

# Accounting and Auditing Standards Update

reflecting developments from January 2012 to April 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.

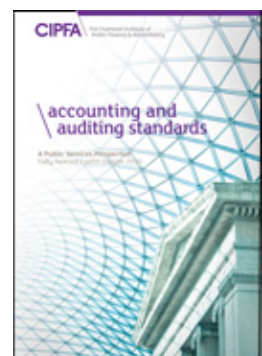
More information on the work of the Accounting and Auditing Standards Panel can be found online at <http://www.cipfa.org.uk/panels/accounting/index.cfm>

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* The IASB published minor amendments to IFRS 1 arising from IASB ED/2011/5 *Government Loans*, Proposed amendments to IFRS 1

*Public sector* n/a

### CIPFA Responses to Consultations

*Private sector* CIPFA developed a response during this to the ASB FREDs 46-48 on the future of UK GAAP; the response was supportive but provide some drafting points and clarifications.

CIPFA responded to IASB ED/2011/6 on *Revenue from Contracts with Customers*, which was a revision of a 2010 ED. The CIPFA response mainly agreed with the revised proposals, while noting difficulties which might be encountered if the ED proposals were extended to non-exchange revenues in the non-profit or public sectors. CIPFA also responded to an IASB ED proposing minor amendments to the 'first time adoption' standards IFRS 1, to better align it with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

CIPFA also responded to an EFRAG discussion paper *Accounting for Business Combinations under Common Control*. Although framed in terms of business, issues relating to common control are extremely important in public sector restructuring, reorganisation and other combinations.

*Public sector* CIPFA responded to two IPSASB consultations: ED 46 on *Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances* and a consultation paper, *Reporting Service Performance Information*.

### Open Consultations

*UK* None

*International Accounting Standards Board* None

*IPSASB* IPSASB has issued a consultation paper on *Presentation in General Purpose Financial Reports* to inform its conceptual framework. IPSASB also issued an exposure draft on *Financial Statement Discussion and Analysis*. CIPFA will be responding to both consultations.

## Auditing

### New Standards and Guidance

#### *Auditing Practices Board*

The APB has issued and updated Practice Note 11 on *The Audit of Charities in the UK*, and Bulletin 2010/2 on Illustrative Auditor's Reports.

The APB also withdrew 9 documents and placed them in its archive of superseded standards and guidance.

#### *International Auditing and Assurance Standards Board*

The IAASB has issued a revised ISA 610 on *Using the Work of Internal Auditors*, which will be relevant to many public sector audits. The IAASB also issued International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*, which will be relevant to relatively few public sector engagements.

### CIPFA Responses to Consultations

#### *Private sector/all sector*

CIPFA did not respond to any audit or assurance consultations.

### Open Consultations

The APB has issued a consultation paper *Proposed Revisions to ISAs (UK and Ireland)* which extends current UK practice to the Republic of Ireland. CIPFA will not be responding.

The Financial Reporting Council has issued a consultation paper *Proposed revisions to ISAs (UK and Ireland)* which sets out proposed strengthening of ISAs in the UK in the areas of communication with management and auditor reporting. These are part of a broader FRC package setting out improvements in the operation of the audit market and the interaction of auditors with audit committees and other stakeholders. CIPFA expects to respond to the proposed ISA revisions.

## 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 30 April 2012		

### International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	13.03.2012	Amendments to IFRS 1 <a href="#">IASB press release</a>	1.1.2013	Mainly private sector IFRS users

## ANNEX A: Activity Summary - Financial Reporting Standards

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UK consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
ASB	30.01.2012	<p>FRED 46 <i>Application of Financial Reporting Requirements</i> (draft FRS 100);</p> <p>FRED 47 <i>Reduced Disclosure Framework</i> (draft FRS 101)</p> <p>FRED 48 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> (draft FRS 102)</p> <p><a href="#">ASB Press Release</a></p>	30.04.2012	Private sector other than IFRS appliers, and public benefit entities	Yes

