



HM Treasury

Strategic review of the COVID-19 pandemic financial reporting response

Government Financial Reporting team

March 2021

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Ongoing monitoring and review

Executive summary:

The purpose and scope of the review

Methodology and structure of the review

Phase 1 - outlined in 'Initial response'

- Monitor the corona virus pandemic developments, assess potential strategies to aid in the 2019-20 annual reports and accounts (ARAs) preparation, discuss and approve approach, and communicate the guidance and measures to reporting entities

Phase 2 – outlined in 'Post implementation review'

- Evaluate the effectiveness of the 19-20 financial reporting response through surveys, discussions and direct assessment and evaluation.

Phase 3 - outlined in 'Updated response'

- Adjust the approach for 20-21 ARA preparation through discussion, improve and approve approach, and communicate the approach to reporting entities

Phase 4 – outlined in 'Ongoing monitoring and review'

- Ongoing assessment of 20-21 ARA preparation, before post implementation review

Timeline of events

29 January 2020:
First case of
coronavirus
identified in the UK

8 April 2020:
Provisional approval
of reduced reporting
measures from FRAB

20 May 2020:
Issued PES on reduced
reporting measures and
guidance

23 June 2020:
First ARA laid in
parliament

1 September 2020:
Summer recess
ends

19 November 2020:
FRAB approve of
reduced reporting
for 21-22

23 March 2020:
First national
lockdown

4 May 2020: Chief
Secretary to Treasury
writes to Public
Accounts Committee

18 June 2020:
Formal approval of
reduced reporting
measures from FRAB

22 July 2020:
Summer recess
starts

31 October 2020:
Second national
lockdown

14 January 2021:
Annual PES on
ARA preparation
and guidance

Phase 1

Phase 2

Phase 3

Phase 4

Executive summary:

Key findings and proposals

Key findings and proposals

- In response to the additional pressures faced by government entities as a result of the pandemic, HM Treasury (HMT) offered reduced reporting measures and COVID-19 related guidance to preparers for their 2019-20 Annual Report and Account (ARA) preparation. This included reduced performance reporting requirements, extending the administrative deadline to 30 September 2020, deferring the implementation of IFRS 16 and other smaller measures targeted at reducing the reporting burden.
- Overall, preparers considered the guidance and measures offered were effective at reducing the financial reporting burden for their 19-20 ARA preparation. Feedback from preparers indicated they would have benefited from more timely communication of measures and guidance.
- The majority of preparers took advantage of the extension to the administrative deadline. Despite the extension, over a third of central government departments failed to lay their accounts by the later 30 September 2020 administrative deadline. Preparers experienced direct resourcing constraints from the pandemic; as well as delays outside of their control, indirectly through their local component auditors, audit capacity and reporting logistics.
- As the accounting guidance issued in May 2020 was effective, similar guidance for COVID-19 and EU exit was issued via a PES paper in January 2021. Similarly, the reduced reporting measures deemed effective as part of the review, were offered for the 20-21 period. The administrative deadline was returned to 30 June 2021; however, government bodies were able to apply for an extension after consulting their audit committee and the NAO on their revised timetable. IFRS 16 implementation was delayed by a further year to 1 April 2022; however, certain qualifying government bodies had the option to early adopt with advanced approval from HMT.
- Early communication with government bodies and the NAO indicate a similar delayed timetable for laying ARAs in 20-21 with over half of government bodies planning to lay their ARAs after the summer recess. Some preparers will be unable to meet the 30 September 2021 deadline either due to the ongoing pressures from the coronavirus pandemic or due to the delays to the audit of local government pension schemes (a separate issue). HMT has been contacted by a few government bodies planning to adopt IFRS 16 early.
- HMT continues to monitor the effectiveness of the measures and guidance for the 20-21 reporting period and will decide if further measures and guidance will be required in the future.

