HM Treasury

Financial Reporting Advisory Board Paper

Update on the timeliness and issues coming through from the 2023-24 reporting cycle.

Issue:	An update from HM Treasury on the timeliness and reporting issues arising from the 2023-24 reporting cycle. This includes a summary of the laying timetable of departmental accounts, qualified audit opinions, and changes in reporting timeliness since 2022-23. 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

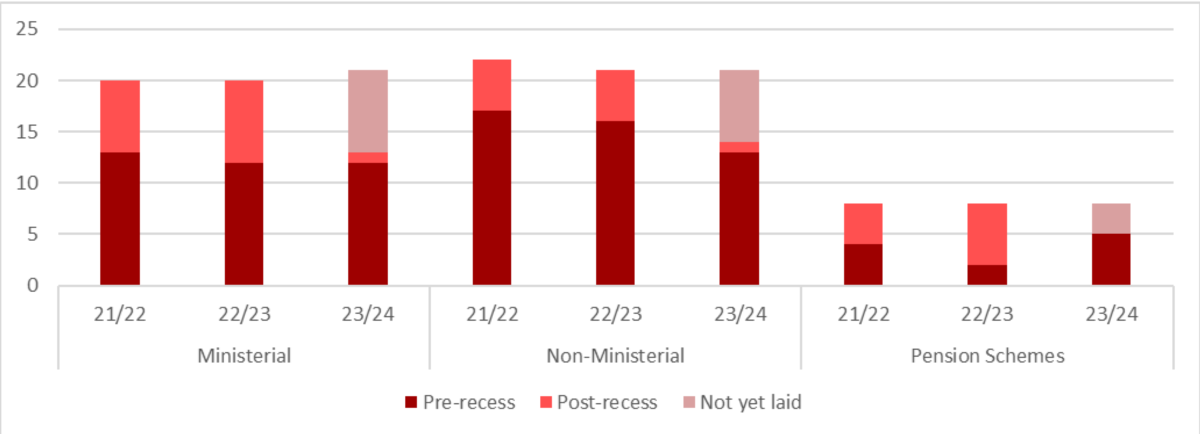
DETAIL

Background

1. This paper provides a summary of the 2023-24 laying timetable as of 11th November 2024, including detail on the current laying timetable and audit qualifications.
2. In December 2023, HMT's Dear Account Officer (DAO) letter set the administrative deadline for laying accounts as 30th June 2024. On 13th June 2024, another DAO letter highlighted that the dissolution of Parliament surrounding the 4th July General Election would result in a reduction of the number of Parliamentary sitting days. This would have resulted in only two available laying days, on the 18th and 22nd July.
3. However, following the General Election, Parliamentary recess was delayed to 31st July. Entities were therefore able to lay their accounts between 18th and 30th July.

2023-24 laying timetable

4. Thirty of the fifty bodies laid by the Financial Secretary to the Treasury (FST) were able to lay their ARAs before the Parliamentary summer recess, remaining consistent from 2023. This figure comprises twelve ministerial departments, thirteen non-ministerial departments and five pension schemes. Please refer to Appendix 1 for a full list of entities and their laying dates in 2023 and 2024.
5. As of 11th November 2024, thirty-two bodies have laid their ARAs, with eighteen accounts still outstanding. Those outstanding are eight Ministerial Departments (including DHSC, DBT and DCMS), seven non-Ministerial Departments, and three pension schemes.
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 2.
7. There has been some significant progress this year despite the inevitable disruption caused by an election. This includes Home Office returning to laying accounts pre-recess. However, several departments continue to lay after summer recess (DEFRA, DSIT, DHSC) and some entities have moved from pre-recess to post-recess (Forestry Commission, OFWAT). Overall, the performance is slightly worse than in 2022/23, due in part to machinery of government changes dividing BEIS into DSIT, DESNZ and DBT.



8. HMT will stay in contact with departments throughout the preparation of 2024-25 accounts and will maintain a tracker with projected laying dates. HMT is committed to continuing to engage with departments to support them in their efforts to lay accounts pre-recess.

