

Accounting and Auditing Standards Update

reflecting developments from September 2012 to December 2012

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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.

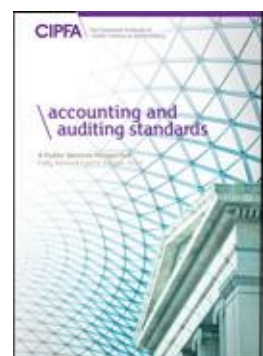
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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) and its Standards and Codes Committee
- 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

FRC Accounting Council The FRC issued the 'new UK GAAP' scene setting standard FRS 100 *Application of Financial Reporting Requirements*, and also FRS 101 *Reduced Disclosure Framework* which applies to subsidiaries and parent entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

IASB IASB issued a set of amendments to IFRS 10, IFRS 12 and IAS 27 relating to *Investment Entities*.

CIPFA Responses to Consultations

Public sector CIPFA responded to what is expected to be FRC's final Exposure Draft relating to the introduction of new UK GAAP. This set out limited scope amendments to the (draft) FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

CIPFA provided a response to IASB consultation on the process for updating their IFRS for SMEs, noting UK developments and commenting on the implications for wider categories of reporting entity.

CIPFA responded to two IPSASB Consultation Papers, one dealing with accounting for *Public Sector Combinations*, while the other consulted on the content of the IPSASB Work Program for 2013-2014.

Open Consultations

UK FRC issued a Discussion Paper *Thinking about financial reporting disclosures in a broader context*, which complements a narrower EFRAG consultation on notes disclosure.

International Accounting Standards Board The IASB issued six exposure drafts, including its annual Improvements ED, further development of IFRS 9, refinements of the new IFRS 10-12 set of standards, and a proposal to clarify depreciation and amortisation approaches allowable in IAS 16 and IAS 38.

IPSASB IPSASB issued two Conceptual Framework exposure drafts on *Elements and Recognition in Financial Statements* and on *Measurement of Assets and Liabilities in Financial Statements*. CIPFA will be responding to both of these.

Auditing

New Standards and Guidance

FRC Auditing and Assurance Council

The FRC issued five revised International Standards on Auditing (ISAs) (UK and Ireland) as follows:

260 *Communication with those charged with governance*

700 *The auditor's report on financial statements (Revised)*

705 *Modifications to the opinion in the independent auditor's report*

706 *Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report*

720A *The auditor's responsibilities relating to other information in documents containing audited financial statements*

International Auditing and Assurance Standards Board

The IAASB issued no new guidance relating to audit, but did issue an updated and revised ISRE 2400 on Review Engagements.

CIPFA Responses to Consultations

Private sector/all sector

CIPFA responded to IAASB consultation exploring proposals on *Improving Auditor Reporting*.

Open Consultations

FRC

The FRC has issued a proposed revision of Practice Note 23 (Revised) *Special Considerations in Auditing Financial Instruments*, bringing it into line with the drafting style of the IAASB IAPN on the same topic, while retaining some UK specific content.

IAASB

The IAASB issued a proposed revision to ISA 720, clarifying and extending the auditor's responsibilities relating to Other Information in Documents Containing or Accompanying Audited Financial Statements. CIPFA will be responding to this consultation, noting issues of particular relevant to public sector auditors.

ANNEX A: Activity Summary - Financial Reporting Standards

UK standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
ASB	22.11.2012	FRS 100 <i>Application of Financial Reporting Requirements</i> FRS 101 <i>Reduced Disclosure Framework</i> FRC Press Release	01.01.2015	UK GAAP preparers

International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	31.10.2012	<i>Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)</i> IASB Press Release	01.01.2014	Investment Entities

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	03.10.2012	Exposure Draft of limited scope amendments to FRED 48 (draft FRS 102) <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> FRC Press Release	03.12.2012	UK GAAP	Yes (CIPFA response sent)
	15.10.2012	Discussion Paper <i>Thinking about financial reporting disclosures in a broader context</i> FRC Press Release	31.01.2013	All	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.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	20.11.2012	Exposure Draft ED/2012/2 <i>Annual Improvements to IFRSs 2011–2013 Cycle</i> IASB Press Release	18.02.2013	IFRS appliers	No
	22.11.2012	Exposure Draft ED/2012/3 <i>Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)</i> IASB Press Release	22.03.2013	IFRS appliers	No
	28.11.2012	Exposure Draft ED/2012/4 <i>Classification and Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010))</i> IASB Press Release	28.03.2013	IFRS appliers	No
	02.12.2012	Exposure Draft ED/2012/5 <i>Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)</i> IASB Press Release	02.04.2013	IFRS appliers	Yes

