CIPFA The Chartered Institute of Public Finance & Accountancy

# Report

Paper CL 08 06-12

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| Committee | CIPFA/LASAAC Post Implementation Review |
| Venue | CIPFA Scotland, Edinburgh |
| Date | 19 June 2012 |
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| Subject | Post Implementation Review (PIR) – Initial Recommendations to CIPFA/LASAAC |

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The purpose of this report is to set out the initial recommendations to CIPFA/LASAAC from the Post-Implementation Review Group

## 1 Introduction and Background

1.1 This report sets out the initial recommendations of the post-implementation review group (PIR) Group to CIPFA/LASAAC for its consideration for inclusion into the consultation on the 2013/14 Code.

1.2 The PIR group has met twice since the last meeting of CIPFA/LASAAC. The PIR Group has agreed its Terms of Reference and recommends it to CIPFA/LASAAC for approval. They are appended to this report at Appendix 1.

**CIPFA/LASAAC is invited to consider the Terms of Reference for approval.**

1.3 The PIR Group considered a number of forms of evidence for its initial review, it considered the reports of the audit bodies following the audits of the 2010/11 financial statements. It considered the responses to the questions on the Review in the consultation on the 2012/13 Code. The PIR Group also benefited from having experience of auditors from across the four jurisdictions and practitioner representation from both CIPFA/LASAAC and the Local Authority Accounting Panel.

1.4 From this evidence base the PIR Group considered that the following areas should be prioritised for further review:

- Component Accounting – it was generally considered that the Code effectively adopts component accounting prospectively from 1 April 2010. Extensive application guidance also exists. However, practical application issues still existed.

- Property, plant and equipment – it was considered that this section of the Code should be subject to a review, particularly the valuations area.

- Leases – the following areas were suggested for review – the inception/commencement of a lease, lease cancellations and leases with non-commercial payment terms ie those without a lease premium but offer a peppercorn or other nominal sum for lease rental.

- Accounting for government grants – the PIR Group agreed that the provisions of the Code for revenue grants should be reviewed particularly in respect of the treatment once recognised in the Comprehensive Income and Expenditure Statement.

- Non-current Assets Held For Sale – the PIR Group agreed to review the provisions of section 4.9 of the Code.

- Joint Committees – the PIR Group agreed to review the provisions of the Code in relation to Joint Committees and other joint or partnership operations.

- Exceptional Items – the PIR Group agreed that unless there was a statutory requirement to report exceptional items that the use of this term should be curtailed.

- Segmental Reporting – the PIR Group agreed to review the provisions of the Code in relation to the segmental reporting disclosures.

- Valuations of council dwellings at EUV-SH – the PIR Group agreed that it would recommend that the issue should be referred to the Public Sector Valuation Group.

Proposed amendments to the 2012/13 Code as a result of the review for the 2013/14 Code are included with the other proposed *Exposure Drafts at ED 12*.

1.5 The PIR Group was also of the view that there would be merit in reviewing two out of the four of the complete set of financial statements ie the primary statements (the Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement) to consider whether there were any areas where recommendations for improvement might be made.

1.6 The PIR Group considered that a review should be undertaken of the disclosures in the Code that are not required either by financial reporting or accounting standards or a direct financial statutory disclosure requirement.

## 2 Areas for Review

*Section 4.1 - Property, Plant and Equipment – Component Accounting*

2.1 The PIR Group suggested that component accounting is more difficult to apply on a valuation basis than a historical cost basis. It considered that some of the practical issues that arise from the application of component accounting for revalued assets may not have been anticipated by IAS 16 *Property, Plant and Equipment*. It agreed that there should be a review of the application guidance from this perspective. The Secretariat recommends that this should be by means of a small Local Authority Accounting Panel (LAAP) Review Group. Volunteers from CIPFA/LASAAC may also wish to join this group.

