

20 January 2009

Our ref: ICAEW REP 09/09

Charlotte Bryden  
Room 1/03  
HM Treasury  
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By email: [charlotte.bryden@hm-treasury.gsi.gov.uk](mailto:charlotte.bryden@hm-treasury.gsi.gov.uk)

Dear Charlotte

**ALIGNING BUDGETS, ESTIMATES AND RESOURCE ACCOUNTS: HM  
TREASURY CONSULTATION PAPER ON THE PROPOSED NEW FRAMEWORK**

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on the above consultation paper, published in November 2008. We have focused on the financial reporting aspects of the consultation, and have not in view of time constraints subjected the proposals to full due process within the ICAEW.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 140 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

We support the proposal to align budgets, estimates and resource accounts on the basis of IFRS, wherever possible. Indeed we would encourage the Government to keep adaptation of IFRS to a minimum. We see the current proposals as helpful in that respect, and as beneficial in supporting both the decision usefulness and stewardship/accountability objectives of financial statements.

We have one substantive observation on the paper. Whilst we recognise that it is consistent with the aims of the project to set the accounting boundary as equivalent to the ONS classification of central government, and to include all NDPBs, we note

that this is not consistent with the IFRS concept of control. This is a central tenet of the IASB's standards and represents an important basis for defining the boundary of the reporting entity. Its approach reflects a valid economic test that gives users a realistic picture of the resources of the reporting entity and its obligations.

We understand that there are a number of central government bodies that would not meet the control definition, as well as a number of public corporations which will. The revised position is closer to IFRS than the current consolidation boundary and we therefore support this change, but we would prefer a boundary which was based more closely on the IFRS concept of control. We would encourage HM Treasury to investigate further with the ONS whether this could be reconciled with the national accounts classifications, although we do not believe the classifications should restrain appropriate central government accounting in this respect.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

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