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## **IMPLICATIONS FOR COUNCIL OF NEW AND PROPOSED FINANCIAL REPORTING STANDARDS**

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### **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 2007.*

### **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 2 March 2007.

## **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. We are therefore just a few months away from completing our first financial statements in accordance with NZ IFRS.

During the period since the last Subcommittee meeting we have been working on preparations for year end, including finalisation of the financial statements template. We have now received interim feedback from Audit New Zealand on the template, which has resulted in a small number of minor changes. The final review of financial instruments and tax disclosures is still to be completed by the Audit New Zealand technical team.

We have also continued to work with Group entities to assist them with their understanding of NZ IFRS implications, and preparation for year end. Group entities have been presented with a copy of our template financials to assist with the preparation of their own financial statements templates. We are also co-ordinating Audit New Zealand requirements in respect of the opening balance sheets and restatement of comparative figures for Group entities.

Finally, we are continuing to develop potential communication strategies to ensure appropriate explanation of the transition to NZ IFRS within the Annual Report. We are investigating changes to our financial overview section to include a “plain English” guide to the NZ IFRS implications, and also considering a matrix statement reconciling cash, accruals and NZ IFRS adjustments with the final reported Statement of Financial Performance. These initiatives will be presented to the Subcommittee in August.

## **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 March.

### **5.2 Exposure Drafts on Issue**

The following exposure drafts are currently open for comment:

- *ED 111 Omnibus Exposure Draft [2007-1]* – This exposure draft covers a range of minor amendments and corrections to existing standards. We are currently reviewing the exposure draft, and do not anticipate any significant implications for Council.
- *IASB DP Preliminary Views on Insurance Contracts* - We are currently reviewing this discussion paper and at this stage do not intend to make a submission as the standard does not have a major impact on our financial statement disclosures.

- *IASB Exposure Draft of a Proposed International Financial Reporting Standard for Small and Medium-sized Entities* - We are not planning on making a submission as this exposure draft does not apply directly to Council.

## **6. Conclusion**

We are now nearing the completion of our first NZ IFRS reporting period. The next Subcommittee meeting in August will involve review of the first set of year end financial statements prepared in accordance with NZ IFRS.

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*