
IMPLICATIONS FOR COUNCIL OF NEW AND PROPOSED FINANCIAL REPORTING STANDARDS

1. Purpose

The purpose of this regular report is to inform the Subcommittee of new and proposed Financial Reporting Standards and their likely impact for the Council.

2. Recommendation

It is recommended that the Subcommittee:

- 1. Receive the information*
- 2. Note the developments in New Zealand generally accepted accounting practice (GAAP) since the last Subcommittee meeting in March 2006.*

3. Background

The Local Government Act 2002 requires the Council to comply with GAAP in preparing the Annual Report. GAAP is defined by the Accounting Standards Review Board (ASRB) to encompass all applicable Financial Reporting Standards (FRSs) and other sources of appropriate authoritative support (for example; exposure drafts of financial reporting standards, international accounting standards etc).

Council Officers have undertaken to report to the Subcommittee on a regular basis in relation to any new FRSs and any exposure drafts currently on issue by the New Zealand Institute of Chartered Accountants (the Institute). This report outlines developments in GAAP and the implications for the Council since the last Subcommittee meeting on 10 March 2006.

4. New Zealand IFRS Project

Local authorities will adopt New Zealand IFRS for external reporting purposes for the accounting period ending 30 June 2007. This means we are now less than one month away from the start of our first New Zealand IFRS reporting period, 1 July 2006.

The major focus of the Council's New Zealand IFRS working group since the last Subcommittee meeting has been finalisation of the New Zealand IFRS compliant financial statements for inclusion in the Council's draft 2006/16 LTCCP. The draft, including the financial statements, was adopted on 22 March 2006 and received an unqualified audit opinion.

With the draft LTCCP completed, we have turned our focus to the template financial statements for the 30 June 2007 financial year. It is important to note that the template reflects applicable New Zealand IFRS as at the date of preparation. As it will need to be updated to reflect ongoing amendments to New Zealand IFRS, the Subcommittee will not be able to finally approve the template until the time of finalisation of the 30 June 2007 financial statements. However, we are aiming to table a draft template at the earliest opportunity to enable the Subcommittee to see the practical changes that have arisen from New Zealand IFRS.

We have also been working with our Group entities to finalise the Group opening balance sheet and finalising our transitional arrangements for 1 July 2006.

5. New Zealand IFRS Work Programme

A significant amount of work is planned for the next six months. We are currently working on a template for the Council's first NZ IFRS financial statements. There are very few model New Zealand IFRS financial statements specifically targeted for PBEs, and none specifically for local authorities. As a result, we have had to develop our own template model. This has been slightly delayed as a result of LTCCP and Annual Report priorities, and is now expected to be completed for the September 2006 Subcommittee meeting. We will circulate the template for the Subcommittee's review when available.

Our most immediate focus is to ensure that any new systems (eg chart of accounts changes, recording systems for new disclosures) and processes are in place for the 1 July 2006 implementation date. We will also need to process our opening balance sheet adjustments, and any subsequent 2005/06 adjustments into the New Zealand IFRS ledger on 1 July 2006.

In addition, the requirement for comparative figures to comply with NZ IFRS in the year of adoption means that the Council will need to translate its 2005/06 financial statements from current NZ GAAP to NZ IFRS. We have been tracking changes throughout the 2005/06 period. We expect to complete the translation of the final 30 June 2006 figures as part of the 2005/06 annual report process.

We are also continuing to work with our Group entities to ensure they are prepared for the transition date.

6. Developments in Financial Reporting Standards

6.1 Submissions Made

The Council makes submissions on exposure drafts where there is potential for a significant impact on either the Council as a reporting entity or the level of funding provided by ratepayers. We also consider whether the proposals are appropriate, in our opinion, from a standard setting perspective.

No new submissions have been made by the Council since the last Subcommittee meeting in March.

6.2 Exposure Drafts on Issue

The following exposure drafts are currently open for comment:

- Accounting for Heritage Assets
- Exposure draft of Proposed Amendments to NZ IAS 1 Presentation of Financial Statements
- IPSASB ED 29 Revenue from Non Exchange Transactions

We are currently drafting submissions on all three exposure drafts. We will provide copies of submissions made at the next Subcommittee meeting.

7. Conclusion

This is the last Subcommittee meeting before the transition date of 1 July 2006 – the start of our first New Zealand IFRS reporting period. We are currently finalising transitional arrangements for the 1 July deadline and also working on a template set of financial statements

We will circulate any key documents prepared to Subcommittee members as they become available. We will also continue to report developments to the Subcommittee on a quarterly basis.

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Supporting Information
<p>1) Strategic Fit/Strategic Outcome</p> <p><i>This project supports Key Achievement Area 9 Governance and Citizen Information: As per the Annual Plan, Governance and Citizen Information includes all those activities that make the Council accountable to the people of Wellington and ensure the smooth running of the city. That includes all meetings of the Council and its committees.</i></p>
<p>2) LTCCP/Annual Plan reference and long term financial impact</p> <p><i>Relates to C534: Committee and Council process</i></p>
<p>3) Treaty of Waitangi considerations</p> <p><i>There are no Treaty of Waitangi implications</i></p>
<p>4) Decision-Making</p> <p><i>This is not a significant decision</i></p>
<p>5) Consultation</p> <p>a) General Consultation</p> <p><i>Not required</i></p> <p>b) Consultation with Maori</p> <p><i>Not required</i></p>
<p>6) Legal Implications</p> <p><i>None</i></p>
<p>7) Consistency with existing policy</p> <p><i>This report is consistent with existing Wellington City Council policy</i></p>