

# report

Paper CL 10 03 18

Board	CIPFA/LASAAC
Venue	PwC Offices, Cardiff
Date	12 March 2018
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Subject	Review of the CIPFA/LASAAC Terms of Reference

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## **Purpose**

The purpose of this report is to consider the way forward for CIPFA/LASAAC's review of its Terms of Reference

## **1 Introduction**

- 1.1 Following the first review of its terms of reference, CIPFA/LASAAC's Terms of Reference include a requirement to be reviewed once every five years. The next review will need to be completed by June 2019. As the remaining meetings of the Board focus on the issue of the consultation and the publication of the Code the Secretariat considers that it is timely to initiate the review process at this meeting.
- 1.2 The current terms of reference are attached to this paper at Appendix A for the Board's consideration. Before the review is formally initiated the Secretariat would welcome the Board's initial views on the areas it would wish to focus on and how it might like to conduct the review, for example, what consultative processes the Board might consider to be effective.
- 1.3 The operating framework of the Board which was produced in June 2017 is also attached at Appendix B to assist the Board with its consideration of the review.

## **Recommendation**

**CIPFA/LASAAC is asked to provide its early views on its approach to the review of its Terms of Reference.**

## **CIPFA/LASAAC LOCAL AUTHORITY ACCOUNTING CODE BOARD**

### **TERMS OF REFERENCE**

1.1 The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) is established as a standing committee of CIPFA and LASAAC for the purpose of preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom (the 'Code').

1.2 The Board's terms of reference are:

- (i) To prepare, maintain, develop and issue the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
- (ii) To follow the Memorandum of Understanding between the Relevant Authorities on the development of the Code.
- (iii) To consider and respond to advice from the Financial Reporting Advisory Board (FRAB).

Finalisation of the Code requires the approval of both CIPFA (through report to CIPFA's Public Finance and Management Board) and LASAAC.

1.3 The preparation maintenance and development of the Code will focus in the main on EU adopted International Financial Reporting Standards and International Accounting Standards as adapted for public sector circumstances. In meeting its terms of reference in 1.2 CIPFA/LASAAC will have due regard to ensuring high quality financial reporting in local authority financial statements. CIPFA/LASAAC will also consider issues relating to any information which is provided with local authority financial statements, including commenting on the application of relevant best practice.

## **2 DUE PROCESS FOR THE PREPARATION OF THE CODE**

2.1 CIPFA/LASAAC shall keep under review the Code. In particular it shall consider at least annually:

- Any implications for the Code of new accounting standards.
- Any developments in local government that suggest further guidance on accounting matters is desirable.

Proposed divergences shall be notified to the FRAB Working Group as soon as practicable.

2.2 Drafting of the Code is undertaken by CIPFA/LASAAC. The process should ensure the participation of local authority representatives from all jurisdictions covered by the Code, external auditors of local authorities, relevant government departments, the FRAB and independent outsiders on behalf of the wider public interest. Where necessary and with the approval of the Board CIPFA/LASAAC may, as circumstances require, establish sub groups to consider individual issues or tasks. These sub groups shall conduct their meetings in accordance with their agreed Terms of Reference. The sub groups may, where necessary, invite appropriately qualified experts to join the Group subject to the Terms of Reference for the Group. These Terms of Reference shall be approved by CIPFA/LASAAC.

