

STAFF REPORT

TO: Audit Subcommittee
FROM: Manager Corporate Services
DATE: 1 February 2007
SUBJECT: International Financial Reporting Standards

PURPOSE

To introduce Council to the concepts of International Reporting Standards (NZ IFRS) which are mandatory for all public benefit entities as at 1 July 2006.

The attached papers while technical in nature provide a comprehensive overview of IFRS and their impact on Council.

WHY CHANGE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS?

On 24 November 2004 the Accounting Standard Review Board (ASRB) approved the New Zealand Equivalents to International Financial Reporting Standards.

The new standards are intended to improve guidance in many areas such as a revenue recognition and employee entitlements, where there is currently little guidance. New Zealand is now a global economy and the new standards will provide enhanced comparability between financial statements in different countries.

For listed companies on the stock exchange IFRS may make cross border listing or fundraising easier. In addition the majority of our trading partners have already adopted these standards – including Australia, UK and Europe. New Zealand gains the benefits of international best practice in accounting standards development rather than having to reinvent the wheel in New Zealand. Councils along with all New Zealand entities are required by law to follow IFRS.

The change of standards will be audited by the end of March 2007. While every endeavor has been made in the following impact statement to assess the effects there is always a possibility that further changes will occur as a result of the audit process.

To assist with readability proposed changes to Council's accounting policies have been highlighted in red. The main impact on policy has been the inclusion of additional policy rather than radical change.

All Councillors have been invited to today's Subcommittee meeting. Whilst ostensibly the subject is an Audit Subcommittee matter all Councillors should have the opportunity to receive the presentation and to discuss the contents of the paper before the recommendation is adopted.

At today's meeting staff will make a power point presentation highlighting significant aspects of the attached papers.

For any further information on the subject prior to today's meeting please contact either David Ward or Murray Staite.

RECOMMENDATION

- 1 To receive the IFRS impact study.
- 2 To adopt the proposed accounting policies for inclusion in Council's 2007 Annual Report.

D G Ward
Corporate Services Manager