

Integra International Audit & Accounting Alert

Issue 4 | July 2019



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. **Exposure Draft - Reference to the Conceptual Framework**, issued May 30, 2019, would amend IFRS 3 to refer to the latest version of the *Conceptual Framework* to determine what constitutes an asset or liability in relation to the acquisition of a business. The comment period ends on September 27, 2019
2. **Exposure Draft - Annual Improvements 2018–2020**, issued May 21, 2019, would impact IFRS 1, 9, 16 and 41, covering the subjects of a subsidiary as a first-time adopter of IFRS, financial instrument fees included in the ‘10 per cent’ test for derecognition of financial liabilities, illustrative examples of lease incentives, and taxation in fair value measurements in agriculture. The comment period ends on August 20, 2019.
3. **Exposure Draft - Interest Rate Benchmark Reform**, issued May 3, 2019, as proposed amendments to IFRS 9 and IAS 39, would “modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform.” The comment period ends on June 17, 2019.

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

1. **International Auditing and Assurance Standards Board (IAASB) – Audits of Less Complex Entities- *Exploring Possible Options to Address the Challenges in Applying the ISAs***, Discussion Paper issued April 29, 2019, seeking further understanding and views on this subject. The comment period ends September 12, 2019.
2. **International Public Sector Accounting Standards Board (IPSASB) - Measurement**, Consultation Paper issued April 30, 2019, as the “first step in establishing a comprehensive measurement framework for the public sector. The Consultation Paper focuses on better aligning

the IPSAS measurement requirements with those established in the Conceptual Framework.” The comment period ends September 30, 2019.

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

1. **Cyber and the CFO**, report issued May 30, 2019 in conjunction with CA ANZ, Macquarie University and Optus, surveyed 1500 members, finding that a majority rank cyber security as a top business risk, but that “cyber security is not managed as a risk to businesses and is too often left to IT specialists to handle.”
2. **Insights into integrated reporting 3.0: The drive for authenticity**, research report published on May 23, 2019, “examines the reporting practices of organisations in the International Integrated Reporting Council’s Business Network. It highlights the progress made towards integrated reporting over the past year, discusses the challenges that preparers face, and gives practical recommendations to guide more organisations on the path to integrated reporting.”
3. **Closing the expectation gap in audit**, research report published on May 10, 2019, “uses a survey of 11,000 members of the public to better understand the audit expectation gap. It explores a new approach for understanding the expectation gap, in terms of a knowledge gap, a performance gap and an evolution gap. It proposes a multi-stakeholder approach to closing the expectation gap, by reference to these three gaps.”

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

1. **Purpose and Profit - Value of Value: The new long-term horizon for business leaders**, brief published on May 16, 2019, by Black Sun and the International Reporting Council (IIRC) in collaboration with the Association of International Certified Professional Accountants “seeks to analyze trends and challenges in measuring, disclosing and understanding the value that companies create. It is a brief update of the current business environment and links its findings to previous editions in the *Value of Value* reporting series to illustrate change in thinking over time.”

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

1. **Purpose and Profit - Value of Value: The new long-term horizon for business leaders** – See CIMA above.

World Economic Forum – (www.weforum.org)

1. **AI Governance: A Holistic Approach to Implement Ethics into AI**, white paper issued May 3, 2019, “aims to enrich the ongoing debate about implementing ethical considerations into artificial intelligence (AI) by looking at possible means and mechanisms to apply ethical values and principles in AI-driven technology` and machines in order to contribute to building a human-centric AI-society.”

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

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

1. **Amendments to FRS 102 – Multi-employer defined benefit plans**, issued May 24, 2019. “respond to a current financial reporting issue regarding where to present the impact of an

employer's transition from defined contribution accounting to defined benefit accounting; it shall be presented in other comprehensive income." Effective for accounting periods beginning on or after January 1, 2020, with early application permitted.

