

Accounting and Auditing Standards Update

reflecting developments from May to August 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.

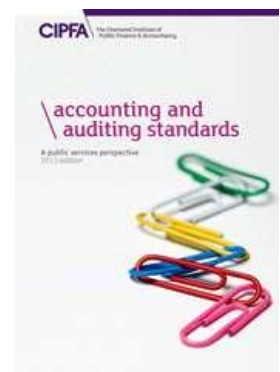
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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 (2018 Edition)* which will soon be available from the CIPFA shop



Standards Developments In Brief

Financial Reporting – May to August 2018

New Standards and Guidance

IPSAS IPSASB has issued IPSAS 41, *Financial Instruments* which encompasses the thinking behind IFRS 9.

CIPFA Responses to Consultations

IPSASB CIPFA responded to IPSASBs consultation on its 2019-2023 strategy, and an exposure draft on leases which mainly aligns IPSAS with IFRS 16 *Leases*.

Open Consultations

CCAB has issued a consultation on its SORP for Limited Liability Partnerships, updating this for changes made to FRS 102. CIPFA will not be responding to this consultation.

IPSASB IPSASB has issued an Exposure Draft of minor improvements to maintain alignment with changes to IFRS, reflecting narrow scope amendments to IFRS which IPSAS 36 and IPSAS 41 are aligned with. CIPFA will not be responding to this consultation.

IFRS The IASB has issued a Discussion Paper *Financial Instruments with Characteristics of Equity*. Financial instruments issued by most public sector preparers are generally easy to classify and CIPFA will not be responding to this consultation.

Canada PSAB The Public Sector Accounting Board (PSAB) is the standard setter for public sector financial reporting in Canada, and is currently reviewing Canada’s approach to IPSAS.
CIPFA does not normally comment on national consultations outside of the UK, but will respond to this consultation, which although it reflects upon the principles behind Canadian adoption of international standards, could also be relevant to other jurisdictions.

Audit and Assurance – May to August 2018

New Standards and Guidance

FRC

The FRC has withdrawn Practice Note 26 *Guidance on Smaller Entity Documentation* which it considers no longer fit for purpose.

CIPFA Responses to Consultations

There were no consultations to which a CIPFA response was considered appropriate.

Open Consultations

ED ISA(UK) 540

ED ISA 315

FRC

The FRC is consulting on a revised ED ISA(UK) 540, incorporating changes made in an IAASB revised ISA 540 which has been finalised but not yet issued, but is expected to be issued after approval by the Public Interest Oversight Board.

CIPFA responded to the IAASB's 2017 consultation and will not be responding to the FRC consultation.

IAASB

IAASB has issued ED ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*.

ISA 315 is a fundamental building block of audit planning, and CIPFA will be responding.

Standard Setting Governance – May to August 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

IPSASB CAG

The International Public Sector Accounting Standards Board (IPSASB) is seeking nominations for new members of the IPSASB Consultative Advisory Group (CAG).

IAASB

The International Auditing and Assurance Standards Board (IAASB) released a Strategy Survey to seek views and insights on emerging developments and trends that are likely to be important to its 2020-2023 strategy.

This will be followed up by a Consultation Paper, which CIPFA will respond to.

Wider Standard Setting – May to August 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.

<i>FRC</i>	<p>The FRC has released a new 2018 UK Corporate Governance Code for public companies.</p> <p>The FRC has also published revised Guidance on the Strategic Report, which encourages companies to consider wider stakeholders and broader matters that impact performance over the longer term</p>
<i>IAESB</i>	<p>The International Accounting Education Standards Board (IAESB) is transitioning to a different governance and operational model from 1 July 2019.</p>
<i>IESBA</i>	<p>The International Ethics Standards Board for Accountants (IESBA) asked for comments on its consultation paper, <i>Professional Skepticism – Meeting Public Expectations</i>.</p> <p>The consultation closed on 15 August 2018</p> <p>IESBA has also released enhancements to its global ethics code which address more fully the responsibilities of professional accountants around the offering and accepting of inducements.</p>

ANNEX A: Activity Summary – Financial Reporting Standards

UK standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
		No UK standards or pronouncements were issued		

International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IPSASB	14.08.2018	IPSAS 41, <i>Financial Instruments</i> IPSASB press release	01.01.2022 Earlier adoption encouraged	Public sector

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?
CCAB	01.08.2018	Consultation: Draft Statement of Recommended Practice – Accounting by Limited Liability Partnerships (LLPs SORP) CCAB web link	17.10.2018	LLPs	No
International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB	28.06.2018	DP/2018/1 <i>Financial Instruments with Characteristics of Equity</i> IASB Press Release	07.01.2019	IFRS preparers with 'own equity' issues	No
IPSASB	20.08.2018	ED 66, <i>Long-Term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41)</i> IPSASB Press Release	22.10.2018	IPSAS preparers	No

