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IFRS & AUDIT Newsletter

Q4 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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Sustainability Developments

The IFRS Foundation has announced three significant developments to provide the global financial markets with high-quality disclosures in relation to sustainability:

1. The formation of a board to develop sustainability disclosure standards to meet investors' information needs.
2. A commitment to consolidate the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF) by June 2022. The CDSB is an international consortium of business and environmental NGOs, committed to advance and align the global mainstream corporate reporting model to equate natural capital with financial capital. The VRF is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value – how it is created, preserved and eroded.
3. Prototype climate and general disclosure requirements developed by the Technical Readiness Working Group (TRWG) shall be published. This group has been formed by the IFRS Foundation Trustees to carry out preparation work for the International Sustainability Standards Board (ISSB).

All of the above will create a solid foundation in order to have a global sustainability disclosure standard-setter for the financial markets.

The International Accounting Standards Board (IASB) and the ISSB will cooperate closely. However, they will be two separate, independent boards. The standards will complement each other to provide comprehensive information to investors and providers of capital.

The latest developments on the environmental front are leading to investors and providers of capital that require global sustainability disclosure standards that meet their information needs.

The ISSB will develop IFRS Sustainability Disclosure Standards. These will include disclosures that address the impact that companies have on sustainability matters. These will have an impact on the perceived value of the enterprise.

It is also important to mention that the standards will be compatible with the EU's planned Corporate Sustainability Reporting Directive (CSRD), and other similar continental initiatives.



Proposal Of Narrow-Scope Amendment To IAS 1

The IASB proposed an improvement in information provided about long-term debt.

IAS 1 already improves specific provisions about whether to classify liabilities as current or non-current. There are instances where this classification depends on companies complying with agreement clauses after the reporting date. For instance, a non-current liability may become current if a company breaches the loan agreement terms after the reporting date.

The proposed amendment is that in this kind of circumstance, the company would not change the classification from non-current to current. Instead, the company would:

- Present non-current liabilities that are subject to covenants separately from other non-current liabilities on the face of the balance sheet.
- Disclose information about the covenants in the notes, including their nature and whether the company would have complied with them based on the circumstances at the reporting date.

The objective of this improvement is to improve the information being provided in relation to non-current liabilities. Investors shall thus be in a position to assess whether such liabilities could become repayable within 12 months.

This proposal is open for comment until 21 March 2022.

Proposal To Enhance Transparency Of Supplier Finance Arrangements

The IASB is proposing to oblige companies to disclose information that enables investors to assess the impact of supplier finance arrangements on liabilities and cash flows.

The standards impacted would be IAS 7 'Statement Of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures'.



Audits of less complex entities consultation: supplemental guidance on auditor reporting & mapping documents published

During the last quarter of 2021, the IAASB has issued two new documents in relation to its open consultation on the audits of less complex entities:

1. Supplemental guidance on auditor reporting intended to provide guidance on modifications and other changes to the auditor's report when using the proposed standard; and
2. 'Mapping' documents to help users reconcile the requirements of existing International Standards on Auditing and the requirements in the new International Standard on Auditing for Less Complex Entities.

Feedback is being encouraged by all stakeholders by end of January 2022.

<https://www.iaasb.org/news-events/2021-09/audits-less-complex-entities-consultation-supplemental-guidance-auditor-reporting-mapping-documents>

First-time implementation guide for ISQM 1 updated and reissued

ISQM 1 is a new 'quality management' standard, which is effective from 15 December 2022, and will be replacing ISQC 1.

In response to the questions raised by the stakeholders, the IAASB has released an updated version of the First-time Implementation Guide for ISQM 1, which was previously issued on 14 June 2021, as to enhance the standard in terms of:

- The illustrative table relating to the evaluation of the firm's system of quality management and related possible conclusions (page 89),
- The section relating to "How the Evaluation is Undertaken, Including What Information is Considered" (pages 89–92), and
- The section "Evaluate the Remedial Actions, and if Necessary, Take Further Action" (page 79).

<https://www.iaasb.org/news-events/2021-09/first-time-implementation-guide-isqm-1-updated-and-reissued>

The demand for assurance engagements on sustainability and ESG reporting is high

The demand for disclosures with regards to ESG (environmental, social and governance) is growing and thus so does the need for delivering assurance on them. The IAASB will dedicate resources towards consultations starting from January 2022. These consultations could lead to:

- The development of a new standard on the subject matter itself,
- Enhancement of key areas in ISAE 3000 (Revised), and
- Other actions which are deemed necessary in the interest of the public, such as revising existing guidance or developing new guidance.

<https://www.iaasb.org/news-events/2021-12/demand-assurance-engagements-sustainability-and-esg-reporting-high-here-how-iaasb-responding>

ISA 315 (Revised 2019): Identifying and Assessing The Risks Of Material Misstatement

ISA 315, has been significantly re-written to include a more elaborate and consistent framework for risk identification and assessment.

The revisions made to the standard include:

- Five new inherent risk factors to consider (subjectivity, complexity, uncertainty, change, susceptibility to misstatement due to bias or fraud),
- The risk assessment needs to be evidence-based, and
- Tackling of general and IT controls relevant to the audit.

This is effective for periods commencing on 15 December 2021.

<https://www.iaasb.org/publications/isa-315-revised-2019-identifying-and-assessing-risks-material-misstatement>



Other Audit Developments – IAASB Q4 2021 Board meeting

Group Audits – ISA 600 (Revised)

The Board unanimously approved ISA 600 (Revised) as a final standard and is effective as from 15 December 2023. The standard will be released after confirmation that due process was carried out from the Public Interest Oversight Board (PIOB).

Workplan 2022 – 2023

In said meeting, the IAASB's Work Plan 2022–2023 was approved. The Work Plan focuses on projects which are underway in 2022 and should be largely completed by the end of 2023. Among others, the new projects will be relating to sustainability and environmental social and governance (ESG) reporting.

ISA 240 – The Auditor's Responsibilities Relating to Fraud in An Audit of Financial Statement

The project for revision of ISA 240 and the consequential conforming amendments to other relevant ISAs was approved. The project will aim at enabling consistent and improved auditor behavior, specifically by, clarifying the auditor's responsibilities and enhancing the required auditor's procedures and reporting on fraud. The revision will also focus on enhancing auditor responsibilities in terms of the procedures required and reporting on fraud, risk identification and assessment, and transparency.

<https://www.ifac.org/system/files/meetings/files/IAASB-December-2021-Meeting-Highlights-Final.pdf>

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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