

# Cairngorms National Park Authority

IFRS restated balance sheet as at 1 April 2008



February 2009



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## Background

1. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies will be required to produce shadow IFRS based accounts for financial year 2008/09. This will include a restated balance sheet as at 1 April 2008.

## Scope

2. The balance sheet for 31 March 2008 was prepared under UK GAAP as adapted by the Financial Reporting Manual (FRm) and audited as part of the current accounting and reporting regime. The IFRS transition requires this balance sheet to be converted to an IFRS basis as at 1 April 2008.
3. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
  - **28 November 2008** – opening 2008 IFRS-based balance sheet to be presented to auditors for dry-run audit
  - **28 February 2009** – dry-run audit of opening balances to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
4. For clarity, this audit of the IFRS opening balance sheet has **no implications** for the preparation of the 2008/09 statutory accounts prepared under UK GAAP as interpreted by the FRm.
5. The restated balance sheet includes the introduction of the financial instruments standards in UK GAAP (FRS 25, 26 and 29), which are equivalent to the IFRS standards (IAS 32 and 39 and IFRS 7). Review of the introduction of these standards may contribute to the audit of the 2008/09 UK GAAP accounts, but this summary report should **not** be read as an audit view of the introduction of the financial instruments standards.
6. In carrying out the review of the restated IFRS balance sheet, the external audit team reviewed the presentation of the balance sheet and supporting documentation. This exercise involved:
  - reviewing high risk items and assessing whether sufficient evidence had been provided to support either no change in accounting and reporting treatment or new treatment in terms of IFRS. The high risk items includes changes in valuation of fixed assets; finance leases; intangible assets; the annual leave accrual; and financial instruments
  - for each balance sheet line item, examining any reclassifications both for correctness and completeness



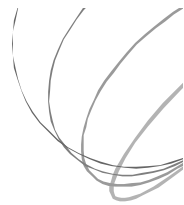
- sample checking balance sheet figures to supporting documentation for consistency and reliability.
7. It should be noted that the management of Cairngorms National Park Authority are responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Any issues notified by auditors are only those which have come to our attention during the course of our normal audit work in accordance with the Code of Audit Practice, and may not be all of the issues that exist.

## Key findings

8. The opening balance sheet and supporting documentation were passed to external audit for review by the deadline date of 28 November 2008.
9. The following areas have been examined by Cairngorms National Park Authority and restated under IFRS:
- all fixed asset valuations have been reviewed
  - all leases have been reviewed to confirm they are correctly classified
  - a review of financial instruments and potentially previously unrecognised financial instruments has been carried out
  - an accrual has been created to reflect the liability for untaken annual leave.
10. No errors were identified as a result of our review of the restated balance sheet.

## Recommendations

11. The following areas require further work to ensure that the shadow IFRS accounts for 2008/09 and full IFRS accounts in 2009/10 are true and fair:
- **Segmental reporting** – IFRS 8 requires that financial information is reported on the same basis as that used internally for allocating resources and evaluating performance. The Authority needs to consider the implications of recording and reporting segmental information as part of the shadow accounts.
12. Work is ongoing to deal with these areas. Continued progress will be required in the next few months to prepare for the shadow IFRS accounts in 2008/09.



## **Looking Forward**

13. For the present exercise, no notes to the main financial statements or associated accounting policies were required. The full set of shadow accounts will require the preparation of these elements. The disclosure requirements under IFRS are more onerous than for accounts prepared under UK GAAP. Continued progress will be required in the next few months to prepare for the shadow IFRS accounts in 2008/09.

## **Acknowledgements**

14. The assistance and co-operation we received during the course of our audit is gratefully acknowledged.