

# Accounting and Auditing Standards Update

reflecting developments from September 2009 to December 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 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 Third Edition 2007)* which is available from the CIPFA shop [[link](#)]



# Standards Developments In Brief

## Financial Reporting

### New Standards and Guidance

*Accounting Standards Board / Financial Reporting Council* ASB issued UITF 42 on mainly private sector issues, and its Annual Improvements FRS to maintain convergence.

*HM Treasury* HMT issued the 2010-11 FReM, the second IFRS based FReM, now no longer badged the 'iFReM'.

*International Accounting Standards Board* The IASB issued or amended 2 IFRICs, and revised 2 IAS/IFRS on mainly private sector matters or for reasons relating to the financial crisis, including IFRS 9 which initiates its rewrite of Financial Instruments standards

*International Public Sector Accounting Standards Board* IPSASB substantially completed its programme of IFRS convergence with the issue of IPSASs 27 to 31, together with its first Improvements IPSAS

### CIPFA Responses to Consultations

*Private sector* CIPFA responded to the convergence focused ASB Improvements FRED, and to 3 mainly corporate sector focused IASB consultations: ED/2009/05 on Fair Value may have resonances for the public sector)

*Public sector* CIPFA responded to the first IPSASB Improvements IPSAS.

### Open Consultations

*UK private sector* CIPFA will not be responding to the ASB FRED on Rights Issues, but the FRC consultation on the Corporate Governance Code will be considered by CIPFA's Corporate Governance Panel.

*UK public sector* There were 2 FReM EDs to which CIPFA will not respond.

*International Accounting Standards Board* CIPFA will consider whether to respond to the next round of IASB's review of Financial Instrument reporting.

*International Public Sector Accounting Standards Board* CIPFA will be responding to the IPSASB consultation on Long Term Fiscal Sustainability

## Auditing

### **New Standards and Guidance**

*Auditing Practices Board* The APB issued a complete revision of all of its ISAs(UK & Ireland) in clarified format, as well as amended Ethical Standard guidance relation to partner rotation, a revised Practice Note 23 on Complex Financial Instruments and 2 pronouncements on corporate governance and small entity audits respectively.

*International Auditing and Assurance Board* The IAASB issued a clarified ISAE 3402, on assurance reports relating to controls at service organisations.

### **CIPFA Responses to Consultations**

*All sectors* CIPFA responded to an EC consultation on ISA adoption in Europe, and an IAASB questionnaire on ISA adoption/ implementation in the UK.

### **Open Consultations**

*Auditing Practices Board* The APB is consulting on non-audit services provided by audit firms: CIPFA will not be responding.

*IAASB* CIPFA has responded to IAASB's consultation on Auditing Complex Financial Instruments, which proposed the adaptation of guidance developed by the UK APB. CIPFA will also be responding to development proposals in a consultation on Greenhouse Gas Statement assurance.

## 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
<b>ASB</b>	14.09.2009	Amendments to UITF Abstract 42 and FRS 26 - Embedded Derivatives ASB press release available <a href="#">here</a>	Periods ending 31.12.2009	Mainly private sector
	01.12.2009	Improvements to Financial Reporting Standards 2009 ASB press release available <a href="#">here</a>	Various 2009 and 2010 dates	Pan sector
<b>FRC</b>	15.10.2009	Going Concern And Liquidity Risk: Guidance For Directors Of UK Companies 2009 FRC press release available <a href="#">here</a>	Immediate	Company sector
<b>HM Treasury</b>	22.12.2009	Government Financial Reporting Manual (FRoM) 2010-11	2010-11	Central government; other public sector bodies which use the FRoM or FRoM based manuals.

## ANNEX A: Activity Summary - Financial Reporting Standards

International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	08.10.2009	Amendment to IAS 32 Financial Instruments: Presentation IASB press release available <a href="#">here</a>	Periods beginning on or after 01.02.2010	Mainly private sector
	04.11.2009	Revised version of IAS 24 Related Party Disclosures IASB press release available <a href="#">here</a>	Periods beginning on or after 01.01.2011	Mainly IFRS preparers with significant governmental related parties.
	12.11.2009	IFRS 9 Financial Instruments IASB press release available <a href="#">here</a>	Periods beginning on or after 01.01.2013	Pan sector
	26.11.2009	minor amendment to IFRIC 14 (re pensions accounting) IASB press release available <a href="#">here</a> .	Periods beginning on or after 01.01.2011	Entities with pension schemes subject to minimum funding requirements
	26.11.2009	IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments IASB press release available <a href="#">here</a> .	Periods beginning on or after 01.07.2010	Mainly private sector