**The PIR Group therefore recommends that CIPFA/LASAAC invite LAAP to consider such a review.**

*Section 4.1 - Property, Plant and Equipment – Valuation Issues*

2.2 The PIR Group considered that there are a number of areas where minor improvements might be made to section 4.1 of the Code:

- The paragraphs on recognition of property, plant and equipment use the term "enhancement" (eg, paragraph 4.1.2.17) in a way that is not used in IAS 16 or in IPSAS 17. This may cause confusion for some practitioners used to applying the standards under the SORP, where enhancement was a defined criterion for capitalisation. References to enhancement have therefore been removed in the proposed amendments and replaced by "adding to" an item of property, plant or equipment, the term used in IAS 16. Paragraphs 4.1.2.17 to 4.1.2.19 of the Code contain proposed minor clarifications that serve to align the Code more closely to the provisions of IAS 16 which do not refer to enhancements or restoration. A minor correction to paragraph 4.1.2.18 has also been identified.

  **The PIR Group's recommends that minor clarifications be made as set out above.**

- In addition the Code has structured its sections on revaluation slightly differently from IAS 16. This might therefore merit some redrafting, specifically where the valuations of assets have decreased as a result of the revaluations. The Code also states that:

  "Where assets are re-valued (ie the carrying amount is based on fair value), valuations shall be carried out at intervals of no more than five years. Valuations may be carried out on a rolling basis or once every five years."

  This differs in emphasis to IAS 16 which states at paragraph 34 that:

  "The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. .... Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years."

  At its February 2012 meeting CIPFA/LASAAC considered anecdotal evidence that in some cases authorities have undertaken a partial revaluation ie for a particular class of assets where there has been a material decrease in value. Authorities did not in all cases consider this as an indication that the other assets within that class or other classes of assets might have suffered a similar loss, leading to a risk that the valuations of classes of assets within the balance sheet are not materially accurate. Additional clarification has therefore been proposed to paragraph 4.1.2.35 which clarifies that authorities need to ensure that the asset valuations are materially accurate at the balance sheet date. Clarification has also been added to the paragraph to clarify the treatment of any rolling programmes of valuations of fixed assets. Both these clarifications have been based directly on the provisions IAS 16. In order to support this clarification the process of formal valuations has also been clarified.

**The PIR Group recommends to CIPFA/LASAAC that these clarifications be included in the Invitation to Comment on the Code.**

- Paragraph 4.1.2.34 of the Code makes a statement that:

  "Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, ie a significant decline in an asset's carrying amount during the period that is not specific to the asset or the authority (as opposed to an impairment which is covered in section 4.7 of the Code) …"

  This qualifying commentary about the non-specific nature of a revaluation loss in the above extract is not commentary directly supported by the standard. It is possible that further clarification can be added to paragraph 4.1.2.34. This text has therefore been removed from the Code.

  It is also useful to note that the two points relating to valuations were raised as issues in the consultation on the first edition of the Code in 2009.

**The PIR Group recommends to CIPFA/LASAAC that this minor amendment is made.**

*Section 4.2 Lease and Lease Type Arrangements*

2.3 **Inception or change in the terms of the lease** - the 2012/13 Code includes the relevant provisions of IAS 17 *Leases* in terms of the classification of the lease at its inception and any changes made to the lease which would require reclassification of the lease. In order to address the issue raised by the PIR Group, the IAS 17 definitions of inception of the lease, commencement of the lease term and lease term have been added to assist practitioners with the understanding of the these provisions in Code. Proposed new paragraph 4.2.2.13 has also been redrafted to bring the wording of this paragraph (which relates to changes of the lease terms) fully in alignment with the wording of the standard. This is not a change in substance but might assist practitioners with their understanding of the requirements of the standard in this area. In addition, amendment has been proposed to new paragraph 4.2.2.9 as this is one of the most important paragraphs in relation to lease classification which is not included in the Code.

