

Accounting and Auditing Standards Update

reflecting developments from September 2015 to December 2015

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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.

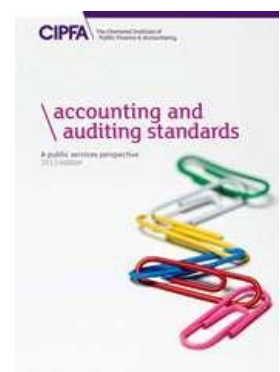
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

This update provides information on standards developments in the fields of accounting and audit (in this context normally referring to 'external' or 'independent' audit). It reflects standards, other guidance and consultations developed or reviewed by

- UK standard setters including the Financial Reporting Council (FRC), its Standards and Codes Committee, and its advisory panels the Accounting Council and the Audit and Assurance Council
- International standard setters, including the International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB) and the International Auditing and Assurance Standards Board (IAASB)
- Interpreters of financial reporting standards, including SORP making bodies, HM Treasury and other 'relevant authorities' for central government, the devolved administrations, local government and health sectors, and the Financial Reporting Advisory Board (FRAB)
- Other bodies developing, interpreting or commenting on standards matters relevant to financial reporting and audit

Weblinks provide information from the issuer's website where available.

Overview diagrams are provided at Annex B to this update. More detailed background and information on the public services dimension of standard setting are provided in *Accounting and Auditing Standards: A Public Services Perspective (2013 Edition)* which is available from the CIPFA shop



Standards Developments In Brief

Financial Reporting – September 2015 to December 2015

New Standards and Guidance

UK FRC FRC has issued a number of maintenance updates to its main FRS 100-102 standards.

IASB IASB has deferred implementation of its standard on associates and joint ventures pending further review of this area.

CIPFA Responses to Consultations

CIPFA responded to IPSASB's exposure draft *The Applicability of IPSASs*, which sets out guidelines within which governments elect to apply IPSAS or to adopt other reporting for commercial activities.

CIPFA also responded to two IASB Exposure Drafts proposing final revisions to its Conceptual Framework and related amendments, and provided comments on the IASB agenda consultation.

CIPFA's Charity Panel developed a response to a Charity SORP ED consulting on changes arising from changes to FRS 102

Open Consultations

FRC FRC has proposed a number of updates to its FRS100 series standards, mainly reflecting changes in the regulatory environment. CIPFA will not be responding to these.

IASB IASB has issued a draft practice statement on the application of materiality, as part of its Disclosure project. CIPFA will respond to this. CIPFA is not responding to other IASB consultations which either propose improvements or address timing/deferral issues.

IPSASB The IPSASB issued a consultation paper *Recognition and Measurement of Social Benefits* in May 2016. This is a key issue for public sector reporting and CIPFA is responding.

CIPFA responded in January 2016 to two EDs proposing improvements to existing IPSAS.

Audit and Assurance – September 2015 to December 2015

New Standards and Guidance

IAASB

IAASB has issued guidance on the use of its compilation standard. As far as we know this is little used in public sector contexts.

CIPFA Responses to Consultations

CIPFA made a single response to the IAASB, on proposed amendments to ISAs, reflecting changes proposed in the IFAC ethical code, in connection with responding to Non-Compliance with Laws and Regulations (NOCLAR).

Open Consultations

IAASB

CIPFA is considering whether to respond to IAASB's consultation on Enhancing Audit Quality. Some of the issues in this paper are very focussed on private sector issues and risks.

Standard Setting Governance – September 2015 to December 2015

While most of the work of CIPFA's Accounting and Auditing Standards Panel (AASP) is concerned with the development of new and revised standards, AASP also considers a range of other significant developments which are relevant to the standards environment.

This includes initiatives by standard setters, regulators and governments which affect the governance, process, strategy and workplan of standard setters, and the applicability of standards.

Key developments in the current period are set out below.

