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Whole of Government Accounts 2019–20

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to the report*

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The Committee of Public Accounts

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Summary

The Whole of Government Accounts (WGA) provides a uniquely comprehensive view of how government manages taxpayer's money and of the position of public finances. The Committee has recommended improvements to the quality and functionality of the WGA since it was first published in 2010. The 2019–20 WGA shows improved reporting on cross government initiatives, providing valuable insights on COVID-19 and EU Exit, but there is still room for continued development in this area in future years.

However, the usefulness to the public and other users of the 2019–20 WGA has been reduced due to significant delays in publishing. It was published 26 months after the year-end and 5 months after the statutory deadline. Some delays were due to the impacts of COVID-19 on finance departments' priorities and capacities, with focus shifting to the pandemic response. The pandemic has exacerbated existing failures in the local audit market, with only 45% of 2019–20 Local Government audits in England and Wales completed by the target date and just 9% of 2020–21 audits completed by the target date of 20 September 2021. The WGA is therefore increasingly unreliable and incomplete – excluding 23 Local Authorities altogether.

These delays were made worse by the Treasury's poor implementation of the new IT system, OSCAR II. The Treasury encountered substantial problems which should have been anticipated and which, had testing of the system been sufficiently robust, could and should have been identified and resolved in advance. The data submission requirements, for example, should have been understood and the system specifications set to accommodate these needs prior to the bodies who contribute to the WGA making their submissions. While the Treasury has assured us that all system issues have now been fixed, it has repeatedly underestimated the challenges with the system and the impact on preparing the WGA, and it must improve its project management to meet future timetables.

HM Treasury has set a timetable for the completion of the 2020–21 WGA by March 2023 and hopes to publish the 2021–22 WGA in November 2023, giving it less than 18 months to produce two sets of accounts. It is critical that The Treasury meets these timetables and provides timely insight on the coming impacts of COVID-19, climate change and inflation in future accounts.

Introduction

The Whole of Government Accounts (WGA) is a set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the Government Financial Reporting Manual (FReM). It brings together information on the financial performance and position of over 10,000 organisations across the UK public sector including central government departments, local authorities, public corporations and devolved administrations. The WGA is therefore in a unique position to provide an overview of the public sector financial landscape and how it is evolving; offering an important tool for managing public finances and helping to ensure transparency and accountability. The 2019–20 WGA was published on 6 June 2022, 26 months after the reporting year-end. The Comptroller & Auditor General qualified his opinion on the 2019–20 accounts for the 11th consecutive year since 2009–10 when they were first produced.

Conclusions and recommendations

1. **The Treasury took too long to deliver the 2019–20 Whole of Government Accounts, having been unrealistic with its timetable.** The Treasury took 26 months to publish the 2019–20 WGA, missing the statutory deadline by five months. This represents a significant regression on previous timetables. The delays were caused in part by the impact of COVID-19 on finance teams across government, with staff redeployed to COVID-19 response work. The Treasury estimates that this delayed the WGA by around six months compared to planned timetables. Additionally, problems with the implementation of a new IT system, OSCAR II, lengthened delays further. Delays reduce the value and transparency of information in the WGA and diminish its potential for generating valuable insights. The Treasury repeatedly underestimated how long it would take to produce the WGA. In November 2020 the Treasury told the Committee that the 2019–20 WGA would be published in June 2021. It subsequently wrote to us four times about successive delays before eventually publishing in June 2022. The Treasury has delivery targets of March 2023 for the 2020–21 accounts and November 2023 for the 2021–22 accounts, representing an ambitious objective to recover the WGA timetable. However, the Treasury has not yet developed a detailed delivery plan.

Recommendation: *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.*

2. **Poor design and testing of OSCAR II caused significant delays to the Whole of Government Accounts.** In July 2020 the Treasury replaced its now obsolete IT system with a new system, OSCAR II, used for collecting and consolidating data from component bodies into the WGA. This update was expected to bring significant benefits including increased efficiencies, improved data collection and analysis and to lead to advancements in the quality of information in the WGA. However, the Treasury failed to anticipate a number of significant problems that arose during implementation which the Treasury estimates contributed to the delays to delivery by an estimated five months. The setbacks—which included issues with data submission by component bodies, incomplete and inaccurate report outputs, and various performance issues—took the Treasury significantly longer than would be expected to understand and resolve. The Treasury’s failure to identify and resolve these issues before the system was live indicates insufficient user acceptance testing and weaknesses in the system specification. The Treasury reports that all known issues have now been resolved ahead of the production of the 2020–21 WGA, but it anticipates that new issues may yet arise. The Treasury must demonstrate that it is now positioned to successfully manage any new issues in the normal course of business, without again impacting the overall timetable for accounts production.

