

Accounting and Auditing Standards Update

reflecting developments from September to December 2018

Standards Developments In Brief

Financial reporting	3
Audit and Assurance	4
Standard setting governance	5
Wider standard setting	6

ANNEX A: Activity Summary

Financial reporting standards	7
Audit and Assurance standards	10
CIPFA responses	12

ANNEX B: Background to consultation processes

Accounting overview	13
Audit and Assurance overview	14
Glossary And List Of Acronyms	15

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.

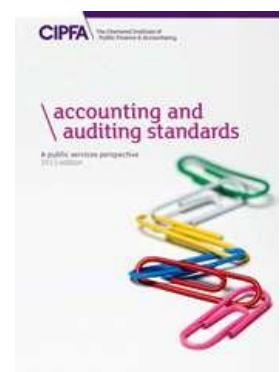
More information on the work of the Accounting and Auditing Standards Panel can be found online at www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel

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
- 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 (2018 Edition)* which is available from the CIPFA shop



Standards Developments In Brief

Financial Reporting – September to December 2018

New Standards and Guidance

<i>CCAB</i>	The CCAB has issued an updated SORP for accounting by Limited Liability Partnerships (LLPs) which reflects the revised FRS 102 and other developments.
<i>FRC</i>	FRC has issued a series of Fact Sheets on FRS 102, to assist with transition to and application of FRS 102 including Triennial Review 2017 amendments.
<i>IASB</i>	The IASB has issued two amendments. One relates to the definition of a business in IFRS 3, <i>Business Combinations</i> and is unlikely to have particular relevance to public sector reporting. The other brings the definition of 'material' in IAS 1 and IAS 8 into line with the definitions already published in its non-mandatory guidance Practice Statement, <i>Making Materiality Judgements</i> .

CIPFA Responses to Consultations

<i>PSAB</i>	CIPFA responded to a consultation by the Canadian public sector financial reporting standard setter PSAB, which considered how IPSASs might influence the board's development of Canadian standards.
-------------	--

Open Consultations

<i>IFRS</i>	The IASB is currently consulting on amendments to IAS 37 relating to onerous contracts. CIPFA is not responding to this consultation.
-------------	---

Audit and Assurance – September to December 2018

New Standards and Guidance

IAASB The board issued ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.

FRC The FRC has issued ISA (UK) 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* which mainly reflects changes made in the IAASB standard.

The FRC has also withdrawn two practice notes, Practice Note 25 *Attendance at Stocktaking*, and Practice Note 27 *The Audit of Credit Unions in the United Kingdom* which it considers no longer required or appropriate for audits conducted using ISAs (United Kingdom).

CIPFA Responses to Consultations

IAASB CIPFA responded to Exposure Draft, ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

Open Consultations

FRC The FRC is consulting on a revision of Practice Note 19 *The Audit of Banks and Building Societies in the United Kingdom*. CIPFA will not be responding to this consultation.

IAASB IAASB has issued ED ISRS 4400 (Revised) *Agreed-Upon Procedures Engagements*. This is somewhat relevant to public sector assurance processes and CIPFA will be considering whether this is sufficient to warrant a response.

Standard Setting Governance – September to December 2018

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.

Consultations and Other Governance Process

FRC Audit and Assurance The Financial Reporting Council (FRC) is consulting with stakeholders to determine how effective the changes to ethical and auditing standards in 2016 have been in delivering high quality audit, and whether further steps are now needed to strengthen auditor independence, reduce conflicts, improve quality and preserve trust in independent audit.

The focus of this consultation was on private sector audits and CIPFA is not submitting a response.

FRC in connection with audit and more generally The Independent Review of the Financial Reporting Council (FRC) led by Sir John Kingman has published its report to government. The review recommends that the FRC be replaced with an independent statutory regulator, accountable to Parliament, with a new mandate, new clarity of mission, new leadership and new powers. The new regulator would be called the Audit, Reporting and Governance Authority.

Independent review of standards in the UK audit market The Brydon Review into UK Audit Standards will look at what the standards and other requirements should be for the UK audit profession in the future.

