

# Accounting and Auditing Standards Update

reflecting developments from September 2013 to December 2013

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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

### New Standards and Guidance

*FRC Accounting Council* The FRC published a second update on editorial amendments and clarifications to FRS 102.

*IASB* The IASB continued its development of financial instrument reporting, issuing revised material on hedge accounting in IFRS 9, IFRS 7 and IAS 39.

### CIPFA Responses to Consultations

*Private sector / pan sector* CIPFA responded to the FRC consultation on UK guidance on the Strategic Report, and what is hoped will be the IASB's final exposure draft on accounting for leases.

*Public benefit sector* CIPFA responded to consultations on two public benefit SORPs, for charities and for further and higher education.

### Open Consultations

*UK* The FRC issued FRED 51 setting out proposals for revised hedge accounting, having regard to international developments, and proposals for amendments in respect of micro-entities using the FRSSE (FRED 52) and subsidiaries of IFRS appliers using the reduced disclosure framework (FRED 53).

SORP issuing bodies released proposals in exposure drafts for revised SORPs for limited liability partnerships, and for social housing providers

*IASB* The IASB issued exposure drafts with proposed amendments to the IFRS for SMEs, proposed Annual Improvements to the main body of IFRS, and a proposal to allow the equity method to be used in

*IPSASB* The IPSASB issued 7 exposure drafts, relating to First Time Adoption of IPSAS, reporting on Service Performance information, and the various standards for reporting on consolidation of groups, separate financial statements and other reporting on interests in other entities.

## Audit and Assurance

### **New Standards and Guidance**

*FRC Audit and Assurance Council*

The FRC published clarification to ISA (UK & Ireland) 700 on auditor reporting.

*IAASB*

The IAASB published a revised ISAE 3000 on assurance engagements which are not audits.

### **CIPFA Responses to Consultations**

*Private sector/all sectors*

CIPFA responded to the IAASB's substantial proposals to improve the usefulness of auditor reporting.

### **Open Consultations**

Only one consultation on auditing standards was issued during the period, setting out further revisions to ISAs (UK & Ireland) as applied by companies with a premium listing and therefore subject to the UK Corporate Governance Code. CIPFA is not responding to this consultation.

## ANNEX A: Activity Summary - Financial Reporting Standards

UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
<b>FRC (Accounting Council)</b>	17.11.2013	FRS 102 - Editorial Amendments and Clarification Statements <a href="#">FRC weblink</a>	Immediate on implementation of FRS 102	FRS 102 appliers
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
<b>IASB</b>	19.11.2013	International Financial Reporting Standard <i>Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39</i> <a href="#">IASB Press Release</a>	To be determined	IFRS appliers
	21.11.2013	amendments to IAS 19 Employee Benefits <a href="#">IASB Press Release</a>	01.01.2014	IFRS appliers
	12.12.2013	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> <a href="#">IASB Press Release</a>	Noted in each affected IFRS	IFRS appliers
		<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> <a href="#">IASB Press Release</a>	Noted in each affected IFRS	IFRS appliers

## 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 (Accounting Council)	15.11.2013	FRED 51: Draft Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland  <i>Hedge Accounting</i> <a href="#">FRC Press Release</a>	14.01.2014	FRS 102 appliers	No
	10.12.2013	FRED 52: Draft Amendments to the Financial Reporting Standard for Smaller Entities (effective April 2008) - Micro-entities  <a href="#">FRC Press Release</a>	12.02.2014	Micro entities	No
	17.12.2013	FRED 53: Draft Amendments to FRS 101 - Reduced Disclosure Framework (2013/14)  <a href="#">FRC Press Release</a>	21.03.2014	Members of company groups reporting under EU IFRS	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](mailto:steven.cain@cipfa.org)

## ANNEX A: Activity Summary - Financial Reporting Standards

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UK consultations (continued)					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
CCAB	07.10.2013	Consultation: Draft Statement of Recommended Practice – <i>Accounting by Limited Liability Partnerships (LLPs SORP)</i>  <a href="#">CCAB Press Release</a>	10.01.2014	Limited Liability Partnerships	No
Housing SORP working party	14.11.2013	Exposure Draft: Statement of Recommended Practice (SORP)  <i>Accounting by registered social housing providers</i>  <a href="#">NHF weblink</a>	14.02.2014	Social Housing	Yes

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## 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	03.10.2013	ED/2013/9 <i>IFRS for SMEs - Proposed amendments</i> <a href="#">IASB Press Release</a>	03.03.2014	SMEs / related guidance	Probably
	11.12.2013	ED/2013/10 <i>Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)</i> <a href="#">IASB Press Release</a>	03.02.2014	Group companies	No
	02.12.2013	ED/2013/11 <i>Annual Improvements to IFRSs 2012–2014 Cycle</i> <a href="#">IASB Press Release</a>	13.03.2014	IFRS appliers	Probably not

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## ANNEX A: Activity Summary - Financial Reporting Standards

