

Accounting and Auditing Standards Update

reflecting developments from May 2011 to August 2011

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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.

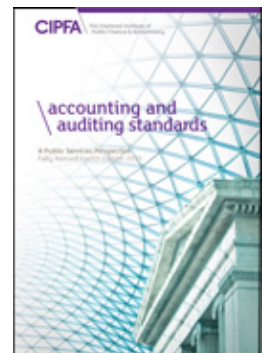
More information on the work of the Accounting and Auditing Standards Panel can be found online at <http://www.cipfa.org.uk/panels/accounting/index.cfm>

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) and particularly its operating bodies the Accounting Standards Board (ASB), and the Auditing Practices Board (APB)
- 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 (Fully Revised Fourth Edition 2010)* which is available from the CIPFA shop



Standards Developments In Brief

Financial Reporting

New Standards and Guidance

Private sector

In May 2011, the IASB issued three standards IFRS 10 -12 arising from its consolidation project, dealing respectively with consolidation, joint arrangements, and interests in other entities. The IASB also issued IFRS 13, *Fair Value Measurement* which has the effect of applying market exit value as the overriding approach for current value except where specified. An amended IAS 1 aligns IFRS presentation of OCI with US GAAP.

An amended IAS 19 also included guidance on OCI, but was mainly notable for elimination of the 'corridor' method.

The UK Accounting Standards Board issued an amended FRS 29, maintaining convergence with IFRS 7 on which it is based.

CIPFA Responses to Consultations

Private sector

CIPFA responded to the ASB's latest consultation on the Future of UK GAAP based on a 3 tier approach for entities not currently required to apply EU adopted IFRS.

CIPFA also responded to a consultation by the International Valuation Professional Board on depreciated replacement cost.

Public sector

CIPFA responded to the ASB's linked consultation on a FRS for Public Benefit Entities.

CIPFA also responded to four IPSASB consultations, including an ED and 2 consultation papers for chapters of the proposed Conceptual Framework for public sector financial reporting, and a relatively minor ED of Improvements to IPSAS.

Open Consultations

UK

CIPFA/LASAAC has issued consultations on an update to the 2011-12 code, and an Invitation to Comment on the 2012-13 Code. HM Treasury has also issued four FReM Exposure Drafts.

CIPFA provides direct input to CIPFA/LASAAC and will contribute to the FReM discussions through membership of FRAB.

International Accounting Standards Board

The IASB has issued a 2012 Improvements ED and a proposal to move back the effective date of IFRS 9 to allow other standards development to be completed before this becomes mandatory.

The IASB has also issued a narrowly focussed consultation on whether investment entities need apply the requirements of consolidation.

Auditing

New Standards and Guidance

Auditing Practices Board

The APB continues to update its Practice Notes to reflect changes to standards and/or relevant legislation. The Board issued 3 revised Practice Notes on the audits of credit unions, friendly societies, and Central Government in the Republic of Ireland.

CIPFA Responses to Consultations

Private sector/all sector

CIPFA responded in June to the IAASB consultation on a new ISAE setting out requirements for assurance engagements on greenhouse gas statements.

Open Consultations

IAASB

The IAASB continues its work in seeking to improve the quality of audit, issuing a Consultation Paper, *Enhancing the Value of Auditor Reporting: Exploring Options for Change*

ANNEX A: Activity Summary - Financial Reporting Standards

UK standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
ASB	07.07.2011	Amendments to FRS 29 (IFRS 7) 'Disclosures - Transfers of Financial Assets' ASB press release available here	01.07.2011	UK GAAP appliers