Recommendation: *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.*

3. **Failures in the local audit market in England and Wales are resulting in poorer quality data for Central Government to use in oversight, and in preparing the Whole of Government Accounts.** Before the pandemic, the Local Government audit sector was already under strain, with widespread delays to statutory audits. The additional demands on Local Government from COVID-19 exacerbated these problems, with only 45% of 2019–20 Local Government audits completed by the target date of 30 November 2020, compared to 57% of 2018–19 audits completed by the prior year target date of 31 July 2019. As a result, and despite delivering the 2019–20 WGA later, the Treasury’s data is increasingly incomplete and unreliable, with the WGA including unreliable data for 29 unaudited Local Authorities and excluding 23 Local Authorities altogether. This has reduced the quality of data used to oversee the Local Government sector and to prepare the WGA, and reduces the certainty of any consequent insights, conclusions or decisions. The problem is likely to escalate, with the proportion of 2020–21 audits completed by the target date of 20 September 2021 dropping again to just 9%. The Treasury has raised the component audit threshold for the 2020–21 WGA, such that just 10 Local Government returns will require auditing for 2020–21. Although this will make it easier for the Treasury to produce the WGA on time, it may have negative consequences for the quality and reliability of data unless the Treasury undertake additional assurance work to mitigate this risk.

Recommendation: *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.*

4. **Inconsistent presentation of data between years, and lack of reflection of current Government policies and economic context, reduce the usability of the Whole of Government Accounts.** The 2019–20 WGA presented some important trend analysis within the Performance Report; an aspect of the WGA reporting that we welcome. However, in some areas there has been a lack of consistency when it comes to how this information is presented. For example, analysis of liabilities had previously been presented in a pie chart but is now presented in a bar chart. Maintaining consistent presentation of data year-on-year makes it easier to compare information over time. Given the unique perspective the WGA offers across public finances, the Treasury should ensure that comparison across years and across reports is simple and unambiguous. The Performance Report could also be improved by developing its commentary to reflect developments in the public sector and financial landscapes since the reporting date, which can be significant given the timeframe for WGA publication. Issues such as the impact of inflation on budgets, spending and pay reviews, if suitably reflected, could expand the functionality of the WGA. The Treasury should also ensure commentary on key targets, such as capital receipts on property disposals, include current targets and proposals to keep the WGA current despite publication delays.

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

5. **The content of the Whole of Government Accounts has improved but does not transparently report against all key areas of government spending.** The issues that are of greatest interest to users of the WGA, including the Committee, evolve over time. For example, the 2019–20 WGA includes reporting on sustainability and net zero targets, although the information included is brief, with limited detail – the Treasury plans to build on this going forwards. Providing a more comprehensive assessment of the impact of the pandemic on the level of fraud and error against the government should be a focus going forwards, for example by including estimates of NHS procurement fraud. The Treasury currently includes data from the COVID-19 Cost Tracker produced by the NAO in the WGA. However, it should not depend on the NAO to continue reporting this information; and should develop and use its own assessment of these costs. Improvements to the transparency of information in the WGA would be achieved through more detailed narrative in certain areas. The asset and liability split reported in the WGA, in a commercial organisation, would indicate that it is insolvent, and the Treasury could better explain why this is not the case in the context of the Government’s ability to raise future funds through taxation and borrowing.

Recommendation: *The Treasury should continue to improve the content of the WGA, with specific reference to the following:*

- *Spending on net zero*
 - *Government emissions*
 - *Fraud across government*
 - *Long term costs of COVID interventions*
 - *Inclusion of the equivalent of a viability statement*
6. **Government has not yet set out the consequences of announced Civil Service staffing reductions.** In May 2022, the government announced that it intends to cut 91,000 jobs from the civil service over the next three years. The 2021 Spending Review had already confirmed the need for savings of 5% against day-to-day central departmental budgets in 2024–25, however, these new cuts, which represent a 20% reduction in headcount, are far more significant. The Treasury acknowledges that it does not yet understand the scale or cost of redundancies that are likely to be required to achieve the desired reduction in headcount across the civil service. This scale of headcount reduction has the potential to bring about significant consequences for departmental service quality and delivery. At the time we took evidence, no work had been completed, either by the Treasury or by other affected departments, to understand the impact on delivery of public services or how to mitigate the effects for service users. One way in which cuts might be achieved while maintaining delivery levels is through increased digitisation of services. There is a risk that if a rapid reduction in headcount led to a sacrifice of resources needed to achieve digital transformations, that current progress towards digitalisation might be jeopardised; damaging the potential to reduce long-term staffing needs organically.