It will build on the findings of two parallel reviews: the independent review by Sir John Kingman of the industry's scrutiny body – the Financial Reporting Council (FRC); and the Competition and Market Authority's (CMA) market study looking at the effectiveness of competition in the audit market.

Wider Standard Setting – September to December 2018

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 developments in the current period is set out below.

Integrated Reporting

New research, guidance and core indicators for integrated reporting by enterprises in how they are contributing to UN Sustainable Development Goals (SDGs), was released at the United Nations in Geneva on 24 October 2018, in partnership with the International Integrated Reporting Council (IIRC).

ANNEX A: Activity Summary – Financial Reporting Standards

UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
CCAB	14.12.2018	Statement of Recommended Practice – Accounting by Limited Liability Partnerships (LLPs SORP) CCAB press release	01.01.2019	Limited Liability Partnerships
FRC	13.12.2018	FRC Fact Sheets on FRS 102 1 - Triennial Review 2017 Amendments, 2 - Triennial Review 2017 Transition 3 - Illustrative Statement of Cash Flows 4 - Financial Instruments 5 - Property: Fair Value Measurement 6 - Business Combinations 7 - Transition to FRS 102 FRC press release	(Educational material)	FRS 102 appliers

ANNEX A: Activity Summary – Financial Reporting Standards

International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	22.10.2018	<i>Definition of a Business (Amendments to IFRS 3)</i> IASB Press Release	01.01.2020	IFRS preparers (mainly companies)
	31.10.2018	<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i> IASB Press Release	01.01.2020	IFRS preparers

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?
No consultations were issued during this period.					
International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB	13.12.2018	<i>Onerous Contracts—Cost of Fulfilling a Contract</i> <i>Proposed amendments to IAS 37</i> IASB Press Release	15.04.2019	Mainly private sector companies	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 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)	11.12.2018	Withdrawal: Practice Note 25 <i>Attendance at Stocktaking</i>	Immediate	All audits
		Withdrawal: Practice Note 27 <i>The Audit of Credit Unions in the United Kingdom</i> FRC Press Release	Immediate	Credit unions
	13.12.2018	ISA (UK) 540 (Revised) <i>Auditing Accounting Estimates and Related Disclosures</i> FRC Press Release	15.12.2019	All audits
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB	03.10.2018	ISA 540 (Revised), <i>Auditing Accounting Estimates and Related Disclosures</i> IAASB Press Release	15.12.2019	All audits

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)	13.11.2018	Consultation Paper and Impact Assessment – <i>Proposal to revise Practice Note 19</i> ED: Practice Note 19 (Revised) - <i>The Audit of Banks and Building Societies in the United Kingdom</i> FRC Press Release		08.03.2019	Banks and building societies	No
International consultations						
IAASB	15.11.2018	ED ISRS 4400 (Revised) <i>Agreed-Upon Procedures Engagements</i> IAASB Press Release		15.03.2019	Agreed upon Procedures Engagements	Possibly

