E-NEWS
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WELCOME TO ENEWS, HAYSMACINTYRE'S REGULAR "E-NEWS ALERT" FOR CORPORATES AND PRIVATE INDIVIDUALS.

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TRIENNIAL REVIEW OF FRS 102 COMPLETED

The Financial Reporting Council ("FRC") has completed the first triennial review of FRS 102, with the aim of making it easier and more cost effective to apply. The option to state loans from shareholders connected with directors at transaction value rather than present value, previously allowed as an interim measure, has been regularised within FRS 102. Other changes include: requiring the recognition of fewer intangibles in a business combination; allowing investment properties rented to other group entities to be stated at cost not fair value; and extending the situations when financial instruments can be stated at cost.

ACCOUNTANCY SERVICES ASSESSED AS HAVING A HIGH RISK OF MONEY LAUNDERING

The Treasury and the Home Office have issued their 2017 national risk assessment ("NRA") on money laundering and terrorist financing which recognises these threats remain significant to the UK. Professional services are considered a crucial gateway for criminals looking to conceal the origin of their funds. The NRA believes that the majority of accountants caught in money laundering arises from criminal exploitation of negligent or unwitting professionals, but says some accountants are willfully blind to money laundering risks. The 2017 NRA maintains the 2015 rating of accountancy services as having a high risk of money laundering.

HMRC CLARIFIES GUIDANCE ON VAT ZERO-RATING OF BUILDING CONSTRUCTION

Following three recent cases at the Upper Tribunal (Astral, Boxmoor and J3BS), HMRC has updated its guidance as to when construction services may be zero-rated where the work was carried out to an existing building. HMRC's view remains that a building must, usually, be completely demolished to ground level for zero-rating to apply, although HMRC now accept that there may be other circumstances where parts/all of a building can be retained whilst maintaining zero-rating, including where the retention of a façade is an explicit condition of planning consent. Please contact Gail Pitchley for further information and guidance.

FRC UPDATES PRELIMINARY ANNOUNCEMENT GUIDANCE

The FRC has updated its guidance for auditors when agreeing to the publication of preliminary announcements. The guidance covers the use of alternative performance measures and includes a new voluntary report that auditors can issue to shareholders, setting out the status of their audit and the procedures the auditor has carried out in agreeing to the publication of the preliminary announcement. The guidance also sets out the procedures an auditor would normally

AUDITORS SHOULD BE CLEARER ON MATERIALITY

The FRC has published its audit quality thematic review on materiality. The review states that if adjusted profit is used as a benchmark for determining materiality, it should reflect the true needs of the users of the financial statements and audit firms should consider explaining in their report details of the adjustments and why they were considered necessary. Audit firms are also encouraged to better explain performance materiality. Audit committees are encouraged to challenge the judgements made by the auditors in setting materiality and the effect on the work performed.

GOOD AUDIT COMMITTEE REPORTING PROMOTES CONFIDENCE

The FRC has issued the Audit and Assurance Lab Project report on Audit Committee Reporting. The report looks at external reporting by audit committees and says investors gain valuable insights into their effectiveness, quality and rigour from their reports. Investors encourage a "comply or explain" approach to reporting and consider lengthy, compliance driven audit committee reports can hide key information. The report also found that investors particularly look to the audit committee to provide confidence on the appointment of the external auditors, the monitoring of the auditors' independence and objectivity and in promoting audit quality.

PRE-PACK ADMINISTRATIONS UNDER ASSESSMENT

The Insolvency Service has announced a government assessment of the impact of the voluntary rules on pre-pack administrations introduced in November 2015 which were designed to improve the transparency of connected party pre-pack administration sales. The changes resulted from the 2014 Graham Review finding that, although pre-packs were a useful business rescue tool, they tended to be less successful when sold to a connected party. The assessment will be used to help decide whether further changes are required.

IASB IMPROVES IFRSS

The International Accounting Standards Board ("IASB") has issued its Annual Improvements to IFRS Standards 2015-2017 Cycle which makes narrow scope amendments to IFRSs 3 and 11 and IASs 12 and 23. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control; a company does not remeasure its previously held interest in a joint operation when it obtains joint control; all income tax consequences of dividends should be accounted for in the same way; and, once an asset financed by borrowing is ready for use, the borrowing should be treated as general borrowing.

AND FINALLY...A HAPPY NEW YEAR

As this is the first eNews of 2018, we would like to wish all our readers a happy, healthy and successful New Year.