Government and Public Sector

November 2009

Wolverhampton City Council

2008/09 Annual Audit Letter

PRICEWATERHOUSECOOPERS

The Members
Wolverhampton City Council
Civic Centre
St. Peter's Square
Wolverhampton
WV1 1SH

2 November 2009

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2008/09 audit. We look forward to presenting it to the Audit Committee on 16 November 2009.

Yours faithfully

PricewaterhouseCoopers LLP
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

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Executive Summary

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2008/09 audit work we have undertaken at Wolverhampton City Council that is accessible for members and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit opinion for 2008/09 financial statements, incorporating the conclusion on Use of Resources
- Report to those charged with Governance (ISA (UK&I) 260)

The matters reported here are those that we consider are most significant for the Authority.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its financial statements, including the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Authority's Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Audit Findings

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit report on 23 September 2009.

We have not identified any material weaknesses in the Council's accounting and internal control systems during the audit.

The Council already faces a number of financial challenges and there is every likelihood that following the general election in 2010 further significant cuts in public sector expenditure will have to be made.

The new use of resources framework forms part of the Comprehensive Area Assessment (CAA). We evaluated the arrangements against criteria set by the Audit Commission and reached a score of 2 (performs adequately) for each of the three areas under assessment (namely managing finances, governing the business and managing resources). It is important to note that although the one to four scoring definition is the same as that used in previous years, the underlying assessment methodology is fundamentally different. A score under the old use of resources system cannot therefore be compared to a score under the new system. There is no like for like comparison.

We issued an unqualified conclusion on the Authority's arrangements for its Use of Resources on 23 September 2009.

Summary of Recommendations

We have made a number of recommendations to the Council during the year. The most significant of these are summarised below.

- In the context of its medium term financial challenges the Council should continue to focus on the following areas:

    - Sound financial management and keeping to budgets, in spite of service pressures;
    - Achieving the significant savings targets identified in the savings programme;
    - Improving and modernising services, making them more efficient and affordable;
    - Delivering the Council's major programmes including LIFT, Building Schools for the Future and Social Care;
    - Progressing with regeneration initiatives and the wider strategic ambitions of the City; and
    - Sound management of the Council's capital programme and asset rationalisation programme.

- It is imperative, for reasons of securing the financial health of the Council over the medium term, and securing improved value for money in the way services are delivered, that the Council increases its pace of change with regard to improving and modernising its services.

- The Council should continue to develop its understanding of costs across all parts of the Council and more systematically analyse and manage cost drivers. The Council should identify relevant focused financial and non-financial indicators that enable it to oversee its financial performance against corporate priorities and also assess whether it is achieving value for money. These indicators should look internally to measure performance, and externally to provide context and indication of value for money and user experience.

- During the course of our Use of Resources assessment work we have identified, and reported to management, a number of areas for development, the most significant of which are summarised in this report. It is important that the Council develops a robust action plan, which allocates clear responsibilities and timescales, in response to all these matters.

Audit findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit report on 23 September 2009.

The key issues arising from our audit of the 2008/09 accounts were reported to the Audit Committee on 21 September 2009 and are summarised below.

Unadjusted Differences

In relation to the main Council accounts, there were no unadjusted misstatements for us to bring to the attention of members of the Audit Committee.

In relation to the West Midland Pension Fund (which has total assets valued at over £6 billion) there were two unadjusted misstatements:

- £2.3 million overstatement in infrastructure asset values (split across 18 fund managers)
- £0.6 million overstatement in real estate assets values (split across 13 managers)

Adjusted Differences

During the course of our work we identified a small number of errors and disclosure matters in the Council's draft accounts. As anticipated we also identified reductions in the value of investments held by the Pension Fund during the course of undertaking our third party confirmation procedures.

The net effect of these adjustments on both the City Council and Pension Fund draft accounts can be summarised as follows:

City Council Fund:

- £65.1 million decrease in the Council's net assets position
- £8.0 million increase in the Council's deficit for the year (as set out on the face of the Income and Expenditure Account)
- £0 impact on movement in the General Fund Balance.

