

## The User Preparer Advisory Group

4<sup>th</sup> October 2021

Virtual

9:30am – 11:30am

**UPAG 4**

**Meeting minutes**

### Attendees:

Andrew Buchanan, Chair & Independent member  
Andrew Firth, Department for Business, Energy & Industrial Strategy  
Alex Macneill, East West Rail/Department for Transport  
Fiona Yallop, HM Revenue and Customs  
Jane Piccaver, Natural England  
Henning Diederichs, ICAEW  
Alison Ring, ICAEW  
David Heald, University of Glasgow  
Gavin Freeguard, independent consultant to the Institute for Government  
Debbie Paterson, Healthcare Financial Management Association  
Sarah Sheen, CIPFA  
William Moy, Full Fact  
Marcus Wilton, House of Commons  
Max Greenwood, HM Treasury  
Hannah Oliver, HM Treasury  
Libby Cella, HM Treasury  
Sally King, HM Treasury  
Sudesh Chander, HM Treasury  
Louise Roberts, HM Treasury  
Matthew Cowie, HM Treasury  
Vikki Lewis, HM Treasury and UPAG Secretariat

### Apologies:

Jacqui McKinlay, Centre for Public Scrutiny  
Ed Hammond, Centre for Public Scrutiny  
Helen Creeke, The National Archives

Time	Item	Presenter	Associated Paper
09:30	Welcome and minutes from the last meeting	Andrew Buchanan, Chair	UPAG 4 (1)
09:35	FRAB update	Vikki Lewis	UPAG 4 (2)
09:40	Update on Central government reporting and timetable & thematic reviews, and NAO update	Max Greenwood & Vikki Lewis	UPAG 4 (3)
10:10	Sustainability reporting update	Max Greenwood	UPAG 4 (4)
10:25	Whole of Government Accounts update	Louise Roberts	UPAG 4 (5)
10:40	BEIS consultation update	Hannah Oliver	UPAG 4 (6)
10:55	New departmental planning and performance framework update (PVU)	Matt Cowie	Verbal update
11:10	ICAEW update	Henning Diederichs	UPAG 4 (7)
11:25	AOB	Andrew Buchanan, Chair	

### Item 1: Welcome and minutes from the last meeting

1. The Chair welcomed the Group and thanked members for taking the time to join the meeting.
2. The Group received a paper from HM Treasury prior to the meeting including the minutes from the last meeting and the matters arising.
3. The Group had no comments on the minutes or matters arising and subsequently approved the publication.
4. The Chair suggested the forward look agenda should consider the broader international landscape of financial and sustainability reporting as areas for discussion.

### Item 2: FRAB update

5. HM Treasury provided an update on the actions of FRAB since the Group's last meeting in March. It was reiterated that the FRAB minutes and papers are available on Gov.uk, except for the June minutes that will be published in November.
6. HM Treasury informed the Group that a key areas of focus of the FRAB has been on the reporting cycle and the impact the pandemic has had on that. The Board has been closely monitoring the reporting cycle, with a significant amount of engagement across the UK and with the audit institutions across the devolved administrations.
7. HM Treasury also explained the FRAB have been looking at the application and implementation of financial reporting standards, including IFRS 9, IFRS 16 and IFRS 17.

The Group were reminded of the deferral of IFRS 16 implementation to April 2022, and that there is no intention for any further deferral.

8. HM Treasury informed the Group on other recent and current issues, including publication of grantor accounting guidance, implications of the Redmond review, accounting for social benefits (IPSAS 42 vs IFRS), sustainability reporting in the public sector, and ongoing work with discount rates including updating long-term discount rates on an annual basis.
9. The Group questioned whether there has been any work on discount rates in terms of the green book methodology. HM Treasury outlined that there was a review of the Green Book (GB), and since confirmed that the GB discount rate of 3.5% is still extant.
10. HM Treasury explained to the Group that sight has not been lost of actions of the [Government Financial Reporting Review](#), with many of the recommendations already addressed. Further work is planned to address any remaining actions in the next few months, but it had been stalled due to resource constraints during the pandemic.
11. HM Treasury highlighted that a report of progress against actions will be brought to the Group and there will be an update to FRAB when completed.
12. The Group learnt that FRAB has reviewed its governance following an effectiveness review in November 2020, including looking at succession planning and the diversity of the Board.

