

Security and Intelligence Agencies Financial Statement 2021-22

For the period 1 April 2021 to 31 March 2022

Security and Intelligence Agencies Financial Statement 2021-22

For the period 1 April 2021 to 31 March 2022

Presented to the House of Commons pursuant to Section 6(4) of
the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 3 November 2022



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at **publiccorrespondence@cabinetoffice.gov.uk**.

ISBN 978-1-5286-3680-3

E02794317 11/22

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

	Page
Introduction	2
Accountability Report	3
Statement of Accounting Officer's Responsibilities	3
Governance Statement	5
Parliamentary Accountability and Audit Report	10
Statement of Outturn against Parliamentary Supply	11
Notes to the Statement of Outturn against Parliamentary Supply	13
Parliamentary Accountability Disclosures	14
Certificate and Report of the Comptroller & Auditor General	15
Financial Statement	20
Consolidated Statement of Net Expenditure	20
Notes to the Consolidated Statement of Net Expenditure	21
Annex A: Core Tables (Unaudited)	22

Introduction

This Statement summarises the use of resources by the Security and Intelligence Agencies ('the Agencies') for the year ending 31 March 2022. Each of the Agencies produces its own full set of Annual Reports and Accounts in accordance with the Government Financial Reporting Manual and HM Treasury directions but, for reasons of national security, they are not published. They are audited by the Comptroller and Auditor General and shown to the Chair of the Public Accounts Committee in accordance with the procedure for handling such material set down by the relevant Secretary of State under the Intelligence Services Act 1994. In line with these arrangements this Statement comprises only a Statement of Outturn against Parliamentary Supply and Consolidated Statement of Net Expenditure together with appropriate notes and a Governance Statement.

Accountability Report

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Security and Intelligence Agencies to prepare, for each financial year, a Financial Statement detailing the resources acquired, held, or disposed of during the year and the use of resources by the Agencies during the year.

The individual Agency accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agencies' net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year then ended.

For reasons of national security, these accounts are not published. They are audited by the Comptroller and Auditor General and shown to the Chair of the Public Accounts Committee in accordance with the procedure for handling such material set down by the Secretary of State under the Intelligence Services Act 1994.

As a consequence of these arrangements, HM Treasury has directed that a Financial Statement should be published in accordance with Section 5 (2) of the Government Resources and Accounts Act 2000, and that this should comprise only a Statement of Outturn against Parliamentary Supply and Consolidated Statement of Net Expenditure together with appropriate notes.

In preparing the Financial Statement, the Accounting Officer is required, within the limitations imposed by the interests of national security, to comply with the Government Financial Reporting Manual prepared by HM Treasury, and in particular to:

- i. observe the Accounts Direction issued by HM Treasury (HMT), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii. make judgements and estimates on a reasonable basis;
- iii. state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statement;
- iv. prepare the Financial Statement on a going concern basis; and
- v. confirm that the Financial Statement as a whole is fair, balanced and understandable and take personal responsibility for the Financial Statement and the judgements required for determining that it is fair, balanced and understandable.

The responsibilities of an AO, including responsibility for the propriety and regularity of the public finances for which the AO is answerable, for keeping proper records and for safeguarding the Security and Intelligence Agencies' assets, are set out in HMT's Managing Public Money.

Accounting Officer's Declaration

I consider there to be no relevant audit information of which the National Audit Office (NAO) auditors have not been made aware. I have taken all steps necessary to make myself aware of any relevant audit information and to establish that NAO auditors are aware of that information.

I can confirm that the financial statement as a whole is fair, balanced and understandable and that I take personal responsibility for the financial statement and the judgement required for determining that it is fair, balanced and understandable.

A handwritten signature in black ink, appearing to read 'Simon Case', is written over a faint, circular watermark or seal. The signature is fluid and cursive.

Simon Case CVO
Cabinet Secretary
26 October 2022

Governance Statement

Scope of Responsibility

This Governance Statement for the period ending 31 March 2022, covers the Single Intelligence Account (SIA), which is the funding vehicle for the Security and Intelligence Agencies (the Agencies): the Secret Intelligence Service (SIS), Government Communications Headquarters (GCHQ) and the Security Service (MI5).

The SIA is managed differently to accounts in other parts of Government. The Prime Minister has overall responsibility for intelligence and security matters and is accountable to Parliament for matters affecting the Agencies collectively. The Agency Heads have a statutory duty to provide annual reports on the work of the Agencies directly to the Prime Minister as well as to their respective Secretaries of State, and may at any time report to either of them on any matter relating to their work¹.

