

Accounting and Auditing Standards Panel

annual report 2014



taking a public services perspective on
financial reporting and auditing standards

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

CIPFA contributes directly to some technical and standards development through representation on relevant committees and groups. More generally CIPFA responds to consultations by standard setters and others on matters which are relevant to the public benefit sector. CIPFA Policy and Technical Directorate develops these responses taking expert advice from members of CIPFA's Accounting and Auditing Standards Panel.

More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

Chair's Foreword

The focus of the Accounting and Auditing Standards Panel (AASP) continues to be on leading CIPFA's response to issues relating to accounting and auditing standards across sectors.

The most active area of consultation in 2014, and the one in which CIPFA has the greatest interest, was public sector financial reporting. There were exposure drafts and other proposals encompassing standards, guidance, strategy and standard setter governance.

As noted in previous annual reports, AASP supports CIPFA's involvement in the development of IPSAS, which are now seen as a vital means of improving governments' financial data, supporting both improved financial management and the more accurate assessment of the financial position of governments. An increasing number of countries are adopting accruals-basis IPSAS – some at an early stage and others further along the journey.

Against this background CIPFA responded to 12 consultations relating to public sector financial reporting: 9 of which were proposals to revise or improve IPSAS and guidance on the broader reporting carried out by governments. The other 3 were a consultation on IPSASB strategy and two consultations on governance.

One of the latter follows the proposal by the European Commission that European Public Sector Accounting Standards (EPSAS) should be developed for use by all member states. CIPFA made it clear that governance arrangements for standards development need to be transparent and support high quality reporting. In line with this, EPSAS should be firmly rooted in IPSAS.

As the form of the European proposals becomes clearer, CIPFA is keen to ensure that any new standards will promote high standards of public sector financial reporting in the EU.

Consultation activity in the private sector financial reporting and audit communities was relatively muted: the IASB and the IAASB had just completed major projects and were gearing up for significant work on improved financial reporting and improved audit quality which will come through in future years.

While AASP's work is technical and the bulk of its formal communication is with standard setters and regulators, the Panel is keen to engage CIPFA members in its deliberations and would welcome views on any developments in accounting and auditing matters as they arise. We encourage you to keep up to date by visiting the AASP webpages and through other relevant CIPFA material. I hope you find the contents of this report helpful.

David Watkins

Chair, Accounting and Auditing Standard's Panel

Accounting and Auditing Standards Panel ANNUAL REPORT 2014

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1 About The Panel

1.1 Membership And Meetings

1.1.1 CIPFA's Accounting and Auditing Standards Panel (AASP) is a panel of expert stakeholders from the public benefit sector which advises on and helps develop CIPFA's position on technical issues relating to standards matters. Panel members include auditors and practitioners from a variety of backgrounds, many of whom are also members of other standard setting bodies, advisory boards and committees. A list of all members is provided at Appendix A.

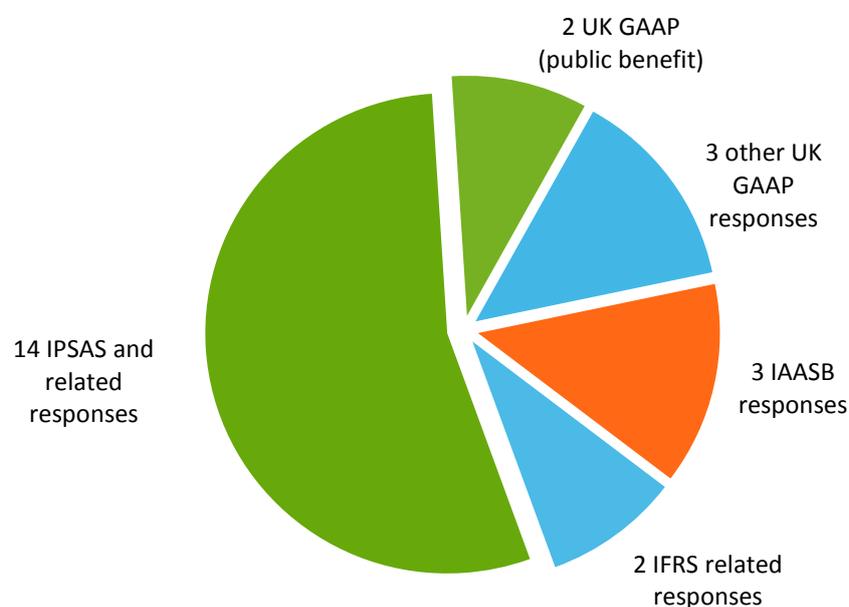
1.1.2 AASP works with other CIPFA panels to advise on sector specific issues, including providing input to the development of Statements of Recommended Practice ('SORPs') for charities, education and social housing. AASP does not provide advice on local authority accounting matters in which CIPFA is directly involved. During 2014 three AASP members were variously members of CIPFA/LASAAC and CIPFA's Local Authority Accounting Panel (LAAP).

