



THE IFRS MASTERCLASS

Day 3 Wednesday 21st July 2021

Session 3: Future developments and regulatory implications on financial reporting

Presented by: Geoffrey Injeni

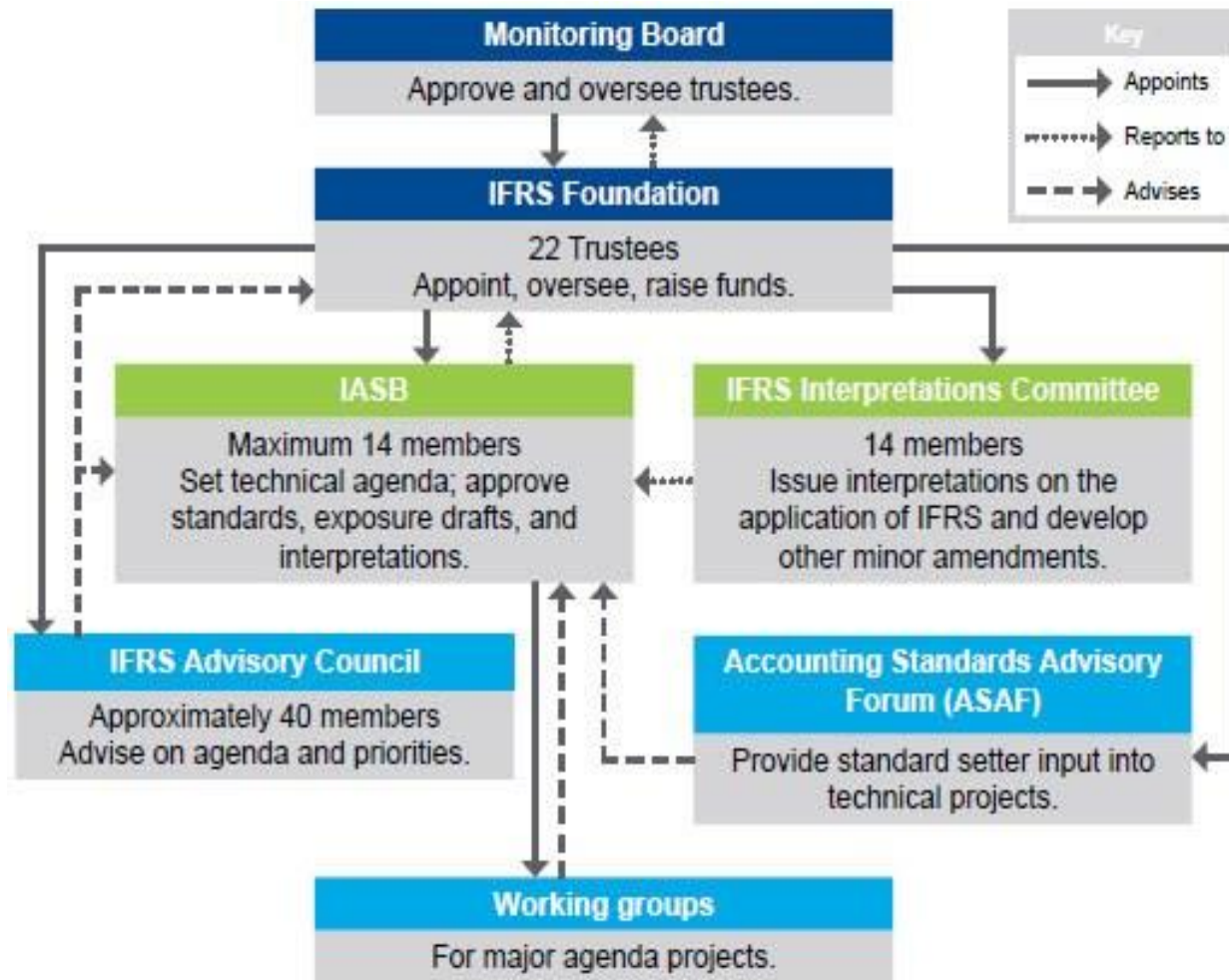
(Faculty & Consultant in Accounting and Finance – Strathmore Business School)

CONTENT



1. Future development in standards setting and financial reporting
2. Regulatory implications on financial reporting
3. Technological impact on financial reporting

