

Accounting and Auditing Standards Update

reflecting developments from January to April 2018

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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.

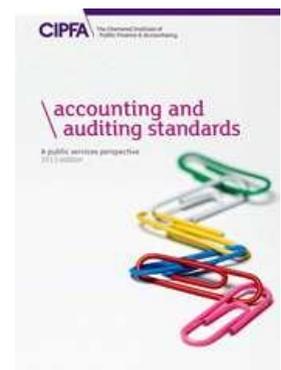
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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
- 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 – January to April 2018

New Standards and Guidance

UK GAAP No new standards were issued, although the FRC has helpfully issued a new FRS 102 incorporating the Triennial Review amendments published in December 2017.

IFRS The IASB issued

- A narrow scope amendment to IAS 19 relating to pension plan amendments, curtailments and settlements
- the completed revision of its *Conceptual Framework for Financial Reporting*

The conceptual framework has immediate (but non-binding) effect on the standard setting business of the IASB. From 1 January 2020, it will be a key reference for preparers and auditors when considering matters not fully or clearly covered by extant standards.

CIPFA Responses to Consultations

IPSASB CIPFA responded to a consultation paper *Accounting for Revenue and Non-exchange Expenses*, and to ED 63 *Social Benefits*.

Open Consultations

IFRS IASB issued an ED on accounting policy changes, which CIPFA will not be responding to.

IPSASB IPSASB issued 3 consultations:

- an ED on leases, which reflects but does not duplicate changes in the related standard IFRS 16;
- a consultation on IPSASB’s strategy and work plan; and
- ED 65 *Improvements to IPSAS, 2018*

CIPFA will respond to ED 64 and the strategy and work plan consultation. (The Improvements ED is less significant and will not be responded to unless AASP request it).

Audit and Assurance – January to April 2018

New Standards and Guidance

No UK or international pronouncements were issued during the period.

CIPFA Responses to Consultations

Monitoring Group

CIPFA responded to a consultation by the 'Monitoring Group' *Strengthening the governance and oversight of the international audit-related standard-setting boards in the public interest.*

The 'Monitoring Group' is a regulator led body which is part of the IFAC oversight framework for audit and other standard setting (but not, for example, IPSASB standard setting)

Open Consultations

There were no open consultations on auditing standards at the end of April 2018.

Standard Setting Governance – January to April 2018

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

FRC

The Financial Reporting Council has published its 2018/21 strategy and its plan for the 2018/19 financial year following a public consultation.

The FRC's priorities include a comprehensive update of the UK's Corporate Governance and investor Stewardship Codes, a review of how audit should in future serve the public interest, a new system for audit firm monitoring and supervision, and other work to embed its mission to promote transparency and integrity in business.

In April, the UK government launched an independent review of the Financial Reporting Council (FRC), the regulator for auditors, accountants and actuaries.

The review will assess the FRC's governance, impact and powers, to help ensure it is fit for the future.

Wider Standard Setting – January to April 2018

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.

CCAB

The Consultative Committee of Accounting Bodies has published new guidance on Anti-Money Laundering Guidance for the Accountancy Sector.

This applies to all entities providing audit, accountancy, tax advisory, insolvency or related services such as trust and company services, by way of business.

The guidance has been updated for the 2017 Anti-Money Laundering (AML) Regulations and is approved by HM Treasury. It has also been adopted by the UK accountancy AML supervisory bodies.

IESBA

The International Ethics Standards Board for Accountants (IESBA) has released a completely rewritten Code of Ethics that is easier to navigate, use and enforce. Beyond the new structure, the Code brings together key ethics advances over the past four years, and is clearer about how accountants should deal with ethics and independence issues.

IESBA is consulting on its Proposed Strategy and Work Plan, 2019-2023.

ANNEX A: Activity Summary – Financial Reporting Standards

UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
CIPFA/ LASAAC	01.04.2018	Code of Practice on Local Authority Accounting in the United Kingdom 2018/19	01.04.2018	UK Local Government
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	07.02.2018	<i>Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19) IASB press release	01.01.2019	IFRS preparers
	12.10.2017	<i>Conceptual Framework for Financial Reporting</i> IASB press release	Immediately (for standard setting) 01.01.2020 (for preparers)	IFRS preparers

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?
Charity SORP Board	20.02.2018	Invitation To Comment: Draft Update Bulletin 2 <i>Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)</i> Consultation web page	04.04.2018	Charity SORP preparers	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	27.03.2018	Exposure Draft ED/2017/1 <i>Accounting Policy Changes</i> Proposed amendments to IAS 8 IASB Press Release	27.07.2018	IFRS appliers	No
IPSASB	31.01.2018	Exposure Draft (ED) 64, <i>Leases</i> IPSASB Press Release	30.06.2018	Public sector	Yes
	05.02.2018	Proposed Strategy and Work Plan 2019–2023 IPSASB Press Release	15.06.2018	Public sector	Yes
	16.04.2018	Exposure Draft (ED) 65, <i>Improvements to IPSAS, 2018</i> IPSASB Web Link	15.07.2018	Public sector	tbc

