

Security and Intelligence Agencies

Financial Statement 2020-21

For the period 1 April 2020 to 31 March 2021

Presented to the House of Commons pursuant to Section 6(4) of
the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 16 December 2021

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Introduction

This Statement summarises the use of resources by the Security and Intelligence Agencies ('the Agencies') for the year ending 31 March 2021. Each of the Agencies produces its own full set of Annual Reports and Accounts in accordance with the Government Financial Reporting Manual and HM Treasury directions but, for reasons of national security, they are not published. They are audited by the Comptroller and Auditor General and shown to the Chair of the Public Accounts Committee in accordance with the procedure for handling such material set down by the relevant Secretary of State under the Intelligence Services Act 1994. In line with these arrangements this Statement comprises only a Statement of Outturn against Parliamentary Supply and Consolidated Statement of Net Expenditure together with appropriate notes and a Governance Statement.

Accountability Report

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Security and Intelligence Agencies to prepare, for each financial year, a Financial Statement detailing the resources acquired, held, or disposed of during the year and the use of resources by the Agencies during the year.

The individual Agency accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency's applications of resources, changes in taxpayers' equity, cash flows and net resource outturn by way of a note for the financial year.

For reasons of national security, these accounts are not published. They are audited by the Comptroller and Auditor General and shown to the Chair of the Public Accounts Committee in accordance with the procedure for handling such material set down by the Secretary of State under the Intelligence Services Act 1994.

As a consequence of these arrangements, HM Treasury has directed that a Financial Statement should be published in accordance with Section 5 (2) of the Government Resources and Accounts Act 2000, and that this should comprise only a Statement of Outturn against Parliamentary Supply and Consolidated Statement of Net Expenditure together with appropriate notes.

In preparing the Financial Statement, the Accounting Officer is required, within the limitations imposed by the interests of national security, to comply with the Government Financial Reporting Manual prepared by HM Treasury, and in particular to:

- i. observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii. make judgements and estimates on a reasonable basis;
- iii. state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statement;
- iv. prepare the Financial Statement on a going concern basis; and
- v. confirm that the Financial Statement as a whole is fair, balanced and understandable and take personal responsibility for the Financial Statement and the judgements required for determining that it is fair, balanced and understandable.

The responsibilities of an AO, including responsibility for the propriety and regularity of the public finances for which the AO is answerable, for keeping proper records and for safeguarding the Security and Intelligence Agencies' assets, are set out in HMT's Managing Public Money.

Accounting Officer's Declaration

I consider there to be no relevant audit information of which the National Audit Office (NAO) auditors have not been made aware. I have taken all steps necessary to make myself aware of any relevant audit information and to establish that NAO auditors are aware of that information.

I can confirm that the financial statement as a whole is fair, balanced and understandable and that I take personal responsibility for the financial statement and the judgement required for determining that it is fair, balanced and understandable.

A handwritten signature in black ink that reads "Stephen Lovegrove". The signature is written in a cursive style and is positioned to the left of a vertical line.

Sir Stephen Lovegrove
National Security Adviser
6 December 2021

Governance Statement

Scope of Responsibility

This Governance Statement for the period ending 31 March 2021, covers the Single Intelligence Account (SIA), which is the funding vehicle for the Security and Intelligence Agencies (the Agencies): the Secret Intelligence Service (SIS), Government Communications Headquarters (GCHQ) and the Security Service (MI5).

The SIA is managed differently to accounts in other parts of Government. The Prime Minister has overall responsibility for intelligence and security matters and is accountable to Parliament for matters affecting the Agencies collectively. The Agency Heads have a statutory duty to provide annual reports on the work of the Agencies directly to the Prime Minister as well as to their respective Secretaries of State, and may at any time report to either of them on any matter relating to their work¹.

The Secretary of State for Foreign, Commonwealth and Development Affairs is the responsible Secretary of State for SIS and GCHQ,² and the Secretary of State for the Home Office for MI5³. The Agencies ensure that the appropriate Secretary of State is briefed on matters that could become the subject of Parliamentary or public interest and on issues, which they need to be aware of in discharging their wider Ministerial responsibilities. There are well-established arrangements for seeking Ministerial clearance for operations when required.

