

# FRAB PRESS RELEASE – ISSUED ON PUBLICATION OF THE 2003/04 REPORT

# FRAB

**Financial Reporting Advisory Board**

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## **GOVERNMENT ACCOUNTS MOVE FURTHER TOWARDS UK GAAP**

The Financial Reporting Advisory Board (FRAB) today sent a copy of its seventh report to the Committee of Public Accounts and the Treasury Committee in Parliament, the Scottish Ministers and the National Assembly for Wales.

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

“I am particularly pleased with the Treasury decision to clarify the guidance on accounting for private finance initiatives. The Board has been monitoring the application of the guidance for some time and hope that this will result in greater consistency.”

The Report describes the Board’s work from April 2003 to March 2004 in advising on the development of financial reporting by government to promote best practice. Main developments during the year include:

- €# The review of projects financed under the private finance initiative that the Treasury has carried out at the Board’s request. The Treasury has concluded that the guidance on how to account for private finance initiative transactions could be tightened as part of a general reinforcement of the message that private finance initiative projects should only be entered into on value for money grounds – not on the grounds of the accounting treatment.
  
- €# The Board welcomes the various initiatives taken by the Treasury to improve corporate governance in government. It looks forward to the outcome of the review of corporate governance agreed by the Cabinet Secretary and the Permanent Secretary to the Treasury.

€# Following the requirement by European Union Regulation 1606/2002 for listed companies to adopt international accounting standards for accounting periods from 1 January 2005, the Treasury has considered what will be required for central government accounts from 2005-06 onwards. The Board is disappointed that the Treasury does not feel the time is right to adopt international accounting standards with effect from 2005-06, but appreciates the reasons for its stance and welcomes the Treasury's commitment to adopt them in the medium term – initially at least in line with the Accounting Standards Board's convergence project to align UK generally accepted accounting practice with international accounting standards.

## NOTES FOR EDITORS

1. FRAB is an independent body set up in 1996 initially to oversee the Treasury Resource Accounting Manual, which sets 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 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, Scotland and Wales; and
  - advice on accounting policies underlying whole of government accounts.
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.
4. The Board's seventh report covers the period from April 2003 to March 2004, during which it considered amendments to the Resource Accounting Manual, the Trading Funds Accounts Guidance and the Executive NDPB Annual Report and Accounts Guidance to make them applicable to the accounts for 2003/04. The Board continued its consideration of issues relating to the department of Whole of Government Accounts.

5. The Board comprises:

**Chairman:**

Elwyn Eilledge, CBE, Director of BG Group plc and former Chairman of BTR plc, Senior Partner of Ernst and Young and Member of the Accounting Standards Board.

**Members:**

John Aldridge. Finance Director, Scottish Executive  
Mike Ashley. Member of the Accounting Standards Board  
Mike Barnes. Head of Technical Development, Audit Commission.  
Heather Foster. Finance Director, HM Land Registry  
Russell Frith. Director of Audit Strategy, Audit Scotland  
Graham Jenkinson. Director, National Expenditure and Income Division, Office for National Statistics  
Professor David Mayston. Professor of Public Sector Economics, Finance and Accountancy, University of York  
Nigel Reader, CBE. Director of Finance, Environment Agency  
Michael Romberg, Senior Specialist, Budgeting and Statistics, HM Treasury  
Martin Sinclair. Assistant Auditor General, National Audit Office  
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 Member of the Accounting Standards Board until the end of 2003  
Trevor Woolley. Finance Director, Ministry of Defence

**Parliamentary Observer:**

Ross Cranston, QC, MP

1. Copies of the FRAB's seventh report can be purchased from the Stationery Office (ISBN Number 0-10-292817-7, £8.00). The report is also available on the Internet at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk) where it can be accessed via the Documents section / public spending and services / audit and accounting / Financial Reporting Advisory Board.
2. Media enquiries about Resource Accounting and Budgeting should be addressed to Charles Keseru in the Treasury press office on 020 7270 5188.