

REPORT TO: Business Efficiency Board

DATE: 19 January 2011

REPORTING OFFICER: Operational Director – Finance

SUBJECT: Progress with the Implementation of International Financial Reporting Standards (IFRS)

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To provide the Board with an update of progress with the implementation of International Financial Reporting Standards (IFRS).

2.0 RECOMMENDED: That the report be noted.

3.0 BACKGROUND

3.1 The Council will be required to prepare its Statement of Accounts (The Abstract) for the year ended 31 March 2011, on the basis of International Financial Reporting Standards (IFRS) in compliance with the IFRS Accounting Code of Practice (IFRS Code).

3.2 In order to prepare the 2010/11 year-end accounts on this basis, it is necessary to restate the 2009/10 accounts in order to provide comparative figures and also to restate the 2008/09 balance sheet to provide the opening balances.

3.3 The implications of compliance with the IFRS Code are wide-ranging and affect all areas of the Council. In future, additional information will be required from all Directorates in order to prepare the year-end accounts in accordance with the IFRS Code and therefore systems will need to be in place to gather appropriate information.

4.0 RESTATEMENT OF THE 2009/10 ACCOUNTS

4.1 A significant amount of information has been gathered relating to those areas of the accounts which are affected by the introduction of the IFRS Code. As outlined in previous progress reports to the Board these areas include in particular leases, property valuations, and annual and flexi-leave balances. The accounting treatment of these items has been adjusted in accordance with the requirements of the IFRS Code. Similarly, a number of other areas of the accounts including government grants, debtors, creditors and group accounts have also been reviewed and accounted for in accordance with the Code's requirements.

4.2 As a result, the key financial statements within the 2009/10 Abstract of Accounts have now been restated onto an IFRS basis, along with the supporting notes to the accounts. Working papers have also been prepared which map all of the changes made, to enable them to be reviewed by the Audit Commission.

5.0 CHANGES TO ACCOUNTING POLICIES AND THE CONSTITUTION

- 5.1 In order to restate the 2009/10 accounts on an IFRS basis it has been necessary to update the Council's Accounting Policies. These will be presented to the next meeting of the Board and will then be used as the basis for preparing the 2010/11 year-end accounts.
- 5.2 It has also been necessary to make certain changes to Standing Orders Relating to Finance within the Council's Constitution, such as the section relating to leases which includes the definition of finance and operating leases. These changes are being made as part of the current annual review of the Constitution.

6.0 AUDIT COMMISSION REVIEW

- 6.1 Whilst there is no formal requirement for the Audit Commission to audit the restated 2009/10 accounts, the Audit Commission have agreed to review the restated accounts and supporting working papers during January 2011. This will enable a shared understanding and agreement to be reached, which will provide a sound starting point for preparation of the 2010/11 year-end accounts on a full IFRS basis.
- 6.2 The outcome of the Audit Commission's review of the 2009/10 restated accounts will be reported to the next meeting of the Board.

7.0 NEXT STEPS

- 7.1 Following the review of the 2009/10 accounts by the Audit Commission, work will begin to plan for the preparation of the 2010/11 accounts on a full IFRS basis. This will include ensuring that systems are in place to gather and maintain information required for preparation of the accounts, such as those in respect of leases, land and property valuations, annual and flexi-leave balances, and contractual arrangements.
- 7.2 The draft 2010/11 Abstract of Accounts will be presented to the Board during June 2011, prior to which Members will be briefed regarding the implications of the IFRS Code upon the draft accounts. The Audit Commission will present the findings from their audit of the 2010/11 accounts during September 2011.

8.0 POLICY AND OTHER IMPLICATIONS

- 8.1 None.

9.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 9.1 There are no direct implications.

10.0 RISK ANALYSIS

- 10.1 If the transitional requirements for the implementation of the IFRS regime are not met, the Council will fail to meet its statutory obligations in terms of the accounting requirements for the 2010/11 final accounts.

10.2 The IFRS Project Implementation Plan has been risk assessed in terms of the key actions, to ensure they are prioritised and properly resourced during the implementation process.

11.0 EQUALITY AND DIVERSITY ISSUES

11.1 None.

12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072

12.1 There are no background papers under the meaning of the Act.