
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 December 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 1 December 2006.

4. New Zealand International Financial Reporting Standards (NZ IFRS) Project

As the Subcommittee is aware, most local authorities will adopt NZ IFRS for external reporting purposes for the accounting period ending 30 June 2007. This means we are now eight months into our first NZ IFRS reporting period. The template financial statements for the 30 June 2007 year, prepared on an NZ IFRS basis, are contained within a separate report to the Subcommittee.

Once the Council's NZ IFRS financial statements template is finalised, we have made a commitment to also provide Group entities with a short form version for their use. We are also currently working with Audit New Zealand to ensure that NZ IFRS audit requirements for the Council and Group (ie opening balance sheets, financial statements format, and restatement of comparative figures) are managed as efficiently as possible.

5 Developments in Financial Reporting Standards

5.1 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 December.

5.2 Exposure Drafts on Issue

The following exposure drafts are currently open for comment:

- IASB ED *Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Cost of an Investment Subsidiary*
- IASB DP *Fair Value Measurements*
- ED 110 Credit Rating Disclosures and the Scope of Requirements for Insurance Contracts

We are currently reviewing the exposure drafts and expect to make a submission on IASB DP *Fair Value Measurements*.

6. Conclusion

As we are now eight months into the Council's first NZ IFRS reporting period, the NZ IFRS project is entering its final stages. As NZ IFRS now constitutes current NZ GAAP, the template financial statements form part of the regular Subcommittee report on the year end template.

Over the coming months we will be working with the Group to assist with their NZ IFRS implementation. We will also continue to update the Subcommittee on developments in financial reporting standards as they arise.

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Supporting Information

1) Strategic Fit/Strategic Outcome

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.

2) LTCCP/Annual Plan reference and long term financial impact

Relates to C534: Committee and Council process

3) Treaty of Waitangi considerations

There are no Treaty of Waitangi implications

4) Decision-Making

This is not a significant decision

5) Consultation

a) General Consultation

Not required

b) Consultation with Maori

Not required

6) Legal Implications

None

7) Consistency with existing policy

This report is consistent with existing Wellington City Council policy