1. Standard Setting – Current Situation



Monitoring Board (IOSCO, EC, SEC and Basel) – encourage adoption of IFRS and appointment of Trustees

IFRS Foundation– 6 (Americas, Europe, Asia/Oceania) 1 Africa and 3 others. Appointments and Financing

IASB: Under the IFRS Foundation Constitution, the IASB has complete responsibility for all technical matters of the IFRS Foundation including:

1. Full discretion in developing and pursuing its technical agenda, subject to certain consultation requirements with the Trustees and the public
2. The preparation and issuing of IFRSs (other than Interpretations) and exposure drafts, following the due process stipulated in the Constitution the approval and
3. Issuing of Interpretations developed by the IFRS Interpretations Committee.

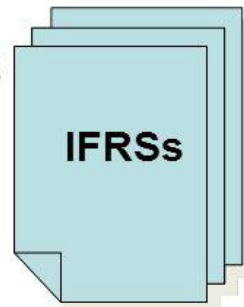
Vision: A world class Professional Accountancy Institute.

1. Standard Setting Due Process –Current Situation



Standard – setting due process

1. Setting the agenda
2. Project planning
3. Development and publication of a discussion paper
4. Development and publication of an exposure draft
5. Development and publication of an IFRS
6. Procedures after an IFRS is issued



19

Current Agenda:

- Economic Benefits from use of a Windfarm (IFRS 16)
-16th August
TLTRO Transactions (IFRS 9 and 20) – 16th Aug

<https://www.ifrs.org/projects/work-plan/>

Exposure Drafts:

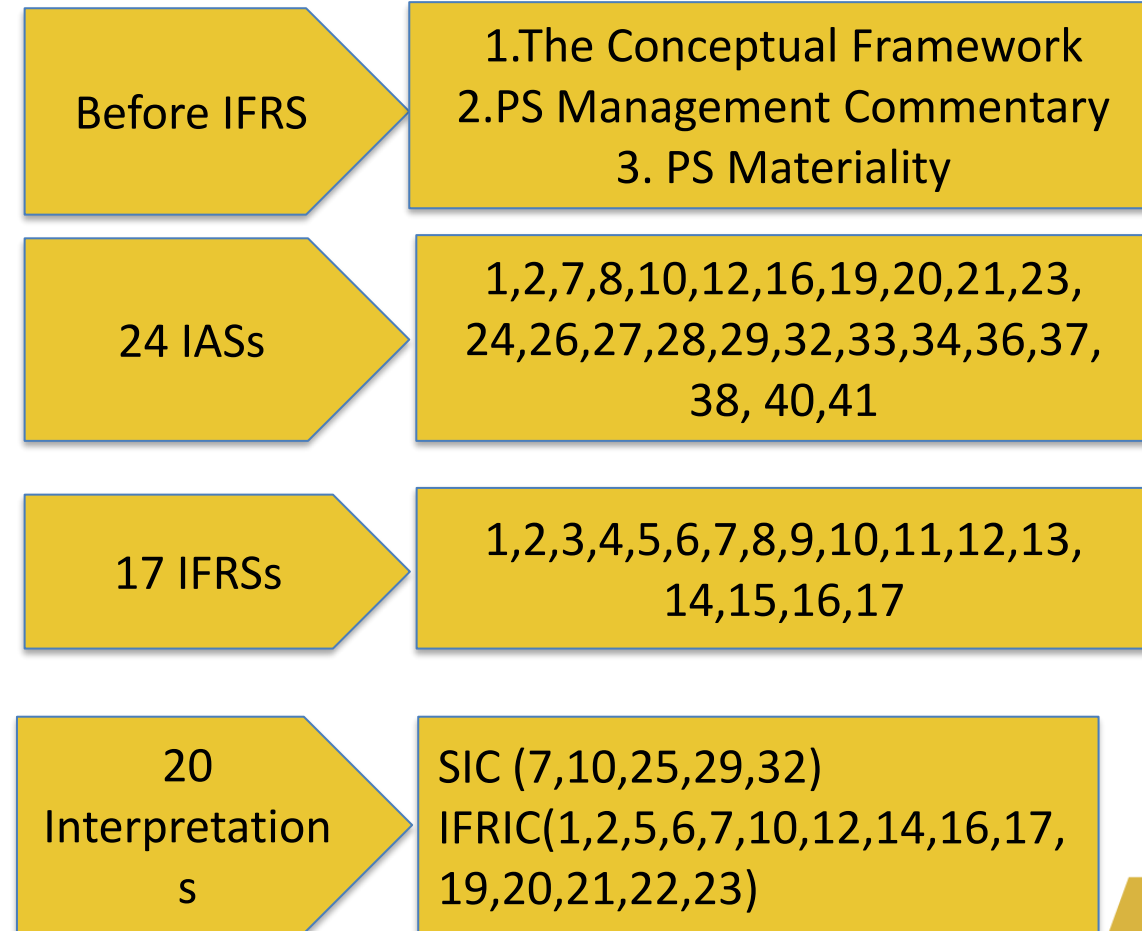
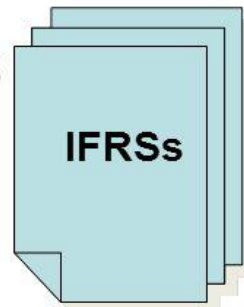
1. Amendments to IFRS Constitution to Accommodate an IISB to Set IFRS SS
2. Regulatory Assets and Regulatory Liabilities
3. Disclosure requirements in IFRS – A pilot approach
4. Management Commentary

