

Accounting and Auditing Standards Update

reflecting developments from May 2013 to August 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.

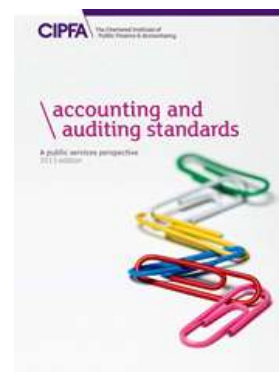
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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 has updated the *Financial Reporting Standard for Smaller Entities (FRSSE)* and issued a revised version of *SORPs: Policy and Code of Practice*, to align both of these with new UK GAAP.

IASB In May, IFRIC issued, Interpretation 21: *Levies* on liabilities for government levies other than income taxes. IASB also issued a minor scope amendment to IAS 36, restricting the scope of additional disclosures required by IFRS 13.

IPSASB IPSASB has issued Recommended Practice Guidelines on long term sustainability of government finances and on financial statement discussion and analysis. It also issued a preface to its conceptual framework as a 'Preliminary Board View'

CIPFA Responses to Consultations

Private sector / pan sector CIPFA responded to two relatively minor IASB consultations on *Expected Credit Losses* and *Employee Benefits*. It also provided a response from a public services perspective on the International Integrated Reporting Committee (IIRC) draft framework for integrated reporting.

Public sector CIPFA responded to the latest IPSASB Conceptual Framework ED on presentation in general purpose financial reports.

Open Consultations

UK The UK FRC issued FRED 49 setting out proposals for insurance accounting under new UK GAAP, FRED 50 which provides guidance to residential management companies applying the new FRSSE, and an ED on Strategic Report Guidance which seeks to replace current guidance on the Operating and Financial Review (OFR).

The FEHE SORP board and the Charities SORP Board have each issued draft SORPs to operate under new UK GAAP.

International Accounting Standards Board The IASB issued its latest ED on accounting for leases, and other EDs on Insurance contracts and Bearer plants. The Board also issued its first Discussion Paper on the Conceptual Framework since suspending the project in 2010.

Audit and Assurance

New Standards and Guidance

FRC Audit and Assurance Council

The FRC has issued revised versions of ISAs (UK & Ireland) 700, 315, 610 as part of a package which seeks to improve auditor reporting in the UK corporate environment. It also issued a revised version of its Practice Note 23 *Special considerations in auditing financial instruments*, aligning this more closely with the IAASB Practice Statement which was developed after the previous revision of PN 23.

CIPFA Responses to Consultations

Private sector/all sectors

CIPFA responded to the IAASB consultation on Audit Quality.

Open Consultations

FRC (Audit and Assurance)

The FRC is consulting on a new Practice Note 14 (Revised): *The Audit of Housing Associations in the United Kingdom* which takes account of the very substantial changes to the regulation of the social housing sector in recent years.

IAASB

The IAASB has issued a major ED *Reporting on Audited Financial Statements*, which seeks to improve auditor reporting in the international context.

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)	31.07.2013	FRSSE <i>Financial Reporting Standard for Smaller Entities (effective January 2015)</i> FRC Publication for download	01.01.2015 Early adoption not permitted for SORP appliers until SORP redeveloped.	UK GAAP preparers within FRSSE threshold
	02.08.2013	<i>SORPs: Policy and Code of Practice</i> FRC Publication for download	Immediate	Developers of SORPs based on FRS102 or the new FRSSE
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	20.05.2013	IFRIC Interpretation 21: <i>Levies</i> IASB Press Release	01.01.2014	IFRS appliers
	29.05.2013	Amendments to IAS 36 <i>Recoverable Amount Disclosures for Non-Financial Assets</i> IASB Press Release	01.01.2014	IFRS appliers