## ANNEX A: Activity Summary - Financial Reporting Standards

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International standards and guidance (continued)				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IPSASB	07.12.2009	IPSAS 27, Agriculture IPSASB press release available <a href="#">here</a>	Periods beginning on or after 01.04.2011	Public sector
	21.12.2009	IPSAS 28-30, relating to Financial Instruments presentation, recognition and measurement, and disclosures IPSASB press release available <a href="#">here</a>	Periods beginning on or after 01.01.2013	Public sector
	21.12.2009	IPSAS 31, Intangible Assets IPSASB press release available <a href="#">here</a>	Periods beginning on or after 01.04.2011	Public sector
	21.12.2009	Improvements to IPSAS IPSASB press release available <a href="#">here</a>	Generally periods beginning on or after 01.01.2011	Public sector

## ANNEX A: Activity Summary - Financial Reporting Standards

UK consultations					
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts		Sector Relevance	Should CIPFA* respond?
			Response Date		
<b>ASB</b>	16.11.2009	FRED: Amendment to FRS 25 - Classification of Rights Issues ASB press release available <a href="#">here</a>	15.12.2009	Company Sector	No
<b>FRC</b>	01.12.2009	Consultation on the Revised UK Corporate Governance Code See FRC press release <a href="#">here</a>	05.03.2010	Company sector but some read across	CIPFA Corporate Governance Panel will consider
<b>HM Treasury</b>	07.12.2009	FReM ED(09)08 Accounting for Capital Government Grants and Similar Financing from Non-Government Sources ( <a href="#">link</a> )	08.02.2010	Public sector bodies using the FReM	through FRAB process
	07.12.2009	FReM ED (09)09 Amendment to IFRS 8 Operating Segments ( <a href="#">link</a> )	08.02.2010		

\* 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

International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should CIPFA* respond?
<b>IASB</b>	5.11.2009	Exposure Draft 'Financial Instruments: Amortised Cost and Impairment' IASB press release available <a href="#">here</a> .	30.06.2010	Pan sector	To consider
	26.11.2009	ED amendment to IFRS 1 (consequential amendment relating to IFRIC 14 change) IASB press release available <a href="#">here</a> .	29.12.2009	Entities with schemes subject to minimum funding requirements	No
<b>IPSASB</b>	24.11.2009	Consultation Paper, Reporting on the Long-Term Fiscal Sustainability of Public Finances IPSASB press release available <a href="#">here</a>	30.04.2010	Public sector	Yes

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## ANNEX A: Activity Summary - Auditing Standards

UK standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
APB	06.10.2009	Amendments to Ethical Standards dealing with partner rotation  APB press release available <a href="#">here</a>	Periods beginning on or after 15.12.2009	Audit firms, with some readover to national audit agencies
	13.10.2009	Clarified ISAs (UK and Ireland)  APB press release available <a href="#">here</a>	Periods ending on or after 15.12.2010	Pan sector
	16.10.2009	Updated Practice Note (PN) 23 providing interim guidance for auditors on "Auditing Complex Financial Instruments."  APB press release available <a href="#">here</a>	Persuasive/ immediate	Pan sector but mainly private sector relevant
	14.12.2009	Bulletin 2009/04 Developments in Corporate Governance Affecting the Responsibilities of Auditors of UK Companies  APB press release available <a href="#">here</a>	Persuasive/ Periods ending on or after 31.12.2009	Company audits
	15.12.2009	Revised Practice Note (PN) 26 Guidance on Smaller Entity Audit Documentation  APB press release available <a href="#">here</a>	Persuasive/ immediate	Smaller entity audits

## ANNEX A: Activity Summary - Auditing Standards

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### International standards and guidance

Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB	18.11.2009	International Standard on Assurance Engagements (ISAE) 3402, Assurance Reports on Controls at a Service Organization  IAASB press release available <a href="#">here</a>	Periods ending 15.06.2011	Mainly private sector

## 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	06.10.2009	Consultation Paper on audit firms providing non-audit services to listed companies that they audit APB press release available <a href="#">here</a>	29.01.2009	Audit firms / listed companies	No
International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
IAASB	16.10.2009	Consultation Paper 'Auditing Complex Financial Instruments' IAASB press release available <a href="#">here</a>	15.01.2010	Pan sector but mainly private sector relevant	Yes (response sent 15.01.2010)
	22.10.2009	Consultation Paper 'Assurance on a Greenhouse Gas Statement' IAASB press release available <a href="#">here</a>	19.02.2010	Pan sector	Yes

\* 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 – CIPFA responses (September to December 2009)

