Financial Reporting Advisory Board Paper

IFRS 9 Financial Instruments – Update

Issue:	At the FRAB meeting in November 2016, the Treasury introduced a paper summarising the consultation feedback on the IFRS 9 Exposure Draft and also sought the Board's views on a number of issues raised through the consultation process. The Treasury also identified three areas that required additional work to be reported back to the Board at this meeting: • Application of the impairment model within the public sector; • The impact on financial guarantee contracts; and • Development of application guidance. This paper provides the Board with an update on the above three issues.
Impact on guidance:	The 2018-19 FReM will be updated in advance of the November 2017 FRAB meeting for a 2018-19 implementation.
IAS/IFRS adaptation?	Yes. The Treasury propose adapting the IFRS 9 impairment model for the public sector as it applies to certain intra-government balances.
Impact on WGA?	The proposed adaptations will promote consistency across central government which will support the WGA consolidation exercise.
IPSAS compliant?	Prior to IFRS 9, both the recognition and measurement of financial instruments were similar under IFRS and IPSAS. Changes to IPSAS in response to IFRS 9 are not yet known. IPSASB are currently consulting on public sector financial instruments.
Interpretation for the public sector context?	HM Treasury propose to retain the existing IAS 39 interpretations when IFRS 9 is introduced in the public sector. Following agreement at the last FRAB meeting in November 2016, the following new interpretations will be added to the 2018-19 FReM: (5) The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime expected credit losses. All entities applying this Manual should utilise IFRS 9's simplified approach to impairment for relevant assets. (6) The accounting policy choice allowed under IFRS 9 which allows entities to either continue to apply the hedge accounting requirements of IAS 39 (until the macro hedging project is finalised) or to apply IFRS 9 has been withdrawn. All entities applying this Manual should apply

	IFRS 9 hedge accounting requirements (with the scope exception only for fair value macro hedges of interest rate risk). (7) The accounting policy choice allowed under IFRS 9 which allows entities upon transition to restate prior periods if, and only if, it is possible without the use of hindsight has been withdrawn. All entities applying this Manual shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.
Impact on budgetary regime and Estimates?	IFRS 9 could increase volatility in departmental AME budgets but is not likely to have a significantly different DEL impact to IAS 39.
Alignment with National Accounts	IFRS 9 is broadly aligned with the National Accounts treatment.
Recommendation:	HM Treasury request that the Board: • agree the relevant adaptations to IFRS 9 to be included in the 2018-19 FReM; • endorse the IFRS 4 amendments; and • agree the content of the application guidance.
Timing:	The 2018-19 FReM will be updated in advance of the November 2017 FRAB meeting for a 2018-19 implementation.

DETAIL

Background

1. The International Accounting Standards Board (IASB) issued the final version of 'IFRS 9 Financial Instruments' in July 2014. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 is due for implementation in the public sector from 2018-19.

2. At the FRAB meeting in November 2016, the Treasury introduced a paper summarising the consultation feedback on the IFRS 9 Exposure Draft and also sought the Board's views on a number of issues raised through the consultation process.

3. The Treasury also identified three areas that required additional work to be reported back to the Board at this meeting:

    - Application of the impairment model within the public sector;

- The impact on financial guarantee contracts; and
- Development of application guidance.

4. This paper provides the Board with an update on the above three issues.

Application of the impairment model within the public sector

5. In the November 2016 paper provided to the Board, the Treasury discussed the principles of IFRS 9's impairment model and the possible implications of applying the model to intra-group and intra-government balances. The Treasury acknowledged that the complexities of applying the model are not unique to the public sector but that there are certain circumstances in the public sector where the calculation of stage-1 impairment allowances would not be appropriate.

