

The User Preparer Advisory Group

7th April 2022

Virtual

10:30am – 12:30pm

UPAG 5

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
David Heald, University of Glasgow
Debbie Paterson, Healthcare Financial Management Association
Helen Creeke, The National Archives
Sarah Sheen, CIPFA
William Moy, Full Fact
Max Greenwood, HM Treasury
Hannah Oliver, HM Treasury
Chris Willcox, HM Treasury
Libby Cella, HM Treasury
Louise Roberts, HM Treasury

Apologies:

Ed Hammond, Centre for Public Scrutiny
Henning Diederichs, ICAEW
Alison Ring, ICAEW
Jane Piccaver, Natural England
Marcus Wilton, House of Commons
Gavin Freeguard, independent consultant to the Institute for Government

Time	Item	Presenter	Associated Paper
10:30	Welcome and minutes from the last meeting	Andrew Buchanan, Chair	UPAG 5 (1)
10:35	WGA update	Louise Roberts	UPAG 5 (2)
10:50	20-21 Central government ARA reporting cycle summary and 21-22 forward look	Chris Willcox	UPAG 5 (3)
11:05	Update on local government issues	Sarah Sheen	UPAG 5 (4)
11:20	Full Fact update	William Moy	Verbal
11:35	Academic perspective on Government financial reporting	David Heald	UPAG 5 (6)
11:50	Government financial reporting review actions update	Chris Willcox	UPAG 5 (7)
12:05	Sustainability reporting update	Max Greenwood	UPAG 5 (8)
12:20	AOB <ul style="list-style-type: none"> • FRAB update and thematic review 	Chris Willcox, Andrew Buchanan, Chair	Verbal

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 acknowledged that the role of UPAG is to promote the continuous improvement agenda in government financial reporting and so is keen that the Group serves its purpose. It was proposed that members need to consider what could be improved in terms of government reporting, including the performance report, and assess whether the annual reports are providing what users need, for example is level of information balanced appropriately.

Item 2: WGA update

5. HM Treasury delivered an update on the current WGA work and the forward timetable. The Group learnt that the 2019/20 WGA is close to finalisation and audit work is ongoing with the NAO. HM Treasury hopes to publish in late April 2022.
6. HM Treasury stressed the importance of improving the timeliness of WGA and set out the forward timetable for the next two years. It aims to accelerate preparation in advance of these timeframes where possible, and so advance the timeliness of the WGA.
7. The 2020/21 WGA publication is targeted for March 2023, and the 2021/22 WGA publication is targeted for November 2023, with the aspiration that the 2022/23 WGA publication to meet the statutory deadline of 28th February.

8. The Group discussed the correspondence between the Public Accounts Committee (PAC) and Cat Little (Director General, Public Spending and Head of the Government Finance Function) relating to the 2 key issues on why the 2019/20 WGA is taking 2 years to produce – Local Authority delays and implementation of Oscar 2.
9. HM Treasury clarified that the main issue in respect of Oscar 2 was with the entity's data submissions, but these problems have been resolved as they occurred. It was confirmed that these issues are not expected to roll forward into future years. HM Treasury is also giving serious consideration to raising audit thresholds for WGA data collection tools (DCTs) for local authorities, which would mean that the number of local authorities requiring audit of their WGA data would significantly reduce.
10. A member raised whether a pre-audited set of WGA accounts could be published, similar to what was done back in 2010. HM Treasury confirmed this option was considered, however the additional work involved could cause a knock-on effect with current delays, as well as the concern that there could be significant adjustments to figures between different versions. However, HM Treasury agreed this could have further consideration if needed in future.

Item 3: 20-21 Central government ARA reporting cycle summary and 21-22 forward look

11. HM Treasury presented slides on the central government reporting timetables, covering the number of departments which made the administrative deadline and the statutory deadline of 31 January, the qualifications for the last financial year, a new landing page on gov.uk for ease of access to central government annual reports and accounts and the forward look for 2021-22.
12. The Chair queried how long HM Treasury is expecting the qualifications to remain, as it seems some will affect financial statements for future years. HM Treasury advised that ongoing long-term qualifications in respect of Covid related issues are not anticipated. Departments are working closely with auditors, and it is anticipated that these qualifications should be removed in the next two reporting cycles.
13. HM Treasury also noted that there are other long-standing complex financial reporting qualifications unrelated to Covid where work is also ongoing to remove them where possible.

