

## **AUDIT COMMITTEE – 9<sup>th</sup> March 2010**

### **Report of the Chief Executive**

#### **International Financial Reporting Standards (IFRS) – Progress Report**

##### **1. Purpose of the Report**

To report on the progress of the implementation of International Financial Reporting Standards at Charnwood Borough Council.

##### **2. Background**

The first accounts to be produced under IFRS will be those for 2010/11, however during 2009/10 the 2008/09 balance sheet will have to be restated for comparative information and the actual accounting ledgers altered as necessary to handle IFRS with effect from 1 April 2010.

##### **3. Training and Support**

- a. Accountancy staff have attended training regarding directly implementing IFRS and converting 2008/09 figures etc. Courses are being sourced through various providers, such as the major accountancy firms, and we are also liaising with our colleagues around Leicestershire with a view to share training where appropriate.
- b. Training and communication will also be required for other staff less directly involved but providing supporting information. It is anticipated that this could be provided in house by the accountants
- c. It is anticipated that implementation work will be carried out within existing resources, however the need for external consultancy cannot be ruled out at this stage.
- d. £10k is included in this year's budget for work on IFRS. A further £10k is included as a budget pressure for 2010/11. Any amounts not utilised will go back into the central reserves.

##### **4. Current Progress**

Following on from the last Audit Committee Report dated 1<sup>st</sup> December 2009, progress continues to be made by the IFRS implementation team. The team continues to meet on a regular basis. Officers are continuing to address the issues raised in the initial impact assessment and consider the accounting implications that will be required upon implementation.

No major problem areas have been identified at this stage.

A meeting has been arranged for 25<sup>th</sup> February 2010 with the Audit Commission to discuss and demonstrate progress being made.

## 5. Risk Register

The following risks have been identified. The risk register is updated as required.

Ref	Description of Risk	Likelihood	Impact	Action Required to Manage Risk
1	Further research reveals the IFRS implementation to be more complex and time consuming than thought initially	M	H	An early start, adequate research, adequate initial resources, sufficient resource/budget provision for contingencies. Consideration of commissioning outside consultancy day(s) for specific, targeted matters. A budget provision of £10,000 is available for IFRS implementation
2	Inadequate training	L	M	Research available training, ensure all relevant staff attend, training budget to be adequate
3	Failure to identify all leases	L	M	Ensure staff are trained and understand exactly what is required. Explore all sources thoroughly
4	Key staff leaving	L	M	Ensure there are sufficient skills within the team to cover
5	Incorrect interpretation of IFRS	M	H	Adequate training, sufficient resources. We have to comply with the new Code which has been prepared by CIPFA and recently published. Ensure all reasons for actions, inclusions and exclusions, are fully documented.
6	Guidance by CIPFA changing possibly causing delays	M	M	Regular review and rescheduling of project timetable
7	Lack of clarity regarding potential impacts on Council Tax and/or delays with this information	M	H	Keeping up to date with latest developments, liaising with other Councils, bringing in outside specialist advice if necessary
8	Time available becomes less and less to complete the project and creates added pressures within normal workloads.	L	H	Implementation of IFRS is fast approaching. Adequate planning and preparation is required to ensure the successful implementation of IFRS.

## 6. Implementation Plan

See Appendix I

## 7. Conclusion

The IFRS implementation is running to schedule, but the next few months are a critical period

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## IFRS Implementation Plan

## IFRS Implementation Plan

When all the individual implementation plans are complete, these need to be included in this main plan as separate sections

