

# Accounting and Auditing Standards Update

reflecting developments from May to August 2019

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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.

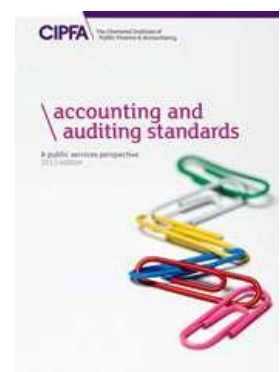
More information on the work of the Accounting and Auditing Standards Panel can be found online at [www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel](http://www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Accounting-and-Auditing-Standards-Panel)

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 – May to August 2019

### New Standards and Guidance

*FRC* FRC has issued amendments to FRS 102 which set out how employers which are members of multi-employer pension schemes should report on the transition to defined benefit accounting, where improved information makes this possible. FRC has also amended FRS 101 so that insurance entities will not be able to use this reduced disclosure standard once IFRS 17 becomes effective.

### CIPFA Responses to Consultations

*IPSASB* CIPFA responded to IPSASB’s consultation on Collective and Individual Services, which provided additional guidance on these transactions. CIPFA agreed with the main proposals, but made a number of suggestions on how the material could be presented more clearly.

### Open Consultations

*FRC* CIPFA is not responding to a consultation on FRS 102, which reflects changes to IFRS relating to the use of benchmark interest rates.

*IASB* The IASB has issued a number of consultations, which CIPFA has generally not considered responding to because they have are either minor, or are not mainly relevant to the public sector. CIPFA will consider responding to a consultation on proposals to improve disclosure of accounting policies.

*IPSASB* CIPFA plans to respond to ED 69 which contains proposals on accounting for public sector specific financial instruments.

## **Audit and Assurance – May to August 2019**

### **New Standards and Guidance**

*FRC* A revised Practice Note 19 on the audit of banks and building societies has been issued.

### **CIPFA Responses to Consultations**

*FRC* CIPFA responded to the FRC consultation on an improved going concern standard, noting certain issues arising in the application of the current standard in public sector audits.

*INTOSAI* CIPFA provided input to INTOSAI's overarching ISSAI 200 standard on Financial Audit Principles applicable to public sector audits.

### **Open Consultations**

*FRC* CIPFA is considering responding to the FRC's consultations on enhanced ethical and auditing standards.

## **Standard Setting Governance – May to August 2019**

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*

The Financial Reporting Council (FRC) has published its Plan & Budget for the coming year, with a commitment to push forward quickly its transition to the new regulator, the Audit, Reporting and Governance Authority (ARGA).

## Wider Standard Setting – May to August 2019

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.

### *IESBA*

In June 2019 the International Ethics Standards Board for Accountants (IESBA) released an Exposure Draft, seeking to promote appropriate professional scepticism in the mindset of professional accountants.

### *IVSC Financial Instruments Board*

The International Valuation Standards Committee has established a standard setting board for financial instruments, and that Board is consulting on its agenda.

## ANNEX A: Activity Summary – Financial Reporting Standards

UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
FRC	24.05.2019	Amendments to FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> Multi-employer defined benefit plans <a href="#">FRC press release</a>	01.01.2020	FRS 102 preparers
		Amendments to FRS 101 – 2018/19 cycle <a href="#">FRC press release</a>	Immediate to stop application of FRS 101 after the effective date of IFRS 17	FRS 101 preparers which are insurers
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
		No pronouncements issued		

# 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?
FRC	29.01.2019	FRED 72 Draft amendments to FRS 102 – Interest rate benchmark reform <a href="#">FRC press release</a>	20.09.2019	FRS 102 appliers	No

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\* 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 – Financial Reporting Standards

International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB	21.05.2019	ED/2019/2 <i>Annual Improvements to IFRS Standards 2018–2020</i> <a href="#">IASB press release</a>	20.08.2019	IFRS preparers	no
	30.05.2019	ED/2019/3 Reference to the Conceptual Framework <i>Proposed amendments to IFRS 3</i> <a href="#">IASB press release</a>	27.09.2019	IFRS preparers	no
	26.06.2019	ED/2019/4 <i>Amendments to IFRS 17</i> <a href="#">IASB press release</a>	25.09.2019	IFRS insurance entities	no
	17.07.2019	ED/2019/5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction <i>Proposed amendments to IAS 12</i> <a href="#">IASB press release</a>	14.11.2019	IFRS preparers	no
	01.08.2019	ED/2019/6 Disclosure of Accounting Policies <i>Proposed amendments to IAS 1 and IFRS Practice Statement 2</i> <a href="#">IASB press release</a>	29.11.2019	IFRS preparers	Probably

