

## 2.1 CONCEPTS

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### 2.1.1 Introduction

- 2.1.1.1 Authorities shall prepare financial statements (including group accounts) in accordance with the International Accounting Standards Board (IASB) *Framework for the Preparation and Presentation of Financial Statements* as interpreted by this section of the Code. In September 2010 the IASB issued the first phase of its new Conceptual Framework for Financial Reporting 2010 (the Conceptual Framework). Two Chapters, Chapter 1 *The Objective of General Purpose Financial Reporting* and Chapter 3 *Qualitative Characteristics of Useful Financial Information* have been issued. These chapters replace the relevant paragraphs in the *Framework for the Preparation and Presentation of Financial Statements*. The CIPFA/LASAAC Code Board has decided not to update the relevant sections of the Code until the *Conceptual Framework* has been completed. However, if an authority is of the view that the treatment of a transaction or other event is reliant on paragraphs 2.1.2.1 to 2.1.2.15 of the Code then it must also take into account the provisions in Chapter 1 *The Objective of General Purpose Financial Reporting* and Chapter 3 *Qualitative Characteristics of Useful Financial Information* of the IASB Conceptual Framework.
- 2.1.1.2 In presenting information in their financial statements, authorities shall have regard to the:
- objective of financial statements
  - underlying assumptions
  - qualitative characteristics of financial statements
  - elements of financial statements
  - recognition of the elements of financial statements
  - measurement of the elements of financial statements.
- 2.1.1.3 In particular, regard should be had to the qualitative characteristics in the selection and application of accounting policies and estimation techniques (see section 3.3 of the Code), and in the exercise of professional judgment. The Code specifies many of the accounting policies and estimation techniques to be adopted for material items. These policies and techniques have been selected to accord with the accounting concepts and principles set out in this section and, with International Financial Reporting Standards (as adapted and interpreted for the public sector context, where necessary).
- 2.1.1.4 Financial statements shall give a true and fair view of the financial position, financial performance and cash flows of an authority. A true and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set

out in the Code. Although the IASB framework does not deal directly with such a concept, the application of the principal qualitative characteristics and compliance with the Code is presumed to result in the financial statements that convey a true and fair view.

Nevertheless it remains the responsibility of the authority to ensure that its financial statements present a true and fair view of the financial position, performance and cash flows of the authority.

- 2.1.15 The hierarchy of standards that authorities shall follow is shown in the Introduction section of the Code (see chapter one).