

LAAP BULLETIN 80

March 2009

Implementation of IFRS – Outline Project Plan

AT THE HEART OF
PUBLIC SERVICES 

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the SORP, BVACOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the SORP, BVACOP or Prudential Code.

Please address any queries to CIPFA Technical Enquiry Service for CIPFA members and students
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INTRODUCTION

1. This Bulletin is relevant to all bodies who will be required to account under the IFRS-based Code of Practice on Local Authority Accounting in 2010/11.
2. From 2010/11, local authorities' Statements of Accounts will be prepared under an IFRS-based Code of Practice on Local Authority Accounting. This is part of a wider public-sector move to international standards.
3. In central government, departments are required to meet four 'trigger points' set by HM Treasury. These specify the dates by which the opening IFRS balance sheet and the figures for the comparative year are to be prepared and audited. For local government, no formal 'trigger point' dates have been set. This bulletin seeks to address the absence of formal dates through an outline project plan. The project plan is however guidance rather than a formal requirement.

OUTLINE PROJECT PLAN

4. The following outline project plan is intended to provide a starting point for authorities looking to develop their own project plans. More detailed steps, specific to each authority, will be required to support each step in the outline project plan. Similarly, whilst the outline project plan identifies major milestones such as the restatement of the opening balance sheet, authorities will need to identify their own interim milestones. The dates outlined in the plan will enable an authority to achieve the introduction of IFRS by 2010/11, but are the latest dates that CIPFA would recommend. The adoption of earlier dates is encouraged.
5. Authorities are encouraged to discuss their project plan with those responsible for the governance arrangements, e.g. Cabinet, the Audit Committee etc. Senior management throughout the organisation should also be aware of the project plan, as the implementation will require input from staff outside finance. LAAP would expect these groups to be kept informed throughout the implementation process, and that IFRS implementation would be part of the internal audit programme.
6. Authorities are also strongly advised to discuss their project plan with their external auditors¹. Auditors will wish to consider undertaking work at various stages in the adoption of IFRS (e.g. the restatement of the opening IFRS balance sheet), and authorities are advised to discuss the timetable with auditors.
7. Benefits that may arise from early external audit involvement are as follows:
 - Early identification of any difficulties or problems with the restatement of the opening IFRS balance sheet may result in less time being required to resolve these issues. This in turn may help to avoid errors occurring and prevent abortive work being undertaken.
 - Early identification of any difficulties with the restatement of the opening IFRS balance sheet may also avoid these issues impacting on the 2010/11 budget.
 - Early engagement with auditors may provide authorities with reassurance that their project plan is appropriate, or alternatively may allow for the plan to be amended in a timely manner; an inappropriate plan could lead to abortive work, or alternatively could result in a number of key tasks requiring completion in a short timescale.

¹ In agreeing an audit timetable with their external auditors, authorities may wish to refer to the fee arrangements that will apply in the relevant jurisdiction.