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 (continued)	13.12.2012	Exposure Draft ED/2012/6 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)</i> IASB Press Release	23.04.2013	IFRS appliers	No	
	13.12.2012	Exposure Draft ED/2012/7 <i>Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)</i> IASB Press Release	23.04.2013	IFRS appliers	No	
IPSASB	07.11.2012	Conceptual Framework Exposure Draft (ED) 2, <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements</i> IPSASB Press Release	30.04.2013	International public sector	Yes	
	07.11.2012	Conceptual Framework Exposure Draft (ED) 3, <i>Measurement of Assets and Liabilities in Financial Statements</i> IPSASB Press Release	30.04.2013	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
FRC (Audit and Assurance)		<p>International Standards on Auditing (ISAs) (UK and Ireland):</p> <p>260 <i>Communication with those charged with governance</i></p> <p>700 <i>The auditor's report on financial statements (Revised)</i></p> <p>705 <i>Modifications to the opinion in the independent auditor's report</i></p> <p>706 <i>Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report</i></p> <p>720A <i>The auditor's responsibilities relating to other information in documents containing audited financial statements</i></p> <p>FRC Press Release</p>	01.10 2012	Mainly private sector

International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB	27.09.2012	<p>International Standard on Review Engagements (ISRE) 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i></p> <p>IAASB Press Release</p>	31.12.2013	Mainly private sector

ANNEX A: Activity Summary - Auditing Standards

UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
FRC (Audit and Assurance)	04.10.2012	Proposed revision of Practice Note 23 (Revised) <i>Special Considerations in Auditing Financial Instruments</i> FRC Press Release	04.01.2013	All	No
International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
IAASB	14.11.2012	Proposed International Standard on Auditing (ISA) 720 (Revised), <i>The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon</i> IAASB Press Release	14.03.2013	All	Yes

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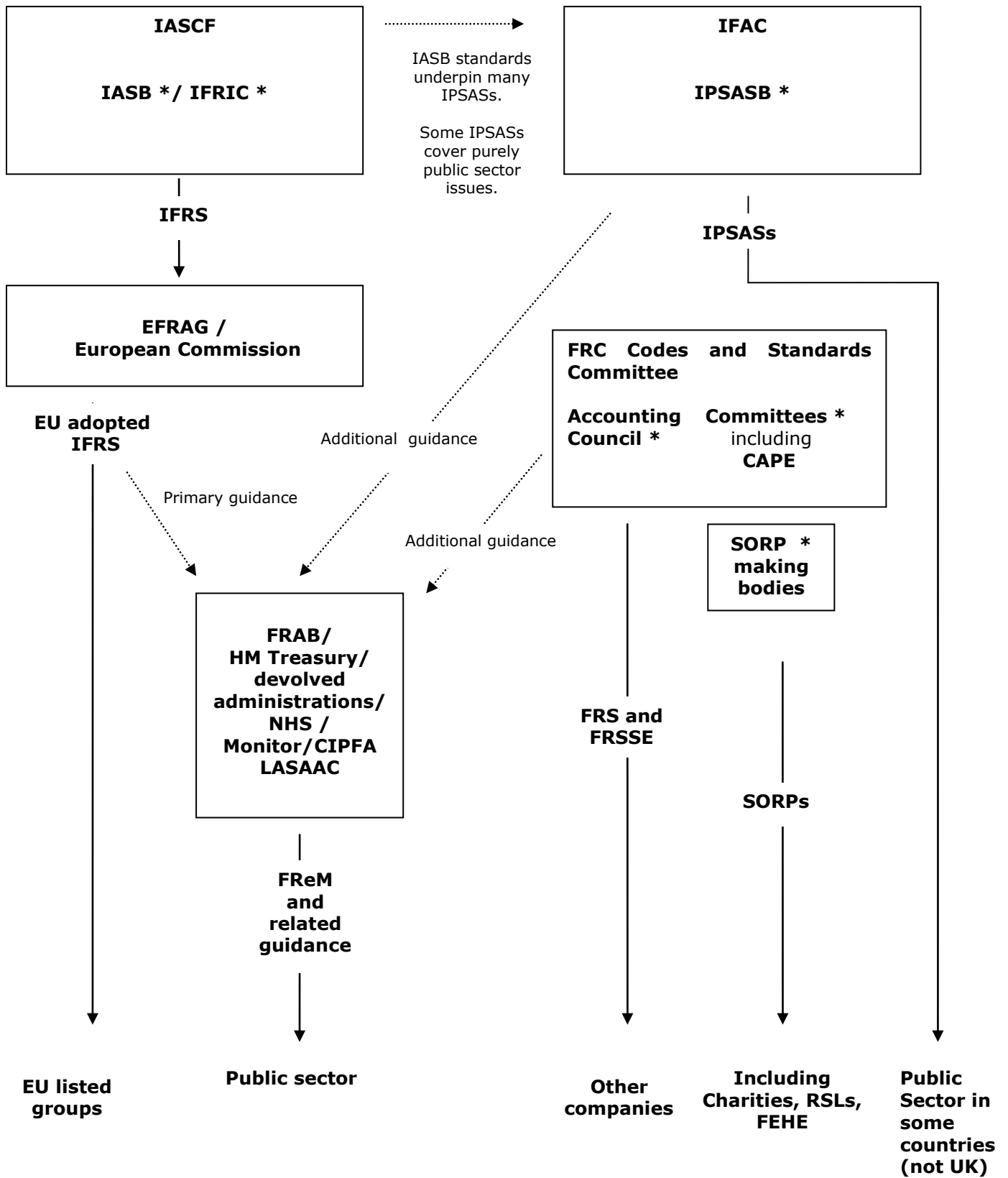
Issuer	Subject of Consultation	
FRC (Accounting)	Amendment to Financial Reporting Exposure Draft 48 <i>Draft FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'</i> <ul style="list-style-type: none"> • <i>Section 28 'Employee Benefits'</i> • <i>Section 34 'Specialised Activities'</i> 	29.11.2012
IASB	Request for Information <i>Comprehensive Review of the IFRS for SMEs</i>	03.12.2012
IAASB	Invitation to Comment <i>Improving Auditor Reporting</i>	18.10.2012
IPSASB	Consultation Paper <i>Public Sector Combinations</i> Consultation Paper <i>Consultation on IPSASB Work Program 2013-2014</i>	31.10.2012 08.11.2012