Consultations and Other Governance Process

<i>FRC</i>	The FRC has issued its 2016-19 Strategy, and is seeking feedback on its draft Plan and Budget for 2016-17.
<i>IFAC Boards</i>	IFAC has called for nominations to its standard setting boards, for those posts which need to be filled in 2017.
<i>IPSASB</i>	<p>In September 2015, Ian Carruthers was announced as IPSASB chair from 2016.</p> <p>The governance of IPSASB has also been augmented through the creation of a Consultative Advisory Group.</p>

Wider Standard Setting – September 2015 to December 2015

While most of the work of CIPFA’s Accounting and Auditing Standards Panel (AASP) is concerned with standards for financial reporting and independent audit and assurance, AASP also reviews developments in related areas.

This includes standards and guidance relating to wider reporting on governance, sustainability and other matters, including developments in ‘integrated reporting’. It also encompasses standard setting such as that for professional valuation which interacts with financial reporting.

A report on developments in the current period is set out below.

FRC FRC is consulting on a range of issues primarily framed in terms of private sector companies, including going concern assessments, board succession planning and audit firm governance.
CIPFA is not responding to any of these, but we do maintain a watch on these issues and consider whether there are lessons to be learned for the public sector.

IFRS taxonomy The IFRS Foundation is consulting on due process for the development of the IFRS taxonomy. Among other things it is proposed that IASB should have greater role.

IESBA IESBA has issued an ED on the structure of the Code of Ethics for Professional Accountants.

ANNEX A: Activity Summary - Financial Reporting Standards

UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
FRC (Accounting Council)	29.09.2015	FRS 100: <i>Application of Financial Reporting Requirements (September 2015)</i> FRS 101: <i>Reduced Disclosure Framework (September 2015)</i> FRS 102: <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> FRC Press Release	01.01.2016	UK GAAP appliers
	27.10.2015	SEN 16 <i>Financing transactions</i> SEN 2 <i>Amortised cost</i> (reissued) SEN 13 <i>Transition to this FRS</i> (updated) FRC webpage	Education material	UK GAAP appliers

ANNEX A: Activity Summary - Financial Reporting Standards

International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	17.12.2015	<i>Effective Date of Amendments to IFRS 10 and IAS 28</i> IASB Press Release	Defers amendments	IFRS appliers
IPSASB		No standards or pronouncements issued		

ANNEX A: Activity Summary - Financial Reporting Standards

UK consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
FRC (Accounting Council)	04.11.2015	FRED 62: <i>Draft amendments to FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland - Fair value hierarchy disclosures</i> FRC press release	31.01.2016	UK GAAP financial institutions and retirement benefit plans	No
	11.12.2015	FRED 63 <i>Draft amendments to FRS 101 Reduced Disclosure Framework 2015/16 cycle</i>	31.03.2016	FRS 101 appliers	No
		FRED 64 <i>Draft amendments to FRS 103 Insurance Contracts, Solvency II</i> FRC press release	28.02.2016	FRS 103 appliers	No

* The Accounting and Auditing Standards Panel takes a view on which consultations are sufficiently relevant to CIPFA to warrant a formal response. If you have a different view on which matters should be responded to, please contact Steven Cain, CIPFA's Technical Manager, Financial Reporting and Auditing Standards e:steven.cain@cipfa.org

ANNEX A: Activity Summary - Financial Reporting Standards

International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB	21.10.2015	Draft IFRIC Interpretation DI/2015/2 <i>Foreign Currency Transactions and Advance Consideration</i>	19.01.2016	IFRS appliers	No
		Draft IFRIC Interpretation DI/2015/1 <i>Uncertainty over Income Tax Treatments</i> IASB Press Release	19.01.2016	IFRS appliers	No
	28.10.2015	IASB ED/2015/8 IFRS Practice Statement: <i>Application of Materiality to Financial Statements</i> IASB Press Release	26.02.2016	IFRS appliers	Yes

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ANNEX A: Activity Summary - Financial Reporting Standards

