

Committee	Accounting and Auditing Standards Panel
Venue	CIPFA Mansell Street
Date	February 2017
Author	Steven Cain
Subject	Wider developments in the standard setting field September to December 2016

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

IFAC

Candidates Sought for Volunteer Positions on the Independent Standard-Setting Boards

bit.ly/IFACboardvolunteersNov2016

1 November 2016

Are you seeking an exceptional opportunity that combines your understanding of the public interest role of accountancy with your desire to make a difference on a global stage? The high-quality international standards that underpin the global accountancy profession are developed by the independent standard-setting boards, for which today's Call for Nominations for 2018 is released.

The Call sets out the upcoming opportunities for membership on the International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB).

For 2018, there are 26 vacancies on the independent standard-setting boards—7 each on the IAASB, IESBA, and IAESB, and 5 on the IPSASB. The current member can be re-nominated for 17 of these vacancies and, if considered appropriate, re-appointed for a second term of service.

These volunteer vacancies on the boards are open for nominations by all stakeholders, including professional accountancy and international organizations, governmental agencies, firms, and the public. Nominations of non-accountants for the public member vacancies are strongly encouraged. Travel support is available to qualified candidates from developing nations, self-nominees, and public members.

Candidates should have knowledge of the subject matters considered by a particular board, as well as English proficiency. Each board meets up to four times per year and the required time commitment is approximately 300 to 850 hours per year, depending on the board and task force involvement, including preparation and travel time. Although each candidate will ultimately be selected based on experience, nominations of highly qualified candidates from Africa, Asia, the Middle East, and Latin America are strongly encouraged. Nominations of female candidates for all boards and from all regions are particularly welcome. For more information on openings and geographic targets of a particular board, please see the Vacancy Overview table on p. 9-12 of the Call.

Nominations can be submitted through the Nominations Database. All nominations need to be submitted before January 31, 2017.

2 Other matters for information

FRC

Promoting Continuous Improvement in Audit: FRC issues thematic review on root cause analysis of audit inspection findings

bit.ly/FRCrootcauseSep2016

16 Sep 2016

Today the Financial Reporting Council issues a thematic review on the subject of root cause analysis performed by audit firms relating to audit inspection findings (RCA). The report is intended to provide insights and aid understanding of firms' procedures, highlight areas of good practice and provide recommendations, to promote continuous improvement in audit quality.

The review, covering the six largest UK audit firms, identifies that all are improving their RCA process and some are more advanced than others. The FRC recommends that the firms improve planning and training on the process, consider using individuals and RCA techniques from outside the audit practice and adopt more consistent processes for investigating causes for internal and external inspections

Consultation on changes to corporate reporting review procedures

bit.ly/FRCcorprevprocOct2016

04 Oct 2016

The Financial Reporting Council (FRC) is consulting on its Conduct Committee's operating procedures for reviewing company reports and accounts.

FRC publishes consultation on procedures for de-registration of third country auditors

bit.ly/FRC3rdCANov2016

07 Nov 2016

Third country auditors (TCAs) are non-EU auditors of companies incorporated outside the European Economic Area (EEA) that have issued securities on UK regulated markets, principally on the main market of the London Stock Exchange. TCAs are required to register with the FRC and renew their registration on an annual basis.

The majority of the Secretary of State's powers in relation to TCAs have been delegated to the FRC (Powers). The FRC Board is responsible for the exercise of the Powers, which include the power to remove TCAs from the Register of Third Country Auditors (Register) under certain circumstances.

To date the FRC has dealt with any non-compliance issues which could require a TCA registration to be withdrawn by engaging with the TCA to resolve the issue. However, in order to apply a consistent, efficient and transparent process for de-registration of TCAs between renewals (where the Board considers there to be grounds for removing a TCA from the Register) the FRC has now developed draft Third Country Auditor Register Procedures and invites feedback from interested parties to the questions set out in Section one of the consultation document on or before 16 December 2016.

2 Other matters for information

Tiering of signatories to the Stewardship Code

bit.ly/FRCtiersigsNov2016

14 Nov 2016

FRC holds fund managers to account under Stewardship Code

The Financial Reporting Council has categorised signatories to the Stewardship Code into tiers based on the quality of their Code statements. The assessment published today demonstrates much improved reporting against the Code and greater transparency in the UK market. There are nearly 300 signatories to the Code. More than 120 are in Tier 1, an increase from approximately 40 at the beginning of the exercise. This represents nearly 90 per cent of assets under management of members of the Investment Association.

The FRC is pleased with the positive and constructive response from signatories. The assessments focused on the quality of descriptions of signatories' approach to stewardship and their explanations in accordance with the 'comply or explain' basis of the Code. Over 200 signatories approached the FRC to discuss improving their reporting against the Code.

Asset managers who have not achieved at least Tier 2 status after six months will be removed from the list of signatories as their reporting does not demonstrate commitment to the objectives of the Code. The FRC welcomes contact from signatories, particularly those in Tier 3, to discuss improvements to reporting.

Signatories to the Code have been tiered according to the quality of the reporting in their statements based on the seven principles of the Code and the supporting guidance. Asset managers have been categorised in three tiers and other signatories in two tiers.

Tier 1

Signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary.

Tier 2

Signatories meet many of the reporting expectations but report less transparently on their approach to stewardship or do not provide explanations where they depart from provisions of the Code.

Tier 3

Significant reporting improvements need to be made to ensure the approach is more transparent. Signatories have not engaged with the process of improving their statements and their statements continue to be generic and provide no, or poor, explanations where they depart from provisions of the Code.

