

Accounting and Auditing Standards Update

reflecting developments from January to April 2017

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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.

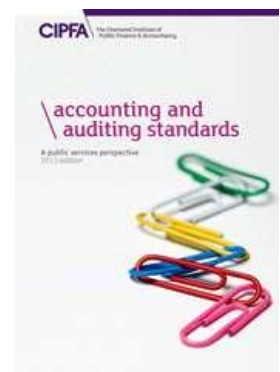
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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 2017

New Standards and Guidance

- UK GAAP* The FRC has issued a revised FRS 103 *Insurance Contracts* reflecting Solvency II and other regulatory developments. CCAB has issued a revised LLP SORP.
- Public Sector* IPSASB has issued IPSAS 40, *Public Sector Combinations*.

CIPFA Responses to Consultations

- FRC* CIPFA responded to a FRC consultation on its research programme, supporting FRC’s proposal to pursue research on non-exchange expenditure, and also suggesting that research on service potential would be beneficial.

Open Consultations

- UK GAAP* The FRC has issued FRED 67 setting out proposed amendments to FRS 102, comprising incremental improvements and clarifications identified during the Triennial Review. CIPFA has no specific comments on this, but will provide some high level observations in line with other input to the Triennial Review.
- IFRS* The IASB has issued four consultations on: Annual Improvements; Improvements to IFRS 8 Operating Segments; narrow focus changes to IFRS 9; and a Discussion Paper on principles of disclosure. No public sector specific aspects have been set out in the above, but CIPFA will be responding to the DP on principles of disclosure, which is clearly of importance to public sector preparers.
- Public Sector* IPSASB has issued a consultation paper on financial reporting for heritage in the public sector. CIPFA will be responding to this consultation.

Audit and Assurance – January to April 2017

New Standards and Guidance

UK standards and guidance

The FRC has issued a revised Practice Note 20 on the audit of insurers.

CIPFA Responses to Consultations

Public Sector Audit

CIPFA responded to two IAASB consultations: one on the use of technology (and specifically Data Analytics) in audit; the other on Agreed Upon Procedures.

Open Consultations

UK standards and guidance

The FRC is consulting on minor changes relating to Consideration of Laws and Regulations, Audit of Pension Schemes, Bank Reports for Audit Purposes, and the role of auditors in capital market Preliminary Announcements. None of these have particular public sector aspects, and CIPFA will not be responding to them.

IAASB

The IAASB has issued an exposure draft of a revised ISA 540 on auditing accounting estimates. While much of the concern in this area is private sector focused, ISA 540 sets out requirements on a key aspect of audit evidence and CIPFA will be making a response.

Standard Setting Governance – January to April 2017

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

- In January 2017, the Financial Reporting Council (FRC) published its annual report, Developments in Corporate Governance and Stewardship 2016.

The FRC's report includes analysis of the 2016 AGM season which showed generally reduced support for remuneration resolutions and concern about a lack of transparency in the link between executive pay and performance.

- In March 2017 the FRC published its Plan & Budget, including its levies, for 2017/18.

- In April 2017 the FRC Conduct Committee approved a revised set of its operating procedures for reviewing corporate reporting following a public consultation.

IAASB

In February 2017, the International Auditing and Assurance Standards Board (IAASB) published its Work Plan for 2017–2018, following consultation during 2016.

The IAASB will publish a timetable of current projects on its website, to be updated on a quarterly basis, to maintain transparency on progression.

Wider Standard Setting – January to April 2017

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

IESBA

The International Ethics Standards Board for Accountants (IESBA) has completed the first phase of its strategic project to restructure its Code of Ethics.

In addition, it has released new proposals to restructure select sections of the Code, revise the independence sections of the Code pertaining to non-assurance services provided to assurance clients, and clarify applicability to professional accountants in public practice.

IIRC

The International Integrated Reporting Council has conducted a two-month feedback consultation on the implementation of the International <IR> Framework.

IVSC

In January 2017, the International Valuation Standards Committee launched IVS 2017, a new set of valuation standards.

The Standards were created following an extensive consultation process from April to October 2016.

ANNEX A: Activity Summary – Financial Reporting Standards

UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
FRC (Corporate Reporting Council)	13.01.2017	FRS 103 (Revised) <i>Insurance Contracts Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts</i> FRC press release	01.01.2016	Insurance
CCAB	26.01.2017	Statement of Recommended Practice – <i>Accounting by Limited Liability Partnerships</i> CCAB press release	01.01.2016	Limited Liability Partnerships
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB		No pronouncements issued		
IPSASB	31.01.2017	IPSAS 40, <i>Public Sector Combinations</i> IPSASB Press Release	01.01.2019	IPSAS appliers

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 Corporate Reporting	23.03.2017	FRED 67 <i>Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> <i>Triennial review 2017 Incremental improvements and clarifications</i> FRC press release	30.06.2017	UK GAAP appliers	Yes