2. **Exposure Draft - Standards for Investment Reporting (SIRs) 1000-6000**, issued May 1, 2019. "SIR 1000 establishes basic principles and essential procedures for the work of reporting accountants that are common to all reporting engagements (both public and private) relating to investment circulars. SIRs 2000-6000 set out basic principles and essential procedures to address the particular issues and requirements arising on specific public reporting engagements." The comment period ends July 26, 2019.

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

1. **Smaller Listed and AIM Quoted Companies - A PRACTICAL GUIDE FOR AUDIT COMMITTEES ON IMPROVING FINANCIAL REPORTING**, published in association with the Financial Reporting Council on May 13, 2019, "offers advice for audit committees and boards of smaller quoted companies on evaluating the adequacy of a company's financial reporting function and process."

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

1. **Accounting for Pension Plans with an Asset-Return Promise**, Discussion Paper issued May 15, 2019, "explores alternative accounting treatments for post-retirement employee benefits, promising the higher of the return on an identified item or group of items and a minimum guaranteed return." The comment period ends November 15, 2019.

Americas, Asia, Australia and New Zealand (AAANZ)

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

1. **Auditing Standards Board – Exposure Draft - Statement on Auditing Standards: Audit Evidence**, issued June 20, 2019, proposes to supersede and amend portions of SAS No. 122 to address issues that "include use of emerging technologies by both preparers and auditors, audit data analytics (ADA), the application of professional skepticism, the expanding use of external information sources as audit evidence, and more broadly, the accuracy, completeness, and reliability of audit evidence." The comment period ends September 18, 2019.
2. **Auditing Standards Board – Exposure Drafts - Statement on Auditing Standards & Statement on Standards for Attestation Engagements: Amendments to the Description of the Concept of Materiality**, issued June 5, 2019, proposing "to align the materiality concepts discussed in AICPA *Professional Standards* with the definition of materiality used by the U.S. judicial system, the auditing standards of the Public Company Accounting Oversight Board, the U.S. Securities and Exchange Commission and the Financial Accounting Standards Board." The comment period ends August 5, 2019.
3. **Center for Audit Quality – Emerging Technologies, Risk, and the Auditor's Focus**, resource published on May 16, 2019, "explores financial reporting implications of the evolving use of technology such as artificial intelligence, the internet of things, and smart contracts."

4. **Center for Audit Quality - Guide to Internal Control Over Financial Reporting**, published May 9, 2019. “Released in 2013 and updated in 2019, this guide provides the public with an easy-to-digest overview of internal control over financial reporting (ICFR), focusing on key ICFR concepts such as the control environment, control activities, reasonable assurance, and the hierarchy of ICFR deficiencies. The guide also educates on the various ICFR roles and responsibilities for management, audit committees, and auditors.”
5. **Auditing Standards Board – Statement on Auditing Standards 134 - Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements**, issued May 8, 2019, adds new AU-C Section 701- Communicating Key Audit Matters in the Independent Auditor’s Report, and replaces Section 700, Forming an Opinion and Reporting on Financial Statements, Section 705, Modifications to the Opinion in the Independent Auditor’s Report, and Section 706, Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report. Also, the following Sections are amended: Section 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards, Section 210, Terms of Engagement, Section 220, Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards, and Section 230, Audit Documentation. Generally effective for year ends after December 15, 2020.
6. **Auditing Standards Board – Statement on Auditing Standards 135 - Omnibus Statement on Auditing Standards—2019**, issued May 8, 2019, amends various sections of SAS 122 - Clarification and Recodification, and SAS 130 - An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements.

