

# Accounting and Auditing Standards Update

reflecting developments from January 2015 to April 2015

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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.

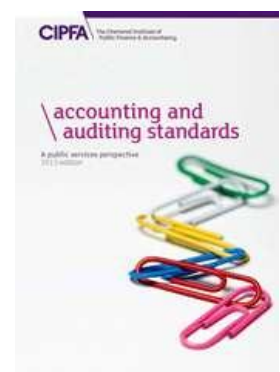
More information on the work of the Accounting and Auditing Standards Panel can be found online at [www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel](http://www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel)

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 the Accounting Council and the Audit and Assurance Council
- 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 2015 to April 2015

### New Standards and Guidance

*UK FRC*

The Financial Reporting Council issued a new standard on interim reporting, FRS 104 *Interim Financial Reporting*, and also issued clarifying amendments to FRS 102 in respect of the treatment of defined benefit pension scheme obligations.

*IPSASB*

The International Public Sector Accounting Standards Board issued several standards. These comprised Improvements to its existing standards, a new standard on first time adoption of IPSAS, and a suite of five standards on interests in other entities. The latter will replace the extant IPSAS 6 to 8, and substantially echo recent changes to IFRS, while having regard to public sector differences.

IPSASB also issued its third recommended practice guideline; this one provides guidance on reporting service performance information.

### CIPFA Responses to Consultations

*UK FRC*

CIPFA responded to FRED 59, which proposed amendments to the core standard FRS 102 which would introduce small entity reporting in line with the requirements of the EU accounting directive.

### Open Consultations

*UK FRC*

FRED 60 *Draft Amendments to FRS 102 - Share-based payment transactions with cash alternative* proposes clarifying amendments to FRS 102. These transactions are not relevant to most public sector or public benefit entities and CIPFA will not be responding.

*IASB*

ED/2015/1 *Classification of Liabilities Proposed amendments to IAS 1* is also of little relevance from a CIPFA perspective, and no response is being made.

## **Audit and Assurance – January 2015 to April 2015**

### **New Standards and Guidance**

*IAASB*

The IAASB has released 6 new and revised Auditor Reporting standards, which seek to provide greater transparency about the work carried out and judgements made by the auditor.

In particular, auditors of listed entities' are required to communicate "Key Audit Matters": matters that the auditor viewed as most significant, with an explanation of how they were addressed in the audit. The revised standards also increase the auditor's focus on going concern matters.

The auditor reporting section of the IAASB's website has been redesigned and updated and includes an Audit Toolkit. Non-authoritative guidance on reporting on Going Concern and on Key Audit Matters has already been issued and further resources and guidance will be added in due course.

The Board has also issued a revised ISA 720 on auditor responsibilities relating to 'Other Information' associated with financial statements.

### **CIPFA Responses to Consultations**

No responses on audit standards were made during the period.

### **Open Consultations**

*IAASB*

Following the revised standards for auditor reporting on financial statement audits, the IAASB has consulted on similar issues in the audits of special purpose financial statements, proposing similar changes to ISA 800 and 805. CIPFA responded to the more general consultations, but will not be responding on special purpose financial statements.

## Standard Setting Governance – January 2015 to April 2015

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.

### **New Standards, Guidance and Other Developments**

#### *IPSASB Governance*

The International Public Sector Accounting Standards Board (IPSASB) Governance Review Group report reported on the future governance of the IPSASB following a public consultation in early 2014.

The Review Group recommended that:

- a Public Interest Committee be established to ensure the public interest is served by IPSASB standard-setting;
- the Committee's objectives should be to review and advise IFAC and the IPSASB on its terms of reference, nomination and appointment protocols, and procedures for formulation of IPSAS strategy and development;
- the Committee should not have a direct role in the development, adoption, and implementation of public sector accounting standards;
- IFAC should establish a Consultative Advisory Group (CAG) for the IPSASB; and
- a public consultation on the effectiveness of the IPSASB's reformed governance arrangements be undertaken no later than 2020.

### **Consultations and Other Governance Process**

#### *IFAC Board and Committees*

The Call for Nominations for the IFAC Board and Committees in 2016 was issued by the International Federation of Accountants in January 2015. This set out the upcoming opportunities for membership on the IFAC Board, its Compliance Advisory Panel, and four committees.

## Wider Standard Setting – January 2015 to April 2015

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.

### *IESBA*

In April 2015 IESBA issued a revised Code of Ethics for Professional Accountants (the Code), addressing certain non-assurance services provisions for audit and assurance clients.

The revisions include the removal of provisions that permitted an audit firm to provide certain bookkeeping and taxation services to PIE audit clients in emergency situations, as these were susceptible to being interpreted too generally.

The changes will be effective April 15, 2016, with early adoption permitted.