In line with the responsibility assigned to Accounting Officers in Managing Public Money, the National Security Advisor (NSA) acts as Principal Accounting Officer (PAO) to ensure that the SIA operates effectively and efficiently in support of national security policies, aims and objectives. The Heads of the Agencies are each Accounting Officers (AOs) in their own right, with delegated authority from the PAO.

Sir Mark Sedwill, the previous Cabinet Secretary and NSA, was PAO for the Security and Intelligence Agencies until 8 September 2020. Simon Case replaced Sir Mark Sedwill as Cabinet Secretary on 9 September 2020 and was subsequently appointed by HM Treasury as the PAO for the Security and Intelligence Agencies. Sir Stephen Lovegrove was appointed as NSA on 12 April 2021, and replaced Simon Case in the role of PAO.

¹ s2(4) The Security Service Act 1989; s2(4), s4(4) The Intelligence Services Act 1994

² s1(1), s3(1), The Intelligence Services Act 1994

³ s1(1) The Security Service Act 1989

Legal and Parliamentary oversight

The Agencies' operations are conducted within a framework of legislation that defines their roles, activities, and arrangements for their oversight. The main statutes are the Security Service Act 1989, the Intelligence Services Act 1994, the Regulation of Investigatory Powers Act 2000 (RIPA), the Justice and Security Act 2013, and the Investigatory Powers Act 2016 (IPA 2016).

The oversight framework for investigatory powers helps to ensure that public authorities, including the Agencies, act in ways that are compatible with the Human Rights Act 1998. The Investigatory Powers Tribunal was established in October 2000 under RIPA and provides a right of redress for anyone who believes they have been a victim of unlawful action by a public authority improperly using covert investigative techniques. The Tribunal is also the appropriate forum to consider claims brought against the Agencies alleging the infringement of human rights.

The IPA 2016 created the Investigatory Powers Commissioner role, to approve and oversee the use of investigatory powers by public authorities. The Investigatory Powers Commissioner, Sir Brian Leveson, assumed his responsibilities on 21 October 2019 and is responsible for the constitutional function of independently balancing the public interest and the rights of the individual, particularly in assessing when it is justifiable for these rights to be interfered with. The Investigatory Powers Commissioner has assumed the functions of the former Intelligence Services Commissioner, Chief Surveillance Commissioner, and Interception of Communications Commissioner, as well as additional functions provided for by the IPA 2016.

Parliamentary oversight of the three Intelligence Agencies is provided by the Intelligence and Security Committee (ISC), which examines the expenditure, administration and policy of the Agencies⁴. The ISC can also oversee certain operational matters in specific circumstances, subject to the parameters set out in the Memorandum of Understanding between the Government and the ISC⁵. The ISC's independence from Government was enhanced in July 2013 with the Justice and Security Act which makes the ISC a statutory Committee of Parliament and formalises its remit⁶. Additionally, the Chair of the House of Commons' Public Accounts Committee sees the Annual Report and Accounts of the Agencies through the NAO.

The Governance Framework

Financial responsibility for the SIA lies with the NSA as the PAO. The Prime Minister and the NSA are supported in their engagement with the Agencies by a small team in the Cabinet Office, which includes a professional accountant. The governance at the centre is complemented by comprehensive governance structures in each of the three Agencies.

There are different governance arrangements in place for the Agencies to ensure appropriate oversight and accountability for Agency spending, without compromising the need for operational secrecy necessary to protect national security. Special arrangements have been agreed for the implementation of the Government's transparency agenda by the Agencies. To help drive good financial management, the Agencies are required to produce all the data required of other government departments for the transparency agenda and share it with the relevant teams in HMT and the Cabinet Office. However, this data is not published because of risks to national security. In line with other

⁴ s10 Intelligence Services Act 1994

⁵ s2(2) Justice and Security Act 2013

⁶ Part 1 Justice and Security Act 2013

departments, the Agencies are also required to produce and maintain a business plan. These plans are discussed with the ISC at a strategic level and there is regular reporting from the Agencies to the ISC.

As with other departments, where specific investment plans either exceed the delegated financial authority given to Agency Heads by the Chief Secretary to the Treasury through the PAO or fall within the HMT definition of complex, Agency Heads must seek prior approval from the PAO & HMT. For reasons of national security, the Cabinet Office runs parallel arrangements for the Agencies, through the Deputy National Security Adviser (DNSA), with regard to the Cabinet Office controls. Within these arrangements, the Agencies ensure that taxpayers get the best possible value from SIA spending whilst protecting operational sensitivities.