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

1 Timeliness of the WGA and the impact of delays

1. Based on the Whole of Government Accounts (WGA) for the year ended 31 March 2020, we took evidence from HM Treasury (the Treasury) on 8 June 2022.¹ The WGA is a unique document which provides the most complete and accurate picture available of the UK public sector finances.² It is a set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the Government Financial Reporting Manual (FRoM).³ It brings together information on the financial performance and position of over 10,000 organisations across the UK public sector, including: central government departments; local authorities; devolved administrations; the NHS; academy schools; and public corporations such as the Bank of England.⁴⁵ The Treasury published the 2019–20 WGA on 6 June 2022, 26 months after the end of the financial year.⁶

2. In 2019–20, the UK public sector spent £918.7 billion on public services and collected revenue of £813.3 billion. £240 billion (26.1%) of this expenditure went towards social security benefits, representing an increase of almost £10 billion compared with the prior year. Central Government accounts for £709.0 billion (77.2%) of expenditure, with Local Government accounting for £189.1 billion (20.6%) and public corporations for £20.6 billion (2.2%).⁷ Most of government expenditure is financed through taxation revenue, with £696.7 billion of tax collected over the twelve-month period, £11 billion more than in 2018–19. Most of this is paid by individuals, with Income tax and National Insurance Contributions together accounting for 46% of taxation revenue.⁸

3. The Comptroller & Auditor General (C&AG) again qualified his opinion on accounts for 2019–20, as has been the case since the WGA was first published for the year 2009–10. There are five separate bases for qualification on the 2019–20 WGA, including an additional basis for qualification which arose this year over the inclusion of unaudited data.⁹ The pre-existing qualifications concerned four separate issues: the omission of some significant bodies from the accounts, including the Royal Bank of Scotland; inconsistent accounting policies across the organisations included in the WGA; inherited issues which had resulted in qualifications of the underlying accounts of organisations included in the WGA, such as the Ministry of Defence; and the impact of academy schools having a different financial year to the rest of government.¹⁰

4. The Committee has previously recommended that the Department should: ensure that the WGA is a forward-looking document, providing the public and Parliament with the information that they need to better understand how the government manages its financial position and exposure to fiscal risk; provide meaningful insight through the WGA into how it works with other government bodies to ensure risks to financial

1 HM Treasury, [Whole of Government Accounts: year ended 31 March 2020](#), HC 246, June 2022

2 WGA 2019–20, para 1, p 209

3 WGA 2019–20, para 2.2, p 83

4 WGA 2019–20, para 1.44, p 22

5 WGA 2019–20, para 3.10, p 88

6 WGA 2019–20, title page 3

7 WGA 2019–20, note 3, pp 125–127

8 WGA 2019–20, note 4, p 128

9 WGA 2019–20, para 3, p 209

10 WGA 2019–20, pp 204–206

sustainability are appropriately managed; implement tools and processes to improve the information it gathers on cross-government issues such as EU Exit and COVID-19; and prepare sufficiently to meet the challenging timetable it set for the WGA 2019–20 without a resultant decline in the quality of the account.¹¹

Realisation of delivery timetables

5. Legislation over the delivery of the WGA stipulates statutory deadlines for the preparation, certification and laying of the accounts. The Treasury must prepare the accounts and send these to the C&AG by the 28 February of the financial year following that to which the accounts relate; the C&AG must certify the accounts and provide the Report on Accounts by 31 October; and the Treasury must then lay the accounts and report before the House of Commons by 31 December.¹² Publication of the WGA was significantly delayed in 2019–20, with all three of these deadlines missed. The first complete draft of the accounts was not delivered to the NAO for auditing until March 2022, nearly 13 months after the statutory deadline, and whilst some of the delay was recovered during the course of the audit, the accounts were not laid until 6 June 2022, more than five months after the deadline.^{13,14} Compared to the 2018–19 accounts, the timeline for publication has lengthened substantially; publication of the 2018–19 accounts was achieved just over 15 months after year-end whilst it took just over 26 months to publish the 2019–20 accounts.¹⁵

