

# REPORT TO GOVERNANCE & AUDIT COMMITTEE

REPORT OF: CORPORATE HEAD, FINANCE & CUSTOMER SERVICES

REPORT NO: CHFCS68

DATE: 24<sup>th</sup> September 2009

<b>TITLE:</b>	Update on Transition to International Financial Reporting Standards	
<b>FORWARD PLAN ITEM:</b>	N/A	
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	N/A	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	N/A	
<b>COUNCIL AIMS/ PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	Councillor Mike Taylor Resources and Assets Portfolio	
<b>CORPORATE PRIORITY:</b>	Quality Organisation	
<b>INITIAL IMPACT ASSESSMENT:</b>	<b>Carried out and appended to the report:</b>	<b>Full impact assessment required:</b>
<b>Equality and Diversity</b>	N/A	
<b>Crime and Disorder</b>	N/A	
<b>Risk</b>	N/A	
<b>Climate Change</b>	N/A	
<b>Health and Safety</b>	N/A	
<b>Data Quality</b>	N/A	
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS:</b>	CHFCS35 Transition to IFRS	

## **1. INTRODUCTION AND BACKGROUND**

A report on the requirement to convert to compliance with International Financial Reporting Standards (IFRS) was presented to the Governance & Audit Committee on 19 March 2009.

The purpose of this report is to update the Committee on progress made towards preparing the Annual Statement of Accounts in compliance with IFRS from 2010/11.

## **2. RECOMMENDATIONS**

2.1 The Committee is asked to:

- Note the latest position in respect of the conversion process from UK Generally Accepted Accounting Practice (UKGAAP) to IFRS.

## **3. DETAILS OF REPORT**

3.1 The main areas of impact on SKDC were identified in the previous report.

3.2 The work relating to these areas has been assessed in light of the draft guidance published by the Chartered Institute of Public Finance & Accountancy (CIPFA) and an action plan is attached at Appendix A setting out timelines and responsibilities for the work involved in implementing the changes.

3.3 A more detailed project plan is being prepared which will show the resource requirements needed both within Finance and from an Authority perspective to complete this work.

3.4 The application of some of the new accounting standards has not yet been confirmed by CIPFA and these are still under consultation. The results of this consultation may result in further work needing to be carried out to ensure that SKDC can comply with all requirements.

## **4. COMMENTS OF SECTION 151 OFFICER**

4.1 My comments are included in the report.

## **5. COMMENTS OF MONITORING OFFICER**

5.1 The Council has no other alternative but to meet the new accounting standards within the timescale detailed in the report. It is important that Members are aware of the changes and the progress of the work required to meet those standards

## **6. CONCLUSION**

6.1 There is a significant amount of work necessary within a fairly short timescale to ensure full compliance with IFRS. This will have a resource implication on both the Finance team and potentially other service areas in the Authority.

6.2 Further updates on progress will be made at future meetings.

## **7. CONTACT OFFICER**

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## APPENDIX A - ACTION PLAN

Area of Work	Action Needed	Service Responsible	Completion by	Status
Leases	<ul style="list-style-type: none"> <li>Identify lease by type and accounting transactions required</li> </ul>	Finance	July 2009	Complete
	<ul style="list-style-type: none"> <li>Acquire valuations for any leased assets requiring change in treatment</li> </ul>	Finance	Sept 2009	Will not be received till Oct/Nov 2009
	<ul style="list-style-type: none"> <li>Calculate impact on opening balance sheet</li> </ul>	Finance	Sept 2009	Cannot commence until valuation data received
	<ul style="list-style-type: none"> <li>Agree process for identifying future lease types at inception and to ensure accounting treatment agreed</li> </ul>	Finance, Legal Assets & Facilities, Procurement	Jan 2010	
Fixed Assets & Capital Expenditure	<ul style="list-style-type: none"> <li>Obtain asset valuations on new basis</li> </ul>	Finance	Sept 2009	Will not be received till Oct/Nov 2009
	<ul style="list-style-type: none"> <li>Determine accounting treatment of shared ownership properties</li> </ul>	Finance, Housing	Sept 2009	
	<ul style="list-style-type: none"> <li>Decide valuation methodology for investment properties</li> </ul>	Finance	Sept 2009	Awaiting guidance from CIPFA
	<ul style="list-style-type: none"> <li>Reclassify sports club loans and calculate split between current and non-current</li> </ul>	Finance	Sept 2009	
	<ul style="list-style-type: none"> <li>Analysis of all other assets to ensure correct accounting treatment applied under IFRS</li> </ul>	Finance, Legal	Sept 2009	In progress
	<ul style="list-style-type: none"> <li>Calculate impacts of above on opening balance sheet</li> </ul>	Finance	Sept 2009	Cannot commence until valuation data received
	<ul style="list-style-type: none"> <li>Produce IFRS compliant policy for classifying investment properties</li> </ul>	Finance, Assets & Facilities, Economic Development	Dec 2009	

