

APPENDIX A

Issues Raised by the Consultation on the 2013/14 Code Agreed by CIPFA/LASAAC to be Carried Forward into the 2014/15 Code and other Code Development Areas Previously Considered by CIPFA/LASAAC

	Issue Raised	Action
1	<p>The term 'statement of accounts' is defined in paragraph 1.6.4 as 'the financial statements, statement of accounting policies, and notes to the accountsfor the purpose of the auditor's certificate and opinion'.</p> <p>The separate reference to statement of accounting policies is not required. It is now known as a summary of significant accounting policies and forms part of the notes.</p> <p>It is not clear why the definition is restricted to the auditor's certificate and opinion. We suggest that 'for the purpose of the auditor's certificate and opinion' be removed. (paragraphs 1.1.2/1.6.4)</p> <p>The term 'statement of accounts' is used on several occasions before this paragraph. We suggest the definition (amended as above) is moved to the place where it is first used (i.e. paragraph 1.1.2) so that it is clear from the outset what it covers.</p>	<p>'Statement of Accounts' is a statutory term used for local authorities in the UK. The references to this in paragraph 1.1.2 have not therefore changed. IFRS uses the term complete set of financial statements. Paragraph 1.6.4 demonstrates how the two are related. Some minor clarifications have been added to paragraph 1.6.4 to clarify the relationship.</p> <p>CIPFA/LASAAC's views are sought on this proposed change.</p>
2	<p>The Code refers to the requirement for a true and fair view in several places, but there are some inconsistencies in the wording used. For example, paragraph 1.4.1 states that the accounts should give a 'true and fair' view of the financial position and financial performance of the authority. Paragraph 2.1.1.4 refers to presenting a true and fair view of cash-flows. Paragraph 3.2.4.1 refers to 'a true and fair view of expenditure and income'.</p> <p>References to true and fair in other paragraphs (e.g. 1.1.1 and 1.1.5) are to 'transactions' rather than 'financial performance', or 'expenditure and income', and do not mention cash-flows.</p> <p>We suggest that consistent phraseology is used throughout the Code in respect of true and fair, and that 'gives a true and fair view of the financial position and</p>	<p>This reflects the nature of the different sources for the provisions in the Code. As this is not an essential amendment it has not been included in the 2014/15 Code.</p>

	transactions of the authority' be used throughout.	
3	<p>Paragraph 1.5.3 states that authorities should ensure that the explanatory foreword does not contain material inaccuracies or misleading statements in relation to the statement of accounts.</p> <p>We agree with this principle but suggest that the wording be changed to 'ensure that it is consistent with the statement of accounts'. This promotes consistency (rather than the slightly different emphasis of avoiding inconsistency) and is in accordance with the auditor's responsibility to give an opinion on the foreword's consistency with the accounts.</p>	<p>This was considered for amendment by the Secretariat. However, the Code is drafted for accounts preparers and not to accord with ISA (UK AND IRELAND) 720: Section A – <i>The Auditor's Responsibilities Relating to other information in Documents Containing Audited Financial Statements Objective</i>. The objective from a preparer's perspective is to ensure that there are no material inaccuracies or misleading statements.</p>
4	<p>Paragraph 3.4.2.17 lists what a complete set of financial statements comprises. However, it omits the HRA statements; collection fund/council tax income account; and non-domestic rate income account.</p>	<p>Agreed and included in minor amendments.</p> <p>CIPFA/LASAAC's views are sought on this proposed change.</p>
5	<p>Paragraph 3.4.2.34 states that the financial statements should be clearly identified from other information. We suggest that 'and notes' be added after 'financial statements'.</p>	<p>The Secretariat does not concur this wording replicates that of IAS 1 <i>Presentation of Financial Statements</i>.</p>
6	<p>Paragraph 6.5.1.3 states that section 6.5 of the Code does not by itself specify all the requirements for preparing pension fund financial statements, and other relevant provisions of the Code apply to the extent they are not superseded by section 6.5. It would be helpful on the grounds of consistency if the main relevant provisions in respect of other statements to be included with the financial statements in the pension fund annual report were listed in this paragraph. We suggest, for example, clarification is added that paragraph 3.2.1.1 of the Code which requires a statement of responsibilities and paragraph 3.1.1.1 of the Code which requires an explanatory foreword apply to the pension fund financial statements.</p> <p>However, the Code's requirement for an annual governance statement is superseded by the statutory requirement for a governance compliance statement, and therefore an annual governance</p>	<p>At its March meeting CIPFA/LASAAC agreed not to include significantly changed provisions in Section 6.5. It did, however, request that the Secretariat review the requirement for the provision of governance statements relating to Scottish local authority pension funds. The Secretariat has reviewed this issue and has accepted the principle raised by this respondent but has added further clarification to ensure that the Code's provisions in Section 3.7 relating to the Statement of the System of Internal Financial Control are met. See new proposed paragraph at inserted 6.5.5.2.</p> <p>CIPFA/LASAAC's views are sought on this proposed change.</p>