1.2 The Work Of The Panel

1.2.1 While some CIPFA panels mainly produce guidance or training materials, a key aspect of the work of the AASP is that it helps develop most of CIPFA's responses to standards consultations.

1.2.2 The main priorities of the AASP in 2014 were:

- Supporting the IPSASB's completion of a public sector conceptual framework and its development of its strategy going forward; responding to the IASB on its framework development;
- Supporting the FRC and public sector and public benefit stakeholders in the implementation of new UK GAAP based on IASB standards, including the development of SORPs based on new UK GAAP; and
- Responding to the work of the IAASB which seeks to improve audit quality and auditor reporting, and providing a public sector perspective on the IAASB's strategy going forward.



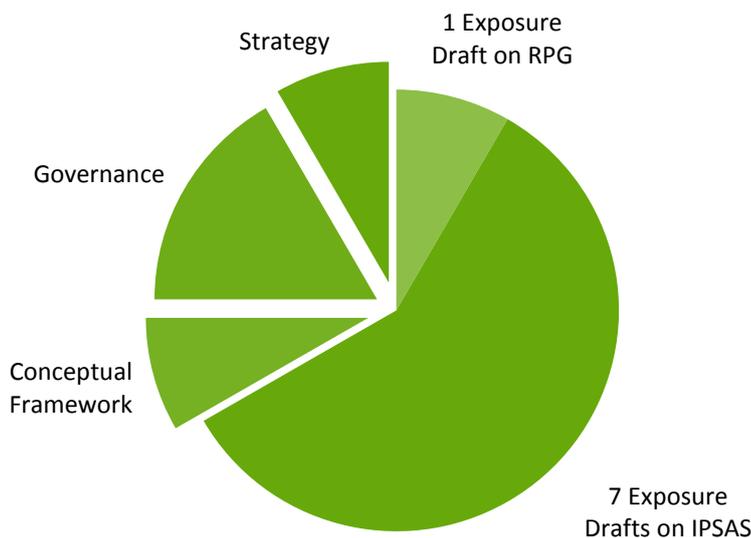
2 Activities Relating To Financial Reporting Standards

2.1 AASP Work Relating To IPSAS Development

2.1.1 CIPFA is a member of the International Federation of Accountants (IFAC), and has provided support to IFAC on public sector issues for many years, including supporting the project to develop International Public Sector Accounting Standards. IPSAS became more relevant to the UK public sector from 2008, being recognised as key guidance on public sector specific issues to be considered in situations where IFRS does not provide guidance.

2.1.2 Responding to developments in the IPSAS area was the main focus of AASP and other CIPFA effort in 2014. Eight responses were sent in respect of twelve exposure drafts and other consultations. Materials on which responses were made included consultations on:

- the future governance of IPSASB;
- IPSASB strategy from 2015 onward;
- governance requirements for possible development of EPSAS standards, primarily based on IPSAS, for use in the European Union;
- a new standard on first time adoption of accrual basis IPSAS;
- five new standards on interests in other entities;
- a routine improvements standard;
- a Recommended Practice Guideline on reporting service information; and
- a paper on how governments might decide whether more business-like government enterprises should report using IPSAS.



2.1.3 AASP and CIPFA broadly supported each of the proposals, and AASP was very pleased when IPSASB issued its public sector conceptual framework in October 2014.

2.2 AASP Work Relating To IFRS Development

2.2.1 IFRS has been the basis for all UK government financial reporting from 2011-12. CIPFA is interested both in the development of new and existing IFRS and specific issues relating to public sector implementation.

