

IFRS ACTION PLAN - DARLINGTON BOROUGH COUNCIL

Annex A

Step	Suggested key actions	Timing	Outcome
1 Implement project management team	<ul style="list-style-type: none"> - Develop Terms of Reference for the team; - Agree work loads and key milestones; and - Hold regular progress meetings until project completion 	Immediately and throughout the project	Setting up an IFRS project team to lead and monitor the transition is important. The team must have the required level of IFRS knowledge, and where knowledge gaps are identified, training should be provided or external consultants engaged.
2 Involve those charged with governance	<ul style="list-style-type: none"> - Need to present an initial impact assessment to the Audit committee <p>Management should ensure:</p> <ul style="list-style-type: none"> - The Audit Committee is updated with the findings from the work undertaken to agree operating segments for segmental reporting; - The IFRS accounting policies are approved by the appropriate committee; and - The IFRS restated numbers are also appropriately approved. 	Immediately and throughout the project	<p>Gain sponsorship of project;</p> <p>Promote stakeholder understanding of impact on reported position; and</p> <p>Ensure appropriate approval of restated comparative information.</p>
3 Liaise with external auditors about IFRS transition	<ul style="list-style-type: none"> - Need to meet to discuss project approach and views on materiality; and - Schedule regular update meetings going forward to update on progress and discuss issues arising 	Immediately and throughout the project	<p>Technical issues in 2008/09 should be evaluated on an IFRS basis to ensure no surprises on restatement.</p> <p>The Council should consult with its external auditors to discuss deadlines and requirements for restatement.</p>

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<p>4 Assess IFRS information and IT requirements</p>	<ul style="list-style-type: none"> - Review of impact assessment outputs to assess new areas of accounting impact; - Assess whether information can be obtained from current IT systems and processes, and make arrangements to refine current systems to manage functionality gap; and. - Review of the current systems used by the Council to identify potential data gaps, and the systems suitability going forward. 	<p>Immediately</p>	<p>IFRS in many areas results in new information requirements, particularly with regards the annual leave pay accrual, as well as lease-type arrangements and embedded derivatives.</p> <p>The Council should assess new information requirements early, and ensure there is appropriate engagement across the Council to ensure systems and processes are updated where necessary to obtain the information. The council should also review whether current IT systems and processes have the required functionality to be able to meet the information needs of the Council.</p>
<p>5 Assess PFI Accounting</p>	<ul style="list-style-type: none"> - Review the Council's scheme against the decision criteria of IFRIC 12; - Take external accounting and modeling advice as deemed appropriate; and - Consult with external auditors 	<p>Immediately and ongoing as part of the PFI process</p>	<p>Technical review and consideration of one of the key IFRS impact areas. This will result in some significant changes to accounting treatment.</p> <p>The general consensus is that most off-balance sheet schemes under UK GAAP come on balance sheet on transition to IFRS incl Education village</p>

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6 Employee benefit issues	<ul style="list-style-type: none"> - Undertake numerical analysis to quantify the required accruals in respect of annual leave, flexi-time etc to see if applicable. • Liaison between Finance and HR to discuss practicalities of collecting data • Collate responses and calculate estimates (representative sample) • Develop a project plan to implement changes to processes and systems for 2009/10 and beyond. 	Up to end of August 09	Ensures that any accruals are calculated to be able to restate balance sheet by end of December 09.
7 Review fixed asset accounting	<p>Carry out review of fixed asset accounting to address the following issues:</p> <ul style="list-style-type: none"> - Initial measurement of Fixed assets - Capitalisation of refurbishment/enhancement costs; - Depreciation profiles - Obtain valuations to split out land and building values for leasehold property - Consider assets held for sale - Review valuation principles adopted in compiling the Transport Asset Management Plan against those required for IFRS accounts purposes. 	IFRS review – June 2009 to September 2009.	<p>The finance team should work closely with the in-house valuer to devise an appropriate approach to asset componentisation, ensuring it is practical for both GF and Housing Stock assets.</p> <p>Engagement with external audit is essential</p>

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8 Address issues relating to segmental reporting	<p>Seek engagement of the Council's Audit Committee and Senior Management Team</p> <p>Identify reportable segments by considering the following:-</p> <ul style="list-style-type: none">- Who is the CODM (Chief Operating Decision Maker)?- What are the Council's operating segments?- Can any operating segments be aggregated?- Are all segments reportable segments?- Do reportable segments account for 75% of revenues? <p>Develop methodology for splitting Income, Expenditure and Balance Sheet entries across reportable segments</p>		<p>Changes to the Council's management reporting could have a significant impact on the Council's day to day operations and as such it is vital that all stakeholders are fully consulted on the process.</p>

