



HM Treasury

# **Central Government Reporting Update**

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Update on central government reporting matters including on the timetable, qualified audit opinions, WGA 2020-21 and HMT work plan.

# Laying of Annual Reports and Accounts (ARAs)

## Timetable

- **Thirty-five** of the fifty bodies were able to lay their ARAs before the Parliamentary summer recess. This figure includes **thirteen** ministerial departments, **eighteen** non-ministerial departments and **four** pension schemes.
- All departments and other bodies with Supply Estimates are expected to lay their ARAs before the end of December.
- So far, three departments have received a qualified audit opinion (DWP, HMRC and MoD), of which one was only directly attributable to COVID-19.
- Some bodies missed pre-recess laying due to the knock-on impact of COVID-19, late running of prior year accounts, continued delays with local government pension assurance and audit not being completed in time.
- We expect more 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.
- Details of the three departments receiving an audit qualification are set out in later slides. Full details of current laying dates and links to departmental ARAs may be found [here](#).

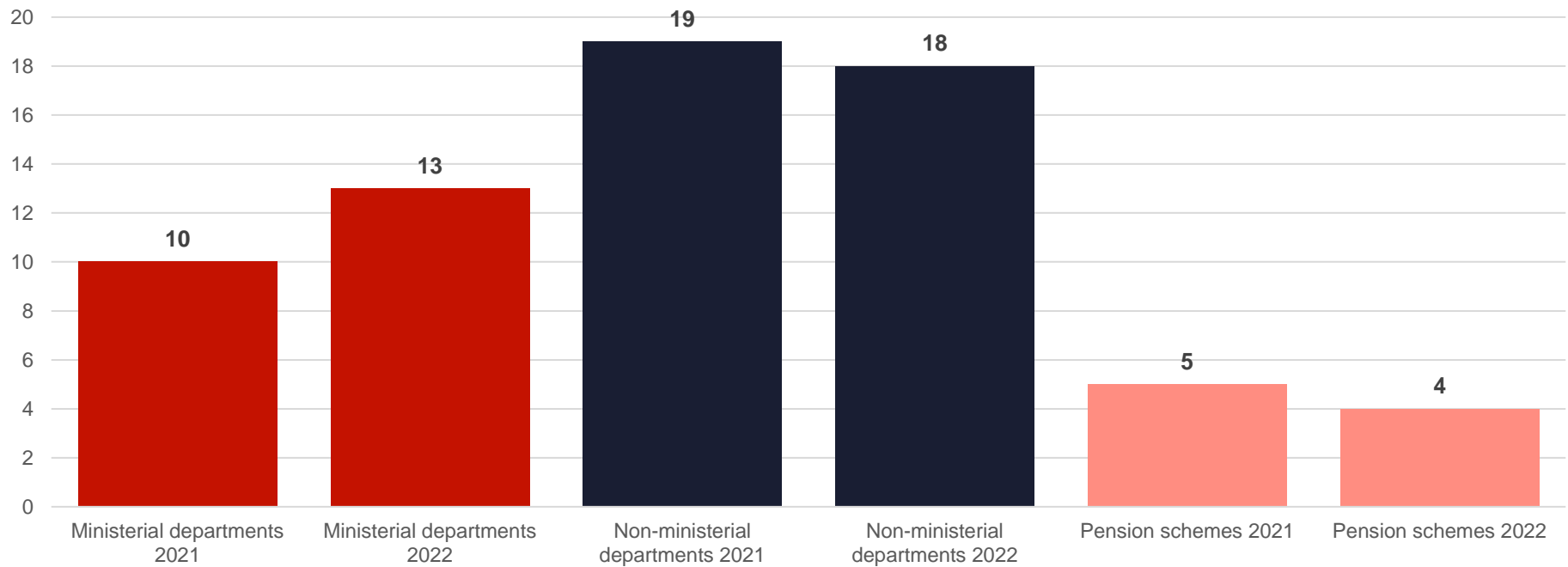
## 2021-22 ARA laying summary

The below table and chart provides a helpful summary of the number of entities who planned pre-recess laying, the number of entities who achieved pre-recess laying and the number of entities with a qualified audit certificate as at **4<sup>th</sup> October 2022**.

