HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

4th May 2020

Dear Meg,

2019-20 FINANCIAL REPORTING REQUIREMENTS

1. In light of Covid-19 and the impact on government bodies, HM Treasury have reviewed the requirements for 2019-20 annual reports and accounts (ARAs). Government departments and ALBs are facing significant challenges as a result of Covid-19 in terms of resourcing and interruption to the usual processes and ways of working. It is therefore unlikely that all government bodies will be able to produce full ARAs to the same timescales as in previous years.

2. This letter provides a summary of the steps that HM Treasury are taking to help ease the reporting burden in 2019-20, while still ensuring that ARAs provide high quality information for parliamentary accountability and scrutiny.

3. We have moved the administrative deadline for laying ARAs from 30 June to 30 Sept 2020. We have also delayed the introduction of a new accounting standard, *IFRS 16 Leases*, in the public sector until 2021-22. We now plan to make some non-audited 2019-20 reporting requirements optional rather than mandatory. Entities are encouraged to go beyond the minimum requirements where they can.

4. Entities will be permitted to produce streamlined performance reports. A performance overview will summarise where money has been spent, and give a short commentary on any major developments in the year such as new projects, programmes or liabilities, as well as significant financial issues. It will also outline the impact of EU exit and Covid-19 on activity and outcomes.

CHIEF SECRETARY TO THE TREASURY

5. There is no change proposed to financial statements, which will still be based on International Financial Reporting Standards. Only minor presentational changes are proposed to the accountability report. Both will continue to be audited by the National Audit Office (NAO).

6. Entities who plan to streamline their ARAs as per these minimum requirements will be required to contact their select committee in advance, seeking their input on matters to be covered in the report.

7. This approach has been agreed by the independent Financial Reporting Advisory Board (FRAB) as well as the NAO. Government preparers and users of accounts have been consulted at length and support our approach. We have also liaised closely with the Parliamentary Scrutiny Unit.

8. These proposals are for 2019-20 only. My officials will continue to monitor the broader situation and I will write to you again if we plan to change the requirements for 2020-21 annual reports and accounts.

9. I am confident that this approach strikes the right balance between assisting government bodies and ensuring that ARAs contain sufficient high-quality information for parliamentary accountability and scrutiny.

10. I am copying this letter to the Comptroller and Auditor General, as well as the Chairs of the Treasury Select Committee and the Public Administration and Constitutional Affairs Committee.

Best wishes,

RT HON STEVE BARCLAY MP