

Audit & Accounting Alert Newsletter

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At-A-Glance

Having been in place for a year now, the International Sustainability Standards Board (ISSB) has issued the first two standards in its effort to formalize reporting criteria for non-financial measures that impact company operations. While environmental, social, and governmental (ESG) reporting issues are continuing to advance internationally, they have generated ongoing controversy while attempting to move forward in the United States. This issue highlights the new standards, covering overall reporting considerations and the specific climate-related issues, as well as some of the discord.

Also, our Worldwide Update covers news from organizations across the globe.



Gerald Herter - Editor

New International Standards for Non-Profit Organizations

First worldwide standards poised for issuance in June 2023



Development and acceptance of global accounting standards does not happen overnight. The International Accounting Standards Board (IASB), formed in 2001, carried forward the work of a 1973 predecessor organization. The combined efforts of these standard setters have resulted in dozens of standards and interpretations that are now followed by businesses in over 160 countries, though not the United States.

The non-profit world has not previously had a similar set of standards that have been adopted around the world. For that reason, a five-year project known as the International Financial Reporting for Non-Profit Organizations (IFR4NPO) was initiated in 2020, led by the Chartered Institute of Public Finance and Accountancy (CIPFA), a United Kingdom-based international accountancy membership and standard-setting body, and Humentum, a membership association of international non-governmental organizations and sector experts in the international development and relief community.

In November 2022, the first of three exposure drafts, Part 1, was issued (ED1). This exposure draft covers 1) a description of non-profit organisations, the broad characteristics and indicators, 2) the framework for INPAG, the concepts and pervasive principles, 3) financial statements presentation, including fund accounting, and 4) narrative reporting and commentary. The comment period ended on March 31, 2023.

ED2 will focus on revenue from grants and donations (non-exchange revenue) as well as the treatment of grant expenses. ED3 will focus on the classification of expenses, fundraising costs, transition to INPAG and inventory.

Further details can be found at [SSB ramps up activities to support global implementation ahead of issuing inaugural standards end Q2 2023](#) and [First global sustainability standards approach the finish line](#).

Worldwide Update



Periodic roundup of recent and upcoming actions and activities by auditing and accounting

International

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

- **Exposure Draft - Amendments to the Classification and Measurement of Financial Instruments - Proposed amendments to IFRS 9 and IFRS 7**, issued March 21, 2023, “clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features,” and “settlement of liabilities through electronic payment systems. The comment period ends July 19, 2023.

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

- **The Role Accounting Technicians Can Play in the Global Accountancy Ecosystem**, call to action report published April 27, 2023, describing the accounting technician function and importance, and calling for development of a formal professional designation.
- **The International Public Sector Accounting Standards Board (IPSASB) - IPSAS 46, Measurement**, issued March 21, 2023, “which brings measurement guidance together in a single standard, and introduces a public sector specific current value measurement basis for assets held for their operational capacity and provides additional generic guidance on fair value. IPSAS 46 will be effective for periods beginning on or after January 1, 2025.”
- **The International Public Sector Accounting Standards Board (IPSASB) – IPSAS 47, Revenue**, issued March 21, 2023, “which is a single standard to account for revenue transactions in the public sector. IPSAS 47 replaces the existing three revenue standards, and presents accounting models which will improve financial reporting and support effective public sector financial management. IPSAS 47 will be effective for periods beginning on or after January 1, 2026.”
- **The International Public Sector Accounting Standards Board (IPSASB) – IPSAS 48, Transfer Expenses**, issued March 21, 2023, “which provides guidance on a major area of expenditure for governments and other public sector entities. IPSAS 48 fills a gap which had previously led to ambiguity and inconsistency of accounting policies in the public sector. IPSAS 48 will be effective for periods beginning on or after January 1, 2026.”