Pension Fund

- £37.7million decrease in net assets
- £37.7million decrease in the fund account

Impairment of fixed assets (Council)

In accordance with local government accounting rules the Council re-values approximately one fifth of its land and building assets each year, and updates its accounts accordingly. This year, due to market conditions the assets that were re-valued at the balance sheet date revealed a net impairment of £51 million.

Accounting standards require that where there has been an indicator of impairment, other similar assets ought to be reviewed to consider whether they have also seen a fall in value. No further impairment adjustment was included in the Council's draft accounts in relation to the 80% of its assets that had not been subject to an in year revaluation exercise.

We therefore discussed at the clearance meeting with the Chief Finance Officer on 12 August 2009 whether the results of the 20% revaluation exercise, combined with the prevailing market conditions, provided sufficient indication of further impairment concerning the 80% of the Council's assets that had not been re-valued during the year. As a result of these discussions the Council agreed to reconsider this area.

The Council subsequently proposed a further impairment adjustment of £65.1 million in relation to land and building asset values. This impairment related to assets which had been last re-valued at 31 March 2008, a perceived peak point in asset valuations. We reviewed the basis of this calculation and satisfied ourselves that it was not unreasonable.

The net impact of this agreed adjustment was to decrease net fixed asset values by £65.1 million and increase the Income and Expenditure deficit by £8.0 million (the balance of £57.1 million going to the revaluation reserve). It should be noted however that the impact on the Income and Expenditure position was reversed out through the Statement of Movement in General Fund Balance and therefore had no impact upon the general fund balance for the year.

Overstatement of Private Equity investments (Pension Fund)

As a result of our audit procedures (which include confirmation of valuations with third parties) it was identified that the value of investments (which total in excess of £6 billion) were overstated by £37.7million in the draft accounts presented for audit.

In our experience of pension fund accounts audit such amendments are to be expected, given that asset valuations as at the year end are not always available at the time draft accounts are typically produced. They were discussed with the Director of Pensions and it was agreed that they would be amended for.

Systems of internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit. We are pleased to report that we have not identified any such material weaknesses during the course of our audit procedures.

Other audit matters

As with any audit process, there have been a number of matters which we have considered and satisfactorily concluded on. Below, we have recorded the most significant of these matters.

Axon

The Council is currently in dispute with Axon Solutions Limited (Axon) and has sought and received legal advice on this matter. At the time of providing our audit opinion, it was our understanding, based on discussions with senior officers of the council that:

- no financial settlement had been agreed between the Council and Axon;
- the Council, with the support of your legal advisors, maintained that the Partnership Agreement with Axon was never legally in place; and
- the value of any financial liability that may be due to Axon could not be reliably estimated at that time.

In line with standard audit practice we requested and received written representation from the Chief Financial Officer on this matter. On this basis we satisfied ourselves that the Council's accounting treatment of this matter, whereby no provision had been made in the Council's accounts, was reasonable.

Equal Pay

The Council included a provision of £9.5 million in the 2008/09 accounts to reflect the potential liability of equal pay and back pay claims against the Council.

The Council calculated this provision based on a risk assessment of the claims against the Council.

In line with standard audit practice we received written representation from the Chief Financial Officer on this matter. We also reviewed the basis of the provision calculation with the Council. On this basis we satisfied ourselves that the Council's accounting treatment of this matter was reasonable.

Financial Standing and the Change Agenda

In the Annual Audit and Inspection letter for the last two years we have set out some of the key challenges facing the Authority. Two themes predominate, namely the pressures upon the Authority's financial health over the medium term, and the need to modernise and transform the way services are delivered. These challenges should not be considered in isolation and are considered further below.

Current Financial Performance

In 2008/09 the Council achieved savings against the general fund revenue budget of £7.7 million. This, after carrying forward to 2009/2010 £4.3 million of resources to meet high priority issues and commitments, resulted in an outturn position of £0.8m deficit against a budgeted deficit of £8.5m.

In order to deliver the 2009/10 budget, the Council needs to achieve its savings target of £14.3 million. Current indications are that the Council is on course to achieve this target.

Medium term financial forecasts and associated risk

The September Cabinet Report set out resource requirements for 20010/11 of £238.7 million as set out in the table below.