1. Standard Setting Due Process – Current Situation



Standard – setting due process

1. Setting the agenda
2. Project planning
3. Development and publication of a discussion paper
4. Development and publication of an exposure draft
5. Development and publication of an IFRS
6. Procedures after an IFRS is issued

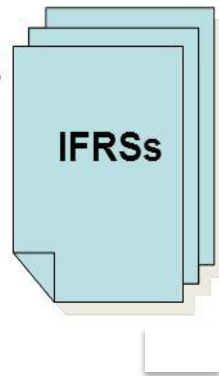


1. Standard Setting Due Process – Possible Future



Standard – setting due process

1. Setting the agenda
2. Project planning
3. Development and publication of a discussion paper
4. Development and publication of an exposure draft
5. Development and publication of an IFRS
6. Procedures after an IFRS is issued



Changes to Structures & Standard Setting Process for IFRS

1. No clear changes to structures, but possible to expand to include as many stakeholders as possible or fewer committees to reduce overlaps in the roles or merge some committees.
2. IFRS Board is guided by the principles of **more transparency, full and fair consultation and accountability.**
3. Updates and reviews of IFRSs more frequent

2. Regulation – Current Regulation of IFRS in Kenya



Compliance/ reports	Companies Act (1978)	Companies Act (2015)	Banking Act and Prudential guidelines	Insurance Act and Prudential guidelines
Scope	All companies in Kenya	All companies in Kenya	Only banks (both listed and unlisted)	Only Insurance companies (both listed and unlisted)
IFRS compliance	Not required but instead the sixth schedule of the Act provides formats for the Accounts	Accounts should be prepared in accordance with Accounting Standards recommended by ICPAK s.620 (4).	Not clear whether banks are expected to comply with IFRSs. However, the prudential guidelines provide format of financial statements for banks	Insurance companies are expected to comply with IFRS as per Section 54 Part VI of the Insurance Act

2. Regulation – Current Regulation of IFRS in Kenya



Regulator	ICPAK	ICPSK	CMA	NSE	CBK	IRA
Regulates whom?	Accountants, both practicing and non-practicing	Professional Secretaries who serve as secretaries for all companies in Kenya	All listed companies in Kenya, NSE, CDSC, and other players like fund managers and investment advisors	All listed companies	All banks both listed and unlisted	Insurance companies both listed and unlisted
Requires compliance with IFRS?	Yes, requires all practicing accountants to ensure financial reports comply with IFRSs	No	Yes	Listing requirement No. 3 requires listed companies to comply with IFRSs	Yes: requires compliance with IFRSs	Requires compliance with IFRSs through the Insurance Act

Vision: A world class Professional Accountancy Institute.

