



# EMERGENCY PROPOSALS FOR AN UPDATE OF THE 2021/22 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM AND THE 2022/23 CODE

Issued 3 March 2022

ICAEW welcomes the opportunity to respond to the CIPFA / LASAAC Local Authority Accounting Code Board's (CIPFA / LASAAC) **emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") and the 2022/23 Code.**

- ICAEW agrees that local authority financial reporting and auditing in England is under severe pressure and understands why it is important to explore potential measures that could help alleviate some of that pressure.
- We welcome the measures to address audit delays announced by the Department for Levelling Up, Housing and Communities (DLUHC) in December 2021, including the two-month extension for publishing audited financial statements for 2021/22 and 2022/23. Despite this, we do not support the request for CIPFA / LASAAC to consider time-limited changes to the Code.
- We believe that resolving the crisis in local audit and reporting demands long-term 'whole system' solutions that recognise the importance of high-quality financial reporting.
- We do not support temporary changes to the Code that depart from CIPFA / LASAAC's own view of best practice; they risk reinforcing the erroneous view that accounts are purely a compliance exercise and do not address the underlying issues.
- We are concerned that the proposal to 'pause' professional valuations of operational property will not save local authorities time in the short-term, while creating long-term issues such as increasing the workload when the pause is over and potentially delaying auditors identifying weaknesses in property records.
- We welcome HM Treasury's review of the valuation methodology of non-investment property and hope this results in a proportionate and sustainable approach across the public sector.
- We do not agree with further deferral of IFRS 16 in local government, when central government and the NHS will be required to adopt it in 2022/23. The adoption of IFRS 16 presents an opportunity for local authorities to improve their record-keeping for and reporting of their assets and financial obligations.
- We share CIPFA / LASAAC's concerns about the potential impact of the proposed changes on the Whole of Government Accounts (WGA) and on local authority reporting in Scotland, Wales and Northern Ireland when the delays in the publication of audited financial statements are largely confined to England.

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## ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK  
T +44 (0)20 7920 8100 F +44 (0)20 7920 0547 [icaew.com](http://icaew.com)

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)  
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

- We believe the main opportunity for changes to local authority accounting requirements to play a role in increasing the attractiveness of local audit and investment in finance teams is through providing more relevant and understandable financial statements that are actively used as a tool for accountability and stewardship by councils and councillors.
- We welcome CIPFA / LASAAC's planned project to review the presentation of local authority accounts and urge them to clarify the primary users, redesign how expenditure is disclosed, remove unnecessary divergence from IFRS, and simplify the format of the Code.
- CIPFA / LASAAC's ability to fully tackle the impenetrability of local authority accounts is limited by their remit. We urge other stakeholders to play their part, including DLUHC in bringing forward legislation that enables the decoupling of pension fund accounts from the main local authority accounts.

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## INTRODUCTION

1. We are responding to the CIPFA / LASAAC consultation on **emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”) and the 2022/23 Code**, published on 3 February 2022.
2. This response has been prepared by ICAEW’s public sector team in consultation with ICAEW’s Public Sector Advisory Group, which includes representatives from audit firms and public sector bodies. We have also consulted with property valuation experts and members of the ICAEW’s Financial Reporting and Technical and Practical Auditing Committees.
3. ICAEW is a body which acts in the public interest and whose members are accountable through compliance with a code of ethics. In that context we seek to play a constructive role in supporting local government and the bodies that work with it.
4. We would welcome the opportunity to meet with members of the CIPFA / LASAAC Board to discuss ideas for improving the presentation of local authority financial statements and explore how ICAEW can support their objectives.
5. CIPFA / LASAAC have launched this “exceptional consultation on time-limited changes to the Code to help alleviate current delays to the publication of audited financial statements” following a request from DLUHC as part of a **package of measures** designed to address audit delays.
6. The package of measures announced by DLUHC follows its **technical consultation on the local audit framework**, which closed in September 2021 but for which DLUHC have not yet published a complete feedback response. The consultation was part of the government’s response to the recommendations in Sir Tony Redmond’s **independent review into the oversight of local audit and the transparency of local authority financial reporting** (“the Redmond Review”).
7. ICAEW shares the concerns of DLUHC, CIPFA / LASAAC and other stakeholders about audit delays and the wider crisis in the local audit and reporting system. We have been working closely with DLUHC and other key stakeholders to develop proposals to address these pressing issues.

