

Note: This glossary focuses in particular on financial terms relevant to the UK Government.

## Accounting Officer

The senior official ultimately responsible for all spending of a government department or arm's length body. The Accounting Officer for a government department is usually the Permanent Secretary. The Accounting Officer must personally sign off the Annual Report and Accounts of the body s/he has responsibility for, and may be called to appear before a select committee to answer questions on financial management.

## Accounts Direction

A written document instructing officials how to prepare accounts.

## Accruals Accounting

A method of recording expenditure as it is incurred (i.e. when the activity which generates the costs arises), and income as it is earned, rather than when cash is paid or received. This method of accounting is now used in the UK throughout the public and private sectors (with the exception of very small charities and businesses). In the public sector context it is also sometimes known as 'Resource' accounting. UK Government Budgets (the DEL and AME limits) are also set in accruals rather than cash terms, and although departments still have to forecast cash movements, they are free to seek as high a cash requirement in their Estimates as is necessary to support the accruals budgets allocated.

The principal advantage of accruals accounting over cash accounting (where cash movements are all that is recorded) is that accruals accounting allows better financial management and scrutiny by:

- \* matching expenditure in any period to revenues earned and obligations incurred in that period; and

- \* matching the cost of assets to the period in which they are used or consumed, by charging depreciation on them.

## Administration budget

Budget limits controlling the resources set aside for the running costs (largely staff and associated costs) of a government department, and which form part of its Resource Departmental Expenditure Budget (DEL). Administration budgets are ring-fenced budgets, set at the time of a Spending Review. The other part of the Resource DEL, outside of the Administration Budget is referred to as programme expenditure. If the department's administration budget is breached, the department's accounts will be qualified by the auditor (see qualified accounts).