	2010/2011 **£ million**
Net Budget Requirement Before Use of General Fund Reserves (incorporating £26.5 million of savings proposals and £2 million savings to be identified)	**238.7**
Formula Grant	144.1
Council Tax (based on no increase over 2009/2010 levels)	93.1
Collection Fund Deficit	(0.5)
Further Savings to be Identified	*2.0*
Total Resources	**238.7**

There is currently a savings gap of £2.0 million for 2010/11. Currently the latest medium term plans highlight budget gaps of £6.2 million and £13.3 million in 2011/12 and 2012/13 respectively, assuming Council Tax increases of 2.5% per annum and constant General Fund Balances of £23.3 million.

The Council has identified six main areas of risk to the achievement of the above forecasts:

- Effective budget monitoring, efficiency improvement, equal pay/single status and other assumptions.
- Savings and Transformation Programme focussing on the Savings Programme and its implementation, any Axon settlement and the development of a new Transformation Programme.
- Income levels addressing risks associated with grants and contributions, planning and building regulation fees, land charges, car parking and other income, treasury management (interest rates) and bad debts.
- Service demands highlighting the risks associated with demand led services such as looked after children and vulnerable adults and the general impact of changing social, demographic and economic circumstances.
- Service suppliers: dealing with the risks to commercial suppliers and the voluntary sector.
- The Capital Programme focussing on interest rates and the level of capital receipts.

The Council has a challenging capital programme which amounts to approximately £500 million for the three years to 2011/12. The Council has ambitious plans over the medium to long term which will require significant capital resources and an asset disposal programme in the order of £60 million. A major programme of asset disposals of this nature comes with significant risk, including the ability to generate during the current difficult economic climate the volume of capital receipts within the required timescales.

The Council already faces a number of financial challenges and there is every likelihood that following the general election in 2010 further significant cuts in public sector expenditure will have to be made. In these circumstances, and given the budget risks the Council has itself already identified over the coming years, its remains imperative that the Council continues to focus on the following areas:

- Sound financial management and keeping to budgets, in spite of service pressures;
- Achieving the significant savings targets identified in the savings programme;
- Improving and modernising services, making them more efficient and affordable;
- Delivering the Council's major programmes including LIFT, Building Schools for the Future and Social Care;
- Progressing with regeneration initiatives and the wider strategic ambitions of the City; and
- Sound management of the Council's capital programme and asset rationalisation programme.

The Change Agenda

The financial prospects of the Council are closely linked with the need to improve and modernise the way services are delivered.

The Council has expended a significant amount of time in planning delivery of the change agenda through the means of a strategic partnership. The decision not to go ahead with a strategic partnership has restricted the Council from making significant progress on this agenda.

The basic reasons for considering the potential partnership however still exist; namely the necessity for the Council to improve and modernise the services it provides. A crucial consideration for the Council is how to take forward the change agenda. It is imperative, for reasons of securing the financial health of the Council over the medium term, and securing improved value for money in the way services are delivered, that the Council increases its pace of change with regard to improving and modernising its services.

Axon

It was originally anticipated that a strategic partner would work with the Council in meeting the aforementioned change agenda. Axon were selected as the preferred bidder following a tender exercise in the early part of 2008. In December 2008 the Cabinet decided to recommend ceasing the potential partnership, largely we understand based on affordability considerations. This has yet to be put before full Council.

The Council has since been in discussion with Axon over the amount of financial settlement (if any) due to Axon in relation to this matter. As reported earlier in this report no settlement on this matter has been reached.

As we reported in March 2009, within the 2007/08 Audit and Inspection Letter, the Council remains committed to an independent review into all the circumstances surrounding the proposed partnership. The Council has received legal advice on this matter and as a result of this advice the Council will undertake this review only after the position with Axon is resolved.

It is essential for the Council to understand and learn from this matter. We await the outcome of the Council's negotiations with Axon and the results of the independent review.

The resolution of this matter, as highlighted above, is important both in terms of clarifying the financial impact it may have on the Council's medium term financial health, and in terms of removing a barrier to the Council's attempts to improve and modernise its services.

