Appendix 1

Finance Services

IFRS Project

Project Initiation Document

IFRS2011-PID-001

Prepared By	Reviewed By	Authorised By
Kalai Aravinthan	Annabel Adams	Ken Hunt

Version	Change Summary	Prepared By	Issue Date	Issued To
V1.0	First Draft	Kalai Aravinthan	20 August 2008	Rachel Musson
V1.1	Updated with details of Project scope and plan	Kalai Aravinthan Ernest Snow	25 September 2008	Rachel Musson
V1.2 (Issue 1)	Updated Project approach and plan	Kalai Aravinthan	26 September 2008	Project Group
V1.3 (Issue 2)	Updated Project approach and plan	Rachel Musson	3 October 2008	Project Group
Final (Issue 3)	Updated cover sheet	Kalai Aravinthan	24 November 2008	Project Group

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BACKGROUND AND BUSINESS NEED

The move to International Accounting and Financial Reporting Standards (IFRS), adapted as necessary for public sector for producing the Statement of Accounts and Whole of Government Accounts, was announced as part of the March 2007 HM Treasury Budget report.

The reason for the adoption of IFRS as stated in Budget Report is:

"In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, this Budget announces that from the first year of the Comprehensive Spending Review (CSR) period these accounts will be prepared using International Financial Reporting Standards adapted as necessary for the public sector."

IFRS adoption and compliance by Local Authorities including Police Authorities in 2010-11, is required to bring them in line with commercial organisations (already IFRS compliant where appropriate) and Central Government bodies (which will become IFRS compliant in 2009-10). CIPFA will consult with Local Authorities including the MPA on how best to implement IFRS before providing guidance on how to apply IFRS for 2010-11 (with comparative figures for 2009-10).

The impact of IFRS adoption for the MPA will be to:

- Prepare and present MPA Statement of Accounts in accordance with IFRS
- Change the basis of recording certain accounting transactions
- Potentially influence commercial decision making by Business Groups.
- Avoid potential censure by regulatory Authorities such as Audit Commission.

Therefore, the MPA has put together a multi disciplinary project team to assess the impact of IFRS on the MPA, develop the appropriate systems and procedures in order to ensure compliance in the required timescale.

PROJECT DEFINITION - OBJECTIVES AND SCOPE

The MPA is required to produce its first IFRS compliant Statement of Accounts for the year ending 31st March 2011, with IFRS compliant prior year comparatives.

The main aim of the IFRS Project is to enable the MPA to bring its business practises and the reporting systems in line with the requirements of IFRS. The objective of implementing IFRS by the Project team will also take into consideration the following:

- Develop through CIPFA guidance a revised format for the Statement of Accounts (Back to Basics);
- Interpret the (IFRS) regulations, to be in line with CIPFA guidance, and to assess their impact on the operations of the MPA;
- Provide training and guidance to MPA/MPS colleagues as appropriate;
- Ensure IFRS compliance for corporate financial accounting;

- Ensure accounting and IT systems are correctly set-up to deliver information required to comply with IFRS;
- Co-ordinate different business group needs to ensure practices are suited for IFRS accounting;
- Communicate to all interested parties the direction of progress in implementing IFRS.

It is within the scope of the project is to interpret IFRS and IAS (current listing is shown in appendix A), and assess their applicability to the day to day running of the business, and to incorporate the changes brought about by IFRS into MPA's reporting structure.

On initial assessment, the main areas that will have major impact and will require changes to current practices are as follows:

- PFI arrangements - recognition and measurement of PFI arrangements with the likelihood that PFI Schemes will have to be recorded on the balance sheet. Currently there are two large PFI schemes both of which are accounted for "off balance sheet". In order to conform to IFRS requirements these are likely to come back on the balance sheet.
- Leases- recognition and measurement of leasing arrangements with the likelihood that, more leasing arrangements will have to be recorded on the balance sheet. These will need to be split in two, one for land and one for buildings, with accounting treatment for each potentially being different. All existing leases will need to be reviewed, and from now on all new leases should identify the land and buildings element separately.
- Employee Benefits – There may be a need to accrue for all employee benefits in the year in which they were earned. This may include both untaken holiday pay at year-end and possibly police officer overtime where a decision is yet to be taken on whether payment for overtime or time off will be claimed. Any financial effects on the revenue account in the first year of implementation will need to be carefully considered.
- Disclosure requirements - There will be very few parts of the CIPFA Regulatory Requirement (local authority SORP) that will remain completely unaffected by convergence to IFRS. There will also be a high probability that the Statement of Accounts and disclosure notes will need to be modified. The private sector experience of IFRS was that the statement of accounts significantly increased in size due to greater disclosure requirements. CIPFA are currently consulting with local authorities on the impact of IFRS and to identify any scope for simplification of the requirements, whilst still ensuring that the requirements of the IFRS are met.

