

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 on the progress made to implement the statutory changes required in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).
2. It also includes the changes in the revised Accounts and Audit Regulations 2011.
3. This seventh and final report informs those responsible for governance arrangements of the transition to IFRS implementation and provides assurance that the process continues to be efficiently managed.

Background

4. The statutory requirement for the production of the 2010/11 accounts on a compliant IFRS basis is 30 June 2011. Under IFRS, the change in accounting treatment has necessitated the restatement of the 2008/09 balance sheet, 2009/10 Comprehensive Income & Expenditure Account Statement, 2009/10 Movement In Reserves Statement and 2009/10 balance sheet. These core statements from previous years, which will form part of the 2009/10 Accounts, will be available to the Audit Commission by the end of April 2011.
5. To restate the Accounts the format of the core statements has changed, along with the accounting treatment mainly in the areas of leasing, employee benefits, the fixed asset register, grants and contributions, segmental reporting and provisions. The Audit Commission have confirmed that group Accounts for Veriatu and Yorwaste are not required this year as they are not material and do not add value to the reader of the Accounts.
6. Directorate accountants, Property Services and Corporate Finance have engaged positively with the additional workload requirements. Good team working across departments has remained at a difficult time during the finance restructure, which has added additional pressure. The Accounts are on target to be finalised by 30 June 2011.
7. In the past, it was a requirement under statute, that Members approve the Statement of Accounts by 30 June 2011. However, this year in accordance with the revised Accounts and Audit Regulations 2011, the new regulations have removed the requirement for the Accounts to be formally approved by Audit & Governance Committee before the end of June. Instead, they must be signed by the responsible financial officer– the Director of Customer & Business Support Services - at that date.

8. The drafting of the Annual Governance Statement (AGS) is still required to be completed prior to 30th June and this will ensure that the audit committee review the supporting assurances and the AGS in good time before the final approval of the accounts.
9. CIPFA recommend it is good practice that authorities report the Statement of Accounts to Members after they have been signed by the CFO. This will allow Members to review the Statement of Accounts together with the Annual Governance Statement (AGS) before or during the audit of the Accounts and raise any points that may need to be addressed. In practice this will be in July.
10. The regulations require that the Accounts should be considered and approved by Members and published before 30th September of the year to which they relate.

Consultation

11. The report shows that collaborative working with all Directorates across the authority is positive in assisting the progress in attaining the changes required by IFRS. The council's external auditors – Audit Commission – are updated on the progress on a regular basis. This seventh report also shows that Audit & Governance Members are being regularly updated.

Options

12. It is a statutory requirement to introduce IFRS into local authority accounts for the financial year 2010/11 and adhere to the Accounts and Audit Regulations 2011. No alternative options are available.

Corporate Priorities

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

Implications

14. The implications are
 - Financial – currently there are no financial implications to this report as the majority of the project work is being undertaken by existing resources in corporate finance and also across Directorates.
 - 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

15. There is a risk to the authority if the Statement of Accounts 2010/11 are not in accordance with IFRS requirements and they are not completed by 30 June 2011. It is a statutory obligation, with ultimate government action if there is non-compliance.

Recommendations

16. That Audit & Governance Committee note
 - (i) the progress to convert the Accounts to IFRS contained in this report and recognise the continuing work being undertaken for a smooth transition to IFRS.

(ii) the change in the revised Accounts and Audit Regulations 2011

17. Reason: That those responsible for governance arrangements are updated on a regular basis with all current available information and to ensure that the implementation of IFRS is proceeding in a timely manner for 30 June 2011 implementation.

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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 leasing, employee benefits, property plant & equipment, segmental reporting proformas, grant / contribution proformas, skeleton accounts documents, Directorate information, accounting analysis
- CIPFA training course information
- Accounts and Audit Regulations 2011
- CIPFA Better Governance Forum briefing paper for internal auditors and audit committee members