

FINANCIAL REPORTING ADVISORY BOARD

26 June 2008

Financial Reporting Advisory Board emphasises importance of meeting new accounting deadline

The Financial Reporting Advisory Board (FRAB) today published its 11th board report, which highlights the need for government departments to ensure that they are prepared for the introduction of international financial reporting standards (IFRS) and warns that the implementation of IFRS, now scheduled for 2009-10 should not be permitted to slip.

In its 2007 report the Board welcomed the Government's announcement that it would change to reporting under European Commission-adopted IFRS from the 2008-09 financial year. Earlier this year the Board advised the Treasury that the move to IFRS should be postponed by one year, until 2009-10, to ensure that a smooth and orderly transition takes place.

Commenting on the report, Chairman Elwyn Eilledge CBE, said:

“The planned timetable for the implementation of IFRS was always challenging, but the Board was not given the opportunity to debate this prior to the Treasury's announcement. When the Board reviewed the progress towards implementing IFRS, including the development of PFI accounting guidance, it concluded that the 2008-09 timetable was not realistic for some major departments, and advised that the implementation date be changed.”

“Implementation from 2009-10 provides a more realistic timeframe, and the extra time will help all departments to make a smooth and orderly transition to IFRS. To keep the momentum going, and to capitalise on work already carried out by departments, the Board has advised the Treasury to require departments to produce 'shadow' IFRS based resource accounts for 2008-09.”

The Board will continue to work closely with the Treasury in the further development of its IFRS-based Government Financial Reporting Manual to help ensure the revised timetable is met.

The report acknowledges the Treasury's continued efforts to address the ongoing concerns of the Board, in particular its work to finalise IFRS-based accounting guidance for the Private Finance Initiative (PFI), and its work related to the resource accounting boundary:

- **Accounting for transactions financed by PFI**

The Board is concerned that there should be greater consistency in accounting for PFI within the public sector, and is optimistic that new IFRS based PFI guidance will achieve this. The Board will continue to monitor developments in this area;

- **The extension of the departmental resource accounting boundary to include Non-Departmental Public Bodies**

The Board believes that Executive Non-Departmental Public Bodies should be consolidated into the resource accounting boundary. Whilst this concern remains unresolved, the Board is encouraged that this issue is being considered within the wider work of the Treasury's 'Alignment (Clear Line of Sight) project'.

The Board also reports that it has agreed in principle, the proposal to extend its remit to include oversight of the Code of Practice on Local Authority Accounting in the United Kingdom, with effect from 2010-2011, when local authorities complete the move to IFRS-based financial reporting. Subject to final decisions being taken to proceed with the proposal, during the course of the next year the Board will consider the changes necessary to extend the scope of its responsibilities.

Looking ahead, the Board expects to consider several publications issued by the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board that may impact on future public sector accounting. The Board also continues to monitor the IASB's progress on the development of an improved conceptual framework for financial reporting.

The report is available from: www.hm-treasury.gov.uk/documents/public_spending_reporting/frab/psr_reporting_statistics_frabreports.cfm

Notes for Editors

1. FRAB is an independent body set up in 1996 initially to oversee the Treasury Resource Accounting Manual, which set out how Government departments should prepare their resource accounts. Resource Accounting and Budgeting (RAB) places the planning and control of Government expenditure on an accruals accounting basis – comparable to the way that the private sector manages its finances and prepares its accounts.
2. The Board's remit has been extended since its inception and now includes advice on financial and reporting standards and principles in respect of:
 - Executive non-departmental public bodies and trading funds;
 - Accounts for which the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland are responsible for issuing reporting requirements;
 - Accounts of the National Health Service Trusts in England, Northern Ireland and Wales;
 - advice on accounting policies underlying whole of government accounts;
 - NHS Trusts in England, Wales, Northern Ireland and
 - NHS Foundation Trusts.
3. The Government Resources and Accounts Act 2000 put the Board's role on a statutory basis. The Act requires resource accounts and whole of government accounts (WGA) to be prepared with a view to presenting a true and fair view, and to conform to generally accepted accounting practice subject to such adaptations as are necessary in the context of these accounts. The Act requires the Treasury to consult an appropriate advisory group on financial reporting principles and standards. The Treasury, in consultation with

the Comptroller and Auditor General in accordance with the 2000 Act, has determined that the Board should be the advisory group.

Departments 'shadow' IFRS based resource accounts for 2008-09 will be subject to audit procedures by the National Audit Office or other relevant audit authorities.

4. The Board comprises:

Chairman:

Elwyn Eilledge, CBE

Former positions include Director of BG Group plc, Chairman of BTR plc, Senior Partner of Ernst and Young and Member of the Accounting Standards Board and Financial Reporting Council.

Members:

[Kirstin Baker], Team Leader General Expenditure Policy, HM Treasury.

Miranda Carter, Assessment Director, Monitor.

Dr Christine Daws, Director of Finance, Welsh Assembly Government.

Martin Evans, Managing Director, Audit, Audit Commission.

Russell Frith, Director of Audit Strategy, Audit Scotland.

Professor David Heald, Professor of Accountancy, University of Aberdeen Business School.

Clive Heaphy, Director of Finance, FCO Services.

Fenella Maitland-Smith, Director, National Expenditure and Income Division, Office for National Statistics.

Ian Mackintosh, Chairman, Accounting Standards Board.

Nigel Reader, CBE. Director of Finance, Environment Agency.

Martin Sinclair, Assistant Auditor General, National Audit Office.

Alyson Stafford, Finance Director, Scottish Executive.

David Thomson, Treasury Officer of Accounts, Northern Ireland (Department of Finance and Personnel).

Jeff Tomlinson, Head of Accounting, Department of Health, England.

Ken Wild, Partner, Deloitte & Touche LLP, and Member of the International Financial Reporting Interpretations Committee and former Member of the Accounting Standards Board.

Trevor Woolley, CB. Finance Director, Ministry of Defence.

Parliamentary observer:

Robert Ffello, MP.

CIPFA/LASAAC Joint Committee Observer:

Ian Carruthers, Policy and Technical Director, CIPFA.

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