* 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	12.01.2017	Exposure Draft ED/2017/1 <i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> IASB Press Release	12.04.2017	IFRS appliers	No
	29.03.2017	Exposure Draft ED/2017/2 <i>Improvements to IFRS 8 Operating Segments</i> <i>Proposed amendments to IFRS 8 and IAS 34</i> IASB Press Release	31.07.2017	Mainly private sector IFRS appliers	No
	30.03.2017	Discussion Paper DP/2017/1 <i>Disclosure Initiative—Principles of Disclosure</i> IASB Press Release	02.10.2017	IFRS appliers	Probably
	21.04.2017	Exposure Draft ED/2017/3 <i>Prepayment Features with Negative Compensation</i> IASB Press Release	24.05.2017	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	11.04.2017	Consultation Paper <i>Proposed IPSAS Financial Reporting for Heritage in the Public Sector</i> IPSASB Press Release	30.09.2017	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)	01.02.2017	Practice Note 20 (Revised) <i>The audit of Insurers in the United Kingdom</i> FRC web page	immediate	Insurance

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)	13.03.2017	Revisions to ISA (UK) 250 Section A – <i>Consideration of Laws and Regulations in an Audit of Financial Statements and Conforming Amendments to Other ISAs (UK)</i> FRC web link	26.05.2017	All sectors	No
	13.04.2017	Exposure Draft: Practice Note 15 (Revised) <i>The audit of occupational pension schemes in the United Kingdom</i> FRC web link	30.06.2017	Pension scheme audits	No? (to check)
	26.04.2017	ITC – Technical Proposals to: make minor revisions to ISA (UK) 330 <i>The Auditor’s Responses to Assessed Risks</i> and ISA (UK) 505 <i>External Confirmations</i> ; and withdraw Practice Note 16 – <i>Bank Reports for Audit Purposes in the United Kingdom</i> FRC web link	26.05.2017	All sectors	No? (to check)

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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) continued	27.04.2017	Discussion Paper - Invitation to Comment: <i>Auditors and Preliminary Announcements</i> FRC web link	23.06.2017	London Stock Exchange	No
International consultations					
IAASB	20.04.2017	ED Proposed International Standard on Auditing 540 (Revised) <i>Auditing Accounting Estimates and Related Disclosures</i> IAASB web link	01.08.2017	All sectors	Yes

* 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 – CIPFA Responses

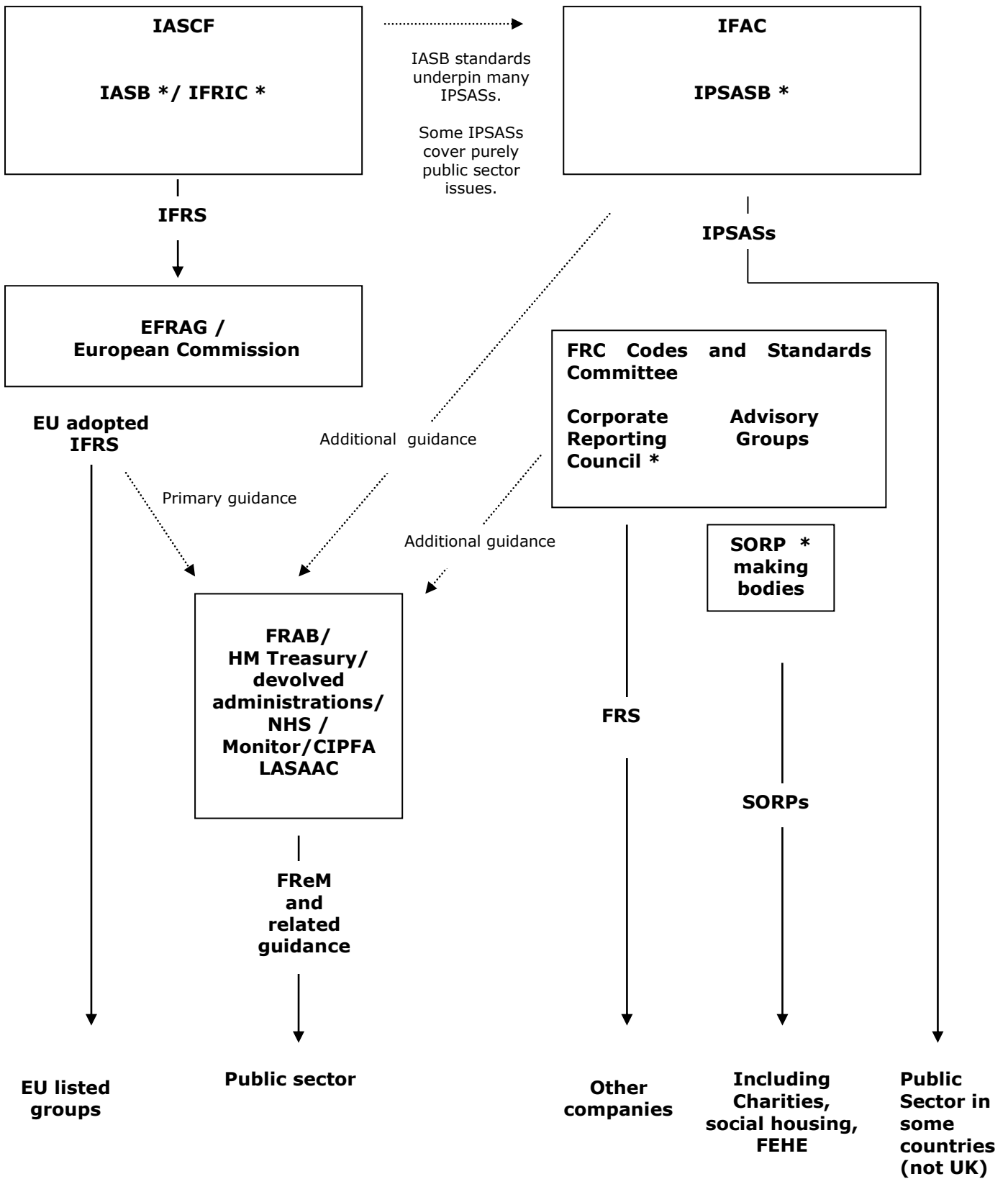
Issuer	Subject of Consultation	
FRC	Consultation Document <i>The Financial Reporting Council's Corporate Reporting Research Activities</i>	30.03.2017
IAASB	IAASB Data Analytics Working Group Request for Input <i>Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics</i>	15.02.2017
	IAASB Discussion Paper <i>Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards</i>	28.03.2017

