

Accounting and Auditing Standards Panel

# annual report 2009

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 <http://www.cipfa.org.uk/panels/accounting/index.cfm>

**Further copies of this document are available for download at**

[www.cipfa.org.uk/panels/accounting/annual\\_report.cfm](http://www.cipfa.org.uk/panels/accounting/annual_report.cfm)

# Chair's Foreword

CIPFA's Accounting and Auditing Standards Panel (AASP) was formed to lead CIPFA's response to pan-sector issues relating to accounting and auditing standards and to provide thought leadership in these areas from a public sector perspective. It works with other expert CIPFA panels to advise on specific issues within the public sector.

The pace of standards development has been steadily increasing, and since 2007 more than half of CIPFA's public responses to consultations have been made to standard setters in financial reporting and auditing. The adoption of auditing standards based on internationally developed ISAs in 2004, and the move to IFRS for EU listed groups in 2005 and most UK government financial reporting from 2009-10 serve to underscore the importance and relevance of the Panel's work. Auditing and financial reporting standards have been subject to increasing media attention, and during the financial crisis standards moved firmly on to the political agenda. In the international arena the Panel takes a close interest in and is very supportive of CIPFA's engagement with IFAC in the development of International Public Sector Accounting Standards (IPSAS).

The Accounting and Auditing Standards Panel and other CIPFA panels monitor and respond to consultations on Statements of Recommended Practice (SORPs) which provide guidance on the application of standards to the public benefit context. Because many public sector and wider public service bodies apply standards designed for private sector companies, CIPFA's consideration of standards implementation needs to have regard to the adaptations and interpretations of these standards to reflect the special characteristics of public benefit entities.

AASP has also sought to promote awareness of interpretation and conceptual framework issues and bring these to a wider range of stakeholders. In previous years the Panel has held stakeholder round table events in partnership with the ASB Committee on Accounting for Public Benefit Entities on financial reporting issues relevant to the public services. During 2009 the Panel helped CIPFA and other UK stakeholders develop a UK response to the IPSASB consultation on a conceptual framework for public sector financial reporting.

More generally, AASP and CIPFA support the work of the IPSASB through membership of the board and responses to consultation. Although IPSASs are not used in the UK, their consideration of public sector specific issues provides a very helpful background for interpretation of EU adopted IFRS by UK public sector bodies. The combination of high quality responses to consultation on standards development and interpretation, together with other implementation initiatives has put UK preparers in a good position to cope with IFRS implementation by central government bodies from 2009-10, the production of IFRS based Whole of Government Accounts for 2009-10, and the preparation of IFRS based local government accounts from 2010-11.

The Accounting and Auditing Standards Panel also seeks to engage CIPFA members in the standards development area, through participation in events, development of publications, and provision of online information and briefing. We hope you find the contents of this report helpful, and we would encourage you to keep up to date by visiting the AASP webpages and other relevant CIPFA material.

**Martin Sinclair**

**Chair, Accounting and Auditing Standard's Panel**



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## 1 About The Panel

### 1.1 Membership And Meetings

- 1.1.1 CIPFA's Accounting and Auditing Standards Panel (AASP) is a panel of expert stakeholders from the public benefit sector, which advises on and helps develop CIPFA's position on technical issues relating to standards matters. While the Panel does not provide advice on local authority accounting matters where CIPFA is directly involved in the development of the Code on Local Authority Accounting and other guidance, briefing material is shared with the CIPFA/LASAAC board, and during 2009 three AASP members were also members of CIPFA/LASAAC. AASP also works with other CIPFA panels to advise on sector specific issues.
- 1.1.2 Panelists include auditors and practitioners from a variety of backgrounds, many of whom are also members of other standard setting bodies, advisory boards and committees. A list of all members is provided at Appendix A.

### 1.2 The Work Of The Panel

- 1.2.1 While some CIPFA panels mainly produce guidance or training materials, a key aspect of the work of the Accounting and Auditing Standards Panel is that it helps develop most of CIPFA's responses to standards consultations.
- 1.2.2 The main priorities of the AASP in 2009 were:
- Supporting the ASB, the Financial Reporting Advisory Board (FRAB) and other stakeholders in the UK's convergence with and adoption of International Financial Reporting Standards
  - Monitoring developments in the International Accounting Standards Board's conceptual framework, identifying and commenting on areas where there may be difficulties in applying these to public service bodies, and supporting related work by the International Public Sector Accounting Standards Board (IPSASB) in developing a public sector framework; and
  - Supporting the overhaul and redrafting of International Standards on Auditing in the 'clarity project', and related work by the APB in the UK context.
- 1.2.3 AASP also pursues other projects as part of CIPFA's thought leadership and promotion of good practice, which include a project on public service Narrative Reporting and a publication on the various standard setting and interpretation frameworks which are relevant to the public benefit sector.