6. The Treasury explained that in March 2020, as the 2019–20 reporting period closed, the outbreak of the COVID-19 pandemic diverted government resources to support urgent response work. According to the Treasury, the redeployment of finance team staff at the year-end and the reprioritisation of responsibilities came when work on the 2019–20 accounts would otherwise have been due to begin. At the Treasury’s best estimate, this led to delays of about six months in the production of the component accounts from government departments and other public sector bodies that feed into the WGA. These delays were further augmented by two other delivery complications: implementation issues with the Treasury’s new financial IT system, OSCAR II; and missing data from Local Government due to issues in the sector’s audit programme.¹⁶ Both of these issues are considered in more detail in the subsequent two subsections.

7. Timeliness is essential when gathering high-quality data needed to produce useful information; delays reduce the value and transparency of information in the WGA and diminish its potential to generate valuable insights.¹⁷ The published accounts are an important source for key stakeholders including Parliament, and major fiscal bodies such as the International Monetary Fund and Office for Budget Responsibility, and underlying data is used by HM Treasury to help manage the public finances. In order to fully exploit this potential, the information provided must be complete, accurate and timely.¹⁸

8. Throughout the course of the 2019–20 accounts preparation process, the Treasury repeatedly underestimated how long it would take to produce the WGA; missing both

11 Public Accounts Committee, [Report of session: Whole of Government Accounts 2018–19](#), 22 January 2021

12 HM Treasury, [The Whole of Government Accounts \(Specified Dates\) Order 2010](#), 2010 No. 570, 31 March 2010

13 WGA 2019–20, para 9, p 211

14 WGA 2019–20, title page 3

15 HM Treasury, [Whole of Government Accounts: year ended 31 March 2019](#), HC 500, July 2020

16 Public Accounts Committee, [Oral evidence: Whole of Government Accounts](#), HC 31, 8 June 2022, Q 5

17 Q 12

18 WGA 2019–20, para 14, p 212

statutory deadlines and routinely missing self-set delivery milestones.¹⁹ In November 2020 the Treasury told the Committee that the accounts would be published in June 2021.²⁰ However, by January 2021 the Treasury was no longer in a position to meet the 28 February statutory deadline for providing the draft accounts to the C&AG, and by July 2021 it communicated to us that it would also not be able to meet the 31 December deadline for laying the accounts. Altogether the Treasury wrote to us four times about successive delays to the delivery schedule with the most recent of these updates giving April 2022 as the target for publication.^{21 22 23 24} The 2019–20 WGA was eventually published on 6 June 2022. We asked the Treasury if it felt that it had been optimistic when laying out accounts production and audit timelines and it assured us that it is always the Treasury’s aim to be realistic and to use the best available evidence when estimating delivery schedules.²⁵

9. The Treasury has laid out its aims for delivery of the 2020–21 and 2021–22 accounts, setting target dates for publication of March 2023 and November 2023 respectively. This gives the Treasury less than 10 months from publication of the 2019–20 WGA for the preparation and audit of the 2020–21 accounts, and only eight months subsequently for the 2021–22 accounts.²⁶ The accounts production timetables the Treasury laid out for 2019–20 were unrealistic and it is vital that this is not repeated so that delivery plans are realistic and achievable going forwards.²⁷ The Treasury has yet to develop a detailed delivery plan to support the high-level timetables for the 2020–21 and 2021–22 accounts.²⁸

Implementation of OSCAR II

10. In July 2020 the Treasury launched its new financial IT system, OSCAR II, for use in preparing the WGA. OSCAR II replaced the previous, obsolete system and was designed to support, amongst other functions: the collection and consolidation of data from component bodies into the WGA; holding, storing and updating information with easy and immediate access to data; and the production of reports with use of intuitive reporting tools. According to the Treasury, the update was expected to bring significant benefits including increased efficiencies, improved data collection, enhanced financial and non-financial analysis, and to lead to advancements in the quality of information in the WGA.^{29,30}

11. However, during the implementation of OSCAR II, a number of significant problems arose. The problems, which were not localised but were encountered across the system’s different functionalities, included: issues faced by component bodies when attempting to submit their data to the system, in some cases requiring system changes to be made, and

