

Committee	Accounting and Auditing Standards Panel
Venue	CIPFA Mansell Street
Date	February 2018
Author	Steven Cain
Subject	Wider developments in the standard setting field September to December 2017

Purpose

To provide panel members with information with a broader focus than accounting and auditing standards issuance and consultations.

These may include consultations on wider categories of reporting or assurance, or may encompass wider categories of pronouncement, consultation or development.

Items are reported in the following order of priority:

- 1 Matters on which an AASP led CIPFA response or other AASP input might be considered**
- 2 Other matters for information**
- 3 Note of meetings and events attended**

The content of this report is mostly drawn from online press releases, lightly edited so that they make sense when read in isolation. Links to the original press releases are provided.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered

Monitoring Group consultation launched to strengthen international audit standard setting

09 November 2017

frc.org.uk/news/november-2017/monitoring-group-consultation-launched-to-strength

(announced on FRC webpage, but relates to a consultation by international regulators)

Measures to strengthen the governance and oversight of the international audit-related standard setting bodies in the public interest have been put to consultation today by the Monitoring Group, which is a collaboration of international financial institutions and regulatory bodies.

The consultation, which will run until 9 February 2018, sets out options which are intended to make the setting of international auditing and ethical standards independent of the auditing profession. The reforms are also intended to strengthen public interest oversight, by enhancing the role of the Public Interest Oversight Board (PIOB) and developing a framework to ensure that the public interest is served, and to improve the relevance and timeliness of standard setting.

The Monitoring Group also intends to develop a pathway towards a sustainable funding model in the medium-term which will remove the current risk that those who fund standard setting are perceived to have an influence over the process.

The FRC welcomes measures set out in the consultation to improve the co-ordination between auditing and ethical standards.

CIPFA has responded to this consultation, explaining our interest in public sector aspects, and suggesting that any further development needs to have regard to a much wider view of the public interest.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered

**IESBA Proposes Revised Ethical Requirements Prohibiting Improper Inducements
Sep 08, 2017**

www.ifac.org/news-events/2017-09/iesba-proposes-revised-ethical-requirements-prohibiting-improper-inducements

The International Ethics Standards Board for Accountants (IESBA) released for public comment the Exposure Draft, Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements. The proposals strengthen the Code of Ethics for Professional Accountants (the Code) by clarifying the appropriate boundaries for the offering and accepting of inducements, and by prohibiting any inducements with intent to improperly influence behavior.

The proposed comprehensive framework covers all forms of inducements and applies to both professional accountants in business and professional accountants in public practice. It also provides enhanced guidance on the offering and accepting of inducements by professional accountants' immediate or close family members.

Among other matters, the proposals also require professional accountants to address any threats to compliance with the fundamental ethical principles in accordance with the Code's conceptual framework where there is no improper intent.

The IESBA invites all stakeholders to comment on the Exposure Draft by visiting the Ethics Board's website at www.ethicsboard.org. Comments are requested by December 8, 2017.

CIPFA contributes to CCAB responses through membership of the CCAB Ethics Group.
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1 Matters on which an AASP led CIPFA response or other AASP input might be considered

Shaping the Future of Global Standards

Call for Nominations Issued

December 07, 2017

www.ifac.org/news-events/2017-12/shaping-future-global-standards

A call for nominations for the four international standard-setting boards has been issued. For nearly two decades, the global economy and financial market stability have been supported by the work of these international, independent standard-setting boards. Members of these boards are highly knowledgeable and informed individuals with insight and perspectives relevant to global standards.

The Call for Nominations for 2019 details the upcoming opportunities for qualified individuals to join the International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB). Serving on these boards allows individuals with diverse professional backgrounds to contribute to the development of international standards, and to gain international experience while serving the public interest.

Nominations for the 22 open volunteer positions can come from all stakeholders, interested parties, and the general public. Travel support is available to qualified candidates from developing nations, self-nominees, and public members.

Gender equality is especially important to the Nominating Committee and, therefore, nominations of strong female candidates are strongly encouraged. Although candidates are ultimately selected based on professional background and experience, nominations from Africa, Asia, the Caribbean, Latin America, and the Middle East are particularly welcome to promote greater diversity on each board.

Candidates should have relevant subject-matter knowledge as well as strong English proficiency. Each board meets up to four times per year; the required time commitment is approximately 300 to 850 hours per year, depending on the board, member involvement, preparation, and travel time.

The Nominating Committee requests submissions by February 15, 2018 via the Nominations Database.

CIPFA generally contributes to UK proposals for nomination through discussions with CCAB.

