

# Draft Minutes

CL 03 03 22A

Board CIPFA LASAAC Local Authority Accounting Code Board

Date 09 November 2022

Time 14:00 – 17:00

Venue Microsoft Teams

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## Present

Chair Conrad Hall (Chair) *London Borough of Newham*

CIPFA Nominees  
John Farrar *Grant Thornton*  
Christine Golding *Essex County Council*  
Joseph Holmes *West Berkshire Council*  
Lucy Hume *North Norfolk District Council*  
Collette Kane *Northern Ireland Audit Office*  
JJ Tohill *Mid-Ulster Council*

LASAAC Nominees  
Nick Bennett *Azets*  
Hugh Dunn *City of Edinburgh Council*  
Joseph McLachlan *East Ayrshire Council*  
Paul O'Brien *Audit Scotland*

Observers  
Jenny Carter *FRC*  
Elanor Davies *Scottish Government*  
Matt Hemsley *DLUHC*  
Emma Smith *Welsh Government*  
Michael Sunderland *HM Treasury*

In attendance	Alan Bermingham	<i>CIPFA, Technical Manager</i>
	Alison Bonathan	<i>CIPFA, Secretariat</i>
	Steven Cain	<i>CIPFA, Secretary</i>
	Mark Mclean	<i>CIPFA Policy Officer</i>
	Karen Sanderson	<i>CIPFA, Director IFR4NPO</i>
	Sarah Sheen	<i>CIPFA, Secretariat</i>

		Action
<b>1</b>	<b>Apologies</b>	
1.1	<p>Apologies were received from</p> <p>Paul Mayers</p> <p>Alison Scott</p> <p>Liz Thomas</p> <p>Jake Bacchus</p> <p>Gillian Woolman</p> <p>Sudesh Chander</p> <p>Peter Worth</p>	
<b>2</b>	<b>Declarations of interest</b>	
2.1	No declarations of interest were noted, although some Board members are highways authority preparers and/or auditors of highway authorities, and some have been members of the infrastructure task and finish group.	
<b>3</b>	<b>Board discussion with Neil Harris new Director of Local Audit FRC</b>	
3.1	<p>Neil Harris noted his intention to get a full appreciation of stakeholder views on the priorities and activities that are important around financial reporting and audit of local public services, and to address some of the systemic challenges that are currently being grappled with.</p> <p>He covered various matters including</p> <ul style="list-style-type: none"> <li>- the responsibilities of the system leader</li> <li>- FRC progress in the transfer of the shadow system leader role for local public audit before that role is taken on formally by ARGAs.</li> <li>- The transfer of system leader responsibilities from DLUHC to the FRC through a memorandum of understanding.</li> </ul>	

		Action
	<ul style="list-style-type: none"> <li>- the intended transfer of the current. NAO code of audit practice to ARGA to support the quality framework</li> <li>- measures to support resilience in the audit market, including market resilience considerations in the appointment process, workforce strategy and the attractiveness of the profession, and training and support through key partners.</li> <li>- an annual report on the state of local audit</li> <li>- FRC taking on chairmanship of the Liaison Committee</li> </ul>	
3.2	<p>NH sees a dedicated local audit unit within the FRC staffed with up to six or seven people, although he would be working closely with a wider groups within FRC.</p> <p>Recruitment will continue within the next six months. Transfer of the shadow system leader responsibilities coming across to the FRC probably by the end of March,</p>	
3.3	The immediate priority is around timeliness, and input from stakeholders like CIPFA LASAAC is vital. The workforce strategy will be evolving over the next six months.	
3.4	<p>Opening up to discussion with the Board, NH noted that it would be very helpful if CIPFA LASAAC gave warning of any potential 'traps' or problems.</p> <p>JF indicated that he was not aware of a problem on the horizon which was as difficult as infrastructure, but the challenges around IFRS 16 implementation should not be overlooked</p> <p>Various comments were made about emphasising the value of local government reporting.</p> <p>NB commented on differences in perceptions between regulators, auditors and preparers around what quality is, having regard to the different risk environment in government.</p>	
<b>4</b>	<b>Approval of minutes and notes of previous meetings</b>	
4.1	<p>The following documents were agreed as accurate and can be finalised</p> <ul style="list-style-type: none"> <li>• Minutes 15 June 2022</li> <li>• Notes of single-issue meeting 27 June 2022</li> <li>• Notes of post FRAB meeting 7 July 2022</li> </ul>	
<b>5</b>	<b>Action points</b>	
5.1	The Board noted the action points, mainly running through areas which had not been progressed.	

