



HM Treasury

# Central Government Reporting Update

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Update on central government reporting matters including on the timetable, common issues, and thematic reviews

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# Financial reporting update (1)

## Timetable:

1. Two thirds (66%) of central government departments laid their Annual Reports and Accounts (ARAs) pre-recess. While this constituted more of the smaller departments, multiple larger reporters also met the administrative deadline (HO,DWP,CO,HMT,MHCLG).
2. The vast majority of remaining departments are on track to meet the statutory deadline of 31 January 2022.
3. We expect many departments to return to pre-recess laying in 2022-23; however, delays to the audit of local authorities and local authority pension schemes will continue to have a knock-on impact on some central government entities' ability to lay timely ARAs.

## IFRS 16 implementation:

1. Four additional departments chose to adopt IFRS 16 early on 1 April 2021. HMT has agreed the IFRS 16 adjustments for the Main Estimate. HMT continues to support preparers in applying the standard, through training, guidance and advice.
2. The rest of the public sector is due to adopt IFRS 16 from 1 April 2022. For these departments, SR21 is being run on a pre-IFRS 16 basis with a separate reclassification exercise to be run after the SR to adjust settlements for IFRS 16 for Mains 2022-23. Departments have been asked for an early estimate of CDEL impact in SR21.

# Financial reporting update (2)

## Breaches:

1. Of the departments that have laid their ARAs, only the Serious Fraud Office has breached their parliamentary control total. The £2.55m (RAME) breach related to an adjusting event with the recognition of a provision to cover unanticipated legal costs.
2. We continue to liaise with colleagues internally to understand pressures and overspends for 2020-21 control totals. Similar to 2019-20 reporting, we expect to report to Parliament where breaches are related to the impact of the COVID-19 pandemic.

## Other issues:

1. 2020-21 will be the first year where the full impact of the pandemic will be reflected in ARAs including new government support schemes, asset valuations, an increase in areas of judgement (e.g. ECL) with increased pressure on preparer (and auditor) resources.
2. Auditors are perceiving an increased risk of fraud and error and valuation uncertainty. These additional risk areas may lead to an increased level of non-standard audit opinions.
3. Additional disclosures mandated in relation to Covid-19 support scheme related risks, fraud and error and use of schemes.

# Financial reporting publications

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## Previous publications:

1. Since the last UPAG meeting in March 2021, HMT has published [the Strategic review of the financial reporting response to COVID-19](#).
2. In April 2021, HMT published [the Application Guidance on IAS 37 and Grantor Accounting](#), offering further guidance on applying the existing standards from the grantor's perspective.
3. In August 2021, HMT created a [new landing page for central government department's ARAs](#) which provided preparers and other stakeholders a single location to navigate central government department's ARAs more efficiently.

## Upcoming publications:

1. While capacity within the team has limited performing further thematic reviews in 2021, our next review is planned on Sustainability Reporting. We would welcome views from UPAG on future thematic review focus areas that the group would appreciate.

# NAO update to FRAB - A Phased approach to the audit timetable

The NAO set out in February that they had developed ambitious yet achievable plans that took into account the differing levels of challenge across departments/audits:

- **Phase 1 bodies** –a project plan to deliver the accounts (including a quality audit) pre-recess in 2020-21
- **Phase 2 bodies** –pre-recess not achievable in 2020-21, but timetable advanced from prior year in order to aim for pre-recess in 2021-22
- **Phase 3 bodies** –pre-recess not achievable in 2020-21 and may need more than two years to get back to pre-recess. The NAO are working with departments to achieve this sooner if it is feasible - progressing to planned timetable, though there remain some complex issues to resolve on some accounts

## 2021-22 accounts

- Discussions on timetables and project plans taking place
- The NAO has brought in additional resources to increase capacity to bring work forward where needed

# Key challenges and how they are being addressed

In February, the NAO identified some of the key challenges to bringing accounts back pre recess. These challenges remain, but together with departments the NAO is making good progress in addressing them:

- **New/enhanced risks arising from COVID-19** –there are some complex accounting issues (such as guarantees, support schemes, inventory and vaccines) to address, as well as the consideration of fraud and error levels. Accounting judgements set in 2020-21 will, in many cases roll forwards for many years. Early engagement has been key and the NAO has had constructive engagement. Supported by Parliament, it has additional resources to give capacity where needed.
- **External dependencies** -such as reliance on local auditors for key assurances over pension schemes –agreed timetable for LGPS reporting in place to support phase 2 audits, though there remain pressures in the local auditor sector
- **Remote working/lockdown** –remains the norm at the moment, but the NAO has worked with departments to enable audit visits where needed.

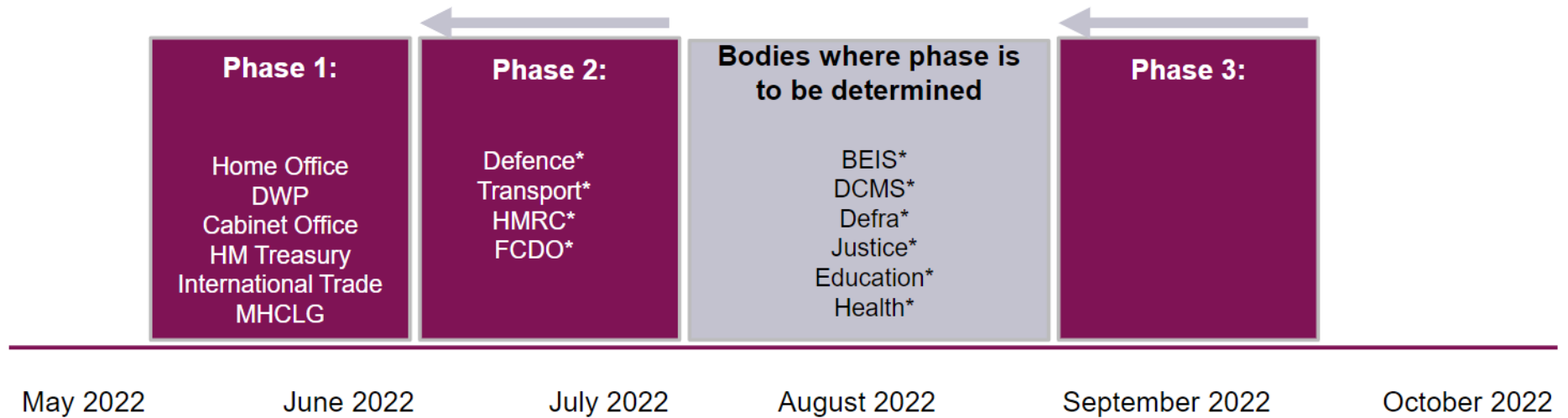
# Indicative plans for 2021-22 publications

## Indicative plans for 2021-22 publications

**Phase 1:** Accounts that should maintain a timetable to allow for laying and publication ahead of the Parliamentary summer recess

**Phase 2:** Accounts where the NAO and Departments can work together to allow for laying and publication ahead of the Parliamentary summer recess – we would like all Departmental accounts to lay and publish pre-recess if possible

**Phase 3:** Accounts where the NAO and Department should be able to work together to allow for earlier laying and publication in September 2021, but where pre-recess in this year may remain unachievable. Includes those dependent on LGPS assurances





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# Questions