Assets for Sale	<ul style="list-style-type: none"> <li>Produce IFRS compliant policy on identifying assets for sale</li> </ul>	Finance, Legal, Assets & Facilities	Sept 2009	Cannot commence until valuation data received
	<ul style="list-style-type: none"> <li>Reclassify assets according to the policy criteria</li> </ul>	Finance	Sept 2009	
	<ul style="list-style-type: none"> <li>Calculate impact on opening balance sheet</li> </ul>	Finance	Sept 2009	
Intangible Assets	<ul style="list-style-type: none"> <li>Assess intangible assets to ensure correct accounting treatment re website.</li> </ul>	Finance, IT	Sept 2009	Completed
	<ul style="list-style-type: none"> <li>Calculate impact on opening balance sheet if necessary</li> </ul>	Finance	Sept 2009	Completed
Contracts	<ul style="list-style-type: none"> <li>Analysis of existing contracts to identify embedded leases and embedded derivatives</li> </ul>	Finance, Legal, Assets & Facilities,	Sept 2009	Completed
	<ul style="list-style-type: none"> <li>Agree process to identify embedded leases and embedded derivatives in future contracts</li> </ul>	Finance, Legal, Assets & Facilities, Procurement	Jan 2010	
Partnerships	<ul style="list-style-type: none"> <li>Analysis of all partnership arrangements to determine correct accounting treatment</li> </ul>	Finance, Partnerships & Community Safety	Oct 2009	
	<ul style="list-style-type: none"> <li>Agree data collection/sharing process with partners where group accounts will need to be produced</li> </ul>	Finance	Dec 2009	
Employee Benefits	<ul style="list-style-type: none"> <li>Agree method to collect retrospective data as at 31 March 2009 and roll out to all staff</li> </ul>	Finance, HR	Aug 2009	Completed
	<ul style="list-style-type: none"> <li>Calculate accrual for restated balance sheet</li> </ul>	Finance, Exchequer Services	Sep 2009	
	<ul style="list-style-type: none"> <li>Calculate accrued maternity pay due at 31 March 2009</li> </ul>	Finance, Exchequer Services	Sep 2009	

	<ul style="list-style-type: none"> <li>• Agree process to collect data re hours owed to employees at 31 March each year</li> <li>• Set up process to start from 1 April 2009 and roll out to all staff</li> </ul>	Finance, HR	Oct 2009	
		Finance, HR	Oct 2009	
Other areas	<ul style="list-style-type: none"> <li>• Restate 31 March 2009 balance sheet</li> <li>• Produce reconciliation between IFRS and UK GAAP balance sheets</li> <li>• Train finance staff – awareness of IFRS and new processes involved</li> <li>• Analysis of extra disclosure requirements and data needed for compliance. Set up processes to collect any new data</li> <li>• Produce IFRS compliant accounting policies</li> <li>• Produce templates of new format financial statements and map figures</li> <li>• Advanced training of finance staff to ensure correct level of skills available</li> <li>• Produce 2009/10 accounts under UK GAAP then IFRS rules</li> </ul>	Finance	Sep 2009	In progress, cannot complete until valuation data received Cannot complete until valuation data received
		Finance	Sep 2009	
		Finance	Oct 2009	
		Finance	Nov 2009	
		Finance	Feb 2010	
		Finance	Mar 2010	
		Finance	Mar 2010	
		Finance	Mar to Sep 2010	