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Premier Brains
Accounting and Auditing

AUDIT & ASSURANCE NEWSLETTER

IN THIS EDITION

New pronouncements issued as of 30 September 2021

- IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform – Phase 2 –
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – 15
- Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- Improvements to International Financial Reporting Standards

Business Valuation Standards issued by ICAI

Recently, Institute of Chartered Accountants of India (ICAI) has issued ICAI Valuation Standards 2018 as a benchmark for Valuation Practices applicable for Chartered Accountants. Very few countries worldwide has the valuation standards.

Recognising the need to have the consistent, uniform and transparent valuation policies and harmonise the use of diverse practices in India, these standards were issued, to ensure consistent, uniform and transparent valuation policies, to harmonise the use of diverse practices in india.

The following Valuation Standards have been issued by ICAI:
1. Preface to the ICAI Valuation Standards.
2. Framework for the Preparation of Valuation Report in accordance with the ICAI Valuation Standards.
3. ICAI Valuation Standard 101 – Definitions.
4. ICAI Valuation Standard 102 - Valuation Bases.
5. ICAI Valuation Standard 103 - Valuation Approaches and Methods.
6. ICAI Valuation Standard 201 - Scope of Work, Analyses and Evaluation.
7. ICAI Valuation Standard 202 - Reporting and Documentation.
8. ICAI Valuation Standard 301 - Business Valuation.
9. ICAI Valuation Standard 302 - Intangible Assets.
10. ICAI Valuation Standard 303 - Financial Instruments.

These Standards have been issued by to set up concepts, principles and procedures which are generally accepted internationally having regard to legal framework and practices prevalent in India.

IFRS Foundation creates new sustainability standards board

The IFRS Foundation has announced the creation of its new International Sustainability Standards Board (ISSB) that will develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

In two separate consultations, the IFRS Foundation Trustees consulted on the demand for global sustainability standards and what role the Foundation might play in the development of such standards (September 2020) and on proposed amendments to the IFRS Foundation Constitution that would enable the creation of a new sustainability standards board under the governance of the Foundation (April 2021).

The press release also notes that leading investor-focused sustainability disclosure organisations have committed to consolidate into the new board. The Trustees expect to complete the consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF) into the ISSB by June 2022.

In addition to announcing the creation of the ISSB, the Trustees are also providing an update on the work of the Technical Readiness Working Group (TRWG). The TRWG was created in March 2021 to facilitate a head start of the ISSB. It was designed to integrate and build on the work of relevant initiatives focused on meeting investors' information needs, with the purpose of providing technical recommendations for consideration by the ISSB. The following two documents that resulted from the TRWG's work were published today:

- Climate-related Disclosures Prototype.
- General Requirements for Disclosure of Sustainability-related Financial Information Prototype.

The two prototypes were accompanied by an overview of the work programme of the TRWG, explaining the technical preparatory work done so far and still to be completed so that a final set of recommendations can be handed over to the ISSB once it begins its work.

The International Organization of Securities Commissions (IOSCO) and the Board of the International Federation of Accountants (IFAC) have issued statements welcoming the creation of the ISSB and and pledging ongoing support for the ISSB.

Partial Payment of Cheque

There are certain amendments to the Commercial Transactions Law relating to cheque provisions issued by the Federal Decree-Law (14) of 2020 (“the Law”).

For payment of a cheques value, the Law in the UAE does not require that the funds available with the drawee bank are equal to the value of the cheque.

In implementation of Article (6 17) of the Law, the bank should, where the fund for payment is less than the value of the cheque, partially pay the value of the cheque up to the available fund, unless the bearer rejects partial payment.
In this case, upon each partial payment, the bank shall initially at the back of the cheque confirming the partial payment and give back the original cheque to the bearer along with a certificate to that effect (as per the mechanism, which is currently being discussed with the banks and to be circulated soon).

In case of collection through the cheque holder/ beneficiary's bank, the latter will issue the partial payment certificate to the cheque holder/beneficiary. The bank may keep a copy of the partially paid cheque and a copy of the partial payment certificate issued by it.

The bearer of the cheque shall have the right to demand the payment of the remaining amount against the original of the initial cheque, as per the Executive Regulations of the Civil Transactions Law, being considered an execution write, according to the provision of Article (635 bis) of the Law.

The bank, in accordance with Article (617) of the Law, shall report the details of the account holder to the Central Bank, in accordance with the mechanism to be circulated soon, in any of the following cases:

1. Where no sufficient and usable finds for the payment for the value of cheque is available at its due date.
2. Where the drawer, after issuing the cheque withdraw all the funds for payment so that it is not possible to pay its value.
3. Where the bank partially pay's the value of the cheque.

Therefore, cheque issuers are required to abide by the implementation mechanism of the amendments to the Law relating to the partial payment of the cheque to be circulated soon.

What is Suspicious Transaction Reporting (STR)?

The term “STRs” mean both suspicious transactions and activity. A suspicious transaction refers to any transaction, attempted transaction, or funds for which an (licensed financial institutions) LFI has reasonable grounds to:

- Suspect as constituting the proceeds of crime ;
- Being related to the crimes of money laundering and related offences, the financing of terrorism or illegal organisations; and
- Being intended to be used in an activity related to such crimes.

The legal basis of STR reporting is based on the :

- Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) and Financing Illegal Organisations;
- Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation for Decree-Law No. (20) of 2018 on AML and CFT and Financing of Illegal Organisations; and
- Cabinet Decision No. (74) of 2020 Regarding Terrorism Lists Regulation and Implementation of UN Security Council Resolutions on the Suppression and Combating of Terrorism, Terrorist Financing, Countering the Proliferation of Weapons of Mass Destruction and its Financing and Relevant Resolution.

CONFIDENTIALITY AND PROHIBITION AGAINST "TIPPING OFF"

When reporting suspicious activity or transactions to the FIU, (licensed financial institutions) LFIs are obliged to maintain confidentiality regarding both the information being reported and specific to the act of reporting itself, and to make reasonable efforts to ensure that the information and data reported are protected from access by any unauthorized person.
There is a statutory obligations under the legal and regulatory framework in force in the UAE.

IDENTIFICATION

The first line of defense plays a critical role in the management of customer and third-party risk and the timely escalation of potentially suspicious activity. The first line of defense is well-placed to identify suspicious transactions and assess that information once deemed reasonable—collected through interactions with a customer—now appears suspicious. Employees within the first line of defense include relationship managers, business executives, and back-office operations functions.

The second line of defense (e.g., compliance employees) provides policy, advice, guidance, assurance, oversight, and challenge to the first line of defense. While employees in Financial Crime Operations Units (possibly in the first line of defense) can investigate suspicious transactions and document the resultant investigation, the ultimate filing of the STR should be made by the Compliance Officer or the money laundering reporting officer (MLRO) (in the second line of defense). The second line of defense is charged with overseeing the investigations program.

The third line of defense identifies gaps, deficiencies, and weaknesses in operational controls owned or overseen by an LFI's business, operations, and compliance functions.

A transaction monitoring program should take into account the AML/CFT risks of the (licensed financial institutions) LFI's customers, prospective customers, counterparties, businesses, products, services, delivery channels, and geographic markets in addition to helping prioritize high-risk alerts. Monitoring systems typically include employee identification or referrals, transaction-based (manual) systems, surveillance (automated) systems, or a combination of these, including an intelligence-led transaction monitoring approach.

"Always Doing The Right Thing"

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