2. Regulation – Future of regulation & Reporting



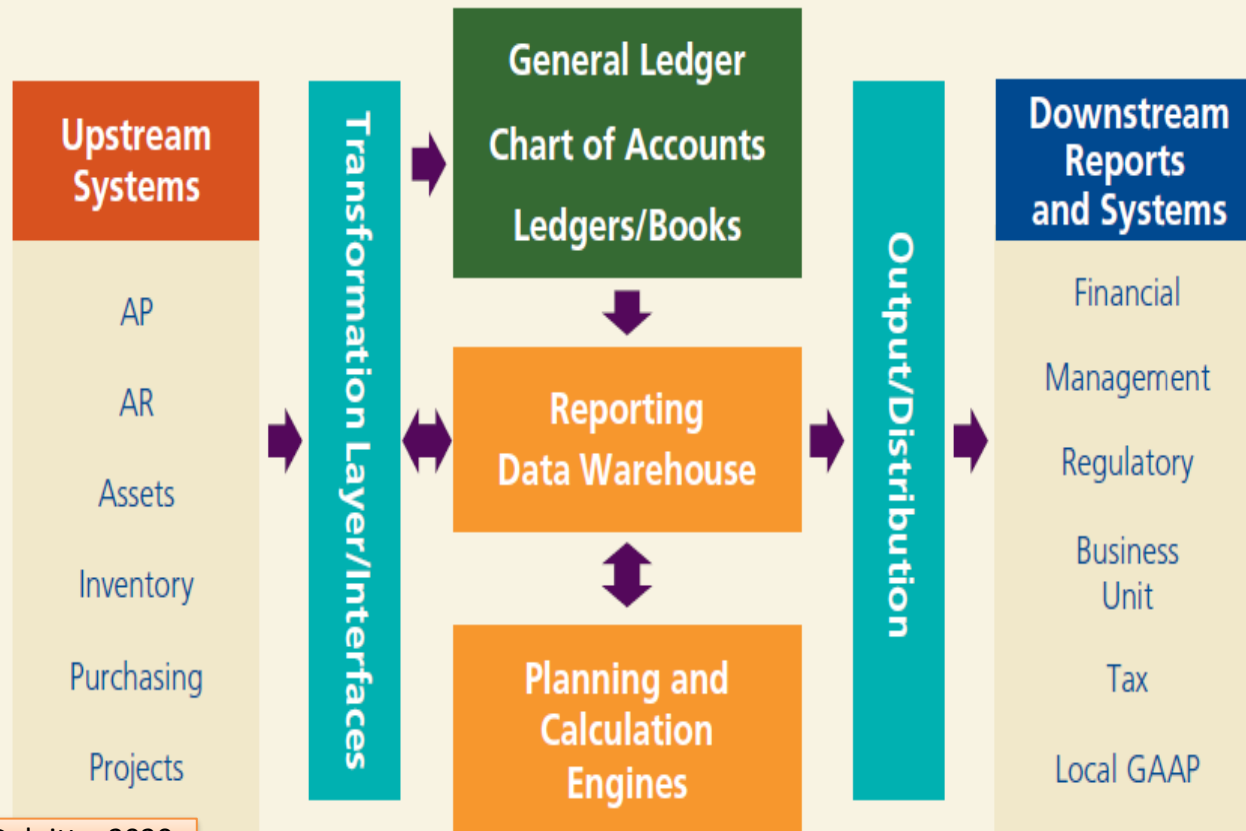
The Laws	Regulators	Financial Reporting
<p>Changing laws in many countries is not easy, even more difficult in emerging markets like Kenya. However, given the push to improve Financial Reporting it is expected that stakeholders will look to:</p> <ol style="list-style-type: none">Amend existing laws to provide for IFRS adoption across many organizationsHarmonize the laws to reduce multiple reporting requirements	<p>Professional bodies are still expected to maintain a tough stance on their roles and remain relevant. However, as the future of reporting is global it is expected that both local and international bodies, regulators and stakeholders will need to:</p> <ol style="list-style-type: none">Redefine their roles to ensure there is more effort to support IFRS adoptionTo harmonize regulation to minimize overlaps in enforcing compliance.Continue collaborations form the benefit of users and other stakeholders.	<ol style="list-style-type: none">Overcome Challenges to IFRS adoption.G20 and major economies like US to put their weight in IFRS, IASB = Global but work with local regulatorsMore post implementation reviews and monitoring supplemented with research.IFRS will no longer be standalone = ESG, Integrated Reporting, SustainabilityMore reliance on technology, multiple reporting channels, use of data analytics so that organizations see value of IFRS, more customized IFRSs e.g. SMEs and more sector-specific standards.Declutter Financial Reporting

Vision: A world class Professional Accountancy Institute.