**The PIR Group recommends that these amendments are proposed in the Invitation to Comment on the Code.**

2.4 **Lease cancellation** – the Code and IAS 17 do not address the issue of lease cancellation in any detail. The PIR Group recommended that this area be subject to a review for additional application guidance. This is likely to be an area on which it is difficult to make specific recommendations for application guidance as the accounting treatment will be dependent on the specific nature of the transactions in question; practitioners will need to refer, where relevant, to the appropriate recognition/derecognition provisions in the Code and possibly to a number of other areas including revenue recognition, financial instruments and liabilities. It is considered that the application guidance can, however, be augmented to direct practitioners to these provisions in the Code. The issue of cancellation transactions was also raised in relation to PFI/PPP schemes. Similar commentary can be added to the relevant application guidance.

2.5 **Non-commercial leases** - this is not currently referred to in the 2012/13 Code. IAS 17 makes the presumption that leases are entered into on a commercial basis, with its indicators of risk and reward transfer based on market value premiums and rentals being payable. The PIR Group recommended that the Code includes an additional commentary which indicates that the assessment of leases of assets transferred to or from local authorities where no lease premium exists but at a peppercorn rent or other form of non-commercial lease payments would exclude the assessment of the present value of the minimum lease payments being at least substantially all the fair value of the leased asset. Proposed amendments have therefore been made to new paragraph 4.2.2.10 to reflect this.

**The PIR Group's recommends that the above proposed minor amendment is made in the Invitation to Comment on the Code.**

*Section 2.3 Government and Non-Government Grants*

2.6 The PIR Group considered that there were two areas that required specific review ie:

- the treatment of revenue grants where the conditions have been met or where there are no conditions, and
- the usage/general understanding of the term condition.

Currently, the Code does not require separate identification of restricted balances of unspent revenue grant but the application guidance recommends that where conditions have been met or there are no conditions such grants should be held in earmarked reserves until the money is applied to the purposes of the grant. As these balances can only be applied for the purposes of the grant and/or in specified financial years and are likely to be subject to grant restrictions, it would be inappropriate that these balances are included in the general fund as if they were balances available for general use. The PIR Group recommends that CIPFA/LASAAC mandate the approach that is currently recommended in application guidance ie to create an Earmarked Reserve to hold the resources until they are applied to the purposes in relation to the restrictions on the grant.

It is noted that a recent response from one of the Scottish Members of the PIR Group indicated that the legislative position in Scotland might make this more difficult to achieve.

**CIPFA/LASAAC's views are sought on whether or not it wishes to consider this recommendation in the light of the above comments.**

2.7 In addition the PIR Group recommended that additional application guidance be added to confirm that the definition of a condition in the Code might differ from the traditional grant conditions included in grant documentation and from generally understood references to conditions.

**The PIR Group recommendations that CIPFA/LASAAC invites LAAP to consider augmenting its application guidance in such a manner.**

*Section 4.9 Non-Current Assets Held for Sale and Discontinued Operations*

2.8 The PIR Group suggested that the treatment of Non-Current Assets Held for Sale is an issue that needed to be considered for review, as there is anecdotal evidence that the Code's provisions are not always widely applied. In addition one authority in its response to the consultation question on whether or not there were any issues that could be addressed by the post-implementation review commented “assets held for sale – acceptable evidence”. This last point is not an issue that can be provided for in the Code or detailed application guidance but is a matter for professional judgement by the authority in question. A reminder of the Code’s requirement to classify assets as held for sale when their carrying amount will be recovered principally through a sale transaction, rather than through continued use was included in LAAP Bulletin 93 *Closure of the 2011/12 Accounts and Related Matters.*

2.9 The 2012/13 Code contains four specific criteria which must be met before an asset can be classified as being held for sale (although based on the provisions of the standard, by establishing these as four specific criteria to be met, this, arguably might give them greater weight in the Code than in IFRS 5) which substantially limit the circumstances in which Non-Current Asset Held for Sale treatment would apply. Some minor redrafting has therefore been made to the Code in order to move closer to the provisions of IFRS 5, though this is a matter of emphasis only.

