

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-001-2011/12

Date of meeting: 23 June 2011

Portfolio: Finance & Economic Development

Subject: Annual Accounts under International Financial Reporting Standards (IFRS)

Responsible Officer: Peter Maddock (01992 564602).

Democratic Services: Gary Woodhall (01992 564470).

Recommendation:

(1) To note the format of the core financial statements and notes to be included in the 2010/11 Statutory Statement of Accounts and that this will not be presented to this meeting but to the September meeting once the audit is completed.

Executive Summary:

At the meeting of 4 April 2011 this committee received a report on the progress toward the restatement of the 2009/10 Accounts in line with IFRS. This work has now been completed and indeed the 2010/11 Accounts are substantially complete on the same basis. This report provides a first sight of the Core Financial Statements to be included within the Statutory Statement for 2010/11 under IFRS. The requirement for the accounts to be scrutinised by this committee and approved by Council prior to audit has been removed by the Accounting and Audit Regulations 2011. The Accounts will therefore be approved once the audit has been completed toward the end of September following the year end to which the accounts relate.

Reasons for Proposed Decision:

To provide members with a first sight of the core financial statements and the notes required to those statements and included in the Statutory Statement of Accounts.

Other Options for Action:

No other options are available.

Report:

1. IFRS has been adopted by local authorities for financial years commencing 1 April 2010. The first year's accounts as well as being compliant with IFRS also require a restatement of the previous year for comparative purposes. This has been carried out and is currently with the External Auditor for their comments.
2. Previously it has been the practice for an unaudited set of accounts to be scrutinised by this committee and then approved by Council. The latest Accounting and Audit Regulations have removed this requirement and the scrutiny and approval process will take place in September once the accounts have been audited.
3. The Income and Expenditure Account (Annex 1(a)) which, as its name suggests,

recorded the in year income and expenditure and the Statement of Total Recognised Gains and Losses (STRGL) (Annex 1(b)) which recorded other gains and losses have been replaced by the Comprehensive Income and Expenditure Statement (CIES) (Annex 1(c)). The thinking behind this is to bring together all gains and losses during the year and report them in one statement. The total at the bottom of the CIES is therefore equivalent to the total that would have been recorded at the bottom of the STRGL.

4. The Statement of Movement on General Fund Balance (Annex2(a)) was a statement that reconciled the surplus or deficit on the Income and Expenditure Account to the amount to be added to or taken from the General Fund Balance as a result of the years activities. This statement now forms part of the Movement in Reserves Statement (Annex 2(b)), which tracks all movements on all reserves in the bottom half of the Balance Sheet. There is still a requirement for a note detailing all of the items to be reversed out to get from the surplus or deficit on the CIES to the General Fund Balance but this now includes even more items than before and is referred to as the 'adjustments between accounting basis and funding basis under regulations!'

5. The Balance Sheet, (Annexes 3(a) and (b)), is the statement of net worth the balance representing the net value of the Councils assets. This is only ever an estimate as by far the biggest number is the Value of Council Dwellings based on a valuer's judgement. Whilst there are presentational changes within the statement, the statement itself looks broadly similar.

6. The Cashflow Statement, (Annexes 4(a) and (b)), is still in existence but is now in a more summarised form. The statement now reports the movement on cash and cash equivalents. The category described as cash will contain some items that would previously not have been reported as cash hence the total at the bottom of Annex 4 (a) differs from the third from bottom line under IFRS.

7. It should be noted that the statements presented from the 2009/10 accounts are before the IFRS restatement and therefore the totals will differ from the comparatives shown for the same year on the new statements.

8. There have been a number of changes to the notes to be included in the statement with some additional notes, some changes in content and some no longer required. Annex 5 gives a listing of the notes required under IFRS and those not required and whether it is felt that retention would aid understanding of the accounts.

9. The statements and listing of notes are presented to this committee in advance of the formal approval process to give an opportunity for comment.

Resource Implications:

Budget provision: Existing.

Personnel: Existing.

Land: Nil

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 a number of consultations with the Council's external auditors of IFRS related matters.

Background Papers:

Various working papers held in Accountancy.

Impact Assessments:Risk Management

There is a reputational risk to the Council if it is criticised for failing to present the annual accounts in accordance with IFRS.

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.