1 Matters on which an AASP led CIPFA response or other AASP input might be considered

FRC Strategy for 2018-21: Draft Budget and Levy Proposals 2018/19

19 December 2017

frc.org.uk/news/december-2017/frc-strategy-for-businesses,-investors-and-public

The Financial Reporting Council (FRC) has published its three year (2018/21) strategy and its budget for the 2018/19 financial year. Its strategy is to deliver increased confidence and public trust in UK companies in line with its mission to promote transparency and integrity in business.

The FRC's revised UK Corporate Governance Code, alongside a globally respected reporting framework, attracts long-term capital investment to British businesses and supports the public interest through job creation and economic wellbeing. The revised Code will ensure that companies view their obligations to shareholders with due regard to their impact on wider society.

As the UK's competent authority for audit regulation, the FRC proposes to extend its oversight of the audit profession with new monitoring and supervisory arrangements for the largest audit firms. These will include a focus on the firms' leadership and governance, values and behaviour, business model and financial soundness, risk management and control, and evidence of audit quality.

The FRC will continue to enhance the speed and effectiveness of its enforcement activities and has committed to increased transparency when closing enforcement cases. The FRC is considering the findings of the sanction reviews conducted by former Court of Appeal Judge, Sir Christopher Clarke, to ensure that sanctions imposed continue to be fair, effective and in the public interest.

The FRC will not increase the amount it raises through its preparers, insurance and pension levies compared with 2017/18.

The 2018/19 budget reflects:

- an increase in its core operating costs of 3% compared to 2017/18;
- no further increase in general reserves in 2018/19, and
- the cost of implementing the new audit firm monitoring and supervision proposals in 2018/19 which will be recovered from the audit professional bodies.

Consultation will close on 28 February 2018 and comments should be sent by email to d.andrews@frc.org.uk

CIPFA generally contributes to the CCAB view on FRC Strategy, except when there are specific public sector matters on which we need to comment separately.
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1 Matters on which an AASP led CIPFA response or other AASP input might be considered

Consulting on a revised UK Corporate Governance Code

05 December 2017

frc.org.uk/news/december-2017/a-sharper-uk-corporate-governance-code-to-achieve

The FRC has published proposals for a revised UK Corporate Governance Code (PDF) to reflect the changing business environment and help UK companies achieve the highest levels of governance. The Code is shorter and sharper and builds on the findings from the FRC's Culture Report published in 2016. The revised Code focuses on the importance of long-term success and sustainability, addresses issues of public trust in business and aims to ensure the attractiveness of the UK capital market to global investors through Brexit and beyond.

The revised Code sets out good practice so that the boards of companies can:

- Establish a company's purpose, strategy and values and satisfy themselves that these and their culture are aligned;
- Undertake effective engagement with wider stakeholders, to improve trust and achieve mutual benefit, and to have regard to wider society;
- Gather views of the workforce;
- Ensure appointments to boards and succession plans are based on merit and objective criteria to avoid group think, and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- Be more specific about actions when they encounter significant shareholder opposition on any resolution, including those on executive pay policies and awards; and
- Give remuneration committees broader responsibility and discretion for overseeing how remuneration and workforce policies align with strategic objectives.

The revised Code is built on an updated set of Principles emphasising the value of good corporate governance to the sustainable growth of a company. By applying these Principles, following the more detailed Provisions and using associated guidance, companies will be better able to report how their governance structure contributes to its long-term success and achieves wider objectives. The Code is supported by the revised Guidance on Board Effectiveness. The consultation also includes questions to inform the future direction of the UK Stewardship Code, which will be published for consultation in late 2018.

Responses to the consultation should be sent to codereview@frc.org.uk by 28 February 2018.

The scope of this Code is restricted to the private sector and no response is anticipated.

2 Other matters for information

IFAC MATTERS

IPSASB

IPSASB Chair Ian Carruthers Reappointed Early Reappointment Ensures Leadership Continuity

22 September 2017

www.ifac.org/news-events/2017-09/ipsasb-chair-ian-carruthers-reappointed

The International Public Sector Accounting Standards Board (IPSASB) is pleased to announce the re-appointment of its Chair, Ian Carruthers, for a second three-year term commencing January 1, 2019. As Chair, Mr. Carruthers will continue to lead the Board as it establishes high-quality accounting standards for use by public sector entities, promote adoption and implementation of International Public Sector Accounting Standards (IPSAS), and issue guidance on public sector financial reporting. The Nominating Committee reappointed Mr. Carruthers early in his tenure to ensure leadership continuity as global adoption of IPSAS continues to advance.

