

International Update

IPSASB Strategy and Work Plan 2019-2023

At a time of increasing momentum for IPSAS adoption and implementation globally, the recently brought out the International Public Sector Accounting Standards Board (IPSASB) Strategy and Work Plan 2019-2023 sets out the Board's work and priorities through this five-year period. As outlined in the document, the IPSASB's strategic objective is: strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSAS. This will be delivered through two main areas of activity, both of which have a public interest focus:

- Developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector; and
- Raising awareness of IPSAS and the benefits of accrual adoption.

Consultation Paper, Extended External Reporting Assurance

The International Auditing and Assurance Standards Board (IAASB) is consulting on its progress in developing draft guidance in the first phase of its EER Assurance project. Public input has been sought by June 21, 2019. EER encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance matters. This Consultation Paper includes the first part of draft guidance for practitioners applying International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to EER assurance engagements. This Consultation Paper does not include an exposure draft of the anticipated full guidance as it is an interim consultation. Its purpose is to assist the IAASB to continue developing a complete non-authoritative guidance document that is due to be published in the second phase of the project as an exposure draft. The IAASB particularly seeks input from those with practical experience in this evolving area of reporting, including practitioners and other experts involved in performing engagements, preparers of EER reports, investors and other users, standard setters and regulators. Respondents have been asked to submit their comments electronically (in both a PDF and Word file). The comment letters should not include tables as they are incompatible with the software used to help analyse respondents' comments.

IFAC SMP Committee Comment Letter on the IAASB's Exposure Draft on Agreed-Upon Procedures

Overall, the SMPC generally supports the approach taken and proposed changes to ISRS 4400 (Revised). It specifically supports the clarification that ISRS 4400 (Revised) applies to the performance of AUP engagements on both financial and non-financial subject matters and the intention to retain the approach whereby practitioners report on the factual results from performing an AUP engagement differentiating this from subjective findings. The SMPC agrees that considerable professional judgment will be required. However, it considers that professional judgment cannot be required for the actual performance of the procedures because the findings would no longer represent factual findings. It also agrees that ISRS 4400 (Revised) should be enhanced for the use of experts in AUP engagements, but it is not yet as clear as it could be as to situations where a practitioner has recourse to an expert.

IAESB Exposure Draft: Insights from the Chair

International Accounting Education Standards Board (IAESB) has recently proposed revisions to International Education Standards addressing information and communications technology and professional skepticism. IFAC and the IAESB have developed a plan for a *new path forward* for global accountancy education and professional development. This plan will transition the IAESB to a future model that will be designed, as part of a broader mandate, to reinforce the importance, relevance and authority of the revised International Education Standards, which will continue to be the basis for a comprehensive and integrated approach to international accountancy education.

New IFAC, AAT Accounting Technician Framework Identifies Necessary Skills

Accounting technicians play an important role in many jurisdictions and an accounting technician qualification is frequently a pathway into the accountancy profession. IFAC has shared a framework for professional accountancy organizations that will support a competent, skilled and future-ready accounting technician workforce. "Prepared by the AAT, and based on the association's competency framework, *An Illustrative Competency Framework for Accounting Technicians* is a conversation starter," explained Joseph Bryson, Head of Quality & Development at IFAC. "IFAC hopes that every professional accountancy organization with an interest in the accounting technician qualification shares their

experiences and helps to grow this important segment of the global accountancy ecosystem.”

The Framework’s illustrative example is a resource for professional accountancy organizations creating an Accounting Technician designation as additional pathways into the accountancy profession. Those interested in sharing their experience and knowledge should email at communications@ifac.org their articles and/or resources marked “IFAC AAT Framework Discussion”.

Global Consultation on Quality Management for Firms and Engagements Now Open

The International Auditing and Assurance Standards Board (IAASB) seeks public comment by July 1, 2019 on three interrelated standards that address quality management. The proposals bring important changes to the way professional accountancy firms are expected to manage quality—for audits, reviews, and other assurance and related services engagements. The proposed standards include a new proactive risk-based approach to effective quality management systems within firms that establish the foundation for consistent engagement quality. The new approach improves the scalability of the standards because it promotes a system tailored to the nature and circumstances of the firm and its engagements.

The IAASB proposals are intended to improve engagement quality through:

- Modernising the standards for an evolving and increasingly complex environment, including addressing the impact of technology, networks, and use of external service providers;
- Increasing firm leadership responsibilities and accountability, and improving firm governance;
- More rigorous monitoring of quality management systems and remediating deficiencies;
- Enhancing the engagement partner’s responsibility for audit engagement leadership and audit quality; and
- Addressing the robustness of engagement quality reviews, including engagement selection, documentation, and performance.

Given the significance of the changes and the need for firms to adjust how they manage quality, the IAASB has also developed draft guidance and tools, such as examples and frequently asked questions. These materials will help firms understand the proposals, including how to apply them in different circumstances.

Exposure Drafts

- Overall Explanatory Memorandum, *The IAASB’s Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews*
- Proposed International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (previously ISQC 1)*
- Proposed International Standard on Quality Management 2, *Engagement Quality Reviews*
- Proposed International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements*

IPSASB Delivers Guidance on Significant Areas of Public Expenditure

The International Public Sector Accounting Standards Board (IPSASB) has released a new standard and an Exposure Draft on accounting for social benefits, and collective and individual services, respectively. Between them, International Public Sector Accounting Standard (IPSAS) 42, *Social Benefits*, and the related Exposure Draft (ED) 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), address a wide range of significant government expenditures that directly impact the lives of citizens globally. IPSAS 42 provides much-needed guidance on accounting for social benefits expenditure, which comprises about one fifth of GDP across OECD countries. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. “IPSAS 42 represents a big step forward for global financial reporting in the public sector and fills one of the major gaps in IPSASB’s suite of standards,” said IPSASB Chair Ian Carruthers. “Social benefits has been a challenging project because of the differing, strongly held views as to when a liability for social benefits arises. We are confident that the final standard will increase transparency and comparability in public sector financial reporting.” To access Exposure Draft 67 and its summary At-a-Glance document, or to submit a comment, visit the IPSASB website at www.ipsasb.org. Comments on the Exposure Draft are requested by May 31, 2019.