Each of the Agencies produces their own Annual Report and Accounts and these are independently audited, in full, by the Comptroller and Auditor General. The Agencies also produce their own Governance Statements which reflect their individual circumstances. For this reason, this Governance Statement focuses on the SIA level structures and aggregated risk position, making reference to the individual statements of the Agencies as necessary.

The Agency Heads, supported by Deputies, meet regularly to discuss strategic issues affecting the Agencies. Each Agency also has their own Board which comprises both the senior management and Non-Executive Directors, and an Audit and Risk Assurance Committee, which meet regularly. The Cabinet Office-led structures in place outlined below enable effective management of finances and complement those of the Agencies.

Cabinet Office Governance of the Security and Intelligence Agencies

The Financial Steering Group (FSG) is the highest level of financial and performance governance and is made up of the NSA (Chair), Agency Heads, the DNSA, an HMT representative and Agency Finance Directors. The Group meets a minimum of three times a year, and provides the opportunity for the PAO to meet with their Accounting Officers and discuss key financial and strategic issues, such as the setting of future budgets, business and associated financial risks, progress on efficiency plans and in-year financial management. The FSG also considers significant cross-SIA collaborative investments and efficiencies. In 2020-21, the FSG met three times in June 2020, September 2020 and March 2021, chaired by the then Cabinet Secretary, Sir Simon Case.

The Performance and Risk Review (P&RR) is a new forum for the NSA to hold the Agency Heads to account on their financial and strategic performance for their individual organisations. As such, there will be three meetings each quarter with each agency head in turn, DG MI5, 'C' and Director GCHQ, and all three will be chaired by the NSA. The first P&RR took place just after this accounting year in June 2021.

Frequent working-level meetings support these structures. Each month, the Cabinet Office chairs a meeting of Agency Finance Directors to monitor financial management and risk. The Cabinet Office also chairs a monthly meeting with representatives from across the Agencies and HMT to provide peer review and discussion of the spending forecasts, cash management, and application of HMT policy papers.

Governance of the National Cyber Security Programme (NCSP)

This Governance Statement also covers £292m investment in the NCSP in 2020/21. The NCSP is managed by a team in the Cabinet Office, which reports to the DNSA, who is the Senior Responsible Owner (SRO) for the fund. NCSP funding is allocated to support the National Cyber Security Strategy 2016-2021 and uses a governance framework set up to ensure performance against delivery. The National Cyber Strategy is currently being updated to reflect the aims of the Integrated Review and will be published on 15 December 2021.

The National Cyber Security Strategy and the National Security Council guide the NCSP's strategic direction. Accountable Departments must submit business cases for approval by the Cabinet Office Programme Board before resources are released. The NCSP works with the Infrastructure and Projects Authority (IPA) and follows good practice set out by the NAO to ensure this programme is being managed effectively and delivers value for money.

Compliance with the 'Corporate governance in central government departments: code of good practice' (2017)

The individual Agencies follow the principles of the 'Corporate governance in central government departments: code of good practice' (2017) where relevant and practicable. Any areas of departure are set out in each of the Agency's own governance statements. The Agencies collectively are not a ministerial department and so are not accountable to Parliament in the way described by the Code. Parliamentary oversight mechanisms are as described above. As each Agency has its own Accounting Officer, there is no SIA management board as described by the Code. The FSG (see above) has responsibility for those financial issues requiring Cabinet Office oversight or co-ordination.

Information Security and Protection

No information security incidents were reported to the Information Commissioner's Office during 2020-21.

Risk Assessment

The Cabinet Office regularly discusses individual Agency and cross-SIA strategic and financial risks with Agency Finance Directors, working-level Agency finance contacts and HMT, which inform the discussion with the NSA at the FSG. The Agencies formally report their top risks to the NSA through the Accounting Officer's Quarterly Report which is prepared for review and discussion at each FSG meeting. These look at the key business, strategic and financial risks faced by the Agencies and include the risks to delivery of their collaborative transformation programmes, their missions, their efficiencies targets set at SR15 and SR20, and their underpinning core capabilities.