		Action
<b>6</b>	<b>Membership – verbal update and decision</b>	
6.1	The Board noted the lack of progress in relation to its ongoing vacancy for a large metropolitan practitioner, and that the vacancy had been recently re-advertised.	Secretariat/Chair  Board members  Chair  Secretariat
6.2	It was noted that Peter Worth's attendance at CIPFA LASAAC meetings reflects the ongoing issues around infrastructure assets, and this would be reviewed in 2023.	
6.3	The Chair thanked Joe McLachlan for their contribution as FRAB's local authority practitioner member  The upcoming vacancy on FRAB at the end of JM's term, the need for a volunteer, and the importance of this representation was discussed.  The Chair indicated that they would be happy to discuss the nature of the FRAB commitment.	
6.4	The outstanding action to arrange meetings between the Chair of CIPFA LASAAC and relevant CIPFA forums was noted as a matter which Secretariat would seek to address.	
<b>7</b>	<b>Report on current position on Infrastructure Assets both temporary solution and longer-term solution</b>	
7.1	The Chair noted the requirement to get going and keep sector engaged.	
7.2	CG noted that DRC is probably the only 'right' solution but it is a very big ask. Needs to be carefully planned during the period of statutory mitigation, which might not be sufficient time. An impact assessment is need of what DRC will mean for authorities and a reasonable timeline for implementation.  JMcL echoed these points, noting that CIPFA LASAAC need to maintain credibility with councillors, and with FRAB. And we cannot risk further delaying Can't delay IFRS 16 due to infrastructure.  SS echoed the issues raised above and other stresses from e.g. IFRS 16 implementation and possibly IFRS 17.	
7.2	The Chair asked for views on the option appraisal.  JC wondered if accountability and stewardship points could be brought out in the benefits	
7.3	The Chair asked the Board	
	<ul style="list-style-type: none"> <li>- to consider how it can support the Task and Finish Group to meet the demanding timetable. Noting that the costs of DRC implementation from the current position haven't been researched</li> <li>- What more does the working group need?</li> <li>- Would it be helpful to explore a pilot exercise?</li> </ul>	

		Action
7.4	<ul style="list-style-type: none"> <li>- Can CIPFA pursue whether funding might be provided.</li> </ul> <p>CG noted that the project needs to get buy in from the HAMFIG UK leadership group for highways. KS indicated that CIPFA would be happy to discuss what can be done.</p>	Secretariat
7.5	Matt Hemsley noted progress with SI, which was expected to be laid in December and effective in early January 2023.	
7.6	<p>The Chair summed up</p> <ul style="list-style-type: none"> <li>- Agreeing the proposed direction of travel</li> <li>- Noting the difficulty of the sales pitch and concerns about the risk to the sector from focusing on other pressing tasks</li> <li>- CIPFA to consider how to provide support to T&amp;F group, possibly through funding not least because already struggling with timetable.</li> </ul>	
<b>8</b>	<b>Outcomes of the Consultation on the 2023/24 Code (including IFRS 17)</b>	
8.1	<p>The Board noted</p> <ul style="list-style-type: none"> <li>- The disappointingly low number of consultation responses (but also reflected on large attendance at the webinar).</li> <li>- The stable platform proposal was not considered contentious and was overwhelmingly supported</li> <li>- IAS 8 and IAS 1 changes were not contentious</li> <li>- the responses on IFRS 17, including a new issue around mutual among Fire Authorities which will be reviewed when considering further consultation. The Chair noted the difficulties in proving that there isn't a problem with a small evidence base.</li> <li>- the responses on code structure and particularly the desire for comprehensiveness</li> </ul> <p>While the Board noted an audit firm suggestion that the changes to IAS 12 and IFRS 3 could be mentioned in the Code material on group accounts, they were content with secretariat proposals to progress this through Code Guidance Notes.</p> <p>The Board noted but did not support a suggestion that reporting be moved to a basis which reflects taxation implications.</p> <p>The Board noted and agreed with a suggestion that the Emergency Consultation discussion around separate publication of pension fund statements should be pursued outwith Code development.</p> <p>The Board agreed the paper as a basis to inform further drafting of the 2023/24 Code.</p>	Secretariat to progress as routine business so not noted in action point document

