

Foreword

This guide explains the frameworks under which accounting and auditing standards are developed and comments on how they are interpreted and adapted for UK public services. It reflects the changes in public services administration since publication of the 2013 edition and takes a brief look at future developments in financial reporting and audit. By setting these in a single publication, this guide provides a unique perspective for all those interested in financial reporting and audit for the UK public services.

The main changes to the financial reporting landscape, some effects of which are not yet fully worked through, include:

- A new UK GAAP. This incorporates EU-adopted IFRS which must be applied by some entities, and a small set of home-grown UK standards.
- The abolition of the Audit Commission. However, local government in England and Wales has yet to fully move from a commissioning model to direct appointment.
- A reduced scope for FRC audit standard setting. ISAs (UK & Ireland) have been withdrawn and replaced by ISAs (UK).
- The decision of the UK government to leave the European Union. The practical effect on the legal basis for company reporting and on the standards used by companies and other bodies remains to be seen.

There have been relatively few substantive changes to the IAASB's suite of ISAs although some major revisions are planned.

We hope that this guide will be a useful overview for practitioners, accountancy students and all those interested in financial reporting and audit in the public services. CIPFA would like to thank the drafting team and other practitioners who have provided critical advice on the text.

David Watkins

Chair, CIPFA Accounting and Auditing Standards Panel

Contents

CHAPTER 1: INTRODUCTION.....	1
1.1 ABOUT THIS REVISED CIPFA PUBLICATION	1
1.2 WHY PRIVATE SECTOR STANDARDS ARE RELEVANT	1
1.3 UK FRAMEWORKS BASED ON INTERNATIONAL STANDARDS.....	2
1.4 OTHER MATTERS AFFECTING THE DEVELOPMENT OF ACCOUNTING AND AUDITING STANDARDS.....	2
CHAPTER 2: ACCOUNTING STANDARD SETTING AND FRAMEWORKS.....	5
2.1 GENERAL STANDARD-SETTING FRAMEWORKS FOR FINANCIAL REPORTING.....	5
2.2 THE DEVELOPMENT OF FINANCIAL REPORTING IN PUBLIC SERVICES.....	5
2.3 PUBLIC SERVICE SECTOR PROCESSES FOR GUIDANCE DEVELOPMENT, QUALITY ASSURANCE AND APPROVAL	9
2.4 KEY FEATURES OF CENTRAL GOVERNMENT, DEVOLVED ADMINISTRATION AND HEALTH SECTOR FINANCIAL REPORTING.....	9
2.5 KEY FEATURES OF LOCAL GOVERNMENT FINANCIAL REPORTING.....	14
2.6 KEY FEATURES OF FINANCIAL REPORTING BY REGISTERED SOCIAL HOUSING PROVIDERS.....	17
2.7 KEY FEATURES OF FURTHER AND HIGHER EDUCATION FINANCIAL REPORTING	19
2.8 KEY FEATURES OF CHARITY SECTOR FINANCIAL REPORTING	20
2.9 PUBLIC SECTOR AND PUBLIC SERVICE COMPANIES	22
2.10 KEY ISSUES AND FUTURE DEVELOPMENTS.....	22
CHAPTER 3: AUDITING STANDARD SETTING AND FRAMEWORKS.....	25
3.1 GENERAL STANDARD SETTING FRAMEWORKS FOR ‘FINANCIAL AUDIT’	25
3.2 IMPLEMENTATION IN THE PUBLIC SERVICES.....	26
3.3 WIDER RESPONSIBILITIES OF PUBLIC SERVICE AUDITORS	26
3.4 GUIDANCE FOR SPECIFIC SECTORS.....	28
3.5 KEY ISSUES AND FUTURE DEVELOPMENTS.....	29
CHAPTER 4: GETTING THE BEST STANDARDS AND GUIDANCE.....	31
4.1 IMPROVING STANDARDS AND GUIDANCE THROUGH CONSULTATION	31
4.2 CIPFA ACTIVITIES IN THE STANDARDS ARENA.....	31
4.3 HOW INDIVIDUALS CAN CONTRIBUTE.....	32
APPENDIX 1A: FINANCIAL REPORTING COUNCIL	33
APPENDIX 1B: CORPORATE REPORTING COUNCIL AND THE FORMER ACCOUNTING STANDARDS BOARD	35
STANDARD SETTING FOR FINANCIAL REPORTING.....	35
OTHER GUIDANCE FOR THE UNITED KINGDOM AND IRELAND	36
APPLICATION GUIDANCE: INDUSTRY-SPECIFIC AND SECTOR SORPS	36
APPENDIX 1C: AUDIT AND ASSURANCE COUNCIL AND THE FORMER AUDITING PRACTICES BOARD	39
STANDARD SETTING FOR AUDIT.....	39
OTHER GUIDANCE FOR THE UK.....	40

APPLICATION GUIDANCE: INDUSTRY-SPECIFIC AND SECTOR-SPECIFIC PRACTICE NOTES.....	40
EXTANT QUALITY CONTROL AND AUDITING STANDARDS.....	41
APPENDIX 2: INTERNATIONAL ACCOUNTING STANDARDS BOARD AND IFRS	43
EXTANT IASB STANDARDS AS AT 30 SEPTEMBER 2018	44
APPENDIX 3A: INTERNATIONAL FEDERATION OF ACCOUNTANTS.....	47
APPENDIX 3B: INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD.....	49
EXTANT INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS AS AT 30 SEPTEMBER 2018	51
APPENDIX 3C: INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD	53
APPENDIX 4: ADOPTION OF INTERNATIONAL STANDARDS IN THE EUROPEAN UNION.....	55
FINANCIAL REPORTING	55
AUDIT.....	56
SUPPORT PROCESSES: FINANCIAL REPORTING STANDARDS.....	56
SUPPORT PROCESSES: AUDITING STANDARDS.....	57
OTHER INPUT FROM EUROPEAN STAKEHOLDERS.....	57
APPENDIX 7: PUBLIC SECTOR REGULATORS, RELATED LEGISLATION AND REGULATIONS	61
APPENDIX 8: LEGISLATION AND REGULATIONS WHICH SUPPORT PUBLIC BENEFIT ENTITY SORP GUIDANCE.....	63
APPENDIX 9: THE STATUTORY BASIS FOR PUBLIC SECTOR AUDITS	65
APPENDIX 10: ARRANGEMENTS FOR AUDITS OF OTHER PUBLIC SERVICE BODIES.....	67
APPENDIX 11: INTERNATIONAL ORGANISATION OF SUPREME AUDIT INSTITUTIONS.....	69
APPENDIX 12: GLOSSARY OF ABBREVIATIONS	71
APPENDIX 13: USEFUL ONLINE RESOURCES.....	73