ANNEX A: Activity Summary - Financial Reporting Standards

International standards and guidance (continued)				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB (continued)	27.06.2013	Amendments to IAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i> IASB Press Release	01.01.2014	IFRS appliers
IPSASB	24.07.2013	Recommended Practice Guideline 1 (RPG 1), <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i> IPSASB Press Release	Non-mandatory	IPSAS appliers and other public sector reporting entities
	26.07.2013	Recommended Practice Guideline 2 (RPG 2), <i>Financial Statement Discussion and Analysis</i> IPSASB Press Release	Non-mandatory	IPSAS appliers and other public sector reporting entities
	31.07.2013	Preliminary Board View: <i>The Preface to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> IPSASB Publications link	Not applicable as standards, but of immediate relevance to standards development	IPSAS appliers and other public sector reporting 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 (Accounting Council)	29.07.2013	FRED 49: Draft FRS 103 <i>Insurance Contracts</i> FRC Press Release	31.10.2013	Mainly insurance sector	No
	05.08.2013	FRED 50: Draft FRC Abstract 1 - <i>Residential Management Companies' Financial Statements</i> FRC web link	11.11.2013	RMCs using the FRSE	No
	15.08.2013	Exposure Draft: <i>Guidance on the Strategic Report</i> FRC Press Release	15.11.2013	Quoted companies but informs all preparers	Yes
Charities SORP Committee	09.07.2013	Invitation To Comment <i>Accounting and Reporting by Charities: Statement Of Recommended Practice (SORP)</i> Charity Commission Press Release	04.11.2013	Charities	Yes
FE HE SORP Board	17.08.2013	Draft for comment. Statement of Recommended Practice <i>Accounting for Further and Higher Education</i> FEHE SORP website	17.11.2013	Further and Higher Education	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	16.05.2013	Exposure Draft ED/2013/6 <i>Leases</i> IASB Press Release	13.09.2013	IFRS appliers	Yes (submitted)
	20.06.2013	Exposure Draft ED/2013/7 <i>Insurance Contracts</i> IASB Press Release	25.10.2013	IFRS appliers (insurance)	No
	26.06.2013	Exposure Draft ED/2013/8 <i>Agriculture: Bearer Plants</i> Proposed amendments to IAS 16 and IAS 41 IASB Press Release	28.10.2013	IFRS appliers (agriculture)	No
	18.07.2013	Discussion Paper DP/2013/1 <i>A Review of the Conceptual Framework for Financial Reporting</i> IASB Press Release	14.01.2014	IFRS appliers	Yes

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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)	04.06.2013	ISA (UK and Ireland) 700 (revised) <i>The independent auditor's report on financial statements</i> FRC press release	01.10.2012	All sectors
	19.06.2013	ISA (UK and Ireland) 315 <i>Identifying and assessing the risks of material misstatement through understanding the entity and its environment</i> ISA (UK and Ireland) 610 <i>Using the work of internal auditors</i> FRC press release	15.06.2014	All sectors
	25.07.2013	Practice Note (PN) 23 <i>Special considerations in auditing financial instruments</i> FRC press release	Immediate	Generally relevant, but particularly holders of complex financial instruments
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance

No material issued during the period

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)	25.07.2013	Proposed Practice Note 14 (Revised): <i>The Audit of Housing Associations in the United Kingdom</i> FRC press release	25.10.2013	Registered Social Housing Providers	To review
International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
IAASB	25.07.2013	Exposure Draft, <i>Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)</i> IAASB press release	22.11.2013	All sectors, with additional issues for listed companies	Yes

