

ACCOUNTS DIRECTIONS

NB: the following comments reflect the arrangements in England; different arrangements apply in Scotland, Northern Ireland and Wales. Responsibility for issuing and approving accounts directions in Scotland rests with Scottish Ministers, in Northern Ireland with the Department for Finance and Personnel, and in Wales with the Welsh Assembly.

References to “HM Treasury” should be taken, where appropriate, to be to the Scottish Executive Accountancy Services Team, the Department for Finance and Personnel in Northern Ireland, or to the National Assembly for Wales.

1. An accounts direction is a document setting out the accounting and reporting requirements of an entity.
2. The requirement for an accounts direction stems from legislation such as:
 - Departments and agencies: sections 5(2) and 7(2) (respectively) of the Government Resources and Accounts Act 2000;
 - Trading funds: section 4(6)(a) of the Government Trading Funds Act 1973;
 - NDPBs: the legislation establishing the NDPB.

Different legislation applies in Scotland and Northern Ireland, viz the Public Finance and Accountability Act 2000; Sections 9(2) and 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001; and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993.

3. Typically the legislation will provide for the accounts to be in a form directed by HM Treasury (or by a Minister with the consent of HM Treasury).

Departments, agencies and trading funds

4. For England, HM Treasury issues the accounts directions for departments, agencies, and trading funds. To simplify the procedure, individual accounts directions are not issued except in isolated instances but, rather, a generic direction is issued annually listing the entities to which it applies under cover of a DAO letter (<http://www.hm-treasury.gov.uk/dao>)

Non-departmental public bodies

5. Accounts directions for **executive** NDPBs are issued by the parent department, and the wording may vary from case to case. However, the key elements must include a note of the statutory authority under which the accounts direction is issued, and a requirement to comply with the Government Financial Reporting Manual (www.financial-reporting.gov.uk).

6. As **advisory** and **tribunal** NDPBs do not normally produce separate accounts it is not necessary to issue an accounts direction. If separate accounts are prepared, it may be possible to use the model direction for executive NDPBs (see paragraph 7 and Annex A), and in case of doubt, departments should consult the Financial Reporting Policy team in HM Treasury.

7. Model accounts directions are shown below:

- Annex A – for most executive NDPBs
- Annex B – NDPBs that are limited companies
- Annex C – NDPBs that are charities.

Departments are encouraged to adopt the appropriate version, although (as noted above) departments are free to adapt the wording to include, for example, additional reporting or disclosure requirements to reflect particular circumstances.

8. It is for departments to consider whether or not to reissue the accounts directions annually. The advantages of so doing are that it is a reminder to the NDPB to follow the guidance in the most up-to-date version of the Government Financial Reporting Manual and is a useful discipline to ensure that no NDPB is overlooked. However, the models have been prepared on the basis that the directions will remain valid until superseded and the wording will need to be amended if the intention is to reissue them annually.

Process

9. Issuing a new accounts direction is the last link in the chain. As part of the processes for establishing new NDPBs, departments should consider the accounting and reporting requirements with the NDPB, NAO and HM Treasury to ensure not only that the body will be able to comply with the Government Financial Reporting Manual, but also whether there is a need for any additional reporting or disclosure requirements.

10. Based on these discussions, the department should prepare a direction, ideally based on the model but adapted as necessary to reflect any additional requirements. The approval of HM Treasury is normally required before the direction can be signed by the department and issued to the body.

11. Similar considerations will apply when a new agency or trading fund is being established, although HM Treasury will be responsible for preparing and issuing the accounts direction.

12. There may be specialised accounts to which the Government Financial Reporting Manual will not apply. In such circumstances, departments should discuss the form and content of the accounts direction with their spending team representative in HM Treasury.

MODEL ACCOUNTS DIRECTION APPLICABLE TO THE MAJORITY OF EXECUTIVE NDPBs

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR [NAME OF DEPARTMENT] IN ACCORDANCE WITH [STATUTORY AUTHORITY]

1. This direction applies to [name of NDPB].
2. [Name of NDPB] shall prepare accounts for the financial year ended 31 March 200x [or as appropriate] and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FrEM”) which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the department.
3. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 200x [or as appropriate] and subsequent financial year-ends, and of the income and expenditure, total recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FrEM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FrEM is inconsistent with the requirement to give a true and fair view, the requirements of the FrEM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FrEM. Any material departure from the FrEM should be discussed with the [name of sponsor department] and HM Treasury.
5. [If applicable] This direction supersedes the direction dated 00 Month Year.

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Name and Title of Signatory

00 Month Year

ACCOUNTS DIRECTION APPLICABLE TO NDPBs THAT ARE LIMITED COMPANIES

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR [NAME OF DEPARTMENT] IN ACCORDANCE WITH [STATUTORY AUTHORITY]

1. This direction applies to [name of NDPB].
2. [Name of NDPB] shall prepare accounts for the financial year ended 31 March 200x [or as appropriate], and subsequent financial years in compliance with the accounting principles and disclosure requirements of the Companies Act.
3. In addition to compliance with the Companies Act, [name of NDPB] shall also have regard to the accounting and disclosure requirements of the Government Financial Reporting Manual issued by HM Treasury (“the FreM”) which is in force for the financial year for which the accounts are being prepared to the extent that they clarify or build on the requirements of the Companies Act.
4. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 200x [or as appropriate], and subsequent financial year-ends, and the result, total recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. [if applicable] This direction supersedes the direction dated 00 Month Year.

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Name and Title of Signatory

00 Month Year

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR [NAME OF DEPARTMENT] IN ACCORDANCE WITH [STATUTORY AUTHORITY]

1. This direction applies to [name of NDPB].
2. [Name of NDPB] shall prepare accounts for the financial year ended 31 March 200x [or as appropriate], and subsequent financial years in compliance with the accounting principles and disclosure requirements of the Charities SORP.
3. In addition to compliance with the Charities SORP, [name of NDPB] shall also have regard to the requirements of the edition of the Government Financial Reporting Manual (the "FReM") which is in force for the year to the extent that they clarify or build on the requirements of the Charities SORP.
4. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 200x [or as appropriate], and subsequent financial year-ends, and the result, total recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. [if applicable] This direction supersedes the direction dated 00 Month Year.

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Name and Title of Signatory

00 Month Year