

# Accounting and Auditing Standards Update

reflecting developments from January 2011 to April 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.

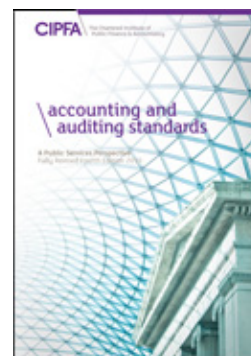
More information on the work of the Accounting and Auditing Standards Panel can be found online at <http://www.cipfa.org.uk/panels/accounting/index.cfm>

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

No new standards or guidance were issued.

International Public Sector Accounting Standards Board

IPSASB has issued a revised version of its Study 14, *Transition to the Accrual Basis of Accounting* which sets out approaches by which countries applying the Cash Based IPSAS or other cash based framework can move toward adopting accruals accounting and specifically the main body of accruals IPSASs.

### CIPFA Responses to Consultations

Private sector

CIPFA responded to the IASB's *Request for Views on Effective Dates and Transition Methods*, mainly suggesting that any early adoption of new standards be limited to package of self-consistent standards. CIPFA also responded to IFAC Policy Position Paper #4, *A Public Interest Framework for the Accountancy Profession*, making suggestions as to how this might better reflect the contributions of accountants outside of audit practice.

Public sector

CIPFA responded to HM Treasury's consultation on the future role of the Financial Review Advisory Board, mostly agreeing the analysis in the consultation report, while also making suggestions on how more could be done to make the Board fit for challenges which may arise in future.

### Open Consultations

UK

The ASB has issued a FRED *Amendments to FRS 29 (IFRS 7)* to which CIPFA will not respond. The ASB has also issued FRED 45, *Financial Reporting Standard for Public Benefit Entities (FRSPBE)*, following up its more general work on the future of UK GAAP. This is very relevant and CIPFA will be responding.

International Accounting Standards Board

The IASB issued two consultations on financial instruments which were both very private sector focussed. The UK Accounting Standards Board has issued with EFRAG a Discussion Paper on the effects of IFRS: while the paper and related discussion are very private sector focussed, CIPFA will review before making a final decision on whether to respond.

International Public Sector Accounting Standards Board

In 2010 IPSASB issued an Exposure Draft and two Consultation Papers on its Conceptual Framework. In March an Annual Improvements exposure draft was issued, and in April the Board issued a paper *Key Characteristics of the Public Sector*. CIPFA will respond to all of these consultations.

## Auditing

### **New Standards and Guidance**

#### *Auditing Practices Board*

The APB continued its programme to update its practice notes to reflected clarified ISAs, issuing 6 revised Practice Notes for Insurance, Pension Scheme, Charity and Bank/Building Society audits, and relating to Bank Reports and Stocktaking.

The APB also issued a revised SIR 2000 standard on investment reporting.

### **CIPFA Responses to Consultations**

#### *Private sector/all sector*

CIPFA's responses to standards consultations included comment on the APB's charity Practice Note 11 ED, the IAASB's plans to overhauls its International Auditing Practice Statements (IAPSs), and the new IAPS 1000 on auditing complex financial instruments. CIPFA also provided comments the IAASB Strategy and Work Program for 2012-14

### **Open Consultations**

#### *Auditing Practices Board*

Further work by the APB on Practice Notes is being carried out for Friendly Societies and for Central government in ROI. CIPFA will not respond to either consultation.

#### *IAASB*

The IAASB has issued a discussion paper on Disclosures. CIPFA will probably not comment at this stage but we expect to come back to this when more fully developed proposals are set out. The IAASB are also consulting on a new ISRE on Review Engagements, which are not public sector relevant. CIPFA will be responding to 2 consultations on International Standards on Assurance Engagements (ISAEs): these are a thorough revision of ISAE 3000 which sets out the general framework for this non-audit assurance, and a new ISAE 3410 following up the IAASB's 2010 consultation on Greenhouse Gases Statement assurance.