3. Technology & IFRS - Current



Illustrative Systems Architecture



- **Upstream Systems:** Financial subledgers (transactional systems), financial instrument/investment valuation systems, product specific systems and interfaces that post financial transactions.
- **General Ledger:** Chart of accounts and policies and procedures related to these.
- **Reporting Data Warehouses/Data Marts:** Consolidation and/or allocation tools and engines.
- **Downstream:** Reporting solutions outside of IFRS reporting, including compliance solutions and statutory reporting systems.
- **Infrastructure:** Support applications such as rules engines, allocation engines, middleware, and operational data stores that affect or transact financial information.

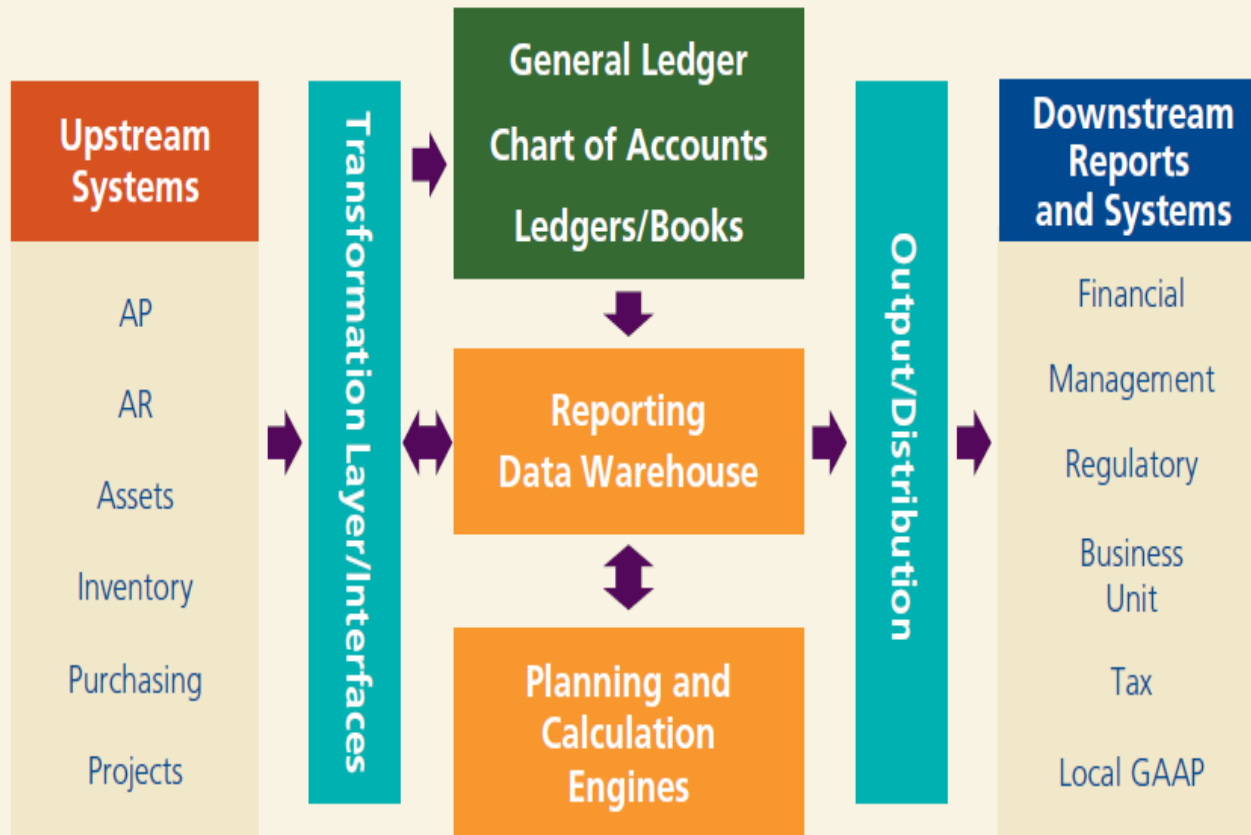
Deloitte, 2020

Vision: A world class Professional Accountancy Institute.

