

# Accounting and Auditing Standards Update

reflecting developments from September 2011 to December 2011

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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.

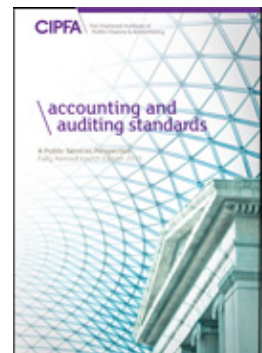
More information on the work of the Accounting and Auditing Standards Panel can be found online at <http://www.cipfa.org.uk/panels/accounting/index.cfm>

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



# Standards Developments In Brief

## Financial Reporting

### New Standards and Guidance

Private sector

No new standards have been issued. The IASB has carried out further short term development on financial instruments, issuing *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*. At the same time it has put back to 2015 the deadline for mandatory adoption of the new IFRS 9 issuing *Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)*.

Public sector

In October IPSASB issued long awaited guidance on public sector accounting for Service Concessions (PFIs, PPPs etc) *IPSAS 32, Service Concession Arrangements*. The Board also issued minor amendments to existing standards in *Improvements to IPSASs 2011*

### CIPFA Responses to Consultations

Private sector

CIPFA provided public sector comments on the mostly company focused FRC Discussion Paper *Cutting Clutter - Combating clutter in annual reports*. Responses were also provided to the IASB consultation on *Improvements to IFRSs for 2011* and the *Effective Date of IFRS 9* consultation.

Public sector

CIPFA also responded to an IPSASB Consultation Paper, *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting* which sets out background and context on those aspects of public sector operations which

### Open Consultations

UK

HM Treasury issued two consultations on *Implementation of the Hutton Review* and *Clear Line Of Sight Reform: Rationalisation And Clarification*. CIPFA will have had input to these through membership of FRAB and does not respond separately.

International Accounting Standards Board

The IASB issued 4 consultations including a tidying up amendment of IFRS 1 and a further Exposure Draft on recognition *Revenue from Contracts with Customers*. CIPFA will be responding to both of these.

IPSASB

IPSASB issued an exposure draft on Long-Term Sustainability of public sector finances, following up a 2010 Consultation Paper. They also issued a Consultation Paper, *Reporting Service Performance Information*. CIPFA will be responding to both of these very public sector specific consultations.

## Auditing

### New Standards and Guidance

*Auditing Practices Board* In October the APB issued Bulletin 2011/2, *Providing assurance on Client Assets to the Financial Services Authority*.

*International Auditing and Assurance Standards Board* In December the IAASB issued 2 non-ISA pronouncements. The first was a new type of publication International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*. This provides non-mandatory guidance on the application of ISAs to audits involving financial instruments.

The other was a private sector capital market focussed standard, International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*.

### CIPFA Responses to Consultations

*Private sector/all sector* CIPFA responded to 2 IAASB consultations in September and October.

The first was a revision of ISAE 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This non ISA standard relates to wider categories of assurance. It is relevant to developments in sustainability assurance, and has also informed the work of public sector audit bodies including NAO VFM reports.

CIPFA also responded to a Consultation Paper, *Enhancing the Value of Auditor Reporting*.

### Open Consultations

There were no open consultations to which CIPFA planned to respond.

## 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
ASB		No pronouncements issued as at 31 December 2011.		
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	16.12.2012	<i>Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)</i> IASB press release available <a href="#">here.</a>	1.1.2014	Mainly private sector IFRS users
	16.12.2012	<i>Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)</i> IASB press release available <a href="#">here.</a>	1.1.2015	Pan sector IFRS users
IPSASB	24.10.2011	<i>Improvements to IPSASs 2011</i> IPSASB press release available <a href="#">here.</a>		International public sector
	31.10.2011	IPSAS 32 <i>Service Concession Arrangements</i> IPSASB press release available <a href="#">here.</a>	01.01.2014	International public sector

## ANNEX A: Activity Summary - Financial Reporting Standards

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UK consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
HM Treasury	27.10.2011	FReM ED (11)05 <i>Implementation of the Hutton Review of Fair Pay: pay multiples, transparency and public accountability improvements</i>		UK government sector	Through FRAB membership
	15.11.2011	FReM ED (11)06 <i>Clear Line Of Sight Reform: Rationalisation And Clarification</i>		UK government sector	Through FRAB membership

\* 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.uk](mailto:steven.cain@cipfa.org.uk)

## 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	20.10.2011	Exposure Draft ED/2011/5, <i>Government Loans - Proposed amendments to IFRS 1</i> IASB press release available <a href="#">here.</a>	05.01.2012	IFRS users	Yes
	14.11.2011	Exposure Draft ED/2011/6, <i>A revision of ED/2010/6 Revenue from Contracts with Customers</i> IASB press release available <a href="#">here.</a>	13.03.2012	IFRS users	Yes
	20.12.2011	Exposure Draft ED/2011/7, <i>Transition Guidance - Proposed amendments to IFRS 10</i> IASB press release available <a href="#">here.</a>	21.03.2012	IFRS users	No
IPSASB	21.10.2011	Consultation Paper, <i>Reporting Service Performance Information.</i> IPSASB press release available <a href="#">here.</a>	15.04.2012	International public sector	Yes
	21.10.2011	Exposure Draft (ED) 46 Recommended Practice Guideline, <i>Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances</i> IPSASB press release available <a href="#">here.</a>	29.02.2012	International public sector	Yes