## CONSULTATION QUESTION RESPONSES

### Valuation of operational property, plant and equipment

**Question 1a: Do you agree with the proposal that preparers should have the option to pause professional revaluation? If not, why not? Please provide reasons for your view.**

8. No. ICAEW welcomes many of the measures DLUHC announced in December 2021 to help tackle delays to the publication of audited financial statements, but we do not support the request for CIPFA / LASAAC to consider time-limited changes to the valuation of operational property. We are concerned that the proposals will not save the time anticipated and could create significant unintended consequences.
9. We share the concerns of CIPFA / LASAAC, DLUHC and other stakeholders about whether the effort currently expended by finance teams and auditors on the valuation of operational property is proportionate to the related risk. However, like the other issues that contribute to audit delays, we believe this requires a long-term solution. There is a risk that allowing a temporary pause in professional valuation reduces the priority with which key stakeholders seek this much-needed long-term solution.
10. A two-year pause in operational property valuations will also not help resolve the concerns about audit work on such valuations raised by the Financial Reporting Council (FRC) in recent audit quality monitoring reports and the differences in view that have emerged on whether these concerns are proportional to the risks involved.
11. Multiple stakeholders have expressed a view to ICAEW that the FRC's expectations over the work required on operational property valuation has led to disproportionate audit work effort. One experienced valuer told us that it took them as much time to respond to auditor challenge over the valuation of properties as performing the valuation itself.
12. A pause risks postponing the much-needed discussion that needs to take place between the FRC, CIPFA / LASAAC, auditors and other stakeholders to address this disconnect in priorities.
13. It is important DLUHC do not seek to solely use accounting requirement changes to resolve an issue that just as much relates to auditing as financial reporting. CIPFA / LASAAC are correct to note in Annex 2 that they cannot amend the auditor's definition of materiality or determine auditor work effort. There is a case that a long-term solution may involve changes to the audit requirements through amendments to **Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom** ("Practice Note 10") as well as accounting requirement changes. For example, Practice Note 10 could instruct auditors to consider setting overall account materiality based on operational property assets but applying a lesser materiality to other transactions and balances as permitted by ISA 320.10.
14. The long-term solution must involve understanding the information needs of the primary users of local authority accounts and what they need the total operational property valuation for.
15. Making changes to the Code that result in, according to the consultation document, "not the best possible financial information that could be provided", could hinder information available for decision-making and accountability, potentially creating additional financial risk for councils in the future.
16. If users require property valued on a full revaluation basis in the future, we believe it is difficult to argue they do not require this for the 2021/22 accounting period. CIPFA / LASAAC may struggle to justify the reinstatement of the requirement to obtain professional valuations. Many local authorities are currently considering significant changes to their property portfolio because of changes to the Prudential Code, financial sustainability issues and the pressing need to invest in climate change adaptation measures. Just because an asset does not meet the definition of an investment property under IAS 40 or an asset held for sale under IFRS 5, does not mean that the local authority is not considering potential alternative uses and therefore requires an up-to-date valuation to be obtained.

