



Financial Reporting Advisory Board Paper

Treasury update on 2020-21 accounts round – To note

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| Issue: | This paper updates the Board on the 2020-21 reporting process, including the laying timetable, IFRS 16 , recently Issued guidance , and on Potential year-end issues . |
| Impact on guidance: | The analysis of the reporting progress in this paper will impact future strategy for continued support offered by the Treasury to reporting entities. |
| IAS/IFRS adaptation or interpretations? | N/A |
| Impact on WGA? | N/A |
| IPSAS compliant? | N/A |
| Impact on budgetary regime? | N/A |
| Alignment with National Accounts (ESA10)? | N/A |
| Impact on Estimates? | N/A |
| Recommendation: | The Board to note the contents of this paper and provide any comment. |
| Timing: | Ongoing. |

Introduction

1. The reporting procedures and schedule for the 2020-21 laying process has been significantly impacted by the COVID-19 pandemic ([FRAB 141 \(02\)](#)), exacerbated further by the knock-on impact from delays to the 2019-20 reporting period. This paper follows on from the March 2021 update (FRAB 143 (02)), by informing the Board of progress on the 2020-21 laying timetable, on newly issued guidance, and on potential issues for year-end.

2020-21 Laying timetable

2. Responding to the challenges faced by reporting entities, HM Treasury offered measures to reduce the reporting burden on account preparers; including extending the administrative deadline for laying Annual Reports and Accounts (ARAs) to 30th September 2021 (on request); and delaying the implementation of IFRS 16 to 1 April 2022 ([FRAB 142 \(04\)](#)). Parliament has extended the e-laying facility for the 2020-21 reporting period.
3. Almost half of the account preparers have notified the Treasury that they are expecting to lay their ARAs pre-recess; however, most of these entities are small. The remaining mostly larger departments are expected to lay post-recess with half by 30 September and the other half later in the year. A few departments are yet to confirm their laying date but are expected to lay post-recess. This laying timetable is in line with our expectation based on the ongoing challenges faced by preparers including the knock on impact of delays to 2019-20 reporting. The NAO has confirmed a similar audit timetable.
4. At the date of writing, there have been no significant issues raised that would call into question the expected laying timetable for the main departments. However, we remain in close contact with departments, the Finance Leadership Group and the NAO and will continue to do so throughout the timetable to identify significant issues and where laying dates may be at risk.

IFRS 16

5. For the four departments¹ that have adopted IFRS 16 early on 1 April 2021, the Treasury has agreed the IFRS 16 adjustments for the Main Estimate and continues to support preparers in applying the standard.
6. We remain of the view that the rest of the public sector will implement IFRS 16 from 1 April 2022 as agreed by FRAB in November 2020. Communication to this effect with government entities will continue during 2021-22 as well as additional support such as refresher training being provided to help further transition.

Issued guidance

7. The Treasury has published additional guidance for account preparers, in line with discussion at the March board meeting (FRAB 143) and in response to recently identified risks.

Annual reporting guidance

8. The Treasury issued additional guidance on ARA preparation for 2020-21. The paper included: reporting information on arm's-length bodies, financial reporting for COVID-19 government support schemes, reporting conflicts of interests and performance reporting. On 10 May 2021, HM Treasury's Director General of Public Spending sent a letter to Finance Directors reinforcing their responsibilities for reporting on EU Exit and COVID-19 related spending, an area of particular parliamentary interest.

¹ Comprising of the Department for Business, Energy and Industrial Strategy (BEIS), the Ministry of Justice (MoJ), and the Crown Prosecution Service (CPS) as detailed in FRAB 143 (02).and additionally HM Land Registry.

Application guidance and reviews

9. As proposed in FRAB 143, the Treasury has published the [Application Guidance on IAS 37 and Grantor Accounting](#) and the [Strategic review of the financial reporting response to COVID-19](#) on Gov.uk.

Potential year-end issues

10. The Treasury continues to monitor and support account preparers. Potential issues and risks identified to date include:

Potential breaches

11. We are liaising with colleagues internally to understand pressures or overspends on departmental control totals for 2020-21. We will continue to monitor the situation and expect to report to Parliament where breaches are related to the impact of the pandemic as was done for 2019-20. To note, details of all excess votes are notified to Parliament via an agreed procedure where the Comptroller and Auditor General writes to the Public Accounts Committee which in turn reports to the House of Commons.

Risks and focus areas

12. There a number of new or heightened risks affecting the preparation of the 2020-21 ARAs as it will be the first year where the full impact of the pandemic will be reflected in the accounts including new government support schemes, asset valuations, an increase in areas of judgement (e.g. ECL), as well as on preparer (and auditor) resources.
13. The FRAB auditor representatives have previously highlighted the key audit risks identified including, the increased risk of fraud and error which has intensified during the year particularly where fraudsters have tried to take advantage of emergency measures.
14. These additional areas of risk and other key issues may lead to an increased level of non-standard audit opinions.
15. In addition to the pandemic, entities continued to undertake work in preparation for EU exit, such as legislative changes, and new policy and system arrangements. In some instances, funding and cost arrangements have been affected. Entities will need to ensure that the impact of EU exit is appropriately reflected in the 2020-21 ARAs particularly focusing on meeting parliamentary disclosure requirements.

Timing

16. The Treasury will continue to monitor reporting entities for the 2020-21 cycle, identifying, monitoring and reporting areas of concern; offering help and guidance on a timely basis; and looking for longer-term solutions to challenges created and exasperated by the pandemic.

Recommendations

17. The Board to note the contents of this paper and provide any comment.

HM Treasury
24th June 2021