International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB continued	19.11.2015	IASB ED/2015/9 <i>Transfers of Investment Property Proposed amendment to IAS 40</i>	18.03.2016	IFRS appliers	No
		IASB ED/2015/10 <i>Annual Improvements to IFRSs 2014–2016 Cycle</i> IASB Press Release	17.02.2016	IFRS appliers	No
	09.12.2015	IASB ED/2015/11 <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Proposed amendments to IFRS 4</i> IASB Press Release	08.02.2016	IFRS appliers	No

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ANNEX A: Activity Summary - Financial Reporting Standards

International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IPSASB	14.10.2015	ED 57, <i>Impairment of Revalued Assets</i> IPSASB Press Release	15.01.2016	IPSAS appliers (public sector)	Yes
		ED 58, <i>Improvements to IPSASs 2015</i> IPSASB Press Release	15.01.2016	IPSAS appliers (public sector)	Yes

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ANNEX A: Activity Summary - Audit and Assurance Standards

UK standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
FRC (Audit and Assurance)		No standards or pronouncements issued		

International standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB	24.09.2015	<i>Guide to Compilation Engagements</i> IAASB Press Release	Immediate	Compilation engagements

ANNEX A: Activity Summary - Audit and Assurance Standards

UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
FRC (Audit and Assurance)	29.09.2015	Consultation: <i>Enhancing Confidence in Audit</i> FRC web link	11.12.2015	UK Companies	No
International consultations					
IAASB	17.12.2015	Invitation to Comment, <i>Enhancing Audit Quality in the Public Interest</i> <i>A Focus on Professional Skepticism, Quality Control, and Group Audits</i> IAASB web link	16.05.2016	All ISA audits	To be considered

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ANNEX A: Activity Summary – CIPFA Responses

