

Accounting and Auditing Standards Update

reflecting developments from September to December 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.

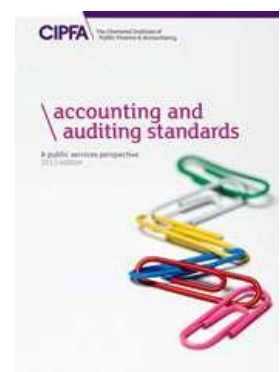
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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 – September to December 2017

New Standards and Guidance

- UK GAAP* The FRC has issued a revised FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* reflecting consultation and feedback in its Triennial Review.
- IFRS* IASB has issued a new non-mandatory Practice Statement on making materiality judgements, and some detailed amendments to IFRS 9 and IAS 28.
- IPSASB* IPSASB has issued a revision of the Cash Basis IPSAS, mainly removing obstacles to implementation, while emphasising its use as a stepping stone to the adoption of accrual basis IPSAS.

CIPFA Responses to Consultations

- IFRS* CIPFA responded to an IASB discussion paper on principles of disclosure.
- Public Sector* CIPFA responded to 2 IPSASB consultations: a consultation paper on heritage reporting, and an exposure draft on financial instruments.

Open Consultations

- UK GAAP* The FRC is consulting on FRS 101 which sets out reduced disclosures for subsidiaries of UK companies applying EU adopted IFRS. CIPFA does not respond to consultations on this private sector focussed topic.
- IFRS* IASB issued two consultations proposing amendments to IAS 1 and IAS 8, rearticulating its requirements for accounting policies and the definition of 'material'.
CIPFA did not respond to these consultations.
- Public Sector* IPSASB issued an Exposure Draft on Social Benefits. CIPFA will respond to this consultation which is important for public sector preparers.

Audit and Assurance – September to December 2017

New Standards and Guidance

UK standards and guidance

The FRC has issued revised Practice Notes providing guidance on the audit of occupational pension schemes and of charities. It has withdrawn Practice Notes relating to audit of investment businesses, and guidance for auditors on money laundering.

Guidance on auditor responsibilities in respect of money laundering is now included in a revised ISA (UK) 250A.

The FRC has also issued a revised bulletin on auditor association with preliminary announcements.

CIPFA Responses to Consultations

UK standards and guidance

CIPFA responded to FRC's proposal to move guidance on money laundering from Practice Note 12 to ISA (UK) 250A, reflecting issues for auditors of public sector entities and charities.

Open Consultations

There were no open consultations on auditing standards at the end of December 2017.

Standard Setting Governance – September to December 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

Monitoring Group

The Monitoring Group is a group of regulatory bodies which has input into IAASB governance. In November it issued a consultation suggesting that audit standard setting is subject to undue influence from the profession, and that together with audit-related ethics, should be moved away from IFAC.

CIPFA responded to this consultation, explaining our interest in public sector aspects, setting out a view that the evidence and analysis presented are not adequate, and suggesting that any further development needs to have regard to a much wider view of the public interest.

IFAC

IFAC has called for nominations to its standard setting board. CIPFA will have input to UK nominations through CCAB.

FRC

The FRC is consulting on its three year (2018/21) strategy and its budget for the 2018/19 financial year.

The FRC has published its updated Governance Bible and Code of Conduct, and a Register of Interests for members of the Board and Committees.

Wider Standard Setting – September to December 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>IESBA</i>	IESBA issued an Exposure Draft of revised ethical requirements prohibiting improper inducements.
<i>FRC</i>	The FRC has published proposals for a revised UK Corporate Governance Code.

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)	14.12.2017	Revised FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> (following Triennial Review) FRC press release	01.01.2019	FRS 102 preparers

ANNEX A: Activity Summary – Financial Reporting Standards

International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	14.09.2017	Practice Statement 2: <i>Making Materiality Judgements</i> IASB press release	immediate	IFRS preparers
	12.10.2017	<i>Prepayment Features with Negative Compensation</i> Amendments to IFRS 9 <i>Long-term Interests in Associates and Joint Ventures</i> Amendments to IAS 28 IASB press release	01.01.2019	IFRS preparers
IPSASB	08.11.2017	revised IPSAS, <i>Financial Reporting under the Cash Basis of Accounting</i> . IPSASB press release	01.01.2019	Cash Basis IPSAS preparers

