

Christchurch City Council case study – an external perspective



Agenda



- Observations on the process followed in the Christchurch City Council pilot study
- Differing needs of large and small local authorities
- Needs of local authorities with subsidiaries
- Issues identified at Christchurch City Council
- First time adoption



Observations on the process



- Seminars enabled all key staff to become familiar with the requirements of NZ IFRS
- Bringing all of the key people together allowed a collaborative approach to issues identification
- Timeframes are tight and planning will be the key to ensuring completion of the conversion process in the required timeframes

Observations on the process



- As CCC moves into the next stage of its conversion project, planning will be critical:
 - key people must be involved
 - issues must be identified and resolved – IFRS will impact on the financial statements, disclosures and underlying systems
 - stakeholders must be informed – effective communication will be vital

Large and small local authorities



- Ease of transition will depend on:
 - complexity of current financial statements
 - sophistication of “back room” systems
 - available resources

Local authorities with subsidiaries



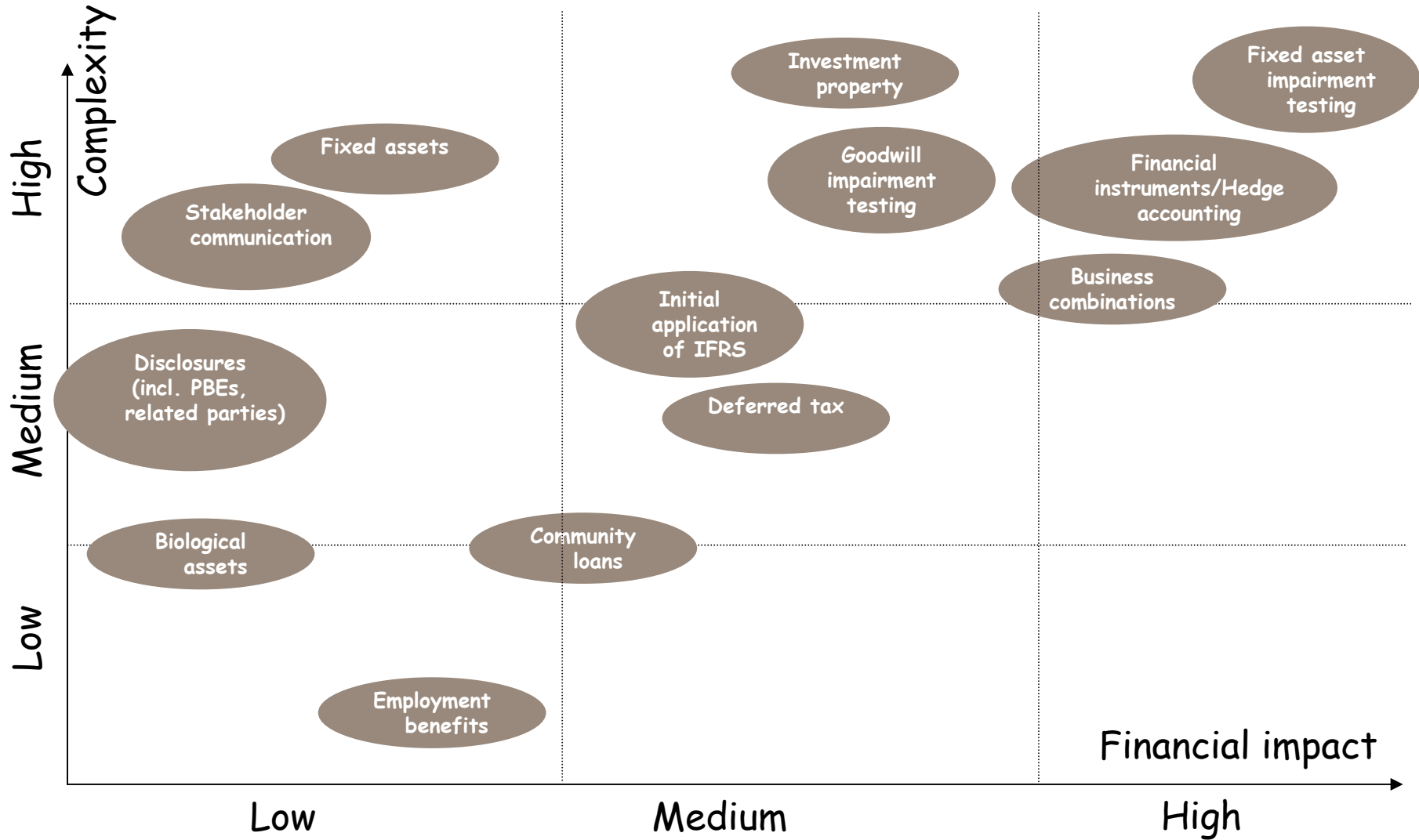
- Local authorities with controlled entities will need to ensure that:
 - adoption timeframes are understood and processes are in place if they are different
 - accounting policies are applied consistently throughout the group (or processes are in place to enable adjustments on consolidation)

Key issues



- The key issues identified in the workshops were:
 - First time adoption, including the need for consistent policies throughout the group
 - Financial instruments / hedge accounting
 - Deferred tax
 - Property, plant and equipment
 - Investment properties
 - Community loans
 - Related parties
 - Employee benefits (including sick leave)
 - Biological assets
 - Goodwill
 - Stakeholder communication
 - Public benefit entities

Complexity of issues



First time adoption options



First full year NZ IFRS Financial Statements issued	Comparative NZ IFRS Financial Statements and NZ GAAP Financial Statements	Opening NZ IFRS Balance Sheet
Year ending 30 June 2006	Year ending 30 June 2005	1 July 2004
Year ending 30 June 2007	Year ending 30 June 2006	1 July 2005
Year ending 30 June 2008	Year ending 30 June 2007	1 July 2006

First time adoption



- Factors for local authorities to consider:
 - the Long-Term Council Community Plan (extending from 1 July 2006)
 - FRS-29: *Prospective Financial Information* requirement to present prospective financial information in the format that it is expected to be reported on

First time adoption – SOLGM recommendation



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First time adoption



NZ IFRS 1: First Time Adoption of IFRS

Prepare an opening balance sheet at date of transition (1 July 2005)

Include assets and liabilities required under IFRS

Apply IFRS in force at 1st IFRS reporting date retrospectively (30 June 2007)

Apply mandatory exemptions

Exclude assets and liabilities not permitted under IFRS

Consider optional exemptions

Extensive disclosures

First time adoption



- First time adoption gives local authorities the opportunity to re-evaluate their accounting policies:
 - differences between the existing accounting polices and NZ IFRS need to be identified
 - Options in NZ IFRS need to be assessed
- Local authorities will need to consider whether to take advantage of the optional exemptions on first time adoption
- Potential impact on profit and loss from application of optional and mandatory exemptions will need to be assessed

Questions