17. We are also concerned that the requirement for local authorities to disclose in their accounting policies that their valuation method is “not intended to be an estimate of the account figure that would be achieved by applying full revaluations to all relevant property, plant and equipment assets”. This disclosure risks sending the wrong message to preparers, councillors and the public about the importance and usefulness of accurate local authority accounts. However, we agree that this disclosure is necessary should the proposal be adopted to ensure transparency and avoid a situation where auditors are forced to challenge councils for not valuing property in line with their stated accounting policies.
18. It is important that the financial statements of local authorities are comparable so that users can assess relative performance. Providing an option to local authorities over whether to follow best practice has the potential to create confusion amongst both preparers and accounts users. In addition, there is a risk of significant inefficiencies and wasted effort if some local authorities initially opt for a full IAS 16-compliant revaluation approach in 2021/22 but then switch approach, perhaps based on challenge over the valuation from the auditors.
19. In addition, pausing property valuations may mean that auditors are less likely to identify underlying weaknesses in asset records and thus delay the local authority being aware of a significant issue it needs to resolve. This could result in officers and elected representatives making strategic decisions about properties based on inaccurate information. The [Comptroller & Auditor General’s \(C&AG\) report on the Environment Agency’s 2020-21 accounts](#) highlights how difficult it can be for an entity to return to an IAS 16-compliant revaluation method when the lack of professional revaluations has masked poor underlying record keeping.
20. Assuming the pause is temporary as intended, we are concerned that any alleviation of delays will also be temporary. There is likely to be significant additional workload on auditors and finance teams when the requirement to obtain professional valuations is re-introduced as local authorities catch up with missed valuations.

***Question 1b: Additionally, do you agree with the proposal that preparers should have the option to pause professional revaluation and adopt an indexation approach to 2021/22? If not, why not? Please provide reasons for your view.***

21. We understand why CIPFA / LASAAC are proposing to adopt an indexation approach. An indexation approach could partly mitigate the risk of the current economic volatility or increased home working resulting in the carrying valuation in the 2021/22 accounts being significantly different from those if full professional revaluations were carried out.
22. However, it may be very difficult to identify a single suitable index for the multitude of different types of operational properties held by local authorities. An index appropriate for an office block with a 99-year lease in Newcastle is unlikely also to be relevant to a school in Westminster with a covenant preventing sale.
23. We would, however, warn against setting multiple different indices as this creates complexity and risks negating any potential time savings for accounts preparers. In addition, councils hold buildings with multiple uses that are unlikely to fit neatly into a particular category, creating the risk of confusion, inconsistency and unnecessary disagreement between auditors and preparers.

***Question 1c: If you support this proposal but the impacts for 2021/22 are minimal, so that audit timeliness issues remain, would you support either of these changes being explored for the 2022/23 Code?***

24. We do not support basing decisions on the Code requirements on whether there are audit timeliness issues in a given year. In any case, it is difficult to assess the impact of pausing professional valuation as many factors contribute to audit delays. The objective of the Code must be to ensure users have the best possible information. If preparers cannot provide the



best possible information, it is important this is identified by auditors, audit committees are informed, and the issue is resolved.

25. ICAEW believes CIPFA / LASAAC must provide certainty by setting the 2022/23 code requirements in line with their normal timetable. Waiting for the results of 2021/22 audits risks another change at short notice, harming the ability of finance teams and auditors to plan their resource requirements and procure the valuation services they require. CIPFA / LASAAC also need to provide certainty on their plans post 2022/23 to provide the information firms require to accurately price bids in the ongoing PSAA procurement round rather than relying on the burdensome fee variation process at a later date.
26. The longer the length of the pause, the greater the risk that the carrying valuations in local authority accounts do not reflect the number that would be recognised if professional valuations were carried out. This means there is the potential for large movements in the Comprehensive Income and Expenditure Statement when professional valuations are re-instated. These movements could mislead users about financial performance and could be out of line with the principle of accruals accounting that movements in valuation should be recorded in the year that they occur.