ANNEX A: Activity Summary - Financial Reporting Standards

International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	12.05.2011	IFRS 10, <i>Consolidated Financial Statements</i> IFRS 11, <i>Joint Arrangements</i> IFRS 12, <i>Disclosure of Interests in Other Entities</i> IASB press release available here	01.01.2013. Earlier application is permitted.	IFRS preparers
	12.05.2011	IFRS 13, <i>Fair Value Measurement</i> IASB press release available here	01.01.2013. Earlier application is permitted.	IFRS preparers
	16.06.2011	Amendments to IAS 1, <i>Presentation of Financial Statements</i> IASB press release available here	01.07.2012	IFRS preparers
	16.06.2011	Amendments to IAS 19, <i>Employee Benefits</i> IASB press release available here	01.01.2013. Earlier application is permitted.	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?
CIPFA/ LASAAC	01.08.2011	The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 Code Update and 2012/13 Code - Invitation to Comment Consultation paper available here	30.09.2011	UK local government	No
HM Treasury	18.05.2011	FReM ED (11) 01 Proposals to Improve the Methodology for Setting the General Provisions Discount Rate Consultation paper available here	15.07.2011	UK government sector	Through FRAB membership
	21.07.2011	FReM ED (11) 02 Application of IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments Consultation paper available here	15.09.2011	UK government sector	Through FRAB membership
	21.07.2011	FReM ED (11) 03 Interpretation of IFRS 8 for the public sector context Consultation paper available here	27.09.2011	UK government sector	Through FRAB membership
	15.08.2011	FReM ED (11) 04 Governance Statement Consultation paper available here	10.10.2011	UK government sector	Through FRAB membership

* 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, CIPFA's Technical Manager, Financial Reporting and Auditing Standards e:steven.cain@cipfa.org.uk

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	22.06.2011	Exposure Draft ED/2011/2, <i>Improvements to IFRSs</i> IASB press release available here.	21.10.2011	IFRS users	Yes
	04.08.2011	Exposure Draft ED/2011/3 <i>Mandatory Effective Date of IFRS 9</i> IASB press release available here.	21.10.2011	IFRS users	Yes
	25.08.2011	Exposure Draft ED/2011/4 <i>Investment Entities</i> IASB press release available here.	05.01.2012	Investment Entity users of IFRS	No

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ANNEX A: Activity Summary - Auditing Standards

UK standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
APB	25.05.2011	Practice Note 27, <i>The audit of credit unions in the United Kingdom</i> APB press release available here	15 December 2010	Credit Unions
	26.07.2011	Practice Note (PN) 24, <i>The Audit of Friendly Societies in the United Kingdom</i> APB press release available here	15 December 2010	Friendly Societies
		Practice Note 10(1), <i>Audit of central government financial statements in the Republic of Ireland.</i> APB press release available here	15 December 2010	ROI central government
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
-	-	No pronouncements issued	-	-

ANNEX A: Activity Summary - Auditing Standards

UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
-	-	No consultations issued	-	-	-
International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
IAASB	16.05.2011	Consultation Paper, <i>Enhancing the Value of Auditor Reporting: Exploring Options for Change</i> IAASB press release available here .	16.09.2011	Pan sector	Yes

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Issuer	Subject of Consultation	
ASB	<p>The Future Of Financial Reporting In The UK And Republic Of Ireland</p> <p>FRED 43, <i>Application Of Financial Reporting Standards</i></p> <p>FRED 44, <i>Financial Reporting Standard For Medium-Sized Entities</i></p>	05.05.2011
	<p>The Future Of Financial Reporting In The UK And Republic Of Ireland</p> <p>FRED 45, <i>Financial Reporting Standard For Public Benefit Entities And Consequential Amendments To Proposals In FRED 44, Financial Reporting Standard For Medium-Sized Entities</i></p>	02.08.2011
IAASB	<p>Exposure Draft</p> <p>Proposed International Standard on Assurance Engagements (ISAE) 3410, <i>Assurance Engagements on Greenhouse Gas Statements</i></p>	10.06.2011
IPSASB	<p>IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</p> <p>Exposure Draft</p> <ul style="list-style-type: none"> - Role, Authority and Scope; - Objectives and Users; - Qualitative Characteristics; and - Reporting Entity <p>Consultation Paper</p> <ul style="list-style-type: none"> - Elements and Recognition in Financial Statements <p>Consultation Paper</p> <ul style="list-style-type: none"> - Measurement of Assets and Liabilities in Financial Statements 	15.06.2011
	<p>Exposure Draft 45, Improvements to IPSASs 2011</p>	30.06.2011
IVPB	<p>International Valuation Professional Board, Proposed Technical Information Paper 2, <i>Depreciated Replacement Cost</i></p>	26.05.2011