Item 4: Update on local government issues

14. The Group was presented with slides from Sarah Sheen on the Local Government sector, covering progress of the Redmond Review, current accounting issues, changes to governance and assurance, and the continued professional development within the sector. It was reiterated that there is a significant amount of work going on within local government in respect of a number of material issues.
15. It was highlighted that only 9% of local government accounts met the publication deadline of 30 September in the last financial year, compared to 55% the previous year. The Group learnt that the Public Sector Audit Appointments (PSAA) have begun appointing auditors from April 2023.
16. CIPFA introduced an emergency consultation to update the 2021/22 and 2022/23 Codes in January 2022, with the intention to reduce the reporting burden and so improve the reporting timetable. This explored two approaches, to either pause professional valuations for operational property, plant and equipment for up to two years or defer the implementation of IFRS 16 *Leases*.
17. The ISA 260 report, which focused mainly on the 2019/20 cycle, determined that only 44% of accounts met the deadline of 30 November 2020, as well as there being audits still outstanding 14 months after the year-end on 31 January 2022. CIPFA also

- highlighted that concerning comments were made relating to the audit quality of financial statements. It was agreed that the additional slides on ISA 260 into local authority accounts would be circulated to the Group once they had been finalised.
18. The Group was informed that CIPFA will be issuing a new position statement and guidance, with a stronger focus on financial reporting, external audit and risk management. There has also been new guidance issued on council-owned companies.
 19. Questions were received relating to FRAB's consideration of the proposal to defer IFRS 16, and how this would potentially impact the WGA. It was confirmed that the decision had not been formally reported at this stage but was emphasised that the preliminary decision would defer IFRS 16 reluctantly for a period of two years to overcome problems in the local audit.
 20. The Chair queried what simplified reporting would look like for smaller local authorities. It was confirmed that CIPFA has currently paused thinking on this, as there are other pressing issues, and they would not want any less information reported. It was highlighted that the statistical evidence indicates that there are more errors present in smaller authorities.
 21. Clarity was also sought on what the position would be for local authorities if they are unable to secure auditors, as the market is dependent on a small number of firms. It was confirmed that this is a difficulty CIPFA is seeking to address, but which is currently in the hands of the PSAA audit process. It was recognised that this may be a matter for DLUHC to discuss with the PSAA.
 22. Another member of the group empathised with the local authority sector and the issues that were raised. It was noted that the same issues are apparent within the NHS market, with the only difference being that the NHS appoint their own auditors, rather than having a PSAA approach.
 23. The Group expressed interest in the ISA 260 review and considered it to be extremely helpful.

Item 5: Full Fact update

24. The Group was given a verbal update by William Moy. It was acknowledged that it has been a difficult time, and the robust information in these conditions has been appreciated.
25. William raised the point that effective government financial reporting could be improved by helping track spend to the user experience, for example, identification of the beneficiaries of the spending, what effect it is having on beneficiaries and the effect on the public experience.
26. HM Treasury agreed transparency of reporting is a priority and is seeking ways to ensure changing needs of users of financial reporting are met.
27. The increasing importance of machine-readable data was also recognised, which Full Fact is already looking into. It is a tool that automatically reads data and checks against authoritative sources. William has offered to put the tech team in Full Fact in touch with HM Treasury, as this would be beneficial in terms of a machine-readable system of accounting information.
28. HM Treasury outlined that the use of XBRL is being considered but there are some difficulties in its application in some areas of the public sector. However, the benefits are recognised, especially concerning local authorities, NHS, academies etc, which could also have positive knock-on effects for the WGA.
29. William also raised the need for all relevant costs to be factored into policy announcements and if guidance was needed or if this already exists.
30. The National Archives commented that a data-driven drafting tool is being looked into, and so it may be beneficial for a discussion to be arranged with the financial technical

individuals within HM Treasury. HM Treasury were open to TNA setting up a separate conversation to explore in greater depth.