- 2.3 CIPFA/LASAAC shall conduct its proceedings in an open way and follow due process involving wide consultation. Before publishing the final Code, CIPFA/LASAAC shall invite public comment by means of a published exposure draft and invitation to comment explaining the proposals. The period for responses shall be at least eight weeks. CIPFA/LASAAC shall seek to secure publicity for the exposure draft and invitation to comment in local authority journals and accounting journals. The exposure draft and invitation to comment shall be placed on the CIPFA website. In addition to local authorities those specifically notified of the consultation and invited to comment shall include member bodies of CCAB, external auditors of local authorities and relevant government departments.
- 2.4 During the development of the Code CIPFA/LASAAC shall identify any divergences from accounting standards and/or the Government Financial Reporting Manual (the FReM) and inform the FRAB Working Group under the process set out in the Memorandum of Understanding between the Relevant Authorities.
- 2.5 The FRAB shall be given a list of the key differences between the final draft of the Code and the FReM for consideration before the Code is finalised.
- 2.6 The invitation to comment included with exposure drafts shall state that comments will be regarded as on the public record, unless confidentiality is requested. Copies of comments that are on the public record should be made available on the CIPFA/LASAAC website.
- 2.7 Any material that CIPFA/LASAAC proposes to issue formally offering an adaptation of EU adopted IFRS shall be included in the Code or should be submitted to the same due process and scrutiny procedures as the Code, including discussion with the FRAB Working group and consideration by the FRAB. Normally, such guidance shall subsequently be incorporated into a revised version of the Code.
- 2.8 The CIPFA Guidance Notes for Practitioners on the Code of Practice on Local Authority Accounting in the United Kingdom are prepared by the Local Authority Accounting Panel (LAAP). CIPFA/LASAAC is not responsible for reviewing the Guidance Notes, which are issued by CIPFA. Accordingly the following pro-forma statement shall be included in the Guidance Notes.

*"The overall aim of the Guidance Notes is to assist practitioners in the preparation of financial statements. They do not form part of the [dated Code], nor have they been reviewed by CIPFA/LASAAC. They attempt to explain and illustrate what is required by the [dated Code], but do not carry the authority of the Code."*

### 3 COMPOSITION

- 3.1 The composition of CIPFA/LASAAC is:
- the Chair (see section 4 below)
  - 11 nominations from CIPFA including 7 for England, 2 for Northern Ireland and 2 for Wales and
  - 5 nominations from LASAAC covering Scotland.
- 3.2 One member of the Board shall be appointed as vice chair.
- 3.3 Nominations from each of the geographical areas should include both local government practitioners and auditors.

3.4 The Board may elect to co-opt up to two independent members as voting members of the Board; such co-options to be agreed by the Board by a simple majority vote.

3.5 Additionally, one nomination from each of the following shall have the right to attend as an observer:

- Financial Reporting Council (FRC)
- Department for Communities and Local Government (DCLG)
- FRAB Secretariat
- National Audit Office
- Scottish Government
- Welsh Government
- Department of the Environment (Northern Ireland)

3.4 Staff from the CIPFA Secretariat also attend and provide support to CIPFA/LASAAC.

#### 4 CHAIR

4.1 The Chair is selected by CIPFA/LASAAC through open advertisement and competition.

4.2 The appointment is for a fixed term renewable of 3 years.

4.3 The Chair has a casting vote.

#### 5 SECRETARIAL SUPPORT

5.1 Secretarial support for the Board is provided by CIPFA.

5.2 The Technical Manager (Local Government Financial Reporting) acts as Secretary to CIPFA/LASAAC.

5.3 The Assistant Director responsible for local authority financial reporting and the LASAAC Secretary attend CIPFA/LASAAC on a regular basis.

5.4 Other members of the CIPFA Secretariat may be involved in supporting the work of CIPFA/LASAAC and attend as required.

#### 6 BOARD APPOINTMENTS

6.1 Appointments to CIPFA/LASAAC are made by nomination from:

- CIPFA (Public Finance and Management Board) for the CIPFA nominees
- LASAAC for the LASAAC nominees
- CIPFA (Northern Ireland)<sup>1</sup> for the Northern Ireland nominees
- CIPFA in Wales Branch for the Welsh nominees.

and are subject to the governance arrangements of those bodies. All nominations are personal to the individuals concerned – substitutions for particular meetings may only be made with the consent of the Chair.

