

The User and Preparer Advisory Group

11th April 2024

Virtual

09:30am – 11:30am

UPAG 9

Meeting minutes

Attendees:

Maggie McGhee, Chair & Independent member
Helen Creeke, The National Archives
Jordan Curnow, Natural England
Debbie Paterson, Healthcare Financial Management Association
Gavin Freeguard, Independent
Henning Diederichs, ICAEW
Charlotte Hill, NAO
David Lyford-Tilley, CIPFA
Maggie McGee, Independent
Matthew Fright, Institute for Government
Henry Midgley, Durham University
Joanna Reid, HM Revenue and Customs
Sanjeet Bhumber, UK Supreme Court
Amar Vara, Department for Energy Security and Net Zero
David Heald, University of Glasgow
Marcus Wilton, House of Commons
Henry Young, Ministry of Justice
Camilla de Bernhardt Lane, Centre for Public Scrutiny
Alex Metcalfe, ACCA
Joshua Rushbrooke, HM Treasury
Shikha Sharma, HM Treasury
Harry Carter, HM Treasury
Louise Armstrong, HM Treasury
Nitasha Gupta, HM Treasury

Time	Item	Presenter	Associated Paper
09:30	Welcome, introductions for new members and minutes from the last meeting	Maggie McGhee, Chair	UPAG 9 (1)
09:45	Are public-sector accounts trusted – Exploring the verdict of the Public	Henry Midgley	UPAG (2)
10:05	Users of Accounts	Joshua Rushbrooke	UPAG 9 (3)
10:20	ICAEW update	Henning Diederichs	Verbal
10:35	WGA Reporting Cycle Update	Harry Carter and Shikha Sharma	UPAG 9 (4)
10:50	Sustainability Reporting	Alex Metcalfe	UPAG 9 (5)
11:10	NAO Update	Charlotte Hill	UPAG 9 (6)
11:25	AOB	Maggie McGhee, Chair	Verbal

Item 1: Welcome, introductions and minutes from the last meeting

1. The Chair welcomed members to the meeting and encouraged attendees to introduce themselves.
2. UPAG approved the minutes from the previous meeting.

Item 2: Are public-sector accounts trusted – Exploring the verdict of the Public

3. Henry Midgley provided an overview of a Public Administration and Constitutional Affairs Committee (PACAC) report about whether public sector accounts are trusted:
 - a. The report identified two issues regarding the trustworthiness of accounts: whether the accounts have been designed for accountability; and whether the accounts were designed to give an objective picture.
 - b. The report also identified that Members of Parliament (MPs) may lack the expertise to understand accounts or may not have the information underpinning accounts.
 - c. PACAC believe that all items within the Annual Report and Accounts (ARAs) should be audited to aid accountability.
4. A UPAG member suggested that the complex nature of government activity makes ARAs difficult to understand.
5. Some members noted that MPs focus more on policy than accounts, unless they aid with policy scrutiny. The Group highlighted the usefulness of supplement adjustment memorandums. Mr Midgley raised the importance of considering what users want from accounts and using this to improve consistency.
6. A member considered the lack of consistency and comparability of some ARAs. Mr Midgley flagged issues with comparability due to accounting definitions and spending classifications changing.
7. A member questioned whether it would be Value for Money (VfM) to audit the first half of the ARAs, given the size of the document. Mr Midgley clarified that the purpose of the accounts should lead what is audited.

8. A member highlighted the opportunity to incorporate Outcome Delivery Plans (ODPs) into ARAs to hold policies to account. Mr Midgeley explained that ODPs fluctuate which makes this difficult. Furthermore, as accounts go beyond ODPs, which often measure the performance of services.
9. Mr Midgeley noted the need to return to accounts that provide feedback on the government's performance.

Item 3: Users of Accounts

10. An HMT representative informed the group about the Financial Reporting Advisory Board's (FRAB) request that HMT provide a paper on key users of accounts, with a consultation from UPAG on their views.
11. The representative asked the Group to consider defining users of accounts into three categories: 'Primary users', 'Internal stakeholders' and 'External Stakeholders'. The Group found that the motivations behind users could be more useful than deciding demographics.
12. A member highlighted the difficulties that arise in determining materiality as the user group continued to grow.
13. A member recommended that the purpose of accounts will aid in determining user need. Another member suggested working with the Government Communication Function to identify who the current users of the accounts are.
14. A member suggested that information brokers and international bodies should be included in the definition of 'external stakeholders'.
15. The Group suggested engaging with users, preparers, and Parliament to understand their perspectives.
16. A member highlighted that the process in preparing the accounts is a should be given importance as it provides a useful exercise of reviewing accounting policies.

Item 4: ICAEW update

17. A representative from the Institute of Chartered Accountants in England and Wales (ICAEW) announced their manifesto on the seven key areas that MPs should be attentive to. The manifesto includes:
 - a. ICAEW's concerns about the increases in regulations around the tax profession, as those compliant tend not to be responsible for tax avoidance schemes; and
 - b. The impacts to the Financial Reporting Manual (FReM) as the Department of Business and Trade (DBT) consult on the content of strategic reports.
18. The representative outlined the IPSAS B's key projects, including:
 - a. Natural resources – considering whether the assets in scope are held for conservation and if they meet the definition of a resource;
 - b. Sustainability reporting – focussing on climate to mirror the International Sustainability Standards Board (ISSB) S2 and the Global Reporting Initiative (GRI); and

- c. IFRS 18 alignment project of presentation of financial statements – the ISPASB are looking to adopt OCI but want to understand what it means and represents.