# ANNEX A: Activity Summary – Financial Reporting Standards

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International consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
IPSASB	27.08.2019	Exposure Draft 69, <i>Public Sector Financial Instruments, Amendments to IPSAS 41, Financial Instruments</i> <a href="#">IPSASB press release</a>		IPSAS preparers	Yes

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## ANNEX A: Activity Summary - Audit and Assurance Standards

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### UK standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
FRC	03.07.2019	Practice Note 19 (revised): <i>The audit of banks and building societies in the United Kingdom</i> <a href="#">FRC press release</a>	15.12.2019	Bank and building society audits

### International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
		No pronouncements issued		

# 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?
<b>FRC</b> <b>(Audit and Assurance)</b>	15.07.2019	<i>Revised Ethical Standard 2019</i> Exposure Draft <i>Changes to the International Standards on Auditing (UK) (ISAs (UK)) and International Standard on Quality Control (UK) (ISQC (UK))</i> Exposure Drafts <a href="#">FRC Press Release</a>	27.09.2019	Mainly private sector companies but some wider relevance	No
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 e:steven.cain@cipfa.org

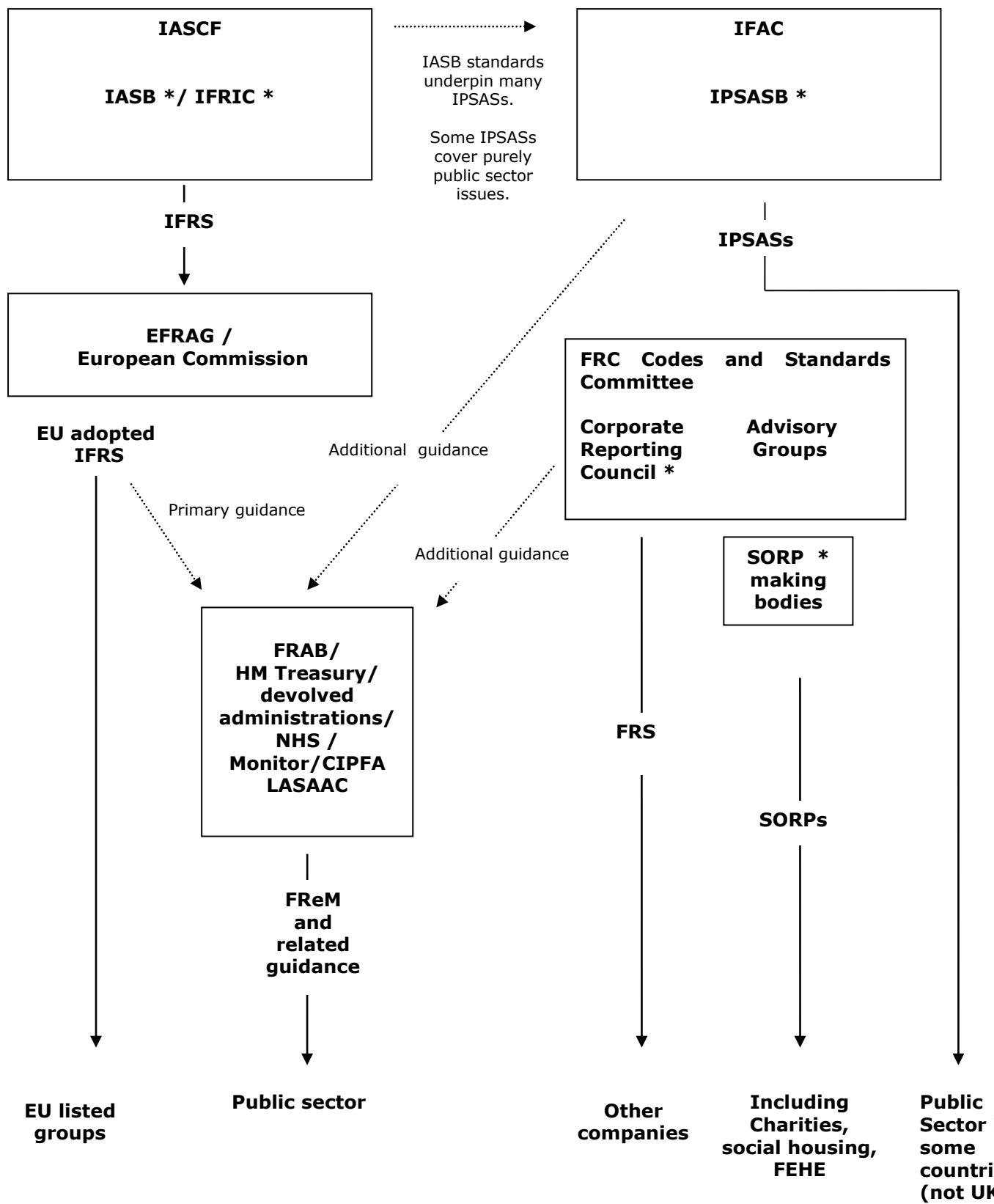
<b>Issuer</b>	<b>Subject of Consultation</b>	<b>Response Date</b>
<b>FRC</b>	<i>Proposed International Standard on Auditing (UK) 570 (Revised) Going Concern</i>	13.06.2019
<b>INTOSAI</b>	<i>Exposure Draft ISSAI 200 (Revised) - Financial Audit Principles</i>	24.06.2019
<b>IPSASB</b>	<i>Exposure Draft 67 Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)</i>	06.06.2019

