



House of Commons  
Committee of Public Accounts

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# Department of Health and Social Care 2021–22 Annual Report and Accounts

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**Sixty-Second Report of Session  
2022–23**

*Report, together with formal minutes relating  
to the report*

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## Summary

Three years after the start of the COVID-19 pandemic, the Department of Health and Social Care (the Department) has spent £14.9 billion of public money overpaying and over ordering significant volumes of Personal Protective Equipment (PPE), COVID-19 medicines and vaccines. The Department will never use a significant proportion of the PPE purchased, which will end up being burnt at a significant cost to the taxpayer. The PPE storage costs remain high and were nearly £200 million in the first 9 months of 2022–23 and the Department estimates that its future storage and disposal costs for unusable PPE will be approximately £319 million.

The UK Health Security Agency (UKHSA) became fully operational on 1 October 2021, in the midst of the pandemic. There were significant issues in setting up this new organisation and the Department failed to appropriately support UKHSA during this process. This led to a fundamental absence of governance arrangements and controls. Non-executive directors were not appointed until April 2022 and UKHSA's financial controls and processes were so poor that the organisation could not prepare auditable accounts for the 2021–22 financial year. This resulted in the Comptroller and Auditor General (C&AG) disclaiming his audit opinions. UKHSA faces a significant challenge implementing strong financial controls and processes and the Department must provide sufficient support and oversight to achieve this.

Over the last few years, there have been repeated governance and financial control failings across the Departmental group leading to a number of qualified accounts. This has undermined Parliamentary accountability and resulted in the Departmental group incurring expenditure without Parliamentary approval. The Department has also been unable to lay its accounts before the summer recess, only just managed to do so before the final statutory deadline. It has not yet got a credible plan to return to laying its accounts before the summer recess. The Department must strengthen its governance and financial controls and set out a clear plan to restore timely accountability across the Departmental group. To do this, the Department must work with NHS England and local auditors to restore timely financial reporting across the NHS.

## Introduction

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The Department of Health and Social Care leads the health and care system in England. The Comptroller and Auditor General (C&AG) qualified his audit opinion on the Department's 2021–22 accounts for several reasons. There was insufficient evidence to support; the Core Department & Agencies' and Group's consumables inventory balance of £1.36 billion at 31 March 2022 and £3.6 billion at 31 March 2021; £1.56 billion of inventory impairments in 2021–22 and £9.0 billion in 2020–21; inventory consumed during 2021–22 of £8.0 billion and £6.1 billion in 2020–21; and the £1.2 billion onerous contract provision recognised by the Department for inventory purchased but not received as at 31 March 2021.

UKHSA was created on 1 April 2021, becoming fully operational on 1 October 2021 when it became responsible for the health protection functions of Public Health England, NHS Test and Trace and the Joint Biosecurity Centre. The C&AG disclaimed his opinion on the 2021–22 UKHSA Accounts, and this led to him to qualifying the transactions and balances relating to UKHSA in the Department's Group Accounts as insufficient evidence was provided. This also led to a regularity qualification as there was not sufficient evidence to demonstrate that the spend incurred was applied to the purposes intended by Parliament and conformed with the authorities which govern it. In addition, Parliament authorised a Resource Non-Budget Expenditure limit of £Nil for the Department in 2021–22. Against this limit, the Department incurred an outturn of £2.457 billion, exceeding the authorised limit by £2.457 billion and causing an Excess Vote and a qualification of the C&AG's opinion on regularity.

## Conclusions and recommendations

1. **Three years after the start of the pandemic, the Department still does not have adequate controls over its PPE and there continue to be high ongoing storage and disposal costs for unusable items.** In the past two years, the Department has written off £14.9 billion of inventory, which included PPE (£9.9 billion), COVID-19 medicines (£2.6 billion) and COVID-19 vaccines (£1.9 billion). This write off was due to the Department overpaying for items at the height of the pandemic and over ordering of significant quantities of PPE that cannot or will not be used. The Department also purchased excess levels of COVID-19 medicines and vaccines which in hindsight are unlikely to be used. The Department has vast quantities of unusable and unneeded PPE in storage waiting for disposal by recycling or burning for energy. It continues to have very high storage and disposal costs for PPE, which it estimates will cost £319 million over the next few years. It is three years since the start of the pandemic and the Department still does not have controls over its PPE. It is still unable to perform proper stocktakes to confirm what items of PPE it is holding and the condition of these items at 31 March 2023. Large quantities of PPE remain in inaccessible piles of storage containers which the Department estimates would cost £70 million to move and open to perform the necessary stock counts. The Department continues to review its PPE contracts to identify if money can be recovered for the taxpayer, with at least a quarter of PPE contracts entered into being investigated by the Department.