The Secretary of State for Foreign, Commonwealth and Development Affairs is the responsible Secretary of State for SIS and GCHQ,² and the Secretary of State for the Home Office for MI5³. The Agencies ensure that the appropriate Secretary of State is briefed on matters that could become the subject of Parliamentary or public interest and on issues, which they need to be aware of in discharging their wider Ministerial responsibilities. There are well-established arrangements for seeking Ministerial clearance for operations when required.

In line with the responsibility assigned to Accounting Officers in Managing Public Money the Principal Accounting Officer (PAO) acts to ensure that the SIA operates effectively and efficiently in support of national security policies, aims and objectives. Sir Stephen Lovegrove was appointed as PAO on 12 April 2021, and replaced Simon Case, Cabinet Secretary. Simon Case resumed the role of PAO with effect from 15 September 2022. The Heads of the Agencies are each Accounting Officers (AOs) in their own right, with delegated authority from the PAO.

Legal and Parliamentary oversight

The Agencies' operations are conducted within a framework of legislation that defines their roles, activities, and arrangements for their oversight. The main statutes are the Security Service Act 1989, the Intelligence Services Act 1994, the Regulation of Investigatory Powers Act 2000 (RIPA), the Justice and Security Act 2013, and the Investigatory Powers Act 2016 (IPA 2016).

The oversight framework for investigatory powers helps to ensure that public authorities, including the Agencies, act in ways that are compatible with the Human Rights Act 1998. The Investigatory Powers Tribunal was established in October 2000 under RIPA and provides a right of redress for anyone who

¹ s2(4) The Security Service Act 1989; s2(4), s4(4) The Intelligence Services Act 1994

² s1(1), s3(1), The Intelligence Services Act 1994

³ s1(1) The Security Service Act 1989

believes they have been a victim of unlawful action by a public authority improperly using covert investigative techniques. The Tribunal is also th against the Agencies alleging the infringement of human rights.

The IPA 2016 created the Investigatory Powers Commissioner role, to approve and oversee the use of investigatory powers by public authorities. The Investigatory Powers Commissioner, Sir Brian Leveson, assumed his responsibilities on 21 October 2019 and is responsible for the constitutional function of independently balancing the public interest and the rights of the individual, particularly in assessing when it is justifiable for these rights to be interfered with. The Investigatory Powers Commissioner has assumed the functions of the former Intelligence Services Commissioner, Chief Surveillance Commissioner, and Interception of Communications Commissioner, as well as additional functions provided for by the IPA 2016.

Parliamentary oversight of the three Intelligence Agencies is provided by the Intelligence and Security Committee (ISC), which examines the expenditure, administration and policy of the Agencies⁴. The ISC can also oversee certain operational matters in specific circumstances, subject to the parameters set out in the Memorandum of Understanding between the Government and the ISC⁵. The ISC's independence from Government was enhanced in July 2013 with the Justice and Security Act which makes the ISC a statutory Committee of Parliament and formalises its remit⁶. Additionally, the Chair of the House of Commons' Public Accounts Committee sees the Annual Report and Accounts of the Agencies through the NAO.

The Governance Framework

Financial responsibility for the SIA lies with the PAO. The Prime Minister and the PAO are supported in their engagement with the Agencies by a small team in the Cabinet Office, which includes a professional accountant. The governance at the centre is complemented by comprehensive governance structures in each of the three Agencies.

There are different governance arrangements in place for the Agencies to ensure appropriate oversight and accountability for Agency spending, without compromising the need for operational secrecy necessary to protect national security. Special arrangements have been agreed for the implementation of the Government's transparency agenda by the Agencies. To help drive good financial management, the Agencies are required to produce all the data required of other government departments for the transparency agenda and share it with the relevant teams in HMT and the Cabinet Office. However, this data is not published because of risks to national security. In line with other departments, the Agencies are also required to produce and maintain a business plan. These plans are discussed with the ISC at a strategic level and there is regular reporting from the Agencies to the ISC.

