

Accounting and Auditing Standards Update

reflecting developments from September 2010 to December 2010

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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.

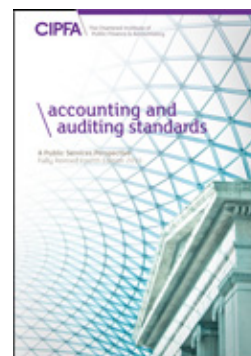
More information on the work of the Accounting and Auditing Standards Panel can be found online at <http://www.cipfa.org.uk/panels/accounting/index.cfm>

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) and particularly its operating bodies the Accounting Standards Board (ASB), and the Auditing Practices Board (APB)
- 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 (Fully Revised Fourth Edition 2010)* which is available from the CIPFA shop [[link](#)]



Standards Developments In Brief

Financial Reporting

New Standards and Guidance

Accounting Standards Board / Financial Reporting Council

The ASB issued an Improvements FRS 2010 in line with its convergence maintenance agenda, and UITF 48 which provides guidance on pension reporting in the light of the UK government changing the uprating basis from RPI to CPI.

International Accounting Standards Board

The IASB issued Conceptual Framework for Financial Reporting 2010, which incorporates a new Stage 1 on Objective and Qualitative Characteristics, while retaining other text from the 1989 Framework.

Amendments were made to IFRS 7 in respect of Transfers of Financial Assets, to IFRS 1 and to IAS 12 Income Taxes.

The Board also completed further work on IFRS 9 for financial liability accounting, and issued a new 'Practice Statement' on Management Commentary.

International Public Sector Accounting Standards Board

The IPSASB issued its first Improvements IPSAS, mainly maintaining IFRS converged IPSAS while also making some clarifying changes to other standards.

CIPFA Responses to Consultations

Private sector

CIPFA responded to four IASB consultations including short term improvement to Defined Benefits pensions reporting, and more significant proposals to change IFRS relating to Leases, Revenue and Other Comprehensive Income.

CIPFA also responded to the International Valuation Standards Council's exposure draft of new International Valuation Standards, and the UITF consultation on changing pension uprating.

Open Consultations

UK private sector

In October 2010 the ASB issued a FRED on the Future of Financial Reporting, taking forward previous consultations and proposing a three tier system based on EU adopted IFRS, a modified IFRS for SMEs, and the FRSSE.

International Accounting Standards Board

The IASB issued three exposure drafts on Deferred Tax, Severe Hyperinflation and Hedge Accounting, and a 'Request for Views' on Effective Dates and Transition, which seeks to obtain information on the implementation issues for IFRS which are expected to be issued in 2011.

International Public Sector Accounting Standards Board

The IPSASB followed up its previous consultation on a Conceptual Framework issuing an exposure draft on the Objectives, and two consultation papers on Elements of Financial Statements and on Measurement.

Auditing

New Standards and Guidance

Auditing Practices Board

The APB continued its update of Practice Notes and related guidance, issuing guidance on Money Laundering, Practice Note 10 Public sector audits, and a Bulletin of example audit reports for private sector companies. The Board also issued a revised set of Ethical Standards

CIPFA Responses to Consultations

Private sector/all sector

CIPFA responded to three Practice Note consultations on Stocktakes, Bank Reports and Pension Scheme audits, and to a revised ISA (UK & Ireland) 700 which continued the APB's project seeking to improve auditor's reports. CIPFA also commented on an FRC paper on Auditor Scepticism and an IAASB exposure draft of a revised ISA 610 on using the work of internal auditors.

Open Consultations

Auditing Practices Board

The APB issued further exposure drafts of revised Practice Notes, including PN 27 on Credit Unions and PN 11 on Charity audits

IAASB

The IAASB issued an exposure draft exploring the future role of its Practice Statements, withdrawing most of the extant IAPS which proposing a new IAPS on the audit of Complex Financial Instruments.

The Board also consulted on a revised ISRS 4410 on Compilation Engagements.

ANNEX A: Activity Summary - Financial Reporting Standards

UK standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
ASB	12.11.2010	Financial Reporting Standard (FRS) Improvements to Financial Reporting Standards 2010 ASB press release available here	various	UK GAAP users

International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	28.09.2010	Conceptual Framework for Financial Reporting 2010 IASB press release available here	immediately influential	Pan sector
	07.10.2010	Disclosures—Transfers of Financial Assets (Amendments to IFRS 7). IASB press release available here	1 July 2011	Pan sector
	28.10.2010	Additions to IFRS 9 for financial liability accounting IASB press release available here	1 January 2013	Pan sector
	08.12.2010	IFRS Practice Statement on Management Commentary IASB press release available here	Non-mandatory	Pan sector