3. Technology & IFRS - Future



Illustrative Systems Architecture



Upstream Systems: Identify and document all internal and external data sources that must be updated. Identify missing data due to changes in accounting treatment with revisions in IFRS.

General Ledger: Assess high-level changes to charts of accounts based upon differences between old IFRS and revised IFRS. Analyze the reconciliation process between subledgers and the general ledger. Assess accounting, reporting, close consolidation, and reconciliation processes, journal entries and other templates, existing expense allocation methods and engines (algorithms) to determine whether rules need to be adjusted.

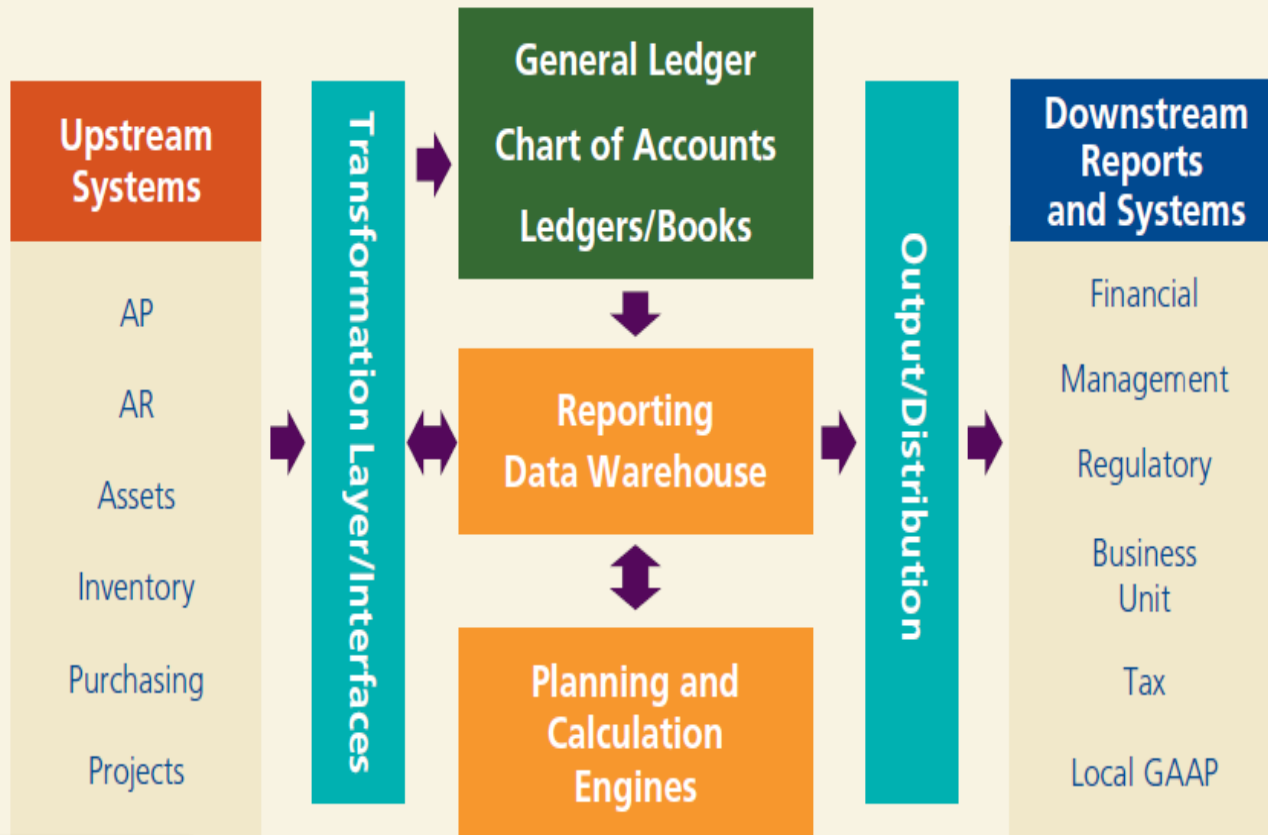
Deloitte, 2020

Vision: A world class Professional Accountancy Institute.

3. Technology & IFRS - Future



Illustrative Systems Architecture



Reporting Data Warehouses: Identify changes in financial information requirements due to IFRS revisions and assess current financial reporting capabilities. Assess impacts to existing information management systems, readiness of data governance functions and metadata repositories to be updated to reflect new data definitions.