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

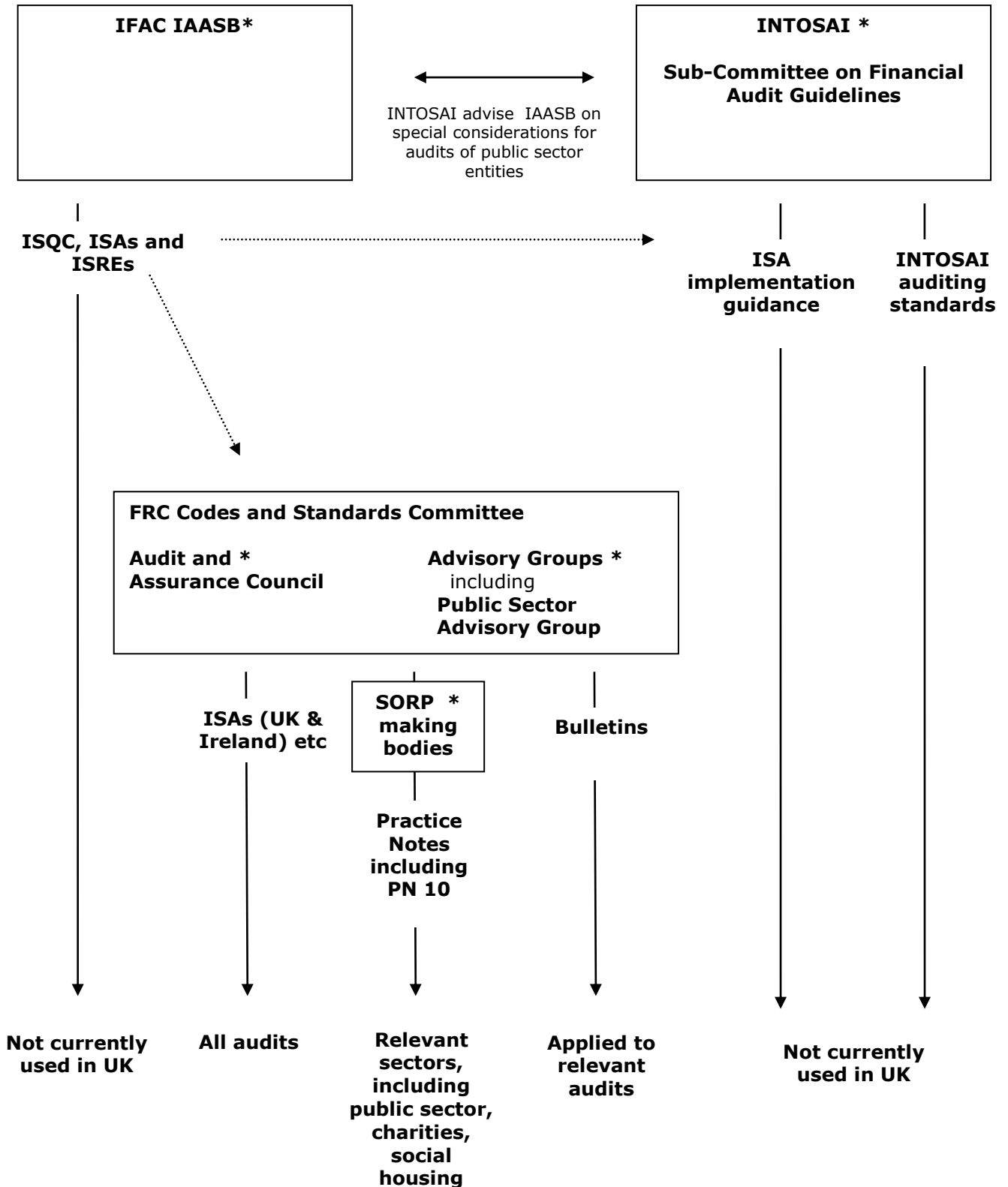
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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
<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 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.