<b>Summary as at WC 10th October 2022</b>				
	<b>Ministerial Departments</b>	<b>Non-Ministerial Departments</b>	<b>Pension Schemes</b>	<b>Total</b>
<b>Entities in scope</b>	20	22	8	50
<b>Entities planned pre-recess laying 2022</b>	14	18	6	38
<b>% Planned pre-recess laying 2022</b>	70%	82%	75%	76%
<b>Entities achieved pre-recess 2022</b>	13	18	4	35
<b>% Achieved pre-recess laying 2022</b>	65%	82%	50%	70%
<b>% Entities achieved pre-recess 2022 who planned pre-recess</b>	93%	100%	67%	92%
<b>Entities laid as at 4<sup>th</sup> October 2022</b>	13	18	5	36
<b>Entities with qualified audit certificate</b>	3	0	0	3
<b>% Entities with qualified audit certificate</b>	23%	0%	0%	9%

# 2021 vs 22 ARA laying summary (pre-recess)

Year-on-Year Movement in Pre-Recess Laying by Entity Type



# Summary of audit qualifications

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## Department for Work and Pensions (laid 7<sup>th</sup> July 2022)

- DWP received a qualified opinion on regularity due to fraud and error for benefits overpayments (excluding state pension) of £8.5 billion (7.6% of related expenditure) and underpayments (excluding state pension) of £2.1 billion (1.9% of related expenditure).

## HM Revenue and Customs (HMRC) (laid 18<sup>th</sup> July 2022)

- Regularity qualifications due to fraud and error in its COVID-19 support schemes, material fraud and error in Personal Tax over and underpayments, and overpayments of Corporation Tax R&D reliefs.
- Material level of fraud and error identified in COVID-19 schemes was £241 million (2.8% of related expenditure) for the Coronavirus Job Retention Scheme and £376 million (4.5% of related expenditure) for the Self-Employment Income Support Scheme.

# Summary of audit qualifications (2)

## Ministry of Defence (laid 14<sup>th</sup> July 2022)

- MOD received a qualified opinion on the financial statements due to not undertaking sufficient work and supplying appropriate documentation resulting in the omission of material leased asset balances under IAS 17. This is the thirteenth consecutive year of the qualification.

## Post-recess laying

- Based on our intel, there are qualification risks for some post-recess laying entities, including:
  - 1) Additional qualifications for material levels of fraud and error in COVID-19 support schemes.
  - 2) Breaches against control totals.
  - 3) Non-compliance with HMT's Managing Public Money and pay controls.
  - 4) Balance sheet valuations.

# WGA update

## 2019/20 WGA

- Published on Monday 6<sup>th</sup> June 2022
- PAC Hearing held on Wednesday 8th June 2022
- WGA 19-20 Improvements:
  - Enhanced disclosure of expenditure
  - Introduction of more contemporary sources
  - Further forward-looking information
  - Trend data sets
  - Improved disclosure of local government sector

## 2020/21 WGA

- System Overall progress on DCT returns submitted (as at 03 October):
  - 62% of Cycle 1
  - 38% of Cycle 2
- System performance issues have significantly improved – issues with stability and working on the DCT have been resolved.
- WGA team is on hand to help with queries – please refer to the guidance or contact [WGA.Team@hmtreasury.gov.uk](mailto:WGA.Team@hmtreasury.gov.uk).

# Current work plan

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## Government Financial Reporting Manual (FReM) 2022-23

*Key changes (except for IFRS 16)*

- **Performance reporting:** Removal of reference to reporting against priority outcomes and metrics agreed as part of SR 20 and changed to the 'most recent spending review'. (Chapter 5 of the FReM)
- Inclusion of requirements on spending on consultancy and temporary staff and off-payroll arrangements. (Chapter 6 and Annex 4 of the FReM)
- A new requirement for departments to provide a reconciliation between contingent liabilities included in the Supply Estimate to outturn in the ARAs and explain variances. (Para 6.7.1(g) of the FReM)
- New requirement added for statement r.e. government functional standards in line with DAO 05/21. (Chapter 5 of the FReM)



# Current work plan

## PES Paper - guidance on the preparation of annual reports and accounts 2022-23

- Improved guidance (with a focus on detail/clarity) for the disclosure requirements related to:
  - **Fraud and Error** - driven by increased fraud risks from the volume of COVID-19-related support schemes, increased scrutiny from Parliament (and select committees), and specialist direction from the Fraud and Error Team at the Cabinet Office.
  - **Topical performance reporting** – since 2019-20, departments have been asked to include impact information on various significant topical issues (EU Exit, COVID-19). The additional performance reporting requirements focus on the related impact on the department's outcome delivery plan, risks and spending. After a review of ARAs, HMT is working to better meet the needs of users in this area (potential for Ukraine War and the related challenges in the energy market).
  - **Declaration of management interests** – Initially added in Jun-22, the Cabinet Office's Propriety and Ethics Team are considering whether further disclosure in this area is necessary.
- HMT is working to resolve/simplify the HTML publication requirements from GDS
- Remove unnecessary requirements/outdated guidance from the PES paper

## IFRS 16 implementation

- The remainder of central government implemented the standard from 1 April 2022
- Accounting and budgeting guidance has been available for quite some time before this date, due to early adopters and earlier deferrals of the standard
- We have had some ad hoc accounting queries since implementation



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# Questions