

# **Supplementary Committee Agenda**



**Epping Forest  
District Council**

---

## ***Audit and Governance Committee Monday, 15th November, 2010***

**Place:** Council Chamber  
Civic Offices, High Street, Epping

**Time:** 7.00 pm

**Democratic Services:** Gary Woodhall (Office of the Chief Executive)  
Tel: 01992 564470  
Email: gwoodhall@eppingforestdc.gov.uk

---

**9. WASTE MANAGEMENT STOCK TAKE & LEVEL OF RISK TO THE COUNCIL  
(Pages 137 - 142)**

(Director of Environment & Street Scene) To consider the attached revised report (AGC-017-2010/11).

**14. ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (Pages 143  
- 156)**

(Director of Finance & ICT) To consider the attached report (AGC-022-2010/11).

This page is intentionally left blank

## **Report to the Audit and Governance Committee**



**Report reference:** AGC-017-2010/11  
**Date of meeting:** 15 November 2010

**Epping Forest  
District Council**

**Portfolio:** Environment

**Subject:** Waste Management stock take and level of risk to the Council

**Responsible Officer:** John Gilbert (01992 564062)

**Democratic Services Officer:** Gary Woodhall (01992 564470)

---

### **Recommendations/Decisions Required:**

- (1) To note the value of wheelie bins at the last stock take in October 2009 of £279,176 and the value of blue boxes and sacks at the last stock take in October 2010 of £70,650;
- (2) To note that the annual detailed stock take of wheeled bins and other assets stored at North Weald Airfield takes place in October each year prior to the winter period;
- (3) To agree that a supplementary stock take of wheeled bins and assets stored at North Weald Airfield will be undertaken as at 31 March each year in order to inform the preparation of the Council's final accounts; and
- (4) To further investigate the costs associated with the provision of covered secure storage for wheeled bins and other assets stored at North Weald Airfield.

### **Executive Summary:**

The last meeting of the Committee on 20 September received a report from Internal Audit which provided a limited assurance in respect of the Waste Management Service. The reason for this was a departure from Financial Standing Orders which require a stock take at the end of each financial year. The Committee resolved to receive a report at this meeting confirming that a satisfactory full stock reconciliation had been performed and details of the level of financial risk faced by the Council for not performing the procedures properly.

Although this report sets out the current stock take it has not yet been possible to undertake a full physical stock take of all items, as required by the Committee. The stock take of remaining items is being arranged and will be performed imminently.

The detailed stock take of wheelie bins at the North Weald Airfield is performed before the start of winter when all bins are wrapped in plastic to offer protection during the winter months and it is recommended that a supplementary stock take also be undertaken at the end of March each year.

### **Reasons for Proposed Decision:**

At the last meeting the Committee asked for a report on the current status of stocks and financial risks to the Council of non compliance with Financial Standing Orders.

## Other Options for Action:

To not agree with the current arrangement of stock take of wheelie bins and containers before the winter months when the stock is wrapped in plastic sheeting and instead to carry out a stock take only at the end of financial year, as required by Financial Standing Orders,

## Report:

1. The Council provides residents with a number of containers to enable them to make full use of waste and recycling collection services. Some containers are for long term use, for example wheelie bins, which have an expected useful life of 7 to 10 years. Other containers like blue boxes and sacks are supplied more frequently.

### Wheelie Bins and Rigid Containers

2. The Council maintains varying levels of stocks of wheelie bins for:

- residual waste: 140, 180, 240 and 340 litres; and
- food and garden recycling: 5 litre kitchen caddies, 23 litre kerbside caddies and 180 litre wheelie bins

3. There is also a limited stock of larger bin sizes of 1100 and 660 litres. The Council has a rolling programme of introducing these larger bins at flats and multiple occupancy communal dwellings.

4. Wheelie bins can get damaged by the lifting mechanisms of refuse freighters, sometimes they end up in the refuse freighters and cannot be retrieved. On other occasions bin lids or wheels get damaged. Wheelie bins also go “missing” from residents’ homes – some 1,500 in the last 12 months. The wheelie bins are repaired, if possible, and reused. Residents are issued a replacement as soon as practicable.

5. Wheelie bins and other rigid containers are currently stored at North Weald Airfield. The storage area is out in the open but is fenced and secured. Following advice from Internal Audit in previous years to not leave the containers open to elements, the bins are wrapped in plastic sheeting ahead of the winter period in late October each year. This is to protect the bins from rain and weather since, if left unwrapped, rainwater seeps into the bin stacks and the downward weight and pressure causes damage to the lower bins in the stacks.

