



CIPFA/LASAAC: 2019 Stakeholder Survey Feedback

Selected Comments Received

Stakeholder Survey – Selected Comments

- Following are selected quotes from respondents
- There are provided as an indication of feedback
- They are not comprehensive
- They are grouped into the following areas:
 - Summary accounts
 - Materiality
 - Disclosures
 - Other Comments
- Red font has been applied to key elements for emphasis and ease of reference

Stakeholder Survey – Summary Accounts 1

- “a summary document comprising the narrative statement, core statements and an opinion from the External Auditor **would be more meaningful** to Councillors and other Stakeholders.”
- “**quality of narrative reporting which goes alongside the financial statements is varied..... also needed is a 'recommended' format for local government narrative reports**, standardised across the country and including a number of set 'key performance indicators”
- “The overall solution is **not to add further burdens by suggesting we produce summary accounts on top of what we already do**; we (and our auditors) are already overburdened”
- “The Statement of Accounts **does not show clearly what has been spent in the year against the Council Tax**”

Stakeholder Survey

-Summary Accounts 2

- “For the casual reader Local Government accounts are complex and difficult to understand. **A shorter and streamlined approach would be better**”
- “After getting the accounts production as efficient as possible, **I think Councils should focus on producing a mandated 3-4 page set of summary accounts** consistent across councils aimed particularly for lay Members and residents, and CIPFA helping with the format for this..”
- “**managing to incorporate the outturn position into the accounts**, without duplicating anything in the reports prepared for Cabinet/Council in most organisations, **would be incredibly helpful**”
- “there should be a more concise way in which to **represent key financial stats perhaps as a summary.**”
- “prefer to see a **simple presentation of where the money has come from and how it has been spent.**”

Stakeholder Survey – Summary Accounts 3

- “What would be helpful is if the annual accounts could come with a **standardised executive summary** which sets out in a clear format how the council has performed in the year, **what was the budget, what were the sources and uses of funds, did they overspend, how much did they draw from reserves for revenue funding, what the forecast for budgeting is over the next three years and any issues that have been drawn to attention by the external auditor.** A four or five page summary which was **standardised for all local authorities** would then provide a much simpler basis for benchmarking and comparison between local authorities”
- “The overall solution is not to add further burdens by suggesting we produce summary accounts on top of what we already do; we (and our auditors) are already overburdened. What it needs is a brave attempt to strip away the unnecessary.”
- “As a CFO I have to explain the accounts to the Council's Governance Committee - the only Members who have any interest in them....external trainers [...] also take Members to the same conclusion - that **the accounts themselves are of little practical use.** The **discipline of producing them and having them audited is important** - but that **effort should go into a simpler and much more useful document.** “

Stakeholder Survey – Materiality Views 1

- “The work to be done here is to **convince auditors (and their regulators) that they should be considering the Code and not applying uncontested their firm’s commercial methodology** for materiality.”
- “examples where **accurately applying IFRS creates significant work with no real relevance to management** of council resources, or oversight of that management”
- “The work involved **requires a level of "accuracy" on valuations dictated by a materiality level that is disproportionate when considering the total value of assets.**” and “This may be **as much to do with auditor interpretation** than the Code's actual requirements.”
- “**Local authorities (from what I've experienced) tend to include everything rather than trimming it down for materiality** or putting it into their own context.”

Stakeholder Survey – Materiality Views 2

- “reliance on a materiality level set in relation to the net revenue budget is highly problematic and frequently requires restatement of the accounts between the May unaudited statements and the July audited statements”
- “Our auditors do not allow us to omit or cut down notes, unless specifically stated in the code. This means that there are often many zeros within our notes”
- “due to the external auditors clear focus on the value of materiality rather than the 'reader' angle does not help with the audit process of the accounts. Auditors can enforce changes in the accounts which the Council does not consider necessary.”
- “current reporting framework along with the current regulatory regime mean that as an external auditor a significant amount of time is spent auditing numbers that again in reality are of no interest to taxpayers. The value of Property, Plant and Equipment and the value of the net defined pension liability skew Local Authority Balance Sheets.”

Stakeholder Survey – Materiality Views 3

- “My advisers view is that property valuations are always subject to an uncertainty factor of 5%-10%. The impact of this is that we have had to delay publication of our 2018-19 Accounts to carry out a full professional valuation of all our property portfolio, this was originally scheduled for March 2020. We are likely to add c. £30K to £50K to our audit costs on more property revaluations to prove materiality within a very fine tolerance (1.2%) in the future. This in my view is an additional cost to the taxpayer that adds little value.”
- “As an aside, the biggest current bugbear is the audit focus on non current assets (PPE in old speak) and pensions.obvious solution is to recognize that the estimated nature of these Balance Sheet items, and their lack of impact on Council Tax.....My response is that we can put a man on the moon, and sequence the genome, so two materiality figures should not be beyond us. It needs the will to have the difficult conversation with whichever regulator blindly applies a private sector approach...”