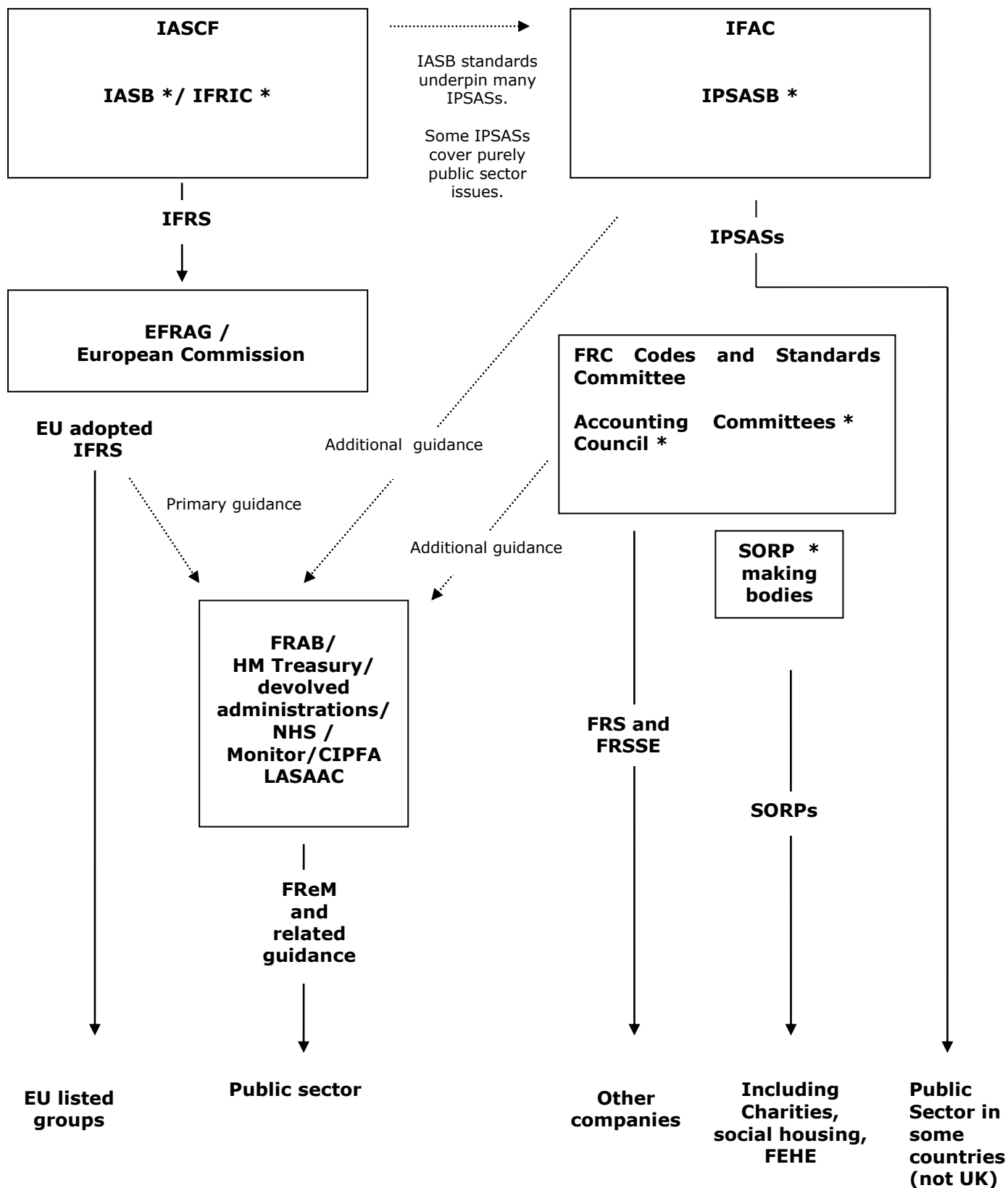
Issuer	Subject of Consultation	
Charities SORP making body	Charities SORP consultations on Charities SORP (FRS 102) amendments and replacement for Charities SORP (FRSSE)	16.09.2015
IAASB	Exposure Draft <i>Proposed Amendments to the IAASB's International Standards, Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations</i>	21.10.2015
IASB	ED/2015/3, <i>Conceptual Framework for Financial Reporting</i>	25.11.2015
	ED/2015/4, <i>Updating References to the Conceptual Framework</i>	25.11.2015
	Request for Views <i>2015 Agenda Consultation</i>	31.12.2015
IPSASB	Exposure Draft Proposed International Public Sector Accounting Standard and Recommended Practice Guideline <i>The Applicability of IPSAS</i>	30.11.2015

CIPFA responses on matters relating to accounting and auditing standards are also published at