6. The Council has a policy of encouraging residents to recycle and reuse as much as possible. The Council will, in some circumstances, provide residents with one free compost bin. These are issued to residents who can not take part in food and garden recycling service, for example where there is no storage space for a food and garden wheelie bin. It is for this purpose that a stock of compost bins is maintained. These bins are stored in a locked room at the Langston Road Depot. The total value of wheelie bins and other containers at the last stock is presented in the table below:

### Wheelie bin inventory :

	Date of stock take	Physical stock count	Total estimated value of stock
180 litres residual waste bin	26 Oct 2009	940	£17,314
Kerbside Caddies	2 Feb 2010	9124	£31,934
Kitchen Caddies	2 Feb 2010	2900	£3,770
180 litre food and garden bin	26 Oct 2009	5895	£108,585

240 litre for residual waste	26 Oct 2009	286	£10,130
340 litre for residual waste	26 Oct 2009	1134	£61,224
140 litre for residual waste	26 Oct 2009	2436	£48,720
660 litre residual/recycling	01 Nov 2010	22	£2,090
1,100 litre for residual	01 Nov 2010	1	£125
Compost bins	30 Sep 2010	738	£13,284
<b>Total</b>			<b>£ 297,176</b>

7. Although numbers appear high, it should be noted that we are still in the process of rolling out recycling services to flats and other communal buildings, and containers are needed for these new services. Furthermore, bulk purchasing of containers reduces the overall cost. With the exception of the 140 litre and 340 litre bins, all the bins are 'old' stock, in that they have been used previously and swapped. Steps to reduce the numbers of 140 and 340 litre bins are underway, with the 340s being used in flats etc, and, instead of purchasing further 140 bins for the garden service, green lids have been purchased providing us with flexibility between the garden service and the residual.

#### Blue Boxes and Sacks

8. There are three types of sacks in use within the Council, clear sacks for dry recycling, black sacks for residual waste collection from those properties that cannot take part in the wheelie bin collection service and green sacks for garden waste arisings under the "Mow and Grow" scheme operated by Voluntary Action for Epping Forest. The sacks are stored in three different locked areas in the Langston Road Depot. Physical stock count of the dry sacks is carried out on a weekly basis. Black sacks and garden sacks are held in the secure stores with very restricted access and stock takes are taken only on issuing of stock and at the end of the financial year.

#### **Blue box, clear sacks, garden sacks and black sacks inventory:**

	Date of stock take	Physical stock count	Total value of stock held
Blue Boxes	25 Oct 10	548	£1326
Clear recycling sacks	25 Oct 10	3312	£36,432
Garden recycling sacks	25 Oct 10	492	£31,881
Black sacks	30 Sept10	97	£1,011
<b>Total</b>			<b>£70,650</b>

#### Requests for Issue

9. Requests for the issue of wheelie bins, containers and sacks are all received in the Customer Contact Centre of the Environment and Street Scene Directorate. Some requests are more routine than others, for example there are 51 outlets that provide recycling sacks to residents. These outlets request sacks when their stocks run low. Residents can directly make a request for a wheelie bin or container that is reported as lost or damaged.

10. The requests are entered into the M3 database, which links the request to the property address. The requests are then assessed and instructions issued to the waste contractor Sita to deliver the item. Once the delivery is complete the M3 database is updated.

#### Inventory Control

11. Every movement of each container type or box of sacks has a corresponding worksheet on the M3 database. These worksheets are used to calculate the numbers of

containers or sacks issued at any given time. Deducting the numbers issued from the previous physical stock take provides the numbers held in stock. In respect of dry sacks and blue boxes stock take is carried out on a weekly basis since these items are easy to handle and an easy target for theft.

12. The inventory control of wheelie bins is managed slightly differently than that for sacks and blue boxes. This is because of the logistics and resources involved in undertaking a physical stock take. The requests and issue of wheelie bins are logged in the same way as sacks and blue boxes and numbers are managed by use of the M3 database. However a physical stock take is carried out less frequently and this has caused the breach in Financial Standing Order has to arise.

13. Wheelie bins and containers are received by the Council in bulk and stored at the North Weald Airfield for deliveries to residents as and when required. A detailed stock take of these containers is only possible with the help of physical resources to move containers around, often requiring a fork lift truck. The last physical stock take was undertaken on 26 October 2009.

14. Internal Audit has advised in previous years that in order to protect containers and bins from the elements the remaining stocks should be wrapped in sheeting before the onset of the winter season. A contractor is employed to manually rationalise/re-organise the storage area, to prepare the containers for winter by wrapping them in plastic and to undertake a stock count. By organising this, the Waste and Recycling Team complied with the previous Internal Audit recommendations. The wrapping of the containers is again imminent and whilst this is being undertaken in preparation for this years winter the latest stock take of bins will be taken in the near future. This does not comply with the requirements of Financial Standing Orders which require that a stock take be taken at the end of the financial year in March.

15. Normally all caddy stocks would be taken at the same time as the wheelie bins as these are prepared for winter in the same way as the larger containers. In February 2010 the stock of caddies was relocated to a slightly different location on the Airfield and the opportunity was used to take an additional stock count. This would not normally happen.

### **Resource Implications:**

The stock take for blue boxes, sacks and compost bins is carried out by officers of the Waste and Recycling Team. However, the wheelie bins and containers are heavier and it is not possible to carry out a stock take without employing a contractor and lifting equipment. The services of a private contractor are employed to move the bins, count and sheet wrap the containers. The cost of this operation once a year is around £5,000. There is current budget allocation to undertake only one stock take a year. The report sets out the reasons for carrying the stock take at the onset of winter rather than the end of financial year. However additional resources will be required if a second stock take is carried out at the end of financial year.

