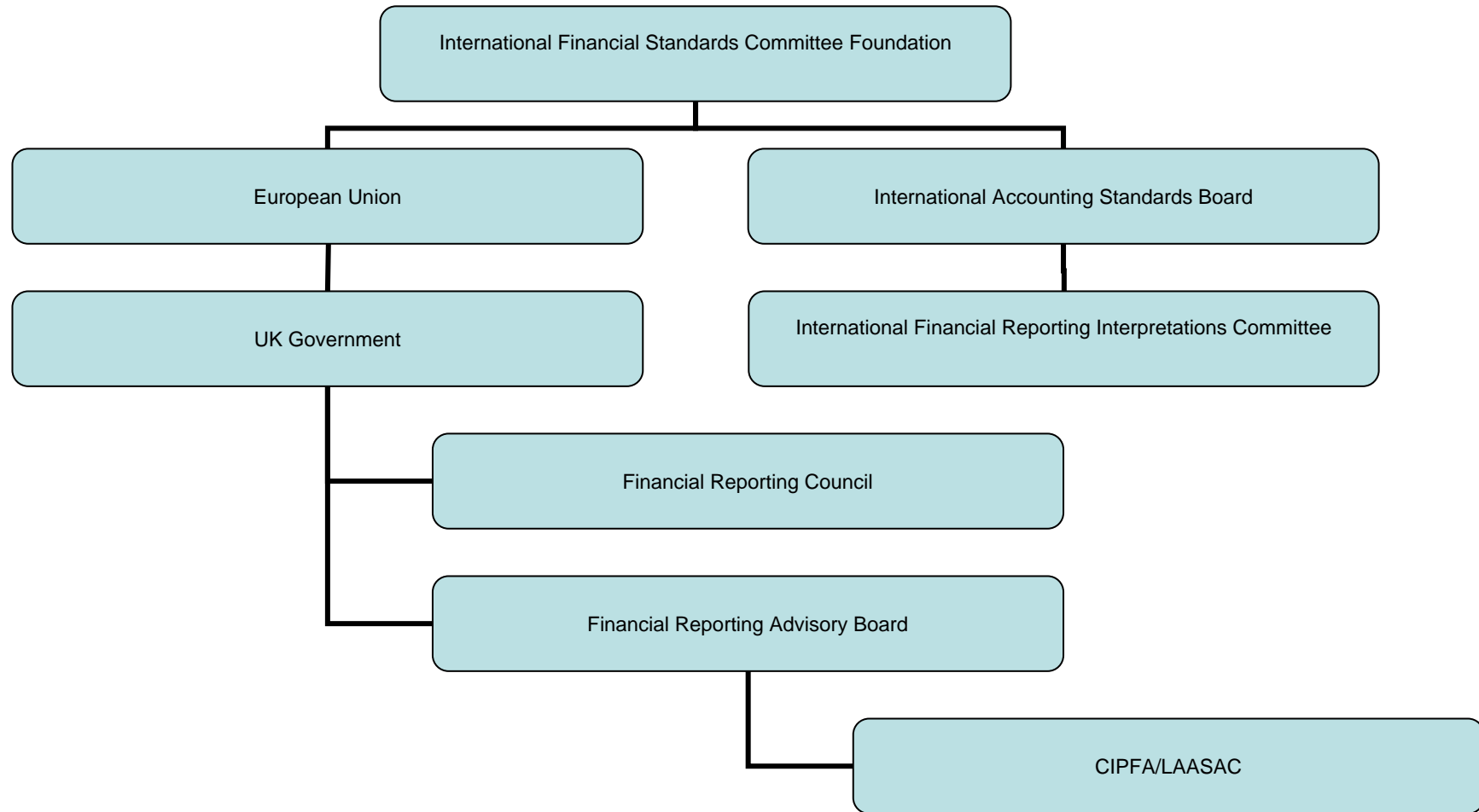


International Financial Reporting Standards

The transition to International Financial Reporting Standards (IFRS) is one of the most important changes in local government financial reporting for a significant number of years.

