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## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PROGRESS REPORT AND UPDATED TIMETABLE**

To: **Governance and Audit Committee – 13 January 2011**

Main Portfolio Area: **Finance and Corporate Services**

By: **Financial Services Manager**

Classification: **Unrestricted**

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**Summary:** This report provides an update on progress in relation to the adoption of International Reporting Standards (IFRS) for 2010/11.

### **For Information**

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#### **1.0 Introduction**

- 1.1 The move to adopt International Financial Reporting Standards in the public sector for the preparation of the annual financial statements requires local authorities to produce their accounts based on IFRS for the first time in 2010/11. First time adopters must comply with IFRS 1, which requires comparative data to be produced from the date of transition (1 April 2009). In order to plan for these changes a project plan was put in place and reported to this committee in September 2009, and is regularly monitored and updated to reflect changes in guidance.
- 1.2 The CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards was published in December 2009. Further more detailed guidance is due to be published late December 2010.

#### **2.0 Update on Progress**

- 2.1 The absence of a qualified Capital Accountant and the late publication of detailed guidance continues to have an impact on the IFRS implementation project. The original timetable has therefore been revised accordingly (see **Annex 1** attached). Progress on the project is summarised below:
- 2.1.1 CIPFA recently held a workshop on the Presentation of the Statement of Accounts under IFRS. Areas covered were the suggested format of the core statements, as well as an update on the latest guidance on the accounting entries required to restate the 2009/10 accounts. Work has since started on the new draft format for 2010/11.
- 2.1.2 The Kent wide IFRS Working Group continues to liaise with the next meeting scheduled for 20<sup>th</sup> January 2011. The Audit Commission now send a representative to inform discussion on common issues.

- 2.1.3 Component accounting for general fund assets is being adopted as part of the annual revaluation exercise currently being carried out by Property Services in accordance with RICS and IFRS guidance. HRA componentisation is being addressed as part of the Beacon valuations.
- 2.1.4 The Audit Commission have confirmed that the review of the restated 1 April 2009 balances and the 2009/10 core statement comparatives, new accounting policies and additional disclosure notes will be scheduled for March 2011.
- 2.1.5 Existing code hierarchies are being amended, and new codes are being set up in the financial information system to enable the accounting entries required for transition to be input into 2009/10 on a unique journal reference to satisfy the audit requirement to reconcile to UK GAAP.

### **3.0 Corporate Implications**

#### **3.1 Financial**

- 3.1.1 The purpose of this report is to raise members' awareness of the financial accounting changes under IFRS and inform them of progress on the implementation timetable. There are no costs associated with the implementation of these changes as they will be dealt with within existing staff resources, although there may be future budget implications dependant on the result of ongoing reviews.

#### **3.2 Legal**

- 3.2.1 There are no legal implications.

#### **3.3 Corporate**

- 3.3.1 The Statement of Accounts is a statutory document and therefore failure to prepare the accounts in accordance with proper accounting practice could lead to the accounts being qualified by the Audit Commission which in turn could lead to considerable public censure.

#### **3.4 Equity and Equalities**

- 3.4.1 There are no equity or equality issues arising from this report

#### **3.5 Risks**

- 3.5.1 Failure to produce IFRS compliant accounts that meet statutory requirements may result in qualification.

### **4.0 Recommendations**

- 4.1 **That Governance and Audit Committee note the report and the updated timetable to implement the changes required under IFRS.**

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#### ***Annex List***

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| Annex 1 | Revised IFRS Implementation Plan |
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## Revised IFRS Implementation Plan

| Stage                           | Task   | Revised Target Date        | Date Achieved | Comments   |
|---------------------------------|--|----------------------------|---------------|--|
| <b>Ongoing</b>                  | Raise awareness of IFRS and train key staff.<br>Cascade information within Accountancy.  |                            | Ongoing       | Training and workshops attended on an ongoing basis.                     |
|                                 | Engage with staff affected by the IFRS implementation – Property, Engineers, Procurement, HR.                                    |                            | Ongoing       | In House and Kent Wide Working Group continues to meet on regular basis. |
| <b>Transition Balance Sheet</b> | Agree treatment and estimation basis with auditors.  | Ongoing                    | Ongoing       | Liaising with Audit Commission on an ongoing basis.                      |
|                                 | Compile restated Balance Sheet including reconciliation to GAAP basis.   | Mid Dec 2010               |               | On target to complete by mid December.                                   |
|                                 | External Audit verification.   | March 2011                 |               | Date now agreed with Audit Commission.                                   |
| <b>2009/10 Closedown</b>        | Restate 09/10 accounts on an IFRS compliant basis adopting new format, policies and disclosures, with reconciliation to UK GAAP. | March 2011                 |               | To be completed ready for auditing in March 2011.                        |
| <b>2010/11 Closedown</b>        | Design draft IFRS statement of accounts including statement of Accounting policies.  | March 2011                 |               | Work has already started on the draft format of the accounts.            |
|                                 | Test and implement permanent changes required to systems and procedures.   | Feb 2011                   |               | Required Financial Information System changes currently being identified |
|                                 | Produce 2010/11 Accounts on an IFRS basis.   | June 30 <sup>th</sup> 2011 |               |  |