



Financial Reporting Advisory Board paper

Additional guidance on preparing FY 2018-19 accounts in the context of EU Exit

Issue:	HM Treasury published guidance on 2 nd May 2019 providing additional details for departments on preparing their 2018-19 accounts in the context of EU Exit. This paper was largely similar to a guidance issued on this topic last year,
Impact on guidance:	None (the guidance does not conflict with the FReM or raise the need for any new guidance to be included in the FReM).
IAS/IFRS adaptation?	None.
Impact on WGA?	None.
IPSAS compliant?	The guidance does not introduce any new differences between the FReM and IPSAS guidance.
Interpretation for the public sector context?	None.
Impact on budgetary regime and Estimates?	None.
Alignment with National Accounts	Guidance does not introduce any misalignment between departmental accounts and national accounts.
Recommendation:	This paper is for informational purposes only; FRAB members do not need to make any decisions in this area.
Timing:	Guidance was issued on 2 nd May 2019 to aid departments in finalising their 2018-19 annual reports and accounts. All accounts are expected to be laid by 30 th June 2019.



DETAIL

Background

1. On 2nd May 2019, HM Treasury published guidance to departments on preparing their 2018-19 annual reports and accounts in the context of the UK exiting the EU. This paper was largely similar to similar guidance provided last year (given that, in many ways, the UK is in a similar position with respect to EU Exit at the end of 2018-19 as it was at the end of 2017-18).

2. HM Treasury decided to publish this paper to clarify and provide consistency of disclosures in respect of specific matters related to EU Exit in annual reports and accounts. Importantly, this guidance published in May does not contradict or override existing guidance, nor does it require changes to the FReM. Instead it interprets existing requirements and clarifies the application of these requirements in the context of EU Exit.

Purpose of this paper

3. The purpose of this paper is to provide the Board with an overview of the guidance on EU Exit and an update on departments' reaction to this paper and progress in preparing 2018-19 annual reports and accounts in the context of EU Exit. This paper is for information only and the Board is not asked to make any decisions in this area.

Main themes of the paper

5. The body of the guidance provides specific guidance on issues departments should consider when preparing their annual reports and accounts with respect to the effects of triggering Article 50, and the government guarantee of EU-funded programmes which may be called if the UK leaves the EU without a deal.

6. A section provides draft disclosures for departments to include on the government guarantee and any other contingent liabilities arising because of EU Exit. It also provides principles for departments to consider when including any information about EU Exit in their performance reports, and a reminder of the contingent liability classification process and approval framework.

7. The paper also provides a summary of some pertinent accounting standards for departments to consider and how they could be relevant to EU Exit. Summaries are provided for IAS 1, IAS 10, IAS 21, IAS 36, IFRS 7 and IFRS 9 although these standards are not exhaustive.

8. The paper also reminds departments of the timing and procedure for laying and publishing annual reports and accounts. Whilst the statutory requirement to lay annual reports and accounts is 11 months after the end of the financial year, i.e. 31st January after the year end, the administrative deadline for laying annual reports and accounts is 30th June 2019. Although there remains some uncertainty over the timetable for Britain to exit the EU, the expectation remains that departments will meet the administrative



deadline of 30th June for laying their annual report and accounts, or at least before the parliamentary summer recess.

9. The paper notes that guidance may be superseded or revised if there are additional developments around EU Exit that take place before departments lay their 2018-19 annual reports and accounts, particularly as a post balance sheet event.

10. Notwithstanding additional guidance provided to departments, policy consequences from the UK's departure from the EU continue to be the responsibility of the individual lead departments and as such, they should consider how these should be portrayed in their annual report and accounts.

11. Departments must report against their 2018-19 Single Departmental Plans (SDPs) in the 2018-19 annual report and accounts, in a manner they consider best contributes to the understanding of performance and value for money. This may include both quantitative and qualitative information, and should cover departments' major areas of spend, and how these relate to their operating segments.

12 The government is undertaking a major programme of work to prepare for exiting from the EU. To support this work departments have been asked to identify and develop responses to potential implementation issues from March 2017 onwards.

13 Departments should therefore reflect this information in their performance reports where appropriate to provide a balanced narrative between performance, future objectives and risks, where details are known and expected to be significantly different in future reporting periods.

Departmental reaction

14. Departments have generally welcomed additional guidance. Prior to publication, they had requested more clarity particularly on the treatment of the government guarantee and other receivables held with the EU, and informal consultation has shown that the guidance has given them this needed clarity while at the same time requiring them to make their own judgements on what information is most relevant for them to provide in their annual reports and accounts.

15. At the time of writing, barring anything unforeseen happening with EU Exit departments appear to be making good progress in finalising their 2018-19 annual reports and accounts and are on track to lay their accounts before the parliamentary summer recess.