6. Treasury therefore proposed five options, as possible FReM adaptations of IFRS 9, for the Board's considerations. The five possible options were:

   - Option 1 - IFRS 9 is applied in full – i.e. public sector entities are to apply the new impairment model in full and without any public sector interpretations or adaptations;

   - Option 2 – Option 1 but including application guidance on how to assess and determine credit worthiness of other public sector organisations;

   - **Option 3– that balances between core central government departments and any balances held with the Central Funds are excluded from recognising stage-1 impairments;**

   - **Option 4[1] - that intra-group balances (i.e. within a departmental consolidation boundary), balances between central government entities, and any balances held with the Central Funds are excluded from recognising stage-1 impairments;** and

   - Option 5[2] – extending Option 4 to also include balances with local government entities – i.e. extending to encompass all balances within the WGA boundary except for those with market bodies (public corporations).

7. The Board discussed the advantages and disadvantages of all the options and after considered discussion were content to apply an exemption as far as Option 3, on the basis that central government entities and central government funds are not separate legal entities and form part of a single crown body – i.e. this group share a single credit

[1] HM Treasury is less inclined to adopt this approach as some bodies within a consolidation group may have their own credit ratings, particularly commercial bodies, which may be a different rating to central government.
[2] HM Treasury is less inclined to adopt this approach as some local authorities do have their own credit ratings and certain other public bodies (e.g. Health Trusts) may have a different rating to central government. This may include bodies within the same consolidation group.

risk which is that of the crown and as such balances within the crown should not be individually assessed.

8. The Board requested additional analysis for extending the exemption to Option 4 and raised concerns about the increased risks of extending the exemption to Option 5. Following debate on Option 5 it was agreed that it would not be a feasible option.

9. The IFRS 9 technical working group (TWG) have since assessed the practicalities of applying either Option 3 or Option 4 and any considerations associated with these:

   a. For the term 'Central Funds' to be defined as the 'Government's Exchequer Funds', which includes the:
      - National Loans Fund (NLF);
      - Consolidated Fund (CF);
      - Contingencies Fund;
      - Exchange Equalisation Account (EEA);
      - Debt Management Account (DMA);
      - Public Works Loan Board (PWLB); and
      - Commissioners for the Reduction of the National Debt (CRND).

   b. Option 3, at a minimum, is needed as an adaptation in the FReM. Not having this adaptation would result in central government entities and Government's Exchequer Funds having to assess for impairments against the government's own debt. Market data reflects that the risk is very low (albeit not zero) and the output of these assessments would, in all likelihood, result in no stage-1 impairments from being recognised.

   c. To enhance Option 3 to include balances between core departments and their executive agencies within the scope of sections 5(2) and 7(2) of the GRAA 2000 on the basis that 'executive agencies are part of their department, and do not have the same level of legal separation from their home departments that other categories of public bodies often possess'[3].

   d. To enhance option 3 to include balances with the Bank of England (BOE) on the basis that the impairment would be deemed immaterial on the grounds of BOE's creditworthiness, specifically rating agencies (for example, Fitch) aligning the credit rating of the BOE with that of the UK Government: 'The BoE is the monetary arm of the UK sovereign and as such its credit profile is aligned with that of the sovereign government'[4]. It would be undesirable for any part of central government to start assessing the probability of default by the UK's

3 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/519571/Classification-of-Public_Bodies-Guidance-for-Departments.pdf

4 http://www.reuters.com/article/idUSFit965456?feedType=RSS&amp%3BfeedName=financialsSector

central bank. The concept of assigning any probability of a default by the BOE could be interpreted negatively by the financial markets.

e. To extend Option 3 to take into account that the NLF is not allowed (under the National Loans Act 1968) to accept losses on its loans and any such losses can only be written off by primary legislation and that lending by the PWLB is automatically secured on all the revenues of a local authority (under Section 2 of the Public Works Loans Act 1965). The Local Government Act 2003 goes on to further clarify the tools that might be at the disposal of the PWLB to reclaim any money ('together with any interest') borrowed by the authority, including:

    a) collecting, receiving or recovering the revenues of the local authority,
    b) issuing levies or precepts, or
    c) setting, collecting or recovering council tax.

f. Option 4 would not be appropriate due to instances of subsidiaries within departmental boundaries with different credit ratings to that of the sponsor department. For example and without prejudice:

    - HM Treasury and UK Asset Resolution; and
    - The Department for Business, Energy and Industrial Strategy (BEIS) and the British Business Bank and Green Investment Bank.

