

Report

To: Accounting and Financial Reporting Forum

From: Steven Cain

Date: November 2023

Subject: Horizon scanning - financial reporting standards developments

Purpose

The purpose of this report is to note current and planned developments in standards, guidance and the standards environment which may be relevant to public sector stakeholders

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 November 2023



2023 list of UK Adoptions

	UKEB		IASB Effective date
	Adoption date	UK-adopted international accounting standard publication ²	IASB Effective date
Amendments to IAS 1 <i>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)	21 July 2023	24 July 2023	1 January 2024
<i>International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)</i>	19 July 2023	19 July 2023	1 January 2023
<i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	11 May 2023	16 May 2023	1 January 2024



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

21 July 2023

	IASB Issue date	IASB Effective date	Link to UKEB project page ¹
STANDARDS			
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AMENDMENTS			
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	25 May 2023	1 January 2024	Project page

Each of the above are being consulted on in the 2024/25 ITC. In most cases no changes are proposed for the main body of the Code.

FINANCIAL REPORTING DEVELOPMENTS – ISSUED STANDARDS	
IFRS Adoptions	
IFRS 17 Insurance Contracts Adopted with effective date 01.01.2023	<p>Consultation in the 2022/23 ITC reinforced the view that IFRS 17 will seldom be materially relevant to local authorities.</p> <p>The 2023/24 ITC proposed that mandatory adoption be deferred in line with the FReM.</p> <p>The 2024/25 ITC continues to propose IFRS 17 is treated in the same way as IFRS 4 which is mentioned only in Appendix A. It invites comments in case these provide evidence of wider applicability, or (more likely) where guidance on determining that IFRS 17 does not apply might be helpful .</p> <p>Appropriate liaison to be carried out with CIPFA forums where guidance rather than Code material is appropriate.</p>
Other IFRS not yet effective, or not yet UK endorsed	
No significant matters identified	
IPSAS pronouncements issued since May	
<i>Updated Conceptual Framework: Chapter 3, Qualitative Characteristics</i>	<p>This update clarifies the role of prudence and adds 'obscuring information' to factors affecting materiality judgments.</p> <p>The updated chapter completes the limited scope project to improve the IPSASB's Conceptual Framework for Financial Reporting by Public Sector Entities, which also included:</p> <p>Chapter 5, Elements in Financial Statements</p> <p>Chapter 7, Measurement of Assets and Liabilities in Financial Statements</p>

FINANCIAL REPORTING PLANNED DEVELOPMENTS	
IASB consultations	
<p>Exposure Draft: Annual Improvements to IFRS Accounting Standards - Volume 11</p> <p>September 2023</p> <p>Comments to be received by 11 December 2023</p>	<p>Annual improvements are limited to changes that either clarify the wording in an IFRS Accounting Standard, or correct relatively minor unintended consequences, oversights or conflicts between requirements of the Accounting Standards.</p>
IPSASB consultations on financial reporting	
<p>Exposure Draft (ED) 85, Improvements To IPSAS, 2023</p> <p>Oct 16, 2023</p> <p>Comments due by: Dec 18, 2023</p>	<p>This proposes minor improvements to accrual basis IPSAS that arise through publications of the International Accounting Standards Board (IASB).</p>
FRC consultations on financial reporting	
<p>FRED 84 Draft amendments to FRS 102 – Supplier finance arrangements</p> <p>Published: 28 September 2023</p> <p>Response Deadline: 31 December 2023</p>	<p>FRED 84 proposes new disclosure requirements to provide users of financial statements with additional information about an entity's use of supplier finance arrangements and the effect of such arrangements on the entity's financial position and cash flows. The proposals are based on amendments issued by the IASB in May 2023.</p>
UK public sector developments	
No active consultations	
Other known financial reporting consultations	
Not applicable	
Other FRC consultations impacting on financial reporting	
<p>Consultation paper</p> <p>AS TM1: Statutory Money Purchase Illustrations</p> <p>Published: 3 November 2023</p> <p>Response Deadline: 4 December 2023</p> <p>RESPONSE DEADLINE: 4 DECEMBER 2023</p>	<p>Actuarial Standard Technical Memorandum 1 specifies the actuarial assumptions and methods to be used in the calculation of Statutory Money Purchase Illustrations (SMPIs).</p>

AUDITING PLANNED DEVELOPMENTS	
IAASB consultations	
<p>Proposed International Standard On Sustainability Assurance 5000, General Requirements For Sustainability Assurance Engagements</p> <p>Including Proposed Conforming and Consequential Amendments to Other IAASB Standards</p> <p>Aug 2, 2023</p> <p>Comments due by: Dec 1, 2023</p>	<p>With the goal of enhancing the trust and confidence investors, regulators and other stakeholders have in sustainability information, this proposed standard will serve as a comprehensive, stand-alone standard suitable for any sustainability assurance engagements. It will apply to sustainability information reported across any sustainability topic and prepared under multiple frameworks. The proposed standard is also profession agnostic, supporting its use by both professional accountant and non-accountant assurance practitioners.</p>
FRC consultations on audit	
<p>Proposed Revisions to ISA (UK) 250 Section A and ISA (UK) 250 Section B</p> <p>Published: 18 October 2023</p> <p>Response Deadline: 12 January 2024</p>	<p>ISA (UK) 250A: a more robust risk assessment process will be introduced to help auditors identify those laws and regulations that have, or may potentially have, a material effect on the financial statements.</p> <p>ISA (UK) 250B: the FRC is proposing to introduce a more principles-based approach so that information that is of significance is reported to regulators even where law, regulation or relevant ethical requirements do not require it.</p>
<p>FRC Revised Ethical Standard Key Changes</p> <p>Published: 7 August 2023</p> <p>Response Deadline: 31 October 2023</p>	<p>The proposed revisions to the Ethical Standard enhance prohibitions where an audit firm's independence could be threatened by an economic over reliance on fees from specific entities that are connected. Other changes to prohibitions reflect relevant findings from audit inspections and enforcement cases.</p> <p>Additional changes reflect significant developments in the International Ethics Standards Board for Accountants (IESBA) Code since the FRC last revised the Ethical Standard in 2019. These ensure that the UK's Ethical Standard is no less stringent than the international code.</p> <p>The new standard has also been revised to ensure breaches of ethical standards are reported to the FRC on a more timely basis.</p>

<p>Revisions to proposed International Standard on Auditing (UK) 505</p> <p>Published: 11 August 2023</p> <p>Response Deadline: 1 September 2023</p>	<p>The revisions reflect recent enforcement findings as well as ensuring that the standard reflects modern approaches to obtaining confirmations, with additional material on the use of digital platforms, enhanced requirements in relation to investigating exceptions and a prohibition on negative confirmations.</p>
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OTHER RELEVANT PLANNED STANDARDS DEVELOPMENTS	
IFRS Foundation consultations on other matters	
None noted at this time	
IPSASB consultations on other matters	
<p>Strategy And Work Program 2024-2028: Consultation Oct 3, 2023 Comments due by: Feb 15, 2024</p>	<p>The International Public Sector Accounting Standards Board has opened a consultation to hear stakeholder feedback on its proposed strategy and work program for 2024-2028.</p> <p>The IPSASB proposes to update its strategic objective to reflect the shift in the balance of public sector financial reporting needs towards the maintenance of IPSAS and the development of sustainability reporting standards.</p> <p>While not currently undertaking major financial reporting projects, the consultation asks for views on projects to be addressed in future. Also, which sustainability reporting matters it might address after completing its three committed projects.</p>