ANNEX A: Activity Summary – Financial Reporting Standards

UK consultations					
Issuer	Issue date	Consultations, Discussion		Sector Relevance	Should CIPFA* respond?
		Papers and Exposure Drafts	Response Date		
Canada PSAB	28.05.2018	PSAB Consultation Paper <i>Reviewing PSAB's Approach to International Public Sector Accounting Standards</i> PSAB Press Release	28.09.2018	Canada, and perhaps potential IPSAS adopters	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)	25.06.2018	Withdrawal: Practice Note 26 <i>Guidance on Smaller Entity Documentation</i> FRC Press Release	Immediate	Small entity audits

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)	23.07.2018	Exposure Draft: Proposed ISA (UK) 540 (Revised July 2018) FRC Press Release	21.09.2018	All sectors	No (CIPFA responded to ED ISA 540 issued by IAASB)
International consultations					
IAASB	06.07.2018	ED ISA 315 (Revised), <i>Identifying and Assessing the Risks of Material Misstatement</i> IAASB Press Release	02.11.2018	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

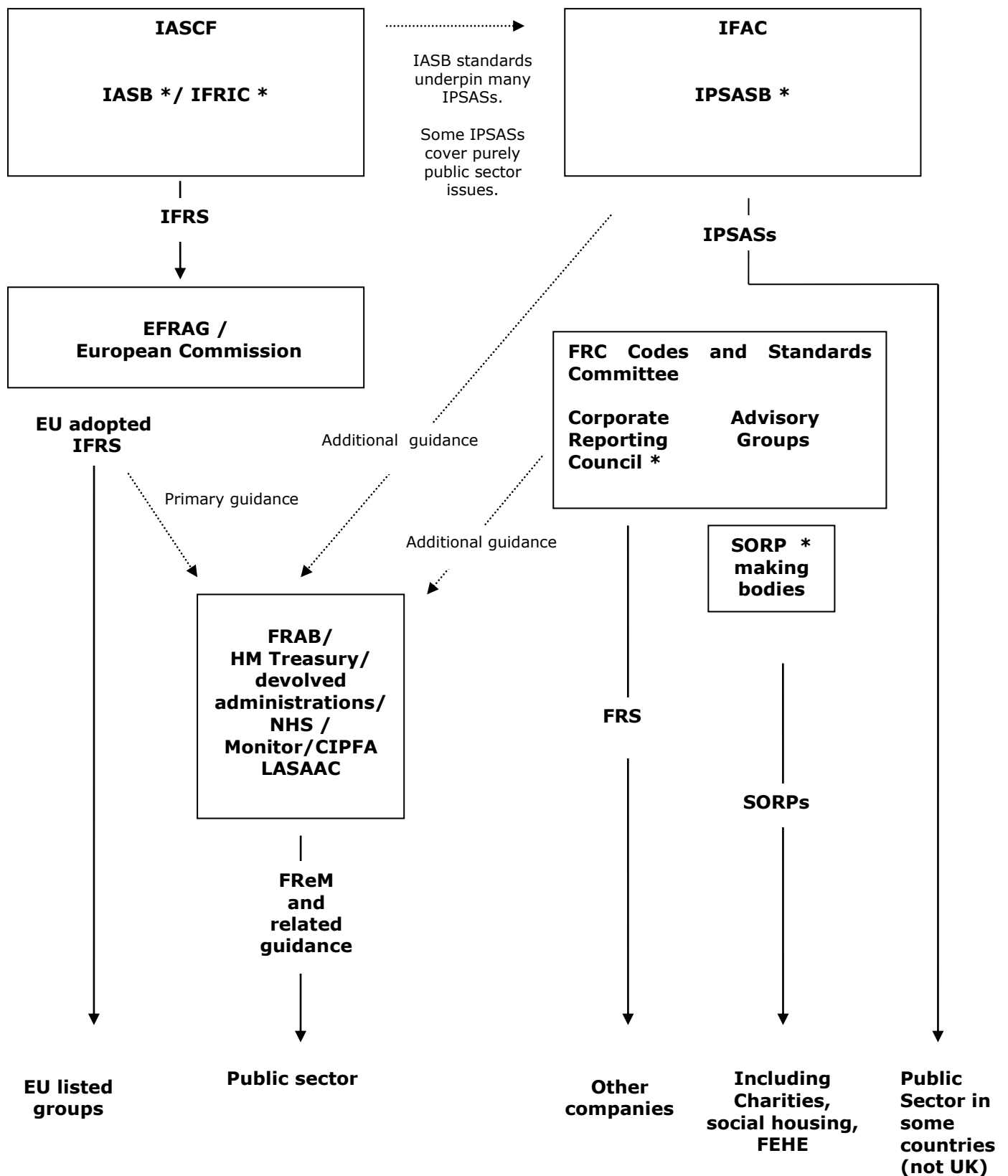
Issuer	Subject of Consultation	Response Date
IPSASB	Consultation <i>Proposed Strategy and Work Plan 2019–2023</i>	13.06.2018
	Exposure Draft ED 64 <i>Leases</i>	29.06.2018