### *FRC*

A discussion paper issued by the FRC 'Joint Forum on Actuarial Regulation: A risk perspective,' sought views on identification of risks to the public interest where actuarial work is relevant.

CIPFA responded to this consultation in February, suggesting that additional emphasis should be placed on pension liability risks.

The discussion paper also fed into the development of a new framework for Technical Actuarial Standards.

### *CIPFA SOLACE*

To assist in developing authorities' approach to good governance, CIPFA/SOLACE issued *Delivering good governance in local government: framework* and an accompanying guidance note in 2007. An addendum in 2012 provides additional guidance.

A consultation issued in February 2015 asked for information on how the framework and guidance have worked in practice and where clarification or guidance is required. This consultation closed on Monday 16 March 2015.

The aim is to publish an updated framework and guidance in late 2015.

# ANNEX A: Activity Summary - Financial Reporting Standards

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UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
FRC (Accounting Council)	19.02.2015	FRS 104 <i>Interim Financial Reporting</i> <a href="#">FRC Press Release</a>	01.01.2015	Mainly companies, but for example, some health entities produce interim financial statements
	27.02.2015	<i>Amendments to FRS 102 – Pension obligations</i> <a href="#">FRC Press Release</a>	01.01.2015	FRS102 appliers with defined benefit schemes

# ANNEX A: Activity Summary - Financial Reporting Standards

International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
<b>IASB</b>		No standards or pronouncements issued		
<b>IPSASB</b>	22.01.2015	<i>Improvements to IPSASs 2014</i> <a href="#">IPSASB web link</a>	01.01.2015	IPSAS appliers
	29.01.2015	IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> <a href="#">IPSASB Press Release</a>	01.01.2017	IPSAS appliers
	29.01.2015	IPSAS 34, <i>Separate Financial Statements</i> ; IPSAS 35, <i>Consolidated Financial Statements</i> ; IPSAS 36, <i>Investments in Associates and Joint Ventures</i> ; IPSAS 37, <i>Joint Arrangements</i> ; IPSAS 38, <i>Disclosure of Interests in Other Entities</i> . <a href="#">IPSASB Press Release</a>	01.01.2017	IPSAS appliers



# ANNEX A: Activity Summary - Financial Reporting Standards

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International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
<b>IPSASB</b> <b>(continued)</b>	31.03.2015	RPG 3, <i>Reporting Service Performance Information</i> <a href="#">IPSASB Press Release</a>	Recommended practice	IPSAS applies and public sector entities generally

# 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 (Accounting Council)	19.02.2015	FRED 58: <i>Draft FRS 105 - The Financial Reporting Standard applicable to the Micro-entities Regime</i>  FRED 59: <i>Draft Amendments to FRS 102 - Small entities and other minor amendments</i>  FRED 60: <i>Draft Amendments to FRS 100 and FRS 101</i>  <a href="#">FRC Press Release</a>	30.04.2015	FRSSE apppliers including charities / PBEs	Limited response sent on FRED 59
	20.04.2015	FRED 60 <i>Draft Amendments to FRS 102 - Share-based payment transactions with cash alternative</i>  <a href="#">FRC Press Release</a>	01.06.2015	Companies using share- based payments with cash alternative	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

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International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB	10.02.2015	ED/2015/1 <i>Classification of Liabilities Proposed amendments to IAS 1</i> <a href="#">IASB Press Release</a>	10.06.2015	IFRS appliers	No

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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
<b>FRC</b> (Audit and Assurance)		No pronouncements issued		

## International standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
<b>IAASB</b>	15.01.2015	<p>ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i></p> <p>ISA 701, <i>Communicating Key Audit Matters in the Independent Auditor's Report</i></p> <p>ISA 570 (Revised), <i>Going Concern</i></p> <p>ISA 705 (Revised), <i>Modifications to the Opinion in the Independent Auditor's Report</i></p> <p>ISA 706 (Revised), <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i></p> <p>ISA 260 (Revised), <i>Communication with Those Charged with Governance</i></p> <p><i>Conforming Amendments to ISAs 210, 220, 230, 510, 540, 580, 600, and 710</i></p> <p><a href="#">IAASB Press Release</a></p>	15.12.2016	All sectors, but some material applies only to listed companies

## ANNEX A: Activity Summary - Audit and Assurance Standards

International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
<b>IAASB (continued)</b>	15.01.2015	<i>Auditor Reporting on Going Concern</i> <a href="#">IAASB web link</a>	Non-authoritative guidance	Private sector but may have wider relevance
	15.01.2015	<i>Auditor Reporting – Key Audit Matters</i> <a href="#">IAASB web link</a>	Non-authoritative guidance	Private sector but may have wider relevance
	08.04.2015	<i>ISA 720 (Revised), The Auditor’s Responsibilities Relating to Other Information</i> <a href="#">IAASB web link</a>	15.12.2016	All sectors