The alternative of carrying out a stock take at the end of a financial year will not require additional resources however this is likely to cause damage to stock during the winter months. An additional detailed stock take will require an additional £5,000.

The additional costs associated with covered storage are between £50,000 and £75,000 per annum dependant upon the cost per square meter required. The current external storage area takes up around 25,000 square feet. It is not easy to reduce the scale of the space required since it is not practical to stack bins to a greater height without risk of damage to the bins or to those who have to move and remove them.

### **Legal and Governance Implications:**

The Council has a duty to manage and look after its assets and reduce the risk of financial loss. The law on the provision of receptacles for waste is contained within section 46 of the Environmental Protection Act 1990, and is complex. This Council has taken the view that it should provide receptacles for waste to residents free of charge, rather than making residents provide them or through levying a charge. This is a common position amongst local authorities, especially where recycling arrangements exist and where residents are required to separate their recycling into separate material streams.

The Waste Management partnership Board has recently given consideration to the introduction of a charge for replacement bins, but concluded that the present arrangements should remain in place.

### **Safer, Cleaner and Greener Implications:**

Provision of waste and recycling containers is not possible without the use of prescribed containers.

### **Consultation Undertaken:**

None.

### **Background Papers:**

Previous Audit report on the outcome of internal audit.

### **Impact Assessments:**

#### Financial Risks of Lack of Compliance with Contract Standing Orders:

The Council's Financial Standing Orders require a stock take at the end of each financial year. Any deviation from this is a breach and this is the case in respect of some of the stock held by the Waste and Recycling Team. The report sets out the methodology of stock control employed for various containers and sacks stocked by the Council. All stocks issued are logged on the Environment and Street Scene's database system. The financial risk to the Council arises if the electronic stock levels do not reconcile with the physical stock count. This risk is managed by carrying out physical stock take of the high risk stocks for example sacks which are susceptible to theft.

However the wheelie bins stored at North Weald Airfield are not subject to the same level of stock take and inventory control. It is not possible to carry out an accurate physical stock take without additional resources to move the bin stacks. Current budget allocation only allows for this to be undertaken once a year. Officers have in the past year combined the exercise of bin wrapping before winter with a stock take and hence saved costs.

It is an officer view that the risks to the Council are best managed with the current arrangement, the stock is taken before the onset of winter and at the same time it is wrapped and protected from the weather in the winter months ahead. The alternatives of not carrying out the stock take at this time of the year would either mean that the stock would be open to rain damage or additional resources will be required to carry out a second stock take at the end of the financial year.

It is however recognised that, given the value of the assets stored at North Weald, a stock take at the end of the financial year is essential. However, for the reasons set out earlier, this cannot be another detailed physical check. It is therefore proposed that at a minimum a count

is made of the physical stacks to enable a gross error check to be made against the detailed stock take undertaken the previous October and the records on M3 of the bins and containers issued. Should any major discrepancy arise a detailed physical stock take will have to be undertaken which will have resource implications. This additional check will then be available to inform the process of closing the Council's accounts for the year in question.

### Other Risks

As stated in the report the wheeled bins are currently stored in the open air at the Airfield, albeit within a locked fenced enclosure. However, there is no 24/7 security presence at the Airfield and therefore this arrangement is not fully secure and losses of wheeled bins have occurred in the past (77 bins in July – value £1,400). Co-incidentally, around the same time Harlow DC also suffered from theft of wheeled bins. Officers are looking into a short term solution for the introduction of CCTV around the compound.

Consideration has previously been given to the use of fully enclosed storage such as a hangar at the Airfield or private storage facilities. This has not proven to be fruitful either because of availability, accessibility and /or cost. The cost of the land used at the Airfield is just over £7,000 per annum, for around 25,000 square feet. To replicate this storage in a hangar or similar building would cost between £50,000 and £75,000 per annum. Officers will continue to investigate other options.

### Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* No

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A.



## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-022-2010/11**  
**Date of meeting: 15 November 2010**

**Portfolio: Finance & Economic Development.**

**Subject: Adopting International Financial Reporting Standards.**

**Responsible Officer: Peter Maddock (01992 564602).**

**Democratic Services: Gary Woodhall (01992 564470).**

---

### **Recommendations/Decisions Required:**

**(1) To note the transition from UK Generally Accepted Accounting Principles (UK-GAAP) to International Financial Reporting Standards (IFRS) for presentation of financial statements.**

### **Executive Summary**

In 2007, the Chancellor of the Exchequer announced that central government would adopt International Financial Reporting Standards (IFRS). The purpose behind this was to increase the degree of consistency across all sectors of the economy when presenting financial information and a reader of financial statements would know that whatever sector the accounts related to they would broadly be prepared using consistent accounting standards.

Central Government and the National Health Service adopted IFRS for financial years beginning on or after 1 April 2009 Local Authorities are to adopt this for financial years beginning on or after 1 April 2010.

