



Financial Reporting Advisory Board Paper

Update on the timeliness and issues coming through from the 2022-23 reporting cycle

Issue:	An update from HM Treasury on the timeliness and reporting issues arising from the 2022-23 reporting cycle. This includes a summary of the laying timetable of departmental accounts, qualified audit opinions, and changes in reporting timeliness since 2021-22. It also includes a brief update on the Whole of Government Accounts.
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

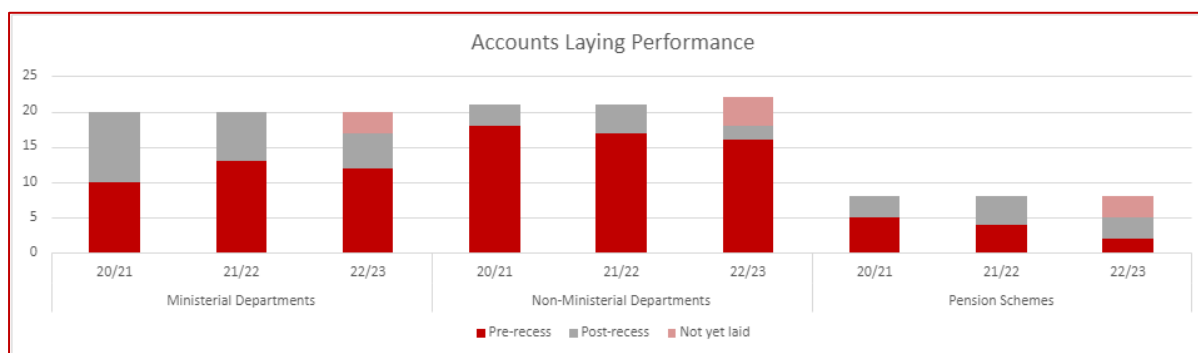
Background

1. This paper provides a summary of the 2022-23 laying timetable as of 16th November 2023, including detail on the current laying timetable and audit qualifications.
2. The administrative deadline for laying 2022-23 ARAs before Parliament as set out in HMT’s Dear Accounting Officer letter was 30th June 2023, ahead of Parliamentary summer recess on 20th July 2023. Several departments missed both the administrative and Parliamentary deadlines, and some are yet to lay.

Detail

2022-23 laying timetable

3. Thirty of the forty-nine bodies whose ARAs are laid by the Financial Secretary (FST) were able to lay their ARAs before the Parliamentary summer recess. This figure comprises twelve ministerial departments, sixteen non-ministerial departments and two pension schemes.
4. As of 16th November 2023, forty bodies have laid their ARAs, with nine accounts still outstanding. Those outstanding are three Ministerial Departments (DHSC, DCMS and MoJ), three non-Ministerial Departments (Food Standards Agency Consolidated Accounts and Food Standards Agency Westminster Funded, the Government's Actuary's Department), and three pension schemes.
5. Whilst the knock-on impact of the pandemic and the late running of prior year accounts is still affecting the ability of some departments to meet the laying deadline, other issues have also been cited. These include:
 - Preparation-driven delays, including capacity of preparers and complexity of accounting issues
 - Concerns about meeting the qualifications stipulated by IFRS 16
 - Issues with delays in the completion of accounts for component entities that were material to the group. This includes delays associated with the audit of LGPS liabilities, which are impacting all three Ministerial Departments who have not yet laid.
 - Preference for delaying laying date over receiving any audit qualifications
 - Audit driven delays including capacity constraints.
6. 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](#).
7. There has been some progress, for example, DfE returned to laying accounts pre-recess. However, several departments continue to lay after the deadline (DEFRA, BEIS/DSIT, Cabinet Office), some have slipped to post-recess (Home Office and NIO), and others are yet to lay (DHSC, DCMS, and MoJ). Overall, the performance is slightly worse than in 21/22.



8. Now that the majority of departments have laid their accounts, HMT will conduct a further round of engagement to gather information from departments on the causes of delays, and

the mitigation steps that will be in place for 22/23. HMT will also maintain a tracker with projected laying dates.

Audit qualifications

9. Three departmental ARAs have received a qualified audit opinion so far. Of these, two departments laid pre-recess and one department laid post-recess. Detail of the departments receiving an audit qualification are set out below, split between pre-recess and post-recess laying dates.

