* (www.fasb.org)

1. **Exposure Draft - Codification Improvements to Topic 326, Financial Instruments—Credit Losses**, issued August 20, 2018, “would amend the transition requirements and scope of the credit losses standard issued in 2016... to reduce transition complexity.” The comment period ends September 19, 2018.
2. **Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts – ASU 2018-12**, issued August 15, 2018, to improve “financial reporting for insurance companies that issue long-duration contracts, such as life insurance, disability income, long-term care, and annuities. Effective generally for public companies in 2021 and for all others in 2022.
3. **Exposure Draft - Leases (Topic 842) Narrow-Scope Improvements for Lessors**, issued August 13, 2018, addresses several issues. See article in this issue for details.
4. **Leases (Topic 842): Targeted Improvements – ASU 2018-11**, issued July 30, 2018, to reduce costs and ease implementation of the leases standard for financial statement preparers. See article in this issue for details.
5. **Codification Improvements to Topic 842, Leases – ASU 2018-10**, issued July 19, 2018, includes various amendments specifically related to leases “to clarify the Codification or correct unintended application of guidance that is not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Effective generally when the new lease standard ASU 2016-02 goes into effect.
6. **Codification Improvements – ASU 2018-09**, issued July 16, 2018, includes various amendments “to clarify the Codification or correct unintended application of guidance that is not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Effective at various times depending on the specific amendment.

GASB – *Governmental Accounting Standards Board* (www.gasb.org)

1. **Exposure Draft – Conduit Debt Obligations**, issued July 30, 2018, to “provide a single method for government issuers to report conduit debt obligations and related obligations.” The comment period ends November 2, 2018.
2. **GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period**, issued June 22, 2018, “(1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.” Effective generally in 2020, with early application encouraged.

COSO – *The Committee of Sponsoring Organizations of the Treadway Commission* (www.coso.org)

PCAOB – *Public Company Accounting Oversight Board* (www.pcaob.org)

SASB – *Sustainability Accounting Standards Board* (www.sasb.org)

Additional A & A News

[Nightmare of Indian Accounting Standard 115 comes to haunt firms in the real estate sector](https://www.livemint.com/Money/ljb44go3ydiY5jIU9UZfN/Nightmare-of-Indian-Accounting-Standard-115-comes-to-haunt.html)

(<https://www.livemint.com/Money/ljb44go3ydiY5jIU9UZfN/Nightmare-of-Indian-Accounting-Standard-115-comes-to-haunt.html>)

[Nigeria's ICAN Rejects Forensic, Investigative Auditor Bill](https://www.thisdaylive.com/index.php/2018/07/15/ican-rejects-forensic-investigative-auditor-bill/)

<https://www.thisdaylive.com/index.php/2018/07/15/ican-rejects-forensic-investigative-auditor-bill/>)

[Move Over, Sustainability Accounting, Here Comes Purpose Accounting](https://www.sustainablebrands.com/news_and_views/finance_investment/mark_mcelroy/move_over_sustainability_accounting_here_comes_purpos)

(https://www.sustainablebrands.com/news_and_views/finance_investment/mark_mcelroy/move_over_sustainability_accounting_here_comes_purpos)

[PCAOB finds high deficiencies for broker-dealer auditors](https://www.accountingtoday.com/news/pcaob-finds-high-deficiencies-for-broker-dealer-auditors-but-fewer-independence-violations)

(<https://www.accountingtoday.com/news/pcaob-finds-high-deficiencies-for-broker-dealer-auditors-but-fewer-independence-violations>)

[16 Years Later, SOX Compliance Continues to Evolve](http://ww2.cfo.com/auditing/2018/08/16-years-later-sox-compliance-continues-to-evolve/)

(<http://ww2.cfo.com/auditing/2018/08/16-years-later-sox-compliance-continues-to-evolve/>)

[Focus on blockchain's risks before the rewards](https://www.fm-magazine.com/issues/2018/aug/blockchain-risks-and-rewards.html?utm_source=mnl:cpald&utm_medium=email&utm_campaign=10Aug2018)

(https://www.fm-magazine.com/issues/2018/aug/blockchain-risks-and-rewards.html?utm_source=mnl:cpald&utm_medium=email&utm_campaign=10Aug2018)