***Question 2: Do you have any comments on the impact of the adoption of this approach on preparers or auditors? If so, please provide more information.***

27. This change may not result in the anticipated time savings for preparers of accounts. One of the most significant burdens on finance teams involved in the valuation process is preparing accurate information about their asset portfolio for the professional valuers. This information is still required by auditors to verify the asset figure in the accounts even if professional valuations are paused and, in many cases, local authorities will have already prepared the information needed by professional valuers in 2021/22.
28. Local authority finance teams will still have to carry out reviews of their property for impairment in line with the requirements of 4.7.2.9 of the Code. We are concerned that some local authorities may misinterpret the new requirements to imply that impairment reviews are not required for operational property, leading to further audit delays.
29. The change in approach will also mean accounts preparers will need to spend time writing “additional commentary in the disclosures” and amending their accounting policies. They will then have to devote more time reversing these changes when the current requirements are reintroduced. We believe that time spent by local authority finance teams on their accounts disclosures is better spent ensuring that significant accounting policies, such as the Minimum Revenue Provision, are better explained and removing the many boilerplate or immaterial disclosures that clutter many local authority accounts.
30. In many cases, local authorities will have already commissioned their property valuations for 2021/22 and the valuers may even have already carried out the valuations. Even where this has not occurred, the local authority may face significant wasted costs if they cancel the valuation contracts at this point.
31. Temporary apparent relaxations of accounting requirements carry an inherent risk of inconsistent work effort amongst preparers and auditors. Auditors will still have to perform sufficient work to obtain assurance that local authorities have complied with the revised Code and valued property in line with their stated accounting policies.
32. Auditors may have different views on additional work required to obtain assurance that the carrying valuation of operational property in the 2021/22 accounts represents a true and fair view. In addition, while the proposed changes do not result in the Code becoming a special purpose framework under ISA 800, some auditors may judge that it is necessary to include an emphasis of matter paragraph in the audit report under the requirements of ISA 701. If these changes are introduced, we urge the National Audit Office and the FRC to publish clear guidance on their expectations of auditors.

33. Some auditors included an emphasis of matter paragraph in their 2019/20 reports because of material uncertainties in the valuation of operational property. This meant they assessed it was “fundamental to a user’s understanding” of 2019/20 local authority accounts. Temporarily removing the requirement to obtain a professional valuation suggests that valuations are not important to a user’s understanding and risks undermining the auditor’s judgements
34. Changing the requirements for 2021/22 and potentially subsequent years does nothing to help the substantial number of unfinished audits from 2020/21 or earlier years that have been delayed because of issues related to the valuation of property. In contrast, it risks giving the impression that reduces the urgency with which certain local authorities seek to address the issues and ensure the completion of these delayed audits.

***Question 3: If you support this approach, do you consider that the approach should be available to all local authorities, restricted to England, or determined on a jurisdiction basis reflecting the view of the relevant government?***

35. We believe a consistent approach is required for all local authorities. It is neither practical nor desirable that English local authorities might be permitted to report under less rigorous standards than their counterparts in the other UK nations. The multiple year audit delays experienced by some local authorities in England are often closely associated with significant financial sustainability issues. This makes it more rather than less important that councils have access to the best available financial information to make decisions, which may include sales of operational property for example.
36. We are, however, concerned that the potential for the need for catch up valuations risks spreading the pressing problems with delays to the other nations of the UK. For us, this is a powerful argument against the proposals in their entirety rather than a signal that the approach should only be available in England.

***Question 4: If you support this approach in principle, do you consider that it is appropriate for all operational property, plant and equipment, including for example, Housing Revenue Account assets?***

37. Notwithstanding our comments above, we believe the same approach should be applied to all operational property, plant and equipment for short-term changes of this nature.
38. A long-term approach may involve different requirements for different types of assets. An accurate market valuation of a town hall that an authority is considering selling may be more relevant than an accurate valuation of a school building with covenants preventing an alternative use.
39. However, attempting to create different approaches for different types of operational property risks reducing any potential time savings by creating complexity. It also potentially introduces new judgements for finance teams and auditors about the category into which an asset falls.

