



HM Treasury

Whole of Government Accounts summary

24th November 2022

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Structure of presentation

- Recovery Plan – Summary
- Recovery Plan – Long Term Timetable
- Recovery Strategy – WGA 20-21
- WGA 20-21 Timetable
- Risks – WGA 20-21
- Challenges – Returns
- WGA Qualifications
- Questions

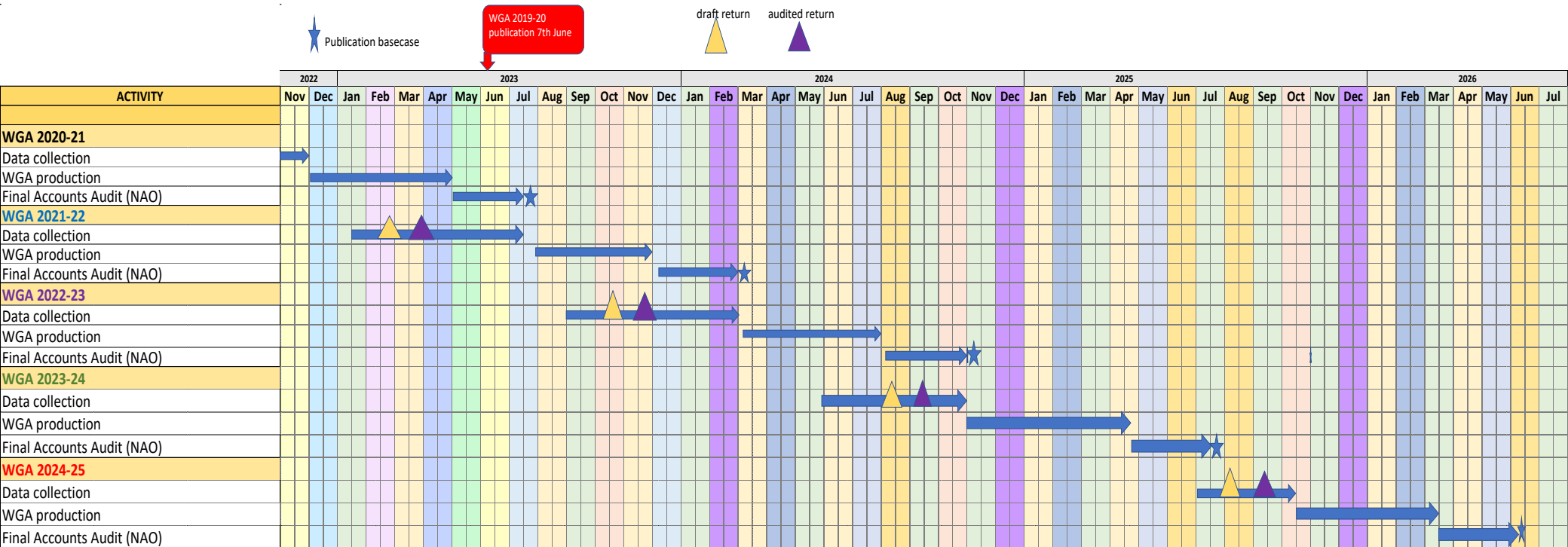


Summary

- HMT is due to update the PAC on 2020-21 WGA timing – we have signalled the March 23 deadline is no longer possible. Achieving the summer recess 2023 is challenging but deliverable.
- HMT have developed a response that looks to contain timetabling and qualifications risks for 2020-21, while investing in a strategy to achieve long term recovery. It has 3 pillars:
 - **Planning** (specialist project management capability and forward certainty for the system – to underpin greater submission discipline)
 - **Resourcing** (long term increase in BAU resource, to enable a dual current & future year focus)
 - **Management assurance approach** – reduce exposure in near term to problems in local audit market + focus on timeliness while containing qualification risks.
- The recovery plan targets: WGA 21-22 (Mar 24), WGA 22-23 (Nov 24), WGA 23-24 (pre-summer recess 2025), WGA 24-25 (June 26).



Recovery to within Statutory deadline is now over 3 cycles (WGA 22-23), summer recess over 4 cycles (WGA 23-24) and returning to pre-COVID timeliness (15m after yr end) over 5 cycles (WGA 24-25)



Core elements of production recovery strategy

Planning

Resourcing

Management
assurance
approach

Assurance advisory resource

Assurance advisory support for 20-21 cycle to enhance efficient assurance process – including in respect of LG and forward strategy.

Specialist project
management resource

Specialist project manager recruited on permanent basis

Increased permanent WGA resource + flexing for
peaks

3 further FTE hires to support production speed, and allow dedicated resource to support bringing forward data collection rhythm (i.e. enable parallel current and future year focus). In addition, pulling levers to divert wider resource to address WGA pressures to keep production on track.

Data collection brought back
into sync with improving CG
accounts timings

Stronger focus on data collection for 2021-22 onwards, with early C1 and C2 submission windows – bringing back into line with underlying accounts timings. Forward strategy expected to focus on CG C2 and LG C1 data collection timings.