## 2 Activities Relating To Financial Reporting Standards

### 2.1 AASP Work Relating To IFRS Development

- 2.1.1 IFRS is the basis for government financial reporting from 2009-10, except for local government where implementation will be for 2010-11. CIPFA is interested both in the development of new and existing IFRS and specific issues relating to public sector implementation.
- 2.1.2 During 2009, AASP advised on responses to nine consultations by the International Accounting Standards Board (IASB), variously relating to pensions reporting, development of an improved conceptual framework, conceptual papers on leasing and revenue recognition, and further work on financial instruments.

2.1.3 AASP did not make any direct comments on or other input to IFRS implementation in the UK public sector, although AASP members are also members of both the Financial Reporting Advisory Board (FRAB) and the new CIPFA/LASAAC Local Authority Code Board, which developed an IFRS based Code for 2010-11 accounts, under revised governance arrangements which obtained assurance through the FRAB rather than the ASB SORP process.

## **2.2 AASP Work Relating To IPSAS Development**

2.2.1 CIPFA has a longstanding interest in the work of the International Public Sector Accounting Standards Board, and IPSAS standards became more relevant to the UK public sector during 2008, being placed second in the hierarchy for based financial reporting by government, to be considered in situations where IFRS does not provide guidance.

2.2.2 During 2009 AASP advised on nine responses to IPSASB consultations. One of these was the first IPSASB consultation paper on a Conceptual Framework for public sector financial reporting, issued in September 2008. During late 2008 (and early 2009) CIPFA held a mini-consultation within the UK to promote this paper. The Panel helped develop a draft response which was used as the basis for consultation with other UK stakeholders in public sector financial reporting, to inform a combined response. The other eight consultations were progressed as part of the IPSASB's project to substantially converge IPSASs with the IFRS, as follows

- ED 35 'Borrowing Costs'
- ED 36 'Agriculture'
- ED 37 'Financial Instruments: Presentation'
- ED 38 'Financial Instruments: Recognition and Measurement'
- ED 39 'Financial Instruments: Disclosure'
- ED 40 'Intangible Assets'
- ED 41 'Entity Combinations from Exchange Transactions'
- ED 42 'Improvements'

2.2.3 AASP and CIPFA broadly supported each of the proposals.

## **2.3 AASP Work Relating To Developments in UK GAAP**

2.3.1 AASP advised on two responses to the ASB during 2009, as follows:

- Draft Proposed Amendments To FRS 29 (IFRS7) 'Financial Instruments: Disclosures' 'Improvements To Financial Instrument Disclosures'
- Financial Reporting Exposure Draft 'Improvements to Financial Reporting Standards', mainly following the IFRS Improvements Exposure Draft, insofar as it related to UK FRS which were converged with IFRS.

# **3 Activities Relating To Auditing Standards**

## **3.1 AASP Work Relating To Developments in IAASB standards**

3.1.1 During 2009, there were relatively few consultations on auditing standards following the completion of the very substantial IAASB clarity project during 2008, and most of these related to implementation issues for clarified ISA standards. AASP provided input to CIPFA responses relating to the following:

- EC consultation on adoption of ISAs in the European Union
- IAASB consultation on ISA implementation
- INTOSAI consultation on ISA practice notes (ISSAIs)

### **3.2 AASP Work Relating To Developments in APB standards and guidance**

- 3.3.1 During 2009, the Auditing Practices Board continued to update its guidance for UK and Ireland, and to prepare for future developments in ISAs (UK & Ireland) based on IAASB standards, but with some adaptations for the UK context
- 3.3.2 AASP advised on responses relating to
- Consultation on implementation of clarified ISAs (UK & Ireland)
  - Revised Practice Note 23 (Complex Financial Instruments)
  - Exposure Draft of Clarified ISAs (UK & Ireland)
- 3.3.3 In general CIPFA was supportive of the APB, which duly issued a revised set of ISAs (UK& Ireland) based on the clarified IAASB standards.

## **4 Other Panel Activities**

### **4.1 Support for IFRS adoption in government**

- 4.1.1 AASP members contributed to a number of CIPFA initiatives relating to IFRS adoption in government, including a second joint CIPFA/ICAEW IFRS Forum in February 2009 'Preparing for the Next Stage', and presentations on IFRS adoption at the CIPFA Annual Conference and other events.

### **4.2 Engaging UK stakeholders in consultations**

- 4.2.1 AASP has long supported CIPFA initiatives to engage more stakeholders in matters relevant to them, and during late 2009 held a round table event to discuss the implications of the ASB 'Future of UK GAAP' consultation for the 'wider' public benefit sector – specifically charities, RSLs and further and higher education institutions which are not part of the public sector. The discussions at that event helped the Panel develop the CIPFA response to the ASB which was sent in February 2010.

### **4.3 Publications**

- 4.4.1 During 2009 three Accounting and Auditing Standards Updates were published on the AASP website. The publication "Accounting And Auditing Standards – A Public Services Perspective (2007)" remained on sale.
- 4.4.2 'Narrative Reporting: A Public Services Perspective (2009)' was published in October 2009.

