

Accounting and Auditing Standards Update

reflecting developments from January 2009 to April 2009

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

The ASB issued no pronouncements between January and April but announced an intention to amend FRS 26 and UITF 42 in line with IASB amendments, when these are finalised. The UITF issued a status report on IFRIC adoption with UK GAAP.

International Accounting Standards Board

The IASB has been substantially engaged in discussions relating to the financial crisis, issuing only one IFRS amendment relating to Embedded Derivatives.

Financial Reporting Advisory Board

The FRAB continued its review of developments and amendments to the 2009-10 FReM and related documents such as the Foundation Trust FReM. Recent amendments to the FReM include correction of an unintended interpretation of IAS 38 which would have the effect of not recognising income-generating intangibles.

During the period the FRAB also considered much of the draft 2009-10 IFRS Code for local authority accounting which will be issued for public comment later in 2009.

CIPFA Responses to Consultations

All sectors

CIPFA responded to an ASB IFRS convergence amendment on financial instrument disclosures, and IFRS amendments to Related Parties, Segmental Disclosures and First Time Adoption standards.

In the public sector context, CIPFA responded to IPSASB ED 35 on Borrowing Costs. CIPFA also consulted with UK stakeholders on the IPSASB Conceptual Framework Discussion Paper issued in 2008, and developed and submitted a combined response from 10 UK stakeholders.

Open Consultations

UK public sector

The RSL SORP board issued Consultation Papers to inform the development of the 2010 SORP revision, relating to Impairment, Business Combinations and the Treatment of Goodwill and Intangibles.

International Accounting Standards Board

The IASB has issued exposure drafts on Income Tax and Derecognition (the latter being in response to the financial crisis), and a Discussion Paper on lease accounting.

International Public Sector Accounting Standards Board

The IPSASB has issued 4 IFRS convergence exposure drafts, on Agriculture and Financial Instruments (Presentation, Recognition and Measurement, Disclosure). Exposure drafts on Intangible Assets and a Review of the Cash Basis of Financial Reporting are expected in early May.

Auditing

New Standards and Guidance

Auditing Practices Board The APB issued a revised Practice Note 27 on the audit of credit unions 2 bulletins containing example auditor's reports, and a revised ISA (UK & Ireland) 700 on Auditor's Reports, which differs from the standard ISA model in allowing a shorter auditors report to be linked to more expansive material published online.

International Auditing and Assurance Board The IAASB issued the final seven ISAs to provide a complete set of 'clarified' ISAs which have been revised, redrafted and otherwise improved as part of the IAASB's Clarity Project.

These standards will replace the existing framework of pre-clarity standards with effect for the audits of periods beginning on or after 15 December 2009.

CIPFA Responses to Consultations

Auditing Practices Board CIPFA responded to the APB consultation on a revised practice note dealing with complex financial instruments, and to a consultation on the adoption of 'clarified' ISAs (UK & Ireland) modified in line with the IAASB standards developed as part of the Clarity Project.

INTOSAI CIPFA also responded to an INTOSAI consultation on ISSAI, which include public sector practice notes on the application of ISAs in the international public sector context.

Open Consultations

Auditing Practices Board The APB has issued a Consultation Paper and Exposure Draft of amendments to its Ethical Standards for Auditors, to which CIPFA will respond jointly as a member of the CCAB Ethics Group.

The APB is also consulting on the adoption of a 'clarified' suite of ISAs (UK & Ireland), mainly based on the clarified ISAs (except for ISA 700 (UK & Ireland), which while different, is intended to facilitate an assertion that the audit has been carried out in compliance with 'international' ISAs. The proposed clarified guidance contains less in the way of supplementary material, reflecting the APB view that many of the 'ISA pluses' in the current UK guidance have been incorporated into standard ISA guidance as part of the IAASB clarification and improvement process.