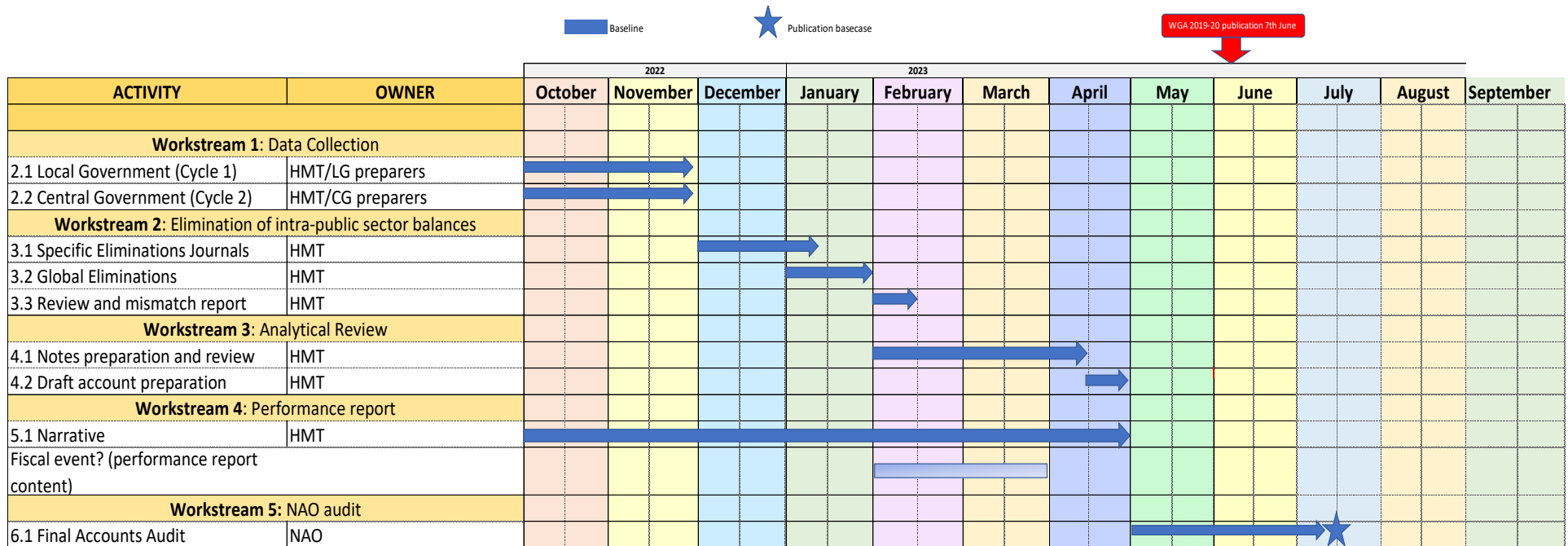
Forward planning certainty for
system with expectation of
behavioural discipline

Comms and planning approach to reintroduce discipline into WGA submission and audit. Set out timelines and expectation for 21-22 and 22-23 – comms plan to support behavioural change.

We've worked closely with NAO to develop a robust recovery plan but there are significant headwinds and risks to be managed: the resource investment doesn't provide immediate payback in the speed of the production cycle

- Risks from LG submission rate and slow completion of underlying LG audits means more work will need to be done centrally to contain the qualifications risks
- The delivery challenges mean some investment in increasing delivery confidence rather than speed (e.g. specialist project management). Achieving behavioural change and discipline in delivery across the system requires additional resourcing at the centre to drive it.
- The future recovery plan requires focused resource on future years while the current year is in progress.
- Rising bar on external audit requirement (from new ISAs and regulatory environment) also affect the central WGA production process as well the underlying entities.

2020-21: securing a November cut off on collection will be important for delivering by Summer Recess



Crystallised risks and what we are doing to deliver 2020-21

- A number of risks have crystallised for 2020-21 which makes delivering the account even by Summer recess 2023 challenging
 - OSCAR 2 overall performance issues (unrelated to WGA specific issues of 2019-20) has meant the system has gone down or been slow – hampering the submission process.
 - CG and LG continue to miss submission deadlines despite extensions and comms: suggests a need to re-instil deadline discipline among entities and auditors.
 - While audit of underlying CG accounts is complete (o/s audits of data submissions remain), a large proportion of LG entity audits remain o/s.
- The HMT response has included
 - Escalation, supplier penalties and OSCAR 2 replan.
 - Escalation of WGA submission chasing (letter from Director Public Spending to CG depts and section 151 officers). Frequent working level chasing, and targeted Director follow ups.
 - Step change in forward strategy for future years (as set out earlier slides), including increased resourcing for 2020-21 and onwards

WGA 20-21 - Returns

- Deadline for submission of WGA Data Collection Tool returns extended to 30 September 2022
- Resourcing challenges – entities' finance teams and auditors
- Continuing effects of Covid-19 have led to a delay in laying dates of audited accounts across the public sector
- Return rate (as of 23rd November 2022):

Central Gov	Local Gov	Cycle 1	Cycle 2
61%	49%	74%	53%

WGA qualifications

Boundary qualification

- Govt continues to sell down its stake in Natwest (formerly RBS), though will take time before it is a sufficiently low level to be classified outside public sector: No active steps being taken at WGA level.

Qualifications in underlying entities

- Prospect of some underlying qualifications to be addressed in near term (MOD leases in 22/23 and potentially DEFRA assets 22/23)
- However, new underlying qualifications have emerged (especially from COVID) e.g. DHSC inventory in 20-21 onwards

Inconsistent accounting policies

- CIPFA/LASAAC's proposals for the longer term solution to current issues with the audit of local roads infrastructure include a move to DRC – which could remove the inconsistent accounting policy in this area.

Non-coterminous year ends

- The Treasury is considering financial reporting changes to measurement of certain classes of non-investment assets (prompted by a Thematic Review of this area). To take effect from 24/25 at the earliest.
- The Treasury is considering changes to the financial reporting of LGPS liabilities for central government bodies – to take effect from 22-23.
- The two above changes may create opportunities for achieving a vfm way of addressing the qualification of non-coterminous year ends in respect of Academy schools.

Risks

- Full adoption of IFRS 16 in CG is not till 22/23 and in LG 24/25. In 20/21 there are significant early adopters – meaning steps to harmonise accounting treatment are required at WGA level.



Any Questions?

