

Accounting and Auditing Standards Update

reflecting developments from January 2009 to April 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 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 in

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.

ANNEX A: Activity Summary - Financial Reporting Standards

UK standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
ASB		No pronouncements		
UITF	27.04.2009	UITF Information Sheet 86 Status of Adoption into UK GAAP of IFRIC Interpretations	Immediate	Pan-sector
International standards and guidance				
Issuer	Issue Date	Standard or Other Pronouncement	Effective Date	Sector Relevance
IASB	12.03.2009	Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	30.06.2009	IFRS preparers

ANNEX A: Activity Summary - Financial Reporting Standards

UK consultations						
Issuer	Issue date	Consultations, Discussion Papers and Exposure Drafts		Response Date	Sector Relevance	Should CIPFA* respond?
RSL SORP working party	04.03.2009	Consultation Papers to inform development of the RSL SORP, on Impairment, Business Combinations and Goodwill		06.05.2009	RSLs	Yes
International consultations						
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts		Response Date	Sector Relevance	Should CIPFA* respond?
IASB	19.03.2009	DP/2009/01 Leases Preliminary Views		17.07.2009	Pan-sector	Yes
	31.03.2009	ED/2009/2 Income Tax		31.07.2009	(private sector focussed)	To consider
	31.03.2009	ED/2009/03 Derecognition: Proposed amendments to IAS 39 and IFRS 7		31.07.2009	Pan-sector (private sector focussed)	To consider
IFRIC	30.02.2009	ED Post-implementation Revisions to IFRIC Interpretations		02.03.2009	Mainly for-profit sector	No

* 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

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?
		IPSASB	31.03.2009			
23.04.2009	ED 37 , Presentation		Financial Instruments:	31.07.2009	International Public Sector	Yes
	ED 38 , Recognition and Measurement		Financial Instruments:			
	ED 39 , Disclosures		Financial Instruments:			

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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	22.01.2009	Practice Note (PN) 27 'The audit of credit unions in the United Kingdom'	Immediate	Credit Unions
	11.03.2009	Bulletin 2009/01 The Auditor's Reports - Supplementary Guidance for Auditors of Charities with 31 March 2009 year ends	31 March 2009 year ends	Charities
	26.03.2009	ISA (UK and Ireland) 700 'The Auditor's Report on financial statements'	Year ends 05.04.2009 15.12.2010	(Company audits) (Other audits)
	24.04.2009	Bulletin 2009/2 'Auditor's Reports on Financial Statements in the United Kingdom'.	Year ends 05.04.2009	Company audits
International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB	03.03.2009	ISA 210 (Redrafted) , Agreeing the Terms of Audit Engagements	Periods beginning on or after 15.12.2009	Pan sector
		ISA 265 , Communicating Deficiencies in Internal Control to Those Charged with Governance and Management		

ANNEX A: Activity Summary - Auditing Standards

International standards and guidance				
Issuer	Issue Date	Standard or other pronouncement	Effective Date	Sector Relevance
IAASB continued	03.03.2009	ISA 402 (Revised and Redrafted) , Audit Considerations Relating to an Entity Using a Service Organization	Periods beginning on or after 15.12.2009	Pan sector
		ISA 700 (Redrafted) , Forming an Opinion and Reporting on Financial Statements		
		ISA 800 (Revised and Redrafted) , Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks		
		ISA 805 (Revised and Redrafted) , Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement		
		ISA 810 (Revised and Redrafted) , Engagements to Report on Summary Financial Statements.		

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	09.03.2009	Consultation Paper and Exposure Draft of Amendments to Ethical Standards for Auditors	15.06.2009	Pan sector	Joint CCAB response
	21.04.2009	Exposure Drafts of Clarified ISAs (UK and Ireland)	22.07.2009	Pan sector	Yes
International consultations					
Issuer	Issue Date	Consultations, Discussion Papers and Exposure Drafts	Response Date	Sector Relevance	Should* CIPFA respond?
IAASB		No consultation documents issued			

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ANNEX A: Activity Summary – CIPFA responses (January to April 2009)

Issuer	Subject of Consultation
APB	Consultation draft of revised Practice Note 23 'Complex Financial Instruments' Consultation on implementation of clarified ISAs (UK & Ireland)
ASB	ED proposed amendments to FRS 29
IASB	Exposure Draft on IFRS 5 amendments Exposure Draft on IFRS 1 amendments Exposure Draft - Relationships with the State
IPSASB	ED 35 Borrowing Costs Combined UK response to IPSASB Consultation on its Conceptual Framework
INTOSAI	Exposure Draft of ISA practice notes

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

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.