2 Other matters for information

Improved reporting of alternative performance measures welcomed but further enhancements needed

bit.ly/FRCAPMrevNov2016

25 Nov 2016

The reporting of alternative performance measures (APMs) has improved according to the findings of a thematic review published today by the Financial Reporting Council (FRC). However, further improvements are required.

The review of 20 sets of 30 June 2016 interim statements was undertaken by the FRC's Corporate Reporting Review (CRR) team. The review found that definitions and reconciliations were generally provided for APMs, and their descriptions were not misleading. However, explanations for the use of APMs were often cursory. The review also found that in one case the narrative discussed APMs only and made no mention of the related International Financial Reporting Standards (IFRS) results. Improvements were seen in 7 of the 20 statements compared to the companies' previous interims. The improvements largely related to better explanations.

The thematic review was conducted following concerns expressed by a number of stakeholders, as well as the FRC in its recently published Annual Review of Corporate Reporting, and the coming into force on 3 July of the Guidelines on Alternative Performance Measures, issued by the European Securities and Markets Authority (ESMA).

In particular, the review looked at alternative measures of profit. 90% of the sample used such a measure of adjusted profit with the alternative measure being higher than the equivalent IFRS measure in 78% of those cases.

The review found that there was only limited commonality in the definition of such measures while some of the definitions used gave rise to concerns about why certain items, notably recurring restructuring costs, had been excluded from the measure.

The FRC will take account of the findings of the thematic in its review of reports and accounts for years ending 31 December 2016 onwards. In particular, the FRC notes that many companies will need to make further enhancements to their reporting in this area.

FRC publishes new technical actuarial standards

bit.ly/FRCnewTASDec2016

14 Dec 2016

The Financial Reporting Council (FRC) has today published a revised suite of Technical Actuarial Standards (TASs). The publication of the revised TASs follows a review of the existing technical actuarial standards, two consultations on the FRC's TASs and a risk assessment of actuarial work to determine the scope of the Specific TASs.

The new TASs are:

TAS 100: Principles for technical actuarial work (TAS 100) which will apply to all technical actuarial work; and

three Specific TASs - TAS 200: Insurance, TAS 300: Pensions and TAS 400: Funeral plan trusts - which will apply to areas of technical actuarial work where there is a high degree of risk to the public interest.

The revised standards will come into force on 1 July 2017 and will replace the existing standards. TAS 100 extends the scope of FRC technical actuarial standards to cover all technical actuarial work. The current standards only apply to specific areas of work and work reserved to actuaries.

2 Other matters for information

FRC's 2017/18 thematic reviews expected to prompt improvements

bit.ly/FRCthematicRev2017-18

15 Dec 2016

The Financial Reporting Council (FRC) will, in 2017, undertake thematic reviews of certain aspects of companies' corporate reports and audits, where it believes there is scope for improvement and particular shareholder interest.

Corporate reporting

The topics are:

- Significant accounting judgments and sources of estimation uncertainty
- Pension disclosures
- Alternative Performance Measures (APMs)

When reviewing any report published in 2017, the FRC will also monitor and report on companies' disclosures relating to:

- The impact of new IFRSs; including the timeliness and usefulness of the information provided
- Principal risks and uncertainties relating to Brexit and the low interest rate environment and the extent to which they are company specific
- The reviews will build on the FRC's findings published in its Annual Review of Corporate Reporting and its thematic review of APMs disclosed in companies' interim financial statements. Further information on the FRC's approach to the thematic reviews is attached to this Press Release.

Audit

The topics are:

- Auditors' responsibilities relating to other information
- Audit firm governance and culture
- Materiality: update on 2013 thematic review

Priority sectors

In addition to these thematic reviews, the FRC will, in its routine corporate reporting and audit monitoring activities, give some priority to reports and audits in the property, travel and leisure and support services sectors. Audit monitoring will additionally also focus on the financial service sector.

2 Other matters for information

IASB AND RELATED MATTERS

International Accounting Standards Board reveals its 'to-do list' for the next five years

bit.ly/IASB5yrTodoList2016

02 November 2016

The International Accounting Standards Board (the Board), which sets IFRS Standards required in more than 120 countries, has today published the conclusions from its recent Agenda Consultation and its five-year work plan.

Listening to feedback from stakeholders, the Board has confirmed that a central theme for its activities until 2021 will be Better Communication in financial statements.

The Board aims to improve the communication effectiveness of financial statements by taking a fresh look at how financial information is presented and grouped together. It will also continue to enhance disclosures and—through the IFRS Taxonomy™—support the use of electronic reporting.

Other focus areas for the five-year period are:

- completing large projects—finalising the new insurance contracts Standard and the revision of the Conceptual Framework, both of which are expected to be issued in 2017;
- supporting implementation—continuing to develop support, including online support, for stakeholders' implementation of new IFRS Standards, and maintaining existing Standards effectively through the IFRS Interpretations Committee and post-implementation reviews; and
- focusing the research programme—reducing the number of research projects to enable stakeholders to engage in the Board's work more fully and to ensure timely completion.

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 September to December 2016 included

12.09.2016	ICAEW ISA Implementation Sub-Group
15.09.2016	FRC Auditing and Assurance: International Committee
11.10.2016	CCAB-CIMA meeting with the FRC Corporate Reporting Council secretariat
28.11.2016	ICAEW ISA Implementation Sub-Group
01.12.2016	FRC Auditing and Assurance: International Committee
13.12.2016	CCAB-CIMA meeting with the FRC Corporate Reporting Council secretariat