

Committee	Accounting and Auditing Standards Panel
Venue	CIPFA Mansell Street
Date	September 2015
Author	Steven Cain
Subject	Wider developments in the standard setting field May to August 2015

Purpose

To provide panel members with information with a broader focus than accounting and auditing standards issuance and consultations.

These may include consultations on wider categories of reporting or assurance, or may encompass wider categories of pronouncement, consultation or development.

Items are reported in the following order of priority:

- 1 Matters on which an AASP led CIPFA response or other AASP input might be considered**
- 2 Other matters for information**
- 3 Note of meetings and events attended**

The content of this report is mostly drawn from online press releases, lightly edited so that they make sense when read in isolation. Links to the original press releases are provided.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered

FRC MATTERS

FRC publishes exposure draft to provide assurance on Client Assets

14 May 2015

bit.ly/FRCassuranceClientAssetsMay2015

The Financial Reporting Council (FRC) issued an exposure draft, Providing Assurance on Client Assets to the Financial Conduct Authority, for consultation. The Assurance Standard has been developed to support and challenge auditors when reporting on compliance, by regulated firms, with the Financial Conduct Authority's (FCA's) Client Asset (CASS) rules designed to ensure the effective safekeeping of client assets and client monies. More than 1,500 firms hold more than £100 billion of client assets and £11 trillion of other custody assets.

The comment period on this proposal ended on 31 July 2015. Subject to consultation, the Standard would apply to periods commencing on or after 1 January 2016

CIPFA did not respond to this consultations, which is outside CIPFA core interests, and of little relevance to most CIPFA members.

FRC seeks strengthening on review of Audit Firm Governance

21 May 2015

The Financial Reporting Council (FRC) issued its Review of the implementation and operation of the Audit Firm Governance Code. It considers the progress made in terms of governance of UK audit firms following the Code's implementation, and seeks feedback on strengthening the Code to put more focus on the public interest in and governance of audit work within the firms' total business. The FRC also calls for the adoption of an independent voice at international level in the firms' global networks.

The Audit Firm Governance Code was issued in 2010 and provides a formal benchmark of good governance practice against which firms which audit listed companies can report for the benefit of investors. Interested parties were invited to send any feedback by 28 August 2015.

CIPFA did not respond to this consultation.

CIPFA does sometimes respond on matters relating to firm governance. However, the specific focus of this consultation is outside CIPFA core interests and expertise.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered (continued)

FRC launches a programme of measures to improve the quality of reporting by smaller quoted companies

02 Jun 2015

bit.ly/FRCsmallcompanyprogrammeJun2015

A discussion paper, 'Improving the Quality of Reporting by Smaller Listed and AIM Quoted Companies' published by the FRC, details its findings following a review of the quality of reporting by these companies and invites feedback on the findings and conclusions.

The FRC will address the issues identified in a number of ways:

- Develop with Professional Accounting Bodies and others, ways of providing more focussed training to finance staff;
- Provide practical guidance to Audit Committees and Boards on evaluating the adequacy of a company's financial reporting function and process;
- Promote options for reduced disclosures against IFRS against such companies;
- Provide annual guidance to boards of smaller quoted companies on the current issues, areas of focus for investors and common errors; and
- Enable participation by smaller quoted companies and their investors/analysts in the work of the FRC's Financial Reporting Lab.

In addition, the FRC will be discussing with the London Stock Exchange and UK Listing Authority ways to ensure that companies have appropriate financial reporting resources.

The FRC's evidence suggests smaller quoted companies believe that investors pay little attention to their annual report and hence do not prioritise its preparation to a higher standard. In fact, investors have told the FRC that such reports are important to them, partly because there are fewer analysts' reports. In addition, companies can lack sufficient skilled resources and are not always up to date with reporting requirements.

Comments and feedback on the FRC's discussion paper were invited by 31 July 2015.

CIPFA did not respond to this consultations, which is outside CIPFA core interests, and of little relevance to most CIPFA members.

FRC publishes draft Accounting Council advice on the IASB's Conceptual Framework for Financial Reporting

23 Jul 2015

The FRC's Accounting Council commenced its consideration of the IASB's Exposure Draft at its July meeting and reached tentative views. These may be amended in the course of developing the Accounting Council's advice to the FRC for its response to the Exposure Draft, which will be finalised in October. The FRC would welcome comments on the Conceptual Framework.

