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| <b>Meeting:</b>             | Governance, Audit and Risk Management Committee                                  |
| <b>Date:</b>                | 22 January 2009  |
| <b>Subject:</b>             | <b>International Financial Reporting Standards (IFRS)</b>                        |
| <b>Key Decision:</b>        | No   |
| <b>Responsible Officer:</b> | Myfanwy Barrett: Corporate Director of Finance                                   |
| <b>Portfolio Holder:</b>    | David Ashton (Leader and Portfolio Holder for Strategy, Partnership and Finance) |
| <b>Exempt:</b>              | No   |
| <b>Enclosures:</b>          | None   |

## Section 1: Summary and Recommendations

This report sets out the implications of implementing International Financial Reporting Standards (IFRS).

### **Recommendations:**

Note the implications of implementing IFRS.

### **Reason**

To inform members of the changes to the accounting standards which has an impact on the Council's Statement of Accounts

## Section 2: Report

1. International Financial Reporting Standards (IFRS) represents a significant change in financial reporting across government and the public sector and are soon to become part of the way in which government reports its financial results. The move to IFRS in government is part of a process of aligning public sector financial reporting with what is seen to be the highest standards of financial reporting.

2. Local authorities will move to accounting on an IFRS basis by 2010-11, with restated comparative figures for the previous year and a restated opening balance sheet at 1 April 2009. The move to IFRS is a challenge for all organisations as it will affect many areas of the organisation and will impact on budgeting, investment decisions, performance targets as well as financial reporting. Process and system changes will be needed.
3. One of the lessons learned from the private sector experience was that IFRS affects all parts of the organisation. It is not just a finance issue. Some of the key changes to the accounts are highlighted below. These differences will not affect all organisations in the same way, and this certainly cannot be seen to be a complete list. However, it provides a flavour of the main areas of financial impact and difficulty of implementation.
  - a. Operating Segments
  - b. Leases of land and buildings
  - c. Valuation of fixed assets
  - d. Private Finance Initiative
  - e. Financial instruments
  - f. Employee benefits – Untaken paid holiday accruals
  - g. Impairment of assets
  - h. More disclosures – It is expected that the financial statements will increase by 60% in size
4. A methodical approach to the IFRS conversion process is important in achieving success. The recommended best practice is to set up a project management process to enable good management of the transition period.
5. Currently meetings are being held with various consultants who provide specialist service in this area. A progress report will be submitted to the committee in April 2009.

### **Financial Implications**

6. There will be implications of funding this and seeking to do this within available resources.

### **Performance Issues**

7. The timeliness and accuracy of the completion of the accounts impacts the Use of Resources score on Financial Reporting which feeds into the overall CPA score. It is essential that the Council is able to demonstrate good financial reporting and continues to improve its score in this area. The implementation of the IFRS will increase pressure on improving the score.

### **Risk Management Implications**

8. None in relation to this report.

### Section 3: Statutory Officer Clearance

|                       |                                     |   |
|-----------------------|-------------------------------------|---|
| Name: Jennifer Hydari | <input checked="" type="checkbox"/> | On behalf of the<br>Chief Finance Officer |
| Date: 09 January 09   |                                     |   |
| Name: Helen White     | <input checked="" type="checkbox"/> | On behalf of the<br>Monitoring Officer    |
| Date: 09 January 09   |                                     |   |

### Section 4: Performance Officer Clearance

|                   |                                     |                     |
|-------------------|-------------------------------------|---------------------|
| Name: Tom Whiting | <input checked="" type="checkbox"/> | Performance Officer |
| 09 January 09     |                                     |                     |

### Section 5: Contact details and background papers

**Contact:** Hasina Shah (Finance Business Partner – Accounting, Treasury and Pension Fund) tel: 020-8424-1573

**Background Papers:** None