IFR4NPO - *International Financial Reporting for Non-Profit Organisations* (www.ifr4npo.org)

- **Exposure Draft - INPAG** (International Nonprofit Accounting Guide) **Exposure Draft 1**, issued November 21, 2022. The concepts and principles from IFRS for SMEs are adapted and used as a guide for developing the context for non-profit organizations, covering the description of the NPOs and the reporting entity, the framework for INPAG concepts and pervasive principles that underpin financial reporting, financial statement presentation including the structure and scope of the financial statements, and narrative reporting of non-financial reporting requirements. The comment period ends July 19, 2023.

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

- **Green finance skills: the guide**, report published March 14, 2023, “Green financing can supply organisations with the funding needed to make the net-zero transition, but tapping that financing requires finance professionals with the appropriate skills, expertise and know-how. To help finance and investment professionals play this critical role, ACCA has taken practical steps to upskill its members. Its latest initiatives include jointly launching a Climate Finance course with CFA Institute.

This report gives voice to the views and perspectives of members and stakeholders in the ACCA community who have given their time to explore their ideas in green finance and the net-zero transition “

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

- *No new developments.*

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)

- **Guidance Eligibility for Appointment as Statutory Auditor**, issued March 17, 2023. “This guidance sets out information for auditors to assist them in applying this eligibility criteria in the performance of audit engagements and in the context of the firm’s system of quality management.”
- **Accounting for Intangibles: UK Stakeholders’ Views**, published by the UK Endorsement Board on March 22, 2023, offers a “comprehensive research project to consider how the accounting for, and reporting of, Intangible Assets could be improved to provide investors with more useful general purpose financial statements to assist them to make better informed decisions.”
- **AI, Emerging Tech and Governance**, insight report published March 23, 2023, provides information from a roundtable on AI governance, response, academics and research.
- **Our Approach to Audit Supervision**, March 31, 2023 update to 2021 documents, covers the introduction of a Public Interest Entities Auditor Registration, Supervisor letters, and Single Quality Plans.

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

- *No New Developments*

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

- *No New Developments*

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

- *No New Developments*

Americas, Asia, Australia and New Zealand (AAANZ)

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

- *No New Developments*

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

- **Accounting Standards Update (ASU) 2023-02, Investments—Equity Method and Joint Ventures (Topic 323) No. 2023-02, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method**, issued March 29, 2023, “allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits.” For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. If an entity adopts the amendments in an interim period, it shall adopt them as of the beginning of the fiscal year that includes that interim period.
- **Accounting Standards Update (ASU) 2023-01, Leases (Topic 842): Common Control Arrangements**, issued March 27, 2023, “which addresses the accounting by private companies and certain not-for-profit entities (NFPs) for common control leases and leasehold improvements associated with such leases.” The amendments in this Update for both Issue 1 and Issue 2 are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period.

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

- *No new developments*

- *No new developments*

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

- **Proposed Auditing Standard – General Responsibilities of the Auditor in Conducting an Audit and Proposed Amendments to PCAOB Standards, PCAOB Release No. 2023-001, issued March 28, 2023,** would reorganize and consolidate a group of interim standards adopted by the Board in April 2003. The proposed new auditing standard addresses the general responsibilities of the auditor, such as due professional care and professional skepticism, when conducting an audit in accordance with the standards of the PCAOB. The comment period ends May 30, 2023.

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

- *No new developments*

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

- *No new developments*

Additional A&A News

- [5 Ways ChatGPT Will Impact Corporate Finance](#)
- [The Top 11 Financial Statement Ratios](#)
- [SEC charges execs at Navy shipbuilder with accounting fraud](#)
- [ESG knowledge gap must be bridged quickly by accountants ahead of IFRS Standards](#)
- [SME accountants at risk of being left behind amid sustainability surge, cautions IFA](#)
- [Is it time for firms to transform their business model?](#)
- [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](#)
- [Accountancy Daily Corona Virus Resources](#)
- [China Briefing's Coronavirus Insights for Your Business in China](#)
- [Accountingweb](#)



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