***Question 5: Do you have any other comments on the proposal?***

40. One of the many issues caused by the delays to the publications of audited local authority financial statements is that it results in significant delays to the publication of the WGA. The 2019-20 WGA has still not been published. The proposal, however, will make the requirements for property valuations in local authority accounts out of line with the requirements for central government in the Financial Reporting Manual (FReM), creating significant issues for the preparation of the WGA. If HM Treasury requires local authorities to obtain professional valuations for the WGA, then the proposal will not save any time. If it does not, this will result in an additional qualification to the WGA, undermining its credibility and usefulness.

41. The debate around whether the requirements over the revaluation of operational property is proportionate is not confined to local government as it also applies to central government, the NHS and academy schools. For example, the Department for Education had to invest significant resources in 2016/17 to support the carrying valuation of operational property in the Academy Schools Sector Consolidated Accounts (SARA). It is reasonable to argue that the valuation of a school that cannot be sold is no more relevant to users of the SARA or an academy trust's accounts than it is to users of a local authority accounts.
42. We welcome that HM Treasury has announced a review of the valuation of operational property in the public sector. Whilst we appreciate that any proposals arising from the review will not help alleviate audit delays in 2021/22, we believe this is far more likely to result in the establishment of a sustainable and proportionate approach to operational property valuation across the public sector.

### **Deferred implementation of IFRS 16**

#### ***Question 6: Do you support the further deferral of IFRS 16 implementation to reduce auditor/preparer workload? If not, why not? Please provide reasons for your view.***

43. No. The deferral of IFRS 16 implementation does not reduce auditor or preparer workload, it merely defers it to future years. This could undermine efforts to address delays to the publication of audited local authority financial statements in the long term.
44. Local authority finance teams with well-maintained lease records should already have the majority of the information they need to calculate the asset and liability figures for the balance sheet, as well as the depreciation and interest to be recorded. Some local authorities may have already performed the calculations for the 2021/22 opening balances meaning deferral will have very little impact on the timeliness of the publication of their audited financial statements.
45. The accurate inventory of lease contracts required for adoption of IFRS 16 also provides a valuable resource for local authorities to ensure that leased property is being used in the most efficient way and to identify any leases that are can be renegotiated or terminated. Deferral risks delayed identification by auditors or finance teams of weaknesses in lease records, depriving finance teams of the potential opportunity to address this weakness in internal controls on a timely basis.
46. As the consultation document states, "IFRS 16 provides significantly better information than IAS 17". IFRS 16 brings leases longer than a year onto the balance sheet, providing users of the financial statements with a much clearer picture of an entity's assets and liabilities. It removes perverse accounting incentives, such as avoiding minimum revenue provision charges, to lease assets when it would be better value for money to purchase them. Recent changes to the Prudential Code and the significant pressures on usable reserves make this particularly relevant to local authorities at the current time.
47. The adoption of IFRS 16 also provides the opportunity for more relevant accounting policy disclosures that help users understand the change, the nature of the assets leased, and any key judgments made. Too many local authority financial statements currently contain boilerplate disclosures about leases that provide no relevant information for users. For example, we identified one 2020/21 district council's financial statements that included over 1.5 pages paraphrasing IAS 17 in its explanation of its policy for finance leases before disclosing that it did not hold any.
48. We also question how much of an impact the proposal will have in alleviating delays to the publication of audited financial statements. A local authority's lease portfolio is unlikely to change significantly in the final months of the year so local authorities should be able to perform most the calculations in advance of the busy year end period. Auditors should also be able to assess these calculations and the underlying evidence for them away from the peak audit period.
49. We are also concerned that a further deferral so close to the planned date of implementation could create additional work for local authority finance teams. Local authorities will have



already set their budgets, financial projections, and forecasts of prudential indicators based on the assumption that operating leases will move on to the balance sheet on 1 April 2022.

