



Entrust your reporting matters to us



IFRS & AUDIT Newsletter

Q3 2021

ABOUT US

Zampa Debattista was founded in 2014 by Matthew Zampa and John Debattista.

Before kicking off their own venture, the partners had accumulated over a decade of experience in accounting and assurance, developing a specialisation – respectively – in Indirect Taxation and Financial Reporting.

Since then, Zampa Debattista has grown to a 360-degree business advisory also covering areas such as Direct Taxation and Assurance.

In 2019, the company launched ZD Academy, an innovative platform offering highly technical courses for accountants and auditors.

Today, Zampa Debattista unites more than 55+ highly trained and dedicated professionals.

As a mid-size company, it offers a comprehensive range of services while maintaining its original, small firm's personal approach.

**We aim to raise the profession with
*Integrity, Honour and Passion***

THE PARTNERS



John Debattista
Founding Partner

John Debattista is a Certified Public Accountant and Registered Auditor. Prior to Zampa Debattista, John occupied the post of audit manager in a medium sized audit firm where he developed a specialisation in the financial services industry and remote gaming sector.

John is one of the founding partners at Zampa Debattista and heads the Assurance function of the office. He is the IFRS leader and acts as an advisor on highly technical IFRS issues. John lectured at the final stages of the ACCA, namely the Corporate Reporting paper. John also lectured the ACA course for the ICAEW, Institute Chartered of Accountants for England and Wales, namely the Corporate Reporting paper. John is also a speaker in various audit and accounting seminars delivered by a number of institutes in Malta. He also lectured the Diploma in IFRS provided by the Malta Institute of Accountants (DiplIFR).

John has also worked abroad on a number of assignments which mainly relate to gaming and financial services



Matthew Zampa
Founding Partner

Matthew is a certified public accountant specialised in indirect taxation. He has been specializing in VAT since 2008 and has been involved in complex VAT assignments both within and outside of Malta.

Matthew, a member of the Malta Institute of Accountants, is also a part-time lecturer with the Malta Institute of Taxation.

Matthew Zampa is also the first Maltese to successfully complete the Expert in EU VAT degree. This coveted degree is administered and awarded by the VAT Forum, an international partnership of indirect tax specialists, founded in 1999.

Matthew forms part of Malta Institute of Accountants tax committee and is a member of the indirect taxation committee of the Malta Institute of Taxation.



Kris Bartolo
Partner

Kris is a Certified Public Accountant and Registered Auditor specialising in financial reporting.

Following the completion of the Bachelor of Accountancy (Honours) Degree at the University of Malta, Kris gained considerable audit practice experience in a medium-sized audit and accountancy firm. He joined Zampa Debattista at the early stages of the firm, in 2014, initially focusing on the management of audit and assurance assignments of local and international clients, operating in various sectors, including wealth management, remote gaming, shipping, manufacturing and retail as well as pension funds. Over the years, his work experience evolved and also covered company valuations, management reporting, and advice assignments relating to the implementation of IFRS requirements, including those surrounding financial statement disclosures.

After serving within the senior management structures of Zampa Debattista, in 2021, Kris was appointed Partner to continue contributing towards the success of the profession and the firm. Kris is a representative on the MIA young members Group and is also a visiting lecturer of audit and assurance and financial reporting at various educational bodies in Malta.

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Reduced Disclosure Requirements for Subsidiaries

During Q3, the IASB proposed a new standard permitting eligible subsidiaries to apply IFRS standards with reduced disclosure requirements. Effectively, this will make disclosure requirements for subsidiaries less onerous. In fact, subsidiaries will be able to apply IFRS (with the benefit of having to prepare and present less disclosures), and thus avoid the necessity to convert their financial statements from another framework to the parent's framework (like GAPSME to IFRS) upon consolidation.

Eligible subsidiaries include those subsidiaries that are controlled by parent companies that consolidate under IFRS. Subsidiaries that are financial institutions or listed companies are not expected to be eligible. One still needs to see whether this standard will be implemented, and, of relevance to local preparers, how it will be transposed into current Maltese legislation.