2.10 The PIR Group considered that the criteria which are included as anti-abuse measures in IFRS 5 may not be required for public sector circumstances. However, it did not have any evidence to pursue this issue at this juncture. The PIR Group therefor recommends to CIPFA/LASAAC that this be considered for additional research and that in the meantime recommends that minor amendments be made to the Code.

**The PIR Group recommends the above approach to CIPFA/LASAAC**

*Joint Committees and other forms of Joint or Partnership Operations*

2.11 The issue of the accounting requirements for Joint Committees was raised in response to the consultation questions included in the ITC and has been considered by CIPFA/LASAAC on a number of occasions. The income and expenditure of joint committees is not usually consolidated into the authority’s group financial statements as they do not normally meet the requirement for a separate entity but are accounted for as the income and expenditure of each constituent authority. The relevant provisions are contained in the Code, although no direct mention is made of joint committees. The PIR Group was of the view that other organisations need to be considered on a case by case basis. It is recommended therefore that application guidance be included to set out the considerations for the accounting treatment for typical types of joint operations and structures.

**The PIR Group recommends that there be a review of the application guidance needed for Joint Committees and other forms of co-operative arrangements and that CIPFA/LASAAC make such recommendations to LAAP.**

*Exceptional Items*

2.12 The 2012/13 Code includes four references to exceptional items. Paragraph 3.4.2.80 of the Code requires that exceptional items and prior period adjustments are included in the summary of significant accounting policies where these items have a significant effect on the amounts disclosed in the financial statements. The PIR Group therefore recommended that references to exceptional items should be removed from this requirement as the term "exceptional items" is not used in IFRS. This recommended amendment is thus included at paragraph 3.4.2.80.

**CIPFA/LASAAC's views are sought on this proposed minor amendment**

2.13 In addition, the non-statutory Housing Revenue Account disclosures for England, Scotland and Wales include a requirement to disclose exceptional items. These disclosure requirements are considered in the review of disclosures at section 4 of this paper.

*Segment Reporting*

2.14 A respondent to the consultation noted that the segmental reporting requirements in the Code are complex to complete. This has been supported by anecdotal feedback indicating that although the Code sets out that this disclosure should not be onerous that experience has found that it is. The same respondent to the consultation also noted that there is no reference to budgets in the note, which the respondent seemed to indicate might give more context to the financial performance reported in the segmental reporting note.

2.15 Arguably the analysis of the segments required by paragraph 3.4.2.90 of the Code is more detailed than that required by paragraphs 22 and 23 of IFRS 8 *Operating Segments* but is necessitated by the use of the Service Expenditure Analysis as the primary basis for segmental reporting in the CIES. It is though, also arguable that this analysis is more meaningful for local authorities' financial reports of segmental income and expenditure. In addition this analysis was also intended to assist authorities in their preparation of Whole of Government Accounts disclosures. In terms of including budgetary information in this note, this would be a departure from normal financial reporting provisions within the Code. However, authorities may find it useful to include this information in a management commentary which accompanies the presentation of the financial statements.

2.16 The Secretariat recommends that the PIR Group should consider seeking practitioners and other stakeholders' views on whether or not the segment reporting note can be improved in any way. In addition views might be sought on whether authorities have any examples of how to present this information in a meaningful way to the users of the financial statements linking it to budgetary reports of performance. Views can be sought from practitioners via a suitable consultation process. Following any feedback this might also be linked to the CIPFA publication "How to Tell the Story".

**The PIR Group recommends that no further amendment is made to the Code at this juncture. However, it recommends that good practice be sought from local authority practitioners and this be included in suitable application guidance. It suggests that such recommendations be made to LAAP.**

## 3 Review of the Complete Set of Financial Statements

3.1 The PIR Group also agreed that it would be beneficial to review the Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement. In order to give some context to the comments a desk-top review of a small sample of the Statements was undertaken. However, the Secretariat would note that in the time available this analysis is very limited - it only focused briefly on the individual statements and did not analyse their context in the complete set of financial statements (or the explanatory foreword). In order to provide feedback to the meeting in the timescales required, a fuller review was not possible.