As with other departments, where specific investment plans either exceed the delegated financial authority given to Agency Heads by the Chief Secretary to the Treasury through the PAO or fall within the HMT definition of complex, Agency Heads must seek prior approval from the PAO & HMT. For reasons of national security, the Cabinet Office runs parallel arrangements for the Agencies, through

⁴ s10 Intelligence Services Act 1994

⁵ s2(2) Justice and Security Act 2013

⁶ Part 1 Justice and Security Act 2013

the Deputy National Security Adviser (DNSA), with regard to the Cabinet Office controls. Within these arrangements, the Agencies ensure that taxpayers get the best possible value from SIA spending whilst protecting operational sensitivities.

Each of the Agencies produces their own Annual Report and Accounts and these are independently audited, in full, by the Comptroller and Auditor General. The Agencies also produce their own Governance Statements which reflect their individual circumstances. For this reason, this Governance Statement focuses on the SIA level structures and aggregated risk position, making reference to the individual statements of the Agencies as necessary.

The Agency Heads, supported by Deputies, meet regularly to discuss strategic issues affecting the Agencies. Each Agency also has their own Board which comprises both the senior management and Non-Executive Directors, and an Audit and Risk Assurance Committee, which meet regularly. The Cabinet Office-led structures in place outlined below enable effective management of finances and complement those of the Agencies.

Cabinet Office Governance of the Security and Intelligence Agencies

The Financial Steering Group (FSG) is the highest level of financial and performance governance. It is chaired by the PAO and attended by the Agency Heads, HMT DG Public Spending, DNSA, and the Agency Finance Directors. The Group meets quarterly, and provides an opportunity for the PAO to meet the Accounting Officers and HMT to discuss key financial and strategic issues, such as the implementation of Spending Review commitments, delivery of cross-SIA collaborative programmes, progress on efficiency plans and in-year financial management. The FSG met four times in 2021-22; three meetings were chaired by Sir Stephen Lovegrove, and one by DNSA.

The Performance and Risk Reviews (P&RRs) were introduced in 2021-22 under Sir Stephen Lovegrove. The P&RRs are chaired by the PAO and are a forum to hold the Agency Heads to account on their financial and strategic performance for their individual organisations, including reviewing business and associated financial risks. Three separate meetings are held every quarter; one with each agency head (Director General MI5, Chief of the Secret Intelligence Service known as 'C', and Director GCHQ), as well as their respective Director General Strategy and Finance Director. DNSA and a representative from either the Home Office or the Foreign, Commonwealth and Development Office (FCDO) also attends. Four Performance & Risk review meetings took place for each agency during 2021-22. Three were chaired by Sir Stephen Lovegrove, and one by DNSA.

Frequent working-level meetings support these structures. The Cabinet Office chairs a monthly meeting of Agency Finance Directors to monitor financial management and risk and HMT has started to chair a quarterly stocktake with the Agencies at Director level aligned with the FSG meetings. The Cabinet Office also chairs regular meetings with representatives from across the Agencies and HMT to provide peer review and discussion of the spending forecasts, cash management, and application of HMT policy papers.

Governance of the National Cyber Programme (NCP)

This Governance Statement also covers £305m investment in the (National Cyber Security Programme) NCSP in 2021/22. The NCSP is managed by a team in the Cabinet Office, which reports to the DNSA, who is the Senior Responsible Owner (SRO) for the fund. NCSP funding uses a governance framework set up to ensure performance against delivery. In-year, a new National Cyber

Strategy reflecting the aims of the Integrated Review has been published, and the NCSP funded activity included continuing elements from the previous programme and new activity aligned with the successor strategy.

The National Cyber Security Strategy and the National Security Council guide the NCSP's strategic direction. Accountable Departments must submit business cases for approval by the Cabinet Office Programme Board before resources are released. The NCSP works with the Infrastructure and Projects Authority (IPA) and follows good practice set out by the NAO to ensure this programme is being managed effectively and delivers value for money.

Compliance with the 'Corporate governance in central government departments: code of good practice' (2017)

The individual Agencies follow the principles of the 'Corporate governance in central government departments: code of good practice' (2017) where relevant and practicable. Any areas of departure are set out in each of the Agency's own governance statements. The Agencies collectively are not a ministerial department and so are not accountable to Parliament in the way described by the Code. Parliamentary oversight mechanisms are as described above. As each Agency has its own Accounting Officer, there is no SIA management board as described by the Code. The FSG (see above) has responsibility for those financial issues requiring Cabinet Office oversight or co-ordination.

Information Security and Protection

No information security incidents were reported to the Information Commissioner's Office during 2021-22.

