

14 Whole of Government Accounts

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14.1 Introduction

- 14.1.1 The Treasury prepares Whole of Government Accounts (WGA) for the whole of the UK public sector (central government, local government and public corporations) under section 9 of the Government Resources and Accounts Act 2000. WGA will be prepared under generally accepted accounting practice as defined in chapter 2 of this Manual.
- 14.1.2 The Government's aims in making the commitment to WGA were to provide improved data for fiscal planning, to increase transparency and to improve accountability to Parliament. WGA is requiring bodies within the public sector to prepare data on a consistent basis. It is thereby improving the comparability of financial data. WGA will increase the completeness of public sector financial data through the inclusion of provisions, contingent liabilities etc. and will be independently audited and certified by the Comptroller & Auditor General.
- 14.1.3 WGA will have the ability to provide additional and complementary data to that in national accounts, (which is currently used for fiscal management), for use by government, Parliament and the taxpayer where the scope of the accounts is consistent with that of the national accounts.
- 14.1.4 This chapter considers the specific accounting and disclosure requirements adopted in the consolidated WGA as compared with the requirements for the financial statements of the reporting entities and reportable activities covered by this Manual.

14.2 Accounting standards applied to Whole of Government Accounts

- 14.2.1 This section summarises the applicability of accounting standards to WGA. Adaptations and interpretations of standards that apply to WGA are explained in the paragraphs below.

Accounting Standard	Adapted in other chapters	Interpreted in other chapters	Adapted for WGA	Interpreted in WGA
IAS 1 Presentation of Financial Statements	No	Yes	No	Yes
IAS 2 Inventories	Yes	Yes	Yes	Yes
IAS 7 Statement of Cash Flows	No	Yes	No	Yes
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	No	No	No	No
IAS 10 Events after the Reporting Period	No	Yes	No	No
IAS 11 Construction contracts	No	No	No	No
IAS 12 Income Taxes	No	No	No	No

IAS 16 Property, Plant and Equipment	Yes	Yes	Yes	Yes
IAS 17 Leases	No	No	No	No
IAS 18 Revenue	No	No	No	No
IAS 19 Employee benefits	Yes	Yes	No	Yes
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	No	Yes	No	Yes
IAS 21 The Effects of Changes in Foreign Exchange Rates	No	Yes	No	Yes
IAS 23 Borrowing costs	No	Yes	No	No
IAS 24 Related party disclosures	No	Yes	Yes	No
IAS 26 Accounting and Reporting by Retirement Benefit Plans	Yes	Yes	N/A	N/A
IAS 27 Consolidated and Separate Financial Statements	Yes	No	Yes	Yes
IAS 28 Investments in Associates	No	No	No	No
IAS 29 Financial Reporting in Hyperinflationary economies	No	Yes	No	Yes
IAS 31 Interest in Joint ventures	Yes	No	No	No
IAS 32 Financial Instruments	No	Yes	No	No
IAS 33 Earnings per share	No	No	No	No
IAS 34 Interim Financial Reporting	No	No	No	No
IAS 36 Impairment of Assets	Yes	Yes	Yes	Yes
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	No	Yes	No	Yes
IAS 38 Intangible assets	No	Yes	No	Yes
IAS 39 Financial Instruments; Recognition and Measurement	No	Yes	No	Yes
IAS 40 Investment property	No	Yes	No	Yes
IAS 41 Agriculture	No	No	No	No
IFRS 1 First time adoption of IFRS	No	Yes	N/A	N/A

IFRS 2 Share based payments	No	No	No	No
IFRS 3 Business combinations	No	No	No	No
IFRS 4 Insurance contracts	No	No	No	No
IFRS 5 Non-current assets held for sale and discontinued operations	No	Yes	No	Yes
IFRS 6 Exploration for and Evaluation of mineral resource	No	No	No	No
IFRS 7 Financial instruments: disclosure	No	Yes	No	No
IFRS 8 Segment Reporting	No	Yes	No	Yes

