

2009/10 Closedown Update and IFRS Transition Position

AUDIT COMMITTEE

Date: 20th April 2010

Author: Director of Finance

Wards Affected: All

Purpose

- To update the Committee on the 2009/10 year-end closedown and International Financial Reporting Standards transition position.

Recommendations

The Audit Committee is asked to note the content of this report.

1. Reasons

- 1.1 This report informs Members of the current position in relation to closing the 2009/10 accounts and updates information on the International Financial Reporting Standards (IFRS) transition needed in closing 2010/11.

2. 2009/10 Changes

- 3.1 The two significant changes for the 2009/10 accounts are the restatement for Private Finance Initiative (PFI) transactions and the change of Collection Fund accounting to an agency basis, whereby we only account for our own share of balances.
- 3.2 Progress on restatements has been made with both areas, with the external auditors already able to comment on draft PFI proposals. Their initial comments and queries are being reviewed and will be fed into the draft accounts and working papers for the start of the audit.
- 3.3 Collection Fund restatements have been drafted and are being remodelled with the aim of providing complete information for both Swindon Borough Council (SBC) accounts and major preceptor accounts. This remodelling is being looked at using a set template format obtained from local authority networks. Once updated this format will be forwarded to the police and fire authorities along with external audit.
- 3.4 In addition to the material changes above, final interpretation from the Chartered Institute of Public Finance and Accountancy (CIPFA) is awaited on a new requirement to disclose the remuneration of the top management team of the authority. This is likely to be taken as SBC's Corporate Board. They have been advised of this requirement.
- 3.5 Review of accounting policies has been undertaken with the Director of Finance and his Deputy. This concluded that some clarifications or additions to

Further information on the subject of this report can be obtained from *Darren Stevens* on *Direct Dial No.3323* or Email dstevens@swindon.gov.uk.

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the policies were required in order to provide a consistent view of the treatment of some transactions in the accounts. The resulting updates to the policies will be included in the draft accounts.

- 3.6 The general closedown timetable is progressing with standard accrual procedures coming to an end, after which the final outturn and accounting transactions will be reviewed and processed. This includes the year-end position in respect of Swindon Commercial Services Limited as a separate group entity.

4. 2010/11 Changes

- 4.1 As documented in the last report to this Committee, there are a number of IFRS transition items needing to be undertaken and reviewed for the 2010/11 accounts. The bulleted list below shows what has been considered to date in respect of the changes needed. It should be noted that external audit will not be formally looking at the 2010/11 accounts until the July 2011 audit review, and that only the core IFRS Code has been published, not any dedicated guidance.
- Lessee Leasing - Property Services have been reviewing the leasing arrangements that the Council has with tenants, to document relevant information in order to reach a conclusion on the lease classification.
 - Lessor Leasing – A review of the known leases entered into by the Council has shown that these consist mainly of vehicles, which have been considered as not needing reclassification from an operational lease. They are also considered not material so would not be reclassified on that basis.
 - Service Concessions – there is a need to consider if a service arrangement could be interpreted as an embedded lease. To date, feedback from finance staff has not identified any such arrangements.
 - Untaken Leave – sample information was collected for the position as at 31st March 2009 and this calculation is being reviewed. Sample information from managers on the 31st March 2010 position is being collated.
- 4.2 It was planned that the IFRS transition requirements (1st April 2009 balance sheet) would be reviewed during 2009/10. However, with the more pressing need to restate for 2009/10 accounts, the finalisation of the transition point has not yet been concluded. It remains the intention for external audit to have sight of the restated 2009/10 accounts, including opening transition point, in December 2010.

Alternative Options

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- Not applicable – Accounts must be reviewed, restated and ready for IFRS for June 2011 Audit Committee and subsequent audit.

Risk Management

Financial and Procurement Implications

- These are included in the main body of the report.

Legal / Human Rights Implications

- There are no Legal/Human Rights issues.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- There are none.

Consultees

- None

Background Papers and Appendices

- Agenda Item 8, Audit Committee Updates on Financial Accounts Processes, Tuesday 24th November 2009