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## ANNEX A: Activity Summary - Auditing Standards

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### UK standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
<b>APB</b>	13.10.2011	Bulletin 2011/2, <i>Providing assurance on Client Assets to the Financial Services Authority</i>  APB press release available <a href="#">here</a>	30 September 2011	FSA regulated firms

### International standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
<b>IAASB</b>	16.12.2011	International Auditing Practice Note (IAPN) 1000, <i>Special Considerations in Auditing Financial Instruments</i>  IAASB press release available <a href="#">here</a>	Non-authoritative / immediate	All sectors, particularly audits of bodies holding complex financial instruments
	21.12.2011	International Standard on Assurance Engagements (ISAE) 3420, <i>Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus</i>  IAASB press release available <a href="#">here</a>	31 March 2013	Assurance engagements for bodies producing proforma information in prospectuses



## ANNEX A: Activity Summary - Auditing Standards

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UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
-	-	No consultations issued	-	-	-

International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
-	-	No consultations issued	-	-	-

\* 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.uk](mailto:steven.cain@cipfa.org.uk)

<b>Issuer</b>	<b>Subject of Consultation</b>	
<b>FRC</b>	Discussion Paper, <i>Cutting Clutter - Combating clutter in annual reports</i>	13.10.2011
<b>IASB</b>	ED 2011/2, <i>Improvements to IFRSs for 2011</i>	18.10.2011
	ED 2011/3, <i>Effective Date of IFRS 9</i>	21.10.2011
	Request for Views <i>Agenda Consultation 2011</i>	30.11.2011
<b>IAASB</b>	Consultation Paper, <i>Enhancing the Value of Auditor Reporting</i>	04.10.2011
	ED Proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>	30.09.2011
<b>IIRC</b>	Discussion Paper <i>Towards integrated reporting: Communicating value in the 21st century</i>	13.12.2011
<b>IPSASB</b>	Consultation Paper, <i>Key Characteristics of the Public Sector with Potential Implications for Financial Reporting</i>	02.09.2011

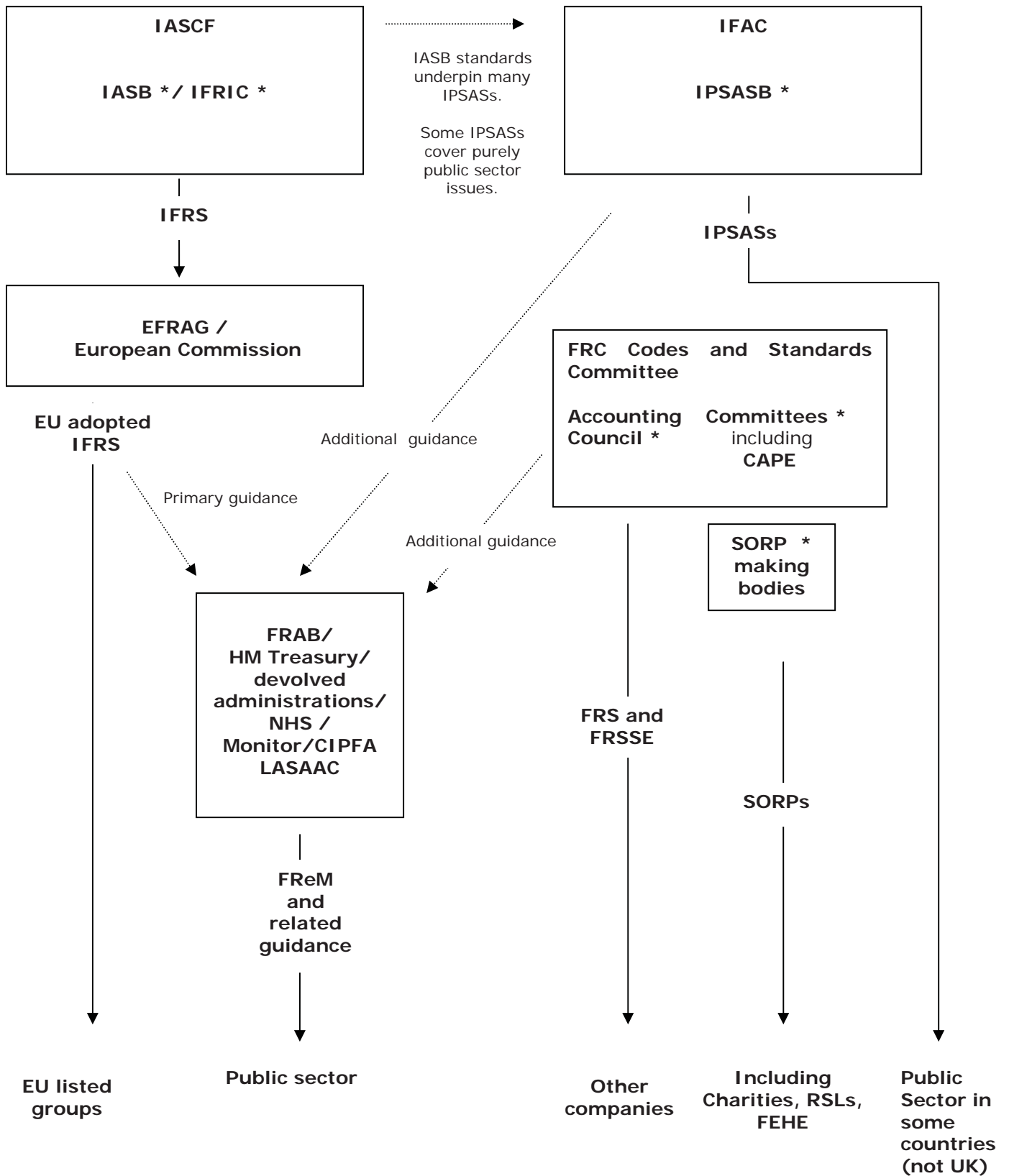
CIPFA responses on matters relating to accounting and auditing standards are also published at