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<p>9 Address issues surrounding leases</p>	<ul style="list-style-type: none"> - Review lease arrangements to identify operating and finance leases; - Ensure that this review covers both lessee and lessor situations; - Identify lease arrangements where no formal lease is in place; - Obtain valuations to split out land and buildings for leasehold property; and - Identify disclosure requirements. <p>Achievement of the above actions depends largely upon the Council being able to identify all of its leases, and contracts and arrangements which may contain a lease. The Council has a register of leases but it does not include land and buildings – the register needs to be extended to include all leases and contracts i.e. to be comprehensive.</p> <p>The completeness of lease registers is essential.</p>	<p>July to September 2009.</p>	<p>The Council should establish a checklist approach to reviewing leases and gathering the required information. This should address the requirements of lease accounting, arrangements containing a lease, and embedded derivative review as a minimum.</p> <p>The Council should start work on this area as soon as possible to ensure that all issues are identified and addressed prior to 2009/10 year end.</p>
<p>10 Draft IFRS pro-forma accounts and working papers</p>	<p>Prepare IFRS compliant skeleton document, including accounting policies, into which the IFRS numbers will be input;</p> <p>Circulate to those charged with governance (audit committee) and the external auditors for review and comment.</p>	<p>Ongoing – CIPFA IFRS based code released</p>	<p>Managing the expectations of key stakeholders prior to the audit of the restated numbers will reduce the likelihood of late changes to the format of the accounts and additional work.</p>

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11 Restate 2009/10 accounts (IFRS)	<p>Undertake numerical analysis to quantify the restatement journals, employee benefits (if applicable), lease capital and other IFRS adjustments.</p> <p>Prepare a working paper showing the 2009/10 UK GAAP audited figures in the left column, the IFRS numbers in the right column and the movements between the two in the middle.</p> <p>Each movement in the middle column should be supported by a further working paper and cross referenced to primary documentation.</p> <p>Prepare segmental reporting disclosures</p>	September 2010 – December 2010	This would facilitate the audit of the restatement and reduce the time spent and associated fees.
12 Audit of restated figures	External auditors to audit restated 2009/10 figures for the 2010/11		
13 Embed IFRS accounting	Continue to develop systems and processes in respect of IFRS accounting	From 1 April 2010	By setting up systems and processes it should be straightforward to continue accounting on an IFRS basis.

Progress

Cross Departmental team set up October 09
with scheduled monthly meetings.

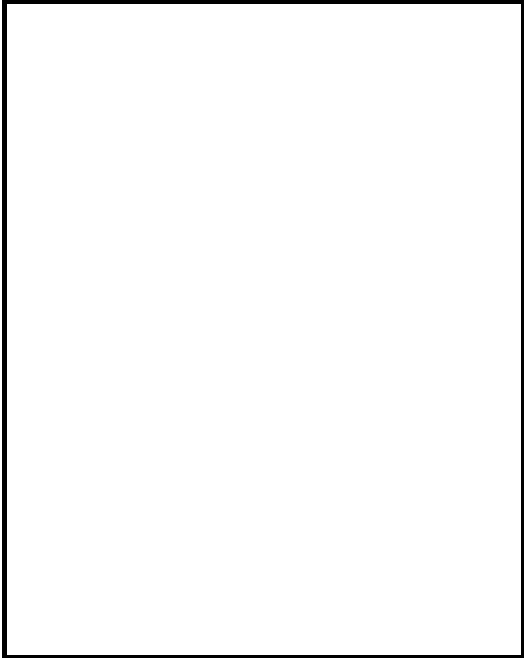
Audit Committee Sept 09
- Six monthly progress report

Regular contact with external auditors on
general as well as technical issues.

Progress
<p>Departmental lead on Project team coordinated each departments response on leave accrual - Overall calculation done.</p> <p>Pro-formas sent to departments and schools for lease requirements/embedded derivatives - substantially returned and assessed.</p> <ul style="list-style-type: none">- Asset Register substantially updated to be IFRS compliant.- FMS system - Agresso is IFRS compliant.- No HR system for annual leave - manual calculation
<p>Contract let - work completed and substantially agreed with external auditors (PwC)</p> <p>Agreed that DBC PFI scheme comes back on Balance Sheet.</p>

Progress
<p>Sample analysis undertaken in departments to give overall picture for Council - substantially complete.</p> <p>No HR system to record leave.</p> <p>Council accrual (excl schools) calculated by mid Feb. n.b. Schools calculation subject to CIPFA formula that is not yet available</p> <p>Will need to continue to do manual exercise annually</p>
<p>Work ongoing to ensure appropriate components are valued in annual exercise (limited guidance available).</p> <p>Substantially complete as at end of February 2010.</p> <p>Work ongoing by engineers although no requirement to implement until 2011/12</p>

Progress



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