



Financial Reporting Advisory Board Paper

Users of Accounts

Issue:	Following the request from FRAB in the November 2023 meeting HMT has produced a paper summarising the key users of accounts in consultation with UPAG.
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public-sector context?	N/A
Impact on budgetary regime and Estimates?	N/A
Alignment with National Accounts	N/A
Recommendation:	The Board is invited to comment on the paper
Timing:	Ongoing

Background

1. HMT has drafted this paper in response to the Board's request for a paper summarising the key users of accounts in consultation with UPAG after the November 2023 FRAB meeting.
2. HMT drafted a summary of the current definitions of users as per the FReM and shared this with UPAG at the 11th of April meeting to aid discussion. This paper summarises that discussion and has been subsequently shared with UPAG for comment ahead of this meeting.

Current Context

3. The FReM currently defines users in the following way:

"The primary user of government annual reports and accounts is Parliament. Select committees review consolidated departmental annual reports and

accounts, and the Public Accounts Committee (PAC) holds hearings on the Whole of Government Accounts.”

4. The FReM (section 2.4.1) also refers to users in the purpose of financial reporting citing the public, researchers, and internal managers as some of the other users of ARAs along with their specific use case for each.

UPAG Discussion

5. UPAG was presented with a set of slides from HMT outlining the current wording in the FReM around users as well as preliminary HMT thinking on how users might be categorised. Users were separated into 3 main categories, Parliamentary users, internal stakeholders, and external stakeholders.

Parliament

6. Parliamentary users include MPs, Select Committees, and the Parliamentary Scrutiny Unit.
7. Parliament uses accounts to assess departmental performance against objectives, to hold ministers to account, as the basis for raising questions in Parliament, and for taking policy decisions.
8. UPAG agreed that Parliament is right to be considered the primary user of ARAs. However, it was acknowledged that Parliament is not a homogenous group e.g., MPs interest in the accounts will differ from those of Parliamentary staff.
9. The Parliamentary Scrutiny Unit is an official observer at FRAB, and the Terms of Reference state that the Board will have a parliamentary observer nominated by the Government Chief Whip.

External Stakeholders

10. This category includes those users who are external to government including think tanks, researchers, academics, and information brokers. UPAG has a number of external stakeholders within the membership.
11. External stakeholders use of financial reporting is very broad ranging from the production of accountability reports to being used as part of subscriptions by information brokers and media reporting. UPAG members agreed with that this was an accurate description of external stakeholders.
12. A key point of discussion at UPAG was the usage of accounts by information brokers who can have a wide scope of interest (with the examples of IFS being given) and a much narrower scope of interest, perhaps relating to a specific government function or a geographical category such as local government or devolved administrations or an economic category such as pay, pensions and infrastructure.
13. The group discussed the importance of including both the media and the general public as a user of ARAs. The media in particular was discussed as a key user of accounts that is currently missing in the current description of users. The group discussed the media's use of annual reports as ranging from broad to very specific use cases.

14. HMT regularly engages with external stakeholders such as those listed above in both the form of UPAG and FRAB but also when carrying out specific projects such as the government financial reporting review.

Internal Stakeholders

15. The final group to consider is those stakeholders that are internal to government including the use of accounts by internal managers for decision making, the use by HM Treasury, the use by agencies and ALBs and devolved administrations.
16. UPAG agreed with these categories and suggested that consideration also be given to the use of ARAs by regulators. One member in particular described how accounts are presented at their regulator's annual general meeting.
17. The use of accounts by these groups is often around a specific issue and may be prompted by an unforeseen event or question their use case is often difficult to predict – indicators include FOIs, PQs and policy proposals.
18. Engagement with these groups is regularly carried out by HMT including via groups such as RAWG, UPAG and FRAB. HMT also carries out separate engagement exercises to capture views for these audiences such as thematic reviews and open consultations.

Summary

19. UPAG and HM Treasury are content that the current definition of the primary users of accounts per the FReM remains accurate. However, it was also acknowledged that there are a wide range of users which has evolved over time, in part in response to changes in reporting. The group agreed that it is important to ensure accounts are accessible to a wide range of users for a wide variety of purposes. HM Treasury will review the definition of the users of accounts in the FReM as per the regular update of the FReM in November.
20. UPAG provides an important forum for the sharing the views of Users and Preparers with HM Treasury and with FRAB, as does the Relevant Authority Working Group. UPAG will continue to incorporate the needs of accounts users as an important focus for its discussions.

Recommendation: The Board is invited to note this summary paper.