19 WGA 2019–20, para 14, p 212

20 Public Accounts Committee, [Oral evidence: Whole of Government Accounts](#), HC 655, 19 November 2020, Q 117

21 Public Accounts Committee, [Correspondence re Whole of Government Accounts \(WGA\) 2019–20](#), 25 January 2021

22 Public Accounts Committee, [Correspondence re Whole of Government Accounts \(WGA\) 2019–20](#), 15 July 2021

23 Public Accounts Committee, [Correspondence re Whole of Government Accounts \(WGA\) 2019–20](#), 23 October 2021

24 Public Accounts Committee, [Correspondence re Whole of Government Accounts \(WGA\) 2019–20](#), 11 January 2022

25 Public Accounts Committee, [Oral evidence: Whole of Government Accounts](#), HC 31, 8 June 2022, Q 83

26 Q 17

27 WGA 2019–20, paras 13–14, pp 211–212

28 WGA 2019–20, para 17b, p 213

29 Public Accounts Committee, [Correspondence re Information on the OSCAR II system](#), 28 October 2020

30 PAC report – WGA 2018–19, para 21, part 2

taking up to a year to resolve; some reports produced by the system were incomplete and inaccurate, including the reports used by component auditors to validate data entry as well as some reports provided to the NAO for audit; and performance issues with the reporting module, which delayed the production of the accounts.³¹ We questioned the Treasury on why these issues had not been anticipated; although they had carried out preliminary user acceptance testing, they nonetheless failed to identify or resolve these issues before the system went live.³² The Treasury told us that the initial system specification was not sufficient and that not all data collection requirements had been anticipated.³³ The Treasury estimates that the problems with the implementation of OSCAR II contributed to the delays to their initial accounts' delivery schedule by an estimated five months.³⁴

12. The Treasury has told us that that all known issues with OSCAR II have now been resolved as they move onto the production of the 2020–21 WGA. However, the Treasury informed us that it anticipates that there are likely to be some new issues that will yet arise. The system is supported by a service desk and the Treasury hopes that any new issues can be dealt with in the usual course of businesses without adding to the production delay; whether this will be the case is yet to be seen.³⁵ The Treasury must demonstrate that it is now positioned to successfully manage additional problems that surface by working with its IT contractor to more clearly understand the timescales involved with resolving possible issues and making necessary system changes.³⁶

Sustainability of the Local Government audit sector

13. The Local Government audit sector in England and Wales has been under significant strain for a number of years. There is a shortage of auditors with the knowledge and experience to deliver, within the expected timeframes, the high-quality audits required for the increasingly complex structures and transactions within these accounts. These already widespread delays to statutory audits were only exacerbated with the onset of the COVID-19 pandemic and the additional pressures on Local Government that followed. The target audit completion date for 2018–19 audits was 31 July 2019 however this was met by only 57% of Local Government bodies. This dropped to 45% for 2019–20 audits successfully completed by the target date of 30 November 2020; in October 2021, nearly 12 months after the target date, 70 of the 2019–20 accounts were outstanding.³⁷³⁸ Despite the fact that the 2019–20 WGA did not publish until 26 months after year end, the Treasury included data in the accounts from 29 Local Authorities whose statutory audit had not been certified, and excluded data altogether from a further 23 Local Authorities.³⁹⁴⁰

14. The Treasury explained that the decision was made to prepare the WGA using unaudited data from these bodies as a trade-off between timeliness and completeness. The Treasury told us that it waited for the audits of all the largest bodies that feed into the WGA to be complete but decided that it was of higher priority to reach publication than to

31 WGA 2019–20, para 11, p 211

32 Q 8

33 Q 9

34 Q 6

35 Q 10

36 WGA 2019–20, para 17c, p 217

37 Public Sector Audit Appointments, [News release: 2020/21 audited accounts – PSAA](#), 12 October 2021

38 Q 25

39 WGA 2019–20, para 8, p 210–11

40 HM Treasury, [Annex 2: Entities that are not consolidated in the WGA](#), 6 June 2022

wait for all smaller bodies to submit audited data. The Treasury also stated that it felt it was preferable to include the unverified data rather than exclude those Local Authorities whose audits were incomplete so as to produce a set of accounts which contained comparable information year on year, rather than a fluctuating set depending on the completion of audits.⁴¹ As a result, however, this data, used to reflect the Local Government sector and to prepare the WGA, has become increasingly unreliable. This consequently lowers the quality of data and reduces the certainty of any consequent insights, conclusions or decisions taken from the accounts.⁴²

