

Progress report on the implementation of International Financial Reporting Standards for the accounts of the County Council

24th January 2011

1. Executive Summary

- 1.1 Local Authorities are required to adopt International Financial Reporting Standards (IFRS) from 2010/11 onwards. Although IFRS is fully implemented from 1 April 2010, the transition date is 1 April 2009. The transition process from current financial reporting standards to IFRS will have a significant impact on the accounts of the County Council; therefore a project plan has been put in place to ensure a successful transition and to maintain both the quality and integrity of the County Council's accounts.
- 1.2 The report aims to provide the Audit Committee with assurance that the implementation is progressing well, and that the County Council is on track to successfully implement IFRS on time with no compromise to the quality of the County Council's accounts.

2. Background

- 2.1 Local Authorities are currently required to prepare their annual Statement of Accounts in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).
- 2.2 In the 2008 Pre Budget Report it was announced that Local Government must implement IFRS from 2010/11 onwards. The aim of the change in financial reporting standards is to bring comparability and consistency between financial reports in the global economy and to follow private sector best practice.
- 2.3 As part of the 2010/11 Statement of Accounts process Local Authorities are required to fully re-state their 2009/10 UK GAAP accounts under IFRS.
- 2.4 Central Government and NHS have an earlier implementation date of 2009/10, therefore Local Authorities can learn from both their successes and the challenges faced during the transition process.

3. Progress to Date

- 3.1 The IFRS Project Group has continued to monitor progress since the last Audit Committee. Work has been done to prepare for the production of the Council's transition accounts but this has been limited by the late release of the technical guidance manual which provides the main tool in determining the accounting treatment to be utilised in producing these accounts.

- 3.2 The delayed issue of the guidance has meant that the deadline for the production of the transition accounts has had to be extended and it now coincides with the statutory deadline for the production of the council's 2010/11 accounts in June.
- 3.3 It should be made clear that work on the transition accounts has commenced and the resulting output will be shared with the Audit Commission as much as is possible over the 3 months before the traditional closure work commences. It is believed to be appropriate however, to set a realistic deadline and due to the limit of resource available for both the council and audit commission in the next three months it can be guaranteed that the transition work will definitely be completed, therefore it would appear sensible to set the final deadline for June when all such work must be completed.
- 3.4 The next stage is to focus on the production of the transition accounts as soon as possible and a work plan has been created by the Central Finance team to achieve this. The team is in regular contact with our colleagues at the audit commission to ensure that the approach adopted by LCC is in compliance with the IFRS regulations. It is intended to have the majority of this work completed by the end of March and progress towards this will be closely monitored by the group.
- 3.5 The next report to the committee will highlight progress made in the production of the council's transition accounts and the production of the council's final accounts.

4. Summary

- 4.1 The IFRS Project Group is continuing to monitor the progress towards the completion of the transition onto a statement of accounts produced under IFRS for 2010/11, with regular liaison with the District Auditor.
- 4.2 The revised project plan aims to ensure that the County Council continues to make good progress towards meeting the necessary deadlines associated with the transition process.
- 4.3 The IFRS Project group continues to work closely with the District Auditor and have agreed that they will review the restated accounts over the next three months where possible, ensuring that as much transition work as possible is completed before the traditional final accounts process begins.
- 4.4 The IFRS project group remains confident that full implementation of IFRS accounting standards for the 2010/11 statement of accounts will be achieved

within the statutory timeframe. Progress against the project plan will continue to be closely monitored and reported to this committee.

- 4.5 It is anticipated that the implementation of IFRS will give rise to a greater than usual number of queries from the audit commission during the closure process and final audit. This has been an issue that has been discussed nationally by local authorities as being an expected outcome of this year's closure. It is appropriate therefore to highlight that there may be a number of minor issues that will be raised in the 2010/11 audit but that these will not be issues have that a material effect on the accounts.