# 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?
<b>FRC</b> <b>(Audit and Assurance)</b>		No consultations issued			
International consultations					
<b>IAASB</b>	22.01.2015	Exposure Draft (ED) Proposed International Standards on Auditing (ISAs) ISA 800 (Revised), <i>Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks</i> and ISA 805 (Revised), <i>Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i>  <i>Proposed Conforming Amendment to Another ISA</i>  <a href="#">IAASB web link</a>	22.04.2015		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 – CIPFA Responses

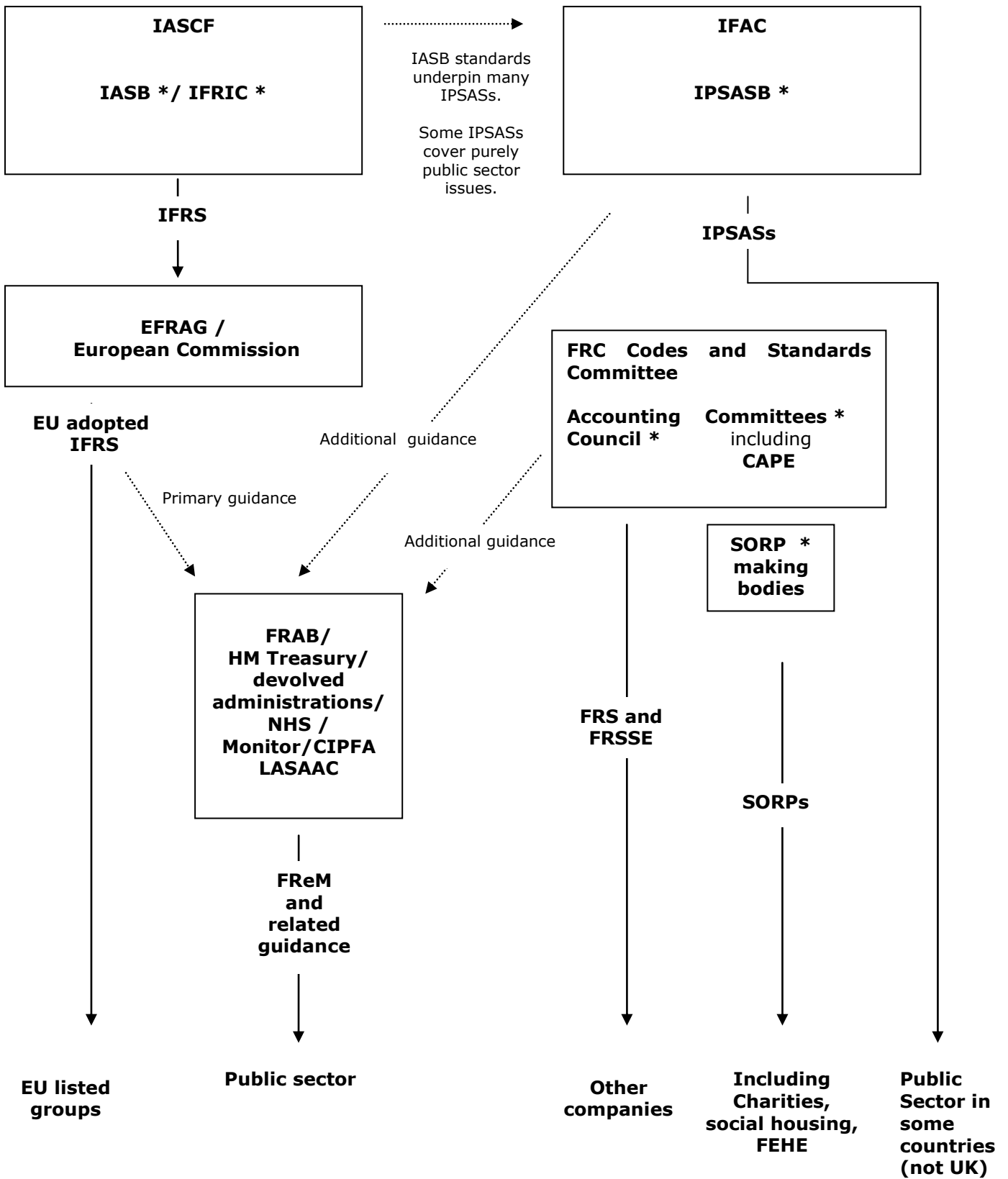
<b>Issuer</b>	<b>Subject of Consultation</b>	
<b>FRC</b>	FRC Discussion Paper <i>Joint Forum on Actuarial Regulation: A risk perspective</i>	19.02.2015
	FRED 59 Draft Amendments to FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i>	30.04.2015
	Small entities and other minor amendments	