International consultations (continued)					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IPSASB	21.10.2013	Exposure Drafts (ED 48), <i>Separate Financial Statements</i> (ED 49), <i>Consolidated Financial Statements</i> (ED 50), <i>Investments in Associates and Joint Ventures</i> (ED 51), <i>Joint Arrangements</i> (ED 52), <i>Disclosure of Interests in Other Entities</i> <a href="#">IPSASB Press Release</a>	28.02.2014	IPSAS appliers	Yes
	24.10.2013	Exposure Draft (ED 53), <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards.</i> <a href="#">IPSASB Press Release</a>	15.02.2014	First time adopters of IPSAS accrual standards	Yes
	20.12.2013	Exposure Draft (ED 54), <i>Reporting Service Performance Information.</i> <a href="#">IPSASB Press Release</a>	31.05.2014	IPSAS appliers	Yes

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

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UK standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
<b>FRC</b> (Audit and Assurance)	27.11.2013	ISA (UK and Ireland) 700 (June 2013) - Clarification Statement <a href="#">FRC clarification statement</a>	01.10.2012	Group company audits, of entities applying the Corporate Governance Code
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
<b>IAASB</b>	09.12.2013	International Standard on Assurance Engagements (ISAE) 3000 Revised, <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> <a href="#">IAASB Press Release</a>	15.12.2015	All sectors subject to assurance engagements which are not audits

## 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 (Audit and Assurance)</b>	06.11.2013	ED of Revised Auditing Standards (extracts) ISA (UK and Ireland) 260 ISA (UK and Ireland) 570 ISA (UK and Ireland) 700  These align with proposals for risk management in connection with the Corporate Governance Code.  <a href="#">FRC press release</a>	24.01.2014	Companies with a Premium Listing	No
International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
<b>IAASB</b>		No standards consultations in the period			

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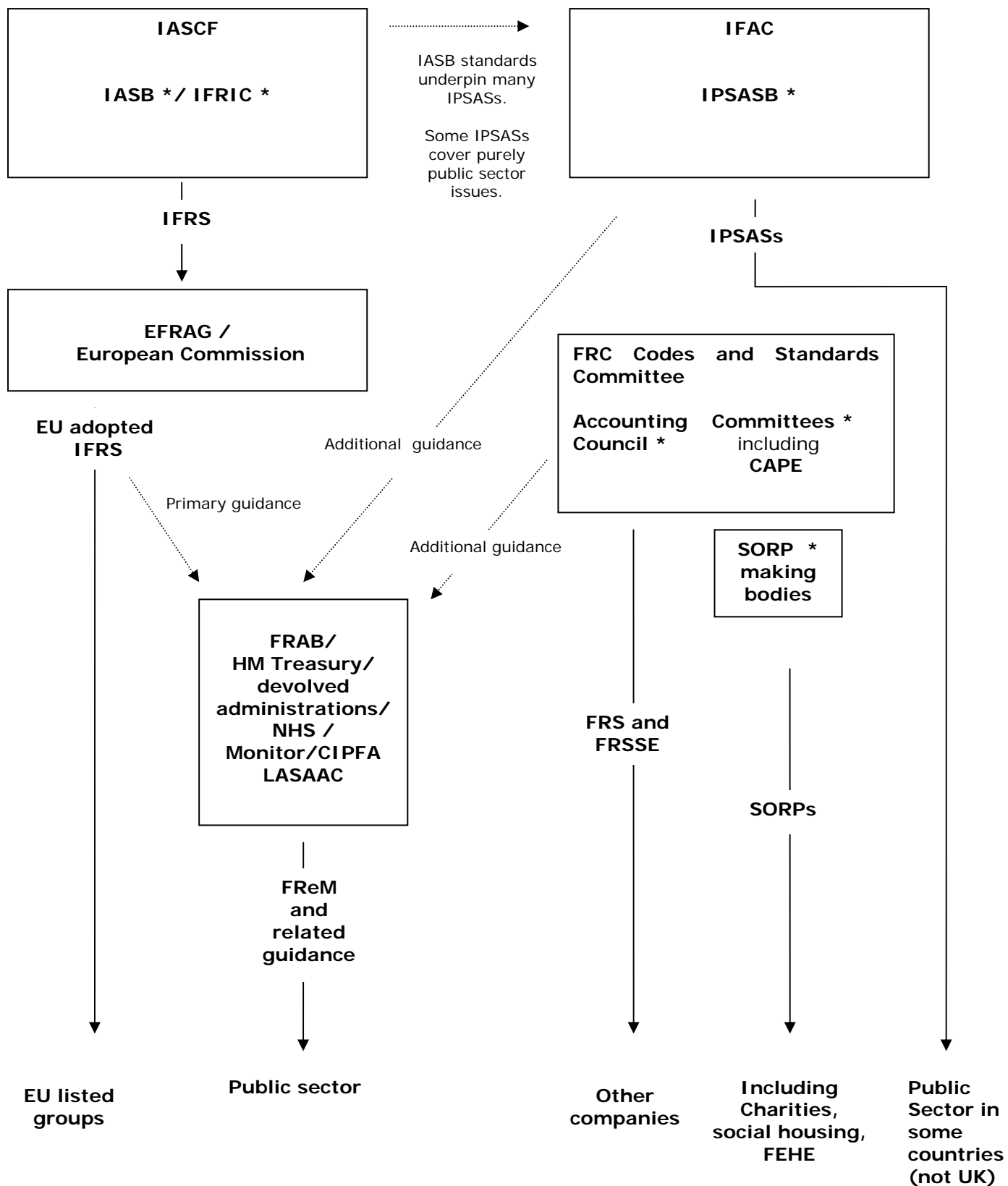
Issuer	Subject of Consultation	
<b>Charities SORP making body</b>	Charities SORP Exposure Draft	04.11.2013
<b>FEHE SORP Board</b>	SORP Exposure Draft <i>Accounting for Further and Higher Education</i>	27.11.2013
<b>FRC</b>	Exposure Draft: <i>Guidance on the Strategic Report</i>	14.11.2013
<b>IASB</b>	Exposure Draft ED/2012/6 <i>Leases</i>	13.09.2013
<b>IAASB</b>	Exposure Draft, <i>Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)</i>	23.11.2013

