

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

11 JANUARY 2010

1. **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Report of the Treasurer.

RECOMMENDED

THAT the Audit Committee note the progress towards the implementation of IFRS.

2. **PURPOSE OF REPORT**

This report is submitted to update the Audit Committee on the progress made for the implementation of the requirements of IFRS following approval of the project plan on 12 October 2009.

3. **BACKGROUND**

3.1 Local Authorities currently prepare their financial statements under UK Generally Accepted Accounting Principals (GAAP). For the financial year 2010/11 and onwards, financial statements will be required to be presented under IFRS and in accordance with CIPFA (Chartered Institute of Public Finance and Accountancy) IFRS based Code of Practice.

3.2 Appendix A provides details of progress made against required actions in the Project Plan.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

The implementation of IFRS is a statutory requirement and the annual Statement of Accounts will need to be fully compliant with the statutory regulations.

6. **FINANCIAL IMPLICATIONS**

Support from KPMG has cost approximately £800 to date. The cost of this has been met within existing budget provisions.

BACKGROUND PAPERS

Audit Committee report – 12 October 2009 – Agenda Item 9

STUART KELLAS
TREASURER

APPENDIX

CORPORATE ACCOUNTING

ACTION	PROGRESS
1. Complete an impact assessment.	Reported to Audit Committee, 12 th October 2009.
2. Establish a project team.	Officers from Financial Management, Estates, Human Resources and Procurement.
3. Brief the Audit Committee.	IFRS report 12 th October 2009
4. Engage with the Audit Commission.	Project Plan & Impact Assessment have been shared with the Auditors and further discussions on various IFRS issues have taken place.
5. Establish a detailed project plan.	Reported to Audit Committee, 12 th October 2009.
6. Review resource requirements.	Ongoing requirement.
7. Provide general awareness training on IFRS for all key staff and Officers.	General awareness training session has been provided by KPMG to the Project Team.
8. Review and update accounting policies.	Ongoing requirement and will form part of the process for the closedown of 2009/10 accounts.
9. Review the chart of accounts and fully map this to the current format and the general ledger.	Ongoing requirement.
10. Review disclosure requirements.	Ongoing requirement.
11. Develop a complete skeleton Statement of Accounts under IFRS.	KPMG to provide further guidance.
12. Identify additional information required for disclosures.	Ongoing requirement.
13. Complete a risk assessment of the potential impact of IFRS on the budget and the Authority's wider financial standing.	Awaiting further guidance from CIPFA with regard to employee benefits and component accounting.
14. Collate information for preparation of the restated 1 April 2009 opening balance sheet.	Major impact to the balance sheet relates to the employee benefits accrual – SMART reports being tested and developed.

15. Update systems and processes to ensure relevant data will be captured.	Ongoing requirement.
16. Restate 1 April 2009 opening balance sheet.	Adjustment for employee benefits required.

CONTRACTS AND LEASES

ACTION	PROGRESS
1. Review work completed through the contracts review to identify to what extent this can be utilised.	Contracts being considered for any IFRS implications and for obtaining applicable details for contracts awarded in the future
2. Agree a methodology for the review, including materiality levels.	Initial materiality level to review contracts to be based on the deminimus level for capital expenditure
3. Agree materiality level of contracts with the Audit Commission.	Audit Commission have been consulted on the materiality level proposed above.
4. Provide specific training to officers involved in this review.	KPMG have provided a training session to officers from Procurement.
5. Complete a review of contracts for potential arrangements that may need to be accounted for differently under IFRS.	Ongoing requirement.
6. Identify contracts that may contain financial instruments and complete further work as part of other work streams.	Ongoing requirement.
7. Review all leases identified to determine if they should be accounted for as an operating lease or finance lease.	The Authority has identified three leases which are considered to be operating leases as they relate to land and infrastructure.
8. For all leases judged to be finance leases under IFRS, calculate the asset and liability to be recognised in the opening balance sheet.	No finance leases identified
9. Prepare the accounting entries to restate the assets and liabilities in the opening balance sheet as at 1 April 2009.	No adjustment to balance sheet as at 1 April 2009 identified

CAPITAL ACCOUNTING

ACTION	PROGRESS
1. Amend the format of the register to allow for individual components to be recorded.	Asset register is maintained on a spreadsheet which can be easily amended.
2. Consider what level of disaggregation may be appropriate for different categories of assets.	Discussions have taken place with the Estates Manager and Sandwell MBC Property Services to consider appropriate components.
3. Agree level of disaggregation (component) with the Audit Commission.	Ongoing – further guidance from CIPFA to be made available in January 2010.
4. Review the capital programme to determine any significant enhancement and replacement schemes.	Updated capital programme will be submitted to Authority as part of the budget setting process.
5. Formulate policies and procedures for component accounting.	Ongoing requirement with the Estates Manager and Sandwell MBC Property Services.
6. Review Code requirements in detail and provide updated guidance to budget holders on which costs can be capitalised under the Code.	Reviewed by Senior Accountant (Capital and Systems Development)
7. Identify, assess and quantify potential decommissioning.	Following discussions with the Estates Manager, decommissioning not considered to be a major impact.
8. Engage with the asset valuers to ensure that all future asset valuations are undertaken on a component basis.	Sandwell MBC Property Services have appointed Wilks Head and Eve (Chartered Surveyors & Town Planners) to carry out asset valuations.
9. Ensure that the Excel Fixed Asset Register is able to comply with the requirement for component accounting.	Reviewed by the Senior Accountant and not considered to be an issue.
10. Recognise decommissioning liabilities at inception and capitalise by creating a provision.	Ongoing requirement.

EMPLOYEE BENEFITS

ACTION	PROGRESS
1. Determine all types of leave to be accounted.	Discussions have taken place with Human Resources to consider all types of leave and establish whether they have a material impact.
2. Complete review of untaken annual leave.	An initial review and calculation was carried out as part of 2008/09 closedown process – further reports being prepared using SMART.
3. Evaluate the results of the review and estimate the accrual required in the opening balance sheet as at 1 April 2009.	Results of the initial review suggest the accrual will be material and therefore required. Further reports are being developed using SMART to assist with the calculation.
4. Agree methodology and results of the accrual with the Audit Commission.	Discussions have taken place with the Audit Commission regarding process to be used for establishing the employee benefits accrual.
5. Remind managers to ensure that holiday cards and details on SMART are up to date.	SMART automatically records approved leave.
6. Review the accounting policy for pensions in light of the Code.	Awaiting further guidance from CIPFA.
7. Decide if the accrual for untaken leave is material and should be accounted for.	Accrual will be material and therefore required to be accounted for.
8. Agree materiality level of accrual with the Audit commission.	Accrual will be material and therefore required to be accounted for.
9. Monitor if statutory guidance is issued to neutralise the impact on the General Fund.	Awaiting further guidance from CIPFA
10. Review redundancies and early retirements that may result in pension payments after 1 April 2009 and assess the liabilities to be accrued as at that date.	Ongoing requirement – Awaiting further guidance from CIPFA
11. Consider future potential of utilising SMART system.	Reports being established using SMART to assist with calculation.