

Accounting and Auditing Standards Update

reflecting developments from January 2014 to April 2014

Standards Developments In Brief

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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.

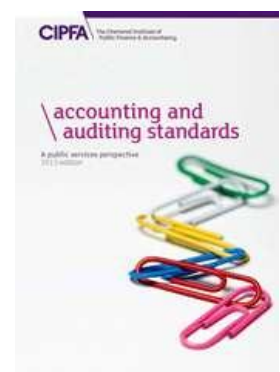
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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), 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 2014 to April 2014

New Standards and Guidance

- UK* The FRC has extended 'new' UK GAAP by issuing FRS 103 - *Insurance Contracts*, and has amended both the 'new' and 'old' FRSSE to allow simpler reporting by micro-entities.
- International* The IASB has issued an interim standard, IFRS 14 *Regulatory Deferral Accounts*. This mainly has the effect of allowing reporting to continue in line with existing local GAAP.
- Public sector* The IPSASB has issued a Policy Paper *Process for Considering GFS Reporting Guidelines during Development of IPSASs*. This is in line with its objective to avoid unnecessary differences between government financial reporting and government statistical reporting.

CIPFA Responses to Consultations

- International* CIPFA has responded to an IASB Discussion Paper which seeks to complete the development of a revised Conceptual Framework for financial reporting under IFRS.
- Public sector and public benefit sector* CIPFA responded to an ED SORP on accounting for UK social housing.
- In the international sphere, CIPFA responded to six exposure drafts issued by IPSASB, five of which related to reporting on interests in related entities, and one of which related to first time adoption of Accrual Basis IPSASs

Open Consultations

- UK* The FRC issued FRED 54 to simplify FRS 102 accounting for 'basic financial instruments'. This raises no special issues for public benefit sector preparers and CIPFA did not comment.
- The Pensions Research Accountants Group (PRAG) has issued an exposure draft of a revised SORP for Pension Schemes. The Housing SORP Working Party has issued a re-exposure of changed guidance on impairments. CIPFA will respond to both of these consultations.
- International* The IASB has issued an exposure draft relating to improved and more proportionate disclosures, to which CIPFA will respond. They also issued a Discussion Paper on accounting for macro hedges: CIPFA does not expect to respond to this.
- Public sector* CIPFA will also respond to IPSASB's exposure draft ED 54 on *Reporting Service Performance Information* which was reported on in the previous standards update.

Audit and Assurance – January 2014 to April 2014

New Standards and Guidance

UK

The FRC has issued a revised Practice Note (PN) 14 *The audit of housing associations in the United Kingdom*, and Bulletin 4: *Recent Developments in Company Law, The Listing Rules and Auditing Standards that affect United Kingdom Auditor's Reports*

International

The IAASB has issued non-mandatory guidance in *A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality*.

CIPFA Responses to Consultations

There were no consultations on auditing standards and related guidance during the period for which CIPFA considered it appropriate to submit a comment letter or other response.

Open Consultations

International

The IAASB has issued proposals for a revised ISA 720 *The Auditor's Responsibilities Relating to Other Information*, which would update and possibly extend the auditors responsibilities. CIPFA expects to respond to this consultation.

Standard Setting Governance – January 2014 to April 2014

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.

CIPFA Responses to Consultations

Eurostat

CIPFA has responded to a Eurostat consultation carried out on behalf of the European Commission, which sought views on the governance arrangements which should apply to the proposed standing setting arrangements for the development of European Public Sector Accounting Standards (EPSAS).

IAASB

CIPFA has responded to an IAASB Consultation Paper setting out proposals for its strategy for 2015–2019, and its proposed work programme for 2015–2016

Open Consultations

*IPSASB Review Group
(World Bank, IMF, OECD,
IOSCO, INTOSAI)*

CIPFA will be responding to an OECD led consultation on the future governance of IPSASB. Among other things, the IPSASB Review Group are seeking to address perceived independence and oversight problems highlighted during consultations on whether IPSASs should be adopted in the European Union

IPSASB

CIPFA will also be responding to IPSASB's own consultation on its strategy and future workplan.

Wider Standard Setting – January 2014 to April 2014

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 wider standard setting developments in the current period is set out below.

IVSC

AASP notes that the International Valuation Standards Council (IVSC) and IFRS Foundation have announced a joint statement of protocols for co-operation on IFRS and IVS.

AASP is also aware of ongoing development of valuation standards including work on the valuation of investment property but is not expecting to respond to those consultations.

