



**Code of Practice on
Local Authority
Accounting in the
United Kingdom – short
term England-only
measures to aid the
recovery of local
authority reporting and
audit**



Introduction

About ICAS

The Institute of Chartered Accountants of Scotland (ICAS) is a global, professional membership organisation and business network for Chartered Accountants. It's also an educator, regulator, examiner and a professional awarding body.

ICAS' diverse membership is made up of over 23,000 world class business professionals who work in the UK and in more than 80 countries around the globe. Members of ICAS are also known by the letters CA, an exclusive professional designation in the UK.

ICAS members operate at the forefront of ethical and sustainable business. Educated, regulated, and led by the highest standards of ethical leadership since 1854, they are at the top of their game. They are trusted professionals, that transform business and support one another for the greater good.

Acting in the public interest is the guiding principle of all that ICAS does and we continually work to maintain trust in the finance profession. That ethos is enshrined in ICAS' Code of Ethics – which applies to all members, students and member firms, and is underpinned by our Royal Charter commitment.

ICAS is a member of the Chartered Accountants Worldwide Network, a global family that brings together the members of 15 leading institutes to create a community of over 1.8 million Chartered Accountants and students in more than 190 countries.

Any enquiries should be addressed to atelfer@icas.com.

Key Points

Please see detailed responses.

Response to detailed questions

Consultation questions	ICAS response
Simplifying measurement for operational property, plant and equipment using indexation	
<p>1. Do you agree with the proposal that, for local authorities in England only and for the 2023/24 and 2024/25 reporting periods, the application of the requirements of the Code should be amended so that asset values in the financial statements may be based on the most recent valuation which has been subject to audit, adjusted for depreciation, and updated by a standard centrally determined index? If not, why not? Please provide reasons for your view.</p>	<p>No, we believe this is of limited impact and value.</p> <p>Although we appreciate the context, there are various concerns about the use of indices which question the feasibility and cost benefit of this proposal:</p> <ul style="list-style-type: none"> - The implementation timescales are very short, the 2-year duration period is short and there is a risk of inconsistency in valuation approach across local authorities. - Potentially these indices could be complex if they are to meet the intention of providing a guide to fair value i.e. they will need to reflect geographical variations and city versus country variations. - Previous experience of using indices suggests that when the formal revaluations are received it can lead to significant movements from the indexed values, particularly in specialised assets. <p>For both question 1 and 7, we are not supportive of creating different accounting practices across UK jurisdictions (except where they are driven by statute or government policy).</p>
<p>2. Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for preparers, having regard both to additional work that would be required to implement the change, and anticipated reductions in requirements to provide additional evidence to auditors and to resolve auditor queries?</p>	<p>No. We are not convinced that this will have sufficient impact to merit the change at this late stage.</p>
<p>3. Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for auditors? If not, why not? Please provide reasons for your view</p>	<p>No. Although we respect the context, the main purpose of the Code is to apply principles for financial reporting so the audit workload question is not relevant for Code drafting.</p>
<p>4. Who do you consider would be an appropriate authoritative body to determine the indices to be applied?</p>	<p>A professional valuer offers credibility.</p>

Consultation questions	ICAS response
5. By what date would you need this information to be able to effectively implement an indexation approach?	-
6. Do you have any other comments on this proposal?	We are not convinced of the cost benefit of this proposal.
Reduced pensions disclosures	
7. Do you agree with the proposal that, for local authorities in England only and for the 2023/24 and 2024/25 reporting periods, the application of the requirements of the Code should be amended so that reduced pension disclosures are required, as outlined in the exposure draft? If not, why not? Please provide reasons for your view, noting any specific pension disclosures for which you consider this approach to be problematic.	No. We are not convinced this proposal will make a meaningful difference to the timescales for producing accounts. If IFRS has been agreed as the approved framework it should be adopted as required. We are not supportive of the Code creating inconsistencies in financial reporting with other UK jurisdictions.
8. Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for preparers, having regard both to additional work that would be required to implement the change, and anticipated reductions in requirements to provide additional evidence to auditors and to resolve auditor queries? If not, why not? Please provide reasons for your view.	No.
9. Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for auditors?	No.
10. Do you have any other comments on this proposal?	A more fundamental review is required - see our response to question 11.
Other comments on the short-term proposals	
11. Do you have any other comments on how the short-term proposals might be implemented? For example, having considered the proposal in this ITC, to the extent that you are in favour of them, do you agree or disagree that this is an appropriate matter for specification in the Code, which is a matter for CIPFA/LASAAC to determine under its usual process?	There is a limit to what can be achieved short-term through amending the Code to simplify and streamline financial reporting. The level of fundamental reform required needs greater government involvement and legislative change.



CA House, 21 Haymarket Yards, Edinburgh, UK, EH12 5BH

+44 (0) 131 347 0100


connect@icas.com

icas.com

 @ICASaccounting

 ICAS – The Professional Body of CAS

 icas_accounting

 icas_accounting