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<sup>1</sup> CIPFA Northern Ireland Branch

- 6.2 Appointments are made for a fixed term renewable of up to 3 years. Non-attendance at three consecutive meetings will trigger an early review of an appointment.
- 6.3 Up to two independent members may be co-opted by CIPFA/LASAAC as voting members of the Board. Co-options may be made for a fixed term renewable of up to 3 years. The Board may invite other persons to attend on an ad-hoc (non-voting) basis to advise the Board on specific issues or projects.
- 6.4 Observers are appointed by nomination from:
- FRC
  - DCLG
  - FRAB Secretariat
  - National Audit Office
  - Scottish Government
  - Welsh Government
  - Department of the Environment (Northern Ireland)

and are subject to the governance arrangements of those bodies. All nominations represent their organisation. They may be represented by another member of their organisation on an exceptional basis.

## 7 CONDUCT OF MEETINGS

- 7.1 As noted in paragraph 2.3, CIPFA/LASAAC shall conduct its proceedings in an open way and follow due process involving wide consultation.
- 7.2 Members and observers must not use their position for personal gain in either business, political or social relationships. Therefore a member or observer who has, or may be perceived to have, such a personal interest in a particular matter under consideration should declare that interest and withdraw from all discussions relating to it. In addition, members should take no part in any vote on such a matter.
- 7.3 Each meeting of CIPFA/LASAAC shall allow its members and observers the opportunity to declare any interest that is relevant to the issues discussed at the meeting.
- 7.4 The agreed minutes of the CIPFA/LASAAC meeting shall be posted on the CIPFA website as soon as possible after the meeting.

## 8 BOARD MEETING FREQUENCY AND AGENDAS

- 8.1 CIPFA/LASAAC will meet a minimum of three times per year, the venue usually alternating between London and Scotland. Meetings are scheduled in advance but may be changed by agreement. Additional meetings may be held by agreement.
- 8.2 Work between meetings is progressed through electronic communication, meetings of groups progressing specific items, and by the Secretariat in consultation with the Chair.

## 9 QUORUM

- 9.1 A quorum for meetings is 7 members. This includes members attending by telephone or video conference.

9.2 Non-quotate meetings may discuss and formally note matters for future report, but have no executive authority. Urgent decisions, at the Chair's discretion, should be dealt with by correspondence.

9.3 Different arrangements apply to the issue by CIPFA/LASAAC of an invitation to comment on proposals for changes to the Code and to the finalisation of the published Code, both which require that at least 50 per cent of members' consent. This 50 per cent of members' consent shall be agreed at a meeting of the Board or by subsequent electronic approval (normally by email). This electronic consent shall be communicated to the Secretary of the Board.

## 10 PERFORMANCE REVIEW

10.1 CIPFA/LASAAC will review its activities and shall hold an annual discussion at a meeting of the Board to evaluate its performance for the preceding 12 months.

## 11 REVIEW OF THE TERMS OF REFERENCE

11.1 CIPFA/LASAAC may review and update these terms of reference from time to time as it deems necessary. However, the maximum period for a full formal review of these Terms of Reference shall be no longer than three years.

## CIPFA/LASAAC LOCAL AUTHORITY ACCOUNTING CODE BOARD OPERATIONAL FRAMEWORK

### 1 Introduction and Background

- 1.1 This document sets out the operational framework for the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC). The framework operates within the [CIPFA/LASAAC Terms of Reference](#).
- 1.2 CIPFA/LASAAC's Terms of Reference includes a requirement to be reviewed once every five years. The next review will need to be completed by June 2019. It is therefore recommended that the review process commences next year in 2018.
- 1.3 The *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) is developed under the oversight of Government's Financial Reporting and Advisory Board (FRAB) in accordance with the Memorandum of Understanding between the Relevant Authorities (MoU). The MoU sets out the operational arrangements for developing financial reporting guidance for the public sector in the United Kingdom. It is attached at Appendix A for information to this operational framework.
- 1.4 The operational framework is largely driven by the production and publication process which was last outlined for the Board in March 2013 as a part of the CIPFA/LASAAC review. The production and publication process has been updated below. It continues to evolve as needs and issues change but it is similar to that outlined in 2013. The production and publication process outlined in the next section has also been updated for the recent requests of CIPFA/LASAAC.

### 2 Production and Publication Process

#### *Timetable*

- 2.1 The normal timetable for the production of the Code is outlined in the table below.