### **Item 3: Update on Central government reporting and timetable & thematic reviews, and NAO update**

13. The Group received an update from HM Treasury on central government reporting matters, including the timetable for laying 2020-21 annual reports, common issues, and thematic reviews.
14. HM Treasury informed the group that 66% of central government departments laid their annual reports pre-recess, with now 80% of departments having laid to date. It was highlighted that HM Treasury expects many departments who lay post-recess this year, to lay pre-recess next year.
15. The Group learnt that 4 additional departments implemented IFRS 16 this year, with the remaining departments expecting to implement next year. HM Treasury highlighted continued support to preparers applying the standard and those adopting, through training, guidance and advice.
16. HM Treasury raised that 2020-21 will be the first year where the full impact of the pandemic will be reflected in ARAs, and auditors acknowledge an increased risk of fraud and error and valuation uncertainty.
17. The Group was updated on some financial reporting publications that have been published since the last meeting, including the Strategic review of the financial reporting response to COVID-19, application guidance on IAS 37 and Grantor Accounting and a new [landing page for central government departments ARAs](#). HM Treasury highlighted that a thematic review on Sustainability reporting is being considered in the coming months.
18. Discussion progressed onto the audit update, in which the Group learnt of a 3-tranche approach to the audit timetable for central government entities.
19. HM Treasury outlined the key challenges facing auditors and how they are being addressed, including new/enhanced risks arising from the pandemic, external dependencies, and remote working/lockdown.

20. A point was raised regarding delays to some audits of arm's length bodies (ALBs) and seeking clarification for when the audits will go to pre-recess. HM Treasury emphasised that there is ongoing engagement with the NAO on these issues, and that some have been impacted by the local government delays. The Group also considered whether the annual report & accounts of ALBs delivering projects that there is significant Parliamentary and public interest in, should be prioritised. The Group was also informed that the NAO will be attending the Finance Leadership Group (FLG) meeting next month, and ALBs going back to pre-recess is likely to form part of the discussions.
21. It was acknowledged that the pandemic has created a significant level of challenge for departments impacting on the timeliness of financial reporting and brought difficulties to the audit timetable.
22. The Group discussed how audits are addressing fraud and error particularly in respect of covid related schemes. The Treasury advised in response to a PAC hearing recommendation, additional disclosures will be mandated for departments to report on fraud and error and risk management in relation to covid support schemes they administer. Departments are also strongly encouraged to engage with their respective parliamentary select committees to ensure that users' needs for financial reporting in annual reports and accounts are met.
23. The Group raised that some of the key publications are still missing, including the DEFRA Greening Government Commitments (GGCs) and the Treasury net zero final report. The Group questioned when these reports would be published. HM Treasury commented that they are expecting the DEFRA GGCs report to be issued imminently and will retrieve an update on when the net zero report is expected to be finalised.
24. The Group expressed interest in the accessibility of published standardised data so as to allow user interrogation and comparability. A particular area of focus was sub-national data as part of the levelling up agenda as well as the intersectionality of data to support accountability of departmental spend. Some members of the Group advised that the PESA publications and the Cabinet Office Annual Civil Service Stats display this data.
25. A point was raised on whether the published accounts are structured in any data format. HM Treasury explained that departments must report data to Treasury via a system called OSCAR, soon to be replaced with an updated version. It was also highlighted that there is a requirement for departments to produce an Excel spreadsheet of their data to be published on Gov.uk. A preparer noted that there will still be variations, permitted by accounting standards, as government organisations engage in a wide variety of activities which means their individual accounts flex to disclose the material aspects of each organisation.
26. The Group discussed the legal requirements promulgated by the Government Digital Service (GDS) to publish ARAs in an accessible format (HTML). It was explained that whilst entities are required to publish in an accessible format, parliamentary requirements also stipulate the need for copies of ARAs in a pdf format. Guidance will reflect the need for both versions of the document. It was recognised that there can be a delay in publishing a html version due to the need to meet parliamentary laying deadlines, but entities are encouraged to publish both versions simultaneously.
27. The Chair requested the Group's suggestions on areas which HM Treasury could undertake a thematic review.