2.2.2 During 2014, the IASB issued relatively few consultations, and some of these were mainly relevant to private sector companies. AASP advised on CIPFA's response to 2

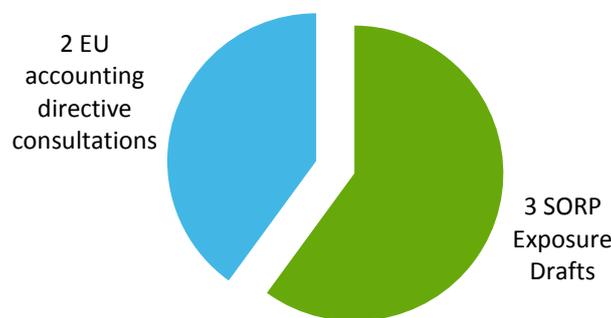
consultations, one on the IASB’s review of its conceptual framework for financial reporting, and the other proposing revisions to IAS 1 as part of its Disclosure Initiative project, which aims to promote and assist clearer and more effective reporting using IFRS.

2.2.3 As regards IFRS implementation, one AASP member was a member of the CIPFA/LASAAC Local Authority Code Board, and three were members of LAAP.

2.3 AASP Work Relating To Developments in UK GAAP

2.2.4 As far as the UK public sector is concerned, EU adopted IFRS is deemed to be UK GAAP. From CIPFA’s perspective therefore, the body of separately developed UK FRS are only relevant insofar as they apply to public benefit entities. CIPFA’s main interest is in Statements of Recommended Practice (SORPs), which from 1 January 2015 are being implemented using the single overarching standard FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

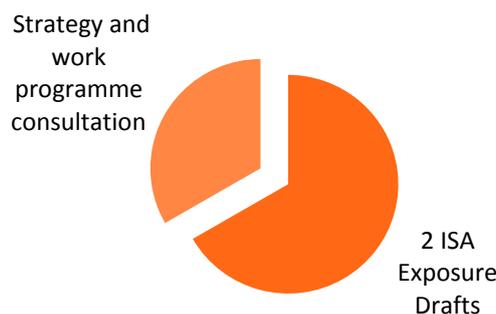
2.2.5 During 2014 CIPFA responded to 5 consultations, of which 3 related to SORP exposure drafts (2 relating to Social Housing, and one on Pension Fund reporting), while 2 related to enquiries by regulators relating to how FRS 102 will need to be changed to ensure that UK standards are compliant with the EU Accounting Directive.



3 Activities Relating To Auditing Standards

3.1 AASP Work Relating To Developments in IAASB standards

3.1.1 During 2014, the IAASB issued significant body of material on auditor reporting and audit quality on which it had consulted in previous years. The Board issued relatively few consultations, and CIPFA made only 3 responses – 2 on auditor reporting and the audit of disclosures, and one on proposals for the IAASB’s strategy and future work programme:



3.2 AASP Work Relating To Developments in UK auditing standards

- 3.2.1 During 2014, the FRC Audit and Assurance Council issued only one consultation, on *Auditing and ethical standards implementation of the EU Audit Directive and Audit Regulation*. CIPFA did not respond to this company focussed consultation.

4 Other Panel Activities

4.1 Publications

- 4.1.1 During 2014, three Accounting and Auditing Standards Updates were published on the AASP website. These provide information on new and amended standards issued by international and UK standard setters, consultations on standards development, and CIPFA's responses to consultations on standards.
- 4.1.2 Two CIPFA publications issued by the panel remain on sale. These include *Narrative Reporting: A Public Services Perspective (2009)* and *Accounting And Auditing Standards – A Public Services Perspective (2013)*.

5 Looking Forward To 2015

- 5.1.1 CIPFA's involvement in the financial reporting area will reflect:
- IPSASB's consolidation and extension of its main corpus of IPSAS standards, following completion of its conceptual framework for public sector financial reporting, and proposals for the development of European standards (EPSAS); and
 - IASB completion of work on its revised conceptual framework, and further work on its Disclosure Initiative project
- 5.1.2 In the audit area, the IAASB is continuing to respond to stakeholder demands, and is seeking to restore confidence in the integrity of the audit of listed companies. These initiatives are being combined with more general improvements, and may therefore have implications for public sector auditors. The FRC is pursuing similar developments, but is also substantially engaged in reflecting the legal implications of EU law and regulations in UK standards and guidance.
- 5.1.3 In the light of these developments, the priorities of the Accounting and Auditing Standards Panel for 2015 will be:
- Supporting the IPSASB's consultation on an IPSAS dealing with Social Benefits;
 - Supporting public sector and public benefit stakeholders in the implementation of new UK GAAP through the SORP process; and
 - Responding to the work of the IAASB and related work by the FRC inasmuch as these are relevant to public sector auditors