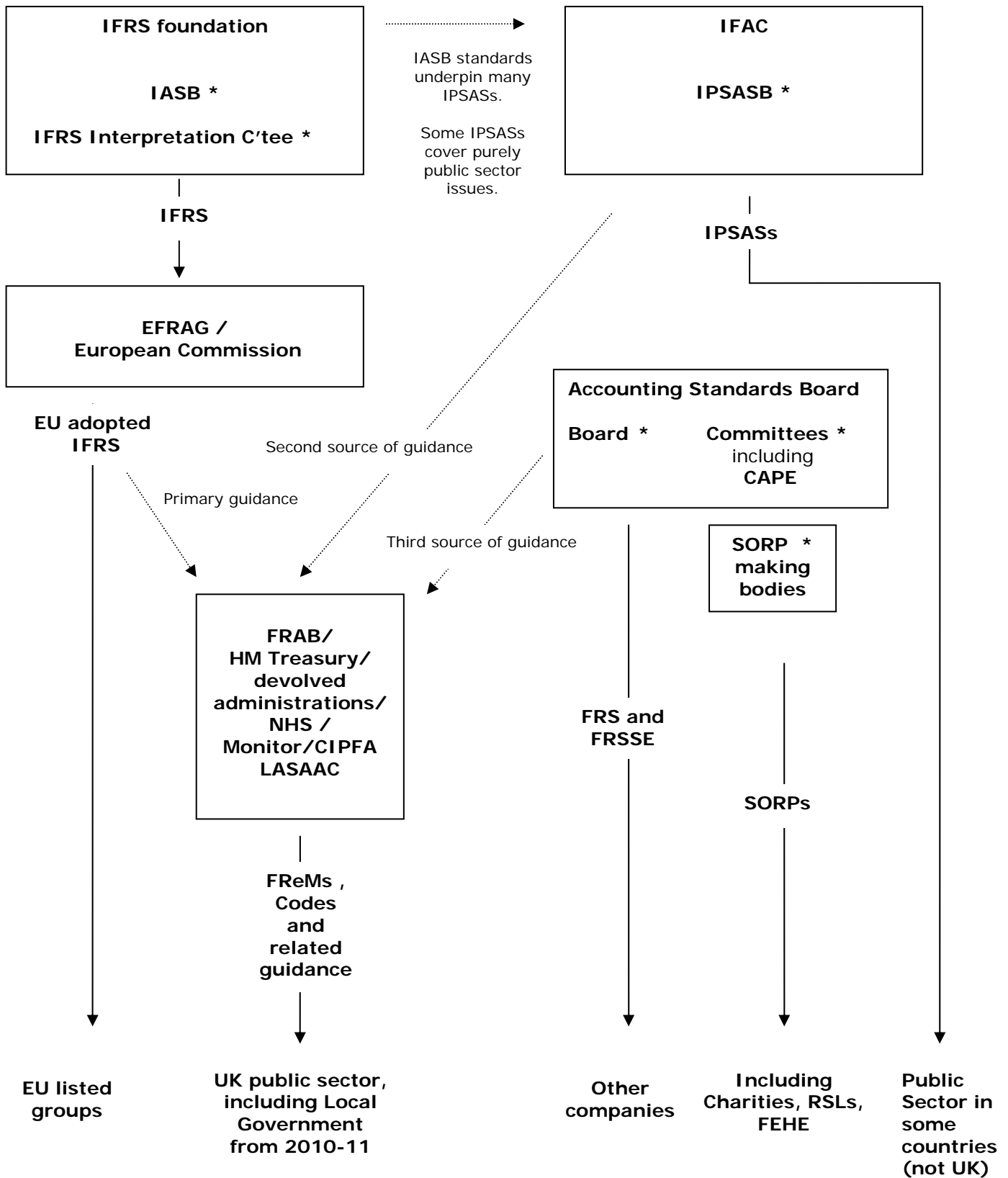
CIPFA responses on matters relating to accounting and auditing standards are also published at

http://www.cipfa.org/panels/accounting/responses_accounting.cfm

or in some cases, on the webpages of the CIPFA technical panel with lead responsibility for the relevant public services sector.