Initial response: Challenges and measures

Challenges experienced for 2019-20

These were discussed immediately after the announcement of the lockdown in March 2020, and included:

- The resources available to prepare ARAs being reduced as staff members fell sick, self-isolated or were redeployed to meet urgent needs
- Entities being less able to prioritise work on ARAs
- The shift to home working putting a strain on equipment and technology
- Disruptions and a lack operational capacity from outsourced contractors
- Difficulties on the valuation of physical assets; and
- Auditors being unable to perform fieldwork visits to obtain appropriate evidence

Measures agreed for 2019-20

HM Treasury issued guidance and allowed the following measures to support government in reducing the reporting burden, including:

- Offering flexibility to reduce the detail in performance reporting - with a focus on the performance overview covering the key objectives and risks and ensuring appropriate consideration of COVID-19 and EU Exit;
- Extending the administration deadline for laying accounts by three months to 30th September 2020
- Deferring the implementation of IFRS16 for one year until 1 April 2021; and,
- Allowing other smaller measures, including referencing information reported elsewhere, allowing certain rounding in SOPS.

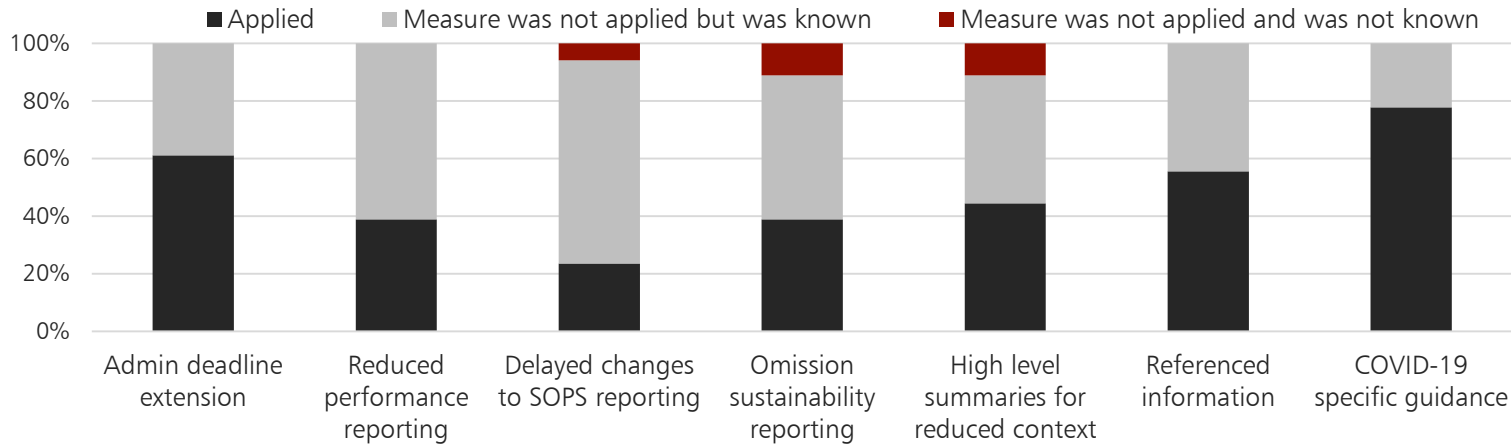
Communication channels

Communicated via a PES Paper with updated guidance on COVID-19 and reduced reporting measures for preparation of ARAs.

Post implementation review: RASIG survey results

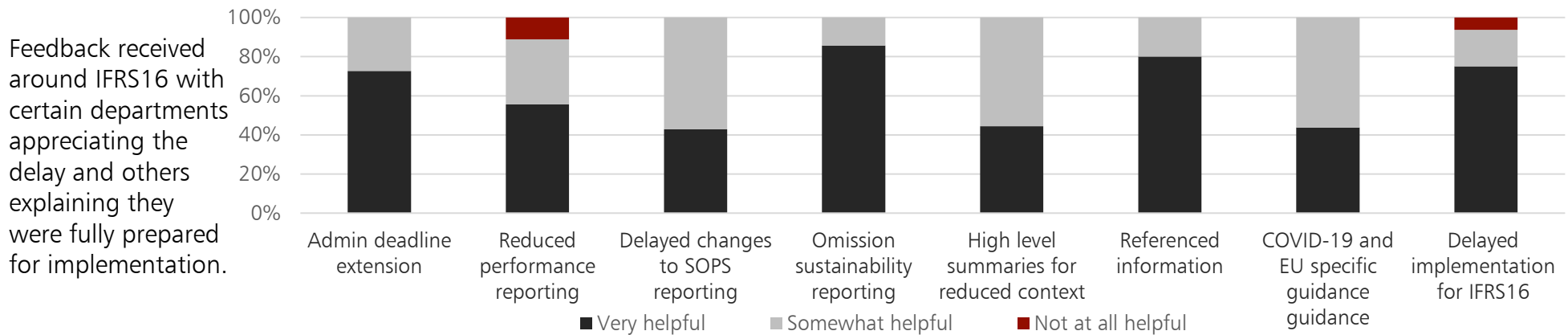
Resource Accounts Special Interest Group (RASIG) Survey
We engaged with government bodies to gather feedback. This included soliciting survey responses from the RASIG network and in-depth discussions with finance functions. 18 bodies responded.