	<b>Process</b>	<b>Timing</b>
1	<ul style="list-style-type: none"> <li>• CIPFA/LASAAC finalises the development programme for the Code for the next year, a year ahead of the year any changes would be applied. It also receives reports of financial reporting developments which may impact on future editions of the Code.</li> <li>• (Note: for substantial changes to the Code such as new standards these will be considered by CIPFA/LASAAC prior to this date and as soon as possible after the issue of</li> </ul>	<ul style="list-style-type: none"> <li>• <b>End February/Early March</b> meeting of CIPFA/LASAAC.</li> </ul>

	Process	Timing
	the relevant standard).	
2	<ul style="list-style-type: none"> <li>The CIPFA Secretariat on behalf of CIPFA/LASAAC outlines the anticipated approach to FRAB on the standards and other financial reporting issues to be included in the Code in the following year highlighting any anticipated adaptations to EU adopted IFRS.</li> </ul>	<ul style="list-style-type: none"> <li><b>March</b> meeting of FRAB – this is normally a verbal update.</li> </ul>
3	<ul style="list-style-type: none"> <li>For substantial changes to the Code the Secretariat will provide CIPFA/LASAAC with early sight of drafts prior to its June meeting.</li> </ul>	<ul style="list-style-type: none"> <li>Normally <b>May</b> in an out of meeting paper. (Note: this does not happen every year and is reserved for substantial changes to the Code).</li> </ul>
4	<ul style="list-style-type: none"> <li>CIPFA/LASAAC considers the draft Invitation to Comment (ITC) and Exposure Drafts (EDs) for the Code for the relevant year and provides its initial views at the meeting.</li> <li>CIPFA/LASAAC provides its final approval following its June meeting. This approval is normally by email and requires 50 percent of Board Members to approve the ITC and EDs. (Note: alternatively the Board may agree the ITC and EDs at the meeting.)</li> </ul>	<ul style="list-style-type: none"> <li><b>June</b> meeting of CIPFA/LASAAC (note: formal approval normally follows the meeting.)</li> <li>The ITC and EDs are received by the Board approximately a week after its meeting (depending on the volume of the changes) and the Board is given a fortnight to approve them.</li> </ul>
5	<ul style="list-style-type: none"> <li>FRAB considers and provides comments on the EDs of the Code and a report on the consultation highlighting any differences from the FReM and where relevant any proposed adaptations or interpretations of the Code.</li> </ul>	<ul style="list-style-type: none"> <li><b>June</b> meeting of FRAB</li> </ul>
6	<ul style="list-style-type: none"> <li>Telephone conference call meeting to discuss any substantial issues raised by June FRAB meeting on the consultation documents.</li> </ul>	<ul style="list-style-type: none"> <li><b>June/Early July</b> (new process) - a telephone conference call will be arranged a week following FRAB.</li> </ul>
7	<ul style="list-style-type: none"> <li>The ITC and EDs are approved by CIPFA's Standards and Financial Reporting Board (SFRB) before issue.</li> </ul>	<ul style="list-style-type: none"> <li><b>June</b> meeting of SFRB.</li> </ul>



	Process	Timing
	<ul style="list-style-type: none"> <li>(Note: due to the timings of SFRB it is usually invited at this meeting to delegate approval of the Code (following the consultation) to the Chair but members of the SFRB also receive the draft of the documents for information at the same time).</li> </ul>	
8	<ul style="list-style-type: none"> <li>Immediately following this approval CIPFA/LASAAC issues the Code ITC and EDs on the CIPFA website for a minimum 8 week consultation period (note: the period is usually longer than the minimum and is from mid-July to the first or second Friday in October). Interested parties responses are elicited by the following means: <ul style="list-style-type: none"> <li>electronic mail shot to finance staff in Local Authorities</li> <li>direct email to other interested parties per the Board's Terms of Reference (relevant government departments and local government auditors)</li> <li>newsletters from the CIPFA Finance Advisory Network to their subscribers and relevant social media updates</li> <li>notification to other CIPFA local government panels</li> <li>an open letter to the Treasurers' and Director of Finance societies sent by the Chair of CIPFA/LASAAC<sup>1</sup></li> <li>presentations at the local government accounting technical update days in July.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>Mid-July – October</b> (this year to 6 October 2017)</li> </ul>

<sup>1</sup> This letter offers the societies the opportunity to receive a presentation by Board Members or the Secretariat on the Code consultation.

