



PART 2: EMERGING ISSUES ON ETHICS, AUDIT RISKS AND REPORTING

Uphold public interest

1. INTRODUCTION ON ETHIC ,AUDIT RISK AND REPORTING



ETHICS

Standards that address ethical requirements

1. ISA 200 (Ref: Para. 14) Ethical Requirements Relating to an Audit of Financial Statements -The auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements
2. Part A of the IESBA Code establishes the fundamental principles of professional ethics relevant to the auditor when conducting an audit of financial statements and provides a conceptual framework for applying those principles.
3. ISQC 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence.
4. ISA 220 recognizes that the engagement team is entitled to rely on a firm's system of quality control in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement,



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2. The launch of anti- money Laundering guide for accountants in Kenya in 2020



The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), 2009 and its regulation (the proceeds of crime and anti-money laundering Regulations, 2013) makes it mandatory for reporting institutions to report any transaction related to money laundering to the Financial Reporting Centre. The mandatory reporting prescribed in POCAMLA is designed to assist in the detection and prevention of money laundering activities, as well as to facilitate the investigation and prosecution of money laundering offences.

The guideline was issued to grants the Financial Reporting Centre (FRC) authority to delegate powers to a supervisory body to issue instructions, directions, and guidelines or rules regarding the application of the Act to reporting institutions regulated or supervised by the supervisory body.

4. IFRS 9 & IFRS 16



IFRS 9	IFRS 16
<ul style="list-style-type: none">• The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.• An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf	<p>IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases.</p> <ul style="list-style-type: none">• The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.• Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

5. Whistleblower activity.



Issue:

- The number of matters a Company investigates has increased, partially as a result of increased whistleblower and other “hotline” activity.

Auditors’ role.

- Ensuring protection of an entity’s whistleblowers.

Implication

- Understanding of the role and responsibilities of the auditor and how they are impacted by the company’s process in relation to whistleblowing.

6. Economic developments



Issue:

Recent developments in economy such as increased fuel prices, increase in inflation prices/interest rates etc.

Economic developments

Auditors' role.

The auditor may need to consider the impact on its risk assessment.

Implications.

Disclosures by the auditors e.g., on risk factors, subsequent events, etc.

7. Use of Technology



Use of technology

- Audit firms and preparers are making significant investments in technology, specifically, regarding the use of data
- These investments have the potential to enhance quality, provide additional insights and enhance the experience of staff.
- The audit firms may need to consider changes to its audit methodology and policies around how it handles client data.

Implication

a,. How do firm's use technology to:

- Enhance the audit process
- Sustain and enhance the quality of audits
- Leverage the investments made by companies

b. Ensure that auditing standards evolve as necessary to support expanded use of data auditing methods.

c. Auditor's consideration of a client's use of technology.

10. Other emerging issues



Cybersecurity

- Cybersecurity is an important business issue and, given the rise in high profile and high impact data breaches, it is receiving an increasing amount of attention by those in the business community
- It is no longer viewed as just an "IT" issue. Rather, it is being treated as a broader business issue
- The auditor currently has certain responsibilities with respect to ICFR, accounts and disclosures that may be impacted. The responsibilities include providing a reasonable assurance that corporate records are not intentionally or unintentionally misstated.

Implications:

- Risk assessment
- Scope of the audit
- Aligning expectations of company/audit committees/investors
- Accounting/audit responses in the event of a breach
- Disclosures (risk factors, breach, etc.)

Audit considerations resulting from mandatory audit firm rotation in the EU.



Audit considerations resulting from mandatory audit firm rotation in the EU.

- New rules in the EU requiring the mandatory rotation of audit firms will start impacting certain companies.
- Foreign private issuers in the EU will be impacted by these rules. In advance of that, many large issuers have already rotated auditors
- Similar rules are being enacted or considered in various other jurisdictions e.g. in Kenya,
- This is also expected to have an impact on certain US subsidiaries (and the related audits)

Some of the amendments to the reporting standards



Amendment	Effective dates
1. Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	Annual reporting periods beginning on or after 1 April 2021
2. Definition of Accounting Estimates (Amendments to IAS 8)	Annual reporting periods beginning on or after 1 January 2023
3. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Annual reporting periods beginning on or after 1 January 2023
4. Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual reporting periods beginning on or after 1 January 2021
5. Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Annual reporting periods beginning on or after 1 June 2020
6. Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual reporting periods beginning on or after 1 January 202
7. Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Annual reporting periods beginning on or after 1 January 2020



THANK YOU