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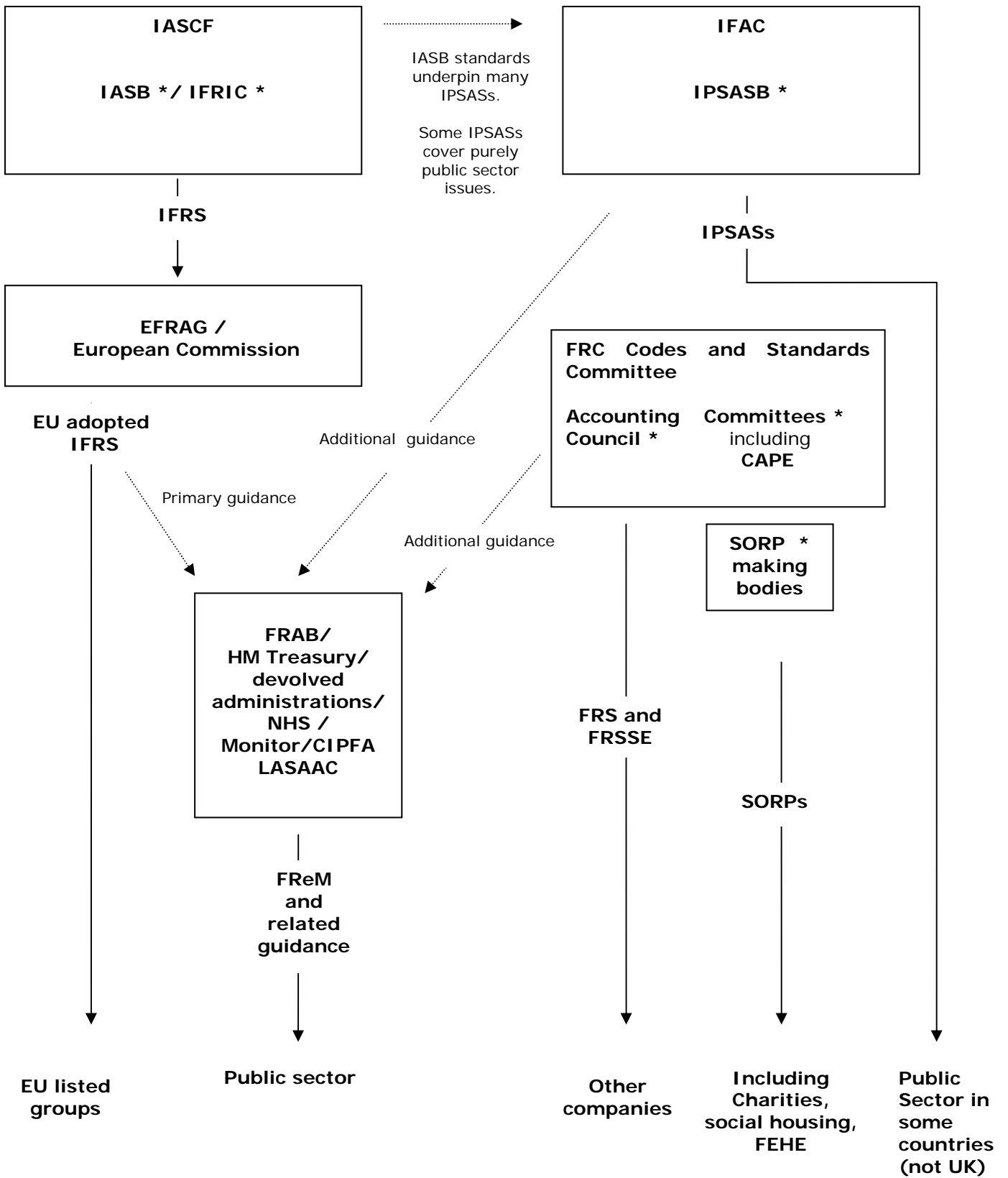
Issuer	Subject of Consultation	
IASB	Exposure Draft ED/2013/3 <i>Financial Instruments: Expected Credit Losses</i> <i>Employee Benefits</i>	15.07.2013
	Exposure Draft ED/2013/4 <i>Defined Benefit Plans: Employee Contributions</i> <i>Proposed amendments to IAS 19</i>	18.07.2013
IAASB	Consultation Paper <i>A Framework for Audit Quality</i>	15.05.2013
IIRC	Consultation Draft of the International <IR> Framework	15.07.2013
IPSASB	Conceptual Framework Exposure Draft (CF-ED) 4 <i>Conceptual Framework for General Purpose</i> <i>Financial Reporting by Public Sector Entities:</i> <i>Presentation in General Purpose Financial Reports</i>	08.08.2013