ANNEX A: Activity Summary – Financial Reporting Standards

UK consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
FRC Corporate Reporting	20.09.2017	FRED 68 Draft amendments to FRS 102 - <i>Payments by subsidiaries to their charitable parents that qualify for gift aid</i> FRC press release	20.10.2017	Charity subsidiary companies	No
	30.10.2017	FRED 69 FRS 101 Reduced Disclosure Framework – 2017/18 cycle FRC press release	02.02.2018	FRS 101 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	12.09.2017	Exposure Draft ED/2017/5 <i>Accounting Policies and Accounting Estimates</i> Proposed amendments to IAS 8 IASB Press Release	15.01.2018	IFRS appliers	No
	14.09.2017	Exposure Draft ED/2017/6 <i>Definition of Material Proposed amendments to IAS 1 and IAS 8</i> IASB Press Release	15.01.2018	IFRS appliers	No
IPSASB	31.10.2017	Exposure Draft (ED) 63, <i>Social Benefits</i> IPSASB Press Release	31.03.2018	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)	08.11.2017	Revision of Practice Note 15: <i>The audit of occupational pension schemes in the UK</i> Withdrawal of Practice Note 22: <i>Retirement Benefits - Defined benefit schemes</i> FRC web page	immediate	Pension scheme audits
	10.11.2017	Withdrawal of Practice Note 21 – <i>The Audit of Investment Businesses in the United Kingdom</i> FRC web page	immediate	Investment Business audits
	16.11.2017	Revised Practice Note 11: <i>The audit of charities in the UK</i> FRC web page	immediate	Charity audits
	06.12.2017	Revised ISA (UK) 250 Section A— <i>Consideration of laws and regulations in an audit of financial statements</i> Withdrawal of Practice Note 12 (Revised) <i>Money laundering - Guidance for auditors on UK legislation</i> FRC web page	15.12.2017	All audits

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)	06.12.2017	Bulletin: <i>The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules</i>	15.12.2017	All audits
continued		FRC web page		

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

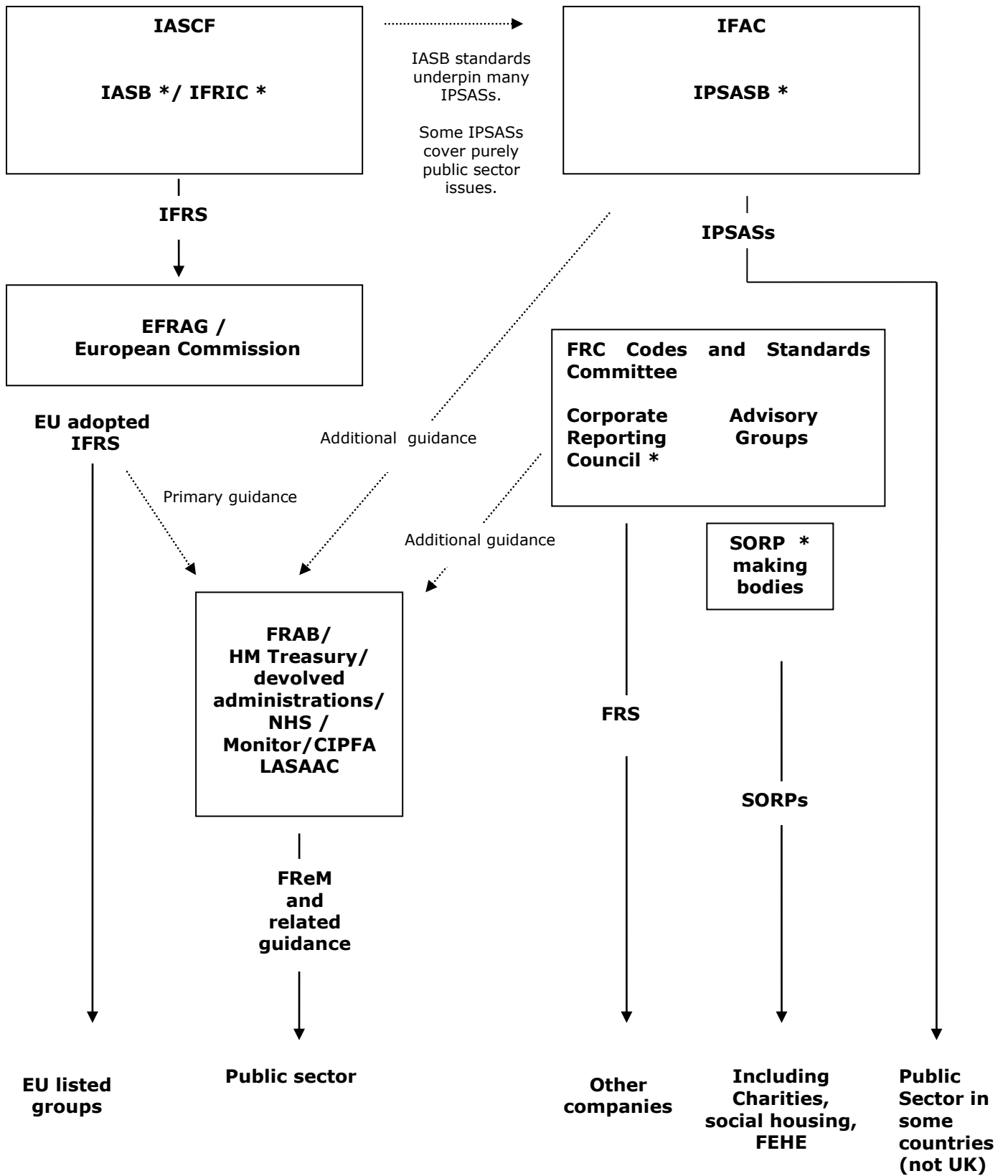
Issuer	Subject of Consultation	Response Date
FRC	Consultation paper and impact assessment Proposal to revise: <i>Money Laundering – Guidance for UK Auditors on UK Legislation</i> (Practice Note 12), and incorporate as an Appendix to ISA (UK) 250 (Revised June 2016) Section A: <i>Consideration of Laws and Regulations in an Audit of Financial Statements</i>	05.09.2017
IASB	Discussion Paper DP/2017/1 <i>Disclosure Initiative—Principles of Disclosure</i>	05.10.2017
IPSASB	Consultation Paper <i>Financial Reporting for Heritage in the Public Sector</i>	28.09.2017
	Exposure Draft ED 62 <i>Financial Instruments</i>	25.11.2017

