

meeting **AUDIT COMMITTEE**

date **17 May 2011**

agenda item number 4

IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - UPDATE

1. Purpose of Report

To update the Audit Committee on progress towards restating the 2009/10 Statement of Accounts for IFRS and preparation for 2010/11 Statement of Accounts, prior to reporting to the Audit Committee.

2. Background

- 2.1 For the 2010/11 Statement of Accounts the Authority will be implementing IFRS for the first time. To help authorities with the process CIPFA's code of practice recommends that authorities firstly restate their 2009/10 accounts.

3. Progress to Date

- 3.1 Implementing IFRS will result in a number of changes to accounting policies, financial statements and the notes to the accounts. The following paragraphs summarise the progress made in restating the 2009/10 Statement of Accounts.

Timetable

- 3.2 The original timetable planned for all the work on IFRS to be completed by the end of December 2010. The work involved in restating the fixed assets proved to be more difficult than originally thought and a key guidance document was not available from CIPFA until mid December. The timetable was therefore slipped to the end of February 2010. In the event the implementation of the Business Management System required the input of key resources that were also required for IFRS and so the timetable for completion was moved to the beginning of April.

Accounting Policies

- 3.3 The accounting policies for the Authority have been re-written and are included in a separate report to this meeting. The policies have also been made available to the external auditors.
- 3.4 The implications of these changes in policies have now been assessed and the necessary transactions have been entered in the core financial systems.

Financial Statements

- 3.5 Draft versions of the major financial statements were produced and ready for external audit inspection on 18th April 2011. External Audit have been reviewing the Comprehensive Income and Expenditure Statement and Balance Sheet. The major financial statements were subsequently updated and made available to External Audit on 27th April 2011.

Notes to the Accounts

- 3.6 The notes for the 2009/10 accounts have been reviewed in the light of the requirements of IFRS and the CIPFA Code of Practice and a skeleton set of notes have been prepared.

4 Risk Analysis

External Audit rated the Authority overall as Amber ("minor issues to resolve") in January this year. In addition the Auditors made the following comment:

"The Council's timetable has slipped and there are issues to resolve. It has though completed or substantially completed the work on most significant areas and it is probable that it will recover and meet its revised timetable for 2009/10 restatement of Feb 2011".

The Financial Planning and Accounting section have been keeping External Audit informed of the work that is being undertaken and the preparations made for the IFRS restatement, to ensure that any significant issues are picked up and discussed.

More recently External Audit have been auditing some of the detailed work that has been carried out to arrive at the restated accounts and, to date, no significant issues have arisen. There remains a small risk that auditors may identify specific accounting treatments that require restatement as a result of the audit of the final financial statements. If this work is likely to impact on the production of the 2010/11 accounts additional external support will be used, if required.

5 Recommendation

The report be noted.

Alan Sumbly

Service Director (Finance)