

# Accounting and Auditing Standards Update

reflecting developments from May 2009 to August 2009

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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 4 revised standards reacting to IASB developments or changes to company law.  
In addition, the ASB issued FRS 30 'Heritage Assets' which addresses specific issues attached to these public benefit sector assets.

*International Accounting Standards Board* The IASB issued 2 amended standards, and the long awaited IFRS for SMEs which is designed to provide financial reporting standards guidance for non-publicly accountable entities.

### CIPFA Responses to Consultations

*All sectors* CIPFA responded to 5 IFRS convergence Exposure Drafts issued by IPSASB, and to 2 IASB consultations on Revenue Recognition and Leasing.

### Open Consultations

*ASB* In addition to IFRS convergence and financial crisis related consultations, the ASB issued its Policy Proposal on the future of UK GAAP, suggesting a move to IFRS or IFRS SME based reporting for all but the smallest companies, and exploring options which might be adopted by Public Benefit bodies currently using SORPs (RSLs, Further/Higher Education and Charities)

*CCAB* CCAB issued an ED revision of the LLP SORP.

*FRC* FRC consulted on updating its guidance on going concern, reflecting concerns raised by the financial crisis, and also consulted on its project to reduce complexity in financial reporting.

*UK public sector* The first ED of an IFRS based local authority Code was issued in June for comment by 11 September.  
HM Treasury also issued several FReM EDs, dealing with the Alignment Project, Heritage Assets and other issues.

*International Accounting Standards Board* The IASB and IFRIC issued 9 consultations on a variety of issues, including fast track work on Financial Instruments and other measures reflecting concerns raised by the financial crisis, routine annual improvements, and a follow-up ED on Management Commentary.

*International Public Sector Accounting Standards Board* The IPSASB issued 2 more convergence ED IPSASs, and its first 'Improvements IPSAS' which reflects relevant developments in IFRS.

## Auditing

### **New Standards and Guidance**

*Auditing Practices Board* APB issued only an update to its guidance on Charity Auditor Reports.

*International Auditing and Assurance Board* IAASB issued no pronouncements

### **CIPFA Responses to Consultations**

*Auditing Practices Board* CIPFA responded to the APBs consultation on the adoption of ISAs (UK and Ireland) reflecting the revisions made in the IAASB clarity project, and also (in September) to the EC consultation on ISA adoption in the EU.

### **Open Consultations**

*Auditing Practices Board* APB issued 2 consultations relating updates of its existing guidance for small company audits, and pension scheme audits in the Republic of Ireland.

*INTOSAI* INTOSAI has released exposure drafts of its 'overarching' guidance on Financial Audit Guidelines, and the related glossary of terms.

## 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
ASB	21.05.2009	Amendment to FRS 29 - <a href="#">Improving Financial Instrument Disclosures</a>	01.01.2009	Mainly private sector
	11.06.2009	<a href="#">Editorial Amendments</a> to Financial Reporting Standards		Pan-sector
	18.06.2009	Amendments to Financial Reporting Standards for <a href="#">Companies Act Changes</a>	In line with relevant legislation	Company sector
	19.06.2009	FRS 30: <a href="#">Heritage Assets</a>	01.04.2010	Mainly public benefit sector
	28.08.2009	Amendment to FRS 20 on <a href="#">Group Cash-settled Share-based Payment Transactions</a>	01.01.2010	Mainly private sector

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International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	18.06.2009	<a href="#">Amendments to IFRS 2 Share-based Payment</a>		Private sector IFRS preparers
	09.07.2009	<a href="#">IFRS for SMEs</a>	Potentially immediate for voluntary adopters	Non publicly accountable entities
	23.07.2009	Amendments to <a href="#">IFRS 1 First-time Adoption of International Financial Reporting Standards</a> .		Extractive sector industry

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UK consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
ASB	11.06.2009	FRED: <a href="#">Improvements to Financial Reporting Standards</a>	30.09.2009	Pan sector (UK GAAP)	Yes
	29.06.2009	FRED on Embedded Derivatives <a href="#">Amendments to UITF Abstract 42 (IFRIC 9) 'Reassessment of Embedded Derivatives'</a> and <a href="#">FRS 26 (IAS 39) 'Financial Instruments: Recognition and Measurement'</a> .	31.07.2009	Mainly private sector	No
	11.08.2009	Policy Proposal: <a href="#">The future of UK GAAP</a>	01.02.2010	Private sector and public benefit bodies which have not adopted IFRS	Yes
CCAB	03.08.2009	Exposure Draft of a <a href="#">revised Statement of Recommended Practice (SORP) on Accounting by Limited Liability Partnerships</a> .	03.11.2009	Private sector LLPs	No
CIPFA/ LASAAC	24.06.2009	<a href="#">Code of Practice on Local Authority Accounting in the United Kingdom 2010</a> - Invitation to Comment	11.09.2009	Local government	n/a

\* 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 on [steven.cain@cipfa.org](mailto:steven.cain@cipfa.org)

