



Federation of European Accountants
Fédération des Experts comptables Européens

The Benefits of Implementing Accrual Accounting in the United Kingdom

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Standing for trust and integrity



Background to Accrual Accounting

- Decision to Implement in Central Government 1997
- Local Government had accrual accounting for several years
- Significant project in planning and cost

Adopting accruals in the UK ...

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- Why?
- Better accountability and information for economic planning
 - Efficiency and more effective pursuit of policy
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- How?
- Planned using project management
 - Sold/promoted to key stakeholders
 - Developed expertise
 - High level frameworks including standards
 - Detailed accounting issues
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PLAN/SELL THE PROJECT

PLANNING

- Define scope, and produce overall project plan
- Use formal project management disciplines
- Use dry runs

SELLING

- Secure political support
- Engage non-accountants
- Emphasise benefits for users
- Leadership and communication are vital

EXPERTISE & FRAMEWORKS

DEVELOPING EXPERTISE

- Recruiting staff with accruals experience
- Training
 - ↳ Cascading in-house knowledge
 - ↳ Using expert trainers
- Involve auditors

FRAMEWORKS

- Accounting manuals
 - ↳ Standards
 - ↳ Charts of accounts
- Budgeting Framework
- Procedures and IT systems

FRAMEWORKS IN THE UK

Underlying standards	IFRS IPSAS UK GAAP	} overall similar to IPSAS
Public sector accounting framework	Manuals setting out application of standards to UK public sector bodies developed by finance ministry and reviewed by the independent Financial Reporting Advisory Board (FRAB)	
Budgetary framework	New processes and procedures developed by the UK Finance Ministry	

ACCOUNTING ISSUES

Fixed assets: lack of data on asset value/condition/ components, intra-group transactions and balances

Consolidation: existing systems and procedures do not collect right data

Leases and Service Concessions: existing systems and procedures do not collect right data. Valuation and accounting issues

Preparation of financial statements: existing systems do not produce accruals information or statements. Lack of experience in preparing and understanding accruals accounts

AUDITOR ISSUES / ADDED VALUE

training issues - some audit training required
 - technical updating on financial reporting

resource issues - lots of opening balance sheet work
 - extra work during parallel running

ADDING VALUE THROUGH AUDIT

advisory role - well placed to advise on technical and implementation issues
 - encourage clients to raise issues early, so auditable solutions can be developed
 - provide support during transition BUT
 - bodies need to be able to produce their own accounts

share good practice - share knowledge with other auditors and other government bodies

BENEFITS OF ACCRUAL ACCOUNTING

- Better accountability and control
 - Opportunities for efficiency gains
 - More effective pursuit of policy
 - Better information for economic planning
 - Valuation of assets and liabilities
- ACCRUAL ACCOUNTING IS BETTER THAN CASH BASED SYSTEMS

FACTORS WHICH LED TO SUCCESS

Moving from cash to accruals was a major project needing commitment from politicians, senior officials and funding providers

- buy-in was obtained at the highest levels
- work was started early
- planned and project managed
- expertise and resources were made available

It still took longer than expected!

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