www.cipfa.org/Policy-and-Guidance/Responses-to-consultations

ANNEX B: Background to consultation processes

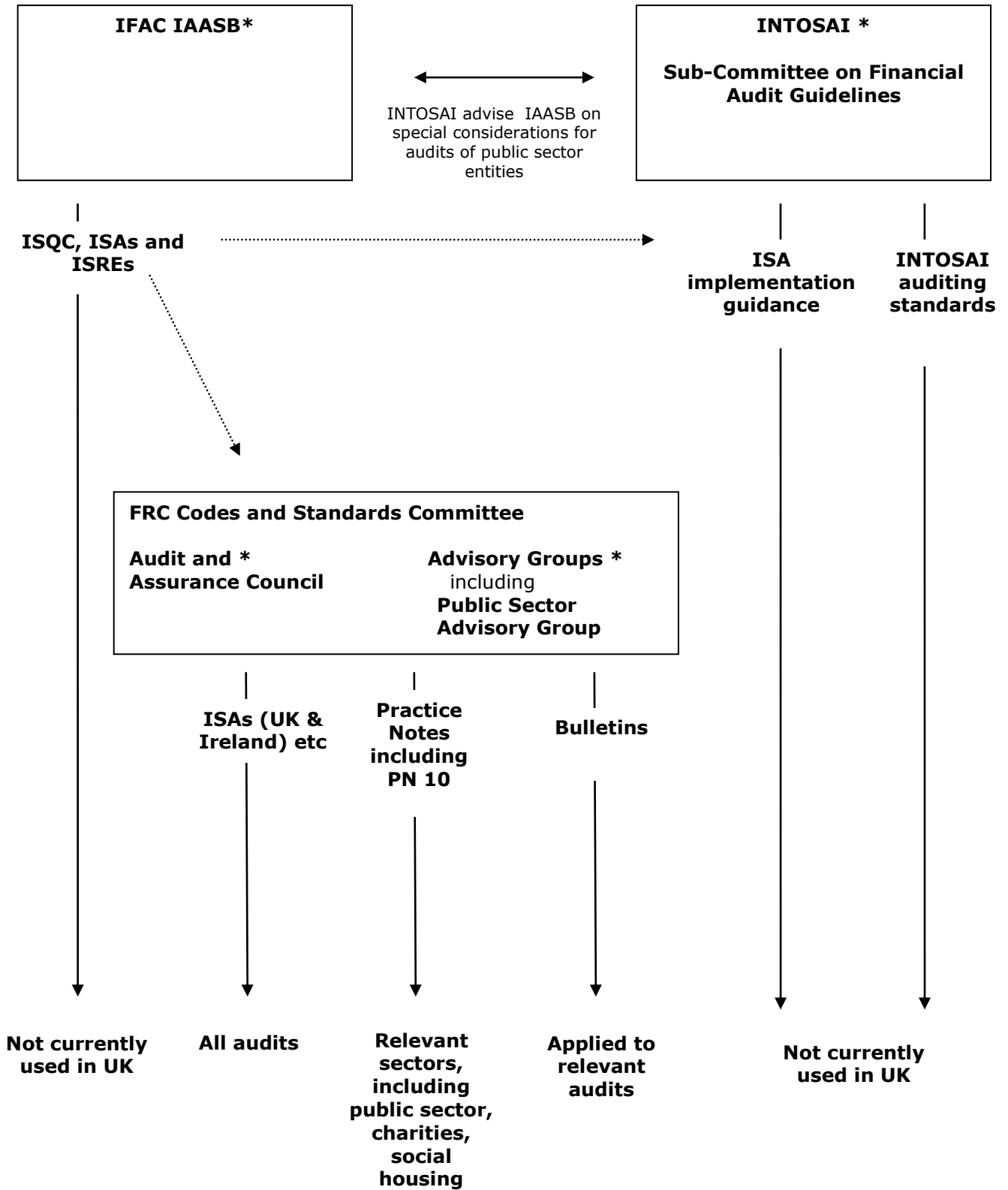
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



CIPFA comments on most exposure drafts, discussion papers and consultations by bodies marked *, except for explicitly private sector issues

ANNEX B: Background to consultation processes

INTERNATIONAL AND UK AUDITING STANDARD SETTING



CIPFA comments on most exposure drafts, discussion papers and consultations by bodies marked *, except for explicitly private sector issues

ANNEX B: Background to consultation processes

GLOSSARY AND LIST OF ACRONYMS

(not all of which appear in the current update)

<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>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>	Financial Reporting Standard. FRSs are the principal form of pronouncement on UK financial reporting issued by the FRC.
<i>FRSSE</i>	The Financial Reporting Standard for Smaller Entities. This is the principal standard used by smaller companies. It is also used by some public benefit entities in conjunction with the relevant SORP.
<i>FRED</i>	Financial Reporting Exposure Draft. FREDs are the principal consultation document for UK financial reporting issued by the FRC.
<i>IAASB</i>	International Auditing and Assurance Board, a standard setting board of IFAC.

ANNEX B: Background to consultation processes

<i>IAESB</i>	International Accounting Education Standards Board
<i>IASB</i>	International Accounting Standards Board
<i>IESBA</i>	International Ethical Standards Board for Accountants
<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>IVSC</i>	The International Valuation Standards Council, the international standard setter for valuation matters.
<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.