

ACCOUNTING AND AUDITING STANDARDS UPDATE

reflecting developments from February 2008 to April 2008

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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 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 the devolved administrations 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 pages 12-13. 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 Third Edition 2007)* which is available from the CIPFA shop [[link](#)]



Standards Developments In Brief

Financial Reporting

New Standards and Guidance

<i>Accounting Standards Board</i>	FRS 20 (IFRS 2) 'Share Based Payment' has been amended to reflect January 2008 amendments to IFRS 2.
<i>International Accounting Standards Board</i>	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.
<i>International Public Sector Accounting Standards Board</i>	The IPSASB has amended IPSAS 4 'The Effects of Changes in Foreign Exchange Rates' to reflect changes in IAS 21.
<i>Financial Reporting Advisory Board</i>	The main news in the FRAB/FReM context is that IFRS adoption has been deferred until 2009-10.

CIPFA Responses to Consultations

<i>All sectors</i>	Few consultations on financial reporting were completed between February and April 2008, and CIPFA did not make any public responses.
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Open Consultations

<i>Accounting Standards Board</i>	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).
<i>Financial Reporting Advisory Board</i>	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.
<i>International Accounting Standards Board</i>	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.
<i>International Public Sector Accounting Standards Board</i>	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.

ANNEX A: Activity Summary - Financial Reporting Standards

UK standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
ASB	27.03.2008	Amendment to FRS 20 'Share-based Payment - Vesting Conditions and Cancellations'	01.01.2009	Private sector

International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	14.02.2008	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation.	01.01.2009	Share issuers?

International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IPSASB	10.04.2008	Amendment to IPSAS 4, The Effects of Changes in Foreign Exchange Rates	01.01.2010	Public Sector bodies using IPSAS directly or as a benchmark

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?
ASB	20.03.2008	ED amendment to FRS 25 (IAS 32) 'Financial Instruments: Presentation',	16.05.2008	Mainly private sector	No
FRAB	04.02.2008	RABIG(2008)02 IFRS Proforma Accounts for Departments, Agencies and NDPBs	17.02.2008	FReM bodies	(internal consultation)
	11.03.2008	RABIG(2008)03 Accounting for PPP Arrangements including PFI under IFRS	12.05.2008	FReM bodies	(internal consultation)
	30.03.2008	RABIG (2008)04 The Treatment of Lottery Funded Assets in Resource Accounts	16.05.2008	FReM bodies	(internal consultation)

* 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 on 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	28.02.2008	Discussion Paper: Financial Instruments with Characteristics of Equity		05.09.2008	Private Sector	No
	19.03.2008	Discussion Paper: Reducing Complexity in Reporting Financial Instruments		19.09.2008	Pan sector	Consider
	27.03.2008	Discussion Paper: Preliminary Views on Amendments to IAS 19 Employee Benefits		26.09.2008	Pan sector	Consider
IPSASB	14.03.2008	ED 34, Social Benefits: Disclosure of Cash Transfers to Individuals or Households		15.07.2008	Public sector	Yes
		Consultation Paper, Social Benefits: Issues in Recognition and Measurement		15.07.2008	Public sector	Yes
		Project Brief: Long-Term Fiscal Sustainability Project		unspecified	Public sector	Yes
	04.04.2008	Consultation Paper, Accounting and Financial Reporting for Service Concession Arrangements.		01.08.2008	Public sector	Yes

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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	18.02.2008	Bulletin 2008/2 'The Auditor's association with preliminary announcements made in accordance with the requirements of the UK and Irish Listing Rules'	In line with listing rules applicable to relevant financial year	Listed companies
	27.02.2008	SIR 5000 'Investment Reporting Standards applicable to Public Reporting Engagements on financial information reconciliations under the Listing Rules'	31 May 2008	Listed companies
	19.03.2008	Updated Practice Note 12 (Revised), 'Money Laundering - Interim guidance for auditors in the United Kingdom'	immediate	All sectors
	04.04.2008	Revised Ethical Standards for Auditors	06.04.2008	All sectors
	03.04.2008	Revised ISA (UK & Ireland) 600, 'Using the Work of Another Auditor'	06.04.2008	Revision mainly affects group audits
	21.04.2008	Bulletin 2008/3 'The auditor's statement on the summary financial statement in the United Kingdom'	06.04.2008	Company audits
		Bulletin 2008/4 'The special auditor's report on abbreviated accounts in the United Kingdom'	06.04.2008	Company audits
	Bulletin 2008/5 'Auditor's reports on revised accounts and reports, in the United Kingdom'	06.04.2008	Company audits	

ANNEX A: Activity Summary - Auditing Standards

APB continued		Bulletin 2008/6 'The "Senior Statutory Auditor" under the United Kingdom Companies Act 2006'.	06.04.2008	Company audits
FRC	06.02.2008	Audit Quality Framework	Non-mandatory	All auditors
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB	01.02.2008	Amendments to ISRE 2400, Engagements to Review Financial Statements, and ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.	immediate	All sectors
	13.02.2008	International Standard on Auditing (ISA) 540 (Revised and Redrafted), Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	15.12.2009	All sectors
	11.04.2008	ISA 560 (Redrafted), Subsequent Events	15.12.2009	All sectors
		ISA 580 (Revised and Redrafted), Written Representations	15.12.2009	All sectors

ANNEX A: Activity Summary - Auditing Standards

UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
APB	10.04.2008	Consultation Draft of revised Practice Note (PN) 11: "The Audit of Charities in the United Kingdom"	10.07.2008	Charity sector	Yes

International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
No consultations issued between February and April 2008.					

