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Audit & Accounting Alert Newsletter

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At-A-Glance

The function of the independent auditor has come a long way from the sole original role of examining a client's financial statements to provide an opinion that they are fairly presented. Nowadays, the expertise the auditor gains from the audit is employed for tax compliance as well as for advising on a variety of operational and administrative matters. This edition of the Audit & Accounting Alert highlights some of these.

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



Gerald Herter - Editor

The Role of the Auditor

From reviewing records to providing advice



As an auditor for a Big 4 (then Big 8) accounting firm for the first several years of my career, the first weeks in January were a last chance to catch my breath after yearend physical inventory observations and before the start of audit fieldwork. I recall the managing partner at a December holiday party advising auditor spouses to say farewell to their husbands and wives, since they would not be seeing much of them for the following few months.

An occupational hazard for an auditor, the “busy” season was also a great time for learning the trade, as the long hours were spent at a wide variety of businesses, observing how they operated, and assessing procedures and controls. The immediate goal of the audit, from sampling and testing the client records, was to provide assurance that the financial statements prepared from those records were fairly stated.

However, a natural side benefit from the process was that the auditor gained intimate familiarity with company operations. By considering the company’s efficiency and effectiveness when compared to the auditor’s many other clients, helpful guidance could be offered to assist the company. From the company’s standpoint, this guidance was often seen as more valuable than the audit. While the audit was required solely to satisfy lenders and investors, the information gained by the independent auditors put them in a position to help improve operations through specific suggestions for implementation.

The audit was also a jumping off point for other services. The numbers produced could be analyzed and assembled for tax implications and filing requirements as well as for planning and structuring to optimize interactions with various tax regulations and jurisdictions. Seeking funding through lender financing and stock offerings is facilitated by production of accurate and complete financial statements and supporting data. Employee benefit offerings can be planned and implemented using information from the accounting system and substantiated through the audit process as well.

A natural outgrowth of the audit process is assistance with the accounting and operational systems that keep a company running. A thorough understanding is needed in order to obtain the proper size and capacity of automated systems to assure current and future effectiveness of systems to keep up with the growth and direction of the company. The auditor’s experience with a wide variety of systems is an important attribute.

While well positioned to provide advisory services, the auditor needs to be prepared when opportunities present themselves. Supplementing audit expertise with courses and training in other aspects of organizational functions and management helps to broaden the ability to add value to the client.

Further details can be found at [The Role of Auditors in Company-Prepared Information: Present and Future.](#)

Worldwide Update



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

International

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

- **Amendments to the SASB Standards to enhance their international applicability**, issued December 19, 2023. –to help preparers apply the SASB Standards regardless of the jurisdiction in which they operate or the type of generally accepted accounting principles (GAAP) they use without substantially altering the SASB Standards’ structure or intent.

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

- **The International Auditing and Assurance Standards Board (IAASB) - Implications for IAASB Standards of the IFRS Foundation’s Recent Updates to its Trademark Guidelines Relating to Standards Issued by the IASB**, issued December 8, 2023, to help stakeholders understand how to reference IFRS Accounting Standards to follow recent updates to the IFRS Foundation’s Trade Mark Guidelines. This guidance clarifies how auditors or practitioners should refer to the IFRS Accounting Standards in their reports. The alert also describes changes that the IAASB intends to make to future editions of the IAASB handbook to address existing references to the IASs and IFRSs.

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

- *No new developments.*

IOSCO – International Organization of Securities Commissions (www.iosco.org)

- **Recommendations on Accounting for Goodwill**, issued December 15, 2023, reminds issuers of the importance that their accounting and disclosures result in a fair and transparent presentation of the financial position, performance and cash flows of the company. This means the goodwill should not be stated at an amount in excess of its recoverable amount, that impairment losses should be recognised in a timely manner, and that disclosures of significant judgements and key assumptions related to the recoverability be transparent.

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

- **Calculated risk: An introduction to finance professionals’ role in understanding risk and building resilience in the public sector**, survey report published December 12, 2023, drawing on responses from those working in a range of roles across the public sector – finance, risk, audit and service delivery – found that, for their own organisations, they were worried about funding for public services and the ability to meet the evolving demands of delivering services, as well as finding the people with the right talent and skills.

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

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

- **Audit market and competition developments: A snapshot**, FRC’s annual report on the UK audit market, though it shows a small increase in market share for challenger audit firms, the audit market remains highly concentrated.
- **Major local audits - Audit Quality Inspection**, FRC details its report published December 8, 2023, on the quality of major local audits, while highlighting its disappointment with the unacceptable delays in financial reporting and audit in the local government sector.

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)

- **ESRS (European Sustainability Reporting Standards) Implementation Guidance** - Draft **EFRAG IG 1** deals with the requirements on the materiality assessment in ESRS and Draft **EFRAG IG 2** with the value chain aspects in ESRS. Draft **EFRAG IG 3** contains the detailed ESRS datapoints as a Microsoft Excel workbook with an accompanying explanatory note. Comment period ends February 2, 2024.

Americas, Asia, Australia and New Zealand (AAANZ)

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

- *No new developments*

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

- **Exposure Draft - Chapter 6 of FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting**, a proposed new chapter related to the measurement of items recognized in financial statements. Comments Due: March 20, 2024.
- **Exposure Draft - Debt with Conversion and Other Options; Induced Conversions of Convertible Debt Instruments**, Proposed Accounting Standards Update Issued December 19, 2023, to improve the application and relevance of the induced conversion guidance. Comments Due: March 18, 2024
- **Income Taxes - Improvements to Income Tax Disclosures** ASU 2023-09, issued December 13, 2023, The amendments in this Update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income [or loss] by the applicable statutory income tax rate). For entities other than public business entities, the amendments in this Update require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments in this Update require that all entities disclose a number of other things.

For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025.

Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance.

- **Accounting for and Disclosure of Crypto Assets** ASU 2023-08, issued December 12, 2023.
 - The amendments in this Update apply to assets that meet all of the following criteria:
 1. Meet the definition of intangible assets as defined in the Codification
 2. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
 3. Are created or reside on a distributed ledger based on blockchain or similar technology
 4. Are secured through cryptography
 5. Are fungible
 6. Are not created or issued by the reporting entity or its related parties.
 - An entity is required to subsequently measure assets that meet those criteria at fair value with changes recognized in net income each reporting period. The amendments in this Update also require that an entity present (1) crypto assets measured at fair value separately from other intangible assets in the balance sheet and (2) changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement (or statement of activities for not-for-profit entities). While the amendments in this Update do not otherwise change the presentation requirements for the statement of cash flows, the amendments require specific presentation of cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business (or as a contribution, in the case of a not-for-profit entity) and are converted nearly immediately into cash.
 - The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance).

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

- *No new developments*

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)

- *No new developments*

Additional A&A News

- [3 Ways to Optimize the Cost of Financial Reporting: Metric of the Month](#)
- [2024, the year gen AI rockets to wide use for investment accounting teams](#)
- [Employees – “unsure” of company ethics guidelines for AI](#)
- [Using technology to boost audit quality](#)
- [How Web3 and AI Will Transform Finance](#)
- [What accountants need to know about R&D expensing changes](#)



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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