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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 pronouncements issued		

International standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB		No pronouncements issued		

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)		No consultations issued			

International consultations

IAASB		No consultations issued			
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ANNEX A: Activity Summary – CIPFA Responses

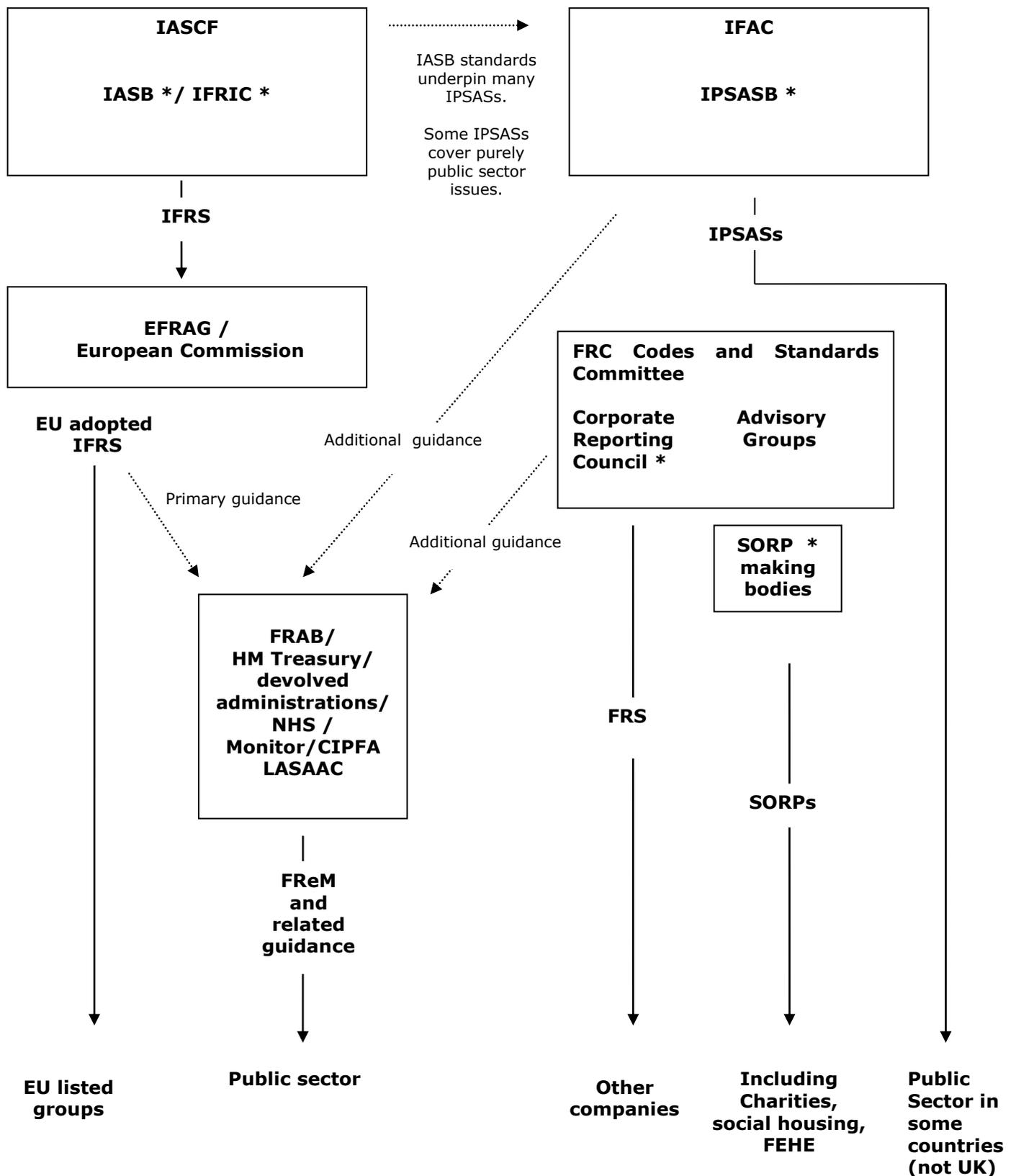
Issuer	Subject of Consultation	Response Date
Monitoring Group	Consultation <i>Strengthening the governance and oversight of the international audit-related standard-setting boards in the public interest</i>	08.02.2018
IPSASB	Consultation Paper <i>Accounting for Revenue and Non-Exchange Expenses</i>	15.01.2018
	Exposure Draft ED 63 <i>Social Benefits</i>	28.03.2018