The impact on shire districts such as the Council is not expected to be significant (i.e. mostly terminology and presentational issues) some of the more significant changes such as bringing assets constructed as part of a Private Finance Initiative (PFI) or Public-Private Partnership (PPP) on to the Balance Sheet tend to be mainly issues for larger authorities such as County Councils and London Boroughs.

The Statutory Statement of Accounts (SSoA), is currently prepared in line with an annually produced Statement of Recommended Practice (SORP). From 1 April 2010 this will no longer be in place as it will be replaced by accounts prepared in line with practice recommended under IFRS.

### **Reasons for proposed decision**

To inform Members about changes to reporting\presenting the SSoA in the future.

### **Other options for action**

No other options available.

## Report:

### Introduction

1. IFRS was adopted by the private sector for financial years commencing 1 January 2005 the purpose of this was to aid comparison between organisations within the private sector as previously the adoption of a variety of accounting policies had made meaningful comparisons difficult.

2. It was also felt that IFRS should be adopted by the public sector not only to provide a degree of consistency with the private sector in the UK but also to ensure that internationally the same broad set of reporting standards were being adopted. Having said that Local Authorities do not operate in the same way as the private sector and financial comparisons between the two types of organisations will always be difficult and could be argued why would the comparisons need to be made anyway.

### Timetable

3. Attached at appendix 1 is Local Authority Accounting Panel 80 (LAAP80) issued in March 2009 setting a proposed timetable for local authorities for the implementation of IFRS. This sets a provisional guide to local authorities following lessons learnt within the implementation process of central government and the NHS.

4. After attending training sessions it became clear a number of issues still need to be clarified and guidance from CIPFA is to be issued to assist with this, it is however unlikely to be available before December 2010 which is somewhat late given that the proposed timetable at appendix 1 suggested having the restatement of the opening balance sheet for 2009/10 completed by December 2009, 12 months prior to the issue of the guidance.

5. Although there seems to be some delay the Council are on track with the implementation process and the next trigger point is to restate the 2009/10 balance sheet.

### Impact

6. Attached at appendix 2 are the current accounting standards in issue and their applicability to public sector accounts and a column to show their impact on EFDC.

7. At present the following items are with the external auditors for consideration that may specifically impact upon EFDC:

- **Format** – The information presented under IFRS is the same but in a slightly different format and order. The Income and Expenditure Account and Statement of Recognised Gains and Losses are amalgamated and called the Comprehensive Income and Expenditure Statement. The Statement of Movement on General Fund Balance will be renamed the Movement in Reserves Statement and contain additional reconciling items so that the final figure on the statement still shows the amount added to or taken from the General Fund Reserve.

- **Leasing** – Service contracts that the Council is party to need to be reviewed to assess whether there are any arrangements within them that could be construed as containing a lease type arrangement. For example, where a contractor providing a waste management service provides vehicles solely for use on that contract, those vehicles, subject to certain conditions under IFRS, could be viewed as being 'leased' to the Council and therefore need to be accounted as such. As with many other accounting regulations this would only need to be accounted for as a lease type arrangement if it was felt significant in terms of the value of the contract on which the assets were deployed.

- **Tangible Assets** – Previous practice has been to account for assets and their related depreciation based on individual whole assets. From 1 April 2010 there is a requirement to

account for components of assets separately from the rest of that asset where the component is both significant and has a substantially different lifespan to the asset itself. For example, the Civic Offices is currently undergoing the installation of a new heating system and new windows. Both these would have a lesser lifespan than the building itself but compared to the value of the building a view would need to be taken as to whether they are 'significant' enough to be accounted for as a separate component. Guidance on assessing in which instances components should be applied is awaited, without clear guidance inconsistencies across Local Authorities will be rife particularly where Housing Revenue Account (HRA) dwellings are concerned where some authorities might choose to identify components within HRA dwellings and others might not. The requirement to account for components only applies going forward to new assets or where existing assets are revalued.

- **Employee Benefits** – This relates to accumulating absences (leave and flexi hours) whereby hours carried forward from one financial year to the next have a value and that value should be accounted for in the year that it is earned rather than taken. Non accumulating absences (i.e. jury service, maternity/sickness leave) are not allowed to be carried forward. Again this is subject to being significant but given that you have to carry out the task to see whether it is significant anyway this has been done and actioned already within the 2009/10 accounts recently approved.
- **Government Grants Deferred** – Certain capital grants were allowed to be written off to the Income and Expenditure over the life of the asset to offset depreciation that is being charged. Under IFRS these are no longer to be carried forward but written off to revenue in the year they are received, unless certain criteria have to be met before they are spent, they may only be carried forward until the criteria are met or repaid under the terms of the agreement.
- **Segmental Reporting** – There is now a requirement to include, in the SSoA, expenditure in line with the Councils own reporting arrangements as well as the current Best Value Accounting Code. For this Council it would mean reporting expenditure on a directorate by directorate basis and reconciling this back to the Best Value Accounting Code information. This is carried out as part of the Accounts closure process so is really only publishing something that is already done.
- **Private Finance Initiatives (PFI)** – This is a form of off-balance sheet finance whereby the private sector carry out major construction projects and lease them back to the Council over a period of time. The new procedures assess who accepts the risk and rewards of ownership and whichever party does so will need to account for the asset concerned.