Risk Assessment

The Cabinet Office regularly discusses individual Agency and cross-SIA strategic and financial risks with Agency Finance Directors, working-level Agency finance contacts and HMT, which inform the discussion with the PAO at the FSG. The Agencies formally report their top risks to the PAO through the Accounting Officer's Quarterly Report which is prepared for review and discussion at each FSG meeting. These look at the key business, strategic and financial risks faced by the Agencies and include the risks to delivery of their collaborative transformation programmes, their missions, their efficiencies targets set at SR20 and SR21, and their underpinning core capabilities. Taken together these measures mean I have confidence in the in the effectiveness of risk management and internal control within the SIA.

Accounting Officer Systems Statement

A separate Accounting Officer Systems Statement has not been produced for the SIA as it has been judged that all the relevant information, within national security constraints, is contained within the Governance Statement.

Review of the Effectiveness of Risk Management and Internal Control

As PAO for the SIA, I have responsibility for reviewing the effectiveness of governance structures. I have been provided with the full, unpublished, versions of the individual Agency Governance Statements. I have been provided with a written handover by my predecessor, which has given me suitable assurance over the level of agency oversight during 2021-22 and I am content that these Governance Statements represent a true picture of each Agency's position.

I, and my teams in the Cabinet Office, conduct regular reviews of the agencies at both working and senior levels. We are working with UKIC on a number of areas of financial management that have been identified for improvement.

Oversight at a senior level was further improved in 2021-22 by embedding the quarterly Performance and Risk Reviews. These allow me to question individual agency heads, at length, on financial matters, to put in place appropriate performance measures, review key performance indicators and to monitor the implementation of SR21 commitments in all three agencies.

A handwritten signature in black ink, appearing to read 'Simon Case', is centered on the page. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Simon Case CVO
Cabinet Secretary
26 October 2022**

Parliamentary Accountability and Audit Report (Audited)**Statement of Outturn against Parliamentary Supply**

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the SIA to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: a reconciliation of outturn to net operating expenditure in the consolidated SOCNE, to tie the SOPS to the financial statement (note 1); a reconciliation of outturn to net cash requirement (note 2); and, an analysis of income payable to the Consolidated Fund (note 3).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

Summary Table, 2021-22 all figures presented in £000s

Type of Spend	Outturn			Estimate			Outturn vs Estimate saving/(excess)		Prior Year Outturn Total 2020-21
	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Departmental Expenditure Limit									
Resource	2,936,425	-	2,936,425	3,016,916	-	3,016,916	80,491	80,491	2,859,811
Capital	919,035	-	919,035	951,433	-	951,433	32,398	32,398	794,967
Total	3,855,460	-	3,855,460	3,968,349	-	3,968,349	112,889	112,889	3,654,778
Annually Managed Expenditure									
Resource	130,722	-	130,722	155,050	-	155,050	24,328	24,328	18,744
Capital	-	-	-	-	-	-	-	-	-
Total	130,722	-	130,722	155,050	-	155,050	24,328	24,328	18,744
Total Budget									
Resource	3,067,147	-	3,067,147	3,171,966	-	3,171,966	104,819	104,819	2,878,555
Capital	919,035	-	919,035	951,433	-	951,433	32,398	32,398	794,967
Total Budget Expenditure	3,986,182	-	3,986,182	4,123,399	-	4,123,399	137,217	137,217	3,673,522
Non-budget Expenditure	-	-	-	-	-	-	-	-	16,161
Total Budget and Non-Budget	3,986,182	-	3,986,182	4,123,399	-	4,123,399	137,217	137,217	3,689,683

Net Cash Requirement 2021-22, all figures presented in £000

2021-22			2020-21
Outturn	Estimate	Outturn compared with Estimate saving/ (excess)	Outturn
3,376,788	3,632,749	255,961	3,139,866

Administration Costs 2021-22 all figures presented in £000

2021-22			2020-21
Outturn	Estimate	Outturn compared with Estimate saving/ (excess)	Outturn
78,768	82,250	3,482	75,159

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Outturn against Parliamentary Supply

SOPS 1 Reconciliation of outturn to net operating expenditure

	2021-22	2020-21
	£000	£000
Total resource outturn in Statement of Outturn against Parliamentary Supply	3,067,147	2,878,555
Add Other Net Adjustments	283,600	209,037
Less Income Payable to the Consolidated Fund	(3,137)	(1,516)
Net Operating Expenditure	3,347,610	3,086,076