For the 2019-20 reporting period, did the entity make use of the following measures or guidance



Feedback was received on the negative impact of the delayed guidance/measures. Respondents were impacted directly, due to resourcing; and indirectly, from component auditors and audit capacity/logistics.

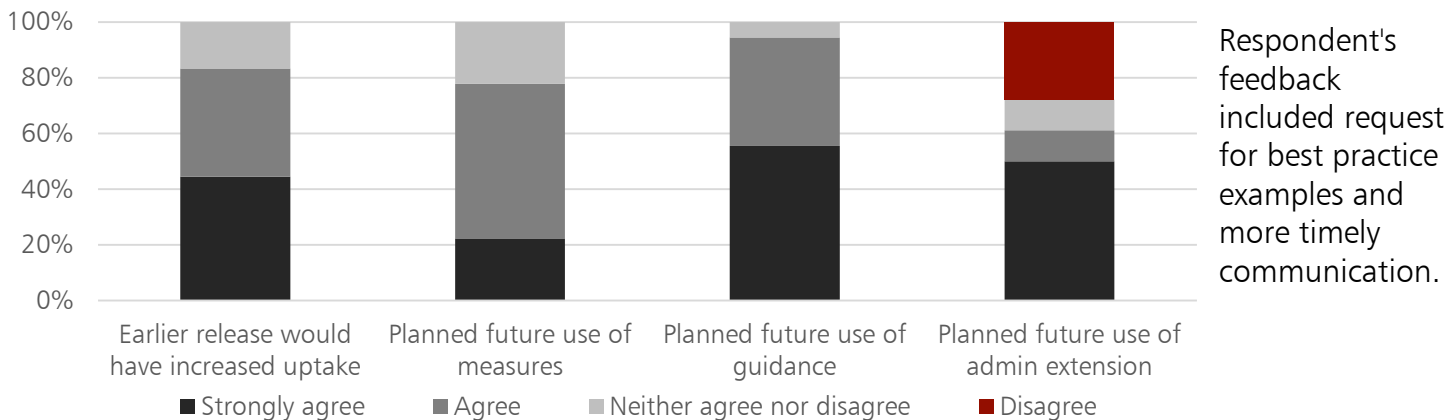
For the 2019-20 reporting period, which measures were helpful at reducing the financial reporting burden



Feedback received around IFRS16 with certain departments appreciating the delay and others explaining they were fully prepared for implementation.

Post implementation review: RASIG survey results and laying dates

Respondents feedback on whether they agreed or disagreed with statements relating to the guidance and measures offered



Other COVID-19 specific issues raised included: going concern for Arm's Length Bodies (ALBs) and the need for associated letters of comfort, the continued impact on staff workloads and the timing of IFRS16 implementation.