### Progress

8. The Council will be carrying out the restatement under IFRS during the second half of November and the first half of December. The major difficulty with this will be the absence of guidance but to leave the 2009/10 restatement any later could cause problems to the accounts closure process for 2010/11. Once completed this will be subject to External Audit scrutiny during January 2011, with a view to creating the statements prior to year end.

### Summary

9. The Councils Accounts will be prepared under IFRS from 1 April 2010. There are a number of changes that will result from this, some of them are of a cosmetic however others will require some work on the Council's part much of which will be carried out in the next month or so.

### **Resource Implications**

Budget provision: Existing salaries provision.

Personnel: No extra personnel required.

Land: Nil.

Relevant Statutory Powers: Local Government Act 2003.

Background papers: Held within Finance Department.

### **Legal and Governance Implications**

Financial reporting needs to be on the basis of latest guidance and regulations therefore it is good practice, where appropriate, to follow this guidance.

### **Safer, Cleaner, Greener Implications**

The Council's accounts contain expenditure in relation to this initiative.

### **Consultations Undertaken**

There have been some general consultations with other council officers on specific IFRS issues.

### **Background Papers**

Various working papers held in Accountancy.

### **Impact Assessments**

#### Risk Management

These reports are a key part in managing the financial risks faced by the Council. In the current climate the level of risk is increasing. Prompt reporting and the subsequent preparation of action plans in Cabinet reports should help mitigate these risks.

#### Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* No

*What equality implications were identified through the Equality Impact Assessment process?*  
None.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A.

# LAAP BULLETIN 80

## March 2009

### Implementation of IFRS – Outline Project Plan

AT THE HEART OF  
PUBLIC SERVICES 

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the SORP, BVACOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the SORP, BVACOP or Prudential Code.

Please address any queries to CIPFA Technical Enquiry Service for CIPFA members and students  
020 7543 5888

The Chartered Institute of Public Finance and Accountancy  
Registered with the Charity Commissioners of England and Wales Number 231060

## **INTRODUCTION**

1. This Bulletin is relevant to all bodies who will be required to account under the IFRS-based Code of Practice on Local Authority Accounting in 2010/11.
2. From 2010/11, local authorities' Statements of Accounts will be prepared under an IFRS-based Code of Practice on Local Authority Accounting. This is part of a wider public-sector move to international standards.
3. In central government, departments are required to meet four 'trigger points' set by HM Treasury. These specify the dates by which the opening IFRS balance sheet and the figures for the comparative year are to be prepared and audited. For local government, no formal 'trigger point' dates have been set. This bulletin seeks to address the absence of formal dates through an outline project plan. The project plan is however guidance rather than a formal requirement.

## **OUTLINE PROJECT PLAN**

4. The following outline project plan is intended to provide a starting point for authorities looking to develop their own project plans. More detailed steps, specific to each authority, will be required to support each step in the outline project plan. Similarly, whilst the outline project plan identifies major milestones such as the restatement of the opening balance sheet, authorities will need to identify their own interim milestones. The dates outlined in the plan will enable an authority to achieve the introduction of IFRS by 2010/11, but are the latest dates that CIPFA would recommend. The adoption of earlier dates is encouraged.
5. Authorities are encouraged to discuss their project plan with those responsible for the governance arrangements, e.g. Cabinet, the Audit Committee etc. Senior management throughout the organisation should also be aware of the project plan, as the implementation will require input from staff outside finance. LAAP would expect these groups to be kept informed throughout the implementation process, and that IFRS implementation would be part of the internal audit programme.
6. Authorities are also strongly advised to discuss their project plan with their external auditors<sup>1</sup>. Auditors will wish to consider undertaking work at various stages in the adoption of IFRS (e.g. the restatement of the opening IFRS balance sheet), and authorities are advised to discuss the timetable with auditors.
7. Benefits that may arise from early external audit involvement are as follows:
  - Early identification of any difficulties or problems with the restatement of the opening IFRS balance sheet may result in less time being required to resolve these issues. This in turn may help to avoid errors occurring and prevent abortive work being undertaken.
  - Early identification of any difficulties with the restatement of the opening IFRS balance sheet may also avoid these issues impacting on the 2010/11 budget.
  - Early engagement with auditors may provide authorities with reassurance that their project plan is appropriate, or alternatively may allow for the plan to be amended in a timely manner; an inappropriate plan could lead to abortive work, or alternatively could result in a number of key tasks requiring completion in a short timescale.

---

<sup>1</sup> In agreeing an audit timetable with their external auditors, authorities may wish to refer to the fee arrangements that will apply in the relevant jurisdiction.