CIPFA will not be providing comments to the FRC, but may consider the Accounting Council draft when developing its response to the IASB.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered (continued)

IFAC MATTERS

**IFAC Issues Proposed Member Body Compliance Program Strategy for 2016-2018
2 May 2015**

bit.ly/IFACmemberBodyCompliancePR

As part of ongoing efforts to promote the adoption and support implementation of international standards in accounting, auditing, ethics, and education, and the establishment of related quality assurance and investigation and discipline mechanisms, the International Federation of Accountants has released the Proposed IFAC Member Body Compliance Strategy, 2016-2018.

This proposed strategy incorporates fundamental upgrades to monitoring and reporting mechanisms. It will help professional accountancy organizations (PAOs) meet the IFAC Statements of Membership Obligations (SMOs), highlight adoption efforts in their jurisdictions, and help all global stakeholders understand adoption status, as well as improvements or setbacks, on a timely basis.

In developing the strategy, the IFAC Compliance Advisory Panel (CAP) and IFAC staff follow an agreed-upon due process under the oversight of the Public Interest Oversight Board (PIOB).

IFAC invites all stakeholders to comment on the proposed strategy. Respondents are asked to submit comments electronically through an online survey or the IFAC website. Although IFAC prefers that comments are submitted via the online survey or its website, responses can also be sent to IFAC staff at compliance@ifac.org.

Comments and survey responses were requested by July 3, 2015.

AASP is not directly involved with CIPFA compliance with IFAC member body obligations, and did not seek to provide input to this consultation.
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1 Matters on which an AASP led CIPFA response or other AASP input might be considered (continued)

EFRAG MATTERS

EFRAG document for public consultation on the IASB ED Conceptual Framework for Financial Reporting

08 July 2015

bit.ly/EFRAGconsultationIASBCF

EFRAG has published a document for public consultation on the IASB Exposure Draft Conceptual Framework for Financial Reporting. Comments are requested by 26 October 2015. EFRAG requests comments on the document by 26 October 2015.

EFRAG publishes a Bulletin on profit or loss versus OCI

14 August 2015

bit.ly/EFRAGbulletinPandLvOCI

EFRAG is running this public consultation in parallel with its public consultation on the IASB Exposure Draft Conceptual Framework for Financial Reporting. In the Bulletin Profit or loss versus OCI, EFRAG explores how to articulate the necessary guidance reflecting the role of the business model in the selection of measurement bases.

Comments on the Bulletin are requested by 26 October 2015.

The Statement of Cash Flows: issues for Financial Institutions

15 July 2015

bit.ly/EFRAGdiscussionCashFlow

This EFRAG paper discusses the relevance of the Statement of Cash Flows for financial institutions and investigates alternatives that could either supplement or replace the information currently portrayed by these entities in the Statement of Cash Flows.

Views of constituents are welcomed and requested by 31 March 2016.

EFRAG, the IASB and the National Standard Setters AAT, ANC, ASCG, FRC and OIC invite companies to participate in a public survey on impact of the forthcoming new IFRS on Leases on financial covenants in loan agreements

22 July 2015

The new IFRS on Leases is expected to be issued before the end of 2015. It will require lessees to recognise assets and liabilities for all identified leases. Questions have been raised about the possible impact of the new IFRS on financial covenants in loan agreements that refer to measures of debt, net financial position or similar indicators. EFRAG, the IASB and the National Standard Setters are performing this public survey to acquire quantitative and qualitative information about how covenants are determined in Europe.

The participants are requested to answer the survey questions and submit their replies not later than on Wednesday, 30 September 2015.

CIPFA's policy is general not to respond to EFRAG consultations.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered (continued)

INTEGRATED REPORTING

**draft <IR> Competence Matrix
July 2015**

bit.ly/iircIRCompetenceMatrixDraft

The IIRC is asking for feedback on the first draft of its <IR> Competence Matrix. This is intended to provide clear guidance in the market as to the skills and experience necessary to be an effective practitioner in <IR>. While the areas of competence build on the existing professional skills possessed by those already involved in reporting, they have also developed the matrix with a view to an important shift in focus that they believe is essential to enable organizations to put value creation at the heart of their purpose and strategy.