2 Other matters for information

FRC MATTERS

Updated Governance Bible and Code of Conduct, and Register of Interests published

01 November 2017

frc.org.uk/news/november-2017/updated-governance-bible-and-code-of-conduct,-and

The FRC has published its updated Governance Bible and Code of Conduct (PDF), and a Register of Interests (PDF) for members of the Board and Committees.

The Register of Interests offers enhanced transparency about the interests of the FRC's Board and Committee Members while the Code of Conduct includes guidance on handling conflicts of interests.

FRC announces 2018/19 thematic reviews to stimulate improvement in corporate reporting and auditing

17 November 2017

frc.org.uk/news/november-2017/frc-announces-2018-19-thematic-reviews-to-stimulat

The Financial Reporting Council (FRC) will, in 2018/19, supplement its routine monitoring programme with a series of thematic reviews of certain aspects of corporate reports and audits where there is particular shareholder interest, and scope for improvement and learning from good practice.

Corporate Reporting

The topics are:

- Targeted aspects of smaller listed and AIM quoted company reports and accounts;
- The effect of the new International Financial Reporting Standards (IFRSs) on revenue and financial instruments on companies' 2018 interim accounts;
- The expected effect of the new IFRS for lease accounting; and
- The effects of Brexit on companies' disclosure of principal risks and uncertainties.

The FRC will also monitor disclosures in December 2017 reports and accounts relating to the future impact of the implementation of the new IFRS on lease accounting. It will also conduct a focused review of the detail reported in June 2018 interim reports of a number of companies in industries where the new IFRSs on revenue and financial instruments are expected to have the most material impact.

Audit

The topics are:

- Transparency Reporting: A comparative analysis of transparency reports of firms with public interest entity (PIE) audits.
- Audit Quality Indicators (AQIs): An assessment of the development and use of AQIs by UK audit firms, which will draw heavily on international best practice.

The FRC will also complete its review of "The Auditors Work on the Front Half of the Annual Report". This review, which was included in the 2017/18 thematic inspection programme, is being undertaken over an extended period, to enable the impact of recent relevant changes to auditing standards to be fully assessed.

2 Other matters for information

Priority Sectors and Areas of Focus

Priority sectors and areas of focus are a key input to the FRC's routine monitoring programme. The corporate reports and audits selected for review in 2018/19 will have regard to the following priority sectors:

- Financial Services, with particular emphasis on banks, other lenders and insurers;
- Oil and Gas;
- General Retailers; and
- Business Support Services.

Particular attention will also be paid to first and last year audits, the audit of fair value investments, including goodwill impairment; the nature and extent of the use of auditor's experts and specialists, and the approach to the audit of controls.

The work of the group auditor will continue to be a mandatory area of review, with a particular focus on the additional requirements in respect of the work of component auditors.

Investors welcome auditor transparency on materiality and seek improved explanation

12 December 2017

frc.org.uk/news/december-2017/investors-welcome-auditor-transparency-on-material

Uniquely in the UK, auditors report publicly on the materiality threshold applied to focus their audit work, disclosing what level of misstatement or omission they consider matters to users of financial statements. Investors welcome this transparency according to the latest thematic review from the Financial Reporting Council (FRC).

Audit committees are increasingly engaging with the auditor to understand and agree the materiality threshold used. Investors and audit committees would like auditors to go further in their communications, explain the rationale and impact on the focus of the audit when the materiality threshold is higher than industry norms; uses alternative performance measures as a basis; is lower in the face of internal control weaknesses or has been tailored for specific items and balances.

Today's report follows up a thematic review in 2013 before the transparency requirements were introduced. The FRC found that audit firms have improved their methodologies and guidance, particularly for certain industry sectors and first year audits.

It remains the case that the differences in methodology, guidance and their application can result in very different thresholds between audit firms. Auditors are therefore encouraged to be more specific with audit committees and in their public reports about the materiality judgements they have made and the impact on the scope, nature and extent of their audit work. The FRC report also highlights key messages for audit committees and audit standard setters.

2 Other matters for information

Strategic report guidance to follow government legislation

04 December 2017

frc.org.uk/news/december-2017/strategic-report-guidance-to-follow-government-leg

The Non-Financial Reporting Regulations (PDF) which implemented the EU Directive as regards disclosure of non-financial and diversity information by certain large undertakings and groups became effective for financial years starting on or after 1 January 2017.

In August 2017, the Financial Reporting Council (FRC) published a consultation proposing amendments to the Guidance on the Strategic Report. It was the FRC's intention for the amendments to incorporate the requirements of the Non-Financial Reporting Regulations into an updated version of the Guidance and enhance the link between the strategic report and the directors' section 172 duty to promote the success of the company.