8. The outline project plan is as follows:

	Step	Dependency	Dates	Areas for Discussion with External Audit
1	Carry out high level impact assessment using information on CIPFA web site (and other resources where available) PFI Leases Tangible Assets Employee Benefits (e.g. Holiday Pay) Other Areas		As soon as possible; completion of this stage by May 2009 recommended	Ongoing – discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues / difficulties etc.
2	Identify changes to accounting policies	In parallel with step 1	As soon as possible; completion of this stage by May 2009 recommended	
3	Identify key staff (finance, legal, property, HR, other) Assess whether resources adequate Allocate responsibilities Develop detailed project plan	Based on impact analysis in step 1	As soon as possible; completion of this stage by May 2009 recommended	
4	Key staff trained on IFRS transition		At an early opportunity, then ongoing throughout project	
5	Identify systems and procedural changes (including Chart of Accounts changes) required		March 2009 - end July 2009	
6	Identify information (e.g. leases and holiday pay) required to restate 1 April 2009 balance sheet and 2009/10 accounts		March 2009 - September 2009	
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	Accounting policies in step 2	March 2009 - September 2009 (assumes CIPFA/LASAAC agree formats in March 2009)	
8	Obtain information required to restate 1 April 2009 balance sheet	Identified during step 6	March 2009 - September 2009	

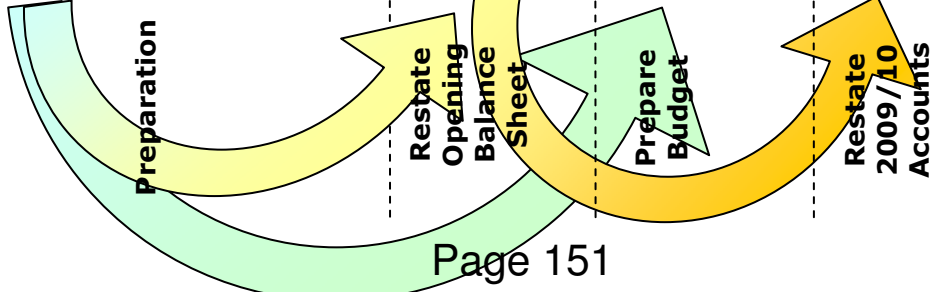
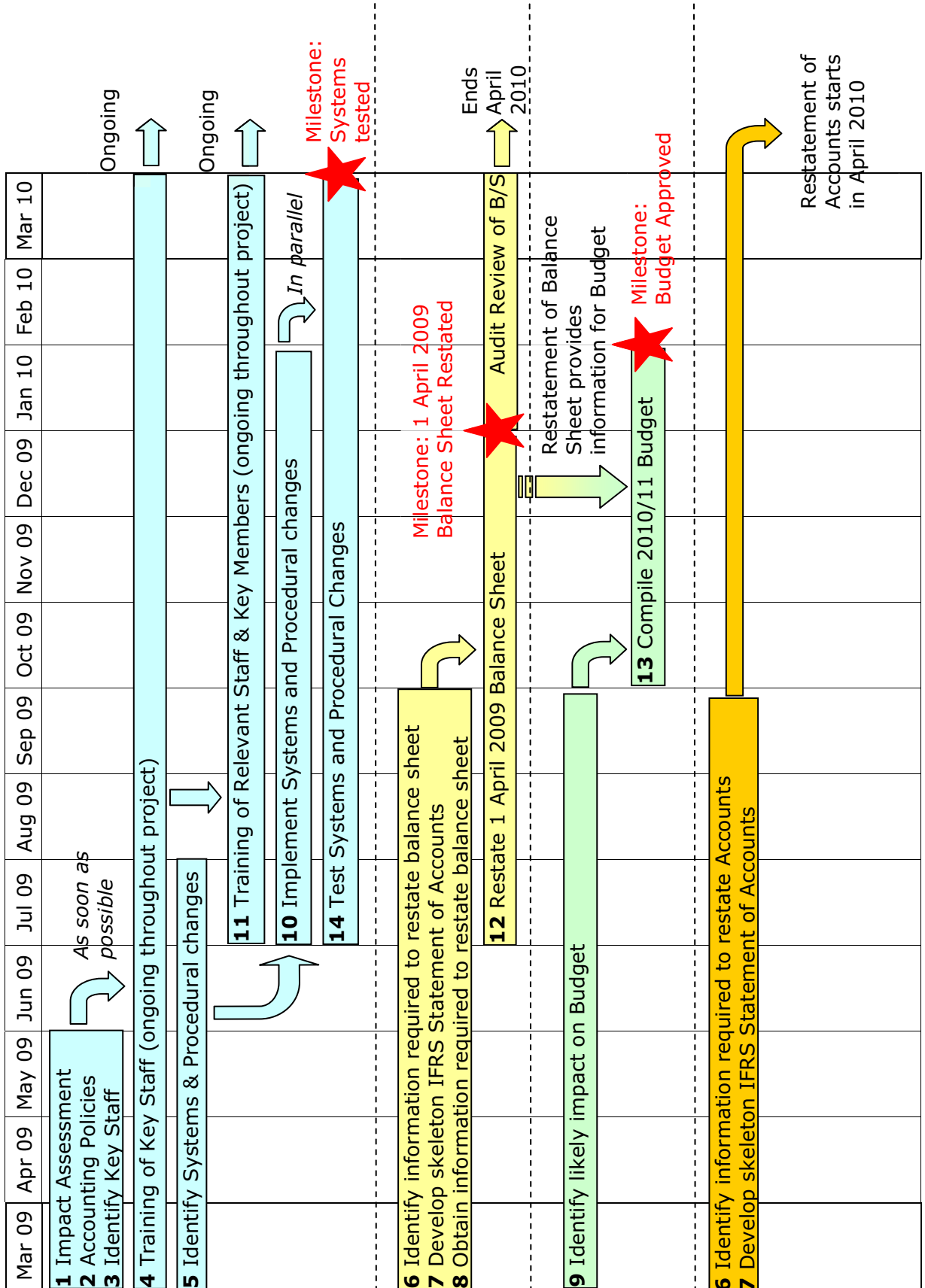
	Step	Dependency	Dates	Areas for Discussion with External Audit
9	Identify likely impact on budgets (if any)		March 2009 – September 2009	
10	Implement systems and procedural changes	Identified in step 5	July 2009 – January 2010	
11	Training for all relevant staff and members		Ongoing from July 2009	
12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS)	Obtained in steps 7 & 8	July 2009 – December 2009*	Auditors will wish to consider the implications for reviewing balance sheet and / or processes and arrangements
13	Compile 2010/11 and later budgets on IFRS basis, building on restatement of balance sheet, taking into account changes to the final version of the Code and any regulations proposed by government to mitigate the impact on General Fund / HRA	Impact from step 9	October 2009 – January 2010	No direct input, but previous discussions and results of any audit work in step 12 may inform budget decisions where auditors involved at an early date
14	Testing of systems and procedural changes	Follows on from step 10	July 2009 – March 2010*	Auditors will wish to consider the implications for relevant work on systems
15	Restate 2009/10 accounts in parallel with main 2009/10 accounts process (including reconciliations between UK GAAP and IFRS)	See steps 6, 7, 8, 12	April 2010 – December 2010*	Auditors will wish to consider the implications for their work
16	Produce 2010/11 accounts on IFRS basis		April 2011 – June 2011	Normal audit procedures – accounts signed by 30 September 2011 (31 October 2011 in Northern Ireland)