15. This problem is expected to escalate further as the Treasury look towards the 2020–21 WGA. The proportion of 2020–21 Local Government audits that had been completed by the target date of 20 September 2021 dropped again from 45% in 2019–20 to just 9%.⁴³ In advance of the 2020–21 WGA the Treasury told us that it has lifted the audit threshold for Local Government to match the Central Government threshold. It informed us that, as a result, only 10 Local Authorities will sit above this threshold which demands their accounts be subject to a statutory audit.⁴⁴ Although this will make it easier for the Treasury to produce the WGA on time, it may have negative consequences for the quality and reliability of data unless the Treasury undertake additional assurance work to mitigate this risk.⁴⁵

41 Q 16

42 WGA 2019–20, para 14, p 212

43 PSAA, News Release: 2020/21 audited accounts

44 Q 17

45 WGA 2019–20, para 14, p 212

2 Quality and consistency of data and reporting

Usability of the WGA

16. There are several factors that contribute to maximising the usability of the WGA for the public and other stakeholders. We discussed with the Treasury how creating successive sets of accounts which are presented in a consistent and comparable way enables users to analyse data and trends across several years. This is one of the most valuable functions of the WGA—which has provided the best available overview of UK public finances for the last 11 years—and so it is important that consistency of data presentation and usability are strictly considered.⁴⁶

17. In the 2019–20 WGA, the Treasury presented some important trend analysis within the Performance Report on income and expenditure, as well as assets and liabilities.⁴⁷ This is an aspect of the WGA reporting that we welcome as an incredibly useful aspect of what the WGA is geared towards. However, we raised with the Treasury how in some areas there has been a lack of consistency when it comes to how this information is presented. For example, the analysis of liabilities contains data which has, in previous reports, been presented as a pie chart but is now presented as a bar chart. The Treasury agreed that maintaining consistent presentation of data year-on-year makes it easier to compare information over time. The less consistent the presentation, the less accessible the WGA becomes. Given the unique perspective the WGA offers across public finances, the Treasury should ensure that comparison across years and across reports is simple and unambiguous.⁴⁸

18. Another factor to consider in elevating the usability of the WGA is the way in which current Government policies and economic context are reflected in its reporting; currently such context is lacking. The Treasury has invited our thoughts on how value could be added to the WGA and the Performance Report could be greatly improved by developing the commentary to reflect developments in the public sector and financial landscapes since the reporting date.⁴⁹ ⁵⁰ This is especially relevant given the significant gap between the year-end and the time of publication for the WGA. Even if the Treasury succeed with plans to recover some of the delays experienced in 2019–20, this gap will still be around two years for the 2020–21 WGA.⁵¹ For example, we asked the Treasury how it is considering the impacts of inflation, which permeate across all sectors, issues, projects and Departments, and how these inflationary pressures will be managed.⁵² The Treasury told us it is in constant touch with departmental finance teams to discuss the impact of inflation on their programmes and how they are seeking to manage these whilst continuing to observe departmental budgets. The Treasury explained how non-staff expenditure is often governed through committed contracts and that it works closely with supply chains to mitigate and manage cost pressures. Staff costs are often directed by

46 WGA 2019–20, para 1, p 209

47 WGA 2019–20, pp 40–75

48 Qq 37–39

49 Q 75

50 Q 79

51 Q 17

52 Q 42

recommendations from independent pay review bodies; how inflation will be considered in these recommendations will be seen in the upcoming reviews.⁵³ The impact of inflation on budgets, spending, and pay reviews is not currently reported in the WGA.⁵⁴ Similarly, the commentary on key targets does not include all current updates and proposals. For example, the 2015–2020 target for capital receipts on property disposals is reported but the Treasury were not clear on current targets when questioned and these are not included in the WGA.^{55 56}

Transparency of reporting

19. The Treasury explained to us how the WGA plays a crucial role in enhancing the fiscal transparency of the public sector, giving a more complete and overarching view of government spending and the public financial structure that exists elsewhere. This in turn allows, over the years, for identification of major economic trends and better fiscal management. The content and quality of the reporting in the WGA, beyond the financial statements themselves, is what controls the level of transparency achieved.⁵⁷ The Treasury has succeeded in advancing the content of its reporting in 2019–20 to include valuable overviews of the wider government impacts and actions surrounding both the COVID-19 pandemic and EU Exit.⁵⁸ The Treasury highlighted how information on sustainability and net zero targets has also been included in the WGA for the first time, although they acknowledged that the information reported is brief, with limited detail. Advancements in reporting on areas such as this would work to heighten the transparency of reporting and provide a more comprehensive financial backdrop for fiscal management. We are pleased that the Treasury sees this as only the beginning of its reporting on these issues and intends to build upon this in future publications.⁵⁹