**Question 7: Do you have any comments on the practical impact of the adoption of this approach? Please provide details to support your view.**

50. The 2023/24 audit and reporting cycle may be the first of the next PSAA appointment period so local authorities could have new auditors. The first year of an audit usually requires additional work so that the auditor can familiarise themselves with the audited body. In addition, the procurement may result in new entrants to the local audit market. We would be particularly concerned about placing the additional burden of auditing the transition to IFRS 16, as well as potentially three years of ‘catch up’ property valuations, as part of the 2023/24 audit.
51. We agree with the statement in the consultation document that “the lack of audited figures on an IFRS 16 basis will be problematic for Whole of Government Accounts and government financial statistics”. The government financial statistics are important because they influence the UK’s major macroeconomic policy decisions, the confidence of markets in the UK government’s financial position and the government’s overall management of its balance sheet. If local authorities cannot provide the audited information needed for these statistics in a timely manner, this should be a message that action is required to increase capacity rather than that the requirements should be disregarded.

**Question 8: Do you have any comments on the jurisdictional application of this approach?**

52. As with the requirements over the valuation of property, ICAEW does not support the CIPFA / LASAAC code permitting divergence in reporting standards between bodies in England and those in the remainder of the UK.

**Question 9: Do you have any other comments on the proposal?**

53. ICAEW strongly supports CIPFA / LASAAC in basing the Code on International Financial Reporting Standards (IFRS). IFRS are globally recognised for high standards in reporting. Their use in local government permits comparisons with central government and the private sector, as well as making it easier for those with experience of private sector or central government financial reporting to move into local government accounting and audit. The Code’s adoption of IFRS has also resulted in more transparent disclosures, such as in respect of future expected credit losses of financial instruments following the implementation of IFRS 9.
54. CIPFA / LASAAC adapts IFRS where there are differences in the circumstances of local government compared to companies and has already consulted on adaptations of IFRS 16. Accurate and transparent information about the lease portfolio is just as relevant to local authorities as other entities so we do not believe there is justification for further departure from IFRS.
55. Companies implemented IFRS 16 in 2019, while central government and the NHS are adopting it with effect from 1 April 2022. Further deferral would leave local authorities as outliers in the UK reporting landscape, and risks sending the wrong message about the credibility of local government accounting when there is a need to make the sector more attractive to talent to address resource and skills gaps.

**Further comments**

**Question 10: Do you have any other comments on the issue of the timeliness of the publication of audited financial statements in local government and the impact on the Code?**

56. As we stated in our **response** to the **technical consultation on the local audit framework**, there are many contributing factors behind the current severe audit delays. We therefore strongly agree with the DLUHC's view that a "whole system response is needed" and that "it will take some time for the system to come right".
57. Such a whole system response should address underlying issues in the quality of financial reporting. Timely audit relies on high quality draft accounts, well-maintained financial records and supporting evidence provided to auditors on a timely basis.
58. Key to improving the quality of local authority reporting is addressing Sir Tony Redmond's conclusion that local authority accounts are "impenetrable". ICAEW believes that this impenetrability has contributed to an inaccurate but prevalent view amongst some finance teams, elected councillors and audit committees that local authority financial statements are principally a compliance exercise. This has in turn resulted in the under-investment in financial reporting teams, a major contributory factor in significant levels of error in draft accounts, poor quality working papers provided to auditors, poor quality disclosures, and resulting audit delays.
59. ICAEW welcomes that CIPFA / LASAAC have rejected some of the suggestions contained in Annex 2. In our view, there is no justification for dropping basic financial reporting requirements such as preparing group financial statements or providing adequate IFRS-based disclosures on pension fund assets. These suggested options would create significant future problems and undermine local authority financial accountability.
60. However, we are concerned that the proposed temporary reductions in financial reporting standards still risk reinforcing the inaccurate view that financial statements are principally a compliance exercise. ICAEW believes a longer-term approach is required that ensures accruals-based accounts better meet the decision-making needs of users and are viewed as important documents for communicating key financial information to facilitate essential local accountability.
61. A higher profile for local authority accounts could also help tackle audit delays in other ways. It could help make local audit more attractive to new entrants, alleviating some of the capacity and retention issues. Better use of accounts by audit committees and councillors could reduce audit risk by ensuring better challenge of management and increased focus on strengthening financial controls.
62. We therefore believe the best way for CIPFA / LASAAC to help address local authority audit delays is through considering what changes to the Code can improve the understandability of the financial statements.
63. We strongly welcome that CIPFA / LASAAC will be undertaking a project to see how the presentation of local authority accounts can be improved.
64. Local authorities often closely follow the model accounts contained in the Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes (the Guidance Notes), produced by CIPFA's Local Authority Accounting Panel (LAAP). Therefore, we believe it is vital that CIPFA / LASAAC work closely with LAAP on this project.
65. Possible ideas that CIPFA / LASAAC and LAAP may want to consider that could improve local authority accounts include:
  - Design the Code on the basis that councillors are the primary users of local authority financial statements, similar to how the FRoM identifies Parliament as the primary user of central government departmental financial statements.
  - Implement Redmond's recommendation of a standardised statement of service information and remove the expenditure and funding analysis.
  - Redesign the income and expenditure statement to provide a more understandable view of the financial performance of each local authority and its group.
  - Require the inclusion of a segmental analysis note on a standardised basis to enable better insight into performance in a way that enables comparability between local authorities.

