

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
28th SEPTEMBER 2009**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME	Internal Organisational Theme
CORPORATE PLAN AIM:	A well-run and responsive Council
CABINET MEMBER:	Councillor Nathan Desmond
REPORT PREPARED BY:	Tracey Southall, Financial Services Manager - Ext 2125 tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Presentation Slides

1. PURPOSE OF REPORT

- 1.1 International Financial Reporting Standards (IFRS) are to be applied to the public sector from 2009/10; compliance with these standards represents a significant challenge for the Finance Team. A presentation covering how this major change in the accounting framework for the preparation and presentation of Financial Statements will impact on this Council will be made at the meeting to raise member awareness given their role in considering and approving the Annual Statement of Accounts.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee is asked to note the impact of the introduction of IFRS from 2009/10.**

3. BACKGROUND

- 3.1 The Audit Committee is responsible for the consideration and approval of the Council's Annual Statement of Accounts.
- 3.2 The Government is seeking to harmonise public sector reporting with best practice in the corporate sector by the application of IFRS to apply a set of common principles to the framework for the preparation and presentation of Annual Financial Statements.
- 3.3 The IFRS introduces complex accounting changes and increased disclosures in the Financial Statements. Finance Managers across Herefordshire and Worcestershire are working together to plan and implement the new standards and this is assisting this Council to prepare for production of the first IFRS comparators for the 2009/10 accounts with the first full set of fully IFRS compliant accounts in 2010/11.
- 3.4 Compliance with these new standards will result in some significant changes to the financial statements presented to the Audit Committee and members need to

understand the impact in order to fulfil their role of consideration and approval of the annual accounts. A presentation covering the key issues will be made by Tracey Southall, Financial Services Manager and Lisa Hutchinson, Principal Accountant; Appendix 1 contains the Presentation slides.

4. KEY ISSUES

- 4.1 Compliance with the changed financial reporting requirements must be achieved in order to satisfy our independent auditors, the Audit Commission that all statutory financial reporting requirements have been met.
- 4.2 For this Council the major areas of impact are on the accounting for and presentation of:
- Leases
 - Property, Plant and equipment
 - Employment benefits
 - Segmental reporting
 - Cashflow statements

Overall, the Financial Statements will be longer, with additional disclosures of information presenting a more standardised set of accounts with the aim of the scope for more consistent measurements across global corporate and public sectors.

- 4.3 Planning and preparation for this change is already in progress and it is the intention to deliver this within existing resources utilising the shared work of the Finance Managers Group and the existing contract with Butlers for treasury management and related areas. Accountancy firm Grant Thornton are the leading specialists advising the government on these changes and they have also been engaged on a minimal consultancy basis to provide advice on a successful transition.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Compliance with IFRS is a statutory financial reporting requirement,

7. RISK MANAGEMENT

- 7.1 The principle risk to the Council is non-compliance with these statutory reporting requirements resulting in a qualified Independent auditors report.

8. CONCLUSION

- 8.1 The introduction of IFRS to public sector accounts from 2009/10 represents a significant challenge to this Council and will result in a new framework for the preparation and presentation of the financial statements presented to the Audit Committee for consideration and approval. Members should be aware of and have an understanding of these changes to enable them to perform their role.

9. CONSULTEES

- 9.1 Corporate Management Team.
- 9.2 Independent Auditors – the Audit Commission
- 9.3 Grant Thornton
- 9.4 Butlers – Treasury Management Consultants

10. BACKGROUND PAPERS

- 10.1 Statement of Recommended Practice (SORP 2009)
- 10.2 Code of Practice on Local Authority Accounting in the UK – ITC