HM Treasury

Financial Reporting Advisory Board Paper

Update on the timeliness and issues coming through from the 2021-22 reporting cycle

Issue:	An update from HM Treasury on the timeliness and reporting issues arising from the 2021-22 reporting cycle. This includes the laying timetable of departmental accounts, those who have received a qualified audit opinion and reporting progress since 2020-21.
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public-sector context?	N/A
Impact on budgetary regime and Estimates?	N/A
Alignment with National Accounts	N/A
Recommendation:	None – for the Board's information only
Timing:	Ongoing

Background

1. This paper provides a summary of the 2021-22 laying timetable as of 11th November 2022, including detail on the current laying timetable and audit qualifications.

2. The administrative deadline for laying 2021-22 ARAs before Parliament reverted back to 30th June 2022 where possible, and no later than the Parliamentary summer recess. For certain departments, there were specific circumstances which caused significant challenges to meet this deadline (principally as a result of the COVID-19 pandemic and the knock-on impact of related delays in previous years, but also due to a variety of other reasons set out in the body of this paper). Those departments affected who consulted their auditors, and believed their plans demonstrated significant challenges in meeting pre-summer recess, were able to request an extension to the administrative deadline from HM Treasury.

3. Despite reverting the administrative deadline back to 30th June where possible and initially only granting extensions until 30th September, a number of departments laid past this deadline, and some are still yet to lay.

Detail

2021-22 laying timetable

4. Thirty-five of the fifty bodies whose ARAs are laid by the Financial Secretary (FST) 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.

5. As of 11th November 2022, thirty-nine bodies have laid their ARAs with eleven accounts still outstanding.

6. Whilst the knock-on impact of the pandemic and the late running of prior year accounts affected some departments in meeting an earlier timetable for laying ARAs, we have been informed by the NAO and departments that there were a variety of other issues that similarly impacted the ability of some departments to lay before recess. These issues included:

    - Local government-related issues, primarily delays in assurances around the Local Government Pension Scheme (LGPS). The Ministry of Justice (MoJ) and the Department for Digital, Communications, Media and Sport (DCMS) include a share of the LGPS liability in their Consolidated Statement of Financial Position as all departments have bodies in their accounting boundary whose employees are part of the LGPS. MoJ and DCMS' audit completions are therefore dependent on assurances over pension liabilities in respect of the LGPS, which has been heavily affected by delays in local government audits. This issue and HMT's proposed solution for future years is discussed in more detail in FRAB paper 148 (09).

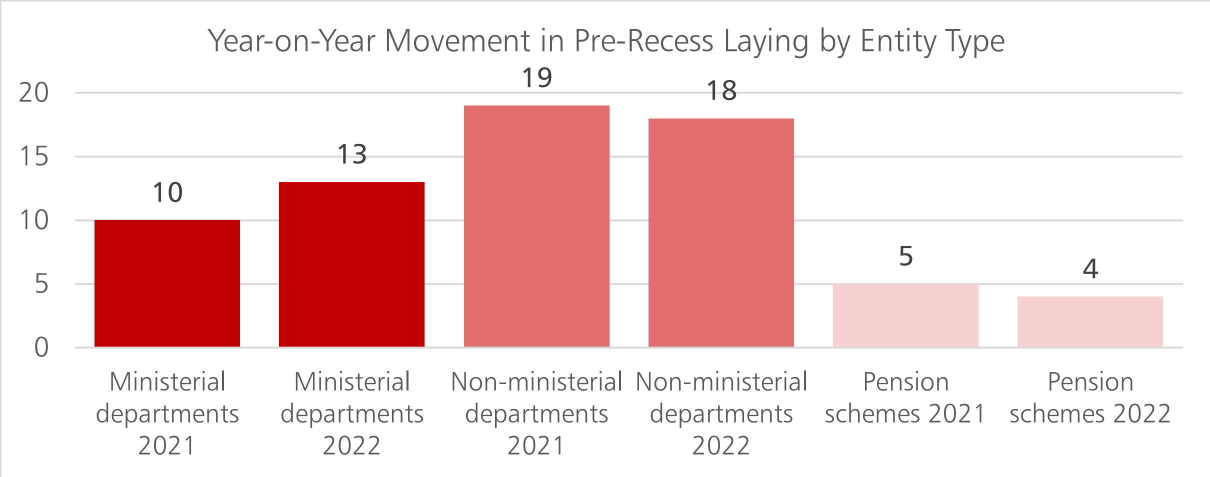
    - Audit-driven delays, which have typically been driven by the prioritisation of auditing specific larger departments to bring them back to pre-recess laying, for example the Ministry of Defence (MoD) and HM Revenue and Customs (HMRC). This resulted in audit delays in respect of some smaller departments and Arm's Length Bodies (ALBs).