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**

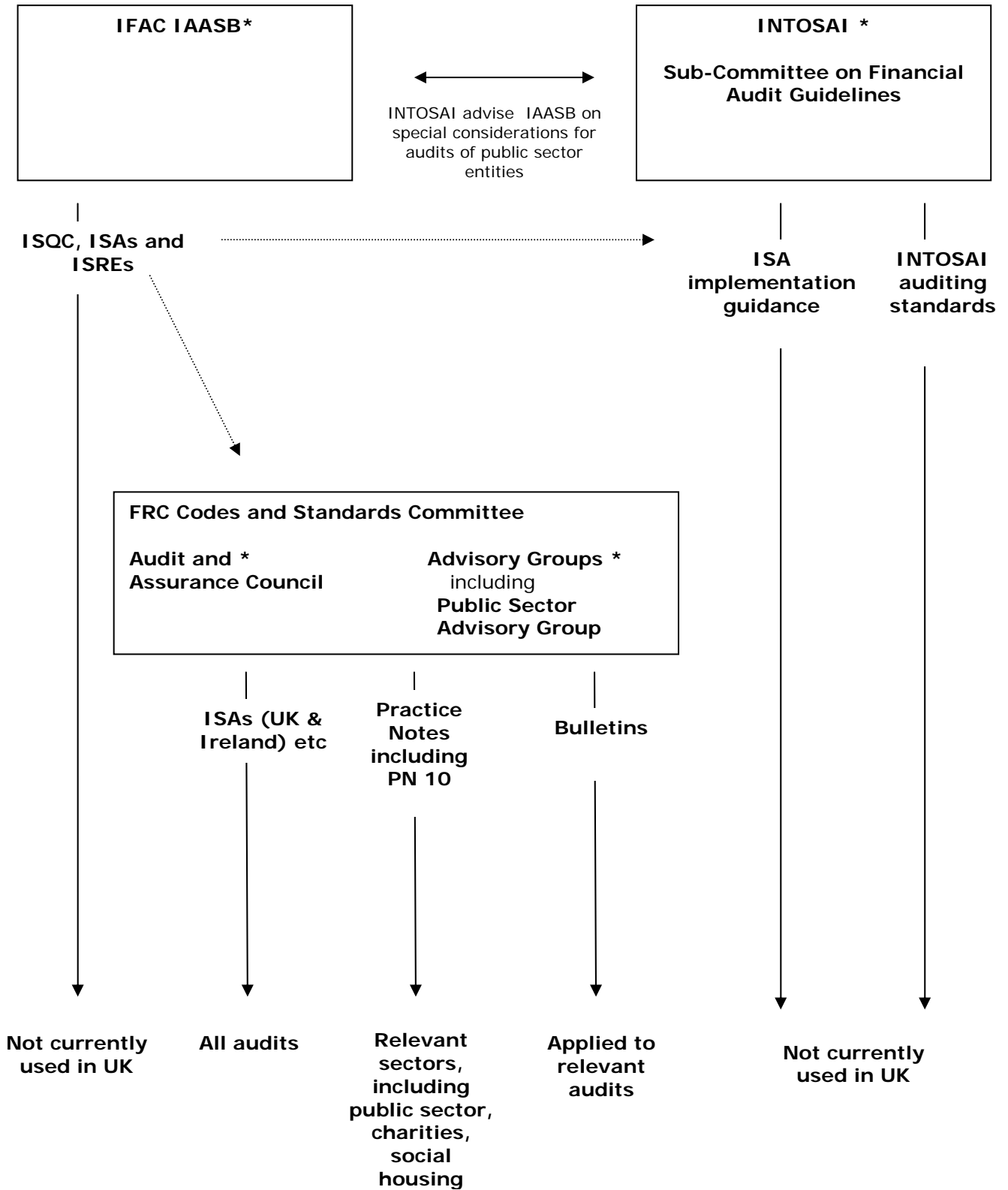
**INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING**



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