IIRC

AASP continues to monitor developments in integrated reporting. Other CIPFA working groups are assisting the International Integrated Reporting Council (IIRC) in developing material to help the application of its <IR> framework to public sector entities.

FRC

AASP notes that the FRC is consulting on proposals to change its operating procedures for reviewing corporate reporting, and on changes to the requirements of the UK Corporate Governance Code. The AASP secretariat will confirm that other parties within CIPFA have considered whether there are ramifications for the public sector or wider public benefit sector.

ANNEX A: Activity Summary - Financial Reporting Standards

| UK standards and guidance | | | | |
|-----------------------------|------------|--|---------------------------------------|--------------------------------------|
| Issuer | Issue Date | Standard or Other Pronouncement | Effective Date | Sector Relevance |
| FRC (Accounting Council) | 20.03.2014 | FRS 103 - <i>Insurance Contracts Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts</i> FRC press release | 01.01.2015 | Entities issuing insurance contracts |
| | 29.04.2014 | Amendments to: <ul style="list-style-type: none"> the Financial Reporting Standard for Smaller Entities (effective April 2008); and the Financial Reporting Standard for Smaller Entities (effective January 2015) Micro-entities FRC press release | Potentially allowable from 30.09.2013 | Micro-entities |

ANNEX A: Activity Summary - Financial Reporting Standards

| International standards and guidance | | | | |
|--------------------------------------|------------|---|----------------|--|
| Issuer | Issue Date | Standard or Other Pronouncement | Effective Date | Sector Relevance |
| IASB | 30.01.2014 | International Financial Reporting Standard (IFRS) 14 <i>Regulatory Deferral Accounts</i> IASB Press Release | 01.01.2016 | IFRS appliers engaged in rate regulated activities |
| IPSASB | 14.02.2014 | Policy Paper <i>Process for Considering GFS Reporting Guidelines during Development of IPSASs</i> IPSASB Press Release | n/a | IPSAS standards development |

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) | 14.02.2014 | FRED 54 <i>Draft Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland Basic financial instruments</i> FRC Weblink | 30.04.2014 | FRS 102 appliers | No |
| Housing SORP working party | 10.04.2013 | Housing SORP 2014: invitation to comment on revised material <i>Impairment of Assets</i> NHF weblink | 04.06.2014 | Social Housing | Yes |
| Pensions Research Accountants Group (PRAG) | 16.04.2013 | Exposure Draft Statement of Recommended Practice: <i>Financial Reports of Pension Schemes</i> PRAG weblink | 16.07.2014 | Pension Schemes | 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

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 | 25.03.2014 | ED/2014/1 <i>Disclosure Initiative Proposed amendments to IAS 1</i> IASB Press Release | 23.07.2014 | IFRS appliers | Yes |
| | 17.04.2014 | DP/2014/1 Discussion Paper: <i>Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</i> IASB Press Release | 17.10.2014 | IFRS appliers | 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 - Audit and Assurance Standards

| UK standards and guidance | | | | |
|--------------------------------------|------------|---|----------------|---|
| Issuer | Issue Date | Standard or other pronouncement | Effective Date | Sector Relevance |
| FRC (Audit and Assurance) | 30.01.2014 | Practice Note (PN) 14 <i>The audit of housing associations in the United Kingdom</i> FRC press release | Immediate | Auditors of housing associations |
| | 10.04.2014 | Bulletin 4: <i>Recent Developments in Company Law, The Listing Rules and Auditing Standards that affect United Kingdom Auditor's Reports</i> FRC press release | Immediate | Mainly company audits. Para 54 on revised ISA 700 (UK & Ireland) notes new wording for <u>all</u> auditor reports |
| International standards and guidance | | | | |
| Issuer | Issue Date | Standard or other pronouncement | Effective Date | Sector Relevance |
| IAASB | 18.02.2014 | <i>A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality.</i> IAASB Press Release | n/a | 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? |
| FRC (Audit and Assurance) | | No consultations were issued during the period January to April 2014. | - | - | - |
| International consultations | | | | | |
| Issuer | Issue Date | Consultations, Discussion Papers and Exposure Drafts | Response Date | Sector Relevance | Should* CIPFA respond? |
| IAASB | 18.04.2014 | ED (ISA) 720 (Revised) <i>The Auditor's Responsibilities Relating to Other Information</i> <i>Proposed Consequential and Conforming Amendments to Other ISAs</i> IAASB Press Release | 18.07.2014 | Pan sector | 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

