
Audit & Governance

28 July 2010

Report of the Director of Customer Business and Support Services

International Financial Reporting Standards (IFRS) Update

Summary

1. The purpose of this report is to update Members of the progress being made on implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS)
2. This is the fourth report, which updates those responsible for governance arrangements of the transition to IFRS implementation to provide assurance that the process is being efficiently managed.

Background

3. The change in financial reporting to IFRS will be fully implemented in the 2010/11 Statement of Accounts, to be reported to A&G by 30 June 2011. The need to include comparative information for 2009/10 in the first IFRS-based Statement of Accounts means that the effective date of transition is at 1 April 2009. The 2008/09 balance sheet and 2009/10 accounts will need to be restated in IFRS format, as well as producing the 2010/11 accounts.
4. In the report presented to Audit & Governance Committee on 26 April 2010, members were informed that a detailed timetable would be presented to them to provide assurance that the transition to IFRS would be completed for the 2010/11 Statement of Accounts. Attached at annex A is the IFRS overview project plan.
5. Worked continues in the key transition areas which include leasing, employee benefits, assets and investment properties and revenue/capital grants & contributes. In the 2009/10 Statement of Accounts changes to the accounting for the private finance initiative (PFI), collection fund and inclusion of group accounts have been completed. These areas all contribute to the changes to IFRS.
6. Work has also commenced on segmental reporting. This is where the revenue outturn report (an analysis of income and expenditure) will be reconciled to the comprehensive Income & Expenditure Account in the Statement of Accounts. The segmental accounts have to be included on the basis of how we normally report our revenue expenditure and income, i.e. by portfolio, and on a subjective basis (i.e. employees, transport costs, etc.). This will involve all finance departments across the authority and in accordance with the timetable will be developed by the end of October 2010.

7. The transition guidance notes from UK Generally Accepted Accounting Practices (GAAP) to IFRS have been developed by CIPFA and are now available on their website. They, along with the Statutory Instrument 2010/454 will be imperative to the transition and completion of the 2010/11 Statement of Accounts.
8. The SI 2010/454 mitigates the increased costs that would be incurred by the council in the change to accounting under IFRS. The statutory instrument legally allows the reversal of the costs that will be incurred from employee benefits. It also allows leases in existence prior to 31 March 2010 to continue to be classed as revenue or capital as they have been in the past.
9. In order to facilitate the change to IFRS, the council is joining the West Yorkshire Accounting Group. This will allow discussion with other unitary authorities, sharing of information, clarification of process and procedures and assurance that the progress being made is of a similar quality and in line with other authorities.
10. The council's external auditors – Audit Commission – are involved in the transition to IFRS and are on board with the processes that are currently being undertaken. Discussion occurs with them on a regular basis as and when specific issues come to light. It is important to update the Audit Commission and have sharing of information so provide assurance that the Statement of Accounts 2010/11 will be completed on time.
11. Updates to members will continue on a quarterly basis and be monitored against the IFRS overview project plan provided at annex A.

Consultation

13. The report shows that collaborative working with all departments across the authority is positive in assisting the progress in attaining the changes required by IFRS.

Options

14. It is a statutory requirement to introduce IFRS into local authority accounts for the financial year 2010/11. No alternative options are available.

Corporate Priorities

15. The Authority will need to comply with IFRS as financial reporting contributes to all areas of the corporate strategy.

Implications

16. The implications are
 - Financial - there are currently no financial implications to this report as the project work is being undertaken by existing resources in corporate finance and also across departments.
 - Human Resources - there are no human resource implications to this report
 - Equalities - there are no equality implications to this report
 - Legal - there are no legal implications to this report
 - Crime and Disorder - there are no crime and disorder implications to this report
 - Information Technology - there are currently no information technology implications to this report as only current IT available is being utilised.
 - Property –are no property implications to this report

- Other - there are no other implications to this report

Risk Management

17. There is a risk to the authority if the Statement of Accounts 2010/11 are not in accordance with IFRS requirements. It is a statutory obligation, with ultimate government action if there is none compliance.