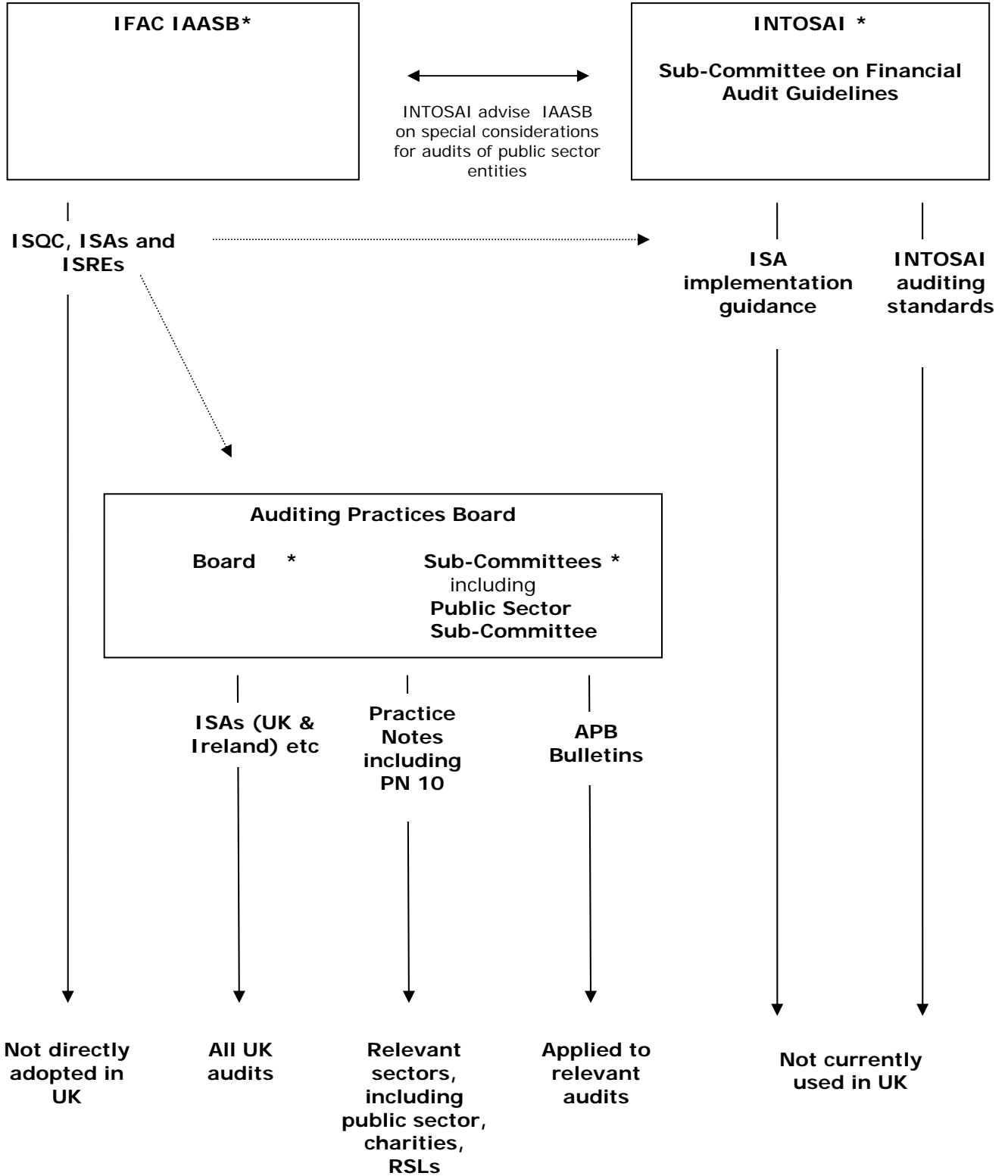
ANNEX B: Background to consultation processes

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