

Report

To: CIPFA LASAAC

From: Steven Cain, CIPFA/LASAAC Secretary

Date: March 2023

Subject: Standard setting horizon scanning – for information and comment

Purpose

The purpose of this report is to note recent and planned developments in standards, guidance and the standards environment which may be relevant to the Code.

Report

- 1.1 Notes of potentially relevant developments and potential effects are set out encompassing
- UK GAAP developments (new standards adopted)
 - Financial reporting standards planned developments
 - Auditing standards planned developments
 - Other relevant standards planned developments

Recommendations

The Board is invited to note these. Also to provide information to the Secretariat on any other issues of which they are aware.

UK GAAP developments – IFRS Adoption status in March 2023



2022 list of UK Adoptions 17 April 2022

| | UKEB | | IASB Effective date |
|---|------------------|--|------------------------|
| | Adoption date | UK-adopted international accounting standard publication | IASB Effective date |
| <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i> | 30 November 2022 | 2 December 2022 | 1 January 2023 |
| <i>Definition of Accounting Estimates (Amendments to IAS 8)</i> | 30 November 2022 | 2 December 2022 | 1 January 2023 |
| <i>Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i> | 30 November 2022 | 2 December 2022 | 1 January 2023 |
| <ul style="list-style-type: none"> • <i>IFRS 17 Insurance Contracts</i> • <i>Amendments to IFRS 17</i> • <i>Initial Application of IFRS 17 and IFRS 9—Comparative Information</i> | 16 May 2022 | 17 May 2022 | 1 January 2023 |
| <i>Annual Improvements to IFRS 2018–2020:</i> <ul style="list-style-type: none"> • <i>Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards—Subsidiary as a First-time Adopter.</i> • <i>Amendment to IFRS 9 Financial Instruments—Fees in the '10 per cent' Test for Derecognition of Financial Liabilities.</i> • <i>Amendment to IAS 41 Agriculture—Taxation in Fair Value Measurements.</i> | 12 April 2022 | 13 April 2022 | 1 January 2022 |
| <i>Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)</i> | 12 April 2022 | 13 April 2022 | 1 January 2022 |
| <i>Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)</i> | 12 April 2022 | 13 April 2022 | 1 January 2022 |
| <i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i> | 12 April 2022 | 13 April 2022 | 1 January 2022 |

UK Adoption status report: IASB/IFRIC documents not yet adopted

| | IASB Issue date | IASB Effective date |
|--|-------------------|---------------------|
| STANDARDS | | |
| - | | |
| AMENDMENTS | | |
| <i>Amendments to IAS 1 Presentation of Financial Statements</i> <ul style="list-style-type: none"> • Non-current Liabilities with Covenants • Deferral of Effective Date Amendment (published 15 July 2020) • Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) (published 23 January 2020) | 31 October 2022 | 1 January 2024 |
| <i>Lease Liability in a Sale and Leaseback</i> (Amendments to IFRS 16) | 22 September 2022 | 1 January 2024 |

FINANCIAL REPORTING DEVELOPMENTS – ISSUED STANDARDS

IFRS Adoptions

IFRS 17 Insurance Contracts
Adopted with effective date 01.01.2023

Consultation in the 2022/23 ITC reinforced the view that IFRS 17 will seldom be materially relevant to local authorities.

The 2023/24 ITC proposed that mandatory adoption be deferred in line with the FReM.

Responses are still being considered. It is possible that a small amount of material in the Code will be required, rather than following the current approach where IFRS 4 is mentioned only in Appendix A.

Appropriate liaison to be carried out with CIPFA forums where guidance rather than Code material is appropriate.

Other IFRS not yet effective, or not yet UK endorsed

No significant matters identified

IPSAS issued

IPSAS 43, *Leases*

Phase One of the leases project, covering commercial leases. Effective 2025

No direct impact. It will be interesting to see how Phase Two of the project progresses, encompassing public sector specific matters such as leases with a non-exchange element. Consultation on this has started as explained below.

| FINANCIAL REPORTING PLANNED DEVELOPMENTS | |
|---|---|
| IASB consultations | |
| Exposure Draft and comment letters: Third edition of the IFRS for SMEs Accounting Standard (Comments due by 7 March 2023) | No direct effect on Code. May influence revision of FRS 102 and so in due course affect some entities included in group consolidations. |
| Exposure Draft: International Tax Reform—Pillar Two Model Rules (Comments due by 10 March 2023) | Relevant to large multinational enterprises subject to OECD Pillar Two. |
| IPSASB consultations on financial reporting | |
| Exposure Draft (ED) 84, Concessionary Leases and Right-Of-Use Assets In-Kind Amendments to IPSAS 43 and IPSAS 23 (Comments due by May 17, 2023) | Potentially relevant to UK public sector consideration of accounting for peppercorn leases under IFRS 16 where the transaction is not a commercial exchange. |
| FRC consultations on financial reporting | |
| FRED 82 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review (The FRC is requesting comments by 30 April 2023) | The principal amendments proposed include simplified versions of: (a) the five-step model for revenue recognition from IFRS 15 Revenue from Contracts with Customers (b) the on-balance sheet model from IFRS 16 Leases |
| UK public sector developments | |
| HMT Thematic Review | The Exposure Draft of proposed changes to the FReM should be issued imminently. Perhaps by the time of the CIPFA LASAAC meeting. |
| Other known financial reporting consultations | |
| Not applicable | |

| AUDITING PLANNED DEVELOPMENTS | |
|---|---|
| IAASB consultations | |
| <p>Proposed International Standard On Auditing 500 (Revised), Audit Evidence, And Proposed Conforming And Consequential Amendments To Other ISAs</p> <p>(Comments due by: Apr 24, 2023)</p> | <p>This mainly seeks to improve the extant ISA through</p> <ul style="list-style-type: none"> • a principles-based approach to whether sufficient appropriate audit evidence has been obtained; • modernising the standard to reflect the current business and audit environment, and the auditor’s use of technology, such as automated tools and techniques; and • emphasising the role of professional skepticism |
| <p>Proposed Strategy and Work Plan For 2024–2027</p> <p>(Comments due by: Apr 11, 2023)</p> | <p>This sets the priorities for the IAASB, including further consideration around assurance on sustainability reporting</p> |
| <p>Proposed Part 10, Audits Of Group Financial Statements Of The Proposed ISA For Audits Of Financial Statements Of Less Complex Entities</p> <p>(Comments due by: May 02, 2023)</p> | <p>This addresses issues around group audits for audits which might apply the proposed ISA for less complex entities</p> <p>(in practice not applicable to the public sector)</p> |
| FRC consultations on audit | |
| No open consultations | |
| Other consultations on audit | |
| None noted | |

| OTHER RELEVANT PLANNED STANDARDS DEVELOPMENTS | |
|---|--|
| IFRS Foundation consultations on other matters | |
| None ongoing | None ongoing although news items suggest ISSB sustainability reporting consultations are imminent. |
| IPSASB consultations on other matters | |
| None ongoing | |