ANNEX A: Activity Summary - Financial Reporting Standards

International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB continued	20.12.2010	Amendments to IFRS 1 IASB press release available here	1 July 2011	Pan sector
	20.12.2010	Amendments to IAS 12 Income Taxes IASB press release available here	1 January 2012	Mainly private sector
IPSASB	30.11.2010	Improvements to IPSASs — 2010 IPSASB press release available here	1 January 2011	International public sector

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		
ASB	29.10.2010	Financial Reporting Exposure Draft (FRED) 'The Future Of Financial Reporting In The UK And Republic Of Ireland'	30.04.2011	Pan-sector	Yes
		ASB press release available here			
ASB UITF	13.10.2010	Information Sheet No 90 proposed UITF Abstract 'Accounting implications of the replacement of the Retail Prices Index with the Consumer Prices Index for Retirement Benefits'.	10.11.2010	Pan-sector	Yes (CIPFA response sent 10.11.2010)
		UITF Information Sheet available here			

* 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 on steven.cain@cipfa.org.uk

ANNEX A: Activity Summary - Financial Reporting Standards

International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
IASB	10.09.2010	ED 2010/11 Deferred Tax: Recovery of Underlying Assets Proposed amendments to IAS 12 IASB press release available here.	09.11.2010	Mainly private sector	No
	30.09.2010	ED 2010/12 Severe Hyperinflation Proposed amendment to IFRS 1 IASB press release available here.	30.11.2010	Mainly private sector / other countries	No
	19.10.2010	Request for Views on Effective Dates and Transition Methods IASB press release available here.	31.01.2011	Pan sector	Yes
	09.12.2010	ED 2010/13 Hedge Accounting IASB press release available here.	09.03.2011	Mainly private sector	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	15.12.2010	<p>Conceptual Framework Exposure Draft 1 (CF-ED1), Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority, and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity</p> <p>Consultation Paper, Elements and Recognition in Financial Statements</p> <p>Consultation Paper, Measurement of Assets and Liabilities in Financial Statements</p> <p>IPSASB press release available here.</p>	15.06.2011	International public sector	Yes

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ANNEX A: Activity Summary - Auditing Standards

UK standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
APB	22.09.2010	Practice Note 12 (Revised), 'Money Laundering – Guidance for auditors in the United Kingdom' APB press release available here.	Immediate	Pan sector
	05.10.2010	Practice Note 10 Audit of Financial Statements of Public Sector Bodies in the United Kingdom (Revised) APB press release available here.	Immediate	Public Sector
	17.12.2010	Feedback Statement and Revised Ethical Standards for Auditors APB press release available here.	Immediate	Pan sector
	22.12.2010	Bulletin 2010/2 "Compendium of Illustrative Auditor's Reports on United Kingdom Private Sector Financial Statements for periods ended on or after 15 December 2010". APB press release available here.	15 December 2010	Private sector
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
INTOSAI	27.10.2010	INCOSAI ratification of INTOSAI suite of ISSAIs and INTOSAI GOVs.		Public Sector

ANNEX A: Activity Summary - Auditing Standards

UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
APB	23.09.2010	Exposure Draft of Revised SIR 2000 APB press release available here	26.11.2010	Equity issuers	No
	23.09.2010	Exposure Draft ISA (UK & Ireland) 700 'The Auditor's Report on Financial Statements' APB press release available here	26.11.2010	Pan sector	Yes
	05.10.2010	Consultation Draft of Revised Practice Note 27 "The audit of credit unions in the United Kingdom." APB press release available here	07.01.2011	Credit Unions	No
	21.10.2010	Exposure Draft of Revised Practice Note 11 "The Audit of Charities in the UK." APB press release available here	21.01.2011	Charity	Yes

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ANNEX A: Activity Summary - Auditing Standards

International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
IAASB	13.10.2010	<p>Proposals Relating to International Auditing Practice Statements (IAPSS) Withdrawal of Existing IAPSS</p> <p>Clarification of the Status and Authority of New IAPSS</p> <p>Proposed Amendments to the Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements</p> <p>Proposed International Auditing Practice Statement IAPS 1000, Special Considerations in Auditing Complex Financial Instruments</p> <p>IAASB press release available here</p>	11.02.2011	Pan sector, with some mainly private sector content	Yes, on relevant items
	28.10.2010	<p>ED ISRS 4410, Compilation Engagements.</p> <p>IAASB press release available here</p>	31.03.2011	Private sector non-audited	No

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ANNEX A: Activity Summary – CIPFA responses (Sept to Dec 2010)

