Dear Steven,

ICAS response to Proposed Practice Note 14 (Revised)

We welcome the opportunity to contribute the views of our members. The Institute of Chartered Accountants of Scotland (“ICAS”) is the oldest professional body of accountants. We represent around 19,000 members who advise and lead organisations across the public and private sectors. The views of our members who specialise in the housing sector are summarised below.

Overall, the Practice Note was well written and comprehensive. Our responses to the specific questions in the invitation to comment are set out below.

Q1 [As discussed in paragraph 7 above], do you consider it is appropriate to include only that sector specific contextual information and guidance which will challenge the auditor of a Housing Association in its application of the ISAs (UK and Ireland)? If not, please describe in broad terms what other contextual information and guidance you would like to see explaining why such content would be an improvement?

Yes.

Q2 Do you consider that the contextual information in the first two sections of the Practice Note about the sector and the regulation thereof is appropriate? If not, what changes would you like to see made and why?

Yes.

Q3 Do you believe that the appropriate business risks and audit risks, and relationship between them, are addressed in relation to the application of the ISAs (UK and Ireland) to this sector. If not, what changes would you like and why?

Yes.

Q4 Are there any other changes you believe would be appropriate. If so, what changes would you like to see made and why?

Yes, and these are as follows:

- The additional threat of pension deficits is also a significant development affecting financial health and worth highlighting in the list on page 13, paragraph 23;
- The final risk noted on page 25, paragraph 87 of the predominance of non-executive directors should be reworded to bring out that the actual risk relates to ensuring that the Board composition is appropriate i.e. that it encompasses the appropriate skills and experience, regardless of whether there is a predominance of non-executives.
- It would be helpful to clarify how the Auditor’s Right and Duty to Report on page 33 – paragraph 131, sits with the Housing (Scotland) Act 2010 (section 72);
- An additional bullet point could be added on page 35, paragraph 139 to include the changes in accounting treatment following the implementation of FRS 102;
• The Overview of the Regulation of Scottish Housing Associations on page 52 (Appendix 3) should include that Registered Social Landlords in Scotland are required to submit a copy of the Board’s response to the management letter as well as the management letter itself; and

• In view of the future implementation of FRS 102, attention will be needed to identify potential problems associated with a material change in accounting practice within the sector. As an example this is likely to include consideration being given to the accounting treatment of financial instruments, grants, pension liabilities etc.

We trust this is helpful.

Yours sincerely,

ALICE TELFER
Assistant Director, Business Policy & Public Sector