g. A department on the TWG with immaterial intra-group balances within their consolidation boundary found Option 4 to be preferable as this would simplify the application of IFRS 9 for them but they also noted that the assessment of the risk of default on these balances would not be a significant issue.

h. Northern Ireland (NI) departments determined that the outcome of either Option 3 or Option 4 would be broadly similar in terms of preparation of the statutory accounts. NI departments do not anticipate either option, including an enhanced Option 3, having a significant impact, although Option 4 would likely reduce the burdens on departments from calculating intra-group and intra-government Expected Credit Losses (ECLs). NI are currently implementing recommendations from a review of financial processes in NI which will align budgets, Estimates and accounts in a similar way to the Clear Line of Sight project. It is intended that these changes will be implemented by 2020-21.

10. Therefore, Treasury recommends that enhanced versions of Option 3 are included as adaptations to the 2018-19 FReM as follows:

    - **Balances with core central government departments (including their executive agencies), the Government's Exchequer Funds, and the Bank of England are excluded from recognising stage-1 impairments. In addition, any Government Exchequer Funds' assets where repayment is ensured by primary legislation are also excluded from recognising stage-1 impairments.**

- o Liabilities with core central government departments (including their executive agencies), the Government's Exchequer Funds, and the Bank of England are assessed as having zero 'own credit risk' by the entities holding these liabilities.

11. Do the Board agree to these adaptations to IFRS 9 to be included in the 2018-19 FReM?

The impact on financial guarantee contracts

12. In September 2016, the IASB amended IFRS 4 by issuing 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)' to address the concerns about applying IFRS 9 before the forthcoming insurance contracts Standard. The Treasury provided a paper[5] to the Board on the IFRS 4 amendments at the March 2016 meeting; these are yet to be endorsed for the public sector by the Board.

13. The new Standard, IFRS 17 Insurance Contracts, is currently expected to replace IFRS 4 from 1st January 2021[6]. The Treasury will provide an assessment on IFRS 17 once the final version of the Standard has been issued by the IASB. Both IFRS 9 and IFRS 17 are expected to result in major accounting and operational changes for most issuers of insurance contracts.

14. UK Export Finance (UKEF), the UK's export credit agency, is the only department likely to be impacted by the above changes. The Treasury agreed at the November 2016 meeting to update the Board on the conclusions drawn from UKEF's analysis on these changes and any proposed resulting impact on the FReM.

15. UKEF's Statement of Financial Position predominantly consists of either insurance contracts or financial instruments - specifically loans, financial guarantees, and interest rate swaps. In UKEF's 2015-16 Annual Report and Accounts the department reported circa £17.2 billion of 'exposure' to financial guarantees and insurance contracts. £16.9 billion is accounted for under IFRS 4 (currently) and £0.3 billion as financial guarantees applying IAS 39.

16. UKEF's statutory purpose is to support exports and overseas investments by (principally) providing insurance, guarantees or finance (through direct lending). Given the importance of asset and liability management within the insurance industry, UKEF (and most other insurers) have significant concerns about the differing effective dates of the two Standards – 2018 for IFRS 9 and (currently) 2021 for IFRS 17. These concerns include:

    - having to apply the IFRS 9 classification and measurement requirements before the adoption of IFRS 17;

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[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/521722/FRAB_126__4.3__-__IFRS_4_and_IFRS9.pdf

[6] http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Documents/Webinar/9-Why-change-insurance-contracts-accounting.pdf

- a potential temporary increase in accounting mismatches and volatility in profit or loss and other comprehensive income (OCI) created as a result of the change in classification of financial assets; and

- having two consecutive major accounting changes in a short period of time.

17. To address the above concerns about applying IFRS 9 before IFRS 17, the IASB introduced the IFRS 4 amendments (the overlay approach and the deferral approach) as interim measures:

The overlay approach

18. An entity may choose to apply the overlay approach to financial assets that are measured at fair value through profit or loss (FVPL) when applying IFRS 9, but would not have been measured at FVPL in their entirety when applying IAS 39. These selected assets are referred to as 'designated financial assets'. **UKEF does not have any such assets and as a result, the overlay approach is not a viable option for UKEF**.