IAS 1 Presentation of financial statements

14.2.2 IAS 1 is interpreted for WGA in the following ways:

- a) WGA shall be prepared on a 'going concern' basis to the same extent that the financial statements of the financial statements consolidated therein are prepared on a 'going concern' basis;
- b) the presentation of the Statement of Financial Position shall follow the same format as that of the consolidated entities covered by this Manual;
- c) the Income Statement shall classify expenses by function and shall include the following line items:
 - taxation revenues
 - operating costs
 - other operating income
 - operating surplus/(deficit)
 - surplus/(deficit) on the disposal of fixed assets
 - surplus/(deficit) on ordinary activities before interest
 - interest receivable and similar income
 - interest payable and similar charges
 - surplus/(deficit) for the year;
- d) the Statement of Changes in Equity shall follow the same format as that of the consolidated entities covered by this Manual; and
- e) for the first year of publication, WGA shall comprise an opening and closing statement of financial position, with supporting notes, and an Income Statement, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the reporting year only.

IAS 2 Inventories

14.2.3 IAS 2 is adapted and interpreted for WGA in the same way that it is adapted for the financial statements of reporting entities covered by this Manual.

IAS 7 Statement of Cashflows

14.2.4 IAS 7 applies.

IAS 10 Events after the Reporting Period

14.2.5 The interpretation of IAS10 required for resource accounts is not required for WGA, except that, the requirement that the financial statements be adjusted for significant transactions or events that occur between the date of the consolidated body's reporting date and the WGA reporting date will not apply.

IAS 16 Property, plant and equipment

14.2.6 IAS 16 the adaptations and interpretation for resource accounts apply to WGA. The accounting guidance detailed in this manual for, infrastructure assets, heritage assets and donated assets also apply to WGA.

IAS 19 Employee benefits

14.2.7 IAS 19 is interpreted for WGA in the following ways:

- a) WGA shall recognise the liabilities of funded and unfunded pension schemes for which the public sector is responsible, whether originally recognised in employer or pension scheme accounts.
- b) IAS 19 permits alternative approaches to the recognition of actuarial gains and losses. The first is that only those actuarial gains and losses falling outside an agreed corridor are recognised in the performance statement; the second is that all actuarial gains and losses are recognised in reserves (i.e. in the statement of total recognised gains and losses). Only the second of these alternatives is permitted; that is, the use of the corridor approach is not available.
- c) contributions from employees are to be shown in the financial statements as a deduction from the current service cost;
- d) the requirements of IAS 19 shall be interpreted to mean that the period between formal valuations shall be that required by the governance arrangements for the relevant schemes; and
- e) schemes and employers recognising pensions liabilities shall apply the actuarial assumptions, including discount rates most suited to the scheme or, where specific requirements apply, the required assumptions. The financial statements shall disclose the range of assumptions included in WGA.

IAS 20 Accounting for government grants and disclosure of government assistance

14.2.8 The IAS 20 interpretation for resource accounts applies to WGA.

IAS 21 The effects of changes in foreign exchange rates

14.2.9 IAS 21 is interpreted for WGA in the same way that it is interpreted for the financial statements of reporting entities covered by this Manual.

IAS 24 Related party disclosures

14.2.10 IAS 24 is adapted for WGA in the following ways:

- a) related parties are deemed to comprise any public sector entity (see paragraph 14.2.12) that is not consolidated into WGA; and
- b) WGA shall provide a note of transactions with those related parties.

IAS 26 Accounting and reporting by retirement benefit plans

14.2.11 In accounting for public service pension liabilities, WGA follows the requirements of IAS 19 (as interpreted in paragraph 14.2.7 above). IAS 26 is not relevant to WGA.