SOPS 2 Reconciliation of net outturn to net cash requirement

	Outturn	Estimate	Net total outturn compared with Estimate saving/(excess)
	£000	£000	£000
Resource Outturn	3,067,147	3,171,966	104,819
Capital Outturn	919,035	951,433	32,398
Accruals to cash adjustments:			
<i>Adjustments to remove non-cash items</i>	(617,435)	(640,650)	(23,215)
<i>Other Net Adjustments</i>	15,759	-	(15,759)
<i>Adjustment to reflect movements in working balances</i>	(7,718)	150,000	157,718
Net Cash Requirement	3,376,788	3,632,749	255,961

SOPS 3 Amount of Income to the Consolidated Fund***SOPS 3.1 Analysis of Income Payable to the Consolidated Fund***

In addition to income retained by the department, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2021-22		Outturn 2020-21	
	Accruals	<i>Cash basis</i>	Accruals	<i>Cash basis</i>
	£000	£000	£000	£000
Income outside the ambit of the estimate	2,489	<i>2,489</i>	1,383	<i>1,383</i>
Excess cash surrenderable to the consolidated fund	648	<i>648</i>	133	<i>133</i>
Total income payable to the Consolidated Fund	3,137	<i>3,137</i>	1,516	<i>1,516</i>

Parliamentary Accountability Disclosures (Audited)**Losses and Special Payments**

	2021-22	2021-22	2020-21	2020-21
	No. of cases	£000	No. of cases	£000
Losses and Special Payments	510	22,509	2,812	27,641
Total	510	22,509	2,812	27,641



Simon Case CVO
Cabinet Secretary
26 October 2022

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statement

I certify that I have audited the financial statement of the Security and Intelligence Agencies for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statement comprises:

- the Consolidated Statement of Net Expenditure; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statement is applicable law and UK adopted international accounting standards.

In my opinion, the financial statement:

- properly presents the Security and Intelligence Agencies' net operating expenditure for the year ended 31 March 2022; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statement have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statement conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statement* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Security and Intelligence Agencies and the Cabinet Office in accordance with the ethical requirements that are relevant to my audit of the financial statement in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statement, I have concluded that the Security and Intelligence Agencies' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Security and Intelligence Agencies' ability to continue as a going concern for a period of at least twelve months from when the financial statement is authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other information

The other information comprises information included in the Introduction and the Accountability Report, but does not include the financial statement nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statement does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statement, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statement itself. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Introduction and Accountability Report for the financial year for which the financial statement is prepared is consistent with the financial statement and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Security and Intelligence Agencies and their environment obtained in the course of the audit, I have not identified material misstatements in the Introduction and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Security and Intelligence Agencies and the Cabinet Office or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statement and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statement

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statement in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the financial statement as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of the financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Security and Intelligence Agencies' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Security and Intelligence Agencies will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statement

My responsibility is to audit, certify and report on the financial statement in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Security and Intelligence Agencies' and Cabinet Office's accounting policies.
- Inquiring of management, the Security and Intelligence Agencies' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation

relating to the Security and Intelligence Agencies' and Cabinet Office's policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Security and Intelligence Agencies' and Cabinet Office's controls relating to compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the financial statement and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Security and Intelligence Agencies for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Security and Intelligence Agencies' framework of authority as well as other legal and regulatory frameworks in which the Security and Intelligence Agencies operate, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statement or that had a fundamental effect on the operations of the Security and Intelligence Agencies. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2021, employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statement;
- enquiring of management, the Security and Intelligence Agencies Audit and Risk Assurance Committees and in-house legal counsels concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance at the Security and Intelligence Agencies and the Boards and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statement is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statement has been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statement conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The financial statement discloses the use of resources by the Security and Intelligence Agencies. As explained in the introduction, for reasons of national security it does not comply fully with International Accounting Standards as interpreted by the HM Treasury's Government Financial Reporting Manual. The unpublished constituent accounts, which I audit in accordance with International Standards on Auditing (UK) are, however, fully compliant. My opinion on each of these is unqualified.

Report

I have no observations to make on this financial statement.