Issuer	Subject of Consultation	
APB	Practice Note 25 Consultation Draft: Attendance at Stocktaking (Revised)	05.10.2010
	Practice Note 15 'The audit of occupational pension schemes in the United Kingdom (Revised)'	29.10.2010
	Practice Note 16 Consultation Draft: Bank Reports for Audit Purposes (Revised)	29.10.2010
	Discussion Paper 'Auditor Scepticism'	31.10.2010
	Proposed Revision to ISA (UK and Ireland) 700 "The Auditor's Report on Financial Statements"	26.11.2010
ASB UITF	Information Sheet No 90 proposed UITF Abstract 'Accounting implications of the replacement of the Retail Prices Index with the Consumer Prices Index for Retirement Benefits'.	11.10.2010
IAASB	ED ISA 610 Using the Work of Internal Auditors	15.11.2010
IASB	ED/2010/03 Defined Benefit Plans - Proposed amendments to IAS 19	06.09.2010
	ED/2010/05 Presentation of Other Comprehensive Income	30.09.2010
	ED/2010/06 Revenue from Contracts with Customers	22.10.2010
	ED/2010/09 Leases	21.12.2010
IVSC	ED of International Valuation Standards	03.09.2010

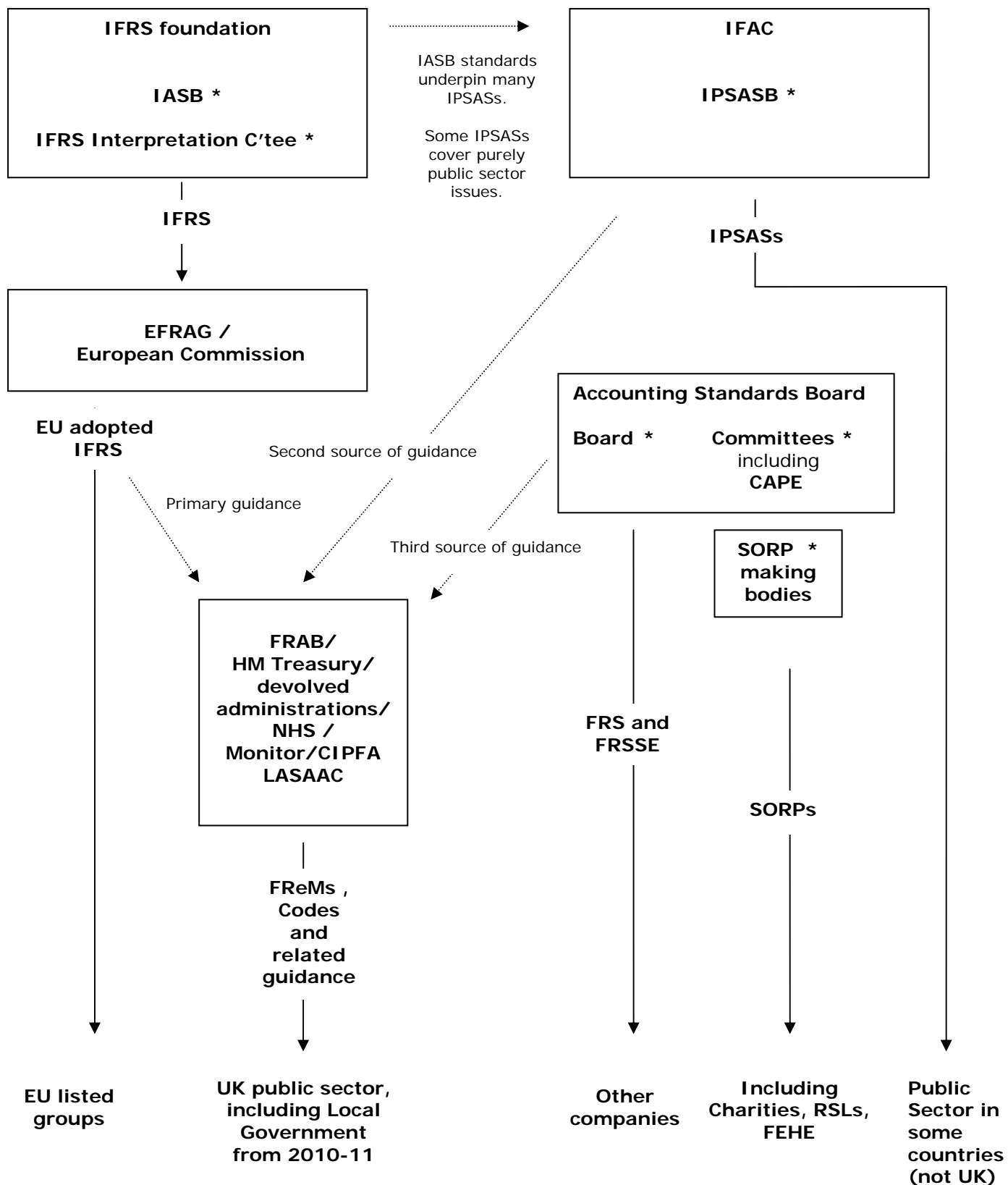
CIPFA responses on matters relating to accounting and auditing standards are also published at

http://www.cipfa.org/panels/accounting/responses_accounting.cfm

or in some cases, on the webpages of the CIPFA technical panel with lead responsibility for the relevant public services sector.