Audit qualifications

9. Three departmental (DWP, HMRC and OFQUAL) ARAs have received a qualified audit opinion so far. In line with last year, DWP and HMRC both received a qualified opinion on regularity within their ARAs this year due to the material level of fraud and error. This was the first year OFQUAL received a qualified opinion on regularity due to the breach of the Capital Departmental Expenditure Limit. All three of these departments laid their ARAs pre-recess. Detail of the departments receiving an audit qualification are set out below.

Departments with reoccurring qualified opinions:

- **Department for Work and Pensions (DWP) (laid 22nd July 2024)**

  DWP received a qualified opinion due to the level of fraud and error in benefit expenditure. This is the 36th year in which DWP's accounts have been qualified due to material fraud and error. This year, DWP estimates 6.7% of related expenditure (£9.5 billion) of overpayments due to Fraud, Official Error and Claimant Error, and 2.6% of related expenditure (£3.7 billion) of underpayments due to Official Error and Unfulfilled Eligibility. As in previous years, Cost of Living Payments have been included in the qualified opinion on regularity, with an estimate of overpayments by 5.4% (550 million). Expenditure on State Pension has again been excluded from the qualified opinion because DWP estimates that it overpaid 0.1% of related expenditure (£170 million) underpaid 0.4% of related expenditure, which is not material to a reader's understanding of the accounts.

- **HM Revenues and Customs (HMRC) (laid 30th July 2024)**

  This year, HM Revenue and Customs have again received a qualified opinion on the regularity of its 2023-24 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, providing opportunities for fraud. Using the evidence available from a random enquiry programme, HMRC estimates the level of error and fraud overpayments to be 7.8% of related expenditure (£601 million). HMRC's estimates for 2023-24 account for the changes in patterns of expenditure in the current year, partly driven by the change in relief rates, and includes an assumption that recent compliance interventions and new claim requirements will have reduced error and fraud by £444 million. Actual impact of these interventions until the evaluation of the random enquiries on 2023-24 returns.

  As was the case last year, the Comptroller and Auditor General has also qualified their opinion on the regularity of HMRC's 2023-24 Resource Accounts, due to the material level of error and fraud in Personal Tax Credits. According to the mid-point of HMRC's estimates for 2023-24 there were overpayments of 4.7% of forecast expenditure (£365 million) and underpayments of 0.8% of forecast expenditure (£60 million). Compared to last year, there has been a reduction in the value of error and fraud in Personal Tax credits (overpayments in 2022-23: £415 million and underpayments in 2022-23: £70 million) largely due to a reduction in related tax credits expenditure as claimants migrate across to Universal Credit, however, there has been no reduction in the underlying rate of error and fraud.

The material level of error and fraud in in Child Benefit also contributes to the qualified opinion received on regularity of HMRC 2023-24 Resource Accounts. As per the mid-point of the department's estimate, there was overpayments of 1.6% of related expenditure (200 million). As HMRC estimates the level of error and fraud by selecting random samples of claims for inspection, most of the increase in HMRC's 2023-24 estimate relates to individuals who didn't respond to HMRC's enquiry. In 2022-23, the overpayments estimate was 0.5% of expenditure (£90 million). HMRC considers the reasoning behind the increase to be due to the change of methodology used in 2023-23. The absence of any increase in number of awards resulting from error and fraud supports, however more data from the new methodology is needed to confirm this or establish if there are other factors contributing to the increase that need to be factored into HMRC's risk assessment and compliance approaches.

Departments Newly Receiving Qualified Opinions on Accounts:

- **Office of Qualifications and Examinations Regulation (OFQUAL) (laid 29th July 2024)**

  The Office of Qualifications and Examinations Regulation (OFQUAL) received a qualified opinion on regularity of its 2023-24 Resource Accounts due the breach of the Capital Departmental Expenditure Limit of £805,000 and the Capital Annually Managed Expenditure Limit of £0. Against these limits, OFQUAL actual outturn for the Capital Departmental Expenditure was £2,736,000 beaching the authorised limit by £1,931,000 and incurred an actual outturn of £64,000 against the Capital Annually managed Expenditure, breaching the authorised limit by £64,000. The limits were breached to recognise a right of use asset associated with a new lease, and the related dilapidation provision as in the statement of Outturn against Parliamentary Supply.

