

ACCOUNTING AND AUDITING STANDARDS UPDATE

reflecting developments from September 2008 to December 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 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 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 Third Edition 2007)* which is available from the CIPFA shop [\[link\]](#)



Standards Developments In Brief

Financial Reporting

New Standards and Guidance

Accounting Standards Board

ASB output since September has been mostly reactive, with an amendment to FRS 8 to reflect changes in law, and changes to converged FRS to reflect changes to IFRS. Two such changes to FRS 26 have been in line with IASB's response to the financial crisis.

International Accounting Standards Board

Pronouncements from the IASB include IFRIC 17 on non-cash distributions, and purely presentational clarifying amendments to IFRS 1. However, much of the Board's public output has been in response to the financial crisis. These included an amendment to IAS 39 allowing reclassification of financial instruments, which was considered sufficiently urgent that it was issued without consultation.

Financial Reporting Advisory Board

RABIG letters included guidance on Lottery Funded Assets, and new procedures for consultation on FReM related guidance.

CIPFA Responses to Consultations

All sectors

Responses were made to the ASB in respect of accounting for Heritage Assets and the UK implementation of IFRS improvements within converged UK FRS.

Responses were also made to IASB on three chapters of its Conceptual Framework project, discussion papers on pensions and financial instruments, and the second Improvements ED.

Open Consultations

UK general/ corporate sector

ASB issued an Improvements ED which mainly echoes the IASB ED, and an ED of amendments to FRS to reflect changes in company law. ASB are also promoting an Australian Accounting Standards Board discussion paper on Internally Generated intangible Assets

UK public sector

CIPFA LASAAC issued its Invitation To Comment on the Local Government SORP ED 2009.

International Accounting Standards Board

The IASB has consulted on a number of minor improvements as part of IASB FASB convergence, while also consulting on accounting which will alleviate perceived financial reporting problems during the financial crisis. At the same time the Board has issued longer term discussion papers on Revenue Recognition and Financial Statement Presentation.

International Public Sector Accounting Standards Board

Open consultations included ED 35 on Borrowing Costs and the first consultation on a public sector Conceptual Framework.

Auditing

New Standards and Guidance

<i>Auditing Practices Board</i>	<p>The APB has issued various bulletins to provide guidance on issues relating to the financial crisis.</p> <p>It has also updated two Practice Notes relating to the audit of credit unions in ROI and the audit of Charities)</p>
<i>Financial Reporting Council</i>	<p>The FRC released an updated version of its Audit Committee Guidance.</p>
<i>International Auditing and Assurance Board</i>	<p>Since September the IAASB has almost completed its release of ISA and an ISQC revised as part of its clarity project, releasing 15 new standards. Two standards had been approved but were to be issued in 2009.</p>

CIPFA Responses to Consultations

<i>Auditing Practices Board</i>	<p>CIPFA responded to one UK consultation on auditing standards, relating to proposals to amend ISA 700 on audit reports.</p>
---------------------------------	---

Open Consultations

<i>Auditing Practices Board</i>	<p>Between September and December the APB issued</p> <ul style="list-style-type: none">• a consultation draft on the implementation of clarified ISA guidance within ISAs (UK & Ireland).• A proposed revised Practice Note 23, providing guidance on auditing complex financial instruments.
---------------------------------	--