Task	Responsible	Start Date	Finish Date	C= Complete	Notes/Comments
<b>1.0 General Issues</b>					
1.1 Introductory Meeting	JC	12/01/09	12/01/09	<b>C</b>	
1.2 Preliminary identification of IFRSs relevant to CBC	IFRS Team	01/04/09	31/05/09	<b>C</b>	
1.3 Firm identification of IFRSs relevant to CBC	IFRS Team	01/06/09	14/09/09	<b>C</b>	
1.4 Impact Assessment	IFRS Team	01/08/09	31/10/09	<b>C</b>	
1.5 Proofs of non materiality (enough to satisfy auditor), where items are relevant but we consider non material	IFRS Team	01/11/09	31/01/10		
1.6 Risk register	IFRS Team	Ongoing			Started 1/4/09
1.7 Identify finance resources required including budgets	IFRS Team	01/01/09	30/06/09	<b>C</b>	
1.8 Identify key non finance staff, allocate responsibilities	IFRS Team	01/05/09	30/06/09	<b>C</b>	
1.9 Training for finance staff Training for other staff	IFRS Team	05/01/09	31/03/10		We will need to get suitable training for Accountancy, and also for our other finance colleagues. This may be in-house/external or a mixture. We will need to decide the level of training needed for non-finance staff and councillors. Too early to be precise at this stage.
1.10 Agreements with auditors (several), regarding eg component parts, materiality etc	IFRS Team	01/10/09	31/12/09		Due during Interim Audit 8th Feb

1.11	Clarify with Audit Commission about whether CNH must move to IFRS.	JC	01/05/09	30/06/09	<b>C</b>	For a Company of its size CNH is not covered by IFRS. But we will need IFRS to consolidate. Do they produce UK GAAP accounts plus IFRS consolidation pack or IFRS accounts?
<b>2.0 Final Statement Issues</b>						
2.1	Restate 2008/09 accounts per IFRS and agree opening balances.	LT, JP, IA, NW, JC	03/08/09	31/12/09	Working on to 31st March 2010	Ensure reconciliations between UK GAAP and IFRS are clear and available for auditors
2.2	Check restated 2008/09 to final Code	LT, JP, IA, NW, JC	01/01/10	31/01/10	Working on to 31st March 2010	Depends on when final Code is issued.
2.3	Consider format of accounts	IFRS Team	01/01/10	31/01/10	Working on to 31st March 2010	<del>Depends on when final Code is issued.</del> Code and Guidance Now Issued.
	Identify changes to accounting policies	IFRS Team	01/08/09	31/01/10	Working on to 31st March 2010	
	Identify and implement any changes to chart of accounts	IFRS Team	01/08/09	31/01/10	Working on to 31st March 2010	??
	Identify and implement any changes to procedures, processes and records kept	IFRS Team	01/08/09	31/01/10	Working on to 31st March 2010	This may includes some changes to the 2010/11 budget process
2.4	Prepare draft notes to the accounts for 2009/10 and all disclosures	IFRS Team	01/08/09	31/01/10	Working on to 31st March 2010	The volume of notes will increase and we need to address these prior to the year end
<b>3.0 Property and Asset Related Issues</b>						
3.1	Review Classification of properties that might be investment properties	JP	01/06/09	31/07/09	<i>(Ongoing)</i> 31st March 2010	Bring up with John Leney at Property Valuation meeting Impact Assessment IAS16
3.2	Consider significant components of properties	JP	01/06/09	31/07/09	<i>(Ongoing)</i> 31st March 2010	Bring up with John Leney at Property Valuation meeting Impact Assessment IAS16
3.3	Review and identified all leases, including implied leases	JP	01/06/09	31/03/10	<i>(Ongoing)</i> 31st March 2010	To review leases in line with draft Code on <a href="http://www.cipfa.org.uk/pt/cipfalasaac/ifrs_structure">www.cipfa.org.uk/pt/cipfalasaac/ifrs_structure</a> Identify finance leases and implied leases IAS17

3.4	Produce a Lease Register	JP/UM	01/08/09	30/09/09	<i>(Ongoing)</i> <i>31st March 2010</i>	IAS17
3.5	Consider IPF software and other asset software	JP/UM	01/06/09	31/07/09	<i>(Ongoing)</i> <i>31st March 2010</i>	Can our software cope with changes, eg components? Do IPF have planned updates?
3.6	Clarify what is included in our Intangible assets and will it still be intangible?	JP/UM	01/06/09	31/07/09	<b>C</b>	Still need further guidance from the code but will highlight potential problem areas. IAS38
<b>4.0 Employee Related Issues</b>						
4.1	Agree basis of holiday pay accrual with auditors	JC	16/03/09	16/03/09	<b>C</b>	Ignore Flexi and TOIL
4.2	Calculation of holiday pay accrual for 2008/09	JC, NE	01/04/09	01/04/09	<b>C</b>	For both CBC and CNH.