IAS 27 Consolidated and separate financial statements

14.2.12 IAS 27 is adapted for WGA in the following ways:

- a) These accounts are drawn up for the purposes of Government and Parliament as a whole and not as a requirement of any individual entity. No one body appears to have the ability to control all of the bodies within the consolidation, and as a consequence, for the purposes of WGA, no parent company will be disclosed in the statements and notes, only the position of the consolidated bodies.
- b) the requirement to include all subsidiaries of the parent is adapted in order that WGA shall conform to the statutory requirement in the Government Resources and Accounts Act 2000 that WGA comprise a consolidation of those bodies that appear to HM Treasury to exercise functions of a public nature or are entirely or substantially funded from public money. This will be based on the national accounts classification of bodies to the public sector, as independently determined by the Office of National Statistics. This does not affect the right of the Comptroller and Auditor General to form a different opinion about the classification of any body, and therefore their inclusion within WGA.
- c) The requirement to eliminate in full income tax, National Insurance Contributions and Value added Tax balances and transactions between consolidated entities and Her Majesty's Revenue and Customs, and non-domestic rates payable by consolidated entities to local authorities, is adapted to exclude the elimination of input Value Added Tax on goods and services acquired by consolidating entities for either revenue or capital purposes.
- d) the requirement that the financial statements be adjusted for significant transactions or events that occur between the date of the subsidiary's reporting date and the parent's reporting date shall not apply, and the subsidiary shall not be required to prepare additional financial statements as of the same reporting date.

IAS 29 Financial reporting in hyperinflationary economies

14.2.13 IAS 29 is interpreted for WGA in the same way that it is interpreted for the financial statements of reporting entities covered by this Manual.

IAS 32 Financial Instruments

14.2.14 The interpretation of IAS 32 required for resource accounts is not required for WGA.

IAS 36 Impairment of assets

14.2.15 IAS 36 is adapted and interpreted for WGA in the same way that it is adapted and interpreted for the financial statements of reporting entities covered by this manual.

IAS 37 Provisions, contingent liabilities and contingent assets

14.2.16 IAS 37 is interpreted for WGA in the same way that it is interpreted for the financial statements of reporting entities covered by this Manual.

IAS 38 Intangible assets

14.2.17 IAS 38 is interpreted for WGA in the same way that it is interpreted for the financial statements of reporting entities covered by this Manual.

IAS 39 Financial instruments – recognition and measurement

14.2.18 IAS 39 is interpreted for WGA in the same way that is interpreted for the financial statements of reporting entities covered by this Manual, with the exception that all public sector financial instruments will be consolidated into WGA.

IAS 40 Investment property

14.2.19 IAS 40 is interpreted for WGA in the same way that it is interpreted for the financial statements of reporting entities covered by this Manual.

IFRS 1 First Time Adoption of IFRS

14.2.20 This does not apply to WGA as no accounts will have been published prior to the introduction of IFRS.

IFRS 5 Non-current assets held for sale and discontinued operations

14.2.21 IFRS 5 is interpreted for WGA in the same way that it is interpreted for the financial statements of reporting entities covered by this Manual.

IFRS 7 Financial Instruments Disclosures

14.2.22 The disclosures under IFRS1, as interpreted in this manual in relation to IFRS 7 are not applicable to WGA.

IFRS 8 Segment reporting

14.2.23 IFRS 8 is interpreted for WGA in the following ways:

- a) the requirement to report separately information about each operating segment will be met by following the sub-sector classification (central government, local government and public corporations) used by the Office for National Statistics in the National Accounts prepared under the European System of Accounts 1995 with the following exceptions:
 - parts of entities classified in the National Accounts to a different sector from the classification of the main part of the entity should be classified with the main part of the entity; and
 - NHS Trusts and Foundation Trusts should be separately disclosed within the central government sector.

Other exceptions may be agreed from time to time with HM Treasury;

- b) the requirement to report information about profit and loss for each reportable segment will be met by reporting taxation revenues, operating costs, other operating income, operating surplus, surplus/(deficit) on the disposal of fixed assets, interest receivable and similar income, interest payable and similar charges and the surplus or deficit for the year within the reportable segments identified in a) above;
- c) the requirement to report information about assets and liabilities for each reportable segment will be met by reporting total non-current assets, total current assets, total current liabilities, long-term borrowings, long-term provisions (excluding pensions provisions), other non-current liabilities, pensions provisions and the total net assets at the statement of financial position date within the reportable segments identified in a) above;
- d) the information defined in b) and c) above shall be reported, for each reportable segment, after the elimination of all transaction streams and balances internal to that segment. Consolidation adjustments for transaction streams and balances between segments shall be disclosed in a separate column to arrive at the total for WGA on a consolidated basis; and
- e) no information needs to be given about products or services, geographical areas or major customers.

Other accounting policies

14.2.24 This section sets out the WGA accounting policies that are not covered by the accounting standards covered in section 14.2.

