

Report

To: CIPFA LASAAC

From: Steven Cain

Date: April 2024

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 April 2024
(most recent adoption report is November 2023)**



2023 list of UK Adoptions			
	UKEB		IASB Effective date
	Adoption date	UK-adopted international accounting standard publication ²	IASB Effective date
<i>Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)</i>	28 November 2023	30 November 2023	1 January 2024
<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)	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

These have been known about and consulted on in the 2024/25 ITC.



UK Adoption status report: IASB/IFRIC documents not yet adopted		30 November 2023	
	IASB Issue date	IASB Effective date	Link to UKEB project page ¹
STANDARDS			
-			
AMENDMENTS			
Lack of Exchangeability	15 August 2023	1 January 2025	Project page

Lack of Exchangeability — *Amendments to IAS 21* will be reviewed when developing the consultation on the 2025/26 Code on Local Authority Accounting. It will probably apply in limited circumstances but not to the extent that it warrants change or specific commentary in the main body of the Code.

FINANCIAL REPORTING DEVELOPMENTS – ISSUED STANDARDS

IFRS Adoptions

IFRS 17 Insurance Contracts
Adopted with effective date 01.01.2023

It is expected that the 2025/26 ITC will continue to propose IFRS 17 is treated in the same way as IFRS 4 which is mentioned only in Appendix A. Unlike previous proposals this will relate to the upcoming Code rather than the Code for later years.

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

IFRS 18 Presentation and Disclosure in Financial Statements was issued by the International Accounting Standards Board (IASB) on 09 April 2024.
Subject to UK endorsement it will be effective from 01.01 2027 with early adoption permitted.

Secretariat review suggests that the changes relate mainly to standardising intermediate sub-totals and aggregation to provide consistent performance measures.

It is not clear that these are needed given the current Code requirements, but Secretariat will review the alignment of Code requirements with the new IFRS when setting out proposals for future Code consultations.

IPSAS pronouncements issued since November

IPSAS 49, Retirement Benefit Plans

IPSAS 49, Retirement Benefit Plans establishes comprehensive accounting and reporting requirements for the financial statements of retirement benefit plans, with participants comprising current and former public sector employees and other eligible members.

IPSAS 49 was adapted from IAS 26

The Conceptual Framework For General Purpose Financial Reporting By Public Sector Entities

The Conceptual Framework was developed and approved in 2014 by the IPSASB and was originally published in October 2014. In 2023, Chapters 3, 5, and 7 were updated.

FINANCIAL REPORTING PLANNED DEVELOPMENTS	
IASB consultations	
Financial Instruments with Characteristics of Equity— Proposed amendments to IAS 32, IFRS 7 and IAS 1 Due date 29/03/2024	Not relevant to most public sector circumstances. CIPFA did not respond
IPSASB consultations on financial reporting	
Exposure Draft (ED) 86, Exploration For And Evaluation Of Mineral Resources Exposure Draft (ED) 87, Stripping Costs In The Production Phase Of A Surface Mine (Amendments to IPSAS 12) Due date 31 May 2024	These provide counterpart material to current IFRS, rather than public sector specific material being developed as part of IPSASB's Natural Resources project. Suggest CIPFA should not respond.
Exposure Draft (ED) 88, Arrangements Conveying Rights Over Assets Due date 31 May 2024	This proposes amendments relating to concessionary leases and other rights over assets provided without exchange of consideration. These matters are covered by specific material in the Code and FReM. CIPFA will review this to determine whether a response is appropriate, probably taking advice from Accounting and Financial Reporting Forum.
FRC consultations on financial reporting	
FRED 85 Draft amendments to FRS 101 Reduced Disclosure Framework – 2023/24 cycle 5 March 2024 due date	Relates to subsidiaries of IFRS applying groups. Probably not relevant to public sector. CIPFA did not respond.
UK public sector developments	
Non-investment Asset Valuation - Exposure Draft 23 (01) Due date 16 February 2024	Public consultation on HM Treasury proposals for adaptations and interpretations of international accounting standards in respect of the measurement of assets CIPFA sent a high level response but did not engage with the detail of the proposals.
Addressing the local audit backlog in England: Consultation 7 March 2024	DLUHC consultation CIPFA did not respond

Other known financial reporting consultations	
Not applicable	
Other FRC consultations impacting on financial reporting	
Not applicable	

AUDITING PLANNED DEVELOPMENTS	
IAASB consultations	
<p>Proposed International Standard On Auditing 240 (Revised): The Auditor's Responsibilities Relating To Fraud In An Audit Of Financial Statements</p> <p>Including Proposed Conforming and Consequential Amendments to Other ISAs</p> <p>Comments due by: Jun 5, 2024</p>	<p>Proposed ISA requirements to enhance / clarify responsibilities of auditor in relation to fraud</p>
<p>Proposed Narrow Scope Amendments To ISQMs, ISAs, And International Standard On Review Engagements 2400 (Revised), Engagements To Review Historical Financial Statements</p> <p>As a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code</p> <p>Comments due by: Apr 8, 2024</p>	<p>Conforming amendments to reflect revised definitions in Ethical code</p>
FRC consultations on audit	
Not applicable	
UK public sector developments	
<p>NAO Code of Audit Practice</p> <p>The consultation ran from 8 February to 7 March 2024.</p>	<p>The National Audit Office (NAO) proposed changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.</p> <p>CIPFA responded to this consultation</p>

OTHER RELEVANT PLANNED STANDARDS DEVELOPMENTS	
IFRS Foundation consultations on other matters	
None noted at this time	
IPSASB consultations on other matters	
None noted at this time.	