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

1. **Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): - Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities – ASU 2019-06**, issued May 30, 2019, enables “organizations to recognize fewer items as separate intangible assets in acquisitions and to account for goodwill in a more cost-effective manner...instead of testing goodwill for impairment annually at the reporting unit level, a not-for-profit organization that elects the accounting alternative will: amortize goodwill over 10 years or less, on a straight-line basis, test for impairment upon a triggering event, [and] have the option to elect to test for impairment at the entity level. A not-for-profit organization also has the option to subsume certain customer-related intangible assets and all noncompete agreements into goodwill, which it subsequently must amortize.” Effective immediately.
2. **Financial Instruments—Credit Losses (Topic 326) - Targeted Transition Relief – ASU 2019-05**, issued May 15, 2019, provides “an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis.” Effective generally with the ASU 2016-13, except where that ASU has already been adopted, for which the effective date is generally in 2020.
3. **Exposure Draft - Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes**, issued May 14, 2019. “The proposed ASU eliminates the need for an organization to analyze whether the following apply in a given period: • Exception to the incremental approach for intraperiod tax allocation, • Exceptions to accounting for basis differences when there are

ownership changes in foreign investments, and • Exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The proposed ASU also would improve financial statement preparers' application of income tax-related guidance and simplify GAAP for: • Franchise taxes that are partially based on income, • Transactions with a government that result in a step up in the tax basis of goodwill, • Separate financial statements of legal entities that are not subject to tax, and • Enacted changes in tax laws in interim periods." The comment period ends June 28, 2019.

4. **Exposure Draft - Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative**, issued May 6, 2019, provides guidance on the SEC disclosures. The comment period ends June 28, 2019.
5. **Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments – ASU 2019-04**, issued April 25, 2019, as narrow scope amendments to ASU's 2016-01, 2016-13, and 2017-12. Effective at various dates.

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

1. **Exposure Draft - Public-Private and Public-Public Partnerships and Availability Payment Arrangements** issued June 13, 2019, "provides proposed guidance for PPP arrangements that are outside of the scope of its existing literature for these transactions, namely Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and Statement No. 87, *Leases*. The proposed Statement also would make certain improvements to the guidance currently included in Statement 60 and provide accounting and financial reporting guidance for APAs. The comment period ends September 13, 2019.
2. **GASB Statement No. 91 – Conduit Debt Obligations**, issued May 28, 2019, "addresses the variation in practice by: clarifying what is a conduit debt obligation; eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting; broadening the definition of conduit debt obligations to include those for which government issuers (1) make related additional commitments, such as guarantees or moral obligation pledges, or (2) voluntarily agree to make debt service payments or request an appropriation for such payments, if necessary; clarifying how government issuers should account for and report (1) commitments they extend or voluntarily provide and (2) arrangements associated with conduit debt obligations, which often are characterized in practice as leases, but are not leases for financial reporting purposes; enhancing note disclosures." Effective generally in 2020, with early application encouraged.
3. **Exposure Draft - Subscription-Based Information Technology Arrangements**, issued May 13, 2019, proposes "to provide guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITAs) for government end users (governments) and to eliminate diversity in practice." The comment period ends August 23, 2019.

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

No new developments.

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

No new developments.

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

No new developments.

SEC – *Securities and Exchange Commission* (www.sec.gov)

1. **Final Rule - Auditor Independence With Respect to Certain Loans or Debtor-Creditor Relationships**, amendments to auditor independence rules, Release No. 33-10648; 34-86127; FR-85; IA-5255; IC-33511; File No. S7-10-18, issued June 18, 2019, “intended to focus the rules on those lending relationships that reasonably may bear on external auditors’ impartiality or objectivity and, in so doing, improve the application of the Loan Provision for the benefit of investors while reducing compliance burdens.” Effective 90 days after publishing in the Federal Register.
2. **Proposed Amendment – Sarbanes Oxley Act**, issued May 9, 2019, proposes that “smaller reporting companies with less than \$100 million in revenues would not be required to obtain an attestation of their internal control over financial reporting (ICFR) from an independent outside auditor. The proposed amendments would not change key protections from the Sarbanes-Oxley Act of 2002, such as independent audit committee requirements, CEO and CFO certifications of financial reports, or the requirement that companies continue to establish, maintain, and assess the effectiveness of their ICFR.” The comment period ends 60 days after publication in the Federal Register.