    - Similarly, there have been delays in preparers producing the accounts, due to the knock-on impact of delays in prior years discussed above (which in some cases related to longer-term economic consequences of the pandemic, rather than being specifically Covid-related), complex accounting issues (including those around valuation of financial instruments), and resourcing challenges.

    - Ministerial approvals and the availability of Parliamentary laying slots. Some accounts were delayed as a result of the necessary Ministerial approvals not being given because of political changes and the unexpected Parliamentary recess due to the mourning period for the passing of Her Majesty the Queen in September. Note that these delays were typically shorter-term in nature compared to the other delays discussed above.

7. Full details of laying dates and links to departmental ARAs may be found here, with a summary year-on-year table found in appendix 1.

8. The year-on-year movement below shows an increase in ministerial departments laying pre-recess, but a slight decrease in non-ministerial departments and pension schemes laying pre-recess:



Forward look

9. For 2022-23, HM Treasury is committed to returning to pre-recess laying, by:

   - Changing guidance on the administrative deadline - departments will be expected to complete their ARAs (signed, certified, and laid before Parliament) by the administrative deadline on 30th June 2023 where possible and no later than the parliamentary summer recess. Realistically certain departments may not make a pre-recess timetable in 2022-23; however, both HM Treasury and the NAO agree these should be managed as exceptions. The NAO plans remain to bring forward timetables to pre-recess wherever possible – see FRAB paper 148 (07).
   - Engaging with DCMS, MoJ, and the NAO on issues concerning the audit of LGPS liabilities, as this is continually holding up the certification of accounts - see FRAB paper 148 (09).

Audit qualifications

10. Five departmental ARAs have received a qualified audit opinion so far. Of these, three departments laid pre-recess and two departments laid post-recess (of which one qualification was directly attributable to COVID-19).

11. Detail of the departments receiving an audit qualification are set out below, split between pre-recess and post-recess laying dates. Details on the expected qualifications for bodies whose ARAs have not been laid yet has not been included.

Pre-recess:

Department for Work and Pensions (laid 7th July 2022)

12. DWP received a qualified opinion on regularity due to fraud and error for benefits overpayments (excluding the state pension) of £8.5 billion (7.6% of related expenditure) and underpayments (excluding the state pension) of £2.1 billion (1.9% of related expenditure). This is the thirty-fourth consecutive year of the qualification (since 1988-89).

HM Revenues and Customs (HMRC) (laid 18th July 2022)

13. HMRC received regularity qualifications due to fraud and error in its COVID-19 support schemes, material fraud and error in Personal Tax over and underpayments, and fraud and error in overpayments of Corporation Tax R&D reliefs. This is the second year of the COVID-19 support scheme qualification, fourteenth consecutive year of the personal tax under and overpayments qualification, and third consecutive year of the qualification on overpayments of Corporation tax R&D reliefs.

14. Material level of fraud and error identified in COVID-19 schemes was £241million (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.

Ministry of Defence (laid 14th July 2022)

15. MOD received a qualified opinion on the financial statements due to not supplying appropriate documentation which resulted in the omission of material leased asset balances under IAS 17. This is the thirteenth consecutive year of the qualification.

Post-recess:

Foreign, Commonwealth and Development Office: Overseas Superannuation (laid 23rd September 2022)

16. FCDO received a limitation of scope in relation to the regularity of benefit payments. FCDO was unable to provide sufficient evidence that benefit payments were made to those entitled to receive them, due to the level of non-respondents. There was insufficient evidence that payments estimated at £3.2 million, which represent 7.2% of payments made in the year, were supported. This is the second year of the qualification.

Department for Environment, Food and Rural Affairs (DEFRA) (laid 26th October 2022)

17. DEFRA received an audit qualification due to there being insufficient evidence on the value of Property, Plant and Equipment (PPE), tangible and intangible assets and Assets Under Construction. There has been a similar, but more limited qualification for the past 2 years. DEFRA was unable to demonstrate that their statement of financial position on 31st March 2022 was free from material misstatement due to the following:

    a) Neither the Department nor the Environment Agency has applied the Depreciated Replacement Cost method for valuing its Operational Assets.
    b) The audit in 2020-21 identified errors and uncertainties within the Environment Agency's quinquennial revaluation of PPE impacted 2021-22.
    c) Insufficient evidence in respect of the existence, completeness, rights and obligations and valuation of the Assets Under Construction (tangible and intangible) and in respect of the tangible and intangible asset additions of £332 million on 31 March 2022.
    d) The departmental group's decision to not provide all the evidence needed to audit assets under construction balances and tangible and intangible asset additions.

