

Audit & Accounting Alert Newsletter

ISSUE 2 | FEBRUARY 2022

At-A-Glance

This issue marks a milestone for the Audit & Accounting Alert. Ten years ago this month, in February 2012, the first edition was published with these opening lines: *This new newsletter will highlight emerging issues in the profession. The goal is to give Integra members an awareness of developments impacting the practice of Audit & Accounting, enabling them to stay on the forefront of industry trends.* The international scope was demonstrated with initial articles featuring a concept release, framework, guidance, and legislation from four organizations that spanned the globe, weighing in with proposals and actions intended to strengthen the quality of accounting and auditing. That theme has been carried forward over the years, as shown in this tenth anniversary retrospective.

Our Worldwide Update is again split into two sections. The first covers COVID-19 news from organizations across the globe, while the second covers other news.



Gerald Herter - Editor

Following the Pursuit of Audit and Accounting Excellence

A decade in the journey toward ever improving quality



The year 2012 opened following global financial turmoil in 2011 and with the accounting profession responding to accounting scandals and audit failures exposed by the 2008 financial crisis. Not surprisingly, the inaugural February 2012 issue of the *Audit & Accounting Alert* featured proposals from four organizations directed toward improving internal controls and tightening audit procedures.

COSO (Committee on Sponsoring Organizations of the Treadway Commission), an American private sector group providing leadership and guidance to help organizations reduce fraud and operate more efficiently, announced an update to *Internal Control – Integrated Framework*, which had been initially issued twenty years earlier. IFAC (International Federation of Accountants), the global organization for the accountancy profession, whose membership consists of the national accounting bodies from countries throughout the world, offered for consideration, *Evaluating and Improving Internal Control in Organizations*, a guide of good practices. The European Commission proposed legislation to improve audit quality by strengthening independence between auditor and client, fostering competition among auditors, and promoting better regulatory oversight of audit firms. Finally, American regulator, PCAOB (Public Company Accounting Oversight Board), issued *Concept Release on Auditor Independence and Audit Firm Rotation*, to address continued significant deficiencies in audit performance.

The topics in that first edition were precursors for the ten years that followed. Internal accounting controls, fraud, and audit quality and reform have provided sources of coverage in every year. Other topics that have appeared every year include financial reporting standards, sustainability, and technology.

In the financial reporting standards arena, the IASB (International Accounting Standards Board), and FASB (Financial Accounting Standards Board), have been the primary focus, as well as IFAC's IAASB (International Auditing and Assurance Standards Board), to a lesser degree. The earlier years followed the progression toward worldwide convergence to IFRS (International Financial Reporting Standards). Along with developments in areas such as goodwill, going concern, non-profits, and standards for SME's, small and medium entities, the *Alert* has followed the development of Lease Accounting and Revenue Recognition from the discussion stages, through exposure drafts, pronouncements, revisions, and implementation matters.

The potential and risks associated with technology advances offered by applications of cloud computing and big data were spotlighted in 2012. COSO released *Enterprise Risk Management for Cloud Computing*. eXtensible Business Reporting Language (XBRL), Audit Data Standards (ADS), and Continuous Auditing/Continuous Monitoring (CA/CM) were at various stages of development. While cybersecurity has been a focus all along, blockchain, bitcoin and the internet of things (IOT), captured attention midway through the decade. In recent years, increasingly sophisticated applications of artificial intelligence for audit and accounting have been introduced, as well as reporting for tax and accounting aspects of non-fungible tokens (NFT), unique blockchain-based representations of digital assets.

With regards to sustainability, as noted in our September 2012 issue, AICPA President Barry Melancon was already predicting that accountants would be working on integrated reporting within the

following several years. Integrated reporting was intended to bring together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. Its goal was to provide a clear and concise representation of how an organization demonstrated stewardship and how it created and sustained value, then and in the future. The then newly formed IIRC (International Integrated Reporting Council) proposed an initial integrated framework in July 2012. Fast forward to the present, Melancon recently announced support for the latest iteration of boards, the International Sustainability Standards Board (ISSB), which is "designed to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs." These standards fall under the general area known as ESG, which covers environmental, social and governmental issues.. More about this development will be covered in a future issue of the A & A Report.

Looking ahead, what might the next decade bring for the accounting profession in the financial reporting and auditing domain? One thing that unfortunately is likely to remain is the element of fraud and deception. While new tools may eliminate current nefarious techniques, the dark side of human nature has shown a determination to devise new ways to take advantage of opportunities to defraud. On the positive side, advances should continue to eliminate the need to pursue mundane, routine tasks, allowing even greater use of the boundless power of the human mind.

Worldwide Update



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

COVID-19 Related

International

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

- Coronavirus Information and resources – link – <https://www.ifrs.org/news-and-events/2020/03/the-coronavirus-and-the-foundations-work/>

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

- COVID-19 Resources from IFAC's Network – link - <https://www.ifac.org/knowledge-gateway/series/COVID-19-resources-ifacs-network>

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

- Coronavirus Information and resources – link - <https://www.accaglobal.com/us/en/cam/coronavirus.html>
- **Update on the Coronavirus and Impact for Association Activities** – link - <https://www.cimaglobal.com/Members/Update-on-Coronavirus/>

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

- Update on the Coronavirus and Impact for Association Activities – link - <https://www.cimaglobal.com/Members/Update-on-Coronavirus/>

VRF- The Value Reporting Foundation (www.thevrf.org)

1. The Value Reporting Foundation is the result of the merger of the International Integrated Reporting Council and the Sustainability Accounting Standards Board on June 9, 2021.

