

# Accounting and Auditing Standards Update

reflecting developments from September 2010 to December 2010

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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.

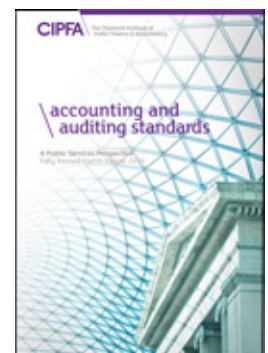
CIPFA contributes directly to some technical and standards development through representation on relevant committees and groups. More generally CIPFA responds to consultations by standard setters and others on matters which are relevant to the public benefit sector. CIPFA Policy and Technical Directorate 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 [\[link\]](#)



# Standards Developments In Brief

## Financial Reporting

### New Standards and Guidance

*Accounting Standards Board / Financial Reporting Council*

The ASB issued an Improvements FRS 2010 in line with its convergence maintenance agenda, and UITF 48 which provides guidance on pension reporting in the light of the UK government changing the uprating basis from RPI to CPI.

*International Accounting Standards Board*

The IASB issued Conceptual Framework for Financial Reporting 2010, which incorporates a new Stage 1 on Objective and Qualitative Characteristics, while retaining other text from the 1989 Framework.

Amendments were made to IFRS 7 in respect of Transfers of Financial Assets, to IFRS 1 and to IAS 12 Income Taxes.

The Board also completed further work on IFRS 9 for financial liability accounting, and issued a new 'Practice Statement' on Management Commentary.

*International Public Sector Accounting Standards Board*

The IPSASB issued its first Improvements IPSAS, mainly maintaining IFRS converged IPSAS while also making some clarifying changes to other standards.

### CIPFA Responses to Consultations

*Private sector*

CIPFA responded to four IASB consultations including short term improvement to Defined Benefits pensions reporting, and more significant proposals to change IFRS relating to Leases, Revenue and Other Comprehensive Income.

CIPFA also responded to the International Valuation Standards Council's exposure draft of new International Valuation Standards, and the UITF consultation on changing pension uprating.

### Open Consultations

*UK private sector*

In October 2010 the ASB issued a FRED on the Future of Financial Reporting, taking forward previous consultations and proposing a three tier system based on EU adopted IFRS, a modified IFRS for SMEs, and the FRSSE.

*International Accounting Standards Board*

The IASB issued three exposure drafts on Deferred Tax, Severe Hyperinflation and Hedge Accounting, and a 'Request for Views' on Effective Dates and Transition, which seeks to obtain information on the implementation issues for IFRS which are expected to be issued in 2011.

*International Public Sector Accounting Standards Board*

The IPSASB followed up its previous consultation on a Conceptual Framework issuing an exposure draft on the Objectives, and two consultation papers on Elements of Financial Statements and on Measurement.

## Auditing

### **New Standards and Guidance**

*Auditing Practices Board* The APB continued its update of Practice Notes and related guidance, issuing guidance on Money Laundering, Practice Note 10 Public sector audits, and a Bulletin of example audit reports for private sector companies. The Board also issued a revised set of Ethical Standards

### **CIPFA Responses to Consultations**

*Private sector/all sector* CIPFA responded to three Practice Note consultations on Stocktakes, Bank Reports and Pension Scheme audits, and to a revised ISA (UK & Ireland) 700 which continued the APB's project seeking to improve auditor's reports. CIPFA also commented on an FRC paper on Auditor Scepticism and an IAASB exposure draft of a revised ISA 610 on using the work of internal auditors.

### **Open Consultations**

*Auditing Practices Board* The APB issued further exposure drafts of revised Practice Notes, including PN 27 on Credit Unions and PN 11 on Charity audits

*IAASB* The IAASB issued an exposure draft exploring the future role of its Practice Statements, withdrawing most of the extant IAPS which proposing a new IAPS on the audit of Complex Financial Instruments.

The Board also consulted on a revised ISRS 4410 on Compilation Engagements.