
**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) –
PROGRESS REPORT**

1 INTRODUCTION

- 1.1 Local Government Financial Statements are currently prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP). Over the last few years there has been a gradual convergence within Local Government Financial Statements to International Financial Reporting Standards. The overall aim of CIPFA/LASAAC was to achieve full compliance with IFRS within a reasonable timescale, possibly 2012/13. That timescale has been brought forward by the UK Government and Local Government now has to achieve full compliance with IFRS in its Financial Statements for the year 2010/11.
- 1.2 A small project team has been set up to work towards and ensure compliance with IFRS in the 2010/11 Financial Statements. In addition, the Council has engaged CIPFA and PwC to provide technical advice and support to the Authority throughout the whole IFRS Transition Process. The overall objective of this engagement is to ensure a smooth transition process.

2. PROGRESS

- 1.1 Under IFRS there are three key dates for transition to fully complaint IFRS Financial Statements:
- Date of Transition – **1 April 2009**, the start of the period that will form the comparatives for the first full IFRS accounts.
 - Comparative Year – **31 March 2010**, the end of the comparative period for the first full IFRS accounts.
 - First Year of IFRS Accounts – **31 March 2011**, the end of the financial year for first IFRS compliant accounts.
- 1.2 As IFRS-compliant comparative data will be required in respect of the 2009-10 financial figures, all authorities will need an opening Balance Sheet as at 1 April 2009. To achieve this, work was required to be carried out in the following areas:
1. Leases and Lease arrangements.
 2. PPP/PFI and Service Concessions.
 3. Reclassification of Non-operational Land and Buildings into
 - a. Non Current Assets held for sale.
 - b. Investment Properties.

c. Corporate Surplus Assets (Within Property, Plant and Equipment).

4. Employee benefits.

- 1.3 A review was carried out of property leases to ensure that they were correctly classified into operating or finance leases. A sample approach was taken, no leases were reclassified. The Council's leasing advisors performed a similar review on leased fleet vehicles and pool cars, only one lease agreement was reclassified as a finance lease. On an on-going basis all new leases will require to be reviewed to ensure correctly classified as an operating or finance lease. Procedures will be put in place to do this.
- 1.4 Detailed work was undertaken in conjunction with PwC on the accounting treatment of the Schools NPDO project and the Waste Management PFI project. The revised accounting treatment is a requirement of the 2009 SORP and therefore is included in the 2009-10 financial statements. Our external auditors, Grant Thornton, have been kept fully briefed on our proposed accounting treatment for the schools and waste management projects and this will be audited as part of the 2009-10 financial statements audit.
- 1.5 A review has been carried out of all assets currently classified under non-operational land and buildings and reclassified in accordance with IFRS.
- 1.6 Under IFRS there is a requirement to accrue holiday due to employees at the end of the financial year. A detailed exercise was performed and the accrual as at 31st March 2009 calculated for both teachers and other employees.
- 1.7 An opening balance sheet position as at 1st April 2009 has been calculated and a review undertaken by CIPFA/PwC. This position still requires the PFI/PPP accounting treatment to be reflected and changes may be required as part of the 2009-10 financial statements audit.

3. NEXT STEPS

- 3.1 After completion of the 2009-10 Financial Statements, work will begin to restate them on an IFRS basis. This will include calculating the holiday pay accrual as at 31st March 2010 and updating/changing the asset register to an IFRS basis. Adjustments will be processed through the General Ledger after the 2009-10 accounts have been signed off by Grant Thornton. Preparation work for the first fully IFRS compliant accounts for 2010-11 will start in October 2010. Appendix A summarises the IFRS Implementation Action/Project Plan.

Moira Miller
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APPENDIX A – IFRS IMPLEMENTATION ACTION / PROJECT PLAN

IFRS Action Plan	2009/10 Qtr 3	2009/10 Qtr 4	2010/11 Qtr 1	2010/11 Qtr 2	2010/11 Qtr 3	2010/11 Qtr 4	2011/12 Qtr 1
1. Review CIPFA/PwC Guidance Notes	←————→						
2. Implement project management team	←————→						
3. Involvement of those charged with governance (i.e the Audit & Risk Management Sub-Committee)	←————→						
4. Liaise with external auditors about IFRS transition	←————→						
5. Assess IFRS information requirements	←————→						
6. Assess & address PFI/PPP accounting issues	←————→			←————→			
7. Assess and resolve employee benefit accounting issues	←————→		←————→		←————→		
8. Assess and resolve fixed asset accounting issues	←————→		←————→		←————→		
9. Assess and resolve leases and lease arrangements accounting issues	←————→		←————→		←————→		
10. Assess and resolve group account accounting issues	←————→		←————→		←————→		
11. Assess and resolve other accounting issues & changes to systems and processes	←————→						
12. Draft Code pro-forma financial statements and accounting policies	←————→						
13. Restate 1 April 2009 balances on an IFRS basis	←————→						
14. Restate 2009/10 transactions on an IFRS basis					←————→		
15. Embed accounting on an IFRS basis (2010/11 Annual Accounts)				←————→			