## ANNEX A: Activity Summary - Financial Reporting Standards

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### UK standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
-	-	No standards pronouncements issued	-	-

### International standards and guidance

Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
<b>IPSASB</b>	19.01.2011	Update of Study 14, <i>Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities</i>  IPSASB press release available <a href="#">here</a>	Not applicable	International public sector

## ANNEX A: Activity Summary - Financial Reporting Standards

UK consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
ASB	28.02.2011	FRED <i>Amendments to FRS 29 (IFRS 7)</i> 'Financial Instruments: Disclosures'.  View the ASB Press Release <a href="#">here</a>	30.04.2011	Mainly company sector	No
	18.03.2011	FRED 45, <i>Financial Reporting Standard for Public Benefit Entities (FRSPBE)</i>  ASB press release available <a href="#">here</a>	31.07.2011	Public Benefit Entities	Yes
ASB / EFRAG	31.01.2011	Discussion Paper: <i>Considering the effects of Accounting Standards</i>  ASB press release available <a href="#">here</a>	31.08.2011	Pan-sector	To consider

\* 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](mailto: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	28.01.2011	ED 2011/1 <i>Offsetting Financial Assets and Financial Liabilities</i> IASB press release available <a href="#">here</a> .	28.04.2011	Mainly private sector. Main changes for US companies.	No
	31.01.2011	Supplement to ED/2009/12 <i>Financial Instruments: Amortised Cost and Impairment</i> IASB press release available <a href="#">here</a> .	01.04.2011	Mainly private sector	No
IPSASB	29.03.2011	Exposure Draft 45, <i>Improvements to IPSASs</i> IPSASB ED available <a href="#">here</a>	30.06.2011	International public sector	Yes
	29.04.2011	Exposure Draft, <i>Key Characteristics of the Public Sector with Potential Implications for Financial Reporting</i> IPSASB ED available <a href="#">here</a>	31.08.2011	International public sector	Yes

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## ANNEX A: Activity Summary - Auditing Standards

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UK standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
APB	06.01.2011	Practice Note 20, <i>The Audit of Insurers in the United Kingdom</i> APB press release available <a href="#">here</a>	15 December 2010	Insurance sector
	31.01.2011	Practice Note 15, <i>The Audit of Occupational Pension Schemes in the United Kingdom (Revised)</i> APB press release available <a href="#">here</a>	15 December 2010	Pension Schemes in all sectors
	22.02.2011	Practice Note 16, <i>Bank reports for Audit Purposes in the United Kingdom (Revised)</i> APB Press Release available <a href="#">here</a>	15 December 2010	Pan-sector
	22.02.2011	Practice Note 25, <i>Attendance at Stocktaking (Revised)</i> APB Press Release available <a href="#">here</a>	15 December 2010	Pan-sector
	16.03.2011	Practice Note 11, <i>The Audit of Charities in the UK</i> APB Press Release available <a href="#">here</a>	15 December 2010	Charity audits
	29.03.2011	SIR 2000, <i>Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information</i> APB Press Release available <a href="#">here</a>	15 December 2010	Listed Companies

## ANNEX A: Activity Summary - Auditing Standards

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### UK standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
<b>APB continued</b>	29.03.2011	Practice Note 19, <i>The audit of banks and building societies in the United Kingdom</i> APB Press Release available <a href="#">here</a>	15 December 2010	Bank and building society audits

### International standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
-	-	No pronouncements issued	-	-

## ANNEX A: Activity Summary - Auditing Standards

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UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
APB	13.01.2011	Consultation Draft of Revised Practice Note (PN) 24, <i>The Audit of Friendly Societies in the United Kingdom (Revised)</i>		Friendly Societies	No
	11.03.2011	Consultation Draft of Revised Practice Note 10(I), <i>Audit of central government financial statements in the Republic of Ireland</i>  APB press release available <a href="#">here</a>		Central Govt in ROI	No

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## ANNEX A: Activity Summary - Auditing Standards

International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
IAASB	11.01.2011	Exposure Draft Proposed International Standard on Assurance Engagements (ISAE) 3410, <i>Assurance Engagements on Greenhouse Gas Statements</i> IAASB press release available <a href="#">here</a>	10.06.2011	Pan sector	Yes
	13.01.2011	Exposure Draft Proposed International Standard on Review Engagements (ISRE) 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i> IAASB press release available <a href="#">here</a>	20.05.2011	Pan sector, with some mainly private sector content	No
	21.01.2011	Discussion Paper <i>The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications</i> IAASB press release available <a href="#">here</a>	01.06.2011	Pan sector, with some mainly private sector content	No

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## ANNEX A: Activity Summary - Auditing Standards

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International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
<b>IAASB</b> <b>continued</b>	29.04.2011	Exposure Draft  Proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>  IAASB press release available <a href="#">here</a>	01.09.2011	Pan sector	Yes

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## ANNEX A: Activity Summary – CIPFA responses (Jan to Apr 2011)

