



Haringey Council

Agenda item:

[No.]

Audit Committee

On 19 April 2011

Report Title: **Review of arrangements for implementation of International Financial Reporting Standards (IFRS)**

Report of: **Director of Corporate Resources**

Signed : *J. Power* 11/4/11

Contact Officer : **Kevin Bartle, Lead Finance Officer**
Telephone 020 8489 5972

Wards(s) affected: **All**

Report for: **Non-key Decision**

1. Purpose of the report

1.1. To inform the Committee of the review undertaken by external audit in respect of the implementation of International Financial Reporting Standards (IFRS) and to agree the action plan in response to the review.

2. State link(s) with Council Plan Priorities and actions and /or other Strategies:

2.1. The IFRS initiative has strong links to the Council's Financial Strategy and is also a mandatory requirement with objectives and timescales that are imposed by central government.

3. Recommendation

3.1. To note the external audit recommendations in Appendix A and the associated comments of the Director of Corporate Resources.

4. Summary

- 4.1. All local authorities are required to produce accounts that are IFRS compliant for the financial year 2010/11. This will involve the restatement of the 2009/10 accounts for comparator purposes.
- 4.2. External audit have undertaken a review of the restatement work completed to date to provide assurance to the Council on both the approach being taken and the progress to date against the agreed implementation programme.
- 4.3. Overall external audit have assessed the progress to date as amber on a red/amber/green classification and have highlighted the areas of the work programme that still require the commitment of staff resources. The Director of Corporate Resources believes this is a fair assessment of the current position and remains confident that all the necessary work will be completed within the statutory timescales.

5. Head of Legal Services Comments

- 5.1. There are no specific legal implications in this report.

6. Service Financial Comments

- 6.1. The additional costs the Council will incur in preparing for IFRS in 2010/11 are to be contained within existing budgets.

7. Use of appendices /Tables and photographs

- 7.1.

8. Local Government (Access to Information) Act 1985

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

- Report of Chief Financial Officer to the Audit Committee on 23 April 2009 – Implementation of International Financial Reporting Standards (IFRS)
- Report of Chief Financial Officer to the Audit Committee on 1 February 2010 – Implementation of International Financial Reporting Standards (IFRS) – Progress Report
- Report of the Director of Corporate Resources to the Audit Committee on 3 February 2011 - Implementation of International Financial Reporting Standards (IFRS) – Progress Report

9. Background

- 9.1. External Audit undertook a review of the arrangements that the Council had in place to restate the 2009/10 accounts in accordance with IFRS with a primary focus on the restatement of the balance sheet as at 1 April 2009. It has assessed those arrangements as being adequate to provide 'not materially misstated amounts for the balance sheet restatement'. Under external audit's Red/Amber/Green status the overall assessment is amber.
- 9.2. Restatement of the 2009/10 accounts is required since the accounts produced this year will include the financial position as at 31/03/2011 but also include comparator figures as at 31/03/2010. The 2009/10 accounts were prepared under the previous accounting rules (the Statement of Recommended Practice (SORP)) and so in order to determine the comparators under IFRS, the financial position within the 2009/10 accounts needs to be restated where the rules have changed under IFRS.
- 9.3. The Council has been assessed as amber since the arrangements in place to produce IFRS compliant accounts are considered adequate but there are areas where external audit consider the Council should focus its attention in the future such as finalisation of its draft accounting policies and completion of the supporting notes to the restated accounts.
- 9.4. The review concluded that the overall arrangements have been "adequately planned" and that the Council has been "focussing its resources on the key risk areas."
- 9.5. In their review of arrangements to identify the changes under IFRS to leases and a provision for accumulated absences, external audit have stated that the Council's approach "appears to be reasonable".
- 9.6. External audit recommend the timely completion of work relating to finalising the draft accounting policies and the supporting notes to the accounts.

10. Summary

- 10.1. Although the arrangements are considered to be adequate, there are areas where the auditors recommend that the Council needs to focus its future allocation of staff resources. These are detailed in Appendix A attached with the associated comments of the Director of Corporate Resources which confirm agreement with auditors assessment.



Haringey Council

Appendix A: Action Plan to recommendations

Recommendation	Priority	Responsibility	Agreed	Management comments	Date
The Council should draw up the accounting policies under IFRS as soon as possible to allow sufficient time for a technical review prior to approval.	High	Head of Finance – Accounting and Control	Agreed	The Council will finalise the draft policies to allow sufficient time for a technical review before the requirement for approval.	30 April 2011
The supporting notes and main statements should be produced as soon as possible to enable us to provide comments before the Council produces its 2010/11 accounts.	High	Head of Finance – Accounting and Control	Agreed	The Council will finalise these notes and work with external audit to ensure time to provide comments.	30 April 2011
The Council should ensure all UK GAAP (General Accepted Accounting Practices) adjustments are made as part of their preparation of IFRS accounts.	Medium	Head of Finance – Accounting and Control	Agreed	UK GAAP adjustments will be made	30 June 2011
The Council should ensure that it correctly classifies investment properties and assets held for sale as required under relevant International Accounting Standards.	Medium	Head of Finance – Accounting and Control	Agreed	The Council will complete the review of its classification of assets held for sale and investment properties.	30 April 2011

Recommendation	Priority	Responsibility	Agreed	Management comments	Date
Provisions are required to be reclassified between current and non-current provisions. They have currently all been included within current provisions.	Medium	Head of Finance – Accounting and Control	Agreed	The Council will review its classification of provisions.	30 April 2011
Accumulated absences provision - this has been included in non-current liabilities and should have been included within current liabilities.	Medium	Head of Finance – Accounting and Control	Agreed	The accumulated absence provision will be re-classified under current liabilities.	30 June 2011