The deferral approach

19. This temporary exemption gives entities the option to defer the effective date of IFRS 9 until the earlier of IFRS 17's effective date or 2021. This approach permits entities that are predominantly connected with insurance to defer the application of IFRS 9. **UKEF have undertaken an initial assessment and their conclusion is that they satisfy the 'predominantly connected with insurance' criteria and would be entitled to utilise this approach**.

20. UKEF's analysis concluded that their preferred option is to utilise the deferral approach. Notwithstanding the fact that, by virtue of satisfying the 'predominantly connected with insurance' criteria, UKEF is precisely the IASB's intended target entity to utilise the temporary exemption.

21. Furthermore, applying the IFRS 4 amendments, endorsed by the IASB and expected to be endorsed by the EFRAG by Q3 2017, is allowable under IFRS. Therefore, adopting the IFRS 4 amendments is in line with the principle of not adapting IFRS unless it is absolutely necessary for the public sector context.

22. From a WGA perspective, the impact will be UKEF's ECLs not being reported in WGA. As at 31st March 2016, the carrying value of UKEF's loans and receivables was £105.6 million[7], with the ECLs expected to be significantly lower[8] than this. This will be immaterial to the WGA accounts. The materiality threshold, for the 2014-15 WGA was set at £8 billion, with only £100 million and above of uncorrected misstatements being reported to the Treasury Audit Committee.

[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536579/ukef-uk-export-finance-annual-report-2015-16-web.PDF

[8] As an indication, an inflated estimate of lifetime expected losses (i.e. equivalent to Stage 3) on UKEF's lending portfolio was £11.3 million as at 31st December 2016. Stage-1 losses are expected to be even lower than this.

23. The IFRS 4 deferral approach is only temporary, therefore, any concerns around inconsistency with the rest of the public sector are time limited. Therefore, the Treasury recommend the Board endorse the amendments to IFRS 4.

24. Do the Board agree to endorse the amendments to IFRS 4?

Development of application guidance

25. There is precedent for the Treasury to publish application guidance on IFRS implementation for the public sector to help preparers of central government annual reports and accounts. For example, when the IFRS group accounting Standards were introduced into the public sector, the Treasury issued application guidance which covered issues such as transitional arrangements and how to interpret 'control' within the public sector context. The guidance's focus was on public sector application of the Standards and not application of the Standards themselves.

26. The IFRS 9 TWG discussed application guidance at their meeting in February 2017 and agreed that any guidance issued should be specific to public sector issues and not general application guidance for applying the IFRS 9 requirements. Department Yellow (and the other illustrative proformas) will also be updated, in line with the annual FReM updates, to reflect the introduction of IFRS 9. The TWG considered the topics for inclusion in the guidance, specifically the areas where the FReM has been interpreted or adapted for the public sector context:

   a. **Transitional arrangements**– the guidance will signpost the June 2015 paper[9] to the Board, and any relevant views conveyed by members, which covered the transitional requirements of IFRS 9 but will focus on the mandated approach of retrospective application without restatement.

   b. **Application of the business model in the public sector** – the guidance will highlight the analysis and arguments in the March 2016 paper[10] to the Board, and include any relevant views conveyed by members, on applying the business model test in the public sector context.

   c. **The adaptations to the FReM proposed in this paper** – the guidance will flag the Treasury's rationale discussed in this paper for exempting certain entities from assessing intra-government balances for impairment. The application guidance will also communicate that impairments assessments on balances with Arms' Length Bodies (ALBs) would only be expected in exceptional

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/448936/FRAB_124__05__IFRS_9_-_transition_arrangements.pdf

[10] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/521718/FRAB_126__4.1__-__IFRS_9_Business_model.pdf

circumstances, given the close nature of the relationships these ALBs have with their sponsor departments.

d. **IFRS 9's simplified approach to impairment for relevant assets** – the guidance will flag the Treasury's rationale for mandating this approach, discussed in the November 2016 paper to the Board, and include any relevant views conveyed by members.

