



Financial Reporting Advisory Board Paper

Government Financial Reporting Review – Progress update

Issue:	This paper provides the Board with an update on the Government Financial Reporting Review, the command paper which reviews progress since <i>Simplifying and Streamlining</i> and includes (as an annex) detailed responses to the recommendations made by the Public Administration and Constitutional Affairs Committee (PACAC) in <i>Accounting for Democracy</i> .
Impact on guidance:	The actions emerging from the Review include a number of prompts for the planned zero-based review of the Financial Reporting Manual, particularly on performance reporting in annual reports and accounts. This will impact on the draft 2020-21 FReM to be published in December 2019, and potentially on future PES papers.
IAS/IFRS adaptation or interpretations?	n/a
Impact on WGA?	Updates to the FReM may impact on WGA.
IPSAS compliant?	n/a
Impact on budgetary regime?	Revisions to guidance will stress the ongoing importance of budget-Estimates-annual reports and accounts alignment.
Alignment with National Accounts (ESA10)?	Revisions to guidance will stress the ongoing importance of budget-Estimates-annual reports and accounts alignment.
Impact on Estimates?	Revisions to guidance will stress the ongoing importance of budget-Estimates-annual reports and accounts alignment.
Recommendation:	The Board is asked to note the publication of the 'Government financial reporting review'. Board members who contributed to this project are warmly thanked for sharing their time and ideas. The Board is asked to consider its own role to support continuous improvement in the future of government financial reporting, and Board members are encouraged to make suggestions and be involved in the next steps arising from the Review.
Timing:	The report was shared with PACAC in the week commencing 25 March, and laid before Parliament on 3 rd April 2019.

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DETAIL

Background

1. HM Treasury has published the planned review of government financial reporting that followed PACAC's report on government accounts.
2. PACAC publicly challenged HM Treasury to respond within 6 months, a target met between the start of the process in September 2018 and the final report being shared with PACAC in the last week of March 2019.
3. Throughout this review HM Treasury has worked closely with the Cabinet Office as they have been updating guidance on single departmental plans for the 19/20 planning round.
4. The work has also been supported by an Advisory Board chaired by the Director, Public Spending, and including representatives from departments, corporate reporting experts, Parliamentary Scrutiny Unit, and (at the request of PACAC) two external bodies, the Institute for Government (IfG) and Full Fact. An NAO representative attended meetings as an observer.
5. The Advisory Board included several FRAB members who contributed their expertise, knowledge and insights on the future of reporting.
6. A separate Departmental Sub-Group provided insights from those responsible for preparing government financial reports. The project oversight board included Finance Leadership Group representation and HM Treasury engaged with the wider Finance Function through a workshop at the Conference in January 2019.
7. The report explores the purpose and principles of government financial reporting, building responses to the underlying concerns expressed by PACAC and marking out ideas to support future improvements.
8. It also includes more than thirty best practice examples as the basis for those future improvements.

Report and recommendations

9. The full Government Financial Reporting Review is 38k+ words long, and includes:
 - An introduction (Chapter 1),
 - A summary of key developments in government financial reporting (Chapter 2),
 - A discussion of the purpose and principles of government financial reporting (Chapter 3),
 - A map of all the core external reports that make up the Spending Review and annual reporting cycle, with supporting narrative (Chapter 4) and a data table giving further details (Annex B),

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- A discussion of trust in reporting, showing how users can take assurance over government financial reports (Chapter 5),
- A review of progress since Simplifying and Streamlining, giving best practice examples (Chapter 6),
- A further collection of new best practice examples to form the basis of future improvement (Chapter 7),
- A discussion of next steps (Chapter 8) and a table summarising all of the actions and recommendations arising from this report (Annex C), and
- A detailed response to each PACAC recommendation, building from and referring to the principles and best practice shared in the report (Annex A).

10. The Review states that, to improve government financial reporting, HM Treasury will:

- Carry out a zero-based review of the guidance for departments producing annual reports and accounts, the [Financial Reporting Manual](#), which will be overseen by the independent Financial Reporting Advisory Board,
- Establish a bank of best practice examples to support departments improving their reports which will be accessible to preparers of annual reports and accounts, and will be updated on a regular basis,
- Engage with departments to share the findings of the review and support continuous improvement,
- Publish the map of the financial reporting landscape online and look for other ways to help users navigate financial reports,
- Monitor the financial reporting landscape and update the map of the financial reporting landscape so it remains relevant,
- Carry out regular thematic reviews on specific issues in financial and performance reporting, and
- Establish a group of external users of annual reports and accounts to meet twice a year and share feedback to help those preparing government financial reports better meet their needs.

11. A number of detailed recommendations, most identifying a theme or point that should be considered during the zero-based review of the Financial Reporting Manual, are set out at the end of each chapter of the report and compiled into Annex C.

12. As these new ideas are developed and implemented, HM Treasury will be inviting FRAB to expand their role and consider the quality of government financial reporting more broadly. Whether it is refining the map of financial reporting, revising the FReM, suggesting topics for thematic reviews or new ways to use best practice examples, FRAB members will have many opportunities to be involved and their expertise is welcomed.

Next steps

13. HM Treasury will now follow through on the actions listed in the report.

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Recommendation

The Board is asked to note the publication of the 'Government financial reporting review'. Board members who contributed to this project are warmly thanked for sharing their time and ideas. The Board is asked to consider its own role to support continuous improvement in the future of government financial reporting, and Board members are encouraged to make suggestions and be involved in the next steps arising from the Review.

HM Treasury
4th April 2019