* 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 e:steven.cain@cipfa.org

ANNEX A: Activity Summary – CIPFA Responses

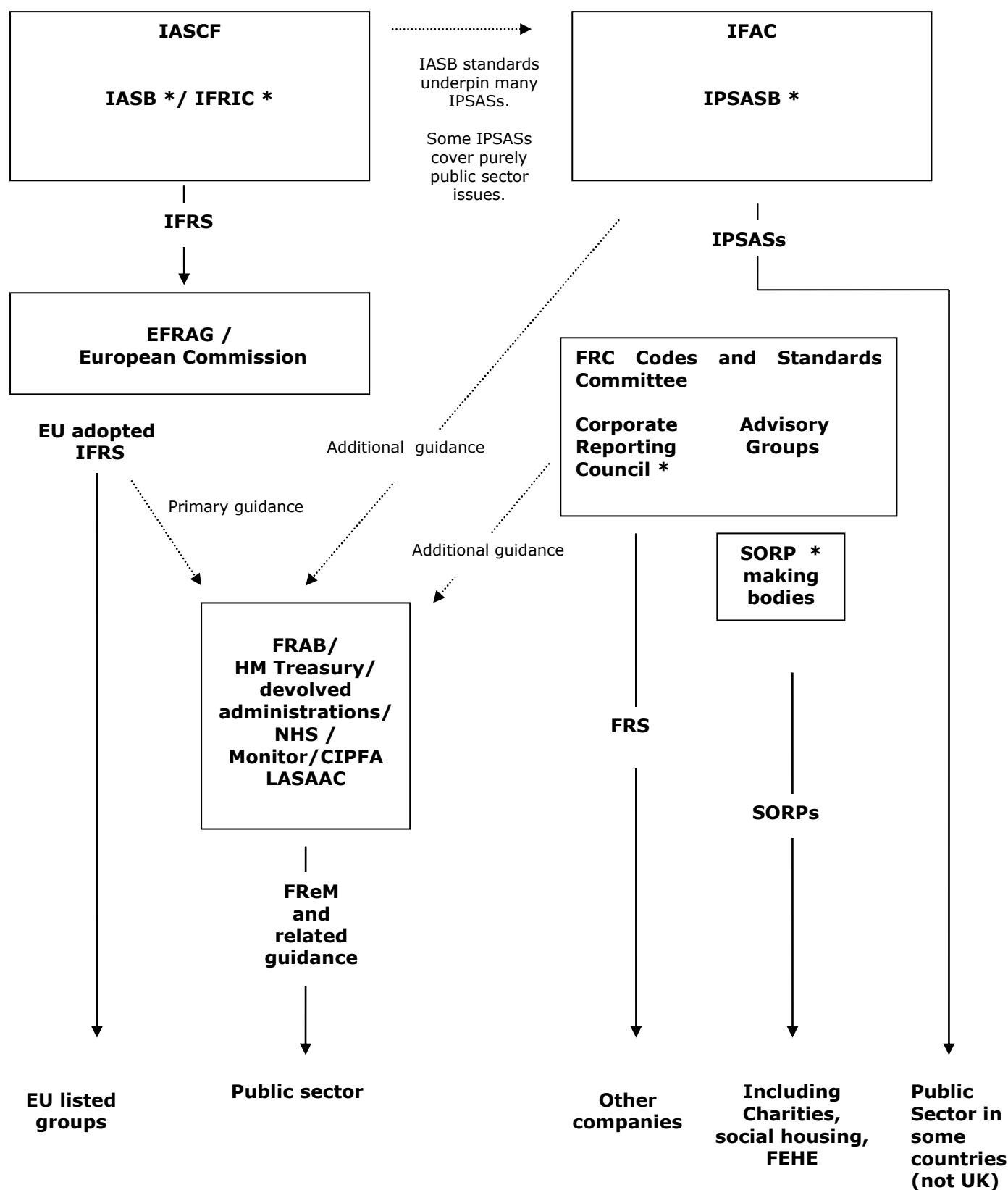
Issuer	Subject of Consultation	Response Date
Canadian PSAB	Consultation Paper <i>Reviewing PSAB's Approach to International Public Sector Accounting Standards</i>	03.10.2018
IAASB	Exposure Draft, ISA 315 (Revised), <i>Identifying and Assessing the Risks of Material Misstatement</i>	06.11.2018