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

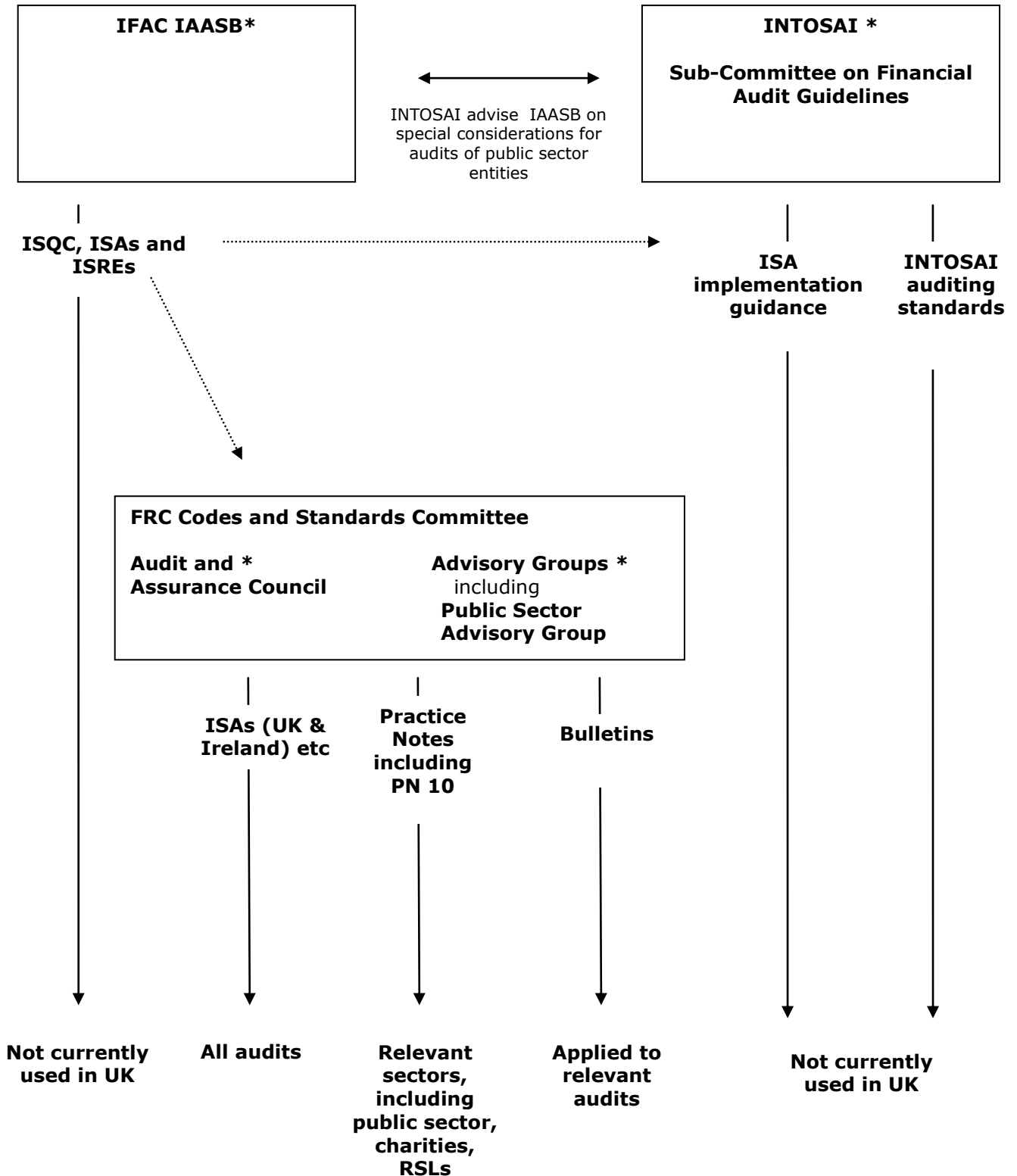
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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