  Ofqual requested additional budget of £417,000 in its Supplementary Estimate 2023-24 in anticipation of the costs for an office move due to an expired lease. OFQUAL expected the move would take place in April 2024 and expected it to recognise a right of use assets and related liabilities in the 2024-25 financial year. For the new office premises, the Government Property Agency signed two terms of occupancy agreement: the first term (1st March – 30th March 2024) allowed OFQUAL to conduct its fit out works but prohibited it from providing its functions, and the second term (1st April 2024 – 28th February) had no restrictions. In OFQUAL's view, it didn't have the right to substantially obtain all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset from 1st March due to the restrictions in place, hence OFQUAL didn't recognise the right-of-use asset or lease liability in the Statement of Financial position. The Comptroller and Auditor General's (C&AG) opinion, under IFRS 16, was that OFQUAL had access to the property to conduct it's fit out works from 1st March, with no other 3rd party being able to use the asset or gain any economic benefit from the asset, OFQUAL did receive substantially all of the economic benefit available from that asset during that period and should have recognised it.

WGA Update

10. The 2021-22 Whole of Government Accounts (WGA) was laid in March 2024, in line with the recovery plan shared with the Public Accounts Committee (PAC); a 4-month improvement in terms of timeliness relative to WGA 2020-21. The audit opinion remained unchanged.
11. The 2022-23 WGA is due to be published in November 2024 in line with the recovery plan. The audit opinion was disclaimed by C&AG. This was on the basis of both missing data and unaudited data, both of which increased between 2021/22 and 2022/23, largely as a result of systemic ongoing issues in the English local government audit sector. Missing data relates to entities who do not submit data to WGA and unaudited relates to submissions that have not been audited. The number of missing entities for 2022-23 was 211, 33 more than in 2021-22, whilst missing assets, liabilities, income and expenditure increased by £24 billion, £44 billion, £5 billion and £11 billion respectively. The number of local authorities with outstanding audit opinions stood at 559 in total covering multiple years as of 01/06/2024, according to Public Sector Audit Appointments (PSAA). Unaudited data is likely to impact the number of data submissions to WGA, on the basis opening balances have not been verified. Whilst we continue to engage with local government entities through workshops and regular conversations, we do not expect submissions to improve to the point that the audit opinion changes before WGA 23/24 and beyond.
12. Secondary legislation has been introduced that sets up a statutory backstop for the publication of audited accounts. For financial years up to 2022/23, entities are required to publish audited accounts by 13/12/2024. Backstop dates for future years are as follows:
    a. 2023/24 - 28/02/25
    b. 2024/25 - 27/02/26
    c. 2025/26 - 31/01/27
    d. 2026/27 - 30/11/27
    e. 2027/28 - 30/11/28
13. In addition to the disclaimed opinion, there are changes to two of the qualifications that would have been issued if a disclaimed opinion had not been given; the qualification for inconsistent account treatments will be extended to include the non-adoption of IFRS 16 by local government entities, and the boundary qualification is expected to be removed in 2024-25 following the ONS reclassifying NatWest to the private sector, in effect from 01/06/24.
14. 2023-24 data collection opened in June 2024, with publication expected prior to summer recess in Q3 2025. At the end of September 2024, 51% of cycle 1 returns and 16% cycle 2 returns had been received, relative to 46% and 18% for C1 and C2 in 2022-23 respectively.