## **5 Looking Forward To 2010**

- 5.1.1 During 2010 financial reporting standards issues are expected to remain strongly focussed on IFRS, both as the UK government sector moves to produce accounts under IFRS, and as the IASB responds to continuing pressure to reform the complex accounting for financial instruments. The UK Accounting Standards Board will also be refining its views on the wider implementation of IFRS based standards within UK GAAP. We also look forward to further consultation by IPSASB on its development of a conceptual framework for public sector financial reporting.
- 5.1.2 In the audit area, the main focus of attention is likely to be the implementation approach for ISAs (UK and Ireland) based mainly on the revised and redrafted ISAs developed by the IAASB during its Clarity Project. The IAASB will not be carrying out significant ISA development during 2010, but will be reviewing its other assurance standards, and

considering their application to developing work in, for example, Greenhouse Gases Statements.

5.1.3 In the light of these, the priorities of the Accounting and Auditing Standards Panel remain

- Supporting the ASB, the Financial Reporting Advisory Board (FRAB) and other stakeholders in the UK's convergence with and adoption of International Financial Reporting Standards
- Monitoring developments in the International Accounting Standards Board's conceptual framework, identifying and commenting on areas where there may be difficulties in applying these to public service bodies, and supporting related work by the International Public Sector Accounting Standards Board (IPSASB) in developing a public sector framework; and
- Supporting the adoption of International Standards on Auditing redrafted in the 'clarity project', and related work by the APB in the UK context.

5.1.4 The Panel will also consider the desirability of updating the CIPFA publication 'Accounting and Auditing Standards, A Public Services Perspective (Fully Revised Third Edition 2007)'.

## ACCOUNTING AND AUDITING STANDARDS PANEL

### PANEL MEMBERSHIP DURING 2009

#### Chair

Martin Sinclair     Assistant Auditor General, National Audit Office, and a member of the Financial Reporting Advisory Board.

#### Members

Nigel Davies     Deputy Head of Accountancy Policy, Charity Commission.

Tim Day     Independent Consultant, and a member of CIPFA/LASAAC.

Una Foy     Assistant Director, Policy and Technical, CIPFA.

Mike Hathorn     Partner, Moore Stephens and Chair of IPSASB.

Lynn Hine     Partner, Government and Public Sector, PricewaterhouseCoopers, and a member of CIPFA/LASAAC.

Mike Langley     Senior Technical Manager, Financial Reporting, Audit Commission, and a member of CIPFA/LASAAC

John Layton     Independent Consultant.

Iolo Llewelyn     Head of Technical Team, Wales Audit Office.

Greg McIntosh     Director, Public Sector Practice, KPMG.

Peter Morgan     Audit Manager, Financial Audit Support Team, National Audit Office.

Kieran Rix     Deputy Director of Group Financial Strategy, Department for Transport.

Chris Welford     Finance Director, ENTRUST.

Harry Wilkinson     Independent Consultant.

There were three meetings of the Panel during 2009, in January, May and September. In recent years there has been a significant volume of standards development, and so a significant proportion of Panel business has been conducted between meetings.

AASP panellists also participate in standards development or advice through membership and support to other advisory groups, drafting groups and committees, including the ASB Committee on Accounting for Public Benefit Entities (CAPE), the APB Public Sector Sub-Committee, RSL, FEHE and Charity SORP making bodies, and many CIPFA and other CCAB body working groups.

## AASP AND OTHER CIPFA ONLINE RESOURCES

### AASP Webpages

Information on CIPFA's Accounting and Auditing Standards Panel is available on the CIPFA website at

[www.cipfa.org.uk/panels/accounting/index.cfm](http://www.cipfa.org.uk/panels/accounting/index.cfm)

which include

New Developments in Standards

[www.cipfa.org.uk/panels/accounting/newstandards.cfm](http://www.cipfa.org.uk/panels/accounting/newstandards.cfm)

Accounting and Auditing Standards Updates

[www.cipfa.org.uk/panels/accounting/standards\\_update.cfm](http://www.cipfa.org.uk/panels/accounting/standards_update.cfm)

CIPFA responses on which AASP has advised

[www.cipfa.org.uk/panels/accounting/responses\\_accounting.cfm](http://www.cipfa.org.uk/panels/accounting/responses_accounting.cfm)

Publications

[www.cipfa.org.uk/panels/accounting/publications.cfm](http://www.cipfa.org.uk/panels/accounting/publications.cfm)

Useful Links

[www.cipfa.org.uk/panels/accounting/links.cfm](http://www.cipfa.org.uk/panels/accounting/links.cfm)

### Other CIPFA webpages

Other CIPFA webpages which are relevant to standards discussions include

IFRS pages

[www.cipfa.org.uk/pt/ifrs/](http://www.cipfa.org.uk/pt/ifrs/)

CIPFA LASAAC

[www.cipfa.org.uk/pt/cipfalasaac/index.cfm](http://www.cipfa.org.uk/pt/cipfalasaac/index.cfm)

Local Authority Accounting Panel (LAAP)

[www.cipfa.org.uk/panels/laap](http://www.cipfa.org.uk/panels/laap)

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