\* 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

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International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IPSASB	31.01.2012	Consultation Paper CF-CP4 <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports</i>  <a href="#">IPSASB Press Release</a>	31.05.2012	International public sector	Yes
	02.04.2012	Exposure Draft (ED) 47, <i>Financial Statement Discussion and Analysis</i>  <a href="#">IPSASB Press Release</a>	31.07.2012	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
APB	12.03.2012	Practice Note 11 (Revised): <i>The Audit of Charities in the UK</i>  Update to Bulletin 2010/2 (Revised): <i>Compendium of Illustrative Auditor's Reports on United Kingdom Private Sector Financial Statements ended on or after 15 December 2010.</i>  <a href="#">APB Press Release</a>	14.03.2012 in line with effective date of Charities Act 2011	Charity Audits
	30.03.2012	Withdrawal of documents  Practice Note PN 14 "The Audit of Registered Social Landlords in the United Kingdom (Revised)" issued in March 2006  PN 27 "The Audit of Credit Unions in the United Kingdom" issued in January 2009  "APB Statement of Standards for Reporting Accountants Applicable to Small (Charitable) Companies" issued in February 2009  Bulletins 1997/3, 2000/3, 2001/1, 2002/2, 2002/3, and 2005/3  <a href="#">APB Press Release</a>	Immediate effect	Various sectors and specified circumstances



## ANNEX A: Activity Summary - Auditing Standards

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International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB	16.03.2012	International Standard on Related Services (ISRS) 4410 (Revised), <i>Compilation Engagements</i> <a href="#">IAASB Press Release</a>	01.07.2013	Private sector
	23.03.2012	International Standard on Auditing (ISA) 610 (Revised), <i>Using the Work of Internal Auditors</i> <a href="#">IAASB Press Release</a>	15.12.2013	All sectors

# ANNEX A: Activity Summary - Auditing Standards

UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
APB	23.02.2012	Consultation Paper <i>Proposed Revisions to ISAs (UK and Ireland): 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"</i> <a href="#">APB Press Release</a>	31.05.2012	Republic of Ireland auditors not using APB Bulletin 2010/02 (revised)	No
	20.04.2012	Consultation Paper <i>Proposed revisions to ISAs (UK and Ireland): 260 "Communication with those charged with governance", 265 "Communicating deficiencies in internal control to those charged with governance", 700 "The auditor's report on financial statements" (Revised) 720A "The auditor's responsibilities relating to other information in documents containing audited financial statements"</i> <a href="#">FRC Press Release</a>	13.07.2012	Mainly private sector – need to check if affects other sectors	Probably, even if only to note potential read across.

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# ANNEX A: Activity Summary - Auditing Standards

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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)

## **ANNEX A: Activity Summary - Auditing Standards**

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Issuer	Subject of Consultation	
<b>ASB</b>	FRED 46 <i>Application of Financial Reporting Requirements</i> (draft FRS 100);	Developed before 30.04.2012
	FRED 47 <i>Reduced Disclosure Framework</i> (draft FRS 101)	Despatched 03.05.2012
	FRED 48 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> (draft FRS 102)	
<b>EFRAG</b>	EFRAG discussion paper <i>Accounting for Business Combinations under Common Control</i>	30.04.2012
<b>IASB</b>	Exposure Draft ED/2011/5 <i>Government Loans</i> , Proposed amendments to IFRS 1	05.01.2012
	Exposure Draft ED/2011/6 A revision of ED/2010/6 <i>Revenue from Contracts with Customers</i>	13.03.2012
	ED 46 - Proposed Recommended Practice Guideline, <i>Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances</i>	12.03.2012
<b>IPSASB</b>	Consultation Paper, <i>Reporting Service Performance Information</i>	15.04.2012