Issuer	Subject of Consultation	
<b>APB</b>	Exposure Draft Practice Note 11 (Revised) <i>The audit of charities in the United Kingdom</i>	20.01.2011
<b>FRAB Review Group</b>	Review of the Financial Reporting Advisory Board	10.01.2011
<b>IAASB</b>	Exposure Drafts <ul style="list-style-type: none"> <li>- Proposals Relating to International Auditing Practice Statements (IAPSs)</li> <li>- Proposed International Auditing Practice Statement IAPS 1000</li> </ul>	09.02.2011
	Proposed IAASB Strategy and Work Program for 2012-14	04.04.2011
<b>IASB</b>	Request for Views <i>Effective Dates and Transition Methods</i>	31.01.2011
<b>IFAC</b>	Exposure Draft IFAC Policy Position Paper #4 <i>A Public Interest Framework for the Accountancy Profession</i>	24.03.2011

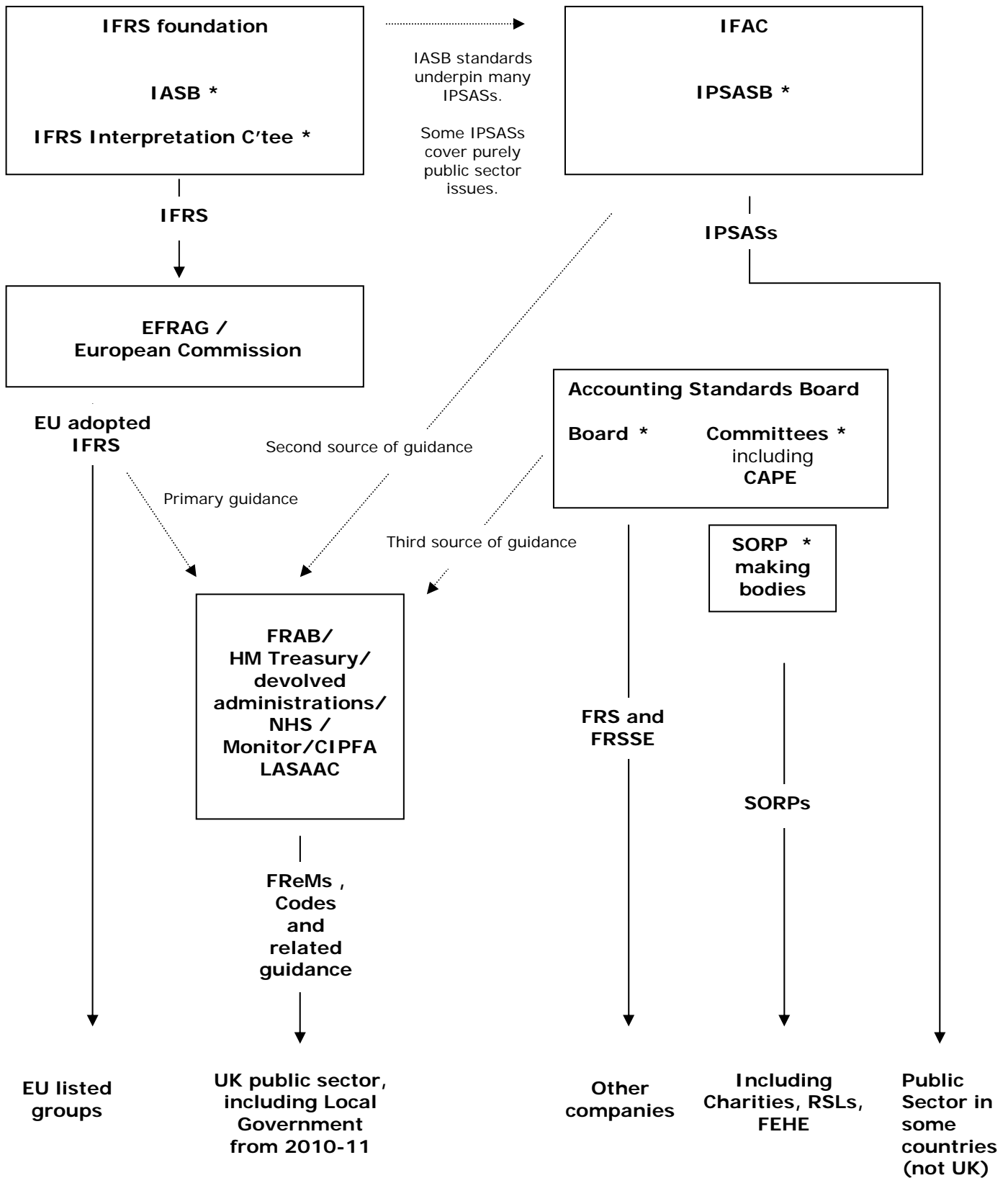
CIPFA responses on matters relating to accounting and auditing standards are also published at