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

[www.cipfa.org/Policy-and-Guidance/Responses-to-consultations](http://www.cipfa.org/Policy-and-Guidance/Responses-to-consultations)

**ANNEX B: Background to consultation processes**

**INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING**

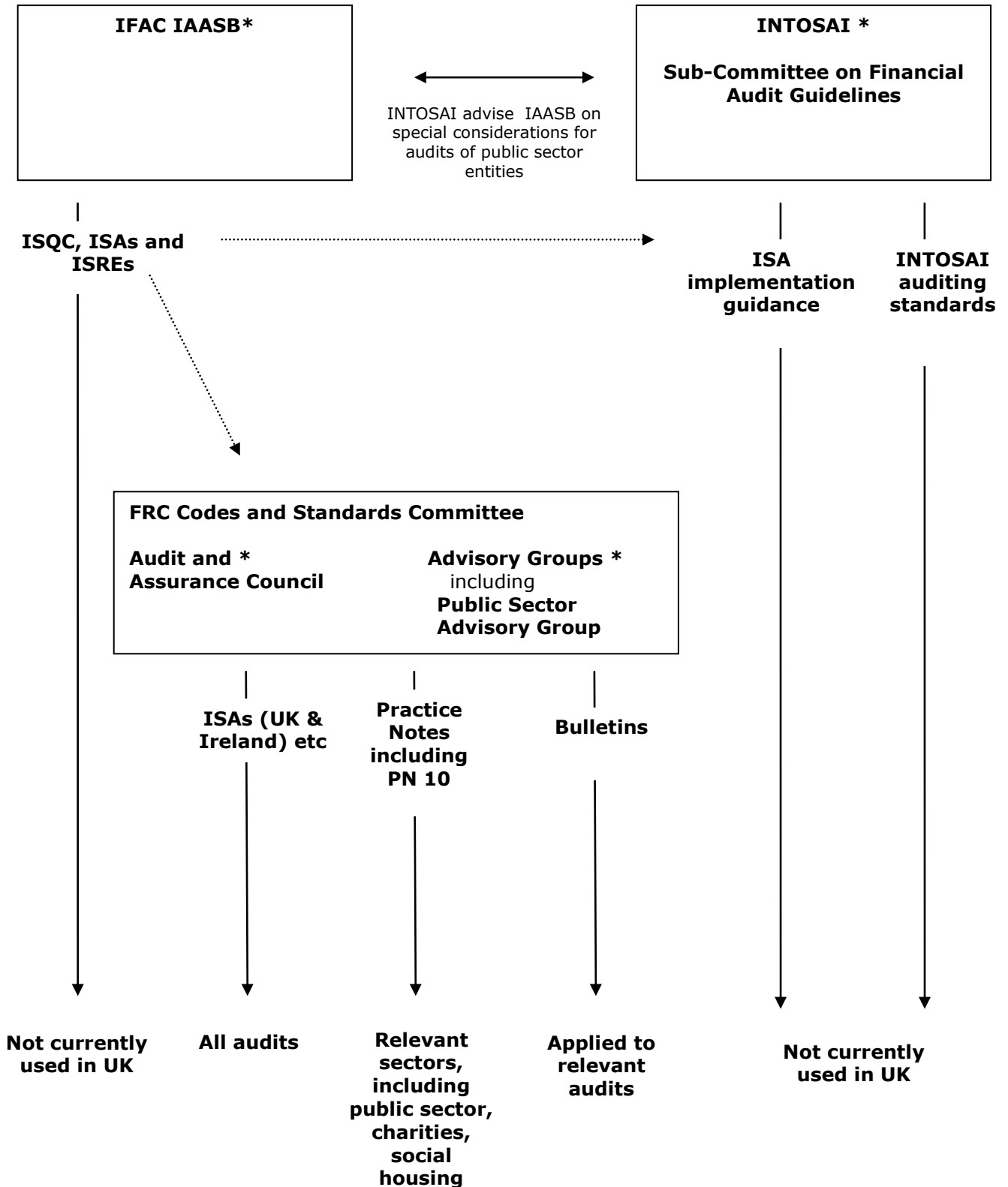


CIPFA comments on most exposure drafts, discussion papers and consultations by bodies marked \*, except for explicitly private sector issues



**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>Accounting Council</i>	The Accounting Council advises the FRC Codes and Standards Committee on matters relating to financial reporting standards. The Council replaced the previous developer of UK financial reporting standards and guidance, the Accounting Standards Board (ASB), from July 2012.
<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>CAPE</i>	Committee on Accounting for Public-benefit Entities. This committee advises the Accounting Council on public benefit entity reporting issues.
<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>FRSSE</i>	The Financial Reporting Standard for Smaller Entities.  This is the principal standard used by smaller companies. It is also used by some public benefit entities in conjunction with the relevant SORP.
<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 &amp; 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 UK GAAP 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.