

WHOLE OF GOVERNMENT ACCOUNTS 2020-21 INQUIRY

A public consultation issued by the UK Parliament Public Accounts Committee
Comments from ACCA to the UK Parliament Public Accounts Committee

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We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

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GENERAL COMMENTS - COVERING THE IMPACT TO THE PUBLIC FINANCES FROM THE COVID-19 PANDEMIC AND THE IMPACT OF ANY DELAYS AND MISSING DATA FROM THE WGA

ACCA welcomes the opportunity to respond to the Call for Evidence on the Whole of Government Accounts 2020-21.

ACCA agrees with the recommendations of the Public Accounts Committee (PAC) during the 2019-20 Inquiry and reaffirms, for the 2020-21 accounts, that the publication of financial statements over two full years after the reporting date has a detrimental impact on their usefulness. This has been a problem since before the coronavirus pandemic. ACCA's report, *Whole of Government Accounts: Who Is Using Them?*, looked at literature relating to the consolidated public sector financial reports of Australia, Canada, New Zealand, Sweden and the UK. Our broad conclusions at that time were that the usefulness of such financial reports was debatable in part due to timeliness but also the extensive number of qualifications related to, for example, the boundary of consolidation and inconsistent asset valuations. These issues are still relevant to the 2020-21 Whole of Government Accounts (WGA), especially in the context of WGA being intended as an internationally respected publication and the pace of development in sustainability reporting and public sector sustainability standards.

In ACCA's *Rethinking Public Financial Management* report we reiterated our call for the adoption of accrual accounting but also recommended that governments adopt an accrual-basis for budgeting and appropriations. This is because few decisions on resource allocation are made by public bodies based on their historic financial statements. Consistent accrual-based information would require politicians and senior officials to consider the full impact of their options in the planning phase of the public financial management cycle.

The financial statements of many of the organisations that are consolidated into the WGA include comparisons of their actual expenditure against their budget. This is useful information for stakeholders and should support wider understanding of the information by the public. It would be useful if the WGA included an explicit and clear comparison of actual income and expenditure against the consolidated budget for the UK government, for example, as set out in the Chancellor's Budget.

ACCA's latest public sector research launched at the United Nations' World Investment Forum in October 2023, *Public sector globally*, identifies the pivotal role of the public sector in both setting the conditions for sustainable development and taking action to achieve it. *We note that the WGA 2020–21* incorporates reporting on progress against greenhouse gases - the Net Zero targets. This is encouraging. However, in future WGA, we would like to see the reporting on sustainability

matters expanded and enhanced. The sustainability disclosures should be subject to independent assurance that comply with the upcoming ISSA 5000 standard from the International Auditing and Assurance Standards Board, so that the UK is a role model for other governments.

Overall, ACCA would like to reiterate the importance of accounts being published in a timelier manner.

SPECIFIC COMMENTS – PROGRESS ON IMPLEMENTING RECOMMENDATIONS FROM THE COMMITTEE’S 2019-20 WGA REPORT

The Treasury should review the causes of its optimism bias in 2019-20 and revisit future timetables to ensure they are realistic. The Treasury should write to the committee in September 2022 confirming it remains on track to deliver the 2020-21 WGA by March 2023.

The government agreed with the committee’s recommendation.

The Treasury had a delivery target of March 2023 for the 2020-21 accounts, these were instead published in July 2023. The Treasury wrote to the committee in October 2022 stating that risks had crystallised resulting in delays to planned dates. An updated timetable was promised with a commitment to a realistic timeline. Therefore, the Treasury did adhere to part of the recommendation by revising its promised dates of publication.

The 2021-22 WGA that were previously promised in November 2023 were revised to a delivery date of March 2024. The ACCA has concerns around this timeline given the problems with OSCAR II and the overlapping data collection and publication commitments for the 2021-22 and 2020-21 accounts respectively. Despite commitments to invest in specialist project management support, ACCA questions the team’s capacity to manage the collection of data. The ACCA would recommend increased scrutiny over the success of the timeliness of the data collection period.