Downstream Reporting: Evaluate external reporting templates to identify changes required to support increased/new disclosures. Identify information sets that would be needed to meet current and new IFRS reporting and disclosure requirements. Assess the business intelligence environment's readiness for identified IFRS changes.

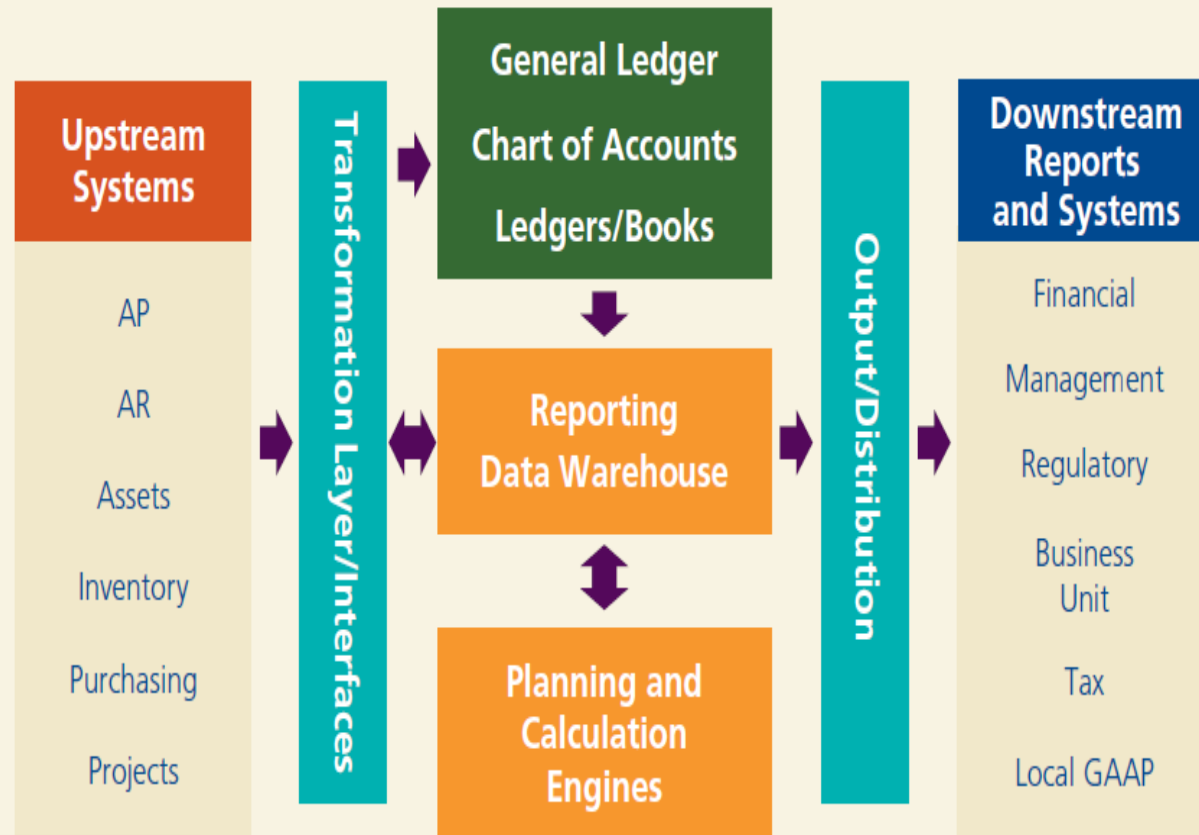
Deloitte, 2020

Vision: A world class Professional Accountancy Institute.

3. Technology & IFRS - Future



Illustrative Systems Architecture



Infrastructure: Assess impacts to middleware, rules and allocation engines, including capacity to maintain additional transaction detail. Understand how technology outsourcing arrangements and systems maybe be impacted. Other factors include:

1. Use of spreadsheets and other manual activities as a solution to IFRS reporting maybe problematic.
2. Accounting and other personnel will be required to know current and be up to date with changes in IFRS.
3. Existing plans to implement or upgrade IT systems will have to consider the effects of IFRS, creating a strategic opportunity to improve the information technologies (data analytics), financial reporting functions and controls.

Deloitte, 2020

Vision: A world class Professional Accountancy Institute.