



HM Treasury

Whole of Government Accounts summary

Presentation to FRAB 30th June 2022

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Structure of presentation

- Introduction to WGA
- Lines of accountability
- WGA 19-20 audit qualifications
- WGA 19-20 improvements
- Draft Forward Plan: WGA 2020-21
- Draft Forward Plan: WGA 2021-22
- Risks
- Questions

Whole of Government Accounts

What is WGA?

- A uniquely comprehensive view of the public sector's financial position and performance
- Audited by the NAO
- Consolidates the UK public sector in line with International Financial Reporting Standards
- WGA is made up of over 10,000 entities including central government departments, local authorities, devolved administrations, the NHS, academy schools and public corporations

2019-20 WGA

- Published – Monday 6th June 2022
- PAC Hearing – Wednesday 8th June 2022

Lines of accountability

Key stakeholders

Public Accounts Committee

- Annual hearing on WGA
- Produce report making recommendations
- HMT provides regular updates on progress of recommendations

HMT Audit Committee

- Regular updates on WGA as standing agenda item
- Review WGA accounts before publication

WGA 19-20 Audit Qualifications

Existing qualifications

- **Boundary qualification:** WGA make a conscious policy choice to exclude certain bodies from the consolidation. The largest of the bodies to be excluded is the Royal Bank of Scotland (RBS). The scale and nature of RBS activities would distort the picture of UK finances.
- **Inconsistent accounting policies** – different methods are used in valuing infrastructure assets. The largest difference remaining is the valuation of the local authority road network which will remain as a qualification in the medium term.
- **Underlying qualification** – MOD have not applied IFRIC 4 ‘Determining whether an Arrangement Contains a Lease’ to all of its contracts. Consequently, the Comptroller & Auditor-General qualified his opinion on the accounts of the Ministry of Defence on the basis that a material value of leased assets and liabilities were omitted from its Statement of Financial Position.
- **Non-conterminous year ends** – mainly relates to the inclusion of academy schools which have a year-end of 31 August, as opposed to the 31 March date used by WGA. This creates a non-coterminous year end misalignment with the rest of WGA, and this in turn leads to a qualification to WGA.

WGA 19-20 Audit Qualifications

New qualification for 19-20

- There is a new audit qualification for 19-20 WGA arisen from limitation of scope relating to the consolidation of 29 local authorities whose accounts had not been audited
- This qualification particularly relates to valuations of property, plant and equipment and investment property. In the absence of component audit opinion, NAO were unable to obtain sufficient assurance that valuations of these assets are materially correct
- There is a risk of a continued audit qualification until the local authority audit issues are resolved

WGA 19-20 Improvements

- **Enhanced disclosure of expenditure** – provided additional table to present the key categories of expenditure to demonstrate how WGA can be used to provide information to Parliament and the public to better understand the government's financial position
- **Introduction of more contemporary sources** – drawn on information published by the OBR in the performance report to ensure the publication is a valuable source of information.
- **Further forward-looking information** – HMT's overall approach to managing the financial position and fiscal risk has been included. For example, the volatility of global energy, metals and food prices since the invasion of Ukraine has been considered in the performance report.
- **Trend data sets** – continued to present a five-year data set of each key metric, the usefulness of which has been noted in our stakeholder feedback. An improvement since 18-19 is that we also have included a five-year trend data set for each chart in the performance report.

WGA 19-20 Improvements

- **Improved disclosure of local government sector** – the performance report has included additional information showing how the fiscal risks are monitored and managed in the local government sector and brings in wider information on finances in the sector.
- **Enhanced information of future cash flows and expenditure** – the performance report has included more information on the profile of future cash flows from existing WGA liabilities and more information on expenditure on COVID-19, based on available published data sources including departmental data.
- *"We on this Committee really enjoy these sessions on the Whole of Government Accounts, because they show the full accounts and liabilities of the British Government and the state. It brings together many public bodies into one document and explains to taxpayers how their money is spent, what challenges there have been and what challenges lie ahead, including many major liabilities."*

Dame Meg Hillier, Chair of Public Accounts Committee

Public Accounts Committee: Whole of Government Accounts, 8th June 2022

Draft Forward Plan: WGA 2020-21

Draft timetable for WGA 2020-21

April 2022	Data submission opens
31st August 2022	Deadline for data submission
September 2022	Accounts preparation work begins
January 2023	Audit begins
March 2023	Publication of WGA

Draft Forward Plan: WGA 2021-22

Draft timetable for WGA 2021-22

January 2023	Data submission opens
April 2023	Accounts preparation work begins
June 2023	Audit begins
November 2023	Publication of WGA

Risks

Local Government – Audit Environment

- The issues in the local audit market affected the timeliness of the 19-20 WGA and led to a new audit qualification
- As at end of May 2022, 273 (58%) of 20-21 audits have been completed
- For 20-21 onwards, HMT have increased the local government audit threshold to the same as central government (previously £500M to now £2 billion). This means only c10 local government entities would require a separate audit of their WGA returns

Central Government – Laying Dates

- HMT is committed to working with departments to address any issues they may be having that could impact their ability to lay the annual accounts in a timely manner. Delays can impact the timeliness of WGA
- WGA team have had very good engagement so far with those departments who have started their 20-21 DCT return

OSCAR II

- Changes were introduced enabling data collection for 20-21 to begin before the 19-20 WGA was completed and we intend to open 21-22 data submission before 20-21 is completed
- There are risks associated with this; however, we are confident that our thorough testing – involving user engagement – will mitigate such system risks

Any Questions?