
REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	15th DECEMBER 2010	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/audit committee/IFRS/update Dec 2010
SUBJECT:	IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 05

1.0 Recommendations

1.1 That progress to-date and the proposed actions to fully implement International Financial Reporting Standards, as they apply to the Council, are approved.

2.0 Purpose of the Report

2.1 Under its terms of reference, the Committee is responsible for monitoring the effective development and operation of Corporate Governance. Under the regulatory framework governing the Council's accounts, the implementation of "International Financial Reporting Standards" (abbreviated to IFRS) is a key governance issue.

2.2 Adopting proper accounting practice is a key measure of good governance; IFRS is a fundamental change in accounting practice. Consequently, it is important that the Council complies and makes the appropriate changes where they apply.

2.3 A comprehensive report was provided to the Committee in June 2010. This provided awareness for the Committee, including background on IFRS. In addition, it provided an update on the Council's position and the proposed actions to ensure that the Council implements the changes in a timely and correct manner.

2.4 It was agreed at that Committee that update would be provided on progress on a quarterly basis.

3.0 Detail

- 3.1 IFRS are accounting standards issued by the International Accounting Standards Board. They are designed to ensure a robust and consistent method of accounting. They have been widely accepted in the corporate/private sector for some years, which acted as a catalyst for common standards.
- 3.2 The 2008 UK National Budget confirmed that IFRS would be implemented across public authorities. The reasons for this were set in the context of the Government's aim to produce "*high value performance data in combination with appropriate financial data.*"
- 3.3 A phased process began in 2007/08 and the Council's current accounting statements reflect some elements of IFRS introduced to-date. Full implementation for local authorities was 1st April 2010. This means that the first set of fully compliant IFRS accounts will be produced by 30th June 2011.
- 3.4 The report to the Committee in June detailed the main changes and these are summarised below.
- Treatment of capital grants and contributions
 - Structure of financial statements
 - A new requirement on segment reporting
 - Non-current assets - property, plant and equipment
 - Property leases
 - Investment properties
 - Impairment of assets
 - Non-current assets held for sale
 - Employee benefits
 - Accounting for associates

The Council's Updated Position

- 3.5 It was also noted in the June report that the Council had already completed some work to determine the effects of IFRS. Further work was required, especially around asset valuations and leasing to confirm the Council's position.
- 3.6 Consequently, it was planned to start the annual valuation process earlier. Subsequently, this was agreed with the Valuation Office and work is now in progress. This will include work around valuing different parts of an asset in accordance with accounting standards.

Restating the Accounts

- 3.7 The other main exercise identified was to restate on an IFRS basis the 2009/10 accounts and financial statements once they had been audited and published. Effectively, this will act as an initial test (or dry run) to identify any issues ahead of June 2011.

3.8 The Council's finance team have commenced this piece of work. The External Auditors will review this as part of their interim audit assignment in February 2011. They have indicated that they will continue to work with the Council to ensure that requirements are properly implemented.

3.9 Comments on the Council's progress are included in the External Auditor's Annual Inspection Letter which is subject to a separate report earlier on this Committee Agenda. Effectively, this indicates that the Council is on track.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 Implementing IFRS in a timely and proper manner demonstrates a high standard of Corporate Governance, which is a key corporate plan action for 2010/11.

7.0 Background Papers

7.1 None