Item 5: WGA Reporting Cycle Update

- 19. An HMT representative provided an update on the Whole Government Accounts (WGA) 2021-22, noting its publication in March 2024. The team have improved their timeliness as this was the second WGA report to be published within eight months.
- 20. There has been little change in the audit opinion on 21-22 accounts with existing qualifications from missing and unaudited data.
- 21. To mitigate against the impact of the missing and unaudited data, the WGA are working with the NAO to conduct assurance work that will identify trends between group audits and unaudited data.
- 22. Further mitigation activities the WGA have undertaken include hosting webinars for Local and Central government, presenting training videos and improving their account manager engagement.
- 23. The representative also provided insight into the WGA 22-23 report, noting that the Online System for Central Accounting and Reporting (OSCAR) 2 has been secured and the elimination phase has begun, with accounts production beginning in July 2024 with a view to publish in November 2024.
- 24. For WGA 23-24, OSCAR will open in June 2024 with the cycle 1 deadline as August 2024, and Cycle 2 as September 2024.
- 25. The representative noted that for this year's WGA, they would be establishing a system leader for Scotland with an increased level of accountability.
- 26. A Group member highlighted the importance of retaining the statistics tables that sit in Annex A, as they provide a more accurate picture of the fiscal stability of UK public finance as opposed to national accounts.
- 27. The Group queried whether the actions to mitigate against missing and unaudited data were sufficient. The HMT representative shared the positive feedback received on the webinars and noted the wider discussions ongoing relating to the issues with Local Government.
- 28. A member suggested considering whether the scale of each authority is a factor in the missing data statistics.
- 29. A CIPFA representative updated UPAG on Local Government, noting that the DLUHC backstop date has been proposed for the 5th of September to aid with the backlog, and the potential changes to the code of practice for Local Government to reduce the burden on prepares and auditors.

Item 6: Sustainability reporting

- 30. Alex Metcalf provided insight into the changes within the sustainability reporting landscape including:
 - a. The Task Force on Climate-Related Financial Disclosures (TCFD) falling under the ISSB as more jurisdictions adopt ISSB standards. The ISPASB have developed a set of priority projects for sustainability reporting for the public sector, with one of the immediate priorities being climate related disclosures.

- b. IPSASB are considering transposing beyond ISSB S1 and S2, with the addition of impact reporting that relates to its own entity and the policy activities that have external influence on other entities.
 - c. ACCA and IPSASB have been collaborating to establish foundation concepts and identify users. They have concluded that existing frameworks should be used, utilising the primary users identified in the IPSASB.
 - d. The IPSASB's sustainability work programme and next steps were outlined, noting the rapid progress made against IPSASB timeline.
31. Mr Metcalf encouraged the Group to engage with the exposure draft the IPSASB are expecting to publish in September.

Item 7: NAO Update

32. A representative from the NAO announced their ambition to increase the proportion of organisations laying their ARAs pre-recess.
33. To achieve this target, NAO have increased their headcount, worked with private sector partners to help with capacity and specialist skills, and are investing in new audit technology.
34. The representative's reflections on the 22-23 audit cycles, including:
- a. Business risk process – the revised risk assessment was implemented in 22-23, resulting in risks being identified and tested, which led to the identification of weakness in the process.
 - b. Quality of financial statements – due to the complexity of accounting standards, quality financial statements are becoming difficult to produce.
 - c. Flow of assurance – the delays from Local Government and health are impacting departments relying on them for assurance. NAO encourages entities to consider early where some areas can be addressed through alternative assurance.
 - d. Regulatory issues – some entities are continuing to have qualifications on fraud and error.
35. The NAO representative also reflected on disclosures from 23-24, referencing the IFRS 16 transition and the minor corrections needed on disclosures, which is expected to reduce as IFRS 16 becomes business as usual. Where remuneration is audited but is not material, judgement is required; and there are challenges to the scalability of financial reporting requirements from prepares.
36. The NAO representative spoke on the changes in the audit landscape and provided an overview of the NAO's forward look which included: a focus on cash flow statements; working with standard setters to apply new accounting standards and practices; and considering the role NAO plays in sustainability reporting.
37. Whilst the importance of laying pre-recess was acknowledged, a UPAG member highlighted the importance of accounts being laid before the first sitting of Select Committees.
38. The NAO commented that they consider parliament as the primary user which drives the scope of their work. The NAO provide a consistent opinion on the first half of the accounts, where they require departments to change any areas that differs from the rest of the report.
39. Another UPAG member questioned whether the increased focus on cash flow statements will further negatively impact departments who lay post-recess. The NAO

noted that this is a requirement and that they will be working on a basis where this will be compliant with the standards.

Item 8: AOB

40. The Chair requested UPAG members reach out with ideas for future agendas, then drew the meeting to a close.