For the administrative deadline extension, views included:

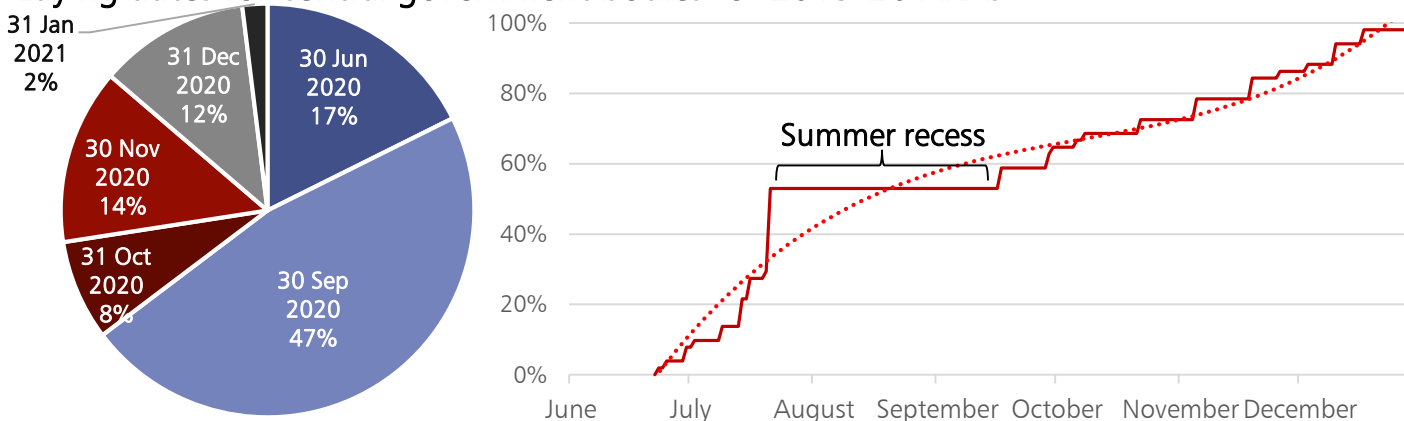
Favourable:

- Convenience of additional reporting time for preparers
- Closer proximity to the reporting deadlines of local government pension schemes which fell within the departmental group

Adverse:

- Impact on finance processes later in the year, including Whole of Government Accounts
- Timeliness of reports to users
- Incentivised to meet deadline

Laying dates for central government bodies for 2019-20 ARAs



Updated response: Performance reporting measures and supplementary guidance

Feedback from 19-20

- Survey **overwhelmingly positive** across most areas; although, a small number of respondents were not aware of all reduced reporting measures being offered (namely on SOPs, sustainability reporting)
- Positive comments: reduced SOPs requirements, performance overviews and referencing
- **No significant detrimental impacts** to ARA stakeholders; however, only a limited time for review has elapsed
- Overall **level of performance reporting was good** based on small sample of ARAs

2020-21 update

- Offering **similar reduced reporting measures** for the performance and accountability report and guidance
- Encourage entities that are able to go above the minimum requirements to provide additional details/disclosure
- FRAB has approved measures and HMT has written to Parliament and anticipate their approval
- Justification: to help preparers manage the reporting impact of COVID-19 and where possible to lay pre-recess
- **Reminder** - Updated 2020-21 FReM following 2019 public consultation

Impact of 2020-21 approach

Positive impact:

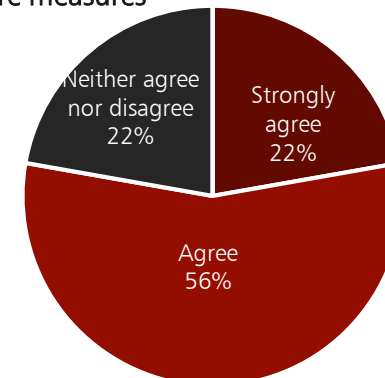
- Allow for government entities to produce ARAs with a reduced reporting burden – offers flexibility

Action Plan – continued support to preparers: including good practise examples, communicate measures early (via early guidance - PES paper & OneFinance) communicating measures offered and common financial reporting issues

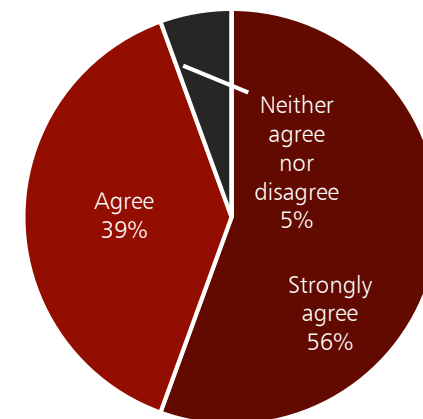
Preparers must engage on the relevant disclosures for COVID-19 and EU-exit with select committees

