
MEETING: AUDIT COMMITTEE

DATE: 11 March 2010

**TITLE: ADOPTING INTERNATIONAL FINANCIAL
REPORTING STANDARDS (IFRS) IN THE PUBLIC
SECTOR**

**PURPOSE: To update the Committee on the latest position
with regard to the implementation of the new
reporting standards**

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1. INTRODUCTION

The previous report to this Committee on 13 March 2008 gave an outline of the requirements for adopting International Financial Reporting Standards (IFRS) in the public sector.

2. BACKGROUND

The benefit of moving to IFRS is consistency and comparability between financial reports across the world. Central Government and the Health Service will be preparing their financial statements for 2009/10 on an IFRS basis. Local Government is required to comply with the new requirements from 2010/11 financial statements onwards. However, the need for comparative figures in those financial statements necessitates a restatement of 2009/10 information and the Balance Sheet as at 31 March 2009 on an IFRS basis.

3. ADDITIONAL REQUIREMENTS

The main differences between the preparation of the financial statements under existing UK Generally Accepted Accounting Practice (GAAP) and the new requirements under IFRS are as follows:

- a) Recognition and measurement of any Private Finance Initiative and similar contracts.
- b) Recognition and measurement of leasing arrangements.
- c) Accrual of any employee leave entitlements, such as annual holidays, which have not been used at the end of the financial year.
- d) More detailed requirements for fixed asset accounting including analysing property into components, more frequent valuations and reviews of assets and changes in the categories of assets to be shown.

- e) Segmental Reporting which analyses the results for the year into business 'segments' which usually reflect the management structure or business divisions of the organisation.
- f) Additional disclosure requirements. The average length of private sector accounting statements increased by over 50% after moving to IFRS.
- g) The resources required for the implementation of these new requirements will have a financial impact on the Council.

4. TIMETABLE

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 Based on International Financial Reporting Standards has already been published to enable local authorities to restate their financial statements before 2010/11.

5. PROJECT MANAGEMENT

A project team has been established and the work is progressing on assessing the impact, setting a timetable and collecting the necessary information.

6. PLANNED ACTION

There is no statutory requirement for completion of the restatement work other than the requirement to publish the restated figures in the 2010/11 accounts by 30 June 2011. However, the plan is to complete the restatement work by the 30 September 2010 and complete the audit of the restated information by 31 December 2010. This will enable any lessons learned to be built into the closure process for the 2010/11 financial statements and the required information to be collected for the first IFRS compliant statement of accounts within the usual timetable.

7. RECOMMENDATION

The Committee is requested to note the progress to date and support the action planned.