

# 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.

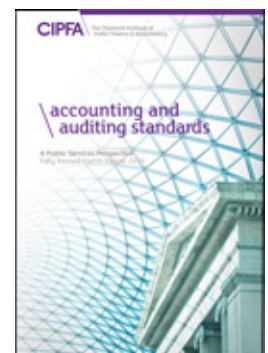
CIPFA contributes directly to some technical and standards development through representation on relevant committees and groups. More generally CIPFA responds to consultations by standard setters and others on matters which are relevant to the public benefit sector. CIPFA Policy and Technical Directorate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