



HM Treasury

UPAG 1 (4)

# **Government Financial Reporting Review**

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Thematic reviews

# Thematic reviews - background

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- In the Government Financial Reporting Review, HMT committed to carrying out regular thematic reviews focussing on different issues in government financial reporting to help support ongoing improvement.
- Based on feedback from both departmental preparers and users on potential topic areas, the first two reviews were undertaken in summer 2019 and considered:
  - Parliamentary accountability and reporting against the Estimate
  - IFRS 9 and 15 implementation and reporting

# Statement of Parliamentary Supply (SoPS) thematic review

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Given informal feedback from departments, HM Treasury decided to carry out a thematic review of the SoPS and how reporting on outturn against Estimate could be improved.

## Work performed

We researched best practice and completed a desktop review of 30 ARAs, in order to develop draft proposals.

We liaised with a number of stakeholders, including internal HMT technical teams, parliamentary liaison clerks and departments to further refine proposals.

The proposals were then included in the public consultation, which provided an opportunity for a broader array of preparers and users to input.

## Proposals and conclusions

The potential to change the SoPS is limited, given it must mirror the form of the Estimates.

However, where possible, improvements to SoPS reporting were proposed. This was complemented by more significant changes to the performance report (which also encompassed recommendations arising from the GFR review).

FRAB approved final proposals for updating reporting and these have been included in the 20/21 FReM.

# Post implementation review of IFRS 9 and IFRS 15 thematic review

## Overview

- IFRS 9 *financial instruments* and IFRS 15 *revenue from contracts with customers* are the most significant changes in financial standards in recent recent years and the implementation has been a major reporting challenge for the whole of the public sector
- The Treasury is the relevant authority for central government financial reporting and leads the implementation process for new financial standards

## Work performed (summer and autumn 2019)

- Feedback from preparers of ARAs was requested via an online questionnaire, focusing on the four year implementation process led by the Treasury and some questions on self-review
- Feedback from users of ARAs was requested also via an online questionnaire into the quality of disclosures contained in ARAs
- The Treasury undertook a desktop review into 30 ARAs looking at the disclosures in the ARAs
- The Treasury liaised with a number of stakeholders, including the NAO, the scrutiny unit and think tanks to get further feedback
- A workshop was held in October on the draft findings and next steps from the review and everyone who responded to either survey was invited

# Post implementation review of IFRS 9 and IFRS 15 thematic review - continued

## Overall findings and conclusions:

- *Positive response to implementation plan:* the feedback from the preparers' questionnaire gave positive responses for both the timing and content of the Treasury implementation process and associated guidance
- *No new adaptations needed:* neither the questionnaires nor the desktop review found any need for further amendments to the existing adaptations and interpretations for IFRS 9 or IFRS 15
- *The implementation plan was effective:* this review suggests that the implementation process led by the Treasury was effective for implementation of IFRS 9 and IFRS 15 in central government
- *Improvements can be made:* this review has identified areas where improvements to the implementation plans for new standards can be made which are set out in the next steps
- *Limited focus on entities plans:* entities' individual implementation plans were not looked at as part of this review

## Areas for improvement or review:

- *Earlier publication of the application guidance:* preparers indicated that earlier publication of the application guidance would have enabled more opportunity to review it before the year end preparation process
- *Budgeting guidance:* where relevant additional budgeting guidance would benefit preparers of ARAs
- *Communication of a forward plan:* Key features of the implementation timeline was not fully understood by all
- *More disclosure guidance:* access to more guidance and examples relating to disclosures would have been beneficial to preparers of ARAs, especially in the first year of implementation
- *External guidance and the NAO:* entities used multiple sources of guidance for the implementation of the new standards. The NAO played a vital role, working with entities to ensure compliance with the new standards
- *Training on offer:* positive feedback was received on the content of training but access to training was highlighted by some preparers as an issue
- *Early engagement:* preparers suggested some areas of best practice and areas for improvement within their own entities which focus around the early engagement with the implementation plan

# Thematic reviews – going forward

Suggested future topic areas to cover:

- Risk reporting (FRAB)
- Pension disclosures (FRAB)
- Reporting of major projects (FRAB)
- Average length of tenure in office of all the senior management grades (PACAC)
- Tracking major ministerial commitments (PACAC)
- Other possible areas:
  - ❖ turnover & staff engagement
  - ❖ trend data
  - ❖ performance reporting
  - ❖ new standards (IFRS 16, 17 eventually)
  - ❖ wider financial reporting landscape
- UPAG suggested areas.....