

INTRODUCTION

- 1 The purpose of the circular is to keep institutions up to date on the Council's requirements for the format of their audited financial statements.

BACKGROUND

- 2 In July 2003, the Accounting Standards Board approved a revised version of 'Statement of Recommended Practice: Accounting for Further and Higher Education Institutions' (SORP), which was both sponsored and published by the Committee of Vice-Chancellors and Principals, known as Universities UK.

STATUS OF THE SORP

- 3 The Council requires all institutions to implement the SORP, or any successor SORP, when preparing their financial statements for accounting periods beginning on or after 1 August 2003.
- 4 Institutions should note that the four primary accounting statements (income and expenditure account, balance sheet, cash flow statement and statement of recognised gains and losses) must be presented in the formats set out in the 'Casterbridge College' model report and financial statements appended to the SORP. Whilst the remainder of the 'Casterbridge College' example is illustrative, institutions are encouraged to disclose as much of this information as possible.

ACCOUNTS DIRECTION FOR 2003-2004

- 5 In addition to the requirements of the SORP, the Council requires that institutions' audited financial statements be prepared in accordance with current Accounting Standards, Financial Reporting Standards and Urgent Issue Task Force Abstracts issued or adopted by the Accounting Standards Board. In the case of an institution that is also a company limited by guarantee, this direction is subject to the requirements of the Companies Act. Also, institutions are required to:

include in their financial statements a statement covering the responsibilities of their governing body in relation to corporate governance. The statement is required to indicate how the institution has complied with current best practice in this area. Guidance on how institutions can comply with this requirement is available both in the 'Castlebridge College' model report appended to the SORP and in the model disclosure notes included in the British Universities Finance Directors Group guidance 'Corporate Governance in Higher Education'.

disclose the total emoluments of the Vice-Chancellor, Principal or higher paid employees in accordance with Annex A. Higher paid employees are defined as those whose emoluments exceed £70,000. Disclosures should be expressed in bands of £10,000.

disclose compensation paid or payable to the Vice-chancellor, Principal or any higher paid employee whose annual remuneration exceeds £70,000, in accordance with Annex B.

ensure that their contracts for external audit make provision for an opinion on whether the institution has applied income, where appropriate, in accordance with the Financial Memorandum, and whether Funding Council grants have been used for the purposes for which they were received.

This Accounts Direction will remain in force unless institutions are notified otherwise.