[http://www.cipfa.org/panels/accounting/responses\\_accounting.cfm](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**

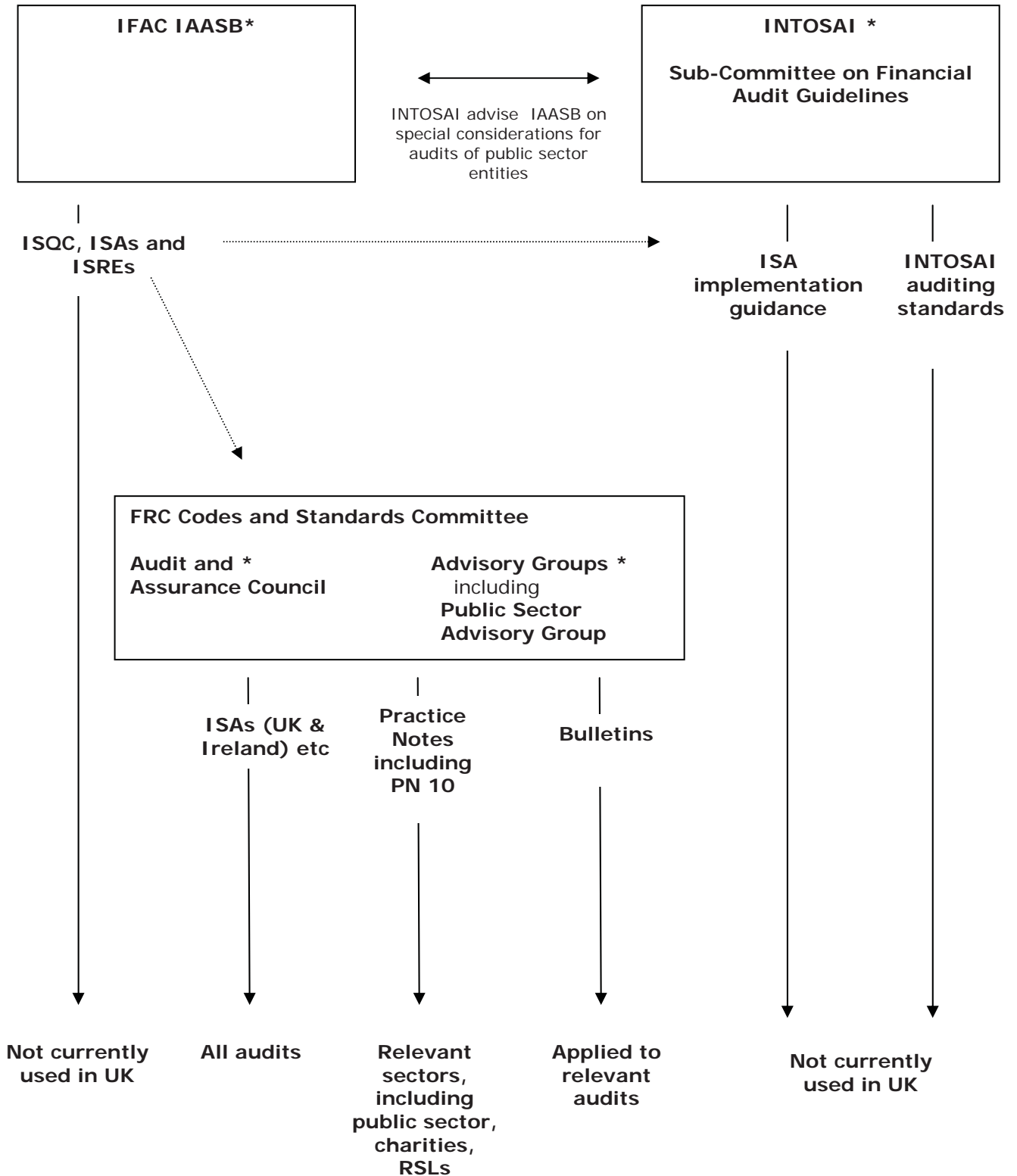
**INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING**



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