\* Indicative timescale; absolute deadline is given in step 16.

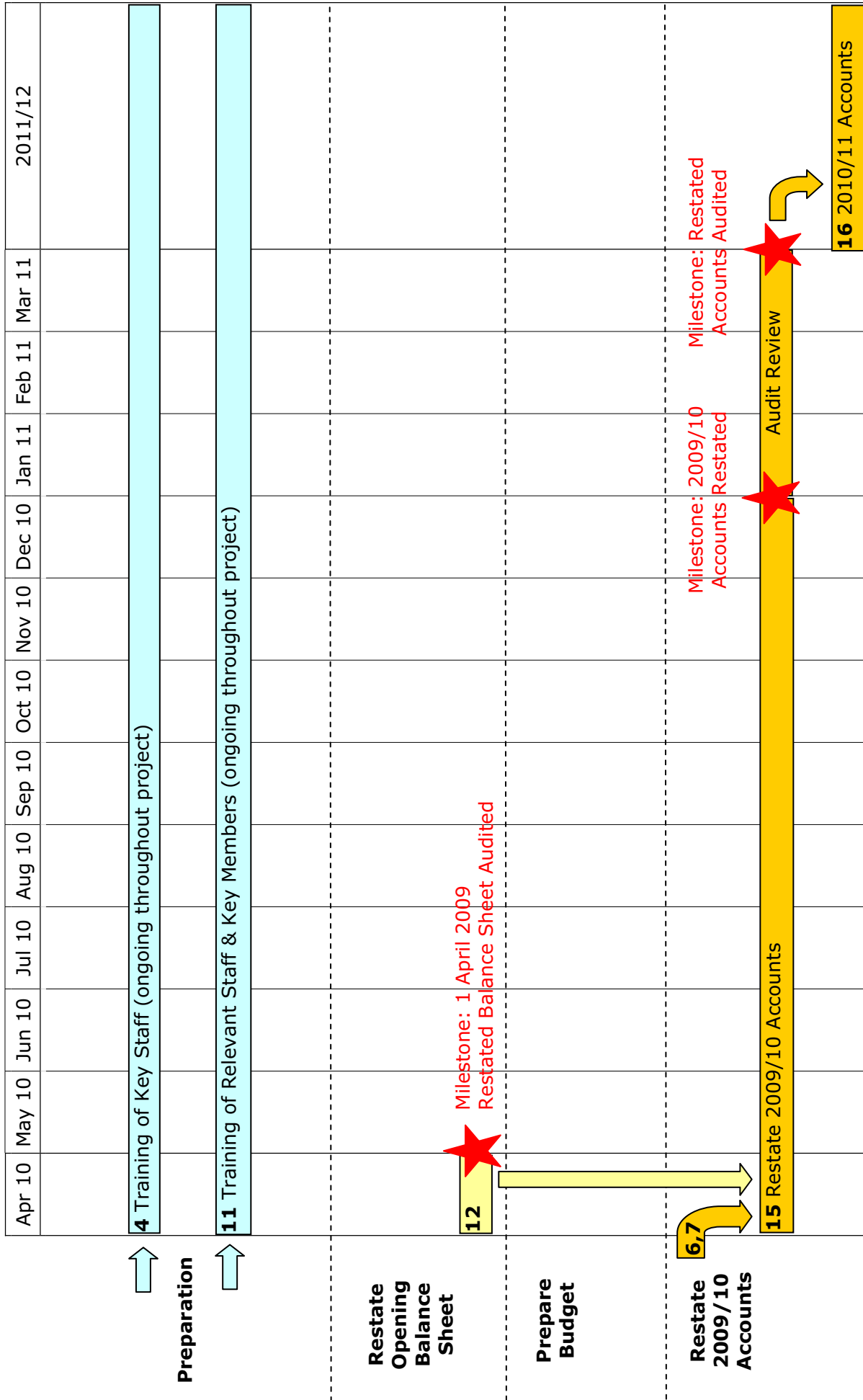
A timeline of the outline project plan is shown below:



