

East Hertfordshire District Council

Review of arrangements for implementation of International Financial Reporting Standards (IFRS)

April 2011



Introduction and background

Local authorities are required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). From 2010/11 this Code will be based in International Financial Reporting Standards (IFRS) rather than a UK GAAP based Statement of Recommended Practice (SORP). Effective transition to the Code is considered to require a restated balance sheet at 1 April 2009, restated 2009/10 accounts and full published IFRS accounts for 2010/11.

Terms of engagement

Auditors do not have any direct reporting responsibilities in respect of transition balances although they will form the opening balances for the comparative period.

Our work has taken the form of an arrangements review intended to provide feedback on the Council's approach to restatement and is not an audit of the restated balance sheet figures. Detailed work on the restated figures will take place during the 2010/11 final accounts audit.

The arrangement review is primarily focused on 1 April 2009 restated balance sheet values, which will be required to report the 1 April 2010 opening balances for 2010/11. This work has been undertaken as part of our planning for the 2010/11 financial statements audit.



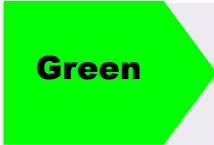

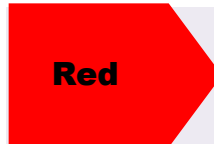
Adequacy of arrangements

Basis of assessment

This report details the findings of our review. For each significant balance sheet items we have considered the Council's arrangements against each of the following questions:

- Are the Council's arrangements for identifying and reporting their accounting policy adequate?
- As the Council's arrangements for identifying and reporting their adjusted UK GAAP values at 1 April 2009 adequate?
- Are the Council's arrangements for reporting IFRS values adequate?
- Are the Council's arrangements for restating their notes to the balance sheet adequate?
- Are the Council's arrangements for preparing quality supporting working papers adequate?

The Council's arrangements for each line in the balance sheet have been assessed using a red/amber/green RAG rating using the following definitions:

 Green	Adequate arrangements appear to be in place for the balance sheet area to provide not materially misstated amounts for the restatement.
 Amber	Adequate arrangements are in place in some respects for the balance sheet area to provide not materially misstated amounts for the restatement. Evidence that the Council is taking forward areas whether arrangements need to be strengthened.
 Red	The Council's arrangements are generally inadequate to provide not materially misstated amounts for the restatement.

Our findings are detailed on pages 3 and 4 of this report. Where items and areas have been assessed as amber or red we have discussed these with officers and as appropriate made recommendations on page 5.

























Adequacy of arrangements - Findings

Assets

Balance sheet item	Accounting policies	UK GAAP values	IFRS values	Supporting notes	Working papers	Overall assessment
Property, plant & equipment		●	●	●	●	●
Investment properties		●	●	●	●	●
Intangible assets		●	●	●	●	●
Non-current trade & other receivables		●	●	●	●	●
Trade & other receivables		●	●	●	●	●
Investments		●	●	●	●	●
Cash & cash equivalents		●	●	●	●	●

Adequacy of arrangements - Findings

Liabilities

Balance sheet item	Accounting policies	UK GAAP values	IFRS values	Supporting notes	Working papers	Overall assessment
Trade & other payables						
Bank overdraft						
Non-current borrowings						
Non-current other liabilities						

Adequacy of arrangements - amber ratings

Balance sheet item	Reason for rating	Next steps
Trade and other receivables	The current note prepared by the Council analyses receivables into short and long term in the format prescribed by the Code. However, the balance is yet to be analysed out by receivable type	The Council should ensure that the detailed split of the receivables balance is completed.
Trade and other payables	The current note prepared by the Council analyses payables into short and long term in the format prescribed by the Code. However, the balance is yet to be analysed out by payable type	The Council should ensure that the detailed split of the payables balance is completed.

Overall conclusion and recommendations

The results of our work indicate that the Council's overall arrangements for IFRS restatement have been adequately planned, focusing its resources on the key risk areas.

The Council has identified all its key issues relating to the conversion, for instance, the treatment of leases in the accounts. In identifying these issues, the Council has discussed these with us to ensure there is clarity and agreement over the accounting treatment.

The Council has revised its accounting policies to be IFRS-compliant. Further to this they must ensure that the policies are reviewed by an appropriate committee of the Council (for example, the Audit Committee).

The Council always prepares high quality working papers and in restating the 2008/09 balance sheet has updated its working papers to reflect changes for IFRS.

We will continue to work with the Council as it prepares its 2010/11 financial statements. Any new issues that are identified as a result of the Council's own work and new guidance will be discussed as they arise to minimise the need to make adjustments during our audit of the accounts.

Recommendation	Priority	Responsibility	Agreed	Management comments	Date
The Council should ensure that a detailed split of both the receivables and the payables balance is prepared in order to complete the required disclosure note.	High				
The Council should ensure that accounting policies are reviewed and approved by the Audit Committee.	High				



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