ORGANISATION

Role	Name and Contact	Responsibilities
Sponsors	Ken Hunt (Treasurer)	To embed IFRS in the MPA, MPS Accounting systems
Project Assurance	Paul Stock/Annabel Adams	To monitor and QA project
Project Manager	Kalai Aravinthan	To establish and monitor work

		streams
Subject Matter Experts (SME)	Amanda Murphy, Kalai Aravinthan, Ernest Snow, Eddie Griffiths, James Macro	To interpret and apply the Accounting Standards and regulations as defined by CIPFA and IASB
Project Team/Group	Project Manager, Subject Matter Experts, MPA, Business Representatives (Initially Property Services, Human Resources, Directorate of Information)	To review and influence the application of the above

It is acknowledged that the main participants of this project are not just Finance staff, but also staff from other parts of the organisation, namely Property Services, Human Resources Information Systems. Their involvement is paramount in order to develop any changes identified in the practices and procedures of their departments.

PROJECT APPROACH

It is agreed that the project will be managed in-house and in the first stage with the expertise of the Subject Matter Experts (SME) to interpret the requirements of IFRS, and then involving the other parts of the organisation at various stages as deemed appropriate. As part of the project, SME will be exchanging information with other Central and Local Government bodies to learn from best practise. Throughout the project the Authority, as well as the External Auditors will be informed of progress made via regular communications as detailed below.

PROJECT PLAN

As the first stage, a Project Team will be set-up with in-house Project Manager and SME and representatives from various Business Groups. SME role would be to interpret the IAS and IFRS and assess the impact on the MPA. This will be done as an iterative process, whereby first the 'Standards' have to be interpreted, and then they will be looked at in conjunction with CIPFA guidance, whilst feeding back progress to all interested parties.

The aim is to have systems and procedures in place for April 2010. Below is a schedule, which indicates the dates by which various activities/tasks that need to be completed.

Activity/ Task	Target Date	Responsibility
Identification of project team members and needs	01/09/2008	Project Manager
Set up initial meeting of Project Group to explain the project	26/09/2008	Project Manager
Review, interpret and document current IAS and IFRS regulations	28/02/2009	SME

Make an initial assessment of impact of the above on the MPA	28/02/2009	SME
Review assessment with Project Team to establish impact on Business	28/02/2009	SME
Meeting with Sponsor to report on progress and issues identified	28/02/2009	Project Manager
Review CIPFA guidance against initial assessment and amend as appropriate	Spring 2009	SME
Review assessment with Project Group to establish impact on Business	Spring 2009	SME
Meeting with Sponsor to report on progress and issues identified	Spring 2009	Project Manager
Ensure external project assurance is undertaken once figures are established	June 2009	Project Manager
Establish opening Balance Sheet as at 01 April 2009	June 2009 – TBC	SME
Review existing procedures and identify reporting requirements under IFRS for the preparation of comparative figures	June 2009- March 2010	SME
Ensure Systems and Procedures are in place to record transactions taking into account IFRS	March 2010	SME
End project and handover responsibility of Accounts production to Financial and Technical Accounts Lead Accountant	April 2010 - TBC	Project Manager

PRODUCTS

- The final product of the IFRS project is to produce an IFRS compliant Statement of Accounts for 2010-11, together with IFRS compliant comparative figures for 2009-10;
- To establish practices and procedures in the Business to ensure compliance with IFRS, and to ensure IT systems are capable of producing information to support IFRS disclosure requirements;
- Produce reference guidance on the new Accounting Requirements to be added to the Finance Services intranet site;
- Produce Whole of Government Accounts on the new basis in 2009-10.

COMMUNCATIONS

This project and its progress will be communicated to stakeholders through a combination of regular updates, newsletters and training sessions.

BENEFITS, ASSUMPTIONS AND RISKS

Benefits

- Meet the regulatory requirement to produce IFRS Compliant Statement of Accounts;
- Produce reports that are consistent with Local Authority bodies and be recognised as providing a lead for proper accounting practice;
- Raise awareness of the regulatory requirements within business groups;
- Develop expertise on IFRS within Strategic Finance;
- Maintain or improve PURE ratings as a result of following IFRS in producing the Statement of Accounts;
- Minimise the level of audit recommendations for future years (2010-11 and beyond).

Assumptions / risks

- Late consultation and circulation of guidance by CIPFA will directly affect ability to deliver outcome according to the project plan;
- DOI may not be able to make IT system alternations in time for the implementation. This risk may be mitigated through introducing manual work-arounds to produce the relevant information in accordance with IFRS.