#### **Item 4: Sustainability reporting**

28. The group received an update on sustainability reporting. This included the new Greening Government Commitments, improvements and new requirements to the Sustainability Reporting Guidance and a new FRAB sustainability working group. HM Treasury informed the group that the first meeting of the working group was the following day, with the initial aim to consider its scope and terms of reference.
29. HM Treasury updated the Group on the move towards the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, and that there will be increased guidance on this going forward.
30. The major changes to the SRG were highlighted, including new self-audit requirements, policy objectives and targets, sustainable construction, and rural proofing. The Group was also made aware that there have been structural changes to the SRG in line with the GGCs.
31. The Chair questioned whether the scope of the FRAB working group had been decided yet. HM Treasury advised that the final decision will be made at the upcoming meeting, and an update can be given to the Group after the next FRAB meeting in November.
32. HM Treasury explained that the working group will have a broader membership than just FRAB, however membership was still to be discussed. HM Treasury agreed to raise this with FRAB to discover if it were an area they would like to pursue.
33. Discussion progressed to broader areas of sustainability reporting and the changing scope of estates to reflect the new hybrid way of working. It was questioned whether the scope of sustainability reporting in the public sector would be expanded to cover the concepts of integrated reporting. HM Treasury commented that going forward there will be some changes and other policies introduced to pull in a wider scope, however it is likely that climate change will be the priority and then they may start exploring natural capital.
34. The group also questioned whether the 2018/19 baseline was most appropriate, in which HM Treasury responded that a new baseline would be required soon.
35. The Group questioned the capacity to prepare and audit these sustainability requirements, due to the shortage of expertise in the market. HM Treasury advised that the NAO do not audit on an annual basis, however they do occasional in-depth reviews on specific departments. HM Treasury agreed they would be happy to provide future updates.

#### **Item 5: Whole of Government Accounts update**

36. The Board was presented with an update on the WGA, which included detail on the 2018-19 timetable, 2019-20 challenges, stakeholders, and users, planned improvements and the outlook on 2020-21 and beyond. It was confirmed that the 2019-20 WGA target laying date is December 2021.
37. WGA colleagues outlined that they expect next year's timetable will be impacted again by central government laying accounts later than usual and by the ongoing issues with the timely production of local authority accounts.
38. The Group questioned whether there are sufficient resources within HM Treasury to ensure the WGA published earlier. WGA colleagues responded that the new system of OSCAR 2 is helping with this process, as prior to this consolidation adjustments were very time consuming.
39. Discussion progressed onto whether there are sub-consolidations prior to the data being given to WGA, as this was a consideration in the past. WGA colleagues highlighted that there are sub-consolidations for the devolved administrations, NHS bodies, academy schools etc, but some of them are not published, such as devolved administrations.

40. A point was raised on the ongoing problems with local authority resources (shortage of resources within finance departments). It was raised that there were issues prior to the pandemic, which have then deteriorated from 2019-20.
41. The Group emphasised that the usefulness to stakeholders of the WGA depends on the timeliness of publication, otherwise it will not receive the external attention it deserves.

#### **Item 6: BEIS consultation**

42. The Group was given an update from HM Treasury on the BEIS consultation [Restoring trust in audit and corporate governance](#). This included the background to the white paper, main proposals in the paper, impact on the public sector and the next steps.
43. The Group questioned whether there is a list of public sector bodies available that bring them into the definition of Public Interest Entities (PIEs). BEIS leads on this policy area and has a provision list of those entities affected.
44. Discussion progressed onto how the audit of the public sector is nuanced differently to the private sector with legislative requirements for the C&AG to audit which would prevent audit rotation in the same way as proposals suggested for the private sector. HM Treasury highlighted that the nuance is not addressed within the paper specifically but is working across government to consider the impact on the public sector of proposals.

#### **Item 7: New departmental planning and performance framework update (PVU)**

45. The Group received an overview from HM Treasury on the new departmental planning and performance framework. This included an introduction of the public value framework, the approach to maximising outcomes and a renewed focus on outcomes for systems.
46. The Group was informed that the single departmental plans (SDPs) have been reformed to become more outcomes focused, newly named as outcome delivery plans. The goal is for these to be more evidence based, and for departments to show what the delivery chain and activities are to achieve them. It was highlighted that 3-4 priority outcomes were published for each department in July.
47. HM Treasury highlighted that the expectation is for quarterly reporting on outcome delivery plans, with the ability to share data across departments in the future.
48. The Group was grateful for the update and would be interested in seeing further progress in the future.

#### **Item 8: ICAEW update**

49. The Group received a brief ICAEW update from Henning Diederichs but due to time constraints was unable to provide a full update.
50. A point was raised on natural capital reporting and to what extent should IPSAS consider this more closely for the public sector and an acknowledgement that this is an area of considerable international interest.

#### **Item 9: AOB**

51. There were no items of other business, and the Chair thanked the Group for their participation.

**Date of next meeting: 7<sup>th</sup> April 2022**