	Process	Timing
	<ul style="list-style-type: none"> <li>- articles in Public Finance (if possible) and Spreadsheet.</li> </ul>	
9	<ul style="list-style-type: none"> <li>• Following the closure of the consultation period, the Board considers a detailed analysis of responses by the Secretariat and agrees the amendments to be made to the consultation EDs of the Code.</li> <li>• The Code is normally approved following email approval after the meeting (50 percent of Board Membership is required to approve the Code). (Note: alternatively the Board can approve the Code at the November meeting).</li> <li>• At this meeting the Board also considers the forward programme for the following edition of the Code.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>November</b> meeting of CIPFA/LASAAC</li> <li>• The full draft of the Code is sent electronically to CIPFA/LASAAC Members for approval approximately a week after its meeting (depending on the volume of changes required) and the Board is given a fortnight to approve the Code.</li> </ul>
10	<ul style="list-style-type: none"> <li>• The Code CIPFA/LASAAC proposes to publish is considered by FRAB. Normally the Board's initial views from its November meeting are provided to FRAB with the caveat that if any further issues are raised as a result of the approval process for the Code that the CIPFA Secretariat will update FRAB in an out of meeting paper (or verbally at the meeting).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>November</b> meeting of FRAB (any further amendments suggested by FRAB Members are subsequently considered by CIPFA/LASAAC).</li> </ul>
11	<ul style="list-style-type: none"> <li>• Telephone conference call meeting to discuss any substantial issues raised by November FRAB on the Code.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>November/early December</b> (new process) - a telephone conference call will be arranged a week after the FRAB meeting.</li> </ul>
12	<ul style="list-style-type: none"> <li>• The final version of the Code is sent to the Chair of SFRB on behalf of CIPFA (delegated approval see item 7) and LASAAC for final approval.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>December – January</b> of the year in question.</li> </ul>
13	<ul style="list-style-type: none"> <li>• The approval of the Code is subject to European Union (EU) adoption of the relevant</li> </ul>	<ul style="list-style-type: none"> <li>• <b>1 January</b> of the year in question.</li> </ul>

	Process	Timing
	standards included in the development programme for that year. CIPFA/LASAAC regularly has to consult on amended or new standards prior to their EU adoption. If these standards (or amended standards) are not adopted by 1 January of the year in question they cannot be adopted in the Code and are removed.	
14	<ul style="list-style-type: none"> <li>Following approval of the Code and item 13 above the Chair of FRAB signs the Statement on the Code.</li> </ul>	<ul style="list-style-type: none"> <li>Usually <b>January</b> of the year in question.</li> </ul>
15	<ul style="list-style-type: none"> <li>The approved Code is released for the publications process. The MoU sets out that CIPFA/LASAAC should aim to publish the Code by 1 April relating to the year in question.</li> </ul>	<ul style="list-style-type: none"> <li>Printing and publication takes approximately 8 weeks the Code is issued on <b>1 April</b> of the relevant financial year via the CIPFA subscription service. Hard copies of the Code are also available to purchase.</li> </ul>

2.2 The timescales between the meetings of CIPFA/LASAAC and FRAB at the June and November meetings are tight but this is due to the need to maximise the time available for Code development and the consultation period. Any issues that might arise are covered by relevant reports to CIPFA/LASAAC and FRAB. The timings have worked effectively in recent years.

2.3 As noted above the Code is produced under the MoU. CIPFA/LASAAC will note MoU sets out that there is a FRAB Working Group which '*considers the proposals for consistency across the public sector, or seek reasons for sector-specific differences being proposed*'. The Secretary is a member of the Working Group. However, relatively recent changes to the operation of FRAB mean that these issues are now largely considered by FRAB itself during its meetings or via the technical working groups that report to FRAB rather than through the operation of the FRAB Working Group.

