

## IESBA Proposes Revised Ethical Requirements Prohibiting Improper Inducements

The International Ethics Standards Board for Accountants (IESBA) has released the Exposure Draft, *Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements* for public comment. The proposals strengthen the Code of Ethics for Professional Accountants (the Code) by clarifying the appropriate boundaries for the offering and accepting of inducements, and by prohibiting any inducements with intent to improperly influence behaviour.

The proposed comprehensive framework covers all forms of inducements and applies to both professional accountants in business and professional accountants in public practice. It also provides enhanced guidance on the offering and accepting of inducements by professional accountants' immediate or close family members.

*"Inducements with intent to improperly influence behaviour are a very major concern for the public interest, and they include the issues of bribery and corruption. Inducements made with improper intent are unacceptable and should be prohibited,"* said IESBA Chairman Dr. Stavros Thomadakis.

Among other matters, the proposals also require professional accountants to address any threats to compliance with the fundamental ethical principles in accordance with the Code's conceptual framework where there is no improper intent.

All stakeholders can comment on the Exposure Draft by visiting the Ethics Board's website at [www.ethicsboard.org](http://www.ethicsboard.org) by December 8, 2017.

## IPSASB Works to Improve Reporting on Financial Instruments

The International Public Sector Accounting Standards Board (IPSASB) has released Exposure Draft (ED) 62, *Financial Instruments*, for comments. It is based on International Financial Reporting Standard (IFRS) 9, *Financial Instruments*, developed by the International Accounting Standards Board (IASB).

The proposed new Standard will replace IPSAS 29, *Financial Instruments: Recognition and Measurement*, and improves that Standard's requirements by introducing:

- Simplified classification and measurement requirements for financial assets;

- A forward looking impairment model; and
- A flexible hedge accounting model.

*"Accounting for financial instruments is an important but complex area for most governments. Although our existing standard IPSAS 29 includes guidance on a number of topics specific to the public sector, it is converged with the previous IFRS,"* said IPSASB Chair Ian Carruthers. *"Through incorporating the improvements in IFRS 9 financial reporting will be improved by ED 62."*

The IPSASB applied its Process for Reviewing and Modifying IASB Documents, to align ED 62 with IFRS 9, and includes appropriate public sector specific modifications. This approach builds on public and private sector best-practice while addressing unique public sector features. ED 62 includes public sector specific guidance on financial guarantees issued through non-exchange transactions and concessionary loans and examples illustrating how to apply the principles in ED 62 to transactions that are unique to the public sector.

IPSASB website [www.ipsasb.org](http://www.ipsasb.org) can be visited to access the Exposure Draft and its summary At-a-Glance document, or to submit a comment. Comments on the Consultation Paper can be submitted by December 31, 2017.

## IPSASB Seeks Views on Updating Accounting Approaches for Revenue and New Approaches for Non-Exchange Expenses; Consultation Paper calls for public comment by 15 January, 2018

The International Public Sector Accounting Standards Board (IPSASB) has released a Consultation Paper (CP), *Accounting for Revenue and Non-exchange Expenses*.

The IPSASB seeks constituent views on potential recognition and measurement approaches for revenue and non-exchange expenses. Conceptually robust and understandable accounting treatments of taxes, transfers and other major sources of public sector income as well as expenses on universally accessible and collective services are fundamental to high-quality financial reporting. The publication of IFRS 15, *Revenue from Contracts with Customers*, by the International Accounting Standards Board, has provided the IPSASB with an impetus to consider its approaches both to commercial transactions and public sector specific transactions. The CP also considers recognition approaches for significant non-exchange expense transactions, such as the provision of education, healthcare and defence.

# International Update

*“This Consultation Paper is an important first step in addressing some key IPSAS implementation issues while seeking to maintain IFRS convergence,” said Ian Carruthers, IPSASB Chair. “It also provides an opportunity to address gaps in literature that have been identified in accounting for non-exchange expenses and the measurement of non-contractual receivables and non-contractual payables—such as taxes, fines and licenses.”*

The CP proposes updating existing IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers), to address issues identified by users, as well as to replace current IPSAS dealing with revenue arising from exchange transactions and construction contracts with an IPSAS based on IFRS 15.

For non-exchange transactions with performance obligations the CP discusses two potential revenue recognition approaches.

- (a) Exchange/non-exchange approach—Under this approach the CP identifies five options for updating IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers); and
- (b) The Public Sector Performance Obligation Approach for Revenue—Under this approach revenue would be recognised when identified performance obligations have been fulfilled, drawing upon the approach in IFRS 15 adapted for the public sector.

The CP discusses two potential approaches to the recognition of non-exchange expenses.

- (a) The Extended Obligating Event Approach – this approach would rely on the IPSASB’s Conceptual Framework to determine when a resource provider has a liability and expense; and
- (b) The Public Sector Performance Obligation Approach for Expenses – this approach would mirror the equivalent approach for revenue, and adapt it for non-exchange expense transactions.

The CP also discusses:

- (a) Implementation issues regarding the recognition of revenue from capital grants and services in-kind;
- (b) Initial and subsequent measurement of non-contractual receivables; and
- (c) Subsequent measurement of non-contractual payables.

IPSASB website [www.ipsasb.org](http://www.ipsasb.org) can be visited to access the Consultation Paper and its summary At-a-Glance document, or to submit a comment. Comments on the Consultation Paper can be submitted by January 15, 2018.

## **Towards Enhanced Professional Skepticism; Observations of the IAASB-IAESB-IESBA Professional Skepticism Working Group**

In 2015, the International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) convened a small, cross-representational working group—the Professional Skepticism Working Group—to formulate views on whether and how each of the three boards’ sets of international standards could further contribute to strengthening the understanding and application of the concept of professional skepticism as it applies to an audit.

The importance of professional skepticism is underscored by the increasing complexity of business and financial reporting, including the greater use of estimates and management judgment, business model changes due to technological developments, and the fundamental reliance of the public on dependable financial reporting. It lies at the heart of a quality audit. This publication outlines observations about the current environment and sets out actions the global standard-setting boards will take, as well as the role that other stakeholders can play, in enhancing professional skepticism.

## **Making Regulation Work; Principles and Models for the Accountancy Profession**

Navigating the national regulatory environment is a crucial part of establishing and developing an effective professional accountancy organisation (PAO). The right accountancy regulation model is vital to ensuring a well-functioning profession that produces high-quality financial information, supports economic growth and development, and is relevant to professional accountants and their clients. In this regard the IFAC has come out with a new publication on the subject. This publication is designed to support PAOs in their efforts to adapt to recent regulatory evolution, and actively influence stakeholders and influencers.