



Home Office

Matthew Rycroft CBE
Permanent Secretary

2 Marsham Street
London SW1P 4DF
www.homeoffice.gov.uk

Rt Hon. Yvette Cooper MP
Chair, Home Affairs Committee
House of Commons
London
SW1A 0AA

20th July 2020

Dear Chair

Control total breach and accounts qualification 2019-20

I am writing to inform you that the Home Office has regrettably breached one of its Parliamentary control totals in 2019-20. The breach is in respect of our Net Cash Requirement and amounts to £118m. This will lead to the qualification of the Department's accounts by the National Audit Office (NAO). I am sorry for this error. I take full responsibility for the breach. I am taking forward work to ensure the Department does not repeat this mistake.

The Net Cash Requirement is a voted control, aligned to voted expenditure, and is the product of a mechanical calculation that starts with departmental net expenditure and adjusts for non-cash items and movements in working capital before arriving at the maximum amount of cash that the Department can draw down in the financial year.

While the Home Office has lived within its expenditure control totals, we should have sought to increase the Net Cash Requirement at the Supplementary Estimate to avoid a breach.

Key reasons for the breach relate both to failures in financial system controls and human error:

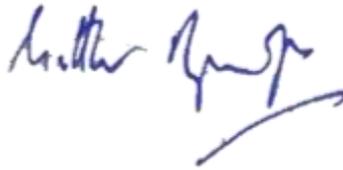
- The Department has a single bank account that contains monies both for its core activities, and also that it collects on behalf of the Exchequer; these were not separated and monitored accordingly;
- This lack of segregation of our cash balances meant that we failed to detect that we were using Trust Statement income and Consolidated Fund Extra Receipts (CFERs), that should have been paid over to the Exchequer, to fund departmental activities.
- We were aware of this risk, and had previously considered a technology-led solution, but this had been ruled out on the grounds of complexity and cost; and
- Separately, routine ledger account management did not take place during a key period of the financial year as the result of human error.

The failures outlined relate to cashflow management and do not materially impact taxpayers or the overall fiscal position; however, I take any financial control failure very seriously. I have therefore commissioned an independent review into the weaknesses now exposed. Its recommendations will be implemented robustly to ensure that this does not happen again.

I have also asked that the improvements required in this instance form part of a wider finance improvement programme, overseen by the Director General, Capability & Resources and the Corporate Finance Director.

The breach will be fully disclosed in the Home Office's Annual Report and Accounts and I will be happy to discuss it further when I next appear before you.

I have written in similar terms to the Chair of the Public Accounts Committee.

A handwritten signature in blue ink, appearing to read 'Matthew Rycroft', with a long horizontal flourish extending to the right.

MATTHEW RYCROFT CBE
Permanent Secretary