**Movement in Reserves Statement**

3.2 From its consideration of the MiRS, the Secretariat consider that a number of the statements appeared to achieve the purpose of the Statement ie to present a summary analysis of the movement in the reserves part of the authority, the statements demonstrated:

- the increase or decrease in the net worth of the authority as a result of incurring expenses and generating income;

- the increase or decrease in the net worth of the authority as a result of movements in the fair value of its assets;

- movements between reserves to increase or reduce the resources available to the authority according to statutory provisions and the resultant disposition of resources depending on their revenue or capital nature and on whether their application is restricted.

3.3 A number of authorities presented the MiRS in a similar format as the example financial statements. These presented the movements analysed above in a succinct effective form. Two authorities presented splits of the non-usable reserves. One presented this on a statutory revenue reserve and capital accounting balances basis; another presented all of its major non-usable reserves. The second analysis clearly set out all the movements in the reserves of the authority and this was usefully in one statement. However, the statement did include significantly more information than the minimum reporting format which arguably did make it less readable (and had to be presented in a small font).

3.4 Two authorities presented the MiRS over two pages (for the current year and a further two for the comparator year) and split this on a usable and non-usable reserve basis. This proved more difficult to read and consider as a whole statement. A number of the Members of the PIR Group have commented that the statement though relatively complex does present the information as intended. A written comment by one of the Members of the PIR Group noted that the MiRS does appear to be the statement that causes most difficulties in practice. However, the Member of the Group noted that many of the problems arise as a result of incorrect treatment elsewhere in the financial statements. A useful point to note is that the actual presentation and use of fonts and shading also makes a significant difference to the readability of the statement.

3.5 The MiRS in its most effective form appeared to be able to demonstrate where the movements in net worth are attributable and to demonstrate the restrictions on the usable reserves of the authority. It is arguable, however, that if the movements are primarily attributable to the non-usable reserves (which it is considered is likely often to be the case) then it might be useful to see a more detailed split for the non-usable reserves (this would show the particular areas where an authority is under or over resourced in relation to capital, pensions, etc). Arguably the reader of the financial statements would have to refer to another note to analyse this information. During the development work on this statement consideration was given to splitting the non-usable reserves between those reserves which are statutory and those which are not. This was found not to be achievable as the transfer of the Fixed Asset Restatement Account balances in 2007 to the Capital Adjustment Account (CAA) meant that the CAA included both statutory and non-statutory balances.

**Comprehensive Income and Expenditure Statement**

3.6 From the review of the Statements it is considered that the Comprehensive Income and Expenditure Statement (CIES) appears to present the accounting cost in the year of providing services in accordance with the Code, rather than the amount to be funded from taxation ie its intended purpose. The statements examined appeared in a number of formats with a number authorities opting to present at various points more than the minimum line analysis required by the Code. Presumably authorities considered this appropriate for fair presentation of their financial performance.

3.7 The PIR Group considered that following the IASB decision not to remove the two statement option (following its May 2010 consultation, *Presentation of Items of Other Comprehensive Income* (proposed amendments to IAS 1)) that it would be beneficial to consider whether or not the Surplus or Deficit on the Provision of Services as an important measure of financial performance in the delivery of an authority's services is obscured in the continuous, one statement CIES. In the consideration of the CIES examples it is possible that this measure is not always given the prominence that perhaps a two statement option might provide. The PIR Group therefore suggested that this might be worthy of further examination by CIPFA/LASAAC at some point.

3.8 The PIR Group also considered that there might be duplication between the MiRS and the CIES. Information provided in the CIES does have to be reproduced in the MiRS, however, this is in the context of a Movement in Reserves Statement which provides both opening and closing balances and a different analysis of these movements ie it articulates the nature of the relevant movements in reserves.