**Outline Project Plan March 2009 – March 2010**



**Outline Project Plan April 2010 - March 2011**



<b>Ref</b>	<b>Topic</b>	<b>Impact</b>
IFRS1	<b>First Time Adoption</b>	<p>Only applies to first set of IFRS financial statements and the requirements are:</p> <ul style="list-style-type: none"> <li>• Identify date of transition;</li> <li>• Comply with all standards effective at the reporting date;</li> <li>• Explicit statement of compliance in notes;</li> <li>• Selection of accounting policies and</li> <li>• Preparation of opening IFRS balance sheet.</li> </ul>
IAS 1	<b>Presentation of Financial Statements</b>	<p>Specifies the structure and content of financial statements e.g.</p> <ul style="list-style-type: none"> <li>• Presentational aspects</li> <li>• Guidelines on their structure</li> <li>• Minimum requirements for content</li> </ul>
IAS 7	<b>Statement of Cash Flows</b>	<p>Change in terminology and layout:</p> <ul style="list-style-type: none"> <li>• Now only 3 sections Operating Activities, investing Activities and Financing Activities;</li> <li>• Now termed as Cash and Cash Equivalents;</li> <li>• No exemptions are available and</li> <li>• Can use direct or indirect method of presentation.</li> </ul>
IAS 8	<b>Accounting Policies, Estimates &amp; Errors</b>	<p>Standard sets out:</p> <ul style="list-style-type: none"> <li>• Criteria for adoption of accounting policies;</li> <li>• Accounting treatment and disclosure of changes to these policies and accounting estimates and</li> <li>• Treatment and disclosure for corrections to prior period errors.</li> </ul>
IAS 16	<b>Property Plant &amp; Equipment</b>	<p>Has regard to the measurement of initial purchase and subsequent revaluations of assets held to include:</p> <ul style="list-style-type: none"> <li>• Purchase price;</li> <li>• Directly attributable costs and</li> <li>• If need arises dismantling\decommissioning costs.</li> </ul>

IAS 17	<b>Leases</b>	This requires the authority to review all transactions including contractor amounts to see if any embedded elements could be included as a lease (IFRIC 4 & 12)
IAS 18	<b>Revenue</b>	This standard only deals with revenue gained from ordinary activities i.e. rendering of services, sale of goods etc.
IAS 19	<b>Employee Benefits</b>	Covers all benefits allowed to employees not just pensions i.e. untaken leave and time off in lieu of excess hours worked.
IAS 24	<b>Related Party Disclosures</b>	This standard ensures that all undertakings between the authority and other parties are fully disclosed as to the influence that may be exerted in forming these transactions.
IAS 36	<b>Impairment of Assets</b>	An asset is <i>Impaired</i> if the carrying amount exceeds the recoverable amount (i.e. opposite to revaluations).
IAS 38	<b>Intangible Assets</b>	Interpretations for the public sector are in the form of <i>future economic benefits</i> or <i>future service potential</i> .
IAS 40	<b>Investment Properties</b>	This is land and buildings held for earning rentals or capital appreciation. Property used in service delivery is valued under IAS 16.
IFRS 5	<b>Assets held for sale and Discontinued Operations</b>	<p><b>All</b> the following criteria must be met before classification as held for sale:</p> <ul style="list-style-type: none"> <li>• Asset available immediately and in present condition</li> <li>• Sale must be probable e.g. <ul style="list-style-type: none"> <li>• Management committed to sale;</li> <li>• Active programme to find buyer;</li> <li>• Sales price is reasonable to fair value;</li> <li>• Sale expected within one year and</li> <li>• Unlikely to be withdrawn.</li> </ul> </li> </ul>
IFRS 8	<b>Operating Segments</b>	<p>This standard looks at information from a management perspective with segments described as:</p> <ul style="list-style-type: none"> <li>• Components of the organisations which earn income or incur expenses;</li> <li>• Where results are reviewed by the Chief Operating Decision Maker.</li> </ul>



This page is intentionally left blank