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

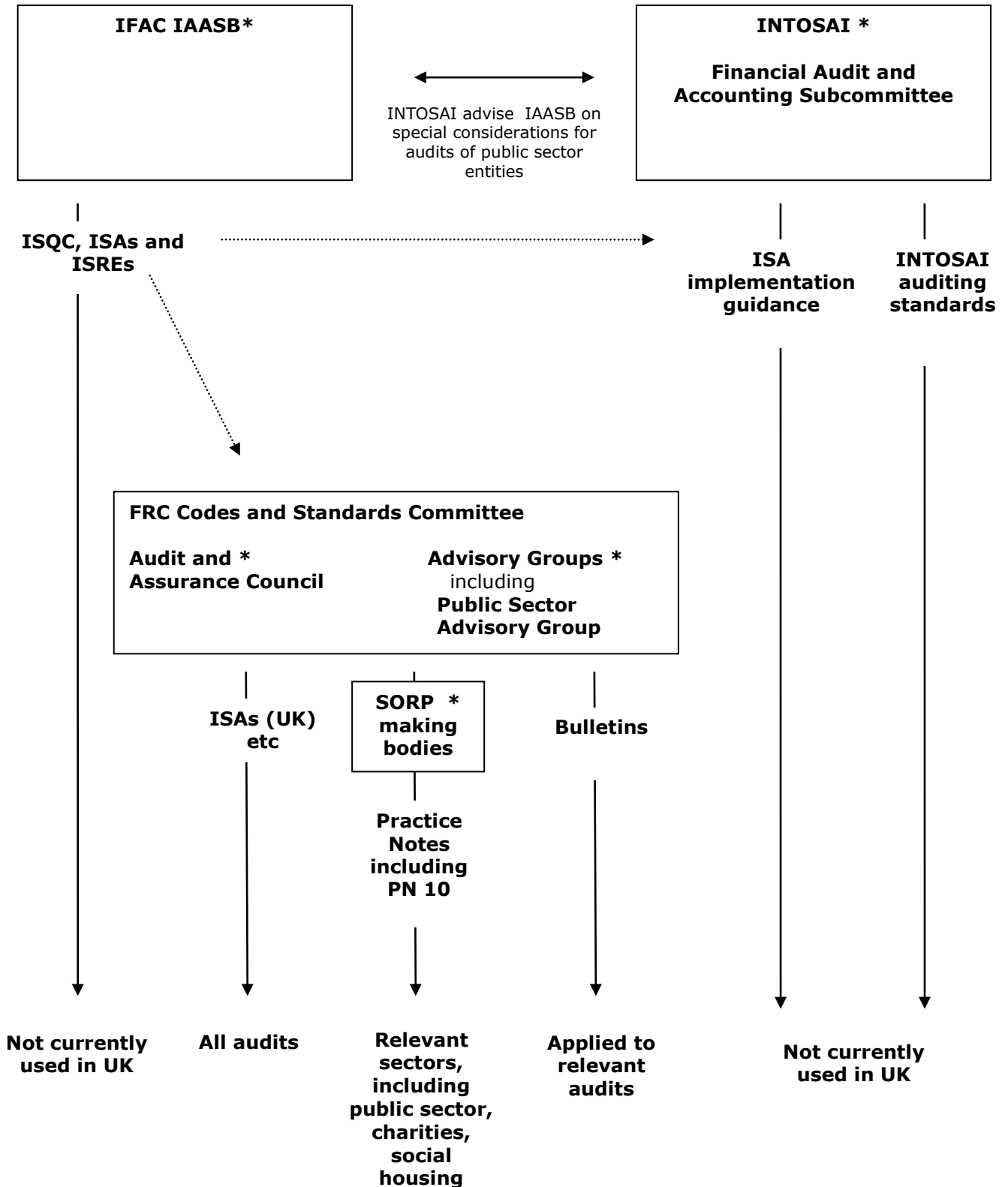
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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.