**The PIR Group recognised the issues set out above in relation to the Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement. However, it considered that it would be beneficial for a period of "bedding in" take place for these financial statements before further recommendations for change be made.**

**The Balance Sheet and Cash Flow Statement**

3.9 The PIR Group agreed that it was not aware of any significant issues which would require a detailed review of the presentation and reporting requirements of the above mentioned statements.

**Is the PIR Group was of the view that no further significant recommendations are made to CIPFA/LASAAC about the presentation or reporting requirements of the Balance Sheet and Cash Flow Statement.**

## 4 Disclosures

4.1 The Terms of Reference for the post-implementation review set out that the PIR Group might wish to consider a review of the disclosure requirements in the Code. There are a number of disclosures within the Code that are not required by financial reporting and accounting standards or by a clear statutory requirement to include such information as disclosure notes in the financial statements, although a number of the reporting requirements relate to statutory accounts or requirements. These disclosure requirements have in all likelihood arisen as a result of custom and practice or for a clear financial reporting need eg the disclosure of the breakdown of audit fees. However, it is considered that these disclosures might still usefully be subject to a review to ensure that they are still required for effective financial reporting.

4.2 The PIR Group agreed that these disclosures be reviewed and be subject to discussions between the Secretariat and the four administrations and other interested parties to seek their views on whether or not they consider these disclosures as being necessary (and if so might instead bring forward appropriate statutory requirements). The relevant disclosures are listed at Appendix A to the ITC. The PIR Group considered that these disclosures be reviewed against the criteria that have been used in previous reviews of disclosures ie on the introduction of the first IFRS based Code and on the basis of the review of the disclosures that were consulted on in the 2011/12 Code.

4.2 The Secretariat has reviewed the previous ITCs and although no formal criteria were used the criteria/approach that have been adopted are

1) Relevance/applicability (existence of material transactions for local authorities
2) Consistency with the FReM
3) Availability of the information elsewhere – either in the financial statements or other media.

Following CIPFA/LASAAC's deliberations on the Hutton Fair Pay disclosures and following recent debates about the length of local authority financial statements it appears that CIPFA/LASAAC requires a refinement of the second criteria above. The Secretariat recommends that this is amended to "consistency with the FReM provided that this is in accordance with the financial reporting needs of local authorities".

4.3 The Secretariat has initiated discussions with the relevant jurisdictions and will hopefully be able to add these commentaries to the conclusions attached at Appendix A to the ITC.

4.4 One of the disclosures in the list is particularly worthy of mention ie that of the exit packages disclosure. It is suggested that if CIPFA/LASAAC wish to retain this disclosure following the review that it might be useful to take this opportunity to clarify the reporting requirements of the disclosure and clearly align this with the Codes' reporting requirements on termination benefits.

**The PIR Group recommends that CIPFA/LASAAC consider the disclosures for inclusion and additional commentary from interested parties via the consultation process.**

## 5 Recommendations

**The PIR Group is invites CIPFA/LASAAC to consider its initial recommendations in relation to the post-implementation review.**

**CIPFA/LASAAC Post Implementation Review of the**

**Code of Practice on Local Authority Accounting in the United Kingdom**

**Post Implementation Review**

**Terms of Reference**

**Introduction**

1.1 In 2011 CIPFA/LASAAC indicated in the August - September consultation on the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) that it wished to undertake a post-implementation review of the Code of following the first full year implementation of the new IFRS - based Code. It included a number of consultation questions on the issue. It agreed at its November 2011 meeting to establish a full post-implementation review.

**Background to the Review**

2.1 The first year adoption of IFRS for local authorities under the Code was very successful. There were no principally IFRS based qualifications of the audit opinion of the financial statements throughout the United Kingdom. However, first year adoption cannot be said to have been problem free – there were some late filings and other issues raised by auditors. These issues are covered in the summary reports of audit findings from the Audit Commission, Accounts Commission and the Wales Audit Office.