20. The Treasury expressed its understanding of how the issues that are of greatest interest to users of the WGA, including the Committee, evolve over time. The Treasury told us that where users of the WGA continue to rely on the document as a key source of information on an issue, then it will continue to highlight that area. However, it contended that committing to a particular timeframe for reporting on a given issue is not in the interest of this ambition to deliver adaptable reporting which focusses on the highest current priorities.⁶⁰ Whilst the 2019–20 WGA included commentary on COVID-19, as the Treasury moves onto preparing the 2020–21 WGA it must build upon this work with a view to greater transparency. As with any major event with far-reaching economic impacts, the WGA is positioned to provide a record of what happened across and beyond the pandemic which could become a blueprint for future government action.⁶¹ The Treasury does not yet know how much money in total has been lost to fraud and error across the Government's response to COVID-19.⁶² However, the Treasury agreed that reporting on fraud and error as a result of COVID-19 should be a focus for the foreseeable future.⁶³ Estimates

53 Q 42

54 WGA 2019–20

55 WGA 2019–20, para 1.115, p 44

56 Q 68

57 Q 15

58 WGA 2019–20, para 15, p 212

59 Q 77

60 Q 31

61 Q 32

62 Q 48

63 Q 75

of fraud (committed against the government, such as NHS procurement fraud) and error (resulting from internal government mistakes and undetected inaccuracies made by external participants) should be included along with narrative around government counter action.^{64 65}

21. The Treasury currently uses the NAO's COVID-19 Cost Tracker to provide data for its reporting on COVID-19 in the WGA. However, the NAO is set to cease publishing this information in the near future and it is therefore important that the Treasury should not depend solely on the NAO but instead develop and use its own assessment of these costs. The Treasury has confirmed to us its public commitment to continuing this work for the next two years.⁶⁶ The Treasury said that it would consider how it might separately identify COVID liabilities in the WGA so that these are distinct to the users of the accounts.⁶⁷

22. Improvements to the transparency of information in the WGA would also be achieved through more detailed narrative in certain areas. The asset and liability split reported in the WGA shows total assets of £2,138.5 billion and total liabilities of £4,972.7 billion.⁶⁸ In a commercial organisation this would indicate that it was insolvent. Although this is not the case, there is currently no narrative to explain this. The Treasury explained that the Government's ability to raise future funds through taxation and borrowing is a very important asset which is not currently captured in the WGA and is outside the scope of the accounts.⁶⁹

64 Q 79

65 Q 48

66 Qq 28–29

67 Q 31

68 WGA 2019–20, para 1.3, p 3

69 Q 13

3 Quality and consistency of data and reporting

23. In May 2022, the government announced its intention to cut 91,000 jobs from the civil service over the next three years, with the aim of returning to 2016 staffing levels.⁷⁰ The 2021 Spending Review had already confirmed the need for savings of 5% against day-to-day central departmental budgets in 2024–25, however, these new cuts, which represent a 20% reduction in headcount, are far more significant.^{71 72}

24. Staff cuts will inevitably involve a quantity of associated costs, including redundancy costs, that the government will have to pay out. We questioned the Treasury as to what the total cost of these payments was likely to be, and although it explained that the number of required redundancies could be minimised by the large number of people who leave the civil service or retire each year, it told us that it did not know what the expected level of exit costs was likely to be at this stage.⁷³ The Treasury also acknowledged that it did not have an understanding of how redundancies would be allocated, or if they would be targeted towards staff for whom lower exit costs would be involved.⁷⁴

25. This scale of these proposed cuts has the potential to bring about significant consequences for service delivery, both in regard to the quality and efficiency of delivery and the range of services it will be possible to provide. At the time we took evidence, the Treasury said that no work had been completed, either by the Treasury or by other affected departments, to understand the impact on delivery of public services or how the effects for service users might be mitigated.⁷⁵