CIPFA is not responding; this paper reflects a private sector approach to value creation. Later elaboration to cover public sector aspects might well be appropriate.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered (continued)

IFRS MATTERS

Trustees seek public input to review of the structure and effectiveness of the IFRS Foundation

07 July 2015

bit.ly/IFRS_Foundation-review_consultationJuly2015

The Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB), have published for public comment proposals to further enhance the structure and effectiveness of the organisation.

The IFRS Foundation's Constitution requires the Trustees to undertake a review of the structure and effectiveness of the organisation every five years. The 2015 review will focus on three main areas:

- ensuring that the relevance of IFRS is maintained: considering the evolving financial, and wider corporate, reporting landscape, as well as potential implications of technological developments for financial reporting;
- consistency of the application of IFRS: looking at the IFRS Foundation's approach to supporting the consistent application of IFRS and whether there is anything more it could, or should, be doing considering the limitations; and
- governance and financing: proposing further enhancements, including changes with respect to the size of the IASB.

The closing date for comments is 30 November 2015.

CIPFA not to respond, in line with past practice.

2015 Agenda Consultation process started by the IASB

11 August 2015

The International Accounting Standards Board (IASB) today published for public comment a document seeking views on its work plan and priorities until 2020.

The IASB's work plan is split into three main categories, which reflect the different stages of the standard-setting process:

- research projects, which are designed to help the IASB better diagnose problem areas in financial reporting, and to consider whether changes are warranted before proceeding;
- standard-setting projects, which the IASB moves forward by initiating a project to deliver fundamental improvements to IFRS—most likely resulting in amendments to existing requirements or the introduction of entirely new requirements; and
- maintenance and implementation projects, by which the IASB fine-tunes IFRS to deal with practical problems or a lack of consistency in applying the Standards.

The deadline for submitting comments is 31 December 2015.

CIPFA to respond. Noted on agenda as a matter to be progressed after the AASP meeting.

2 Other matters for information

FRC MATTERS

FRC provides aid to Audit Committees in evaluating audit quality

29 May 2015

bit.ly/FRCaudqualityguidanceAudCtee

The Financial Reporting Council (FRC) has issued a practice aid to assist audit committees in evaluating audit quality in their assessment of the effectiveness of the external audit process. The FRC is responding to requests for guidance in this area, in light of the UK Corporate Governance Code provision, introduced in 2012, that the audit committee report should include an explanation as to how it has assessed the effectiveness of the external audit process.

The aid focusses on assessing audit quality and has been developed based on feedback from audit committee members, investors, financial management and auditors. As well as setting a framework for the committee's evaluation, the aid sets out practical suggestions on how audit committees might tailor their evaluation in the context of the company's business model and strategy; the business risks it faces; and the perception of the reasonable expectations of the company's investors and other stakeholders.

The framework set out in the Practice Aid focuses on understanding and challenging how the auditor demonstrates the effectiveness of key professional judgments made throughout the audit and how these might be supported by evidence of the following critical auditor competencies:

- A mindset and culture that exhibits integrity and objectivity and is aligned with the expectations and interests of users of their reports
- The skills and knowledge to develop a thorough understanding of the company's business and industry, the environment in which it operates and of the applicable legal and regulatory framework, and the strength of character to provide effective challenge in performing the audit
- The ability to establish effective quality control by putting in place the processes necessary to deliver a consistently high quality audit.

Audit committees are encouraged to see their evaluation as integrated with other aspects of their role related to ensuring the quality of the financial statements – obtaining evidence of the quality of the auditor's judgments made throughout the audit, in identifying audit risks, determining materiality and planning their work accordingly, as well as in assessing issues.

2 Other matters for information

FRC issues Key Facts and Trends in the Accountancy Profession 18 Jun 2015

bit.ly/FRCkeyfactsJun2015

The Financial Reporting Council (FRC) has today published the thirteenth edition of 'Key Facts and Trends in the Accountancy Profession', the annual report which provides key data on the accountancy profession, its member bodies and firms.

Information in the report illustrates the size and current state of the accountancy profession, and how it has evolved over recent years. It brings together data on the major audit firms and seven accountancy bodies including, those who offer audit qualifications and those who register and supervise audit firms.