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

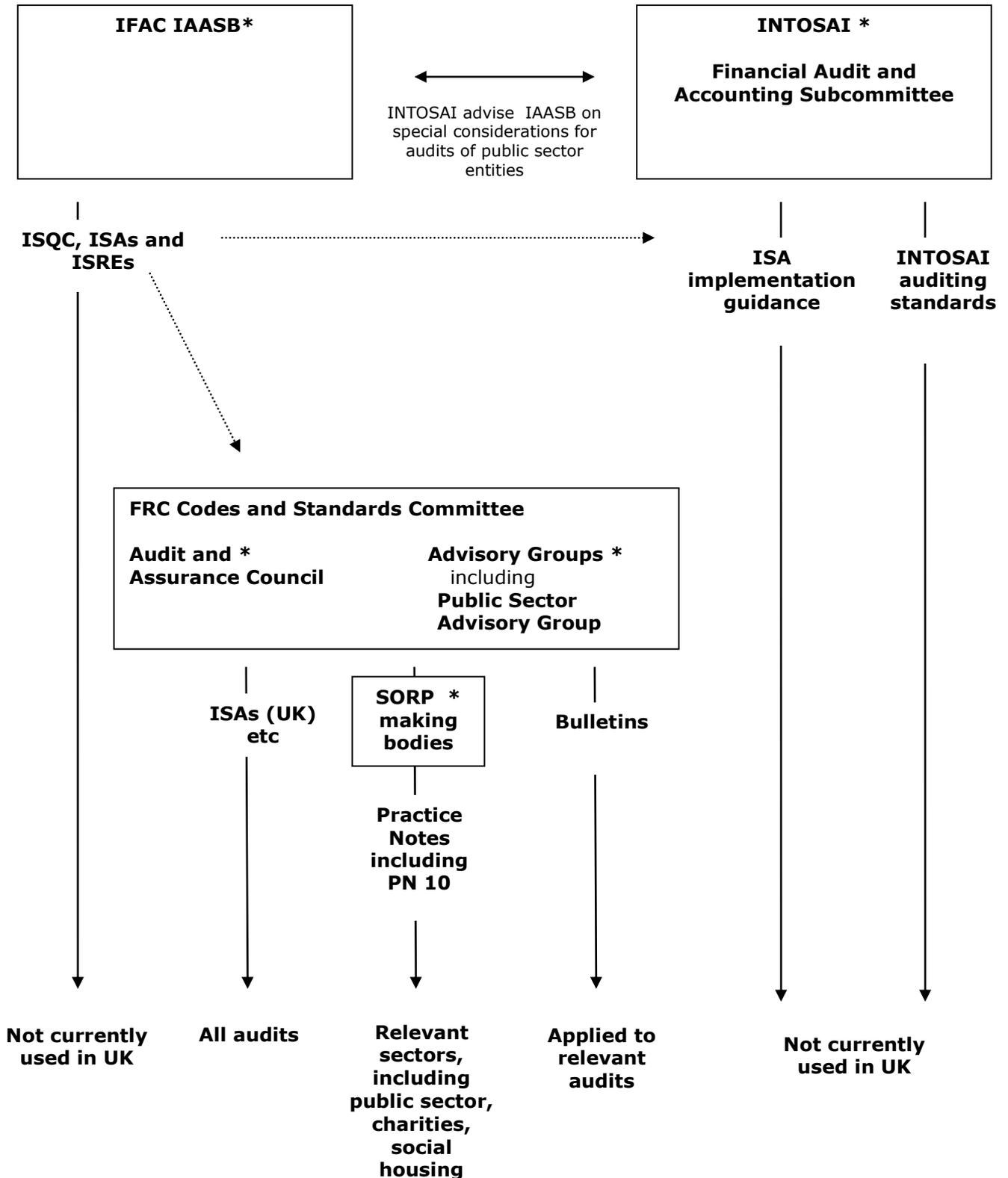
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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>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>Corporate Reporting Council</i>		The Corporate Reporting Council advises the FRC Codes and Standards Committee on matters relating to financial reporting standards. Known as the Accounting Council until 1 April 2016, the Council replaced the previous developer of UK financial reporting standards and guidance, the Accounting Standards Board (ASB), 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>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, a standard setting board of IFAC.
<i>IASB</i>	International Accounting Standards Board
<i>IESBA</i>	International Ethical Standards Board for Accountants, a standard setting board of IFAC.
<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)</i>	Modified or additional ISAs applicable in the UK, issued by the FRC (from June 2016)
<i>ISA (UK & Ireland)</i>	Modified or additional ISAs applicable in the UK & Ireland, issued by the FRC (prior to June 2016)
<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 FRC standards 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.