The World of Accounting Standards



International Financial Reporting Standards

- The Statement of Recommended Practice (the SORP)
- UK GAAP (Generally Accepted Accounting Principles)
- IFRS the Chancellors announcement in 2007 Budget
- Time scales – fully converged by 2010/11 financial year this means this means 2009/10 comparative data IFRS data must be available
- The new code will known as “The IFRS Based Code of Practice on Local Authority in the United Kingdom” not quite full IFRS local authorities have their peculiarities
 - Treatment of depreciation
 - Reserves
 - A range of items that do not impact on Council Tax
 - Minimum Revenue Provision

International Financial Reporting Standards

- Top Work Streams
 - First time adoption and accounting policies (IAS 1 & IAS 8)
 - Fixed Asset Accounting
 - Assets held for sale/surplus assets (IFRS 5)
 - Component accounting (IAS 16)
 - Impairments (IAS 36)
 - Investment properties (IAS 40)
 - PFI
 - Leases (IAS 17)
 - Segment Reporting (IFRS 8)

International Financial Reporting Standards

- First time adoption and accounting policies
 - Differences from current practice
 - Presentation and content of financial statements
 - Statements - main components are broadly the same - notes to the accounts will be more detailed – the movement on reserves statement will be included as a core statement
 - Review of accounting policies
 - These will have to be reviewed and revised to reflect IFRS accounting requirements
 - Changes in estimates and errors
 - The SORP requires errors to be corrected where they are fundamental – IFRS requires a restatement of material errors – this may lead to more restatements

International Financial Reporting Standards

- Fixed Asset Accounting
 - Differences from current practice
 - Assets held for sale/surplus assets (IFRS 5)
 - If an asset is being marketed and the sale is expected within 12 months it should be a non current asset held for sale. This distinction does not exist under the SORP. The SORP allows for the asset still to be depreciated IFRS does not
 - Component accounting (IAS 16)
 - This is included in the present SORP but is not always used. Under IFRS it will be required but what also will be required is the de-recognition of the component being replace.
 - Impairments (IAS 36)
 - This is about ensuring that assets are not held at amount greater than their recoverable amount. IFRS brings about a differing approach to the measurement of impairment

International Financial Reporting Standards

- **Fixed Asset Accounting**

- Differences from current practice

- Investment Properties (IAS 40)

- All investment properties should be valued at Fair Value under IAS 40, with fluctuations in market value taken into the Income and Expenditure account as opposed to reserves under the SORP

International Financial Reporting Standards

- PFI and Service Concessions (IFRIC 12) (Steria PFI)
 - Differences from current practice
 - Current position
 - PFI assets transfer with risk and reward under IFRS transfer relates to control this may mean that a number of assets currently on Steria's books may come back to the Council.
 - Accounting treatment
 - Significant practical accounting arrangements eg impairment interest rates separation of services managed equipment services
 - Other IFRIC 12 arrangements
 - Issues around legal charges, property and management arrangements

International Financial Reporting Standards

- Leases (IAS 17)
 - Differences from current practice This will be a very big issue for the Council we have a large number of leases as a lessor
 - Finance Leases
 - Transfers substantially all the risks and rewards to the leasee
 - Operational Leases
 - A lease that does not transfer all substantially all of the risks and rewards to the leasee
 - Review of leases
 - Under IFRS all leases will need reviewing in the case of property leases the land and building elements will have to be considered separately this could result in one element being treated as a finance lease and the other as an operating lease. Another key issue will identifying embedded leases within contracts.

International Financial Reporting Standards

- Other issues
 - Segment Reporting (IFRS 8)
 - Chief Operating Decision Maker (CODM) A function not a title eg CMT or the Executive. An organisation can only have one CODM
The aim is enable the reader of the accounts to see the organisation through the eyes of management
 - Employee benefits (IAS 19)
 - This includes benefits due with in twelve months the key area impacting on the Council is outstanding leave entitlement

IFRS High Level Action Plan

IFRS Action Plan	2009/10 Qtr 3	2009/10 Qtr 4	2010/11 Qtr 1	2010/11 Qtr 2	2010/11 Qtr 3	2010/11 Qtr 4	2011/12 Qtr 1	2011/12 Qtr 2
1. Implement project management team								
2. Involvement with those charged with governance	Audit Co mmi tee		Audit Co mmi tee		Audit Co mmi tee		Audit Co mmi tee	
3. Liaise with external auditors about IFRS transition								
4. Assess IFRS information and system needs								
5. Assess PFI Accounting								
6. Review fixed asset accounting								
7. Address issues around surrounding leases and lease arrangements								
8. Address segmental reporting								
9. Address other accounting issues								
10. Draft IFRS proforma accounts								
11. Restate 2008/09 accounts on IFRS basis and audit of restated figures								
12. Embedded accounting on an IFRS basis (2009/10)								