FRC publishes feedback statement on the Regulation of Auditors of Local Bodies 18 May 2015

bit.ly/FRCfeedbackstatementLocalPublicAuditregulation

The Financial Reporting Council (FRC) has published Regulations and Guidance pursuant to its responsibilities under the Local Audit and Accountability Act 2014 and a feedback statement to Recognised Supervisory Bodies (RSBs) on the approval of key audit partners for local audit. Under the Act the Secretary of State has delegated most of his responsibilities for the oversight of the regulation of auditors of local bodies to the FRC.

These include:

- inspecting the quality of the audits of the largest local public bodies and health bodies other than Foundation Trusts;
- recognising professional bodies responsible for overseeing auditor activities;
- setting specific statutory requirements for local auditors.

In July 2014, the FRC issued a consultation document seeking views on the way in which it should give effect to three specific responsibilities delegated to it under the Local Audit and Accountability Act 2014 i.e:

- guidance on the recognition of individuals as key audit partners;
- regulations for the keeping of the Register of Local Auditors;
- regulations for local audit firms on the requirement to publish transparency reports.

(CIPFA responded to this consultation)

The FRC has now published a feedback statement to this consultation together with the Guidance and Regulations

2 Other matters for information

FRC publishes Audit Quality Inspections Annual Report 2014/15

29 May 2015

bit.ly/FRCauditqualityinspectionsMay2015

Audit quality improves but further action required to address recurring issues

The Financial Reporting Council (FRC) published its 11th annual report on its inspections of audit quality in the UK and individual reports on five of the largest firms. The FRC inspected 109 private sector audits and believe that overall the quality of auditing in the UK is improving.

Nevertheless, there is room for further improvements in the quality of auditing and at the FRC's request a number of initiatives are being undertaken by firms to address recurring issues including undertaking root cause analysis; developing action plans to address weaknesses; and, in some instances, performing additional work to remedy significant deficiencies.

In 2015/16 the FRC will include a focus on the audits of businesses where complex supplier arrangements are prevalent: predominantly food, drinks and consumer goods manufacturers and retailers. We will pay particular attention to the extent to which the audit team has challenged and checked the appropriateness of how these arrangements are accounted for. The FRC also plans to inspect a number of first year audits to assess the extent to which changes in auditors have an impact on audit quality.

FRC feedback statement on Joint Forum on Actuarial Regulation: A risk perspective

13 Jul 2015

bit.ly/FRCfeedbackJFARriskperspective

The Financial Reporting Council (FRC) has today published a feedback statement on the discussion paper, 'Joint Forum on Actuarial Regulation: A risk perspective', which sought views on the Joint Forum on Actuarial Regulation's (JFAR) identification of risks to the public interest where actuarial work is relevant.

Common themes emerging from the feedback of over 300 respondents include risks arising from the fast changing pensions environment and the interconnectedness of many of the risks where actuarial work is relevant.

As a result of the feedback, JFAR will focus on three areas in 2015/16 to help determine if the risks are being appropriately mitigated and if additional co-ordinated response is needed:

- Defined benefit (DB) to defined contribution (DC) pension scheme transfers: this review will look at the actuarial work being performed to support DB to DC transfers in the light of the new pension freedoms.
- General insurance provisions: this review will investigate the actuarial work supporting the setting of general insurance claims provisions in the light of the current economic environment and competitive insurance market.
- Group think: this review will consider the factors affecting actuarial group think including whether regulation itself can cause group think.

2 Other matters for information

A new framework for Technical Actuarial Standards

16 Jul 2015

bit.ly/FRCupdateonTASconsultation

The FRC has published 'Update on the consultation: A new framework for Technical Actuarial Standards' following its consultation release in November 2014.

Most responses to this consultation suggested that we defer the introduction of TAS 100 (the generic technical actuarial standard which is proposed to replace the existing Generic TASs) until changes to specific TASs are ready to be introduced to avoid two sets of changes in a short period of time.

