

Case Study

IFRS Conversion

Harborough District Council

Harborough District Council (HDC) as other local authorities, account for their transactions and balances under UKGAAP according to Local Authorities SORP. As part of the public sector conversion to IFRS it was necessary for HDC to be fully prepared for IFRS external reporting in 2010/11.

The Challenge:

While HDC were aware of many of the IFRS issues they lacked the time and experience required to fully explore the differences between UKGAAP and IFRS.

The Audit Commission were pressing for a conversion plan and wanting to review the conversion of the opening IFRS Balance Sheet for the 2010/11 comparatives ("Shadow Accounts").

An initial scoping exercise performed by InsightMSC indicated a high risk of misstatement to the Statement of Accounts from conversion in the areas of:

- Leases
- Grants
- Intangible and fixed assets
- Employee benefits

The Solution:

InsightMSC used a 'lite' version of PRINCE2 to manage the project with minimal HDC staff time while providing transparency to the council sponsor. This consisted of:

- ♦ A Project Initiation Document (PID) to clearly baseline deliverables and expectations for both parties
- ♦ A plan against which progress could be monitored and

- ♦ The set up of a Project Board for communication between the Insight project team and the client stakeholders and decision making on recommended adjustments.

Using the Insight IFRS toolkit InsightMSC supported HDC to:

- ♦ Rapidly assess the relevant IFRS changes and gather the necessary documentation for analysis
- ♦ Conduct a thorough review of existing leases, embedded leases, hire, contracting, fixed asset and employee benefit arrangements to ensure accurate conversion of the opening balance sheet
- ♦ Maintain full audit trails and decision registers

The Outcome:

As part of the project InsightMSC delivered:

- ♦ A converted IFRS opening Balance Sheet with UK GAAP to IFRS reconciliation and Net Worth UK GAAP to IFRS reconciliation for 2010/11
- ♦ A detailed decision register, working papers and audit trail
- ♦ A set of transition templates, work programmes and check lists to enable HDC to convert the 2009/10 GAAP accounts to IFRS format after the end of the current financial year (March 2010) for the shadow accounts that provide the comparatives for the 2010/11 accounts
- ♦ Training and communications for both accountants and non-finance staff

Through the use of the Insight IFRS toolkit, InsightMSC was able to quickly assess the IFRS standards applicable to HDC and complete the project within short timescales and to the satisfaction of the Audit Commission.

The methodology applied also facilitated knowledge transfer and the HDC team is now in a much stronger position to continue the work internally.