

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****14 MARCH 2011****International Financial Reporting Standards (IFRS) Draft Accounting Policies
2010/2011**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN AIM:	A Well Run and Responsive Council
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APPENDICES	Appendix 1 – IFRS Implementation Timetable and updated Impact Assessment Appendix 2 – Draft Accounting Policies <i>(Please note: these policies are in draft format at present)</i>

1. PURPOSE OF REPORT

- 1.1 To note the progress made on the draft International Financial Reporting Standards (IFRS) compliant Accounting Policies.

2. RECOMMENDATIONS

The Audit Committee is asked to NOTE THE PROGRESS TO DATE IN RESPECT OF:-

- 2.1 **The draft IFRS compliant Accounting Policies 2010/11.**

3. BACKGROUND

- 3.1 Compliance with the statutory IFRS reporting requirements represents a significant change in the compilation and presentation of the Council's annual Statement of Accounts and all related financial information and records. The Council is required to report on an IFRS basis from 2010/11, with restated comparator figures for the prior year and restated opening balance sheets as at 1st April 2009 and 31st March 2010. All restatements will be subject to audit scrutiny.
- 3.2 A project plan is in place, involving officers from a range of disciplines, to ensure that the objective of the transition to IFRS financial reporting is successfully achieved. A summary copy of this together with the updated Impact Assessment is shown at Appendix 1. Regular update reports to the Audit Committee on progress are integral to effective governance and accountability.

- 3.3 The first key milestone in the transition to IFRS was to restate the balance sheets as at 1st April 2009 and 31st March 2010. The Audit Committee reviewed the draft Balance Sheets at the January 2011 meeting.
- 3.4 Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements. Following the introduction of IFRS, the Council is required to select Accounting Policies and account for changes in accounting policies, accounting estimates and errors in accordance with International Accounting Standard 8. The draft IFRS compliant Accounting Policies 2010/11 are shown at Appendix 2.
- 3.5 The Audit Commission has stressed the need for Local Authorities to ensure that their Audit Committee is aware of the implications of IFRS. The main issues with regards to IFRS were brought to the Audit Committee's attention in a report at the September 2009 meeting. Further updates were provided in June 2010 and January 2011.

4. PROGRESS

- 4.1 The draft IFRS compliant Accounting Policies 2010/11 have been prepared and are attached at Appendix 2.
- 4.2 The balance sheets as at 1st April 2009 and 31st March 2010 have been provisionally restated on an IFRS basis. The formal date for restatement of the 2008/09 and 2009/10 balance sheets is 30th June 2011.
- 4.3 Further work is currently required to fully implement the requirements of IFRS in preparation for the 2010/11 Statement of Accounts.
- 4.4 Although all of the standards have been reviewed and assessed, we continue to work closely with the Council's external auditor to ensure that the accounts will be fully compliant with IFRS.
- 4.5 Work has been carried out around component accounting (the need to account for individual parts of an asset e.g. external structure, mechanical structure etc. rather than simply account for a building). The materiality levels are currently being agreed with the Audit Commission, the Council's external auditor. The internal valuer is aware of the updated requirements and has reviewed the guidance from CIPFA and The Royal Institute of Chartered Surveyors (RICS).

5. KEY ISSUES

- 5.1 The Council's draft Accounting Policies have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and are based upon the International Financial Reporting Standards. They are lengthier and contain additional detail compared to the previous Policies. Major changes will be highlighted at the meeting for members to consider.
- 5.2 The next key milestone in the transition to IFRS is the production of 2009/10 'shadow accounts' which will include production of all the key financial statements such as the Comprehensive Income and Expenditure Account Statement and the Movement in Reserves Statement. This activity will review the 2009/10 audited accounts and make adjustments to them in order to comply with the IFRS Code.

We plan to present our 2009/10 shadow accounts to the Council's external auditor for initial review during April 2011.

6. FINANCIAL IMPLICATIONS

- 6.1 This is a financial report identifying transitional changes required by IFRS to the Accounting Policies 2010/11.
- 6.2 Failure to achieve a successful transition to IFRS could risk the Council's audit opinion on the 2010/11 accounts, the first year of implementation.
- 6.3 The Audit Commission is closely reviewing progress for Local Authorities in implementing IFRS.

7. LEGAL AND POLICY IMPLICATIONS

- 7.1 It is a requirement of the Accounts and Audit Regulations 2003 (as amended) that the Statement of Accounts 2010/11, along with all transitional arrangements are prepared by 30th June 2011 with final approval by 30th September 2011.

8. RISK MANAGEMENT

- 8.1 The 2010/11 accounts, along with all transitional arrangements, must be prepared by 30th June 2011 to comply with the Accounts and Audit Regulations.
- 8.2 The updated Impact Assessment contained in Appendix 1 is used to manage and mitigate risk for this significant change in financial reporting requirements.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

10. CONCLUSION

- 10.1 Compliance with the IFRS Reporting requirements is a statutory requirement for the 2010/11 Accounts and this work continues to progress well.
- 10.2 In accordance with the IFRS implementation timetable, it is now timely that the Audit Committee consider the progress on the draft Accounting Policies and receive a verbal update on the work recently undertaken.

11. CONSULTEES

- 11.1 CMT
- 11.2 Audit Commission
- 11.3 Grant Thornton
- 11.4 Chairman of Audit Committee and Portfolio Holder for Finance
- 11.5 Property Officer

12. BACKGROUND PAPERS

- 12.1 Accounts and Audit Regulations 2003 and 2006 and 2009 Amendments
- 12.2 Code of Practice on Local Authority Accounting in the United Kingdom 2010/11
- 12.3 International Financial Reporting Standards
- 12.4 Audit Committee Report 28th September 2009
- 12.5 Audit Committee Report 14th June 2010
- 12.6 Audit Committee Report 17th January 2011