The FRC agreed and TAS 100 will now be introduced with revisions to the FRC's Specific TASs, currently covering insurance, pensions, transformations and funeral plans. A review draft of TAS100 and an analysis of reports to the consultation will be published when the FRC consults on the revised Specific TASs later this year

Lab call for participants: Project on Business model reporting

24 July 2015

bit.ly/NewsFromFRCreportingLab

The Financial Reporting Lab (the Lab) invites companies, investors and analysts to participate in a project on effective Business model reporting.

It is envisaged that this project will assist companies to understand what information the investment community values in business model reporting, and how the information is used. The Lab anticipates that the project will explore a number of characteristics:

- Definition of 'business model';
- Preparation of business model disclosures;
- Investor use of business model disclosures; and
- Attributes that characterise good business model reporting.
- This project is the first of a series of projects examining best practice reporting in the following interrelated areas of disclosure:
 - Business model reporting;
 - Principal risk reporting; and
 - Viability statement reporting.

Companies, investors and analysts are requested to express interest in participating in the Business model reporting project by 15 September 2015

Financial Reporting Council publishes Annual Report for 2014/15

28 Jul 2015

bit.ly/FRCAnnualReport2014-15

In its Annual Report for 2014/15 the Financial Reporting Council (FRC) outlines its achievements and the challenges it faced during the year. The Annual Report outlines progress against the FRC's 2013/16 strategic programme. As well as continuing to focus on key issues such as culture and behaviour, the FRC will be consulting stakeholders on its strategic priorities for 2016/19.

2 Other matters for information

EFRAG MATTERS

EFRAG Annual Review 2014

15 June 2015

bit.ly/EFRAGAnnualReview2014

EFRAG requests a public fatal flaw review of the forthcoming Leases Standard

15 June 2015

bit.ly/EFRAGrequestLeasesFFreview

EFRAG has sent a letter to the IASB requesting a public fatal flaw review of the forthcoming Leases Standard.

EFRAG believed that significant judgment will be needed to apply the forthcoming Leases Standard and, unless entities are able to properly understand and apply the new requirements including the definition of a lease, there will be a significant and wasteful use of time debating possible interpretations, which will lead to a real risk of divergent application.

EFRAG explains that the objective of the public review is not to re-open the discussion on the fundamental principles but to ensure that constituents understand the requirements and how to apply them.

EFRAG requests extension of the comment period on the Conceptual Framework Exposure Draft

16 July 2015

bit.ly/EFRAGrequestCFextensionJuly2015

EFRAG has requested the IASB to extend the comment period related to the Exposure Draft Conceptual Framework for Financial Reporting until 26 December 2015.

In EFRAG's view the ED does not provide sufficient principle based guidance on important issues such as the selection of measurement bases and what should be reported in OCI. In these cases, it would seem useful if constituents could provide suggestions on how to deal with the issues rather than just stating that they find the proposed guidance insufficient. Based on the IASB's discussions of these issues, EFRAG expects that the IASB would agree that it takes time to develop and discuss such proposals.

In some jurisdictions, the period available for debating the ED would in practice be shortened by the time it will take to translate the proposals. In Europe EFRAG and National Standard Setters are planning a number of stakeholder events which practically can only take place after the summer. The effective time available also depends on other documents issued by the IFRS Foundation for comments. In this regard, EFRAG notes that constituents will also have to consider two other important projects (the Agenda Consultation and the IFRS Foundation Review on structure and effectiveness) during the comment period of the ED. These additional projects will reduce the effective time to consider the ED during the current comment period.

On this basis EFRAG is requesting the comment period of the ED to be extended until 26 December 2015.

2 Other matters for information

IFAC MATTERS

IFAC Releases 2014 Annual Review

20 May 2015

bit.ly/IFAC_AnnualReview2014

The IFAC Annual Review 2014, *Leveraging Our Global Advantage*, explains our approach to IFAC's strategic and operational priorities—with the aim of leveraging our global advantage in a targeted manner, and allocating our substantial staff talent and experience to the greatest extent possible. Our equation for IFAC's success is laid out in our business model, which consists of five operating lines:

- supporting standard setting for a globalized world;
- enhancing quality to strengthen our profession;
- building capacity for the profession;
- positioning accountants for success; and
- influencing policy and public debate.