Revenue from taxes and duties

14.2.25 WGA shall consolidate the financial statements of the revenues from taxes and duties collected by Her Majesty's Revenue and Customs and the Driver and Vehicle Licensing Agency, prepared in accordance with the requirements of this Manual, with the exception that revenue collected as an agent of the European Union shall be excluded. WGA shall also consolidate Council Tax and Non-Domestic Rate revenues recognised in local authority collection funds.

14.2.26 Levies reported as income in the financial statements of consolidated entities but which are classified as taxes by the Office for National Statistics shall be reported as taxes in WGA. Such levies include, but are not restricted to, the BBC licence fee, sugar levies, and levies collected by non-departmental public bodies that exist to promote British produce.

14.2.27 Revenues collected on behalf of the European Union that should be excluded from the consolidation comprise Traditional Own Resources (customs duties including those on agricultural products collected by Her Majesty's Revenue and Customs, and sugar levies collected by the Department for Environment, Food and Rural Affairs) and the Third Resource (VAT, which is the product of the application of a uniform rate to a harmonised expenditure base). Monies retained as reimbursement of collection costs in respect of Traditional Own Resources shall be accounted for as other operating income.

Monetary gold and IMF Special Drawing Rights

14.2.28 The UK Government's holdings of gold shall be recognised on the WGA statement of financial position at mid-market value. Changes in market value should be recognised in the income statement, within other operating income, when they arise.

14.2.29 Special Drawing Rights (SDR) are an international reserve asset created by the International Monetary Fund (IMF), representing member governments' rights within the international monetary system. The UK Government's SDR shall be recognised on the WGA statement of financial position in sterling, converted at the SDR exchange rate, published by the IMF, as at the statement of financial position date. Any income receivable in SDR shall be recognised in interest income at the exchange rate prevailing on the date of receipt.

14.3 Reporting requirements for Whole of Government Accounts

14.3.1 The requirements of Part 15 (Accounts and reports) of the Companies Act 2006 and requirements of sections 5.4.30-5.4.34, 5.4.40 and 5.4.63-5.4.64 of the FReM shall not apply to Whole of Government Accounts.

Commentary accompanying Whole of Government Accounts

14.3.2 The Treasury shall prepare commentary to accompany WGA that includes the following information:

- a) a statement that detailed information about the underlying activities and governance arrangements of the public sector can be obtained from the individual accounts consolidated into WGA;
- b) a clear and concise discussion of WGA, which should include:
 - a highlights section that provides a summary of significant events affecting the financial statements;
 - an analysis of significant risks and uncertainties inherent in the government's financial position and a reference to the strategies and policies adopted to manage those risks and uncertainties (which might be a cross-reference to other published documents);
 - an analysis of the reasons underlying variations between financial performance and the financial position between reporting periods (with

the exception of the first year of publication, when the analysis shall be restricted only to the variations in financial position); and

- information about any significant trends related to financial assets and liabilities, revenues and expenditure, and cash flows associated with long-term provisions.

The Statement of Accounting Officer's responsibilities

14.3.3 The Treasury's Accounting Officer shall prepare a Statement of Accounting Officer's responsibilities in respect of WGA, in a form to be agreed by HM Treasury, including a statement of overall responsibility for producing WGA, which must give a true and fair view of the state of affairs of the Government at the statement of financial position date and statement of cash flows for the financial year.

The Statement on Internal Control

14.3.4 The Treasury's Accounting Officer shall prepare a Statement on Internal Control in relation to the preparation of WGA in a form to be agreed by HM Treasury. The Statement on Internal Control shall include information about the arrangements in place to assure the quality of the financial and other information included in WGA, including the role of Internal Audit.

14.3.5 The Statement of Internal Control shall include information about the relationship between the Treasury's Accounting Officer and officials appointed by the Treasury to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

14.4 Audit and Publication

14.4.1 The Comptroller and Auditor General will examine the accounts to satisfy himself that they present a true and fair view, consistent with the guidance in the FReM.

14.4.2 Treasury shall lay accounts and reports before the House of Commons in accordance with an order which specifies the dates by which the audit must be completed and the report and accounts laid.

14.4.3 A governance body set up specifically to consider WGA will review the accounts and undertake the functions of an Audit Committee.