2.2 In addition the review will need to be undertaken against a backdrop of initiatives in the UK and internationally to “cut clutter” in annual reports[1]. The same principles can be adopted in the analysis of local authority financial statements. It should be noted that during the development of the Code, CIPFA/LASAAC has adopted an approach to ensure that only the reporting requirements relevant to local authorities are included in the Code.

2.3 The need to reduce clutter was also raised by the “Let’s be Clear” publication issued by the Audit Commission in January 2012. The Audit Commission report also focussed on the length of the financial statements under IFRS and the perceived complexity of the financial statements. However, the Audit Commission did note the CIPFA’s initiatives that have already taken place to promote effective financial reporting.

2.4 As it is likely that the outcomes of the review will also refer to detailed application guidance and other aspects relating to the application of the Code (particularly relating to issues that will assist in cutting clutter) two members of the Local Authority Accounting Panel have been invited to join the post-implementation review group.

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[1] This particularly refers to the Financial Reporting Council (FRC) publication *Cutting Clutter, Combatting Clutter in Annual Reports* – FRC, April 2011

**Membership**

- **Chair of CIPFA/LASAAC (Chair of the Review)**
- David Aldous *Audit Commission*
- Rodney Allen *Northern Ireland Audit Office*
- Peter Davies *Monmouthshire County Borough Council*
- Conrad Hall *London Borough of Lewisham*
- Greg McIntosh *KPMG*
- Paul O'Brien *Audit Scotland*
- Dean Pletts *Basingstoke and Deane Borough Council*
- Stephen Sheen *PricewaterhouseCoopers*
- Bruce West *Argyle and Bute Council*
- Wales Audit Office Representation

**Secretariat Attendance:**

- Director, CIPFA, Policy and Technical
- Assistant Director, CIPFA, Professional Standards and Central Government
- CIPFA/LASAAC Secretary
- Other CIPFA officers as required

**Objectives for the Review**

3.1 The overall aim of the review is to consider the provisions of the Code and whether or not these can be improved to assist effective financial reporting for the users of the financial statements.

3.2 The review will:

- Consider the issues raised by the Audit Commission, Accounts Commission and the Wales Audit Office following the first year of implementation of IFRS.
- Consider responses to the consultation questions included in the August - September consultation on the Code in relation the post-implementation review and responses to the article on Code developments in March Public Finance.
- Consider whether the general provisions of the Code can be improved to assist practitioners in relation to the preparation of the financial statements.

- Review the Code's provisions relating to the reporting requirements of the complete set of financial statements[2] to ensure that they enable the financial statements of local authorities to effectively demonstrate their financial performance, position and cash flows (the review might wish to prioritise the Movement in Reserves and Group Movement in Reserves Statement as these are the most complex of the complete set of financial statements).

- Review the disclosure requirements of the Code to ensure the disclosures continue to meet the needs of the users of the financial statements (the review group might wish to prioritise the disclosures that are not required by IFRS or statutory reporting requirements).

- Consider the issues raised by of Let's Be Clear and Cutting Clutter[3] within the context of the post-implementation review and whether or not any of these can be taken forward by CIPFA/LASAAC.

- Consider any other initiatives it might wish to promote in relation to effective financial reporting (where clutter is avoided) in local authority financial statements including possible workshops at the Annual Conference.

- Make recommendations to the Local Authority Accounting Panel (via CIPFA/LASAAC) where the group has identified that there are areas where additional detailed application guidance will assist practitioners.

**Secretariat support**

4.1 Secretariat support will be provided by the Secretary to CIPFA/LASAAC.

**Operation of the meetings**

5.1 The meetings will operate under the operational procedures included in the Terms of Reference for CIPFA/LASAAC.

**Recommendations**

6.1 The final recommendations to CIPFA/LASAAC will require approval by the majority of the group.

**1 May 2012**

[2] See 2012/13 Code, paragraph 3.4.2.17

[3] *Cutting Clutter Combatting Clutter in Annual Reports* - see footnote 1