Appendix 1:

Department/Pension Scheme	2021-22 laying date	2020-21 laying date
Armed Forces Retired Pay, Pensions etc	20/07/2022	21/07/2021
Cabinet Office		15/07/2021
Cabinet Office: Civil Superannuation		27/01/2022
Charity Commission	14/07/2022	15/07/2021
Competition & Markets Authority	21/07/2022	15/07/2021
Crown Estate Office	15/06/2022	23/06/2021
Crown Prosecution Service	12/07/2022	08/07/2021
Department for Digital, Culture, Media and Sport		16/12/2021
Department for Education		16/12/2021
Department for Environment, Food and Rural Affairs	27/10/2022	30/11/2021
Department for Health and Social Care		31/01/2022
Department for International Trade	18/07/2022	15/07/2021
Department for Levelling Up, Housing & Communities	19/07/2022	21/07/2021
Department for Transport	20/07/2022	14/09/2021
Department for Work and Pensions	07/07/2022	15/07/2021
Department for Business Energy & Industrial Strategy	20/10/2022	25/11/2021
Food Standards Agency (Consolidated Accounts)		25/11/2021
Food Standards Agency (Westminster Funded)		25/11/2021
Foreign, Commonwealth and Development Office	19/07/2022	22/09/2021
Foreign, Commonwealth and Development Office: Overseas Superannuation	23/09/2022	30/11/2021
Forestry Commission	07/07/2022	24/06/2021
Government Actuary's Department		01/07/2021
Government Legal (includes GLD, Attorney General's Office, HMCPSI)	08/06/2022	27/05/2021
HM Land Registry	14/07/2022	15/07/2021
HM Revenue and Customs	18/07/2022	04/11/2021
HM Treasury	19/07/2022	20/07/2021
Home Office	14/07/2022	08/07/2021
Ministry of Defence	14/07/2022	20/01/2022
Ministry of Justice		16/12/2021
Ministry of Justice: Judicial Pensions Scheme		16/12/2021
National Crime Agency	19/07/2022	20/07/2021
National Health Service Pension Scheme (England and Wales)	19/07/2022	20/07/2021
National Savings and Investments	28/06/2022	24/06/2021
Northern Ireland Office	30/06/2022	30/06/2021
Office for Standards in Education, Children's Services and Skills	14/07/2022	15/07/2021
Office of Gas and Electricity Markets	14/07/2022	14/07/2021
Office of Qualifications and Examinations Regulation	14/07/2022	15/07/2021
Office of Rail and Road	07/07/2022	24/06/2021
Royal Mail Statutory Pension Scheme	19/07/2022	20/06/2021
Scotland Office and Office of the Advocate General	11/07/2022	13/07/2021
Serious Fraud Office	21/07/2022	15/07/2021
Teachers' Pension Scheme (England and Wales)	20/07/2022	21/07/2021
The National Archives	19/07/2022	15/07/2021
The Security and Intelligence Agencies	03/11/2022	16/12/2021
UK Statistics Authority	14/07/2022	15/07/2021
UK AEA Pension Scheme Accounts (BEIS)		15/07/2021
UK Export Finance	30/06/2022	22/06/2021
United Kingdom Supreme Court	12/07/2022	24/06/2021
Wales Office	18/07/2022	12/07/2021
Water Services Regulation Authority	07/07/2022	01/07/2021

Appendix 2:

2021-22 ARA laying summary

The below table and chart provide a summary of the number of entities who planned pre-recess laying, the number of entities that achieved pre-recess laying and the number of entities with a qualified audit certificate as of 11th November *2022.*

Summary as of 11th November 2022				
	Ministerial Departments	Non-Ministerial Departments	Pension Schemes	Total
Entities in scope	20	22	8	50
Entities planned pre-recess laying 2022	14	18	6	38
% Planned pre-recess laying 2022	70%	82%	75%	76%
Entities achieved pre-recess 2022	13	18	4	35
% Achieved pre-recess laying 2022	65%	82%	50%	70%
% Entities achieved pre-recess 2022 who planned pre-recess	93%	100%	67%	92%
Entities laid as of 11th November 2022	15	19	5	39
Entities with a qualified audit certificate	3	0	1	4
% Entities with a qualified audit certificate of who has laid	20%	0%	20%	10%