

FRAB PRESS RELEASE

Financial Reporting Advisory Board

Contact: Larry Pinkney 020 7270 4585

22 March 2007

ADVISORY BOARD WELCOMES PUBLIC SECTOR MOVE TO IMPLEMENTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Financial Reporting Advisory Board (the Board), in its last annual report, expressed the view that the government should take the lead in adopting IFRS following the requirement for listed companies to prepare their consolidated accounts in accordance with IFRS adopted by the EU, and preferably no later than the ASB's proposed 'big bang' approach to convergence for remaining private sector bodies.

The Board therefore welcomes the announcement in the 2007 Budget that government departments and other entities in the public sector will prepare their financial statements using IFRS, as adapted as necessary for the public sector, from the financial year 2008-09. The Board views this as a demonstration of the government's continuing commitment to maintaining high standards in public accountability. The Board is also pleased to note that this places the UK at the leading edge of financial reporting internationally, bringing benefits in consistency and comparability between international financial statements.

The Board noted that the move to IFRS would have a knock on effect on one of the Board's areas of continuing concern, that of the treatment of PFI. Whilst the IASB through IFRIC, its interpretation group, has issued guidance on this subject, that guidance formally only directly applies to the operators of PFI rather than to the public sector or grantor. Accordingly, it will be necessary to develop additional sections of the FReM to apply the IFRS requirement to the public sector. The Board, whilst noting that such guidelines should be available well in time for the 2008-09 deadline, also welcomed the fact that such guidance, because of the requirement of IFRS, was likely to be closely in line with the Board's own thinking on PFI of recent months.

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;
 - advice on accounting policies underlying whole of government accounts; 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.
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. Finance Director, Welsh Assembly Government

Martin Evans. Managing Director, Audit, Audit Commission.

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.

Ian Mackintosh. Chairman, Accounting Standards Board

Alastair Matthews. Finance Director, Ordnance Survey
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 Flello, MP (from May 2006)

CIPFA/LASAAC Joint Committee Observer:

Ian Carruthers