

Accounting for Third-Party Assets

The note clarifies the basis for rationalising the disclosure of third party assets, as proposed in [FReM ED 11\(06\)](#) and accepted by FRAB on 1 December 2011.

Definition

Third-party assets (TPA) are defined as “assets for which a department acts as custodian or trustee but in which neither the department nor government more generally has a direct beneficial interest. Third-party assets are not public assets, and should not be recorded in the primary statements.” (FReM 5.4.61)

Rationale for disclosure of TPA held

Whilst not ‘public assets’ in the accepted sense, bodies that hold TPA have a responsibility for them during the period they are held on trust on behalf of third parties.

Disclosure is required in the general interests in transparency of public accounts, rather than any financial reporting standard. TPA should be readily identifiable and reported in audited accounts.

Disclosure is required by way of numerical and narrative statements in a summary note to the accounts, and to inform that third party cash should only be combined with exchequer cash in a bank account on an exceptional basis, and only where appropriate disclosure is made by way of note to the accounts.

Rationalisation

The TPA note is one recognised where some departments complied with the disclosure requirements set out in the FReM and in the illustrative financial statements without giving due consideration to the applicability to the departments’ specific circumstances.

The FReM amendment to paragraph 5.4.62 is aimed at highlighting the need to provide disclosure proportionate to the amount of TPA, notably, where detailed information is provided in separate accounts. The transparency objectives may therefore be met by providing users with a link to more detailed information published elsewhere, rather than reproduce much of this information in a format that is disproportionate to rest of the accounts. Materiality considerations should be given to both the size and nature of the TPA.