

FINANCIAL STATEMENTS – 2010/11

1 INTRODUCTION

- 1.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2011 and the preparation of the Council's Financial Statements for 2010-11.
- 1.2 2010-11 is the first year where the financial statements will be fully prepared in accordance with International Financial Reporting Standards (IFRS). Under the transitional arrangements the financial statements will include restated comparative figures for 2009-10 and a third balance sheet as at 1st April 2009.

2 RECOMMENDATIONS

- 2.1 To note that plans are in place to prepare the Council's financial statements, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2011 in line with the Scottish Government's requirements.

3 DETAIL

- 3.1 "An Audit Committees – Practical Guidance for Local Authorities" has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This suggests that Audit Committees should have an overview of the plans made for preparation of the council's financial statements.
- 3.2 A set of instructions for the end of the financial year have been drafted. These cover year-end close down of the council's financial systems and the preparation of a set of accounts in line with professional and legislative requirements.
- 3.3 The project plan included with the instructions is detailed and includes the following milestones:
- Capital expenditure, capital charges and treasury management revenue accounts completed by 29 April.
 - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 29 April.
 - Council Tax and NDR entries completed by 18 May.

- Review and adjustments to ledger and central department cost allocations completed by 18 May.
- Preparation of unaudited single entity financial statements including report by Head of Strategic Finance by 9 June.
- Unaudited single entity financial statements considered by a meeting of the Full Council on 23 June. If the Group Accounts are ready by the Full Council Meeting they will also be considered by Members at this point in time.
- Submission of Unaudited Financial Statements to Accounts Commission by the statutory deadline of 30 June 2011.

3.4 The plans are in line with previous years. Previously external Audit has been satisfied with the quality of working papers and general arrangements for preparation of the financial statements. The plan should result in Financial Statements prepared by the required deadline of 30 June 2011 and with supporting documentation of a standard to enable completion of the audit by the required deadline of 30 September 2010.

3.5 The move to an IFRS-based Code of Practice from a UK GAAP-based SORP results in a number of significant changes in accounting practice. The key accounting changes include:

- Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.
- The main financial statements have changed, and there are additional requirements regarding segmental reporting.
- There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced.
- Property leases are classified and accounted for as separate leases of land and buildings. Council's will also need to assess whether other arrangements contain the substance of a lease.
- Investment properties are valued at fair value, with gains and losses recognised in the Surplus or Deficit rather than through the revaluation reserve.
- Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.
- The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification.
- All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay.

- The definition of associates is based on the ability to control rather than actual control, and may lead to a change in the group boundary.

3.5 Copies of both sets of instructions / timetables are available from the Head of Strategic Finance if required.

Bruce West
Head of Strategic Finance
25 February 2011