Accounting Officer Systems Statement

A separate Accounting Officer Systems Statement has not been produced for the SIA as it has been judged that all the relevant information, within national security constraints, is contained within the Governance Statement.

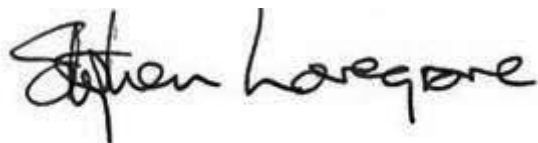
Review of the Effectiveness of Risk Management and Internal Control

As PAO for the SIA, I have responsibility for reviewing the effectiveness of governance structures. I have been provided with the full, unpublished, versions of the individual Agency Governance Statements. I am content that these Governance Statements represent a true picture of each Agency's position.

I, and my teams in the Cabinet Office, conduct monthly and quarterly reviews of the agencies at both working and senior levels. We are working with UKIC on a number of areas of financial management that have been identified for improvement.

During the first quarter of this year, prior to my appointment on 12 April 2021, I held a number of meetings with my predecessor, which enabled me to gain the requisite assurance over the level of agency oversight and to understand any issues, which he considered important to raise with me.

I am seeking to further improve oversight at a senior level by conducting the aforementioned quarterly Performance and Risk Reviews. These will allow me to question individual agency heads, at length, on financial matters and to put in place appropriate performance measures and key performance indicators in all three agencies



Sir Stephen Lovegrove
National Security Adviser
6 December 2021

Parliamentary Accountability and Audit Report (Audited)

Statement of Outturn against Parliamentary Supply

Summary of Resource and Capital Outturn 2020-21
(All figures presented in £000s)

| Type of Expenditure | Estimate | | | Outturn | | | Outturn vs Estimate saving/(excess) | | Prior Year Outturn Total 2019-20 |
|---------------------------------------|------------------|-----------|------------------|------------------|-----------|------------------|-------------------------------------|---------------|----------------------------------|
| | Voted | Non-Voted | Total | Voted | Non-Voted | Total | Voted | Total | |
| Departmental Expenditure Limit | | - | | | | | | | |
| Resource | 2,901,202 | - | 2,901,202 | 2,859,811 | - | 2,859,811 | 41,391 | 41,391 | 2,755,052 |
| Capital | 810,041 | - | 810,041 | 794,967 | - | 794,967 | 15,074 | 15,074 | 636,423 |
| Total | 3,711,243 | - | 3,711,243 | 3,654,778 | - | 3,654,778 | 56,465 | 56,465 | 3,391,475 |
| | | | | | | | | | |
| Annually Managed Expenditure | | | | | | | | | |
| Resource | 39,050 | - | 39,050 | 18,744 | - | 18,744 | 20,306 | 20,306 | 438 |
| Capital | - | - | - | - | - | - | - | - | - |
| Total | 39,050 | - | 39,050 | 18,744 | - | 18,744 | 20,306 | 20,306 | 438 |
| | | | | | | | | | |
| Total Budget | | | | | | | | | |
| Resource | 2,940,252 | - | 2,940,252 | 2,878,555 | - | 2,878,555 | 61,697 | 61,697 | 2,755,490 |
| Capital | 810,041 | - | 810,041 | 794,967 | - | 794,967 | 15,074 | 15,074 | 636,423 |
| Total Budget Expenditure | 3,750,293 | - | 3,750,293 | 3,673,522 | - | 3,673,522 | 76,771 | 76,771 | 3,391,913 |
| | | | | | | | | | |
| Non-budget Expenditure | 16,400 | - | 16,400 | 16,161 | - | 16,161 | 239 | 239 | - |
| | | | | | | | | | |
| Total Budget and Non-Budget | 3,766,693 | - | 3,766,693 | 3,689,683 | - | 3,689,683 | 77,010 | 77,010 | 3,391,913 |

Security and Intelligence Agencies

Financial Statement 2020-21

Net Cash Requirement 2020-21

£000

| 2020-21 |
|----------|
| Estimate |

| |
|------------------|
| 3,386,143 |
|------------------|

| 2020-21 | | 2019-20 |
|------------------|---|-----------|
| Outturn | Outturn compared with Estimate saving/ (excess) | Outturn |
| 3,139,866 | 246,277 | 2,936,579 |