Government entity would take advantage of planned use of:

Future measures



Future guidance



For Sustainability Reporting, HMT is continuing to engage with Defra to ensure that the public sector continues to improve its sustainability reporting into the future

Updated response: Administrative deadline and IFRS16 implementation

Feedback from 2019-20

Administrative deadline

Mixed feedback on the effectiveness of deferring the admin deadline:

- Positive: more preparation time; matching to local government pension dates for consolidation
- Negative: staff pressure; ARA timeliness; knock-on impact

Successful e-laying process (available for 20-21)

2020-21 approach

Admin deadline set at 30th June with HMT granting extensions (e.g. to 30th September) at a department level (requiring approval from the audit committee and NAO)

Offers flexibility to departments, encourages early planning and promotes timely ARAs

Action Plan: departments should consider reporting schedule early and contact HMT where necessary

Feedback from 2019-20

IFRS16 implementation

Positive feedback reducing the pressure on preparer. Some were ready to implement IFRS16.

Early adopters of IFRS16 provided mixed feedback on the ease of implementation

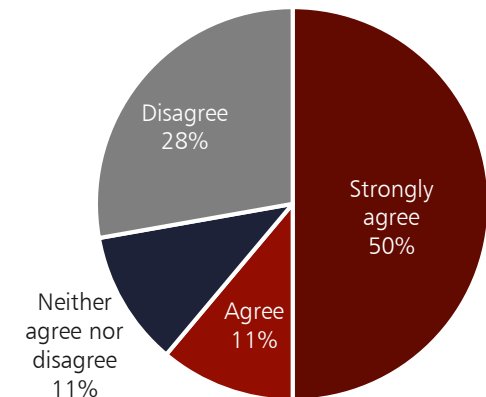
2020-21 approach

Further deferral of IFRS16 until 1 April 2022 (2021-22) with departments able to apply for early adoption

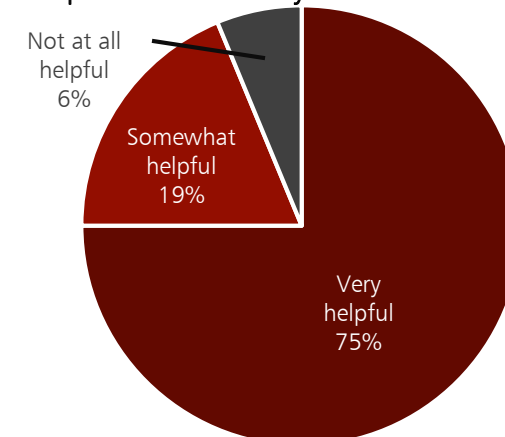
The first deadline (related to Estimates) to apply for early adoption has passed (25 January 2021, FD 20/04)

Action Plan: HMT publishes application guidance, good practise examples, lessons learnt and hosts training sessions

Government entities planning to take advantage of an admin deadline extension in 20-21



Usefulness of IFRS16 implementation delay in 19-20



Ongoing monitoring and review:

Timeline of events:

14 January 2021:
Annual PES on
ARA preparation
and guidance

April 2021:
Updated guidance
and measures via PES

September 2021:
Summer
recess ends

April 2021:
Strategic review of
COVID-19
pandemic
reporting response

July 2021:
Summer
recess starts

November 2021:
Consider the need for
further measures in 21-22

Phase 3

Phase 4

Planned future strategy:

Phase 4 - outlined in 'Ongoing monitoring and review'

- Continue to monitor and assess the effectiveness of the reduced reporting measures and guidance offered for 20-21.
- Continue to support government bodies in their financial reporting responsibilities for 20-21 and onwards.

- Decide on whether guidance and reduced reporting measures will be approved for the 21-22 reporting period.

Note - Based on preliminary information from the NAO, government departments are expected to take longer to return to the 'regular' reporting timetable with delays projected to continue until the end of 2022.



HM Treasury

Please direct questions to
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