Possible inclusions in the application guidance:

e. **Changes to hedge accounting as a result of mandating IFRS 9** – if there are any material differences in treatment to be flagged to and considered by those currently applying IAS 39, these will be included in the guidance as a consequence of the Treasury mandating this treatment.

f. **Disclosures** – The application guidance may include some commentary on applying the disclosure requirements, however, as discussed at previous Board meetings, the disclosure requirements of IFRS 9 apply in full and the focus should also be on materiality when assessing the relevance of certain disclosures.

27. **The Treasury seeks the Board's views on the content of the application guidance.**

Whole of Government Accounts (WGA)

28. At the last meeting the WGA team communicated their intention to the Board to issue a draft IFRS 9 template to be included in the 2016-17 data collection tool. Following a full review of the reporting requirements of IFRS 9, the WGA team have reconsidered the inclusion of a full draft note for 2016-17 and will now capture only the potential impact of the implementation of the new Standard in the 2016-17 data collection tool. This will be more useful from a preparers' perspective and allow for a 2 year phased implementation to be completed in time for the 2018-19 WGA implementation of IFRS 9.

Revised FReM Extract

29. A revised FReM Extract can be found in **Annex A**.

30. **Do the Board agree with the adaptations to be included in the 2018-19 FReM?**

Next Steps

31. The Treasury, in collaboration with the TWG, will develop relevant application guidance for areas of particular difficulty, to ease the implementation of IFRS 9. The Treasury will provide this draft application guidance to the Board for consideration at the next FRAB meeting in June 2017.

Recommendation

32. HM Treasury request that the Board: agree the relevant adaptations to IFRS 9 to be included in the 2018-19 FReM; endorse the IFRS 4 amendments; and agree the content of the application guidance.

HM Treasury
16th March 2017

ANNEX A: FReM extract

4 Accounting boundaries

4.1 Accounting boundaries

4.1.3 Where a department has an investment in another public sector entity that has not been designated for consolidation it should be reported following the requirements of IFRS 9. This includes all interests in bodies classified as public corporations by the ONS and investments in public sector bodies which would otherwise meet the definition of an associate or joint venture.

6 Applicability of accounting standards

6.1 EU adopted IFRS

6.1.1 A list of EU adopted IFRS is shown in Table 6.1, together with a record of whether they have been adapted or interpreted for the public sector context in this Manual. All standards apply to all reportable activities and reporting entities applying this Manual to the extent that each standard is relevant to those activities and in the light of any statutory requirements or other pronouncements that might from time to time be made by the relevant authorities. Where adaptations or interpretations are different for ALBs this is identified below.

Table 6.1

International Standard	**Applies without adaptation**	**Applies as interpreted for public sector**	**Applies as adapted for public sector**	**Different adaptations or interpretation for ALBs**
IFRS 9 Financial Instruments		●		

6.2 Interpretations and adaptations for the public sector context

6.1.2 6.2.1 Table 6.2 provides details of those adaptations and interpretations for the public sector context. Where an adaptation or interpretation to a Standard results in an inconsistency with a related Interpretation issued by the IFRS Interpretations Committee (IFRIC) or Standards Interpretations Committee (SIC), that Interpretation is similarly adapted or interpreted. In all other case, IFRIC and SIC Interpretations will apply in full.

6.1.3 Chapter 10 of this Manual provides additional guidance on adaptations and interpretations for the Whole of Government Accounts

Table 6.2

IFRS 9 Financial Instruments	
Interpretations	(1) Any financial instrument that is not held in furtherance of the entity's objectives but is held on behalf of government more generally should be accounted for in a separate Trust Statement. Entities should discuss such cases with the relevant authorities.