Use of Resources

The new use of resources framework forms part of the Comprehensive Area Assessment (CAA) and comprises the following three areas:

- Managing finances
- Governing the business.
- Managing Resources.

We evaluated the arrangements against criteria set by the Audit Commission in underlying Key Lines of Enquiry (KLoE) and reached a score for each based on the following:

1 Failure to meet minimum requirements – inadequate performance;

2 Meets only minimum requirements –performs adequately

3 Exceeds minimum requirements –performs well; or

4 Significantly exceeds requirements – performs excellently.

The scores for these KLoEs then determines the overall score for each area, using rules issued by the Commission. The Commission in turn then determines an overall score for the Authority.

It is important to note that although the above one to four scoring definition is the same as that used in previous years, the underlying assessment methodology is fundamentally different. A score under the old use of resources system cannot therefore be compared to a score under the new system. There is no like for like comparison. The Audit and Inspection Letter for 2007/08, issued to the Council in March 2009 summarises this well when it states that the "*2009 use of resources assessment framework will be more demanding than previous use of resources assessments. It is broader in scope and embraces wider resource issues such as people and workforce planning, and the use of natural resources. It also places more emphasis on considering outcomes for local people. It is particularly important to recognise that the key lines of enquiry are more strategic and focus much more explicitly than previously on value for money achievements rather than on processes.*" Put simply it was significantly easier to score, for example, a 3 under the previous methodology than is the case now.

Managing Finances

We have scored the KLoEs for managing finances reporting as follows:

Key Line of Enquiry		Score
1.1	The Authority plans its finances effectively to deliver its strategic priorities and to secure sound financial health	2
1.2	The Authority has a sound understanding of its costs and performance and achieves efficiencies in its activities	2
1.3	The Authority's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people	2

Summary Findings

In February 2009, the Council approved a balanced 2009/10 budget. The Council's medium term financial plans set out saving targets, required to deliver a balanced budget in 2009/10 and 2010/11, of £14.3 million and £25.3 million respectively.

The savings targets for 2009/10 are supported by detailed plans which are based on an analysis of the Council's cost and performance base.

Indications are that the Council is making good progress in meeting the 2009/10 savings target, however the financial implications of single status, equal pay and the Council's relationship with Axon have yet to be fully resolved.

Running in parallel with the savings agenda, the Council has an ambition to transform the way it delivers services, making them more efficient, effective and customer focused. This transformation agenda is closely linked with the Council's financial plans over the medium term. Progress is being made but the pace of change has been slower than the Council anticipated.

Plans are being developed to take forward the transformation agenda. For instance the Council is considering options as to how technology can be used as an enabler to organisational change and improved efficiency and effectiveness. The Council is also in the process of developing its plans for asset rationalization. These matters should have a significant impact on the Council's financial plans.

The Council considers financial information alongside related performance information, however there remains further scope to bring together these areas more consistently.

The Council has a track record of preparing its annual accounts in accordance with statutory requirements and timetables, and relevant accounting and reporting standards. The draft main 2008/09 financial statements and the majority of supporting schedules were presented to us for audit within the agreed timetable, although there were some delays in receiving a complete draft set of Pension Fund accounts.

Key financial information (in different formats) is made accessible to the public through for example the Council's website and the 'Your Money' newsletter.

We are pleased to report that The Council's finance team generally responded to audit requests in a timely manner throughout the audit process which greatly assisted our work.

We are also pleased to report that the quality of the Council's accounts were found to be of a good standard.

Areas for Development

In order to achieve improved performance in this area it is important that the Council demonstrate how its financial plans (including those relating to significant partnerships) have contributed to improved outcomes in relation to Council priorities while securing sound financial health over the medium term.

Cost and performance data currently shows that some of the Council's services are delivered at relatively high cost when benchmarked to other similar councils. A key measure of the success of the Council's plans will be whether future service performance when compared to the levels of investment, benchmark favorably with other councils.

The Council will need to demonstrate that it has an effective and structured medium-term approach to delivering savings and efficiencies. Further time is also needed to demonstrate outcomes from the Council's Asset Investment and Rationalisation Strategy.

