

Comments on Revising *Government Accounting*

15-09-2006

1 CIPFA welcomes the Treasury intention to rewrite the existing Government Accounting. Drawing on our own experience – uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government - CIPFA would like to offer the following comments.

2 In CIPFA's view, while existing Treasury guidance is comprehensive overall, it is currently to be found in too many different source documents. These include (but not exclusively):

- Government Accounting
- The Financial Reporting Manual
- Guidance on asset management
- Guidance on budgeting
- Fees and charges guide
- The whole Treasury Managing Resources or "Rainbow" series of booklets.

3 For the most part, these documents have been developed over a number of years in response to perceived needs as and when required. The consequence has been that there has been significant overlap and little cross-referencing. The new Financial Reporting Manual defines, for example, what can be classified as capital in the accounts, while the recent guidance on budgeting sets out what professional fees can and cannot be regarded as capital. A revised version should therefore set out where guidance can be found and ensure consistency with principles and rules and cross refer to the relevant Standards, to GAAP and to the FREM.

4 Existing Treasury guidance also has some overlap with Cabinet Office guidance, for example, that for the annual reports of next steps agencies, trading funds and non-departmental public bodies and the updated Public Bodies: A Guide for Departments. There is some overlap also with the ONS, eg, on issues of classification.

5 CIPFA suggests therefore that an early task for the steering group could be to agree a new framework for Treasury guidance.

6 In CIPFA's view, Government Accounting currently aims to convey not only some basic rules, but also both guidance on the interpretation of the rules and some good practice points. Such a mixture could lead to a risk of lack of clarity about what is permitted and what is not. CIPFA suggests that the new Government Accounting should set out the high-level principles and essential basic rules and their interpretation only, while guidance on good practice could be set out elsewhere. The new Government Accounting would need therefore to be explicit about regularity and propriety.

7 Whole of Government Accounting should be covered.

8 CIPFA supports the proposal that the new Government Accounting should cover all central government bodies rather than the limited range at present.

9 CIPFA's Central Government Panel comprises expert members from Central Government departments, agencies and NDPBs and its remit includes:

- consideration of finance and policy issues as they affect central government
- responding to consultation/discussion papers and exposure drafts issued by Government, professional and other bodies
- developing, promoting and maintaining best practice, standards and guidelines and the production and dissemination of relevant advice and material for members and employers, on issues falling within the Panel's areas of responsibility.

10 The Central Government Panel would be happy to contribute further to the proposed re-writing process for Government Accounting, eg by commenting on draft sections, if the steering group would like.