Appendix 1:

Department/Pension Scheme	2022-23 laying date	Difference between years	2023-24 laying date
Armed Forces Retired Pay, Pensions etc	20/07/2023	2 days earlier	18/07/2024
Cabinet Office	19/09/2023		
Cabinet Office: Civil Superannuation	19/12/2023		
Charity Commission	10/07/2023	8 days earlier	18/07/2024
Competition & Markets Authority	17/07/2023	11 days earlier	29/07/2024
Crown Estate Office	28/06/2023	25 days earlier	23/07/2024
Crown Prosecution Service	13/07/2023	9 days later	22/07/2024
Department for Business and Trade	N/A		
Department for Culture, Media and Sport	30/11/2023		
Department for Education	18/07/2023	11 days later	29/07/2024
Department for Energy Security and Net Zero	N/A		
Department for Environment, Food and Rural Affairs	26/10/2023		
Department for Health and Social Care	25/01/2024		
Department for International Trade	18/07/2023		
Department for Science, Innovation and Technology	N/A	N/A	10/09/2024
Department for Transport	20/07/2023	10 days later	30/07/2024
Department for Work and Pensions	06/07/2023	16 days later	22/07/2024
Food Standards Agency (Consolidated Accounts)	31/01/2024		
Food Standards Agency (Westminster Funded)	31/01/2024		
Foreign, Commonwealth and Development Office	17/07/2023	12 days later	29/07/2024
Foreign, Commonwealth and Development Office: Overseas Superannuation	25/01/2024		
Forestry Commission	11/07/2023		
Government Actuary's Department	16/11/2023		
Government Legal (includes GLD, Attorney General's Office, HMCPSI)	08/06/2023	40 days later	18/07/2024
HM Revenue and Customs	17/07/2023	13 days later	30/07/2024
HM Treasury	20/07/2023	10 days later	30/07/2024
Home Office	18/09/2023	50 days earlier	30/07/2024
Ministry for Housing, Communities and Local Government	18/07/2023	11 days later	29/07/2024
Ministry of Defence	20/07/2023	10 days later	30/07/2024
Ministry of Justice	26/10/2023		
Ministry of Justice: Judicial Pensions Scheme	18/07/2023	5 days later	23/07/2024
National Crime Agency	18/07/2023	12 days later	30/07/2024
National Health Service Pension Scheme (England and Wales)	14/09/2023	59 days later	18/07/2024
National Savings and Investments	29/06/2023	30 days later	29/07/2024
Northern Ireland Office	18/09/2023		
Office for Standards in Education, Children's Services and Skills	18/07/2023	Same day	18/07/2024
Office of Gas and Electricity Markets	13/07/2023		
Office of Qualifications and Examinations Regulation	19/07/2023	10 days later	29/07/2024

Office of Rail and Road	19/07/2023	5 days later	24/07/2024
Royal Mail Statutory Pension Scheme	25/09/2023		
Scotland Office and Office of the Advocate General	13/07/2023	16 days later	29/07/2024
Serious Fraud Office	18/07/2023	12 days later	30/07/2024
Teachers’ Pension Scheme (England and Wales)	18/09/2023	51 days earlier	29/07/2024
The National Archives	18/07/2023	7 days later	25/07/2024
The Security and Intelligence Agencies	19/09/2023		
UK Statistics Authority	11/07/2023	7 days later	18/07/2024
UK AEA Pension Scheme Accounts (BEIS)	17/10/2023	85 days earlier	25/07/2024
UK Export Finance	28/06/2023	32 days later	30/07/2024
United Kingdom Supreme Court	09/11/2023	18 days earlier	22/10/2024
Wales Office	18/07/2023	11 days later	29/07/2024
Water Services Regulation Authority	19/07/2023		

Appendix 2:

2023-24 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 2024.**

Summary as of November 11th 2024	Ministerial Departments		Non-Ministerial Departments		Pension Schemes	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
Entities in scope	20	21	21	21	8	8
Entities planned pre-recess laying	14	15	16	16	3	6
% Planned pre-recess laying	70%	71%	76%	76%	38%	75%
Entities achieved pre-recess	12	12	16	13	2	5
% Achieved pre-recess laying	60%	57%	76%	62%	25%	63%
% Entities achieved pre-recess who planned pre-recess	86%	80%	100%	81%	67%	83%
Entities laid as of November	17	13	18	14	5	5
Entities with a qualified audit certificate	2	2	1	1	0	0
% Entities with a qualified audit certificate of who has laid	10%	10%	5%	5%	0%	0%