

REPORT

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Committee	CIPFA/LASAAC LOCAL AUTHORITY SORP BOARD
Venue	Edinburgh
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Subject	Structure and Format for the new IFRS-Based Code

1. INTRODUCTION

- 1.1. The introduction of an IFRS-based Code of Practice on Local Authority Accounting provides an opportunity to review the structure and coverage of the Code and the related Guidance Notes, to ensure the documents best serve practitioners in the future.
- 1.2. This report considers the format of the IFRS-based Code, and the balance to be struck between the Code and the Guidance Notes, providing a sample section of both documents, prepared as a pilot exercise. The report also seeks guidance from CIPFA/LASAAC on the Code structure.

2. CODE STRUCTURE

- 2.1. The structure of the current SORP has developed over time in response to changes in accounting standards. The bulk of the main accounting requirements are contained within a single chapter, although an additional chapter has recently been added to cover financial instruments.
- 2.2. CIPFA Secretariat took the view that the IFRS-based Code of Practice would be easier for users to follow if chapters and sections were used to separate out the accounting requirements of the various accounting standards. This approach has been adopted in the I-FReM and also in the FRSSE. Both documents were used as a guide in preparing the proposed structure of the Code, and the proposals here are broadly similar.
- 2.3. The proposed structure of the Code, incorporating the chapter and section layout, is included as Appendix A to this report.

3. CODE FORMAT

- 3.1. The SORP has always contained sufficient detail for practitioners to be able to identify the accounting requirements for local authorities without regular reference to accounting standards, and has linked this with the relevant legal requirements. The

Guidance Notes have provided further details and practical advice, and together the two documents (along with other codes such as the Best Value Accounting Code of Practice) are often the only documents practitioners regularly refer to.

- 3.2. In contrast, the I-FReM (in line with previous versions) provides a summary of the requirements of the accounting standards, and states any interpretations or adaptations that are to be taken into account when applying the standards. It would not be possible to identify the accounting requirements for central government solely by reference to the I-FReM.
- 3.3. The Foundation Trust FReM and the NHS Finance Manual adopt a similar approach to the I-FReM in that practitioners are expected to refer to the accounting standards. The FT FReM also refers users to the relevant section of the FReM.
- 3.4. Experience and informal feedback from local authority practitioners is that they will expect the IFRS-based Code to contain a similar level of detail to the SORP; they will not expect to need to refer to accounting standards on a regular basis. Maintaining this approach should therefore ease the transition to IFRS as well as helping to maintain clear links between relevant statutes and financial reporting standards. However, the Secretariat considers that the link between the Code and the standards should be made more explicit than is currently the case.
- 3.5. It is therefore proposed that the overall balance between the Code and the Guidance Notes remains similar to that between the SORP and the Guidance Notes, but with some reformatting. Sample extracts of both documents, illustrating this balance, are included as Appendix B (Code) and Appendix C (Guidance Notes). The sample extracts cover intangible assets.
- 3.6. Appendix D includes a checklist used when preparing the Code and Guidance Notes, highlighting how the requirements of the standards are matched to the new Code and Guidance Notes and the existing SORP and Guidance Notes.

4. RECOMMENDATION

CIPFA/LASAAC is asked to comment on the proposed structure of the IFRS-based Code of Practice on Local Authority Accounting, and the proposed balance between the Code and the Guidance Notes.