ANNEX B: Background to consultation processes

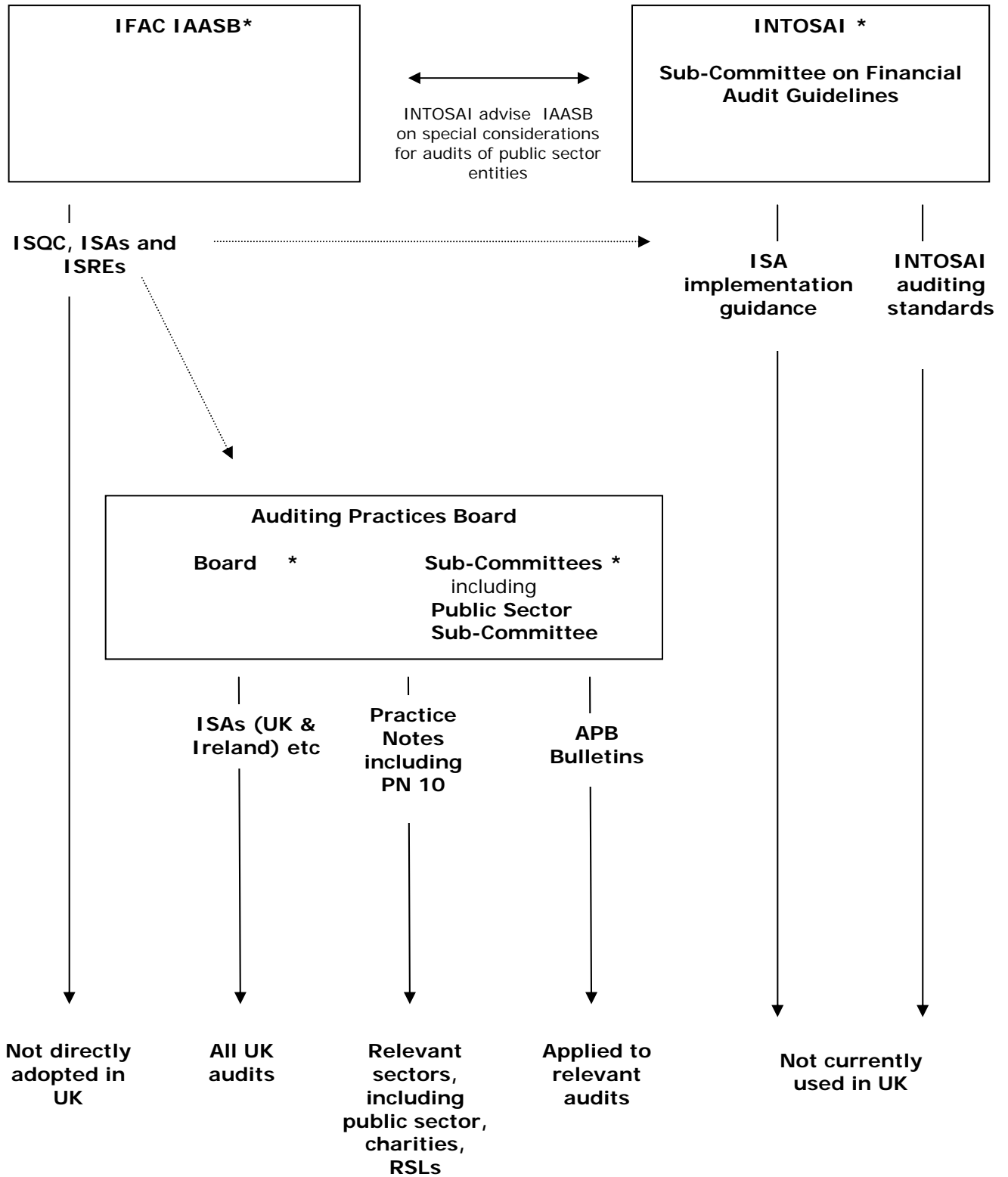
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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