26. The Treasury told us that at this stage the challenge of how best to achieve these reductions is in the hands of individual departments. It explained that each department is itself best placed to understand the resourcing requirements needed to deliver its service programmes and objectives. It told us that the decision around how these headcount reductions will be achieved whilst continuing to deliver vital public services and maintaining an appropriate skill base is, therefore, up to each department to decide. The Treasury confirmed that it will not have a top-down, centralised view until the necessary information is gathered from departments over the summer.⁷⁶

27. We discussed with the Treasury that one way in which headcount reductions might be accomplished whilst at the same time maintaining the scope and standard of service delivery, is by way of increased digitisation. By digitalising services, the required level of staffing is reduced, and cuts can be made in areas where resources are no longer needed. The Treasury acknowledged the risk that if a rapid reduction in headcount resulted in the loss of the skills and capacity needed to achieve transformation, current progress towards digitalisation might be lost. The Treasury told us that it is eager to understand the

70 [Prime Minister's Housing Speech](#), 9 June 2022

71 Q 21

72 HM Treasury, [Autumn Budget and Spending Review 2021](#), 27 October 2021, para 8, p 2

73 Q 21

74 Q 23

75 Q 44

76 Q 23

consequences of these cuts on delivering transformation and vital public services.⁷⁷ The Treasury affirmed its responsibility, together with the Cabinet Office, to ensure that it is incentivising, prioritising and enabling digital transformation.⁷⁸

77 Q 24
78 Q 44

Formal minutes

Thursday 22 September 2022

Members present:

Dame Meg Hillier

Olivia Blake

Dan Carden

Sir Geoffrey-Clifton Brown

Mr Louie French

Peter Grant

Kate Green

Sarah Olney

Whole of Government Accounts 2019–20

Draft Report (*Whole of Government Accounts 2019–20*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Twentieth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Thursday 13 October at 9:30am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 8 June 2022

Sir Tom Scholar, Permanent Secretary, HM Treasury; **Cat Little**, Director, General Public Spending, HM Treasury; and **Vicky Rock**, Director, Public Spending, HM Treasury

[Q1–84](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

WGA numbers are generated by the evidence processing system and so may not be complete.

1 ICAEW ([WGA0001](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

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1st	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21	HC 59
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3rd	The future of the Advanced Gas-cooled Reactors	HC 118
4th	Use of evaluation and modelling in government	HC 254
5th	Local economic growth	HC 252
6th	Department of Health and Social Care 2020–21 Annual Report and Accounts	HC 253
7th	Armoured Vehicles: the Ajax programme	HC 259
8th	Financial sustainability of the higher education sector in England	HC 257
9th	Child Maintenance	HC 255
10th	Restoration and Renewal of Parliament	HC 49
11th	The rollout of the COVID-19 vaccine programme in England	HC 258
12th	Management of PPE contracts	HC 260
13th	Secure training centres and secure schools	HC 30
14th	Investigation into the British Steel Pension Scheme	HC 251
15th	The Police Uplift Programme	HC 261
16th	Managing cross-border travel during the COVID-19 pandemic	HC 29
17th	Government's contracts with Radox Laboratories Ltd	HC 28
19th	Regulating after EU Exit	HC 32
1st Special Report	Sixth Annual Report of the Chair of the Committee of Public Accounts	HC 50

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1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250

Number	Title	Reference
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
38th	COVID-19 cost tracker update	HC 640

Number	Title	Reference
39th	DWP Employment Support: Kickstart Scheme	HC 655
40th	Excess votes 2020–21: Serious Fraud Office	HC 1099
41st	Achieving Net Zero: Follow up	HC 642
42nd	Financial sustainability of schools in England	HC 650
43rd	Reducing the backlog in criminal courts	HC 643
44th	NHS backlogs and waiting times in England	HC 747
45th	Progress with trade negotiations	HC 993
46th	Government preparedness for the COVID-19 pandemic: lessons for government on risk	HC 952
47th	Academies Sector Annual Report and Accounts 2019/20	HC 994
48th	HMRC's management of tax debt	HC 953
49th	Regulation of private renting	HC 996
50th	Bounce Back Loans Scheme: Follow-up	HC 951
51st	Improving outcomes for women in the criminal justice system	HC 997
52nd	Ministry of Defence Equipment Plan 2021–31	HC 1164
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

Session 2019–21

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1st	Support for children with special educational needs and disabilities	HC 85
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3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
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9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405

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15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936

Number	Title	Reference
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941