Given the revised timetable and commitment to working closely with the NAO, the long-term recovery plan to see the WGA 2024-25 return to a 15-month publication post year end seemed a realistic goal. The ACCA looks forward to this being confirmed in the upcoming evidence session.

The Treasury should undertake a lessons-learnt exercise, specifically addressing but not limited to the root causes of poor design specification and testing of OSCAR II, and ensure identified improvements are implemented when applying future system changes.

The government agreed with the committee’s recommendation and a lessons learnt exercise was undertaken. However, ACCA questions whether lessons were identified and implemented with appropriate effect due to the consistent delays to data collection and revisions to the associated timeline. The delay in publication and difficulties with data collection, including

missing datasets, would suggest that the root causes of problems with OSCAR II were not fully identified. The existing OSCAR II system is due to end in November 2023 and there is a lack of clarity over an alternative. ACCA would recommend that there is a thorough assessment as to whether this should be renewed. An evaluation of whether identified future improvements were implemented and if the Treasury utilised lessons learnt from the 2020-21 data collection should be undertaken.

The Treasury should set out how it will ensure the data in OSCAR II will remain of sufficient quality, despite significantly reducing the level of auditor assurances, for producing the WGA and informing its understanding of the local government sector.

Local audit markets continue to struggle, and failures have increased to 161 opinions not yet issued in the 2020-21 WGA. With this in mind, ACCA does not feel reassured in the data quality of the WGA. The data timetable was extended from April-Aug to Apr-Dec, and this causes further unease around the reliability of the data. Local bodies are not the full root cause of the problem and ACCA recommends a follow-up by the Treasury on the commitment by the Scottish NHS Pension Scheme and Scottish Teachers Pension Scheme to submit their data for the 2021-22 accounts. ACCA also questions whether there was sufficient justification for the lack of submission.

The ACCA also points out that there is not sufficient evidence to suggest the Treasury set out a comprehensive plan on ensuring the data in OSCAR II was of sufficient quality.

The Treasury should ensure that analysis in the WGA supports the comparability and reflects developments since the reporting data such as the impact of high inflation.

ACCA considers the comparability of the 2019-20 statements to the 2020-21 statement somewhat compromised given a further 137 bodies did not submit, compared with 21 in prior year. The usability of the WGA remains constrained by several factors, including but not limited to the lack of concise budget to expenditure comparison and generic references to economic context such as inflation, carried over from the 2019-20 publication. However, we do recognise that the presentation of the data between the years has improved with comparative charts maintaining the prior year format.

The Treasury should continue to improve the content of the WGA.

The recommendations of increased detail of disclosure on items such as government emissions, net zero and fraud were improved in line with the committee's recommendations. In future WGA publications ACCA recommend the disclosure of year-on-year comparatives across all three categories, in some instances through the use of graphs or percentage changes, to increase the transparency and usability of the WGA. HMT still rely on the NAO Covid Cost Tracker. ACCA are

of the opinion that this is a reasonable compromise in attempting to maintain some timeliness in the publication of the WGA, especially in recognition of capacity restraints, continual data collection issues and the crystallisation of risks impacting timelines. ACCA recognise that the Treasury did include conclusions relating to going concern for the year 2020-21.

HM Treasury and the Cabinet Office should prepare a clearly articulated and costed plan based on proposed staffing reduction across government, and ensure that reductions represent value for money, and tell us in its Treasury Minute response when that will be published.

ACCA acknowledges the government's action of the recommendation and recommends consideration of capacity constraints against stated timelines. The Treasury has set out a return to 15 months publication from the end of the reporting period for the 2024-25 financial year. ACCA urges the government to consider the implications of this commitment given the introduction of sustainability reporting requirements in the near future. ACCA recommends the committee hold scrutiny over the long term considerations within the Treasury's staffing plan in conjunction with the revised timetable.