* 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 on steven.cain@cipfa.org

ANNEX A: Activity Summary

CIPFA Responses

Issuer	Subject of Consultation	Date of Response
APB	Proposed addition to ISA (UK and Ireland) 600 Using the work of another auditor	07.03.2008
	Action to be taken regarding ISA 600 (Revised and Redrafted) Special Considerations – Audits of Group Financial Statements (including the work of Component Auditors)	
	The Auditor's Report – A Time For Change?	14.04.2008
FRC	FRC Working Group on Auditor liability limitation agreements - Draft Guidance	14.03.2008
IAASB	Proposed ISA 505 (Revised and Redrafted), External Confirmations	15.02.2008
	Proposed ISA 620 (Revised and Redrafted), Auditor's Experts	15.02.2008
	Proposed ISA 501 (Redrafted), Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures	31.03.2008
	Proposed ISA 520 (Redrafted), Analytical Procedures	31.03.2008
	Proposed ISA 210 (Redrafted), Agreeing the Terms of Audit Engagements and Related Conforming Amendments to Other ISAs	15.04.2008
	Proposed ISA 710, Comparative Information ! Corresponding Figures and Comparative Financial Statements	15.04.2008
	Proposed ISA 265, Communicating Deficiencies in Internal Control and Related Conforming Amendments to Other ISAs	30.04.2008
	Proposed ISA 402 (Revised and Redrafted), Audit Considerations Relating to an Entity Using a Third Party Service Organization	30.04.2008

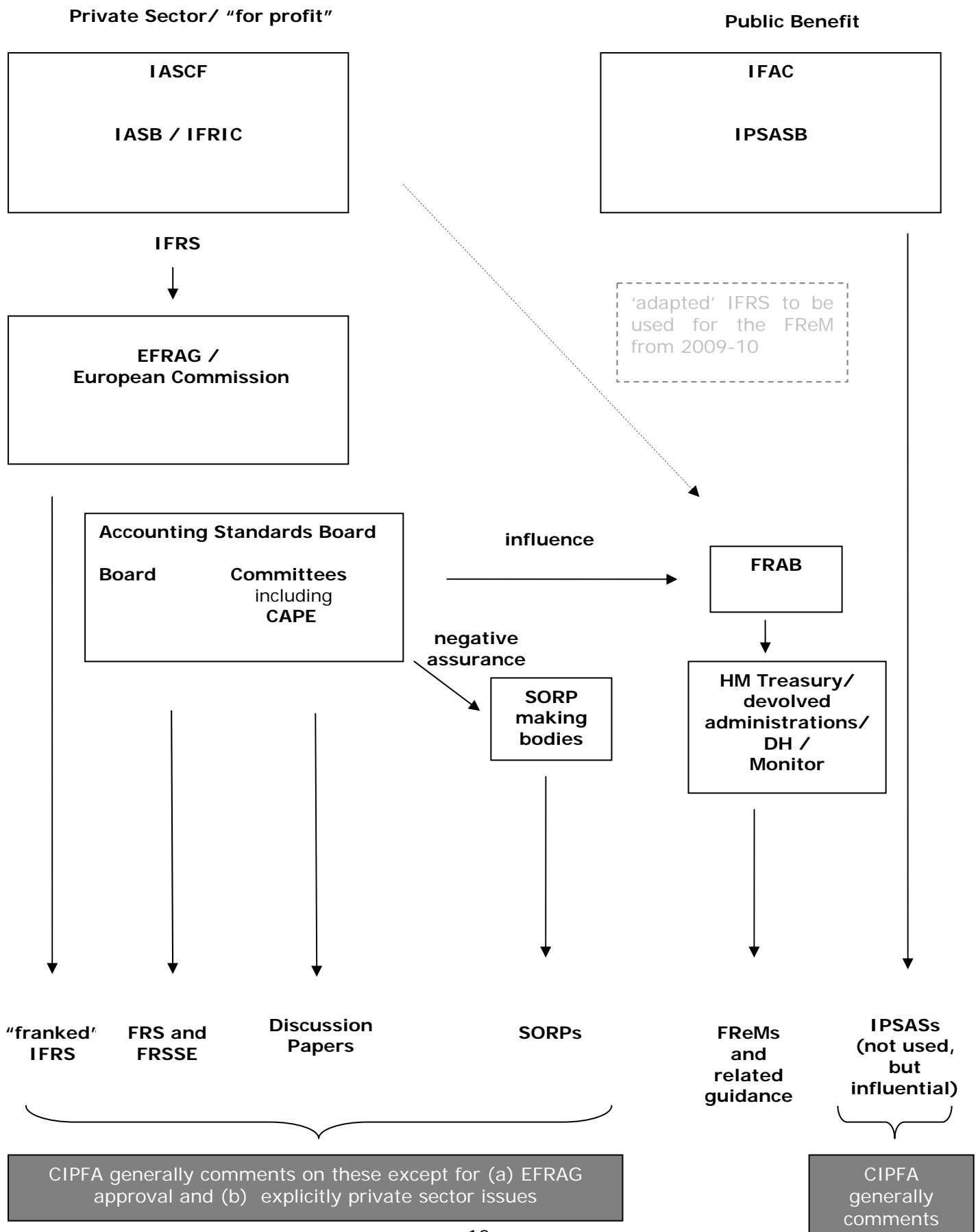
CIPFA responses on matters relating to accounting and auditing standards are also published at

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



ANNEX B: Background to consultation processes

INTERNATIONAL AND UK AUDITING STANDARD SETTING