		Action
<b>9</b>	<b>Outcomes of the Consultation on CIPFA LASAAC's Strategic Plan</b>	
9.1	<p>The Board noted</p> <ul style="list-style-type: none"> <li>- the very positive response to the consultation and agreement with the overall approach.</li> <li>- The positivity of responses around sustainability and suggestions made</li> </ul> <p>MS and JC commented on developments in sustainability in the FRAB context and more generally at ISSB.</p> <p>CIPFA LASAAC input on this matter is limited in scope under the current terms of reference. But it was noted that sustainability reporting requirements will fall to government including local government, and someone will need to manage this.</p> <p>The secretariat were directed to consider whether and how the Terms of Reference for CIPFA LASAAC might be expanded, and who would have to agree this.</p> <p>The Secretariat noted that this would need to be matched to developments by the relevant governments.</p> <p>The Chair confirmed with Board members that they would be content for this to be progressed, while recognising that the current membership has not been drawn with sustainability reporting expertise in mind</p>	Secretariat
9.2	Secretariat noted that the consultation also covered the objectives for the Code, and that future development needs to gel with the electronic platform.	
<b>10</b>	<b>CIPFA LASAAC Feedback Statement on the 2022/23 Code</b>	
10.1	The Chair noted that this item was delayed and anticipated that it would be issued by end of 2022.	Secretariat, Board
<b>11</b>	<b>Board to consider whether there are any matters they consider should be referred to FRAB.</b>	
11.1	<p>KS noted that it is important to reflect the CIPFA LASAAC discussion of infrastructure assets, balancing commitments for an adequate solution while recognising that there are considerable implementation challenges so there is a need to have a realistic timetable.</p> <p>Neil Harris agreed noting challenges across the piece, including for example pressures around changes to accounting periods in the NHS.</p>	
<b>12</b>	<b>Draft Terms of Reference for the Financial Reporting Hub for information – currently being considered for approval by PFMB</b>	
12.1	The Board were invited to provide comments on the Draft Terms of Reference.	

		Action
<b>13</b>	<b>Standard setting horizon scanning – for information and comment</b>	
13.1	The Board noted the content of the horizon scanning document, including the substantial developments in the sustainability area.	
<b>14</b>	<b>CIPFA Bulletin 11 Accounting for Assets Owned by Religious Bodies and Used by Schools – for information</b>	
14.1	This information item was taken as read and agreed.	
<b>15</b>	<b>HM Treasury Thematic Review of Operational Property, Plant and Equipment – Note this is an extract from a report sent to the FRAB User Preparer Advisory Group</b>	
15.1	The Board noted the developments in this area	
<b>16</b>	<b>CIPFA's Response to the Public Audit Forum Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom</b>	
16.1	The Board noted this without discussion	
<b>17</b>	<b>Any Other Business</b>	
17.1	No matters were raised under AOB	
<b>18</b>	<b>Dates of next Board meetings</b>	
18.1	<p>The Board noted the dates of the upcoming meetings.</p> <p>The Chair raised the issue as to whether at least one face to face meeting could be arranged.</p> <p>KS noted that there should be a board effectiveness review, possibly in March; the issue of face to face meetings could be considered as part of such a review.</p>	Secretariat