

FRAB PRESS RELEASE – ISSUED ON PUBLICATION OF THE 2004/05 REPORT

FRAB

Financial Reporting Advisory Board

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INDEPENDENT BOARD URGES FASTER PROGRESS ON TRANSPARENCY IN GOVERNMENT ACCOUNTS

The Financial Reporting Advisory Board (FRAB) today welcomed greater transparency in the way certain information is presented in government accounts.

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

“With greater attention than ever being paid to the way in which the government reports on its financial activities, it is important that government accounts are every bit as informative for the taxpayer as company accounts are for shareholders. One of the areas where improvements have been realised is the disclosure of the details of remuneration packages of senior civil servants – a subject of increasing interest to Parliamentary select committees as the civil service seeks to deliver the Government’s efficiency savings.”

The two main areas of concern about transparent reporting considered by the Board during the financial year 2004-05 are:

- The need to remove obstacles requiring full disclosure of remuneration by senior managers of some public sector bodies. The Board believes that the public sector should be at least as open as listed companies in its reporting of the remuneration packages of senior public servants. The Board welcomes the improvements in disclosure by government departments and agencies, although it notes that there are still some senior civil servants who use the Data Protection Act to prevent disclosure. The Board looks forward to receiving firm proposals for action in other public bodies, where it is less clear that senior public servants are providing the information required under UK generally accepted accounting practice.

- The lack of consistency between sectors in accounting for assets under the Private Finance Initiative. HM Treasury has made further progress in addressing the concerns raised in the Board's seventh report: the Departments of Health and Education and Skills have withdrawn guidance from their websites, and are reviewing it to ensure that it is consistent with HM Treasury's "Value for Money Guidance" and their Technical note No.1: *How to account for Private Finance Initiative Transactions*.

Discussing the application of new accounting standards, the Board agreed that HM Treasury and other entities should have additional time to resolve the complexities of FRS 25 and FRS 26. Of the eight new standards issued by the Accounting Standards Board in 2004, these two relating to financial instruments are of particular significance. Although the Board would not normally consider complexity of application a reason for deferring implementation of a standard, it recognised in this case that the particular application in government meant that departments and other entities would need adequate time to resolve the additional issues arising. The Board agreed the deferral of implementation until 2006-07.

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 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; and
 - advice on accounting policies underlying whole of government accounts;
 - 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.

4. FRAB today sent a copy of its eighth report to the Committee of Public Accounts and the Treasury Committee in the Westminster Parliament, the Northern Ireland Assembly, the Scottish Executive and the National Assembly for Wales. The Report describes the Board's work advising on the development of financial reporting by government to promote best practice for the financial year 2004-05. 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 2004/05. It also agreed a new manual to replace the existing manuals, which will come into effect for accounts for 2005/06. The Board continued its consideration of issues relating to the development of Whole of Government Accounts.
5. In addition to the work carried out by the Treasury on PFI, the International Financial Reporting Interpretations Committee issued three draft Interpretations of international standards in relation to accounting for service concessions and the Board is considering its response to these.
6. The Board comprises:

Chairman:

Elwyn Eilledge, CBE, Former Director of BG Group plc, 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. Partner, KPMG and Member of the Accounting Standards Board
Beverley Evans. Assessment Director, Monitor
Martin Evans. Director of Policy and Appointments, Audit Commission
Heather Foster. Finance Director, HM Land Registry.
Russell Frith. Director of Audit Strategy, Audit Scotland.
Professor David Heald. Professor of Financial Management, The University of Sheffield Management School
Robin Lynch. Director of National Accounts Group, Office for National Statistics
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 former Member of the Accounting Standards Board.
Trevor Woolley. Finance Director, Ministry of Defence.

Parliamentary Observer:

Ross Cranston, QC, MP

7. Copies of the FRAB's eighth report can be purchased from the Stationery Office (ISBN Number 0-10-293296-4, £9.25). The report and this Press Notice, and previous reports, are also available on the Internet at www.frab.gov.uk.
8. Media enquiries about Resource Accounting and Budgeting should be addressed to Will Straw in the Treasury press office on 020 7270 4420.
9. Non-media enquiries about the work of the FRAB and its latest report should be addressed to the Secretary (David Watkins) on 020 7270 4585. All other non-media enquiries should be addressed to the Treasury Correspondence and Enquiry Unit on 020 7270 4558 or by e-mail to public.enquiries@hm-treasury.gov.uk.