Since the publication of the consultation, the Government has announced that it will be introducing legislative changes in respect of reporting on section 172. It is likely that these changes, expected in March 2018, will result in an amendment to the existing strategic report requirements and further amendments to the Guidance will be required. Consequently, the FRC intends to finalise the Guidance after the Government publishes its legislative changes in 2018.

Respondents to the consultation have also suggested we delay the introduction of encouraged content on section 172 until the Government has made legislative changes. Nevertheless, the FRC remains committed to promoting better reporting in respect of section 172 and it encourages boards to continue to develop their thinking in this critical area. Anticipated amendments to the Corporate Governance Code will require directors to consider the interests of wider stakeholders on a comply or explain basis.

The FRC has also received feedback that some preparers would welcome further clarification on the changes resulting from the introduction of the Non-Financial Reporting Regulations which will apply to companies with December 2017 year-ends onwards. As a result, the FRC is publishing some frequently asked questions to assist companies with implementation. These should be read in conjunction with the 2014 Guidance on the Strategic Report (PDF).

Lab calls for participants for new project on the reporting of performance metrics

08 December 2017

frc.org.uk/news/december-2017/lab-calls-for-participants-for-new-project-on-the

The Financial Reporting Lab (the Lab) invites investors, analysts and companies of all sizes to participate in a project on effective Reporting on Performance.

Following on from the Lab's reports on business models (PDF) and risk and viability (PDF), this project will explore how companies measure performance against their strategic objectives. It will consider both financial and non-financial metrics, and highlight how these measures can be presented in a way that is most useful to investor decision-making.

FRC invite investors, analysts and companies to indicate their interest in participating by 31 January 2018 via email at FinancialReportingLab@frc.org.uk.

2 Other matters for information

IASB AND RELATED MATTERS

IFRS Foundation publishes case study report: Better Communication—making disclosures more meaningful 05 October 2017

www.ifrs.org/news-and-events/2017/10/ifrs-foundation-publishes-a-case-study-report-on-better-communication/

The IFRS Foundation has published a case study report showing how companies from different parts of the world have improved communication in their IFRS financial statements.

Better Communication in Financial Reporting—Making disclosures more meaningful contains six case studies from varied industries. Its aim is to illustrate how improvements can be made and inspire other companies to initiate their own improvement projects.

The report explains the process these companies have gone through to improve disclosures in the notes to their IFRS financial statements and shows examples of the improvements made. By identifying what information is relevant, prioritising it appropriately and presenting it in a clear and simple manner, they have made their financial statements easier for investors to read and understand. Through the use of examples, the report shows that relatively small changes can significantly improve the quality of the financial information that companies provide.

The report forms part of the Board's work under the theme of Better Communication in Financial Reporting. It complements other initiatives, including the Principles of Disclosure project and the recently published IFRS Practice Statement 2 *Making Materiality Judgements*.

IASB communications and outreach

The IFRS.org website has been redesigned and it has become clear that it now provides regular updates on numerous matters as set out below:

General updates

www.ifrs.org/news-and-events/updates/monthly-update/

Updates on IASB meetings

www.ifrs.org/news-and-events/updates/iasb-updates/

IFRIC updates

www.ifrs.org/news-and-events/updates/ifric-updates/

Research updates

www.ifrs.org/projects/research-programme/

Investor updates

www.ifrs.org/investor-centre/

IFRS for SMEs

www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/ifrs-for-smes/

2 Other matters for information

IFRS Foundation seeks applications for IFRS Advisory Council Members

www.ifrs.org/news-and-events/2017/06/ifrs-foundation-seeks-applications-for-ifrs-advisory-council-members/

19 June 2017

The Trustees of the IFRS Foundation invite applications from, and nominations of, suitable organisations and individuals for membership of the IFRS Advisory Council.

The Trustees are looking to fill up to 16 vacancies when the terms of its current members are completed on 31 December 2017. Of those 16 current members, 12 are eligible for reappointment. New members would serve two or three-year terms, starting on 1 January 2018, renewable once.

3 Note of meetings and events attended

Meetings and events attended by AASP chair and/or secretariat (excluding Accountancy Europe and IPSASB related meetings) in the period September to December 2017 included

07.09.2017	ICAEW ISA Implementation Sub-Group
14.09.2017	FRC Auditing and Assurance: International Committee
10.10.2017	CCAB-CIMA meeting with the FRC Corporate Reporting Council secretariat
16.10.2017	ICAEW ISA Implementation Sub-Group
19.10.2017	FRC Auditing and Assurance: International Committee
28.11.2017	CCAB-CIMA meeting with the FRC Corporate Reporting Council secretariat
29.11.2017	ICAEW ISA Implementation Sub-Group