Gareth Davies
Comptroller and Auditor General

28 October 2022

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statement

Consolidated Statement of Net Expenditure

	2021-22	2020-21
	£000	£000
Income	(159,342)	(138,279)
Total operating income	(159,342)	(138,279)
Staff costs	1,201,483	1,191,825
Other costs	2,305,469	2,032,530
Total operating expenditure	3,506,952	3,224,355
Net Operating Expenditure	3,347,610	3,086,076



Simon Case CVO
Cabinet Secretary
26 October 2022

Notes to the Consolidated Statement of Net Expenditure**1. Statement of accounting policies and disclosure**

This is the consolidated Financial Statement of the individual Security and Intelligence Agencies. This financial statement has been prepared in accordance with the accounts direction issued by HM Treasury under the Government Resources and Accounts Act 2000 and applies, within the limitations imposed by the interests of national security, the relevant requirements of the 2021-22 Government Financial Reporting Manual. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the policy which is judged to be the most appropriate to the particular circumstances of the Agencies for the purpose of ensuring the Financial Statement is presented properly, has been selected.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Basis of consolidation

These accounts are based upon a consolidation of the individual Security and Intelligence Agencies' accounts. Transactions between entities included in the consolidation have been eliminated in accordance with IFRS10 – Consolidated Financial Statements.

2. Events after the reporting period

There are no reportable events after the reporting period. These accounts have been authorised for issue by the Principal Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate

Annex A: Unaudited Core Tables**Tables 1 to 2 – Core Tables (unaudited)**

The SIA comprises the budgets of the three Security and Intelligence Agencies – the Security Service, the Secret Intelligence Service and the Government Communications Headquarters. During the financial year 2021-22, the PAO delegated authority to spend to the three Agency Heads, who are themselves Accounting Officers, at levels agreed with HM Treasury. The Security and Intelligence Agencies operate within a separate statutory framework.

Table 1 – Total departmental spending for the Security and Intelligence Agencies - The years from 2016-17 to 2019-20 are part of the SR15 settlement. 2020-21 is part of the SR15 settlement, as modified by SR19. 2021-22 was agreed by the SR20 settlement. The years from 2022-23 represent the settlement achieved under SR21.

Table 2 – Administration budget for the Security and Intelligence Agencies - Administration budgets are in line with the SR15, SR19, SR20 and SR21 settlements.

Security and Intelligence Agencies

Financial Statement 2021-22

Table 1 - Security and Intelligence Agencies total departmental spending

	£'000								
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
Resource DEL									
Security and Intelligence Agencies	2,268,170	2,390,876	2,534,770	2,755,052	2,859,811	2,936,425	3,124,830	2,392,550	2,462,930
Total Resource DEL	2,268,170	2,390,876	2,534,770	2,755,052	2,859,811	2,936,425	3,124,830	2,392,550	2,462,930
Resource AME¹									
Spending in Annually Managed Expenditure	13,065	16,437	15,482	438	18,744	130,722	65,277	-	-
Total Resource AME	13,065	16,437	15,482	438	18,744	130,722	65,277	-	-
Total Resource Budget	2,281,235	2,407,313	2,550,252	2,755,490	2,878,555	3,067,147	3,190,107	2,392,550	2,462,930
Capital DEL									
Security and Intelligence Agencies	603,276	576,195	602,208	636,423	794,967	919,035	1,124,746	1,169,800	1,204,200
Total Capital DEL	603,276	576,195	602,208	636,423	794,967	919,035	1,124,746	1,169,800	1,204,200
Departmental Spending	2,884,511	2,983,508	3,152,460	3,391,913	3,673,522	3,986,182	4,314,853	3,562,350	3,667,130
Non Budget spending	-	-	-	-	16,161	-	-	-	-
Total departmental spending	2,884,511	2,983,508	3,152,460	3,391,913	3,689,683	3,986,182	4,314,853	3,562,350	3,667,130

¹ The total allocations in this table for the agencies for 2023-24 and 2024-25 do not include either depreciation (ring-fenced RDEL) or inter-departmental transfers. Both depreciation and inter-departmental transfers will be calculated and allocated during the Estimates process in those financial years and added to the totals shown here. There are no figures published in the SR21 Settlement Letter for AME.

Table 2 - Administration budget for the Security and Intelligence Agencies

	£'000								
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
Resource DEL									
Security and Intelligence Agencies	67,194	69,961	73,486	77,541	75,159	78,768	91,700	95,500	99,000
Total administration budget	67,194	69,961	73,486	77,541	75,159	78,768	91,700	95,500	99,000

E02794317

978-1-5286-3680-3