IFAC Explains How Accountants Contribute to Meeting Organizations' Sustainability Challenges

28 July 2015

bit.ly/IFACsustainabilityOutreach

A briefing, *Accounting for Sustainability. From Sustainability to Business Resilience*, highlights the important role accountants can, and must, play in embracing sustainability challenges and ensuring that the organizations they serve are resilient by linking these challenges to a broader business agenda and strategy.

2 Other matters for information

International Public Sector Accounting Standards Board (IPSASB)

Accounting for Sovereign Debt Restructurings under IPSAS

May 2015

bit.ly/IPSASpodcastSovereignDebtMay2015

A Questions and Answers publication and accompanying audio podcast have been issued by the staff of the International Public Sector Accounting Standards Board (IPSASB) to highlight how International Public Sector Accounting Standards (IPSASs) reflect the accounting consequences of sovereign debt restructuring transactions.

IESBA MATTERS

We Are IESBA—Interview with Wui San Kwok

17 August 2015

bit.ly/IESBAoutreachKwok

IESBA Releases 2014 Annual Report, Advancing Ethics for an Evolving, Global Profession

28 August 2015

bit.ly/IESBAannrep2014

The 2014 IESBA Annual Report presents the board's work framed within the following interconnected strategic themes from its Strategy and Work Plan, 2014-2018 (SWP):

- Maintaining a high-quality Code of Ethics for Professional Accountants (the Code) for application by professional accountants globally;
- Promoting and facilitating the adoption and effective implementation of the Code;
- Evolving the Code for continued relevance in a changing global environment; and
- Increasing engagement and cooperation with key stakeholders.

In 2014, the IESBA worked to enhance its responsiveness to emerging issues of international relevance in the context of continued heightened scrutiny on ethics following the global financial crisis, and an ever-evolving global environment, all while consolidating its efforts to deliver on its existing strategic commitments, including advancing the development of international standards and guidance in the Code; developing a new structure for the Code to enhance its usability and clarity, thereby facilitating its consistent application and enforcement, and furthering its global adoption; and proactively pursuing its stakeholder outreach program.

2 Other matters for information

IASB AND RELATED MATTERS

IFRS outreach

The IASB and the IFRS Foundation have an ongoing outreach programme which seeks to engage stakeholders in the development of standards.

Communications between May and August 2015 included

- An Essentials article explaining how investors can interpret balance sheet information (bit.ly/IFRSoutreach2015BalSheet)
- The IFRS Foundation Annual Report for 2014 (bit.ly/IFRSfoundationAnnualReport2014)
- An Investor Perspective article on prudence (bit.ly/IASBInvestorPerspective2015prudence)
- A report on the Post-implementation Review of its Business Combinations Standard (bit.ly/IASBpostImpRevBusComb2015)

INTEGRATED REPORTING

IIRC Matters

Communications on the IIRC website between May and August 2015 included

- A call for action on assurance on integrated reporting, which is a key message in the 'Overview of feedback and call to action' published by the IIRC in July 2015 (bit.ly/IIRCassurancetonIRfeedback). IAASB acknowledged this, and responded with proposed planning actions (bit.ly/IAASBplanreIntegratedRep)

INTERNATIONAL VALUATION STANDARDS

IVSC Matters

In May 2015 the IVSC issued two documents relating to the governance of professional valuation organisations:

- Model Guide for Governance of Valuation Professional Organisations (bit.ly/IVSCmodel_governancePVOMay2015).
- Governance Assessment Tool for Professional Organisations (bit.ly/IVSCgovernance_toolMay2015)

2 Other matters for information

FEE MATTERS

FEE Public Sector Roundtable, 2 July 2015, Brussels

bit.ly/FEEpubsecRTJuly2015

This Roundtable was an opportunity to discuss ways to transition from cash to accruals, and also learn from Member States' best practices for a smooth shift. Participants and speakers included European and national policymakers, representatives from the public sector, accountants and auditors.

3 Note of meetings and events attended

Meetings and events attended by AASP chair and/or secretariat (excluding FEE and IPSASB related meetings) in the period May to August 2015 included

04.06.2015	ICAEW ISA Implementation Sub-Group
09.06.2015	CCAB-CIMA meeting with the FRC Accounting Council secretariat
10.06.2015	FRC Auditing and Assurance: International Committee
22.06.2015	FRC meeting on EFRAG IFRS 9 consultation