

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(IFRS) UPDATE REPORT**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To update members on progress with the implementation of International Financial Reporting Standards (IFRS)

**2. BACKGROUND INFORMATION**

- 2.1 In April 2007 it was announced that Central Government departments and the NHS would be required to prepare their accounts using IFRS from 2008/09. It would be necessary for Government to restate the 2007/08 accounts under IFRS to allow for comparison between the two years.
- 2.2 This will bring the public sector into line with EU listed companies who, have been required to use IFRS since Jan 2005. A major reason for change is to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice.
- 2.3 The requirement to prepare accounts using IFRS will apply to Local Government from the 2010/11 accounts. There will also be a need to restate the 2009/10 accounts on the same basis for comparison purposes.
- 2.4 Two previous reports to this committee outlined the progress the council had made towards compliance with the new standards. This is a further update to these reports.

**3. OPTIONS FOR CONSIDERATION**

- 3.1 The changes proposed are a requirement on Local Government and must be implemented. There is no opportunity to vary the presentation of our accounts.

- 3.2 Members are asked to note the impending changes to the council's accounts and consider whether this report delivers a sufficient level of assurance that adequate preparations for the implementation of IFRS in the council's final accounts are taking place.

#### 4. ANALYSIS OF OPTIONS

4.1 There are no options; the requirement will have to be met.

4.2 The progress made is shown below:-

- The finance professional body CIPFA released its guidance in December 2009.
- Staff have attended several training sessions on the requirements. These include sessions provided by the Audit Commission and Grant Thornton.
- The Asset Management and Culture Service has engaged the District Valuer to assist in the process of revaluing the council's assets. Only sixty assets have been identified as being valued on a different basis under IFRS and therefore require revaluation.
- From 2010/11 the council will be required to account for each of the main components of its assets. Technology Forge, the suppliers of the council's Asset Register software are about to release an update to this software to cope with this change.
- KPMG have prepared an impact assessment of IFRS on the council's accounts. This has not highlighted any major areas of concern.
- A statutory override has been put in place to fully mitigate the financial impact of the requirement to accrue for carried forward leave. Without this override the impact would have been to reduce general reserves by £0.5m and schools balances by over £2m.
- An exercise to assess the leases currently held by the council is underway. It has been completed for vehicles and has led to all these leases being classified as finance leases. The value of these vehicles has to be shown on the balance sheet. There is also a change to the accounting for the lease payments, although there is no overall financial impact.
- A further exercise to examine all the major contracts the council has entered into for embedded leases and derivatives is also underway and nearing completion. If any embedded leases or derivatives are found there would have to be changes to the accounting but no overall financial impact.

A restated balance sheet will be prepared by the end of January 2010. The Audit Commission will review the work the Council has undertaken before April 2010.

5. **RESOURCE IMPLICATIONS** (*FINANCIAL, STAFFING*)

5.1 Additional resources have been made available to the Finance and Asset Management and Culture Services in the 2009/10 and 2010/11 revenue budget. This is to enable the IFRS project to be adequately resourced.

6. **OTHER IMPLICATIONS** (*STATUTORY*)

6.1 The adoption of IFRS is a statutory requirement.

7. **OUTCOMES OF CONSULTATION**

7.1 None required.

8. **RECOMMENDATIONS**

8.1 The Audit Committee should consider whether this report delivers a sufficient level of assurance that adequate preparations for the implementation of IFRS in the council's final accounts are taking place.

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**Background Papers used in the preparation of this report**