Stakeholder Survey – Materiality Views 4

- “...a service that has a relatively low level of spend, but high asset base. So it is very easy of a change in valuation of 1% to be significant and be considered material for the auditors. There has been a particular problem this year due to a late rethink being needed on revaluation, which is likely to require late changes to the accounts. Is materiality levels something that need to be considered as new governance arrangements”
- “Requirements for regular valuation of property assets incur real costs in authorities which do not employ valuers. Auditors insist on 'accuracy' of valuation for a notional figure in the balance sheet which doesn't add anything to the understanding of the Service's financial position”
- “materiality judgments are however difficult to make and further guidance/rules that could be applied from CIPFA would be welcomed.”

Stakeholder Survey – Disclosures 1

- “The Code provides a clear basis for deciding whether disclosures are required, and I have worked with a number of authorities to demonstrate this. The issue is more that auditors do not reference the Code directly but apply their firm methodologies that don’t consider local government circumstances.”
- “In terms of simplification, we would remove the note on accounting policies which is common to every local authority, and just have a short note listed the few optional policies plus a link to standard policies on CIPFA or MHCLG website.”
- “Endless pages of disclosures on financial instruments and fair values mean next to nothing to the reader of the accounts..... as an external auditor I would say I spend far more time reviewing and gaining assurance over these disclosures that I do over the things that members of the public would be interested in”
- “The number of disclosures and amount of detail required in the disclosures for local government accounts is excessive and in many cases is confusing”

Stakeholder Survey – Disclosures 2

- “Generally, allowing practitioners more flexibility in the preparation of notes to the accounts would be encouraged to allow local circumstances to be better reflected in accounts, and to make it clear to auditors that this is acceptable within reasonable and proportionate parameters.”
- “the attempt to bridge commercial IFRS requirements with local authority accounting is inappropriate in many circumstances eg. financial instruments notes and EFA to accompany the key statements. This adds confusion and complexity..”
- “...there remains scope for increasing the focus on narrative information, particularly in the disclosure notes, so that it tells the story of the accounts in a way that users can understand. We believe that this may involve CIPFA/LASAAC securing cultural change...”

Stakeholder Survey – Other Comments 1

- “The WGA, RO, S251 and ASC-FR provide financial outturn information to Central Government, so **we should ask ourselves what is the purpose of the Statement of Accounts.**”
- “.. preparation of local government accounts to comply with international accounting standards means that they **cease to be useful as a document for members of the public** to use”
- “My team spends between March and May producing the accounts and not able to help other services with key corporate projects **to produce a document that no one reads except the auditor.**The **external auditors are also suffering with the volume of information to be audited within a very tight deadline** and we are seeing this year opinions being delayed by lack of auditor resources.”
- “One option worth exploring is **removing statutory adjustments from the double-entry system and presenting the general fund balance with its true balance** (i.e. as determined by IFRS as adapted by the accounting code)..”

Stakeholder Survey – Other Comments

- “I am a Chartered Accountant and I chair the Joint Audit Committee for the Office of a Police and Crime Commissioner and The Chief Constable. Having recently reviewed the accounts for 2018/19, I believe that the **amount of detail** now included in the accounts, **the terminology** that is used and the **application of accounting standards** now required has rendered the **accounts incomprehensible to non-qualified members of the public**. Those responsible for setting the reporting standards need to start again with a clean sheet of paper and should consider what **the members of the public wish to glean from the accounts** of the public bodies they fund.”
- “...accept the accounts as the regulatory exercise they are, like RO and WGA, and help **us focus on getting them done in as simple a format as possible and as quickly as possible..**”
- “LAs would be stronger together if we **worked collaborately with a national consistent approach so that we are all accounting and working collectively** rather than independently “

Stakeholder Survey – Other Comments

- “Language is also very dense and not explained such as Minimum Revenue Provision so a glossary of terms would be good. There should be a summary of the accounts clearly laid out **for example debt is shown as capital and interest payments with little effort to show total debt with a breakdown.**”
- “The only change I would suggest is **a narrative note should always be provided for major changes in annual amounts over a certain percentage and reporting threshold [per authority].....** CIPFA often makes changes to the way accounts are reported. It's important to me that such changes are kept to a minimum so that I can compare previous accounts on as much of a like for like basis as possible.”