### 3 Operation of the Meetings and Decisions Made by CIPFA/LASAAC

#### *Frequency of Meetings*

3.1 The Board normally meets three times a year according to the timetable and processes set out in Section 2 above. The current Terms of Reference set out that the Board meets a minimum of three times a year. The Board has recently recommended that telephone conference call meetings are added to the production timetable to follow the meetings of FRAB. These meetings will be short (scheduled for an hour) and may be cancelled if no substantive issues arise.

### *Papers for the Board's Consideration*

- 3.2 The papers are disseminated to CIPFA/LASAAC members for the large part seven days before meetings and often 10 days before. Very occasionally circumstances arise that require a shorter timescale for issue and very rarely papers are tabled.
- 3.3 The draft Minutes, the Code consultation documents and the Code approval documents are sent to the Board following the meetings in question (for the Code and consultation documents approval process see items 5 and 10 in the table above).
- 3.4 The Secretariat sends early drafts of proposed Code amendments to the Board for feedback on drafting but this is an informal process. Items of note are also considered for communication between meetings. CIPFA/LASAAC has also requested that it be updated regularly on relevant local government financial reporting issues ie such as consultations from regulatory bodies. Other papers might be circulated between meetings but the Secretariat will only issue these for important or urgent issues.
- 3.5 The minutes are sent to the CIPFA/LASAAC following the meeting and Board members are given a fortnight to comment on and approve them. The minutes and papers are then released on the CIPFA/LASAAC pages of the website.
- 3.6 In accordance with practices for most meetings of this kind both within CIPFA and externally the papers are disseminated by email to CIPFA/LASAAC's Membership.

### *Board Decisions*

- 3.7 In practice at its meetings the Board formulates its views by a process of consensus decision-making influenced by its members, guided by the Chair of the Board and supported by technical guidance from the Secretariat. This form of decision-making, without the need for formal voting, is also supported by a subsequent process for the approval of the consultation papers and the final Code. Very occasionally a formal vote may be required if a consensus is not achieved.
- 3.8 The discussion and debate at meetings for both the approval of the Code and the Code consultation papers has meant that a short report or email is issued confirming the changes the Board requested and requiring email approval of either the Code or the consultation papers. This approach allows for sufficient debate to be followed by formal approval and means that the provisions of the Code have been effectively considered by the Board. Alternatively the Board may approve the Code and the consultation documents at the meetings. This has happened on occasion but normally formal approval follows the meeting.

### *Meeting Format and Electronic Communications*

- 3.9 CIPFA/LASAAC meetings are still largely conducted in the traditional way by face-to-face meetings. These meetings alternate between Mansell Street and Edinburgh in CIPFA's offices. The Terms of Reference allow for attendance via telephone or video conference, which a number of members use. Telephone

conferencing is available in both Mansell Street and Edinburgh. It is difficult to conduct meetings with both telephone conference facilities and video conference facilities and therefore the Secretariat has to balance the requirements for each meeting.

#### *Use of Sub Groups*

- 3.10 The Terms of Reference allow for the use of sub groups. Sub groups are established to resolve complex issues, as a separate review process and/or where changes to financial reporting are likely to have a significant practical impact on local authorities. The groups have been established under CIPFA/LASAAC's terms of reference and specific terms of reference are established for each group. These are agreed by CIPFA/LASAAC. Sub-groups have also included assistance from Members outside of the Board where additional experience or expertise has been required. Additional Membership has also been sought either from CIPFA's Panels or the FRAB.

#### *Attendance at Meetings*

- 3.11 The use of substitutes is generally not permitted by the CIPFA/LASAAC Terms of Reference. Appointment to Board Membership is on a personal basis because of the expertise and experience members bring to the meetings. Substitutions for particular meetings may only be made with the consent of the Chair and these substitutions are treated as observers for that meeting.

**CIPFA/LASAAC**  
**April 2017**