World Economic Forum – (www.weforum.org)

1. The COVID Action Platform – link - <https://www.weforum.org/platforms/covid-action-platform> - focuses on three priorities: 1. Galvanize the global business community for collective action. 2. Protect people’s livelihoods and facilitate business continuity. 3. Mobilize cooperation and business support for the COVID-19 response.
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Africa, Europe, India, and the Middle East (AEIME)

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

- FRC guidance for companies and auditors during COVID-19 crisis – link - <https://www.frc.org.uk/covid-19-guidance-and-advice>.

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

1. Coronavirus – updates – link - <https://www.icaew.com/insights/coronavirus>.

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

1. *No new developments*
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Americas, Asia, Australia and New Zealand (AAANZ)

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

1. AICPA Coronavirus (COVID-19) Resource Center – link - <https://www.aicpa.org/news/aicpa-coronavirus-resource-center.html>

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

1. FASB Response to COVID-19 – link - <https://www.fasb.org/COVID19>

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

1. GASB Response to COVID-19 – link - <https://www.gasb.org/COVID19>

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)

1. PCAOB Response to COVID-19 – link - <https://pcaobus.org/Pages/response-to-COVID-19.aspx>

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

1. See The Value Reporting Foundation above.

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

1. SEC Coronavirus (COVID-19) Response – link - <https://www.sec.gov/sec-coronavirus-COVID-19-response>

1. Financial Reporting and Audit Guide: Financial reporting and audit issues stemming from COVID-19 – link - <https://www.charteredaccountantsanz.com/tools-and-resources/client-service-essentials/reporting/financial-reporting-and-audit-guide-financial-reporting-and-audit-issues-stemming-from-covid19>
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Other Updates

International

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

- *No new developments*

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

- **International Auditing and Assurance Standards Board - Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards**, issued January 19, 2022, to “address any actual or perceived inconsistencies between the quality management standards and the full suite of IAASB standards to ensure that all the standards operate in conjunction with each other without conflict.” Effective as of December 15, 2022.
- **International Public Sector Accounting Standards Board - International Public Sector Accounting Standard (IPSAS®) 43, Leases**, Issued January 31, 2022, “includes minor improvements to IPSAS to address issues raised by stakeholders and minor amendments sourced from recent IFRS improvements and narrow scope projects.” Effective for periods beginning January 1, 2023, and later, with early adoption permitted.
- **International Public Sector Accounting Standards Board - Improvements to IPSAS, 2021**, issued January 31, 2022, “is based on International Financial Reporting Standard (IFRS®) 16, Leases, developed by the International Accounting Standards Board (IASB®). For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13, Leases. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13.” IPSAS 43 has an effective date of January 1, 2025. Earlier application is permitted in certain circumstances.
- **International Public Sector Accounting Standards Board - Exposure Draft (ED) 81, Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements**, issued February 1, 2022. “ED 81 proposes updates to the chapters of the Conceptual Framework dealing with the attributes of financial information that make financial reporting useful-qualitative characteristics-and the building blocks of financial statements-elements.” Comment period ends May 31, 2022.

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

- *No new developments.*

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

- *No new developments.*

VRF - The Value Reporting Foundation (www.thevrf.org)

- *No new developments.*

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

- See The Value Reporting Foundation above.

World Economic Forum – (www.weforum.org)

- *No new developments.*
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Africa, Europe, India, and the Middle East (AEIME)

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

- **Audit Committee Chairs’ views on, and approach to, audit quality**, report published January 26, 2022, “reinforces the case for developing standards for Audit Committees to help promote a more consistent approach to audit quality.”

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

- 1 *No New Developments*

EC – European Commission (<https://ec.europa.eu/>)

- 1 *No New Developments*

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

- 1 *No New Developments*

Americas, Asia, Australia and New Zealand (AAANZ)

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

- **Accounting for and Auditing of Digital Assets**, practice aid published January 10, 2022, “contains nonauthoritative guidance on how to account for and audit digital assets.”

FASB – Financial Accounting Standards Board (www.aicpa.org)

- 1 *No new developments.*

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

- 1 *No new developments.*

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

- 1 *No new developments*

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

- 1 *No new developments*

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

- 1 *No new developments*

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

- 1 *No new developments*

Additional A&A News

- [Proposal would amend auditing standard for compliance audits](#)
- [Data automation and visualisation a “prerequisite” for mid-market businesses](#)
- [What are the key accounting industry trends to watch in 2022?](#)
- [2021: How the accountancy industry adapted to change and uncertainty](#)
- [PwC teams with Workiva on ESG reporting](#)

- [Accounting for crypto assets? Here's what you need to know](#)
- [Accounting Today's complete coverage of the coronavirus impact](#)
- [Accountancy Age's Resource on UK regulations on accountancy during coronavirus](#)
- [California CPA Society Coronavirus Resources and Information](#)
- [Accountingweb's Coronavirus Content Series](#)
- [Accountancy Daily Corona Virus Resources](#)
- [China Briefing's Coronavirus Insights for Your Business in China](#)



Audit & Accounting Alert is a publication of Integra International intended to highlight emerging issues in the profession. The goal is to give Integra members an awareness of developments impacting the practice of Audit & Accounting enabling them to stay on the forefront of industry trends. This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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