The Council should continue to develop its understanding of costs across all parts of the Council and more systematically analyse and manage cost drivers. Developments are required on how the Council considers financial information alongside related performance information.

The timeliness of the Council's accounts closedown processes and lines of internal communication between Pensions administration and Finance should be improved.

Governing the business

We have scored the KLoEs for governing the business as:

Key Line of Enquiry		Score
2.1	The Authority commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.	2
2.2	The Authority produces relevant and reliable data and information to support decision making and manage performance	2
2.3	The Authority promotes and demonstrates the principles and values of good governance	2
2.4	The Authority manages its risks and maintains a sound system of internal control	2

<u>Summary Findings</u>

The Council involves local people in commissioning decisions. The Council has in place a Joint Adults and Communities Commissioning Framework, and a Joint Children and Young Peoples Commissioning Framework¸ drafted in collaboration with the Wolverhampton strategic Partnership.

The Council's current savings programme includes a "buying" workstream which includes targeted savings in such areas as transport operations, delivered meals and Street Scene services.

The Council has arrangements in place aimed at producing relevant and reliable data. During the year we have undertaken detailed testing on data quality in the context of the Council's Housing and Council Tax Benefit claim. We have also undertaken some limited performance indicator spot check work. While we identified some weaknesses underpinning the calculation of two performance indicators (NI 187 Tackling fuel poverty % and NI 35 (d) Building resilience to violent extremism) our detailed work on the Council's Housing and Council Tax Benefit claim identified no matters for concern.

While there are pockets of good practice, it appears that further work is required to ensure that policies and procedures with regard to data quality are complied with in practice in all cases throughout the Council.

The Council monitors performance against its priorities and targets through balanced scorecards, service plans and delivery plans. The Council has developed an approach to reporting against the Council's savings targets. This information will be off critical importance to the Council going forward.

The Council has set out its core governance principles in its Constitution which set out the role of the Executive, Scrutiny and officers. The Council has a Standards Committee which receives regular reports from the Monitoring Officer regarding complaints. The monitoring officer (as required) has reported details of the activities of the Standards Committee to the Standards Board for England during the year. Registers of Interests (gifts and hospitality) are in place and subject to review.

A Corporate Risk Management Group is in place with a strategic role in monitoring the Council's overall approach to risk issues. The work of this group is underpinned by the Council's Risk Management Strategy together with Corporate and Service Risk Registers.

Standing orders, standing financial instructions and a scheme of delegation are in place. We have identified no significant weaknesses in the Council's key financial systems in recent years. The work of Internal Audit has provided the Council with assurance that the system of internal control is generally sound.

Areas for Development

Service users and the wider community should be involved at each stage of the commissioning cycle: assessing needs, establishing priorities, designing services, and reviewing performance. The Council should over time be able to demonstrate that it is on track to deliver key intended outcomes such as better quality, more responsive services, sustainability and value for money.

The Council needs to be able to demonstrate that it has a robust framework to provide assurance over data quality (through for instances compliance checks being undertaken by management and / or Internal Audit). The programme should be risk-based and cover the integrity of data throughout the year and not just at the year-end. It should also cover partnerships.

The Council should identify relevant focused financial and non-financial indicators that enable it to oversee its financial performance against corporate priorities and also assess whether it is achieving value for money. These indicators should look internally to measure performance, and externally to provide context and indication of value for money and user experience. The Council should be able to demonstrate that it has used these indicators to drive improvement.

There remains scope for the Council to bring more formality and consistency to the way it governs its partnership arrangements.

Further work is required to embed risk management arrangements and ensure consistency within the organisation. Greater linkages are for instance required between the Council's risk management and performance management processes. The formal arrangements by which risk is monitored and by which assurance is gained that risks are being effectively managed, require greater levels of structure and consistency across the Council. A consistent approach to the management of risks within partnership arrangements is also required.