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

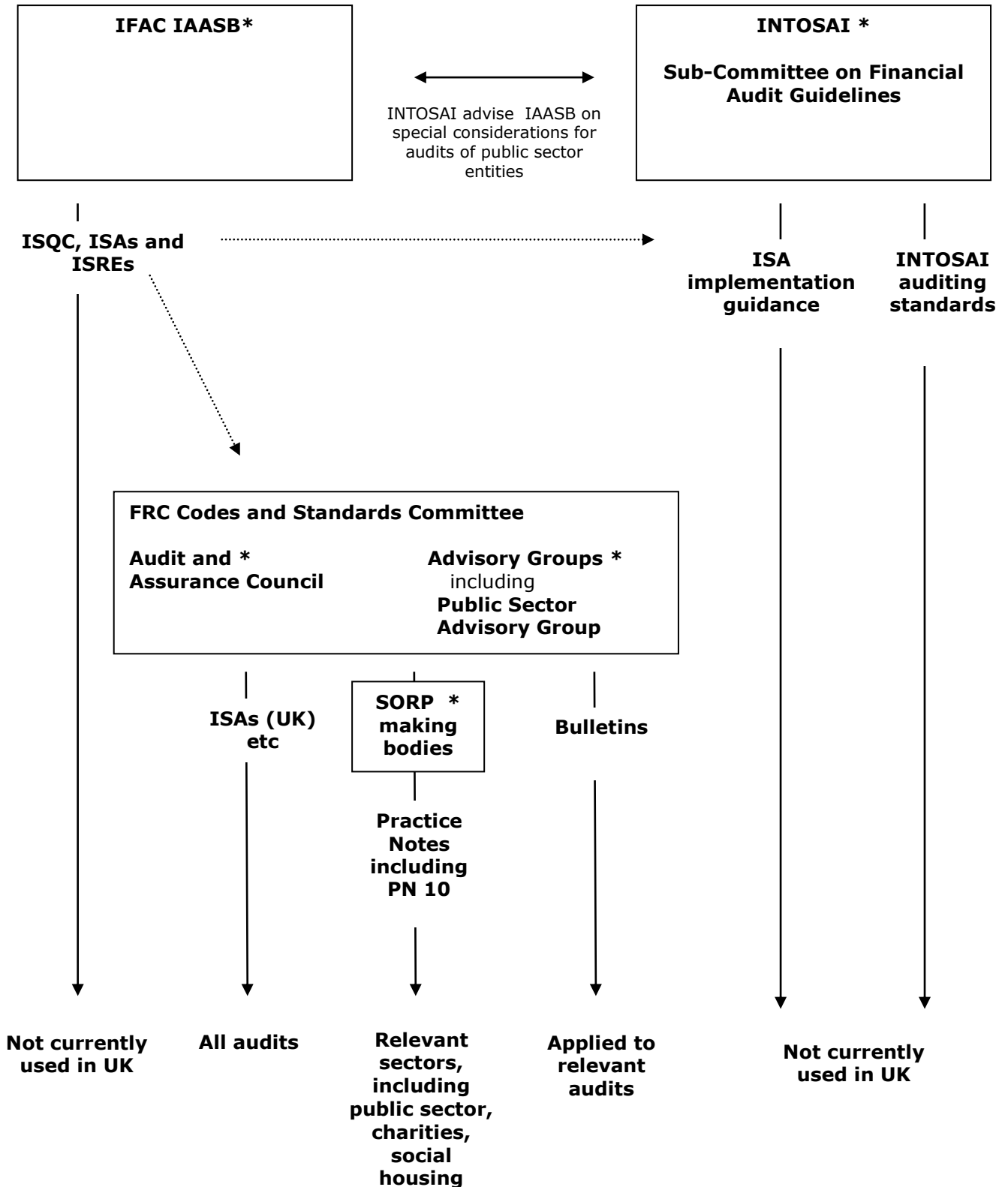
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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.