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

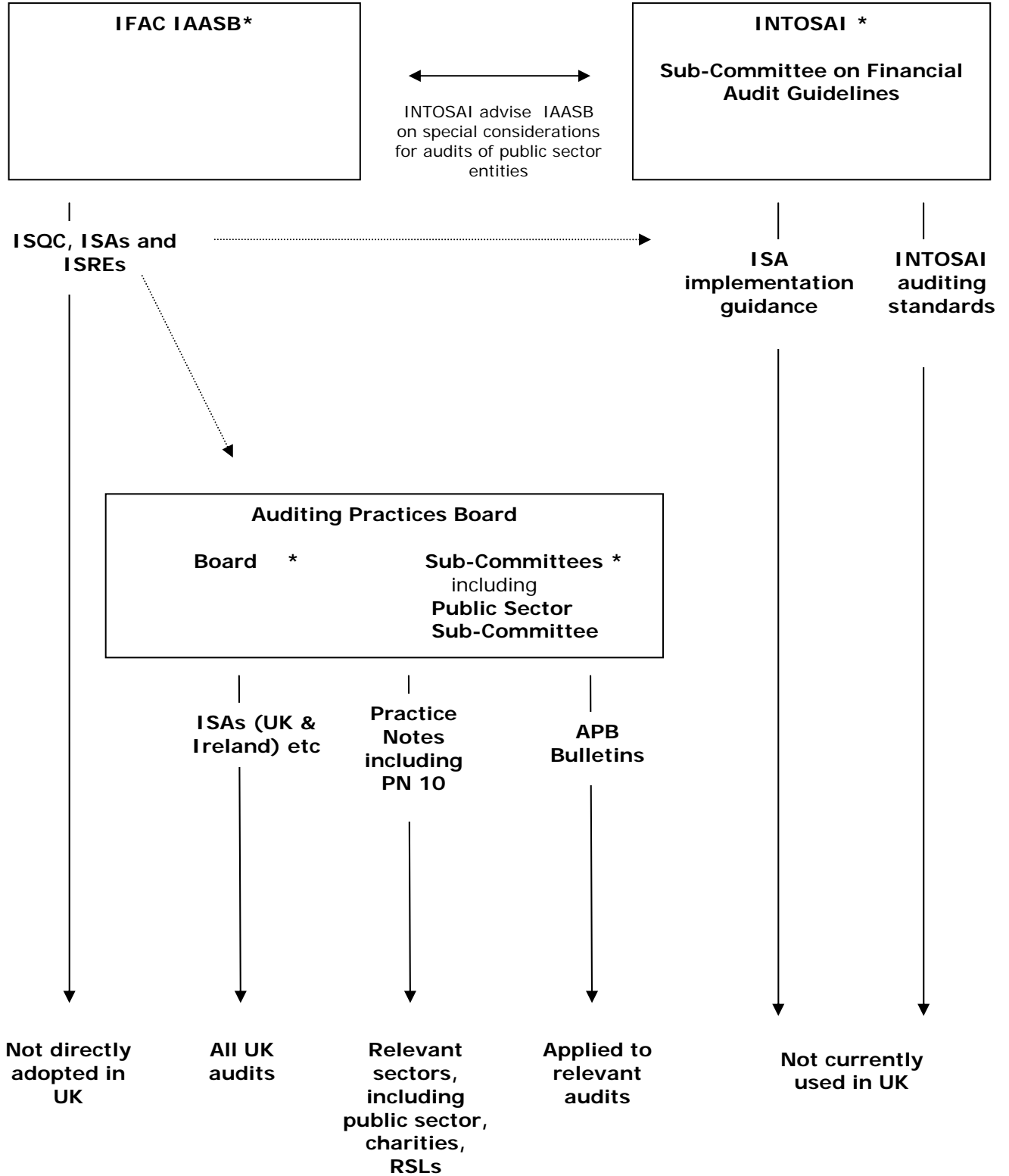
**INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING**



CIPFA comments on most exposure drafts, discussion papers and consultations by bodies marked \*, except for explicitly private sector issues

ANNEX B: Background to consultation processes

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