Pre-recess:

- **Department for Work and Pensions (laid 6th July 2023)**

DWP received a qualified opinion due to the level of fraud and error in benefit expenditure. This is the 35th year in which DWP's accounts have been qualified due to material fraud and error. This year, the new Cost of Living Payments are included in the qualification as they are estimated to contain 4.9% (£410 million) of overpayments due to fraud and error in the underlying benefit claim. Expenditure on State Pension has again been excluded from the qualified opinion because DWP estimates that it overpaid 0.1% of State Pension payments and underpaid 0.6% of State Pension payments, which is not material to a reader's understanding of the accounts

- **HM Revenues and Customs (HMRC) (laid 17th July 2023)**

HM Revenue and Customs received a qualified opinion on the regularity of its 2022-23 Resource Accounts due to the material level of error and fraud in Corporation Tax research and development reliefs. The research and development relief schemes are complex and have proved attractive to those seeking to abuse them, opening up opportunities for fraud. HMRC used the results of a random enquiry programme for the first time to produce an estimate of error and fraud for 2020-21 and in turn an illustrative estimate for 2022-23 of £1.1 billion or 13.3% of related expenditure. This is more than double HMRC's 2021-22 estimate of £469 million (4.9%), which it calculated using its previous methodology, and now provides a more realistic assessment of the rate of error and fraud present in the schemes.

The C&AG also qualified his opinion on the regularity of HMRC's 2022-23 Resource Accounts due to the material level of error and fraud in Personal Tax Credits. HMRC's estimate for 2021-22, the most recent available, indicates that error and fraud resulted in overpayments of 4.5% of tax credits expenditure. This is lower than HMRC's revised estimate for the 2020-21 overpayment rate of 4.7%, which it initially reported as 5.0%. Errors in tax credits resulting in underpayments amounted to 0.4% of expenditure, which is lower than 0.8% in 2020-21.

Post-recess:

- **Department for Environment, Food and Rural Affairs (DEFRA) (laid 28th October 2023)**

DEFRA's group accounts received an audit qualification due to there being insufficient appropriate evidence that the values of Property, Plant and Equipment, including Assets Under Construction – as well as Intangible Assets Under Construction – as stated in the Statement of Financial Position for the Departmental Group as at 31 March 2023 and 31 March 2022 were free from material misstatement, due to the following matters:

- The Group's infrastructure assets are now valued on a DRC basis in line with the financial reporting framework. The source data underpinning the valuation of £9.6bn has limitations on its reliability.
- As has been the case since 2020-21, the audit identified errors and uncertainties associated with the value attached to the Group's land and buildings, including the portion related to infrastructure assets. Neither the Department nor the Environment Agency was able to provide sufficient evidence of the extent of its holdings, and its rights over them, and there were residual weaknesses in the valuation evidence for some Environment Agency Assets.
- There was insufficient audit evidence in respect of the existence, completeness, rights and obligations and valuation of the Assets Under Construction balances due to the limitations of evidence in respect of the Assets Under Construction consolidated into the Group from the Environment Agency.

WGA Update

10. The 2020-21 WGA was published on 20 July 2023, ahead of summer recess. This is in line with the plan previously shared with the Public Accounts Committee (PAC). As well as the pre-existing qualifications, the C&AG added a new qualification in relation to the amount of data missing from WGA, largely relating to English local authorities. This issue is likely to remain for some time until the underlying issues in local audit are resolved. HM Treasury officials attended a PAC session on the 2020-21 WGA on 9 November.
11. 2021-22 accounts production is well underway with a planned publication date of spring 2024. 2022-23 data collection opened in August and the team held a number of webinars in order to enhance engagement. These were attended by over 500 accounts preparers across the public sector. To date, we have received 2022-23 returns from all major central government departments who have already published their 2022-23 statutory accounts. We continue to work closely with entities in all sectors to ensure that we maximise the coverage of WGA.