	(2) Special or 'golden' shares, being those shares retained in businesses that have been privatised but in which the department wishes to retain a regulatory interest or reserve power, should not be recognised in the Statement of Financial Position. (3) PDC should be reported at historical cost, less any impairment. (4) Where future cash flows are discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real financial instrument discount rate set by HM Treasury (promulgated in PES papers) as applied to the flows expressed in current prices. (5) The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime expected credit losses. All entities applying this Manual should utilise IFRS 9's simplified approach to impairment for relevant assets. (6) The accounting policy choice allowed under IFRS 9 which allows entities to either continue to apply the hedge accounting requirements of IAS 39 (until the macro hedging project is finalised) or to apply IFRS 9 has been withdrawn. All entities applying this Manual should apply IFRS 9 hedge accounting requirements (with the scope exception only for fair value macro hedges of interest rate risk). (7) The accounting policy choice allowed under IFRS 9 which allows entities upon transition to restate prior periods if, and only if, it is possible without the use of hindsight has been withdrawn. All entities applying this Manual shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.
Adaptations	Balances with core central government departments (including their executive agencies), the Government's Exchequer Funds, and the Bank of England are excluded from recognising stage-1 impairments. In addition, any Government Exchequer Funds' assets where repayment is ensured by primary legislation are also excluded from recognising stage-1 impairments. Liabilities with core central government departments (including their executive agencies), the Government's Exchequer Funds, and the Bank of England are assessed as having zero 'own credit risk' by the entities holding these liabilities.
IFRS 11 Joint Arrangements	
Adaptations	In accordance with the principles set out in Managing Public Money, executive non-departmental and similar public bodies classified to central government by the ONS will normally be controlled for accountability purposes by only one department in accordance with IFRS 10, and not as a joint arrangement under IFRS 11. Where a department has an investment in another public sector entity that has not been designated for consolidation, it should be reported following the requirements of IFRS 9. This includes all interests in bodies classified as public corporations by the ONS, which are within the scope of Managing Public Money principles. Agencies should follow the requirements of IFRS 11 with respect to public sector entities only if the entities are within the controlling department's consolidation boundary. Departments and agencies should apply IFRS 11 without adaptation to bodies classified to the private sector and rest of the world by the ONS. ALBs should apply IFRS 11 without adaptation.

	Chapter 4 provides guidance on the departmental accounting boundary and application of consolidation standards.
IAS 28 Investments in Associates	
Adaptations	In accordance with the principles set out in Managing Public Money, executive non-departmental and similar public bodies classified to central government by the ONS will normally be controlled for accountability purposes by only one department. Therefore the public sector entity will be included in one department's consolidation order and will be consolidated by that department in accordance with IFRS 10. Where a department has an investment in another public sector entity that has not been designated for consolidation, it should be reported following the requirements of IFRS 9. This includes all interests in bodies classified as public corporations by the ONS, which are within the scope of Managing Public Money principles. Agencies should follow the requirements of IAS 28 with respect to public sector entities only if the entities are within the controlling department's consolidation boundary. Departments and agencies should apply IAS 28 without adaptation to bodies classified to the private sector and rest of the world by the ONS. NDPBs and trading funds should apply IAS 28 without adaptation.

7 Further guidance on accounting for assets and liabilities

7.1 Property, plant and equipment (PPE)

Accounting for PPP arrangements, including PFI contracts, under IFRS

7.1.62 The grantor should recognise any guarantees to the operator that it will meet any shortfalls in revenue or repay the debt if the operator defaults in line with the requirements of IAS 32 and IFRS 9.

8 Further guidance on accounting for income and expenditure

8.2 Consolidated Fund revenue

Trust Statements

8.2.15 Trust Statements shall also include the following expenditure:

a) the costs of collection and administration where there is express statutory provision for those costs to be deducted from the revenue collected;

b) the costs of compensating (limited to repayments and interest) those from whom taxes or penalties have been incorrectly collected. Other elements of compensation and related costs shall be accounted for in departmental accounts; and

c) any allowance for uncollectible amounts measured in accordance with IFRS 9.

10 Whole of Government Accounts

10.2 Accounting standards applied to Whole of Government Accounts

10.2.1 This section summarises the applicability of accounting standards to WGA. Changes to adaptations and interpretations of standards from those detailed in Chapter 6 that apply to WGA are explained in the paragraphs below.

IFRS 9 Financial instruments

10.2.2 IFRS 9 is interpreted for WGA in the same way that is interpreted for the financial statements of reporting entities covered by this Manual, with the exception that all public sector financial instruments shall be consolidated into WGA and shall not be included in a separate Trust Statement.