Issuer	Subject of Consultation	
<b>ASB</b>	FRED Improvements to Financial Reporting Standards 2009	30.09.2009
<b>European Commission</b>	Consultation On The Adoption Of International Standards On Auditing (ISAs)	15.09.2009
<b>IASB</b>	Exposure Draft ED/2009/7 Financial Instruments: Classification and Measurement	14.09.2009
	Exposure Draft ED/2009/05 - 'Fair Value Measurement'	28.09.2009
	Exposure Draft ED/2009/10 - 'Discount Rate for Employee Benefits: Proposed amendments to IAS 19'	30.09.2009
<b>IPSASB</b>	ED 42: Improvements to IPSASs	30.09.2009

CIPFA responses on matters relating to accounting and auditing standards are also published at

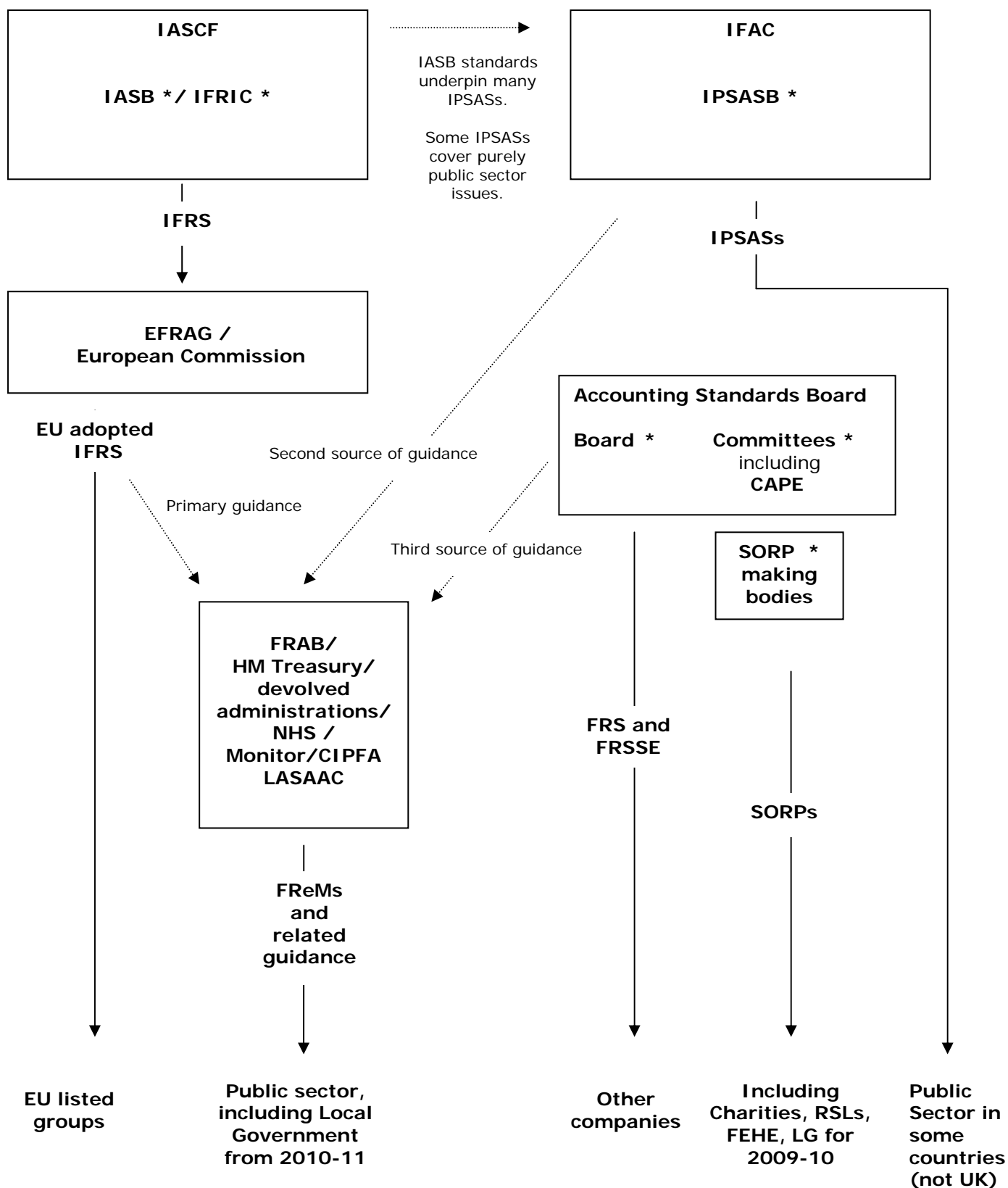
[http://www.cipfa.org/panels/accounting/responses\\_accounting.cfm](http://www.cipfa.org/panels/accounting/responses_accounting.cfm)

