

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.

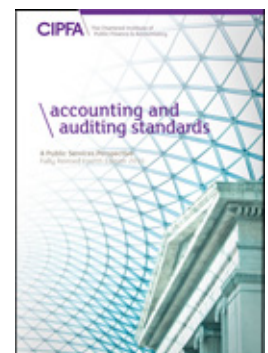
More information on the work of the Accounting and Auditing Standards Panel can be found online at <http://www.cipfa.org.uk/panels/accounting/index.cfm>

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*