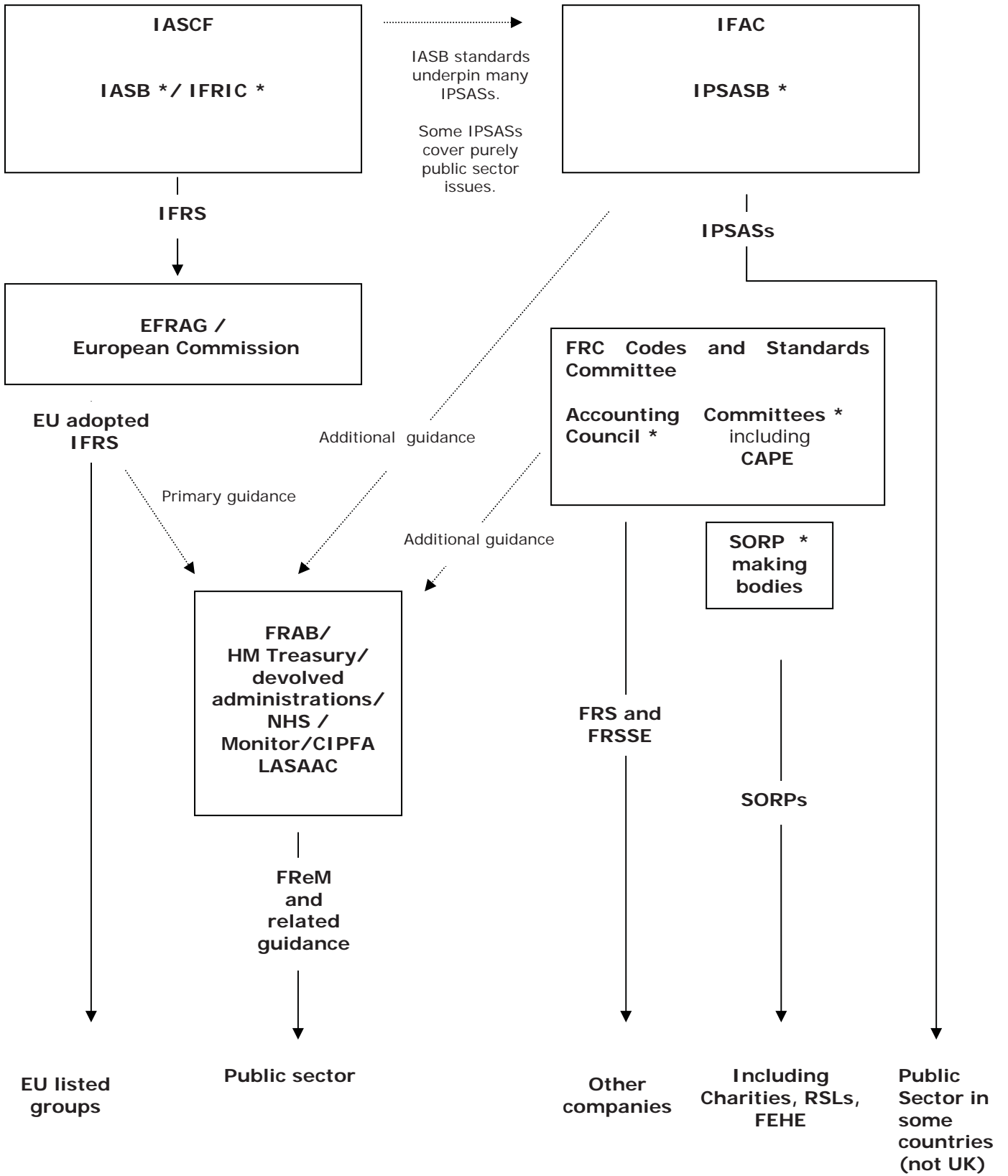
CIPFA responses on matters relating to accounting and auditing standards are also published at