Item 6: Academic perspective on Government financial reporting

31. The Group received an update from David Heald on the academic perspective on government financial reporting, covering how the IMF scored Fiscal Transparency in 2016 and contemporary reflections.
32. David outlined that timeliness of reporting was an issue before Covid and is a damaging feature in terms of the ability to communicate information. It was noted that the usefulness of government accounts is much less when significantly delayed.
33. The perceptions and realities of fraud against public money were also reflected on, where concern was raised that the risk of fraud against government has increased since the pandemic started. Similarly, it was suggested that there is an increasing loss of trust in data reported by government.
34. HM Treasury recognised the importance of timeliness and quality of financial reporting with many departments publishing their 2020-21 ARAs before the summer parliamentary recess in July 2022. There is also a commitment to improve the timeliness of reporting and HM Treasury is working closely with departments and the NAO to return to a pre-recess timetable for all departments as quickly as possible. As the Group had already heard, there is also a focus on improving the timeliness of WGA. It was expressed that there is a significant amount of work in place to maintain public trust, with additional reporting requirements in respect of areas of public interest such as Covid spend and fraud and error having been introduced to improve transparency.
35. A point was raised that a way of addressing the timeliness issue may be to present unaudited information quicker, by providing an easy to navigate high-level summary. The Chair explained that this does happen in the private sector, however, extensive work is carried out in the background to ensure material errors are avoided. The benefits of more speedy access to information was agreed with, but the pressures this causes may outweigh the benefits.
36. The Group discussed what new developments could make local authority users of accounts care about the publications since there are few users outside the community of preparers, auditors and parliamentary staff. It was suggested that a summary version consistent with accounts could be loaded online separately, which communicates major messages to users.

Item 7: Government financial reporting review actions update

37. HM Treasury introduced slides that had been circulated prior to the meeting, discussing the current position following the Government Financial Reporting Review in 2019. The Treasury's commitments to enhanced reporting were outlined, highlighting that the pace had slowed down during the pandemic.
38. HM Treasury informed the Group that a thematic review will be carried out on the valuation methodology of non-investment assets and is due to start shortly. Members of the Group were invited to offer further suggestions to improve the quality of financial reporting which HMT Treasury could consider taking forward.
39. A member expressed the point that had been a key theme of the meeting, that HM Treasury's priority should be on timeliness. It was discussed that central government timeliness needs to be fixed, as well as resolving the local authority sector that is currently in crisis. It was highlighted that this improvement would build the most trust in government financial reporting. HM Treasury confirmed that there is a key driver

within the organisation to resolve the timeliness issue, of which returning to a pre Covid-19 pandemic timetable was a key factor.

40. It was stressed that preparers of accounts equally want more timely production of information and that they are committed to improve the position.
41. Recognition was given to the shortage in the audit market (across both the private and public sector) which is contributing to delays with limited resources available to audit both the NHS and local authorities.
42. HM Treasury reiterated the invitation to the Group for input as to the direction HM Treasury should take as it continues addressing the commitments made in the Government Financial Reporting Review.

Item 8: Sustainability reporting update

43. HM Treasury talked the Group through the presentation that had been circulated before the meeting on sustainability reporting. The update covered detail on the reporting landscape and government policy, financial reporting for climate change, the newly established FRAB Sustainability Subcommittee (FRAB-SSC), the Task Force on Climate-Related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).
44. The Group learnt that at the most recent FRAB SSC meeting, the public sector financial reporting implications of climate change were considered with reference to existing IFRS guidance on climate change, along with a relevant article on sustainability from the Technical Accounting Centre of Excellence (TACoE). At the next subcommittee meeting, there will be a paper on adopting TCFD in the public sector and discussion of the IASB's exposure draft. The subcommittee also plan to consider progress on the financial reporting application guidance developed on climate change.
45. HM Treasury explained that the ISSB's will use a 'building blocks' approach using the voluntary standards already as a starting point on which to add. The Group learnt that the first two exposure drafts for standards on general disclosure and climate were published on Thursday 31 March 2022.
46. The Chair observed that the exposure drafts and their style, are very similar to financial reporting standards and that there is not a significant difference between enterprise materiality and double materiality. The Treasury plans to consider the standards' focus of 'enterprise value' and the government's wider responsibilities as part of the FRAB-SSC work.

Item 9: AOB

47. HM Treasury provided a brief update on the FRAB meeting that convened on 31 March. It was highlighted that there were consistent themes discussed on the stressed resources and plans to move forward. The meeting also included some major items on the CIPFA update and IFRS 17 implementation. The FRAB effectiveness review was also a key item on the agenda.
48. HM Treasury encouraged members to consider what actions/projects HM Treasury could pursue that would be of value to users and preparers and communicate these with HM Treasury ahead of the next meeting.
49. The Chair thanked the Group for their participation and looks forward to seeing them again at the next meeting.