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 a response by the CIPFA RSL panel on development work for the RSL SORP, and a response to an IAASB questionnaire on the UK adoption of ISAs)

## ANNEX B: Background to consultation processes

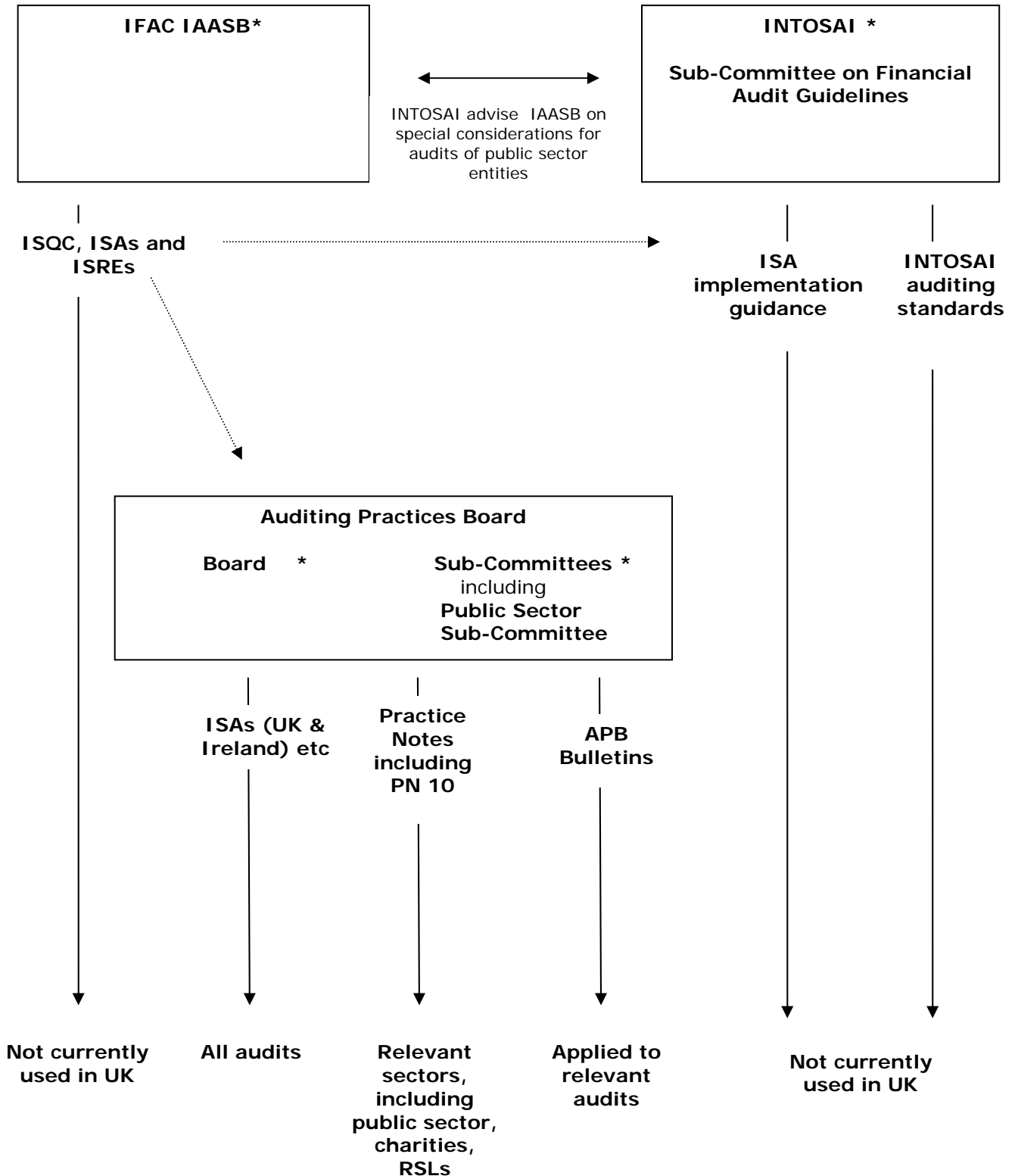
### INTERNATIONAL, EUROPEAN AND UK FINANCIAL REPORTING STANDARD SETTING



CIPFA comments on most exposure drafts, discussion papers and consultations by bodies marked \*, except for explicitly private sector issues

**ANNEX B: Background to consultation processes**

**INTERNATIONAL AND UK AUDITING STANDARD SETTING**



CIPFA comments on most exposure drafts, discussion papers and consultations by bodies marked \*, except for explicitly private sector issues