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

[www.cipfa.org/Policy-and-Guidance/Responses-to-consultations](http://www.cipfa.org/Policy-and-Guidance/Responses-to-consultations)

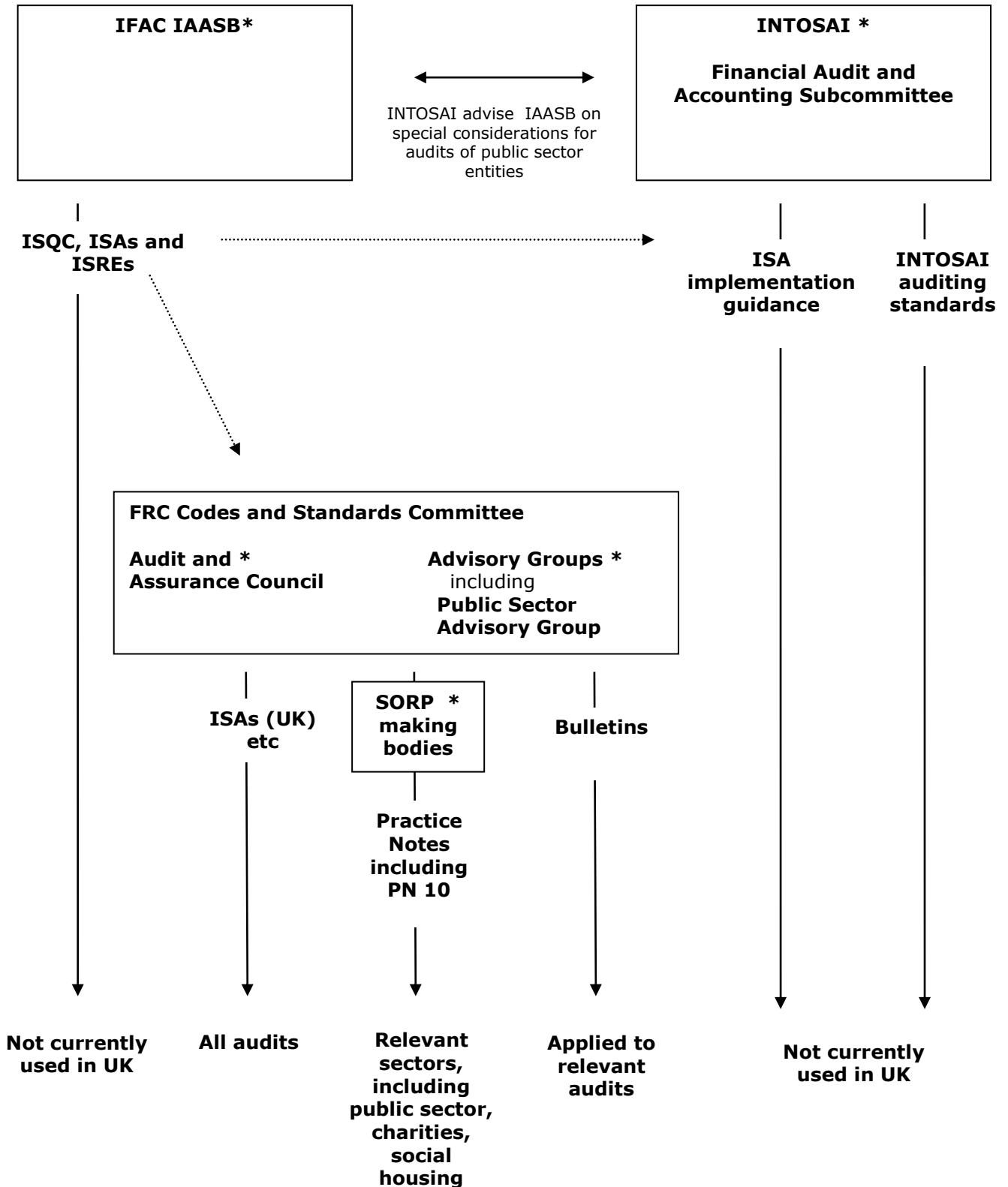
**ANNEX B: Background to consultation processes**

**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

**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>	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)</i>	Modified or additional ISAs applicable in the UK, issued by the FRC (from June 2016)
<i>ISA (UK &amp; 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.