



Haringey Council

Agenda Item

Audit Committee

On 23 April 2009

Report title: **Implementation of new International Financial Reporting Standards (IFRS)**

Report of: **Chief Financial Officer**

Ward(s) affected: All

Report for: Decision

1. Purpose

1.1 To provide a background to the introduction of International Financial Reporting Standards (IFRS) to Local Government and to outline the process Haringey Council will be taking to ensure full implementation.

2. Recommendation

2.1 That Members note the contents of the report and information given to the Committee in the accompanying presentation and actions being taken to implement the new IFRS requirements.

Report authorised by: Gerald Almeroth – Chief Financial Officer

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3. Executive Summary

3.1 In the budget in 2007 the Chancellor announced that the public sector would be moving to IFRS-based financial reporting, from 2008/09 for all areas except local

government. Local government would be required to report on these new standards from 2009/10.

3.2 In the 2008 budget it was announced that this timetable would slip by one year and, therefore, local government are required to meet these standards in closing the 2010/11 accounts.

3.3 This report sets out the action being taken by the Council to ensure these requirements are met.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 None.

5. Local Government (Access to Information) Act 1985

The following background papers were used in the preparation of this report:

Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) – (CIPFA Publication)

Local Government Finance Act 1992

Local Government Act 2003

6. Background

6.1 International Financial Reporting Standards (IFRS) refer to the international equivalent to UK GAAP, the set of Generally Accepted Accounting Principles that include accounting standards, interpretations and established accounting practice. It has long been recognised in the corporate sector that there is a demand for a single set of accounting standards as both business and the financial markets become more global.

6.2 In the budget in 2007 the Chancellor announced that the public sector would be moving to IFRS-based financial reporting, from 2008/09 for all areas except local government. Local Government would be required to report on these new standards from 2009/10. The budget in 2008 subsequently slipped this by one year resulting in Local Government being required to have 2010/11 as the first set of accounts produced under IFRS.

6.3 The reasons for introducing IFRS included enhanced consistency and comparability between financial reports in the global economy and to follow private sector best practice.

6.4 Annual accounts for the Local Government will need to be prepared using IFRS for the year ending 31 March 2011. In addition, comparative financial

information for 2009/10 will need to be restated along with opening balances at 1 April 2009. In practice, this means that the transition period for all Local Government bodies starts in 2009/10, the current financial year.

- 6.5 The Council will also need to ensure it takes into account the new standards when setting its budgets for 2010/11 and understands any budgetary implications that may occur.

7. Haringey preparation and approach

- 7.1 The implementation of the new standards is a major piece of work that will cut across a number of services, not only finance and there will be a number of work-streams. In order to fully understand where the Council needs to concentrate its efforts Grant Thornton have been commissioned to undertake a gap analysis on the current set of accounts and to subsequently produce a draft action plan and timetable for implementation.
- 7.2 Following on from this piece of work an IFRS implementation project team will be set up with key individuals. The membership of this project team will depend on the outcome of the gap analysis but will contain key finance staff, property and Grant Thornton, as an external advisor.
- 7.3 Grant Thornton are due to provide the Council with their draft report on the gap analysis a few days before this Committee and officers will update the Members on the outcome of this at the meeting.
- 7.4 As is stated in section 6.4 some balances are required to be restated as at 1st April 2009. As part of the accounts closure process for 2008/09, information is being collected to ensure these balances can be appropriately restated.
- 7.5 Further progress reports on the implementation of IFRS will be brought to future meetings of this Committee.
- 7.6 The additional work likely to be involved may have resource implications for the Council. This will need to be considered as part of the Council's budget process.

8. Recommendation

- 8.1 That Members note the contents of the report and information given to the Committee in the accompanying presentation and actions being taken to implement the new IFRS requirements.