- Improve the requirements around the reporting of the nature of expenditure, to allow for more explicit analysis of material categories of spending and to enable comparability between local authorities.
  - Increase alignment between the Code and IFRS, including the requirement to analyse movements in earmarked reserves.
  - Clarify and strengthen requirements to avoid boilerplate disclosures.
  - Remove disclosures that might be better reported elsewhere, such as the content of museum collections.
  - Make the model accounts more concise and understandable, reducing it, if possible, from the current 134 pages with 59 notes to nearer the 52 pages with 25 notes of the central government 'Department Yellow' template accounts.
  - Redraft the Code and Guidance Notes to avoid repetition of IFRS disclosure requirements and instead focus on the differences, closer to the approach taken by the FReM for central government.
66. We recognise making local authority financial statements easier to understand is not a quick or simple task, but it is still an important longer-term objective. We are keen to support CIPFA / LASAAC and LAAP in this shared objective and are happy to provide a submission setting out the ideas in more detail. We would welcome the chance to meet with members of the Board to discuss the ideas.
67. We understand CIPFA / LASAAC's ability to remove complexity is limited by their remit and the various regulations and statutory guidance that underpin local authority accounts. Tackling "impenetrable" accounts will require action from the DLUHC, the new system leader, local authorities, and many other stakeholders.
68. For example, ICAEW agrees with CIPFA / LASAAC's conclusion that it is not in their gift to "decouple pension fund reporting from administering authority financial statements".
69. ICAEW would support the decoupling. In addition to the advantages listed in Annex 2 to the consultation, the necessary legislation could also facilitate reform to the requirement that the audit of pension funds must be signed off by a Key Audit Partner (KAP). We believe Responsible Individuals with significant experience of private sector pension schemes have sufficient expertise to sign off local authority pension fund accounts. This would free up existing KAPs to focus on the main local authority accounts, where the quasi-judicial functions and unique complexities makes the requirements for specific local authority expertise more necessary. We would urge CIPFA / LASAAC to join us in encouraging DLUHC to bring forward the required legislation.
70. We also believe that CIPFA / LASAAC would benefit from a clearer articulation of the government's vision for the purpose of local authority financial reporting and how it provides essential local accountability. The Public Administration and Constitutional Affairs Committee's 2016/17 inquiry [Accounting for democracy: making sure Parliament, the people and ministers know how and why public money is spent](#) set out a clear articulation of the role of central government accounts. A similar exercise for local government would potentially help CIPFA / LASAAC identify areas where requirements need to be clarified or, even, removed.