In the meantime, the exposure draft 'Subsidiaries Without Public Accountability: Disclosures' is accessible. Comments may be submitted by 31 January 2022. Given the clear benefit of subsidiaries saving time and money, the likelihood of favourable feedback in relation to this standard is high.

An Innovative Approach For IFRS Disclosures: Extended Deadline For Submitting Comments

The IASB is considering a new approach for IFRS disclosures. This is because information included in the notes to the financial statements is sometimes too irrelevant and too ineffective. This 'new approach' will enable more use of effective materiality judgement and ultimately, provide investors with more useful disclosures.

This new approach will address investors' information needs, give greater prominence to the objective of disclosure requirements (requiring companies to apply their judgement and tailor the disclosures to investor needs) and to minimise the requirements to disclose particular items of information. Rather, companies will be focusing on disclosing material information only.

The new approach is draft guidance that the IASB will use when developing disclosure requirements in individual standards. For the time being, this new approach is being tested by using two IFRS Standards, namely IFRS 13 'Fair Value Measurement' and IAS 19 'Employee Benefits'. In this respect, the deadline for the comment period has been extended to 12 January 2022.



Latest: IFRS Foundation Announces International Sustainability Standards Board (ISSB)

The IFRS Foundation announced three significant developments to provide the global financial markets with high-quality disclosures on climate and other sustainability issues at the recent COP26:

- i. A new Board (ISSB) will be formed to develop a harmonised, high-quality, understandable set of sustainability disclosure standards to meet investors' information needs.
- ii. A commitment by leading investor-focused sustainability disclosure organisations to consolidate into the new board. The IFRS Foundation will complete consolidation of the Climate Disclosure Standards Board (CDSB—an initiative of CDP) and the Value Reporting Foundation (VRF—which houses the Integrated Reporting Framework and the SASB Standards) by June 2022;
- iii. The publication of prototype climate and general disclosure requirements developed by the Technical Readiness Working Group (TRWG), a group formed by the IFRS Foundation Trustees to undertake preparatory work for the ISSB. These prototypes are the result of six months of joint work by representatives of the CDSB, the International Accounting Standards Board (IASB), the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), the VRF and the World Economic Forum (Forum), supported by the International Organization of Securities Commissions (IOSCO) and its Technical Expert Group of securities regulators. The TRWG has consolidated key aspects of these organisations' content into an enhanced, unified set of recommendations for consideration by the ISSB.

These developments have led to a revised IFRS Constitution. They are also expected to lay the groundwork for a global sustainability standard-setter for the financial markets.

The ISSB will sit alongside the IASB. Both boards are expected to cooperate with each other, ensuring compatibility between both sets of standards, that is, the IFRS Accounting Standards and the IFRS Sustainability Disclosure Standards.

It also deserves mention though that, in parallel, at EU level, European sustainability reporting standards are being developed by EFRAG (European Financial Reporting Advisory Group).

The EU has been working on this for several years. The European Commission (EC) proposed a Corporate Sustainability Reporting Directive (CSRD) to supersede the Non-Financial Reporting Directive (NFRD).

The CSRD is imposing the use of these standards across the EU. These will be adopted by the EC by 31 October 2022.

More specifically, at EFRAG, there will be a Technical Expert Group that will draft sustainability reporting standards. These will be approved by the EFRAG Sustainability Reporting Board.

It should reasonably be expected that ultimately, the standards at both the international and the EU level shall be harmonised, since the climate issue is global and therefore requires an internationally harmonised solution.

First-time implementation guide for ISQM 1 (Updated and reissued)

<https://www.iasplus.com/en-ca/news/assurance/2021/first-time-implementation-guide-for-isqm-1-updated-and-reissued>

<https://www.iasplus.com/en-ca/news/assurance/2021/first-time-implementation-guide-for-isqm-1-updated-and-reissued>

<https://www.iaasb.org/publications/isqm-1-first-time-implementation-guide>

On 28 September 2020, the International Auditing and Assurance Standards Board (IAASB) released an updated version of the "First-time Implementation Guide for International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which was previously issued on 14 June 2021.