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

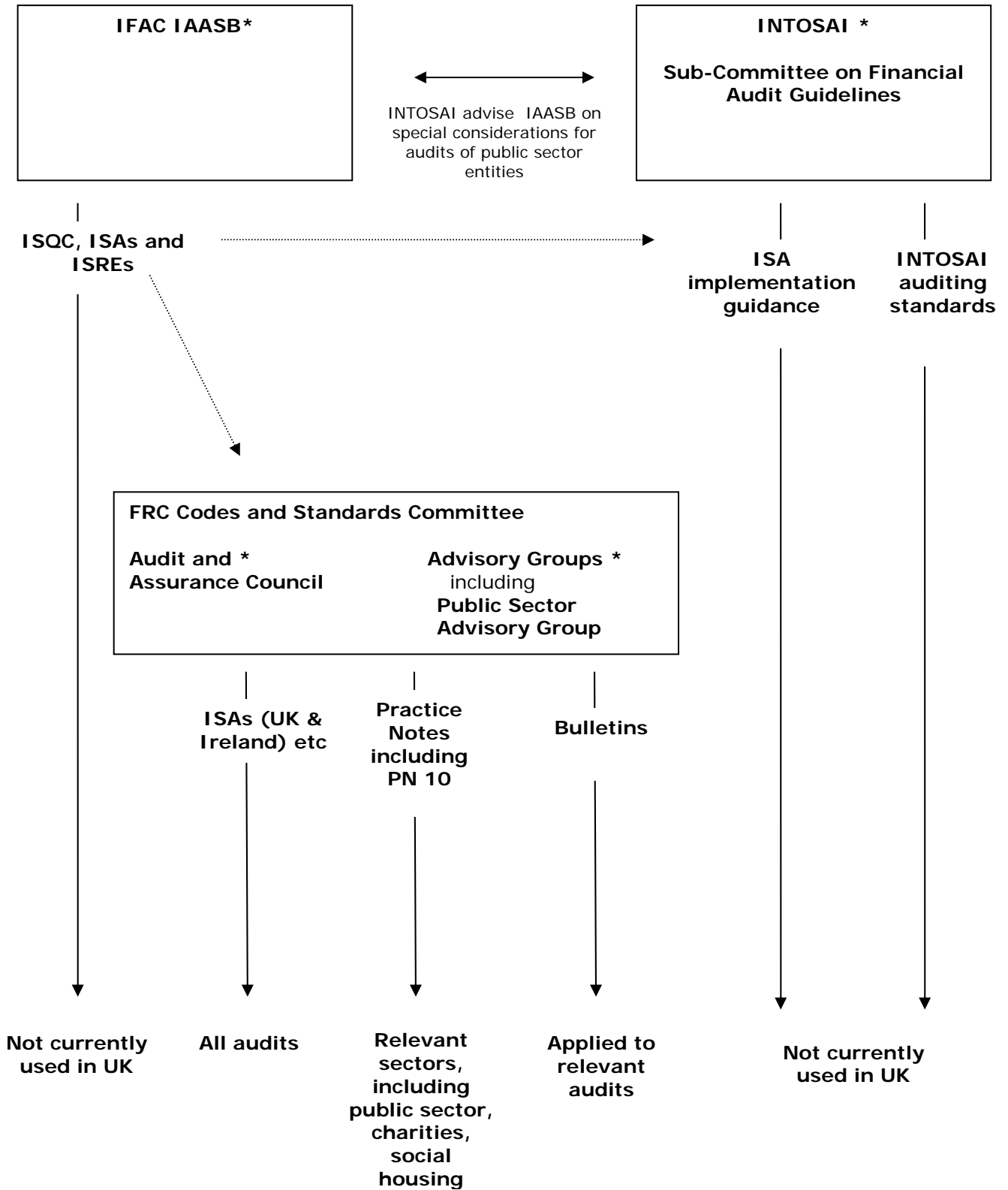
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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