Administration Costs 2020-21

£000

| 2020-21 |
|----------|
| Estimate |

| |
|---------------|
| 80,058 |
|---------------|

| 2020-21 | | 2019-20 |
|---------------|---|---------|
| Outturn | Outturn compared with Estimate saving/ (excess) | Outturn |
| 75,159 | 4,899 | 77,541 |

Figures in the areas outlined in bold are voted totals subject to Parliamentary control

Notes to the Statement of Outturn against Parliamentary Supply

For the Year ended 31 March 2021

Reconciliation of outturn to net operating expenditure

| | 2020-21 | 2019-20 |
|---|-----------|-----------|
| | £000 | £000 |
| Total resource outturn in Statement of Outturn against Parliamentary Supply | 2,878,555 | 2,755,490 |
| Add Other Net Adjustments | 209,037 | 183,631 |
| Less Income Payable to the Consolidated Fund | (1,516) | (604) |
| Net Operating Costs in Consolidated Statement of Net Expenditure | 3,086,076 | 2,938,517 |

Reconciliation of net outturn to net cash requirement

| | Estimate | Outturn | Net total outturn compared with Estimate saving/(excess) |
|--|-----------|-----------|---|
| | £000 | £000 | £000 |
| Resource Outturn | 2,940,252 | 2,878,555 | 61,697 |
| Capital Outturn | 810,041 | 794,967 | 15,074 |
| Accruals to cash adjustments: | | | |
| <i>Adjustments to remove non-cash items</i> | (514,150) | (514,150) | 0 |
| <i>Other Net Adjustments</i> | 0 | 2,155 | (2,155) |
| <i>Adjustment to reflect movements in working balances</i> | 150,000 | (21,661) | 171,661 |
| Net Cash Requirement | 3,386,143 | 3,139,866 | 246,277 |

Income Payable to the Consolidated Fund

Analysis of Income Payable to the Consolidated Fund

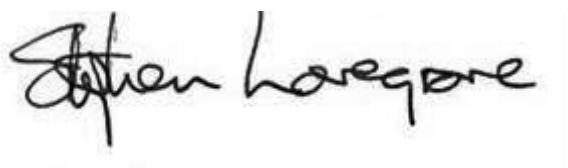
In addition to income retained by the department, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

| | Outturn 2020-21 | | Outturn 2019-20 | |
|--|-----------------|---------------------|-----------------|-------------------|
| | Income | <i>Receipts</i> | Income | <i>Receipts</i> |
| | £000 | £000 | £000 | £000 |
| Income outside the ambit of the estimate | 1,383 | <i>1,383</i> | 513 | <i>513</i> |
| Excess cash surrenderable to the consolidated fund | 133 | <i>133</i> | 91 | <i>91</i> |
| Total income payable to the Consolidated Fund | 1,516 | <i>1,516</i> | 604 | <i>604</i> |

Parliamentary Accountability Disclosures (Audited)

Losses and Special Payments

| | 2020-21 | 2020-21 | 2019-20 | 2019-20 |
|------------------------------------|--------------|---------|--------------|---------|
| | No. of cases | £000 | No. of cases | £000 |
| Losses and Special Payments | 2,812 | 27,641 | 1,586 | 32,650 |
| Total | 2,812 | 27,641 | 1,586 | 32,650 |



Sir Stephen Lovegrove
National Security Adviser
 6 December 2021

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**Opinion on the financial statement**

I certify that I have audited the financial statement of the Security and Intelligence Agencies for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statement comprises the Consolidated Statement of Net Expenditure and the related notes. The financial statement has been prepared under the accounting policies set out within it.

I have also audited the Statement of Outturn against Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statement:

- properly presents the Security and Intelligence Agencies' net operating expenditure for the year ended 31 March 2021; and
- has been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury direction issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statement conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statement section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Security and Intelligence Agencies and the Cabinet Office in accordance with the ethical requirements that are relevant to my audit of the financial statement in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statement, I have concluded that the Security and Intelligence Agencies' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Security and Intelligence Agencies' ability to continue as a going concern for a period of at least twelve months from when the financial statement is authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Introduction and the Accountability Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statement and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statement does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statement, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statement.