Such update was issued in response to questions the IAASB were receiving with regards to the illustrative table on page 89 of the original guide illustrating some scenarios relating to the evaluation of the firm's system of quality management and related possible conclusions in accordance with paragraph 54 of ISQM 1. There appeared to be unclear conclusions to how such table should be illustrated, as it was not intended to be definitive on the conclusions reached in each circumstance.

Given the numerous questions from multiple sources, the following revisions were made to provide clearer instructions when evaluating the system of quality management:

1. The section "How the Evaluation is Undertaken, Including What Information is Considered" (pages 89–92) was revised.
2. Limited conforming changes were made to the section "Evaluate the Remedial Actions, and if Necessary, Take Further Action" (page 79).

The revised standards "suite of quality management standards" will come into effect on 15 December 2022 and accordingly, firms are required to have systems set-up in accordance with these standards by the same date.

Proposed new EU rules on sustainability reporting and assurance

The Non-Financial Reporting Directive (NFRD) consists of rules on disclosure of non-financial information to be disclosed by certain large companies. These existing reporting requirements of the NFRD will be amended through the Corporate Sustainability Reporting Directive (CSRD) which was proposed on 21 April 2021. The proposed CSRD brings about the amendment of several EU laws, including the Accounting Directive, Transparency Directive and Audit Directive, with the aim to over time “bring sustainability reporting on a par with financial reporting”.

The proposal:

- extends the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises)
- requires the audit (assurance) of reported information
- introduces more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards
- requires companies to digitally ‘tag’ the reported information, so it is machine readable and feeds into the European single access point envisaged in the capital markets union action plan

SMEs not listed on EU regulated markets are exempt from the requirements, however the Commission proposes proportionate standards for SMEs to be applied on a voluntary basis.

New disclosure requirements

The CSRD proposes that the following should be mandatorily disclosed:

- Business model and strategy, including plans and implementation
- Sustainability targets, and progress towards achieving them
- Role of the boards
- Policies in relation to sustainability factors
- Due diligence processes for own operations and supply chain
- Principal risks and dependencies
- Indicators relevant for measuring the above
- Intangibles, including intellectual, human, social and relationship capital
- Process carried out to identify the information disclosed.

Both qualitative and quantitative factors of the above points should be disclosed, also providing retrospective and forward-looking information for the short, medium and long-term.

The proposals aim to give a clear indication of the necessary information to be reported for users to understand how sustainability factors impact them and to also understand their impact on society and the environment. This is done while maintaining the ‘double-materiality approach’.



Sustainability information is to be published as part of the management report. It must be understandable, relevant, a faithful representation, verifiable and comparable. The following three key subject matters are proposed:

- Environmental factors, including climate change mitigation, climate change adaptation, water and marine resources, resource use and circular economy, pollution, biodiversity and ecosystems.
- Social factors, including equal opportunities and access to the labour market, working conditions and human rights.

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- Governance factors, including the role of management and board, business ethics and corporate culture, political engagements, relationships with business partners, internal control and risk management systems.

The legislative proposals are subject to scrutiny by the European Parliament and the Council. After the necessary amendments are done, the final legal text will be adopted, potentially during the first half of 2022. If the first set of standards is adopted by the end of 2022, the new requirements would start to apply in part for the financial year 2023 while full disclosures would then be required from January 2026.

Sources:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

<https://www.icaew.com/insights/viewpoints-on-the-news/2021/april-2021/proposed-new-eu-rules-on-sustainability-reporting-and-assurance-whats-covered>



DISCLAIMER

While every effort was made to ensure that the contents of this newsletter are accurate and reflect the current position at law and in practice, we do not accept any responsibility for any damage which may result from a change in the law or from a different interpretation or application of the local law by the authorities or the local courts.

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