8. The outline project plan is as follows:

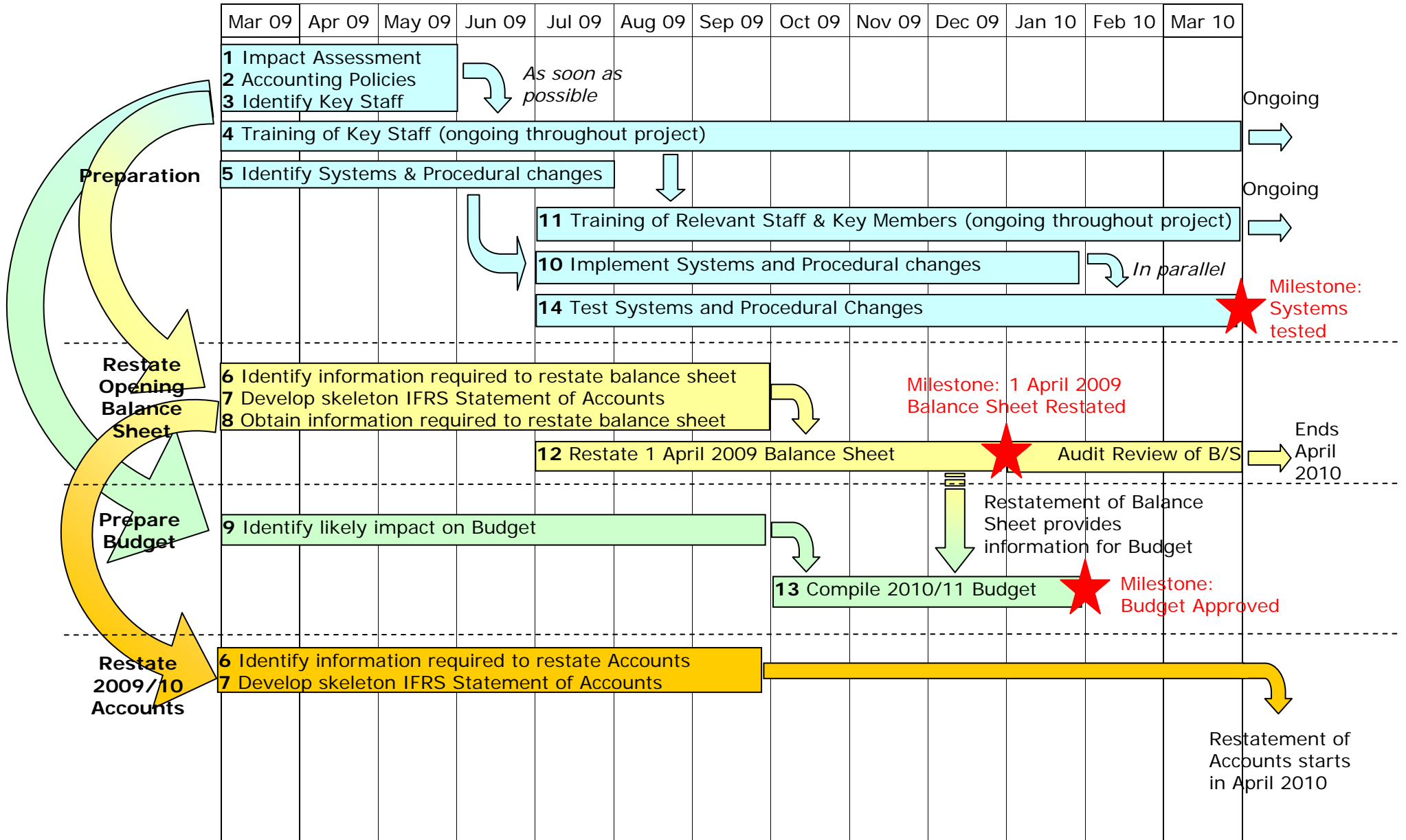
	Step	Dependency	Dates	Areas for Discussion with External Audit
1	Carry out high level impact assessment using information on CIPFA web site (and other resources where available) PFI Leases Tangible Assets Employee Benefits (e.g. Holiday Pay) Other Areas		As soon as possible; completion of this stage by May 2009 recommended	Ongoing – discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues / difficulties etc.
2	Identify changes to accounting policies	In parallel with step 1	As soon as possible; completion of this stage by May 2009 recommended	
3	Identify key staff (finance, legal, property, HR, other) Assess whether resources adequate Allocate responsibilities Develop detailed project plan	Based on impact analysis in step 1	As soon as possible; completion of this stage by May 2009 recommended	
4	Key staff trained on IFRS transition		At an early opportunity, then ongoing throughout project	
5	Identify systems and procedural changes (including Chart of Accounts changes) required		March 2009 - end July 2009	
6	Identify information (e.g. leases and holiday pay) required to restate 1 April 2009 balance sheet and 2009/10 accounts		March 2009 - September 2009	
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	Accounting policies in step 2	March 2009 - September 2009 (assumes CIPFA/LASAAC agree formats in March 2009)	
8	Obtain information required to restate 1 April 2009 balance sheet	Identified during step 6	March 2009 - September 2009	

	Step	Dependency	Dates	Areas for Discussion with External Audit
9	Identify likely impact on budgets (if any)		March 2009 – September 2009	
10	Implement systems and procedural changes	Identified in step 5	July 2009 – January 2010	
11	Training for all relevant staff and members		Ongoing from July 2009	
12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS)	Obtained in steps 7 & 8	July 2009 – December 2009*	Auditors will wish to consider the implications for reviewing balance sheet and / or processes and arrangements
13	Compile 2010/11 and later budgets on IFRS basis, building on restatement of balance sheet, taking into account changes to the final version of the Code and any regulations proposed by government to mitigate the impact on General Fund / HRA	Impact from step 9	October 2009 – January 2010	No direct input, but previous discussions and results of any audit work in step 12 may inform budget decisions where auditors involved at an early date
14	Testing of systems and procedural changes	Follows on from step 10	July 2009 – March 2010*	Auditors will wish to consider the implications for relevant work on systems
15	Restate 2009/10 accounts in parallel with main 2009/10 accounts process (including reconciliations between UK GAAP and IFRS)	See steps 6, 7, 8, 12	April 2010 – December 2010*	Auditors will wish to consider the implications for their work
16	Produce 2010/11 accounts on IFRS basis		April 2011 – June 2011	Normal audit procedures – accounts signed by 30 September 2011 (31 October 2011 in Northern Ireland)

* Indicative timescale; absolute deadline is given in step 16.

A timeline of the outline project plan is shown below:

Outline Project Plan March 2009 – March 2010



Outline Project Plan April 2010 - March 2011