Appendix 1:

Department/Pension Scheme	2022-23 laying date	2021-22 laying date
Armed Forces Retired Pay, Pensions etc	20/07/2023	20/07/2022
Cabinet Office	19/09/2023	15/12/2022
Cabinet Office: Civil Superannuation	Not yet laid	26/01/2023
Charity Commission	10/07/2023	14/07/2022
Competition & Markets Authority	17/07/2023	21/07/2022
Crown Estate Office	28/06/2023	15/06/2022
Crown Prosecution Service	13/07/2023	12/07/2022
Department for Digital, Culture, Media and Sport	Not yet laid	01/12/2022
Department for Education	18/07/2023	19/12/2022
Department for Environment, Food and Rural Affairs	26/10/2023	26/10/2022
Department for Health and Social Care	Not yet laid	26/01/2023
Department for International Trade	18/07/2023	18/07/2022
Department for Levelling Up, Housing & Communities	18/07/2023	19/07/2022
Department for Transport	20/07/2023	20/07/2022
Department for Work and Pensions	06/07/2023	07/07/2022
Department for Business Energy & Industrial Strategy	19/10/2023	20/10/2022
Food Standards Agency (Consolidated Accounts)	Not yet laid	19/01/2023
Food Standards Agency (Westminster Funded)	Not yet laid	19/01/2023
Foreign, Commonwealth and Development Office	17/07/2023	19/07/2022
Foreign, Commonwealth and Development Office: Overseas Superannuation	Not yet laid	23/09/2022
Forestry Commission	11/07/2023	07/07/2022
Government Actuary's Department	Not yet laid	21/11/2022
Government Legal (includes GLD, Attorney General's Office, HMCPIS)	08/06/2023	08/06/2022
HM Land Registry	18/07/2023	14/07/2022
HM Revenue and Customs	17/07/2023	18/07/2022
HM Treasury	20/07/2023	19/07/2022
Home Office	18/09/2023	14/07/2022
Ministry of Defence	20/07/2023	14/07/2022
Ministry of Justice	Not yet laid	15/12/2022
Ministry of Justice: Judicial Pensions Scheme	18/07/2023	17/11/2022
National Crime Agency	18/07/2023	19/07/2022
National Health Service Pension Scheme (England and Wales)	14/09/2023	19/07/2022
National Savings and Investments	29/06/2023	28/6/2022
Northern Ireland Office	18/09/2023	30/06/2022
Office for Standards in Education, Children's Services and Skills	18/07/2023	14/07/2022
Office of Gas and Electricity Markets	13/07/2023	14/07/2022
Office of Qualifications and Examinations Regulation	19/07/2023	14/07/2022
Office of Rail and Road	19/07/2023	07/07/2022
Royal Mail Statutory Pension Scheme	Not yet laid	19/07/2022
Scotland Office and Office of the Advocate General	13/07/2023	11/07/2022
Serious Fraud Office	18/07/2023	21/07/2022
Teachers' Pension Scheme (England and Wales)	18/09/2023	20/07/2022
The National Archives	18/07/2023	19/07/2022
The Security and Intelligence Agencies	19/09/2023	03/11/2022
UK Statistics Authority	11/07/2023	14/07/2022
UK AEA Pension Scheme Accounts (BEIS)	17/10/2023	26/01/2023
UK Export Finance	28/06/2023	30/06/2022
United Kingdom Supreme Court	09/11/2023	12/07/2022
Wales Office	18/07/2023	18/07/2022
Water Services Regulation Authority	19/07/2023	07/07/2022

Appendix 2:

2022-23 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 **20th November 2023**.

Summary as of November 16th 2023	Ministerial Departments		Non-Ministerial Departments		Pension Schemes	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
Entities in scope	20	20	22 ¹	21	8	8
Entities planned pre-recess laying	14	14	18	16	6	3
% Planned pre-recess laying	70%	70%	82%	76%	75%	38%
Entities achieved pre-recess	13	12	18	16	4	2
% Achieved pre-recess laying	65%	60%	82%	76%	50%	25%
% Entities achieved pre-recess who planned pre-recess	93%	86%	100%	100%	67%	67%
Entities laid as of November	15	17	19	18	5	5
Entities with a qualified audit certificate	3	2	0	1	1	0
% Entities with a qualified audit certificate of who has laid	20%	10%	0%	5%	20%	0%

¹ HM Treasury is no longer responsible for laying HM Land Registry ARA

