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NATIONAL INSTITUTE FOR RESEARCH IN NUCLEAR SCIENCE

GENERAL PURPOSES COMMITTEE

Institute Accounts

Note by Sir Donald Perrott

The governing body is invited to consider the points raised in this paper and to authorise the Chairman and/or Sir Donald Perrott to conclude arrangements in accordance with the recommendations, subject to any amendment emerging in the course of discussions.

Clause 12 of the Charter reads as follows:-

"The Accounts of the Institute shall be made up for each financial year ending on the 31st day of March, and shall be prepared, audited and submitted to the United Kingdom Atomic Energy Authority in such manner and at such times as the Lords Commissioners of our Treasury may direct".

We shall now take the initiative with the Treasury in proposing to them the form in which their directive should be issued. We have to decide:-

(1) The form of the Accounts, and any special principles on which they should be based.

(2) How to deal with expenditure incurred before the Institute received its Charter.

(3) Arrangements for audit.

Form of Accounts

2. It seems appropriate that in order that the cost of its operations should be properly known, the Institute should maintain accounts in a substantially commercial form. This will involve an Operating Account and a Balance Sheet. There should however be no provision in the accounts for interest on capital. This is in line with the practice at Universities, and seems more appropriate to the circumstances of the Institute than the practice of charging interest which is generally followed in Government trading accounts and in the Atomic Energy Authority accounts.

Initial Period

3. The Institute has been in effective operation since March 1957, but had no legal existence until the 23rd June, 1958, the date of the Charter. Expenditure before that date remains at present on the Authority's books. This is, however, Institute expenditure, and in order that a correct picture of the Institute's position should be presented, it should be treated as such. It has not been possible to trace any precedents for this situation, as most bodies of the kind had had a separate legal existence (e.g. as a Company limited by guarantee) before the date of the Royal Charter.

4. In these circumstances the best course seems to be that the governing body should by a formal resolution recognise the expenditure incurred on behalf of the Institute by the Atomic Energy Authority during the period from March 1957 to 22nd June, 1958; and that that expenditure should be reflected in the first accounts of the Institute which will cover the period 23rd June, 1958 to 31st March, 1959.

Audit

5. The appointment of a professional firm of auditors is not precluded by the terms of the Charter. But the Authority are audited by the Comptroller and Auditor General, and all the circumstances suggest that that would be the most appropriate arrangement for the Institute. It will be necessary for the Treasury to ask the Comptroller and Auditor General to undertake the audit of the Institute's accounts as an extra-statutory audit.

Summary of Recommendations

6. (1) In addition to the records necessary for Parliamentary accounting the Institute should also prepare accounts in substantially commercial form comprising an Operating Account and a Balance Sheet.

(2) No charge for interest on the Institute's capital should be included in their accounts.

(3) Expenditure on the Institute before 22nd June, 1958, should be reflected in the Institute's first annual accounts, after the formal resolution by the governing body recognising the expenditure and authorising that this should be done.

(4) The Institute's accounts should be audited by the Comptroller and Auditor General.

7. The governing body is invited to approve these recommendations and to authorise an approach to the Treasury accordingly.