Recommendations

18. That Audit & Governance Committee note the progress contained in this report and recognise the continuing work being undertaken for a smooth transition to IFRS.
19. Reason: That those responsible for governance arrangements are updated on a regular basis to ensure that the implementation of IFRS is proceeding in a timely manner for 30 June 2011 implementation.

Contact Details

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 Report approved Date

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all* **All**

For further information please contact the author of this report

Background Working Papers

IFRS information produced by CIPFA

Supporting documentation for collection fund, PFI, group accounts, leasing, employee benefits, property plant & equipment, proformas, Directorate information, accounting analysis

CIPFA training course information

Annex A

IFRS Overview Project Plan

Task	Step / Task	Final Date	Progress
1	High level impact assessment	15/09/2009 30/09/2010	Assessment of the required transition from UK Generally Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS) Further assessment updates of areas required for 10/11 Statement of Accounts
2	Identify changes to accounting policies	30/11/2010	Work is ongoing and is being developed as the changes to accounting treatment of the different areas of change are developed
3	Identify key staff (finance across all departments, legal, property, HR, other)	31/08/2009	Identification of Resources & Responsibilities allocated at the beginning of the project life Quality Assurance is important and staff at key levels e.g. assistant directors, finance managers, accountants will be engaged to assure the standard of work across each area
4	Key staff trained on IFRS transition	Ongoing	Finance, Property Services, Engineering Services have attended relevant courses since July 2008, to ensure current knowledge regarding IFRS in individuals specific areas Presentation given to departmental finance staff in December 2009 to raise awareness of the IFRS changes Lessons learnt session on Statement of Accounts 2009/10 to Departmental Finance Accountants to ensure the close down process can be improved for IFRS Training session to be arranged for Finance staff October 2010 to explain their detail role in the transition to IFRS
5	Identify systems and procedural changes (including Chart of Accounts changes) required	31/10/2010	Final identification of changes October 2010. This is an ongoing process whilst the work is in progress to transition to IFRS
6	Identify information (e.g. leases, FA, employee benefits etc) required to restate balance sheet for 09/10 accounts. Collation of data from 1/4/09	31/12/2009	Information identified and being processed to form accounting entries
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	31/12/2010	Revised Statement of Accounts to be used in the 2010/11 closedown process. This will include the 3 revised Balance Sheets for 1/4/2009, 31/3/2010 and 31/3/2011

Task	Step / Task	Final Date	Progress
8	Obtain information required to restate 1 April 2009 balance sheet	30/09/2010	Information on the Collection Fund, the Private Finance Initiative (PFI) and Group Accounts has been completed under new IFRS regulation for 2009/10 Statement of Accounts. Work continues on the other key areas for transition, e.g. leasing, employee benefits, segmental reporting, property plant and equipment and investment properties
9	Identify likely impact on budgets (if any)	31/01/2010	Direction for CIPFA and the statutory Instruments is that there will be no impact on the bottom line council tax position
10	Implement systems and procedural changes	31/12/2010	Ongoing through the life of the IFRS Project. To be completed in line with point 7 above - Skeleton Statement of Accounts
11	Training for all relevant staff and Members	Ongoing	Members are notified through A&G Committee on a quarterly basis through the IFRS update reports. Also see point 4 above
12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS)	30/09/2010	See point 8 above. Consolidate balance sheet to be produced for 1/4/2009 by 30/09/10
13	Compile 2010/11 and later budgets on IFRS basis	28/02/2011	Transition of 10/11 budgets to occur during the monitoring process in 10/11, if and when required. No impact on council tax position. Budgets from 11/12 to be approved in the usual budget setting cycle
14	Testing of systems and procedural changes	28/02/2011	Ongoing process as the different areas are developed to IFRS regulation. Final testing to be completed that the new processes are in place for the conversion to IFRS by the end of February 2011
15	Restate 2009/10 accounts (including reconciliations between UK GAAP and IFRS)	31/12/2010	In line with point 7 above, production of skeleton accounts. Process and required formats changed and department financed teams informed by October 2010 as in point 4 above
16	Produce 2010/11 accounts on IFRS basis	April 2011 to June 2011	

Source Documents: Developed from CIPFA LAAP Bulletin 80 - March 09 - Outline project Plan