Matters on which I report by exception

In the light of the knowledge and understanding of the Security and Intelligence Agencies and their environment obtained in the course of the audit, I have not identified material misstatements in the Introduction and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statement and the part of the Accountability Report to be audited is not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statement

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statement in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Security and Intelligence Agencies' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Security and Intelligence Agencies will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statement

My responsibility is to audit, certify and report on the financial statement in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Security and Intelligence Agencies' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Security and Intelligence Agencies' policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Security and Intelligence Agencies' controls relating to the Government Resources and Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the financial statement and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
- obtaining an understanding of the Security and Intelligence Agencies' framework of authority as well as other legal and regulatory frameworks that the Security and Intelligence Agencies operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Security and Intelligence Agencies. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money, employment law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Security and Intelligence Agencies' Audit Committees and in-house legal counsels concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance at the Security and Intelligence Agencies and the Boards;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- extended testing of revenue transactions in response to the risk of fraud in revenue recognition.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statement have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statement conform to the authorities which govern them.

The financial statement discloses the use of resources by the Security and Intelligence Agencies. As explained in the introduction, for reasons of national security it does not comply fully with International Accounting Standards as interpreted by the HM Treasury's Government Financial Reporting Manual. The unpublished constituent accounts, which I audit in accordance with International Standards on Auditing (UK) are, however, fully compliant. My opinion on each of these is unqualified.

Report

I have no observations to make on this financial statement.

Gareth Davies
Comptroller and Auditor General

13 December 2021

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statement

Consolidated Statement of Net Expenditure

For the Year ended 31 March 2021

| £000 | 2020-21 | 2019-20 Restated |
|------------------------------------|------------------|---------------------|
| Income | (138,279) | (156,188) |
| Total operating income | (138,279) | (156,188) |
| Staff costs | 1,191,825 | 1,184,695 |
| Other costs | 2,032,530 | 1,893,849 |
| Total operating expenditure | 3,224,355 | 3,078,544 |
| Net Operating Expenditure | 3,086,076 | 2,922,356 |



Sir Stephen Lovegrove
National Security Adviser
6 December 2021

Notes to the Consolidated Statement of Net Expenditure**For the Year ended 31 March 2021****1. Statement of accounting policies and disclosure**

This is the consolidated Financial Statement of the individual Security and Intelligence Agencies. This financial statement has been prepared in accordance with the accounts direction issued by HM Treasury under the Government Resources and Accounts Act 2000 and applies, within the limitations imposed by the interests of national security, the relevant requirements of the 2020-21 Government Financial Reporting Manual. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the policy which is judged to be the most appropriate to the particular circumstances of the Agencies for the purpose of ensuring the Financial Statement is presented properly, has been selected.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Basis of consolidation

These accounts are based upon a consolidation of the individual Security and Intelligence Agencies' accounts. Transactions between entities included in the consolidation have been eliminated in accordance with IFRS10 – Consolidated Financial Statements.

2. Prior Period Adjustment

The 2019-20 comparative information has been restated to reflect a prior period adjustment which is consistent with an adjustment required in the relevant individual agency account. The adjustment restates the prior year Statement of Net Expenditure as follows:

| £000 | 2019-20 | Restatement | 2019-20 Restated |
|----------------------------------|------------------|--------------------|-------------------------|
| Income | (156,188) | 0 | (156,188) |
| Total operating income | (156,188) | 0 | (156,188) |
| Staff costs | 1,184,695 | 0 | 1,184,695 |
| Other costs | 1,910,010 | (16,161) | 1,893,849 |
| Total Operating Expenditure | 3,094,705 | (16,161) | 3,078,544 |
| Net Operating Expenditure | 2,938,517 | (16,161) | 2,922,356 |

3. Events after the reporting period

There are no reportable events after the reporting period. These accounts have been authorised for issue by the Principal Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate

Table 2 - Administration budget for the Security and Intelligence Agencies

| | £'000 | | | | | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | |
| | OUTTURN | OUTTURN | OUTTURN | OUTTURN | OUTTURN | PLANS | PLANS | PLANS | PLANS | |
| Security and Intelligence Agencies | 67,194 | 69,961 | 73,486 | 77,541 | 75,159 | 82,250 | 91,700 | 95,500 | 99,000 | |
| Total administration budget | 67,194 | 69,961 | 73,486 | 77,541 | 75,159 | 82,250 | 91,700 | 95,500 | 99,000 | |