ANNEX A: Activity Summary – CIPFA Responses

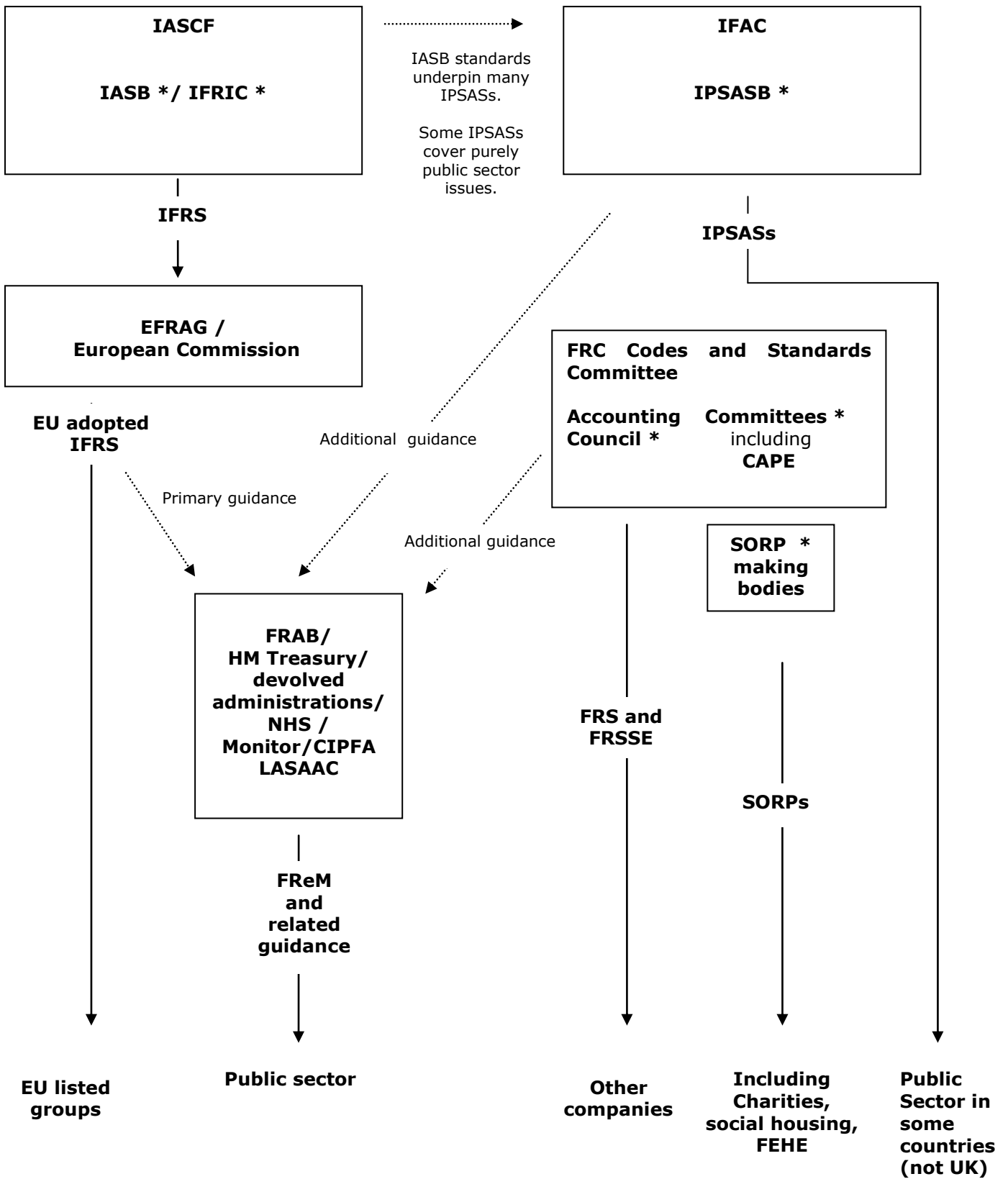
| Issuer | Subject of Consultation | |
|-----------------------------------|--|------------|
| Eurostat | Public Consultation Paper <i>Towards implementing European Public Sector Accounting Standards (EPSAS) for EU Member States - Public consultation on future EPSAS governance principles and structures</i> | 17.02.2014 |
| Housing SORP Working Party | SORP Exposure Draft <i>Accounting by registered social housing providers</i> | 14.02.2014 |
| IASB | Discussion Paper DP/2013/1 <i>A Review of the Conceptual Framework for Financial Reporting</i> | 14.01.2014 |
| IAASB | Consultation Paper <i>The IAASB's Proposed Strategy for 2015–2019</i> <i>The IAASB's Proposed Work Program for 2015–2016</i> | 03.04.2014 |
| IPSASB | Exposure Draft 53 <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> | 20.02.2014 |
| | 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> | 28.02.2014 |

