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FD (DFP) 03/16

11 January 2016

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Dear Finance Director

ACCOUNTING FOR DEPARTMENTAL RESTRUCTURING

Purpose

1. The purpose of this letter is to provide guidance for departments in relation to the preparation of their 2015/16 and 2016/17 Annual Report and Accounts following departmental restructuring later this year.

2015/16 Accounts

2. As required by the Government Resources and Accounts Act (Northern Ireland) 2001 (GRAANI), the 12 current departments are required to prepare and lay their Annual Report and Accounts for the 2015/16 financial year in line with the 2015/16 FReM which is available on the Accountability and Financial Management section of the DFP website at <https://www.dfpni.gov.uk/publications/201516-government-financial-reporting-manual-frem-and-accounts-proformas>. All departments should strive to meet the pre summer recess faster closing deadline as usual.
3. Departmental restructuring is due to take place in May 2016. As a result, the 12 current departments will no longer exist at the point when the 2015/16 Annual Report and Accounts are due to be authorised by the appointed departmental Accounting Officer in June 2016. This should not

cause an issue for those departments which are moving in their entirety to a new department, as the Accounting Officer of the new department will be appointed to authorise the related old department's 2015/16 Annual Report and Accounts. However, for the 3 transitioning departments (DEL, DCAL and DOE), the Transfer of Functions Order will transfer the responsibilities under GRAANI for 2015/16 (including the preparation and laying of accounts and the completion of Whole of Government Accounts information) to the new department taking on the majority of the functions of the transitioning departments. In practice, this means that the following departments and Accounting Officers will assume the responsibilities under GRAANI for the 3 transitioning departments:

- **DEL – Department for the Economy (Andrew McCormick)**
- **DCAL – Department for Communities (Leo O'Reilly)**
- **DOE – Department of Agriculture, Environment and Rural Affairs (Noel Lavery)**

4. In order to facilitate an efficient handover of the responsibilities and ensure sufficient assurance is provided to incoming departmental Accounting Officers, we would encourage departments to prepare quality interim accounts and to engage with your auditors on a timely basis. This will also help to ensure that the Annual Report and Accounts are completed as promptly as possible after the year end to enable faster closing deadlines to be met.
5. All departments should include a disclosure regarding restructuring in the Directors' Report section of their 2015/16 Annual Report and Accounts. Suggested wording for this disclosure is as follows:

“The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The names and high level functions of the new departments have been agreed by Ministers and details can be found in [insert legislation names for Departments Bill and Transfer of Functions Order]. It is anticipated that staff working in the affected areas will move

with the function. The 9-departmental model constitutes a Machinery of Government change and (select one of the following statements and adapt for your circumstances):

- *[your department name] will become [new department name] and will largely remain unchanged or*
- *[your department name] will become [new department name] and will receive additional functions from [departments you are receiving from] or*
- *The functions of [your department name] will transfer to [new receiving departments] in May 2016.”*

2016/17 Accounts

6. For 2016/17, Annual Report and Accounts will be required for the 9 new departments. As the restructuring represents a Machinery of Government change, the transfer of functions across departments requires merger accounting principles to apply. Guidance on dealing with Machinery of Government changes and merger accounting can be found in FReM section 4.2, and in DAO (DFP) 05/13. In summary, as per FReM 4.2.8, the new departments receiving functions will account for those functions from the beginning of the reporting period, with retrospective restatement, i.e. departments must restate 2015/16 comparatives to include the functions they have received. In addition to this, IAS 1 requires, as a minimum, three Statements of Financial Position – the end of the current period (31/3/17), the end of the previous period (31/3/16), and the beginning of the earliest comparative (i.e. previous) period (1/4/15).

Action

7. Finance Directors are requested to circulate this letter to the appropriate accounting staff within their department.
8. A “Winding up Checklist” will be issued by the Restructuring Programme Board in due course, which will reiterate some of the information above. This checklist should also be circulated to all relevant staff.

Further advice

9. If you have any queries do not hesitate to contact Cris Farmer on (028) 91 858025 (GTN 68025), email: cris.farmer@dfpni.gov.uk or Joanne Warnock on (028) 91 277683 (GTN 69083), email: joanne.warnock@dfpni.gov.uk.

Yours sincerely

A handwritten signature in blue ink that reads "Alison Caldwell". The signature is written in a cursive style and is placed on a light blue rectangular background.

ALISON CALDWELL

Copy Distribution List

Departmental Accounting Officers
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