

ACCOUNTING AND AUDITING STANDARDS UPDATE

reflecting developments from February 2008 to April 2008

STANDARDS DEVELOPMENTS IN BRIEF

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. CIPFA's members work in public service bodies, in the national audit agencies and major accountancy firms. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

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>

This "in brief" publication is part of the Accounting and Auditing Standards Update for April 2008, which comprises:

Standards Developments in Brief

Annex A: Activity Summary

Annex B: Background to the consultation process

These are published on the CIPFA website both individually and in a single document, available from <http://www.cipfa.org.uk/panels/accounting/newstandards.cfm>

Standards Developments In Brief

Financial Reporting

New Standards and Guidance

Accounting Standards Board FRS 20 (IFRS 2) 'Share Based Payment' has been amended to reflect January 2008 amendments to IFRS 2.

International Accounting Standards Board The IASB has amended IAS 32 'Financial Instruments: Presentation' and IFRS 1 'Presentation of Financial Statements', to provide clearer guidance on puttable financial instruments, mostly relevant to share issuing entities.

International Public Sector Accounting Standards Board The IPSASB has amended IPSAS 4 'The Effects of Changes in Foreign Exchange Rates' to reflect changes in IAS 21.

Financial Reporting Advisory Board The main news in the FRAB/FReM context is that IFRS adoption has been deferred until 2009-10.

CIPFA Responses to Consultations

All sectors Few consultations on financial reporting were completed between February and April 2008, and CIPFA did not make any public responses.

Open Consultations

Accounting Standards Board The ASB is consulting on an amendment to FRS 25 (IAS 32) 'Financial Instruments: Presentation', in line with the recent IAS 32 amendment. The ASB is also continuing to consult on its paper on Financial Reporting for Pensions, which was issued by Pro-active Accountancy Activities in Europe (PAAinE).

Financial Reporting Advisory Board Three RABIG letters were issued, relating to IFRS based account formats, PFI accounting under IFRS, and a proposal to align the central government treatment of Lottery funded assets with the approach used in NHS Foundation Trusts.

International Accounting Standards Board The IASB has issued three discussion papers. One on Financial Instruments with equity characteristics is mainly private sector relevant. The other two address pan-sector issues in reporting on financial instruments and post-employment benefits.

International Public Sector Accounting Standards Board The IPSASB has issued an exposure draft on accounting for Social Benefit payments, and a consultation paper on recognition and measurement issues. The Board has also issued a consultation paper on financial reporting for Service Concession Arrangements.

Auditing

New Standards and Guidance

<i>Auditing Practices Board</i>	The APB has issued an updated Practice Note 12 providing interim guidance on money laundering issues. Otherwise output has mainly focussed on company audits. Four APB bulletins and a new SIR 5000 (for financial information reconciliations) apply only to listed companies, and changes to ISA 600 (UK & Ireland) and revised Ethical Standards for Auditors mainly reflect company legal requirements.
<i>Financial Reporting Council</i>	The FRC has issued a non-mandatory Audit Quality Framework, after consideration of responses to its 2007 paper 'Promoting Audit Quality'.
<i>International Auditing and Assurance Board</i>	The IAASB has made minor amendments to ISRE 2400 and 2410, clarifying how 'non-audit' assurance work can be done by accountants who may or may not audit the financial statements. IAASB also issued 3 revised ISAs redrafted under 'clarity' conventions, ISA 540 (Accounting Estimates), ISA 560 (Subsequent Events) and ISA 580 (Written Representations).

CIPFA Responses to Consultations

<i>Auditing Practices Board</i>	CIPFA responded to the APB consultation on ISA 600 (UK & Ireland) considering both issues arising from legislation, and whether 'improved' ISAs should be adopted early in the UK and Ireland. CIPFA also responded to a paper on the Auditor's Report, considering both short term issues and improvements which might feed into IAASB consideration in the longer term.
<i>Financial Reporting Council</i>	CIPFA responded to a consultation on Liability Limitation Agreements, mainly commenting on issues for charitable and social enterprise companies.
<i>International Auditing and Assurance Board</i>	CIPFA responded to eight IAASB clarity exposures, including a new ISA 265 on communicating control deficiencies.

Open Consultations

<i>Auditing Practices Board</i>	The APB has issued a consultation draft of a revised and updated Practice Note 11 "The Audit of Charities in the United Kingdom", which CIPFA will be commenting upon.
<i>International Auditing and Assurance Board</i>	The exposure draft of ISAE 3402 "Assurance reports on controls at a third party service organization" is the final exposure in the IAASB's clarity project. CIPFA will be commenting considering both the audit perspective and that of other users of these reports including those relating to assurances on pension fund management.