Managing resources

We have scored the KLoEs for managing resources as:

Key Line of Enquiry		Score
3.1	The Authority makes effective use of natural resources.	2
3.2	The Authority manages its assets effectively to help deliver its strategic priorities and service needs.	2

Summary Findings

The Council has a Carbon Management Plan developed in association with the Carbon Trust. This plan sets outs the Council's carbon footprint, its future target reductions (25% by 2015) as well as plans on how to achieve these targets. The Council understands the main driving factors to its carbon footprint. The Council's three major carbon reducing actions respond to these factors and relate to the Building Schools for the Future (BSF) programme, the street-lighting efficiency project, and the Asset Investment and Rationalisation Strategy.

The Council monitors progress in achieving these targets through the Energy Efficiency Board and the Corporate Asset Management Group. Gas and electric meter reading data for all the Council's premises is also used to monitor and manage usage. A programme of energy surveys and school water usage monitoring is also in place.

The Council recognises that significant changes are required in the way in which it delivers services and that this includes changes in the way it uses its assets. The Councils has therefore developed an Asset Investment and Rationalisation Strategy (AIRS).

Delivering the AIRS will require an organisation-wide approach to the management of the Council's assets as a corporate resource. The Council anticipates that their will be significant positive outcomes from the AIRS, however recognizes that delivering these outcomes in terms of improved asset management and value for money is a medium term project. Progress is being made in the short term however, for instance the Council has begun to make savings by reducing its property lease commitments through relocating services from external owned to council owned premises.

Areas for Development

The Council has set itself clear 'green' targets and will need to demonstrate that it is reducing its environmental impact and consumption of natural resources in line with the targets it has set itself.

There remains further scope to work with partners to maximize asset efficiencies through for example shared premises arrangements.

There also remains room for improvement with regard to integrating the management of council assets within the wider performance management framework. In particular how performance measures and KPIs are set, monitored and reported against, not only within corporate asset groups, but also within service areas.

The Council has a significant asset management agenda. This includes AIRS, BSF and the need to update Council ICT systems. Ultimately the Council needs to demonstrate positive outcomes as a result of its developments in these and other area.

Conclusion on Use of Resources

We were also required to issue a conclusion on the adequacy of the Authority's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

We issued an unqualified conclusion on the Authority's arrangements for its Use of Resources on 23 September 2009.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS). The AGS was included in the financial statements.

We reviewed the AGS to consider whether it complied with guidance issued by relevant professional bodies and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Treasury Management

During the year, the collapse of the Icelandic banking system, together with the disclosure that a number of public sector bodies in the UK held significant investments there, raised concerns nationally as to the adequacy of treasury management practices within the public sector. In response to such concerns, and as part of our use of resources assessment we completed a Treasury Management 'workbook' issued to us by the Audit Commission. This work, which was in the form of a questionnaire completed with the assistance of council staff, identified no matters for concern. The Council does not hold funds in Icelandic banks but has in the light of this issue, reviewed its policies and strategies in this area.

Expenses

In light of the recent furore nationally on politicians expenses, we have raised the matter of expenses with the Council's Chief Executive, Section 151 Officer and Head of Internal Audit. These discussions gave no indications that the Council's arrangements in this area were not operating effectively. A detailed review of this area is however being planned by Internal Audit and we await the results of this work.

Matters affecting future accounting periods

Transition to International Financial Reporting Standards (IFRS)

CIPFA has issued the Exposure Draft and Invitation to Comment on the Code of Practice on Local Authority Accounting in the United Kingdom 2010. This will apply to accounting periods starting on or after 1 April 2010. The new

Code is the first to be prepared under IFRS. Because of the need to have comparative information for the first set of full IFRS accounts the effective date of the transition is 1 April 2009. The Authority will need to have values for assets and transactions as they should be recognised under IFRS from this date.

The Authority will need to ensure that it has a good grasp of the changes to accounting requirements under the new Code, and that it has robust plans in place to enable collection and processing of the information needed to comply with the new Code.

In our experience the key features of a successful IFRS conversion project have proven to be:

- Completed impact analysis and comprehensive conversion plans;
- The commitment of key stakeholders in the organisation;
- Operational steering and technical groups;
- Cabinet/audit committee oversight;
- Regular progress reporting against the plan;
- The necessary project management resources; and
- Appropriate and timely training for all members and officers with IFRS involvement.