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

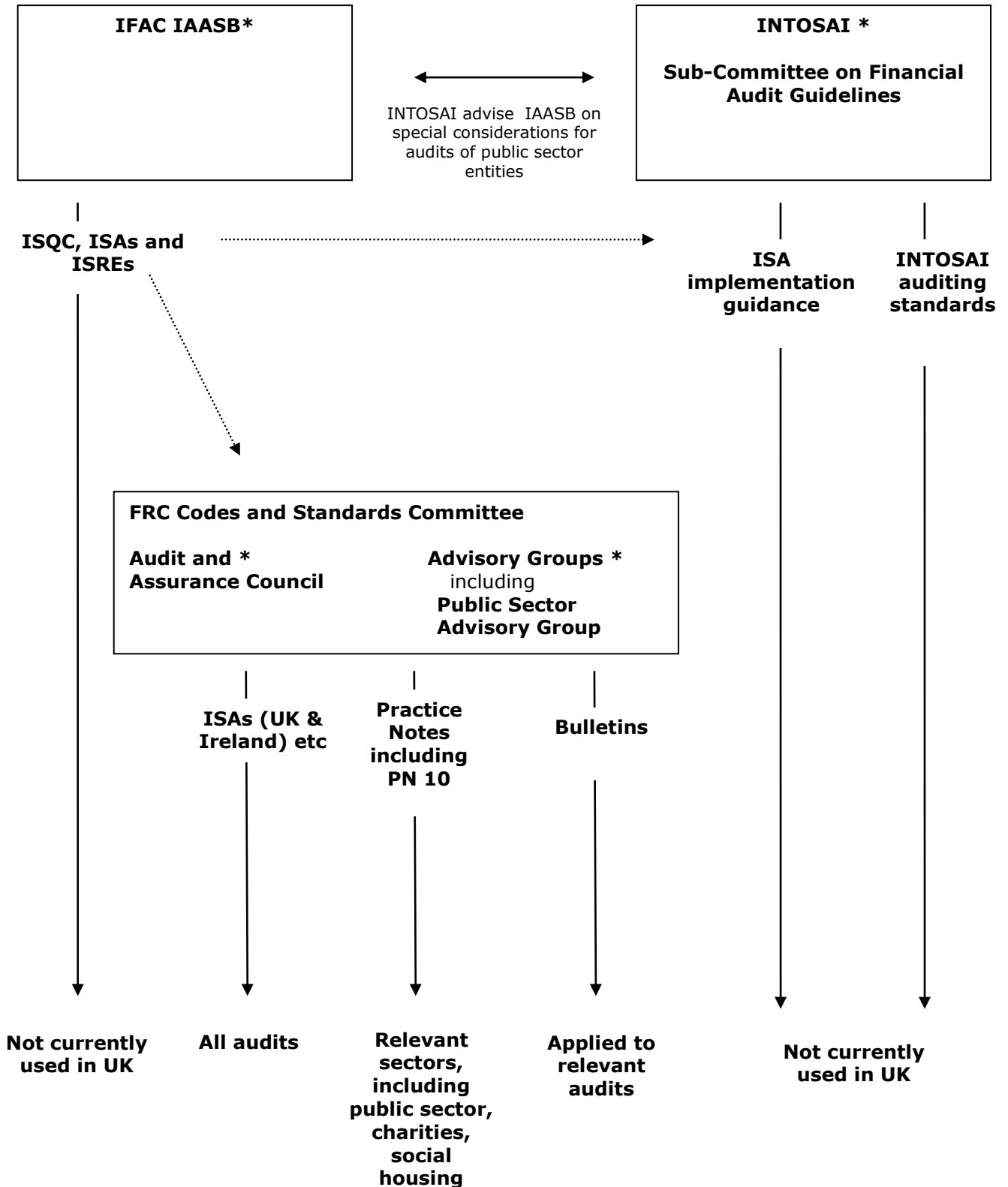
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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

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

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|-------------------------------|--|
| <i>IASB</i> | International Accounting Standards Board |
| <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 & 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. |