ACCOUNTING AND AUDITING STANDARDS PANEL

PANEL MEMBERSHIP DURING 2014

Chair

David Watkins Independent

Members

Nigel Davies Deputy Head of Accountancy Policy, Charity Commission

Tim Day Independent Consultant
(member of CIPFA/LASAAC and LAAP)

Christina Earls Senior Finance Business Partner, Works Operations –
Southern England
Department for Works and Pensions

Peter Dymoke EY Consulting

John Gilchrist St Helena Audit Service

From September 2014
Audit Strategy, Audit Scotland

Paul O'Brien Technical Services Unit, Audit Scotland
(member of LAAP)

Iolo Llewelyn Head of Technical Team, Wales Audit Office

Hilary Lower Head of Financial Reporting
Financial Audit Practice and Quality, National Audit Office

Alison Scott Assistant Director, Policy and Technical, CIPFA

Stephen Sheen Independent Consultant
(member of LAAP)

Chris Welford Chief Executive, ENTRUST

Harry Wilkinson Independent Consultant

There were three meetings of the Panel during 2014, in January, May and October, and a significant proportion of Panel business has been conducted between meetings. AASP panellists also participate in standards development or advice through membership and support to other advisory groups, drafting groups and committees, including the Housing, FEHE and Charity SORP making bodies, and many CIPFA and other CCAB body working groups.

GLOSSARY AND LIST OF ACRONYMS

<i>Accounting Council</i>	The Accounting Council advises the FRC Codes and Standards Committee on matters relating to financial reporting standards. The Council replaced the previous developer of UK financial reporting standards and guidance, the Accounting Standards Board (ASB), from July 2012.
<i>Audit and Assurance Council</i>	The Audit and Assurance Council advises the FRC Codes and Standards Committee on matters relating to auditing standards. The Council replaced the previous developer of UK auditing standards and guidance, the Auditing Practices Board (APB), from July 2012.
<i>CAPE</i>	Committee on Accounting for Public-benefit Entities. This committee advises the Accounting Council on public benefit entity reporting issues.
<i>CIPFA/LASAAC</i>	<p>The CIPFA LASAAC Local Authority Code Board is a partnership between CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).</p> <p>The board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.</p>
<i>EPSAS</i>	European Public Sector Accounting Standards. The European Commission has proposed that Europe should develop accrual accounting standards using IPSAS as a reference point, following a consultation by Eurostat on whether IPSAS should be adopted directly.
<i>Eurostat</i>	Eurostat is the statistical office of the European Union
<i>FRC</i>	The Financial Reporting Council sets the framework of codes and standards for the accounting, auditing, actuarial and investor communities in the UK and oversees the conduct of the professionals involved. Some FRC pronouncements apply in the Republic of Ireland.
<i>FRS</i>	<p>Financial Reporting Standard.</p> <p>FRSs are the principal form of pronouncement on UK financial reporting issued by the FRC.</p>
<i>FRED</i>	<p>Financial Reporting Exposure Draft.</p> <p>FREDS are the principal consultation document for UK financial reporting issued by the FRC.</p>
<i>IAASB</i>	International Auditing and Assurance Board, a standard setting board of IFAC.

<i>IASB</i>	International Accounting Standards Board
<i>IFAC</i>	The International Federation of Accountants.
<i>IFRS</i>	International Financial Reporting Standards. These are issued by the IASB. This term also encompasses older International Accounting Standards (IAS).
<i>IFRS for SMEs</i>	The International Financial Reporting Standard for Small to Medium-sized Entities.
<i>IIRC</i>	The International Integrated Reporting Council
<i>INTOSAI</i>	International Organisation of Supreme Audit Institutions. An umbrella body for 'supreme' (as distinct from 'regional') institutions responsible for public sector audits.
<i>IPSAS</i>	International Public Sector Accounting Standards.
<i>IPSASB</i>	International Public Sector Accounting Standards Board, a standard setting board of IFAC.
<i>ISA</i>	International Standard on Auditing, issued by the IAASB.
<i>ISA (UK & Ireland)</i>	Modified or additional ISAs applicable in the UK & Ireland, issued by the FRC.
<i>SORP</i>	Statement of Recommended Practice, providing guidance on the application of UK GAAP to specific economic sub sectors.
<i>UK GAAP</i>	UK Generally Accepted Accounting Practice. This is mainly taken to be based on standards issued by the FRC, although the term is sometimes taken to encompass UK use of EU adopted IFRS.

Further copies of this document are available for download at

www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel