

Accounting and Auditing Standards Update

reflecting developments from May to August 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.

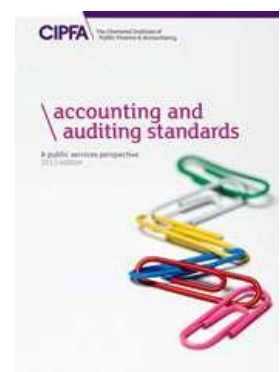
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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 – May to August 2017

New Standards and Guidance

<i>UK GAAP</i>	<p>The FRC has issued an amended FRS 101, reflecting amendments in IFRS.</p> <p>The FRC has issued an amended FRS 102, providing simplified guidance on accounting for Directors Loans.</p>
<i>International</i>	<p>The IASB has (after more than a decade of development) issued IFRS 17 <i>Insurance Contracts</i>, setting out requirements for insurance accounting.</p> <p>The IFRS Interpretations Committee has issued IFRIC 23 which sets out how IFRS should be applied where there is uncertainty over tax treatment.</p>

CIPFA Responses to Consultations

<i>FRC</i>	CIPFA responded to the FRC’s Triennial Review consultation.
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Open Consultations

<i>UK GAAP</i>	<p>FRC has issued a consultation on amendments to guidance on Strategic Reports required under the Companies Act. CIPFA will not be responding to this private sector focused consultation.</p>
<i>IFRS</i>	<p>IASB has issued an exposure draft setting out narrow scope amendments to IAS 16, applicable where properties are being made ready for use by a purchaser.</p> <p>CIPFA will not be responding to this private sector focused consultation; we will monitor IPSASB’s consideration of this amendment during its periodic review of IFRS/IPSAS convergence.</p>
<i>Public Sector</i>	<p>IPSASB has issued 2 consultations:</p> <ul style="list-style-type: none">- an Exposure Draft to update IPSAS 29 to reflect changes in financial instrument reporting resulting from IFRS 9; and- a Consultation Paper on Revenue and Non-Exchange Expenses <p>The first is a relatively straightforward update of a standard which is converged with IFRS. The other addresses key issues in public sector reporting. CIPFA will be responding to both of these consultations.</p>

Audit and Assurance – May to August 2017

New Standards and Guidance

UK standards and guidance

FRC has issued a revised ISA 250(UK), incorporating minor amendments to reflect changes in the underlying IAASB standard, which in turn reflect changes to the International Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA).

FRC has also issued a revised ISA 330(UK) which incorporates revised guidance on Bank Reports for Audit Purposes. Bank reports were previously the subject of a Practice Note.

CIPFA Responses to Consultations

UK standards and guidance

CIPFA responded to 2 consultations on revision/replacement of FRC Practice Notes: Practice Note 11 on charity audits is being updated, and Practice Note 12 on Money Laundering is mainly being moved to an appendix to ISA (UK) 250.

IAASB

CIPFA responded to ED 540 on revised proposals for the audit of accounting estimates.

Open Consultations

There are no relevant open consultations.

Standard Setting Governance – May to August 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

FRC has issued its Annual Report for 2016/17.

It has also deferred revision of FRS 102 to reflect major changes in IFRS, having regard to the results of consultation on the revision programme and process.

CCAB

The new Chair of CCAB is CIPFA President Andy Burns.

IPSASB

Thomas Müller-Marqués Berger was elected Chair of the IPSASB CAG. (He was already acting Chair).

Wider Standard Setting – May to August 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.

<i>IAESB</i>	The International Accountancy Education Standards Board (IAESB) has consulted on a Revised CPD standard.
<i>IESBA</i>	The International Ethics Standards Board for Accountants (IESBA) has consulted on changes to its Code of Ethics relating to the application of professional skepticism and professional judgment.

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)	08.05.2017	Amendment to FRS 102 (May 2017): <i>Directors' loans – optional interim relief for small entities</i> FRC press release	immediately with retrospective application available	FRS 102 preparers
	12.07.2017	Amendments to FRS 101 – 2016/17 cycle FRC press release	Exemptions take effect with the same date as related IFRS	FRS 101 preparers
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	18.05.2017	IFRS 17 <i>Insurance Contracts</i> IASB press release	01.01.2021	Insurance
	07.06.2017	IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> IASB press release	01.01.2019	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?
FRC Corporate Reporting	17.08.2017	Invitation to comment: <i>Draft Amendments to Strategic Report</i> FRC press release	24.10.2017	CA2006 Strategic Reports	No
International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB	20.06.2017	Exposure Draft ED/2017/4 <i>Property, Plant and Equipment—Proceeds before Intended Use</i> (Proposed amendments to IAS 16) IASB Press Release	19.10.2017	IFRS appliers	No (Narrow scope amendment mainly relevant to private sector)
IPSASB	24.08.2017	Exposure Draft 62 <i>Financial Instruments</i> IPSASB Press Release	31.12.2017	Public sector	Yes
	25.08.2017	Consultation Paper <i>Accounting for Revenue and Non-Exchange Expenses</i> IPSASB Press Release	15.01.2018	Public sector	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 - Audit and Assurance Standards

UK standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
FRC (Audit and Assurance)	14.07.2017	Revised ISA (UK) 250 Section A – <i>Consideration of laws and regulations in an audit of financial statements</i> FRC web page	15.12.2017	All sectors
	14.07.2017	revised ISA (UK) 330 The Auditor’s Responses to Assessed Risks FRC web page	15.12.2017	All sectors
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)	12.05.2017	Exposure Draft: Practice Note 11: The audit of charities in the United Kingdom FRC web link	25.08.2017	Charity audits	Response sent 24.08.2017
	26.06.2017	Consultation paper and impact Assessment Proposal to revise Money Laundering Guidance for UK Auditors on UK Legislation FRC web link	08.09.2017	Audits covered by UK legislation on money laundering	Response sent 05.09.2017
International consultations					
IAASB	No consultations issued				

* 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

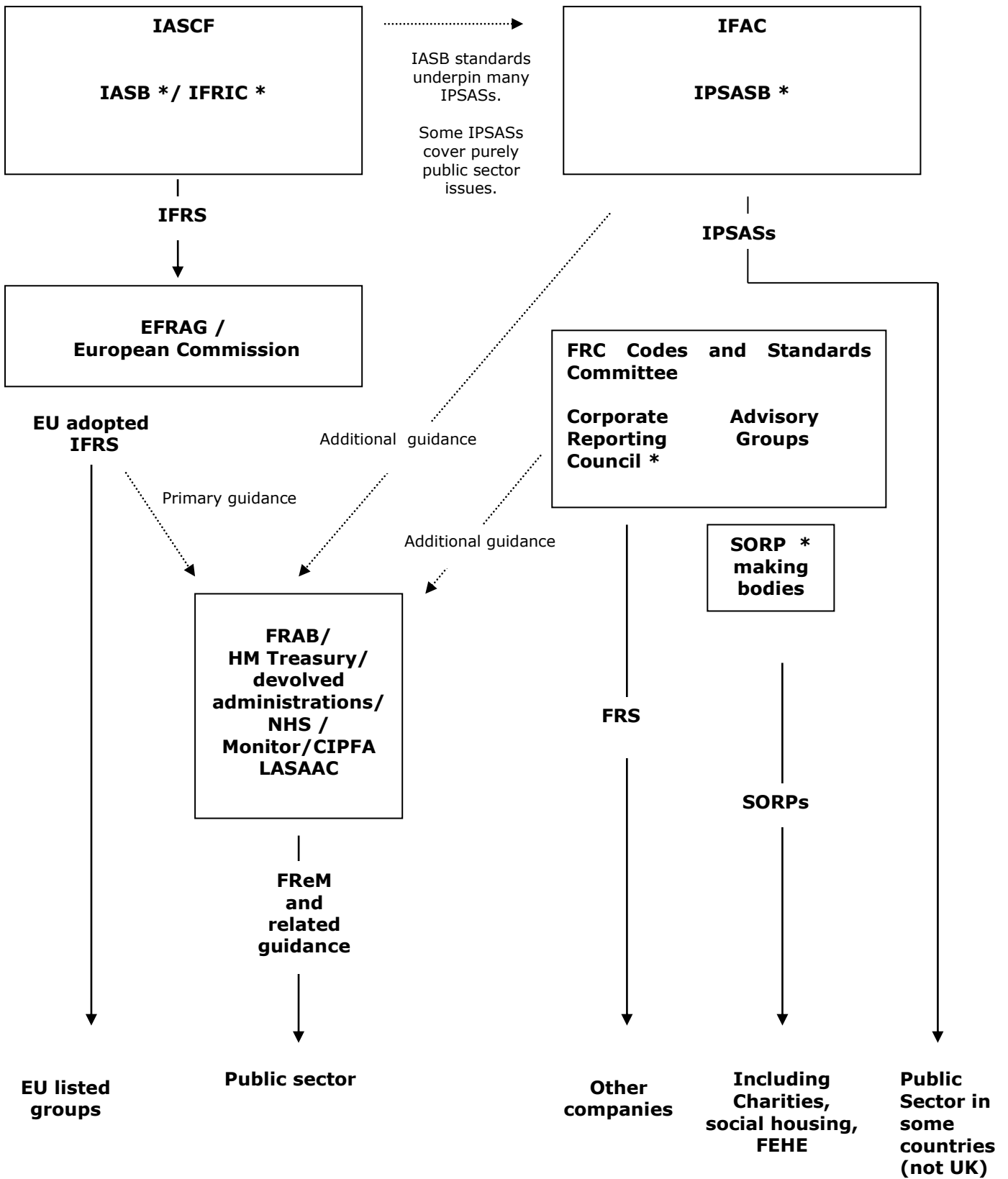
Issuer	Subject of Consultation	Response Date
FRC	FRED 67 Draft amendments to FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> Triennial review 2017 Incremental improvements and clarifications	29.06.2017
	Exposure Draft Practice Note 11: <i>The audit of charities in the United Kingdom</i>	24.08.2017
IAASB	Exposure Draft Proposed International Standard on Auditing 540 (Revised) <i>Auditing Accounting Estimates and Related Disclosures</i>	01.08.2017

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

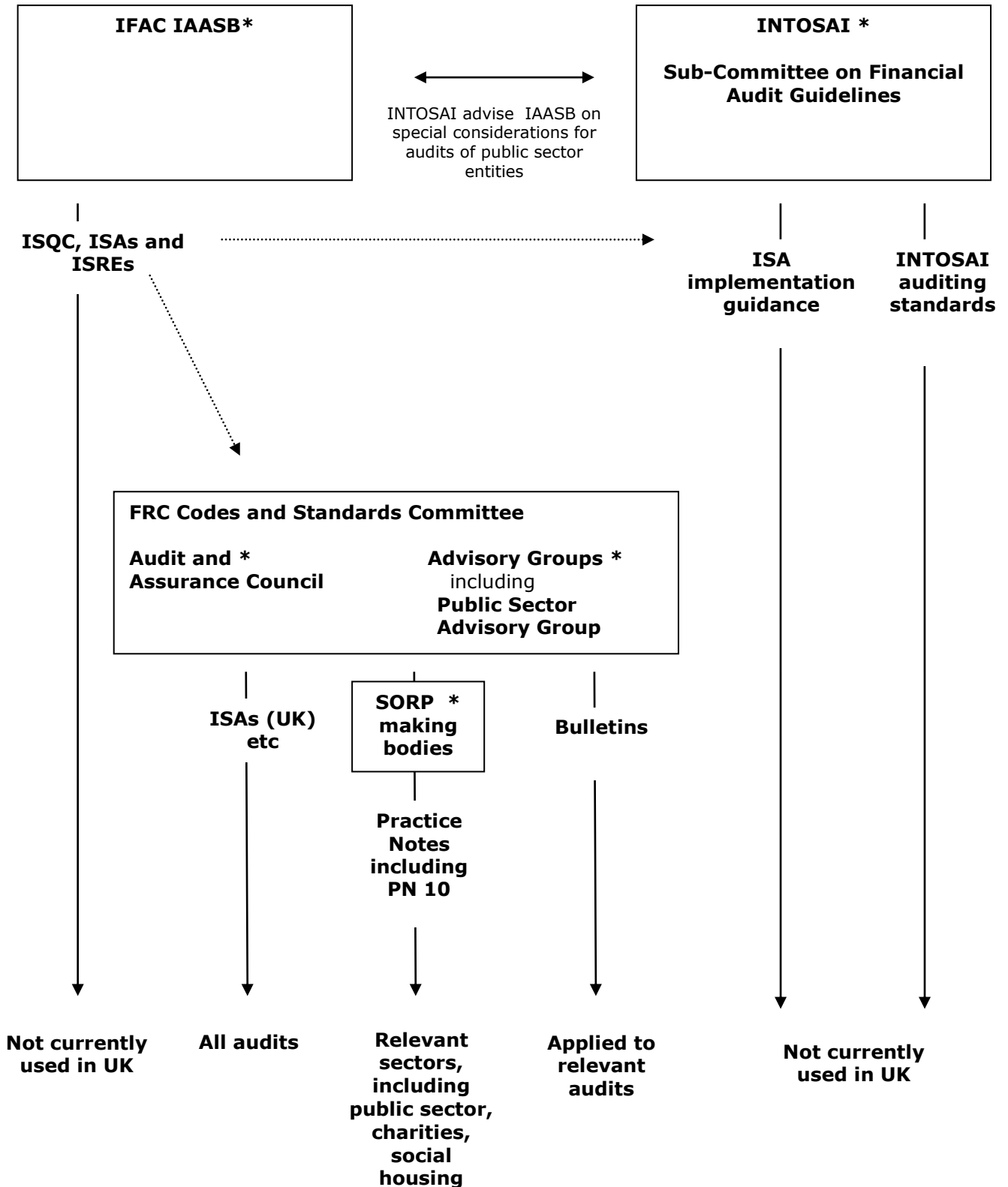
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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, 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.