	<p>statement should not be included with the pension fund financial statements. We suggest that this be clarified in the Code.</p> <p>Another authority referred to pension fund accounting not being incorporated into “your normal change regime. 2010/11 saw a fundamental change in relation to financial instruments and 2011/12 the introduction of related party disclosures”.</p>	
7	<p>Paragraph 9.1.1.5, which is under the heading of interpretations and adaptations, includes a requirement for authorities in Scotland to consider the consolidation of common good funds in the group accounts. It is not clear why it is considered that this requirement is an adaptation or interpretation. The inclusion of the common good in group accounts should be considered in line with SIC 12 (see following point in regard to paragraph 9.1.1.9).</p>	<p>Although this was included under the heading adaptations – these paragraphs relate to scope and application issues and therefore the heading has been changed for this section of the Code to “Adaptation and Application for the public sector context”. It is suggested that the remaining sections of the Code where this applies should be amended in the same way.</p> <p>CIPFA/LASAAC’s views are sought on these proposed changes.</p>
8	<p>Management commentary Update – Local Audit and Accountability Bill</p> <p>The Code’s provisions on the management commentary were consulted on for the 2012/13 Code. The current position ie the encouragement to follow the provisions of the FReM was intended to be a holding position until the legislative position is clear.</p>	<p>The Secretariat has considered the issue and has reviewed the issue internally. The Local Audit and Accountability Bill, currently before Parliament, does not include any provisions for an Annual Report. This does not preclude these provisions being brought forward under secondary legislation. The Secretariat therefore recommends no action in the 2014/15 Code.</p>
9	<p>Service Concession Arrangements (PFI/PPP Schemes)</p> <p>This relates to the measurement of the liability ie under the IAS 17 <i>Leases</i> Provisions or under the IAS 39 <i>Financial Instruments: Recognition and Measurement</i> provisions and the grant of a right to the operator (third party payment) model.</p>	<p>The consultation results were not conclusive on the measurement of the liability. The FReM requires measurement on an IAS 17 basis. It is suggested that this section of the Code is not developed any further until there is a relative period of stability in the Code and/or there are changes to the leasing standard.</p> <p>The grant of a right to the operator model has been considered by FRAB at its February meeting and there were differing (and opposing) views at the meeting. As both the FRAB and CIPFA Secretariat do not consider that there is a wide application of this issue then it is suggested that this remains a review item. The Code currently requires authorities to follow relevant accounting standards.</p>
10	<p>Review of the approach to reporting of</p>	<p>It is recommended that as the current position</p>

	actuarial present value of promised retirement benefits.	is consistent with IFRS that no further amendments are made at this juncture.
12	<p>One of the CIPFA/LASAAC Members has highlighted an issue in relation to the comments that Chapter Eight (Liabilities) has on IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities. This indicates that IFRIC 1 will only apply rarely in local authorities. The Secretariat is aware that this is an issue as it applies to landfill restoration sites - a subject which has been much debated in local government accounting circles recently.</p> <p>The Secretariat is also aware that LASAAC are considering the issue of accounting for landfill sites under IFRIC 1. LASAAC will meet on 4 June 2013. This will be reported to CIPFA/LASAAC its next meeting.</p>	<p>The ITC raises the issue of the commentary in relation to the rare application of IFRIC 1. However, the Code includes the commentary that where an authority has a transaction or event that requires that it follows IFRIC 1 it is required to do so. The FReM also requires in paragraphs 10.2.17 to 10.2.18 that reporting entities follow the IFRIC.</p> <p>The Secretariat recommends that this is an item for debate at the meeting.</p>