## ANNEX A: Activity Summary - Financial Reporting Standards

UK consultations (continued)					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
FRC	29.05.2009	Exposure Draft <a href="#">updating Going Concern Guidance for Directors</a>	28.08.2009	Company sector	No
	04.06.2009	Discussion Paper ' <a href="#">Louder than Words</a> ' on reducing complexity in corporate Reporting	30.10.2009	Company sector	To consider
HM Treasury	19.06.2009	FReM ED (09) 03 <a href="#">Aligning Budgets, Estimates And Accounts</a>	28.08.2009	Public sector bodies using the FReM	through FRAB process
	06.07.2009	FReM ED (09)04 <a href="#">Re-Measurement of in use non-specialised property under IAS 16.</a>	25.09.2009		
	27.07.2009	FReM ED (09) 06 <a href="#">Aligning Budgets, Estimates And Accounts</a>	21.09.2009		
	25.07.2009	FReM ED (09) 06 <a href="#">Heritage Assets</a>	21.09.2009		
	28.08.2009	FReM ED (09)07 <a href="#">Sustainability Reporting</a>	12.11.2009		

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Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
IASB	28.05.2009	ED/2009/04 <a href="#">Prepayments of a Minimum Funding Requirement</a> Proposed amendments to IFRIC 14	27.07.2009	Mainly private sector	No
	28.05.2009	ED/2009/05 <a href="#">Fair Value Measurement</a>	28.09.2009	Pan-sector	Yes
	18.06.2009	Discussion Paper DP/2009/2 <a href="#">'Credit Risk in Liability Measurement'</a>	01.09.2009	Mainly private sector	No
	23.06.2009	Exposure Draft ED/2009/6 <a href="#">Management Commentary</a>	01.03.2010	Pan-sector	Yes
	14.07.2009	Exposure Draft ED/2009/7 <a href="#">'Financial Instruments: Classification and Measurement'</a>	14.09.2009	Mainly private sector	Yes
	23.07.2009	Exposure Draft ED/2009/8 <a href="#">'Rate-regulated activities'</a>	20.11.2009	Rate-regulated private sector	No

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## ANNEX A: Activity Summary - Financial Reporting Standards

International consultations (continued)					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
<b>IASB (continued)</b>	06.08.2009	Exposure Draft ED/2009/9 <a href="#">Classification of Rights Issues</a> <a href="#">Proposed amendment to IAS 32</a>	07.09.2009	Private Sector	No
	20.08.2009	Exposure Draft ED/2009/10 <a href="#">Discount Rate for Employee Benefits</a> <a href="#">Proposed amendments to IAS 19</a>	30.09.2009	Pension liabilities in some jurisdictions	To consider
	26.08.2009	Exposure Draft ED/2009/11 <a href="#">Improvements to IFRSs</a>	24.11.2009	IFRS adopters	Yes
<b>IFRIC</b>	06.08.2009	IFRIC Draft Interpretation D25 <a href="#">Extinguishing Financial Liabilities with Equity Instruments</a>	04.10.2009	Mainly private sector	No

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International consultations (continued)					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
IPSASB	07.05.2009	ED 40, <a href="#">Intangible Assets</a>	15.08.2009	International Public Sector	Yes
	07.05.2009	ED 41, <a href="#">Entity Combinations from Exchange Transactions</a> .	15.08.2009	International Public Sector	Yes
	30.06.2009	ED 42, <a href="#">Improvements to IPSASs</a>	30.09.2009	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	30.07.2009	Bulletin 2009/03: <a href="#">Update to Bulletin 2009/03 containing Illustrative Examples of Charity Auditor Reports</a>	In line with Companies Act 2006	Charities which are registered as companies
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB		No pronouncements issued		

## ANNEX A: Activity Summary - Auditing Standards

UK consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
APB	30.07.2009	Consultation Paper and Exposure Draft of a <a href="#">Revision to Practice Note 26 'Guidance on Smaller Entity Audit Documentation'</a>	30.09.2009	Small company audits	No
	05.08.2009	Exposure Draft of a <a href="#">Revision to Practice Note 15 (I) 'The audit of occupational pension schemes in Ireland'</a>	10.11.2009	Pension schemes in ROI	No
International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
INTOSAI	28.06.2009	ED ISSAI 1000 <a href="#">General Introduction to the INTOSAI Financial Audit Guidelines</a>	31.10.2009	International public sector	To consider
	28.06.2009	ED ISSAI 1003 <a href="#">Glossary to Financial Audit Guidelines</a>	31.10.2009	International public sector	To consider

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## ANNEX A: Activity Summary – CIPFA responses (May to August 2009)

Issuer	Subject of Consultation	
<b>APB</b>	Proposed Clarified International Standards on Auditing (UK and Ireland)	20.05.2009
<b>IASB</b>	Discussion Paper: Preliminary Views On Revenue Recognition In Contracts With Customers	09.06.2009
	Discussion Paper : Leases - Preliminary Views	31.07.2009
<b>IPSASB</b>	ED 36 Agriculture	09.06.2009
	ED 37 'Financial Instruments: Presentation'	31.07.2009
	ED 38 'Financial Instruments: Recognition and Measurement'	
	ED 39 'Financial Instruments: Disclosure'	
	ED 40 'Intangible Assets'	15.08.2009
	ED 41 'Entity Combinations from Exchange Transactions'	

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.

(note that the above list of responses excludes the September responses to the IASB on Financial Instruments Measurement and Classification, and the EC consultation on adoption of ISAs)