



University  
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Business School

# An Academic Perspective on Government Financial Reporting

Presentation at HM Treasury User-Preparer Advisory  
Group on 7 April 2022

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# About Myself

## EXPERIENCE

- Professor of Public Sector Accounting at the University of Glasgow
- ACMA-qualified from when worked in manufacturing industry
- Specialist adviser on public expenditure and government accounting to Treasury Committee, 1989-2010
- Specialist adviser to The Public Accounts Commission, 2004-08
- Member of Financial Reporting Advisory Board to HM Treasury, 2004-09
- Member of HM Treasury User-Preparer Advisory Group, 2020-

**RESEARCH INTERESTS:** fiscal transparency; public expenditure; government financial reporting and statistical accounting; public audit; devolved public finance

## RECENT ACADEMIC PUBLICATIONS

- [Trust and transparency in relation to public audit](#) (2018)
- [Accounting for government guarantees](#) (2018)
- [The governance of public bodies](#) (2018)
- [The UK's exit payment from the European Union](#) (2019)
- [The accounting, budgeting and fiscal impacts of COVID-19](#) (2020)
- [The uses and abuses of transparency](#) (2022)

# How the IMF scored UK Fiscal Transparency in 2016

I. Fiscal Reporting	II. Fiscal Forecasting & Budgeting	III. Fiscal Risk Analysis & Management	IV. Natural Resource Management
1.1. Coverage of Institutions	1.1. Budget Unity	1.1. Macroeconomic Risks	1.1. Legal Framework
1.2. Coverage of Stocks	1.2. Macroeconomic Forecasts	1.2. Specific Fiscal Risks	1.2. Fiscal Regime
1.3. Coverage of Flows	1.3. Medium-term Budget Framework	1.3. Long-term Fiscal Sustainability	2.1. Allocation of Rights
1.4. Coverage of Tax Expenditures	1.4. Investment Projects	2.1. Budgetary Contingencies	2.2. Disclosure of Holdings
2.1. Frequency of In-Year Reporting	2.1. Fiscal Legislation	2.2. Asset and Liability Management	2.3. Assessment & Collection of Revenue
2.2. Timeliness of Annual Accounts	2.2. Timeliness of Budget Documentation	2.3. Guarantees	2.4. Audit & Verification of Revenue
3.1. Classification	3.1. Fiscal Policy Objectives	2.4. Public-Private Partnerships	3.1. Reporting on Domestic Payments
3.2. Internal Consistency	3.2. Performance Information	2.5. Financial Sector	3.2. Reporting on Worldwide Payments
3.3. Historical Revisions	3.3. Public Participation	2.6. Natural Resources	3.3. Operational, Social & Env'tal Reporting
4.1. Statistical Integrity	4.1. Independent Evaluation	2.7. Environmental Risks	4.1. Budgeting of Resource Revenue
4.2. External Audit	4.2. Supplementary Budget	3.1. Subnational Governments	4.2. Resource Fund Operations & Oversight
4.3. Comparability of Fiscal Data	4.3. Forecast Reconciliation	3.2. Public Corporations	4.3. Resource Fund Investment Strategy

LEGEND	LEVEL OF PRACTICE				
	Not Met	Basic	Good	Advanced	Not Applicable

# Contemporary Reflections

Looking back to the 1994 (Green) and 1995 (White) Papers, the UK has impressive technical achievement in **government financial reporting**, as international comparisons show. Areas for concern are:

- 1) **Timeliness** – the 2016 IMF red mark on Slide 3 shows that this problem has causes before COVID-19, for example in relation to local authorities and the Whole of Government Account
- 2) **Subordination to budgeting and statistical accounting** – the former is what politicians and the media care about and the latter is inevitably so much faster than audited financial reports
- 3) **Few users outside the community of preparers, auditors and parliamentary staff** – partly a lack of numeracy skills but also because government financial reports are long and increasingly technical documents. Transparency requires understandability as well as accessibility. This does not stop me believing that government financial reports are indispensable for accountability and transparency, but I am alarmed about a push-back – ‘Who Cares?’ – response to increasing lateness of local authority financial reports

# Contemporary Reflections

- 4) **Perceptions and realities of fraud against public money** – in 2020, I wrote that “the overwhelming pressure has been to ‘get the money out quick’ in order to support the economy and alleviate suffering. For macroeconomic purposes, the fact that it landed was more important at the height of the crisis than whether it was well-targeted.” I stick by that judgement but I am concerned that allegations of cronyism in public procurement and evidenced examples of the ease of fraud against loan schemes will make it more difficult to sustain the position that the UK is a relatively honest country when it comes to public money. It will also give fraudsters more confidence
- 5) **Risk of loss of trust in government numbers** – Giving evidence on 8 March 2022 to the Finance and Constitution Committee of the Scottish Parliament, I remarked “We all say that we are in favour of transparency, but it makes me worried when we exploit public ignorance.” The UK benefits from having the Office for Fiscal Responsibility and the Institute for Fiscal Studies. However, spinning damages public understanding and breeds cynicism

This is a period of fiscal uncertainty unknown since 1945: continuing legacy of Global Financial Crisis, Brexit, COVID-19 and war in Ukraine. The one certainty is that public resources will be scarce relative to spending pressures, bringing risks to both fiscal transparency and value-for-money.