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

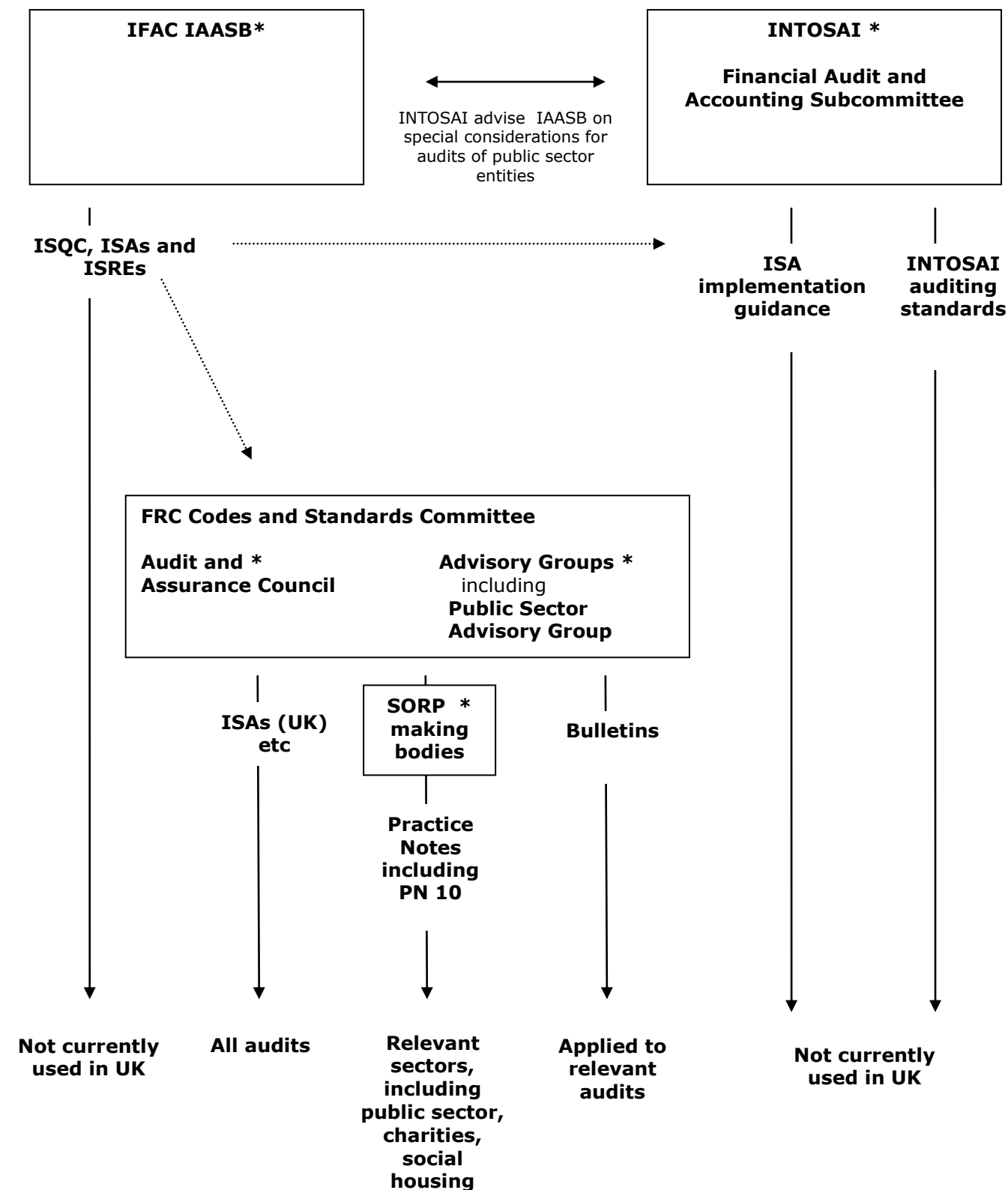
INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



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>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>Corporate Reporting Council</i>	The Corporate Reporting Council advises the FRC Codes and Standards Committee on matters relating to financial reporting standards. Known as the Accounting Council until 1 April 2016, the Council replaced the previous developer of UK financial reporting standards and guidance, the Accounting Standards Board (ASB), from July 2012.
<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>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

<i>IAESB</i>	International Accounting Education Standards Board, a standard setting board of IFAC.
<i>IASB</i>	International Accounting Standards Board
<i>IESBA</i>	International Ethical Standards Board for Accountants, a standard setting board of IFAC.
<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>	<p>International Organisation of Supreme Audit Institutions.</p> <p>An umbrella body for 'supreme' (as distinct from 'regional') institutions responsible for public sector audits.</p>
<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)</i>	Modified or additional ISAs applicable in the UK, issued by the FRC (from June 2016)
<i>ISA (UK & Ireland)</i>	Modified or additional ISAs applicable in the UK & Ireland, issued by the FRC (prior to June 2016)
<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 FRC standards 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.