[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**

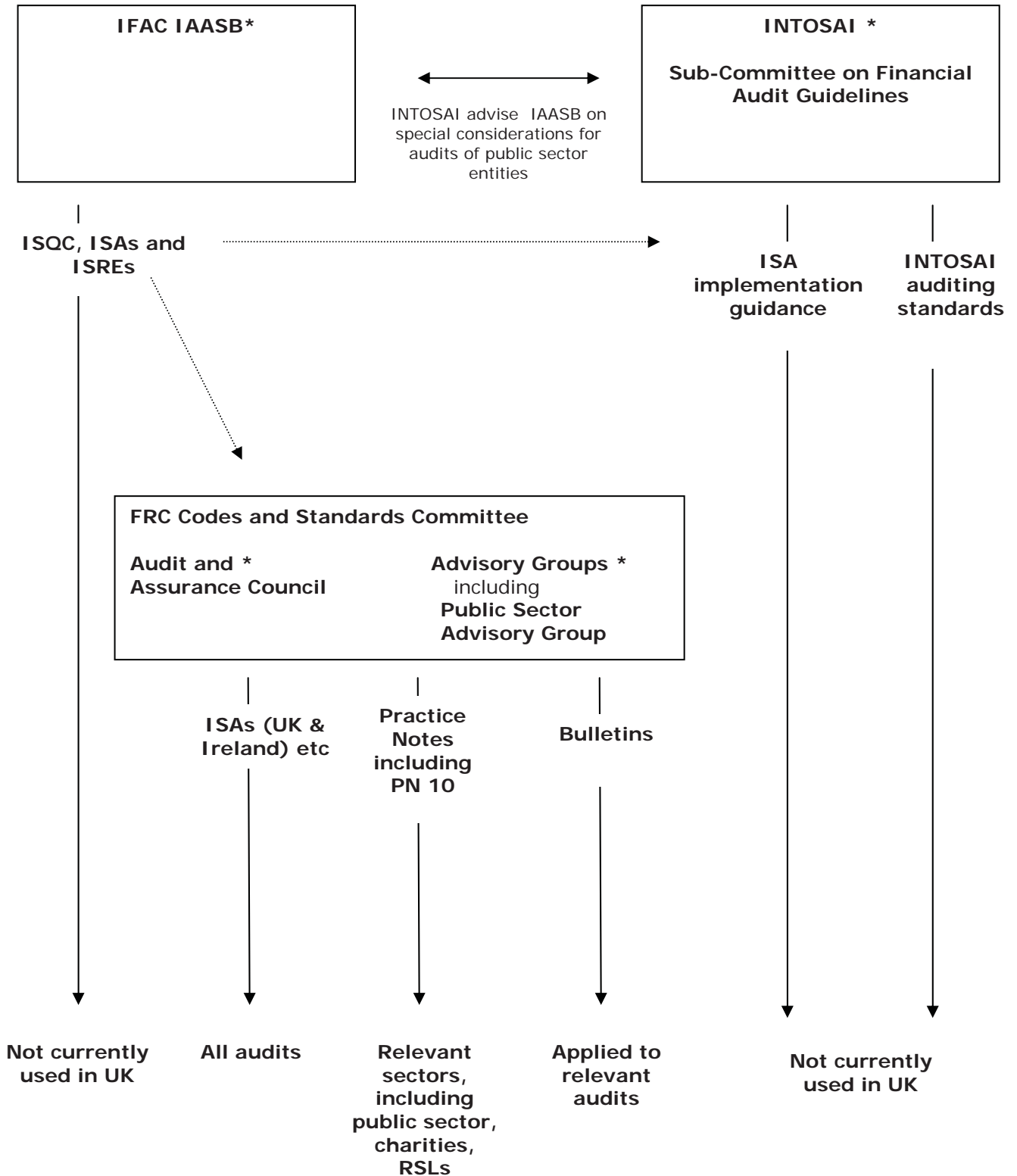
**INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING**



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