**Recommendation 1:** *The Department should set out in its Treasury Minute response how it will ensure that:*

- *it puts in place adequate inventory controls over its PPE;*
- *its disposal plan for unusable inventory is carried out in the most appropriate and cost-effective way; and*
- *it recovers maximum value from suppliers which failed to deliver against their contractual terms.*

*We expect the Department to be able to report its progress on these matters to the Committee at a future evidence session.*

2. **The Department does not yet have a clear plan in place for a national emergency stockpile for any future pandemic.** The stockpile held by the Department was invaluable for the first few months of the COVID-19 pandemic but it does not currently have a plan for the level or composition of the desired stockpile for any future pandemics. The Department was limited in its response to COVID-19 by the lack of domestic production of PPE and it has advised that it is working on strengthening domestic PPE supply chains. As well as the significant volumes of PPE it purchased, and is now disposing of, the Department has entered into contracts for both COVID-19 vaccines and COVID-19 medicines which commit it to procure future stock. It recognised impairments in 2021–22 of £1.7 billion for COVID-19 vaccines and £1.8 billion for COVID-19 medicines with a limited shelf life which it now does not expect to use.

**Recommendation 2:** *The Department should develop and implement a clear, cost-effective plan for a national emergency stockpile to respond to any future pandemic.*

3. **There was a fundamental absence of formal governance arrangements at UKHSA and the Department failed to respond to the heightened risks of setting up a new and complex organisation at pace.** UKHSA was created on 1 April 2021 with unsatisfactory governance arrangements. Although the Non-executive Chair and Chief Executive were in post from 1 April 2021, no more non-executive directors were appointed until April 2022, one month after its first year-end. The lack of governance resulted in inadequate scrutiny and assurance of UKHSA's operations. The Chief Executive was appointed into a role, as Accounting Officer and Chief Executive, of which she had no previous experience and relied heavily on the Non-executive Chair for support stepping into this position. The Non-executive Chair's role therefore shifted from one which should have been scrutinising management to one of an executive member of the organisation. The Department failed to support UKHSA, taking a light touch approach to the governance arrangements in place, identifying risks but failing to make any arrangements to mitigate these issues. In addition, the Department did not provide UKHSA with a budget until after the year end. UKHSA's Non-executive Chair told us that this meant that the function of the new organisation remained uncertain and that the mandate of any non-executives would not have been sufficiently clear.

**Recommendation 3:** *The Department must work with UKHSA to ensure that the governance arrangements at UKHSA are assessed, rectified and that the remaining vacancies within its governance structure are resolved as a matter of urgency.*

4. **UKHSA had a fundamental weakness in financial controls and processes which resulted in it being unable to prepare auditable accounts.** On 1 October 2021, the day that it became operational, UKHSA implemented a new IT accounting system and transferred the operations of its three predecessors onto this new system. At the same time, it was responding to the COVID-19 pandemic and managing rapid large-scale changes in spending and headcount. Implementing a new IT system is always a challenge, but these circumstances brought significant additional risks and shortcomings in the quality and timeliness of financial management of the organisation. UKHSA did not have effective control over its cash management process and did not even perform bank reconciliations, one of the most basic financial controls for an organisation. It also made an operational decision to not perform stocktakes on the emergency stockpile items transferred to it; even though weaknesses in controls resulted in no effective stock counts having been undertaken on the Test and Trace inventory transferred to UKHSA or at the year end. These were just three of the many issues which meant there was a fundamental absence of financial control within the organisation, which resulted in the C&AG taking the very unusual step of disclaiming his opinion on the financial statements.

**Recommendation 4:** *UKHSA should urgently ensure robust financial controls and processes are put in place and that there is a clear plan in place to deliver unqualified accounts.*



5. **The Department has not yet developed a clear plan to remove the audit qualifications and deliver its accounts to a pre-summer recess timetable.** The Department has prepared its accounts in exceptional circumstances for the past two years. It laid its 2021–22 Annual Report and Accounts on 26 January 2022, five days ahead of the statutory deadline, and as in 2020–21, they were heavily qualified by the C&AG. For 2022–23, it plans to bring forward its laying of its Annual Report and Accounts in Parliament before the 2023 Christmas recess but there are a number of challenges in doing this. It is imperative that the Department's accounts delivery gets back on track to enable it to lay its Annual Report and Accounts ahead of the summer recess. Disappointingly, it does not yet have a credible plan to do this. The Department faces challenges from gaps in its finance function and significant problems in timely delivery in the local audit market which are required for its group accounts, which will impact on its ability to prepare more timely accounts. We have reported separately on the challenges of timeliness of local auditor reporting, which includes the audit of local NHS bodies that form part of the Departmental group.

***Recommendation 5: The Department must develop and implement a plan to remove the qualifications from the Departmental Group accounts and work with NHS England to restore timely financial reporting and local audit across the NHS, to support laying of the Departmental Group accounts to a pre-summer recess timetable.***

6. **There have been repeated and unacceptable governance and accounting failures within the Departmental Group which has led to poor financial control, undermined Parliamentary accountability, and money being spent without Parliamentary approval.** The Department has failed to implement adequate financial control across the Group which has resulted in numerous qualifications of both 'true and fair' and 'regularity' opinions. The Department's own Core and/or Group accounts have had multiple qualifications over the last three years. The UKHSA accounts were disclaimed in 2021–22, the year it was established. NHS Property Services accounts were qualified in 2021–22, NHS England had regularity qualifications in 2020–21 and in 2021–22, and issues within University Hospitals of Leicester NHS Trust resulted in a disclaimer in 2019–20 and a delayed adverse opinion in 2020–21.

***Recommendation 6: The Department must set out how it will establish sufficient capability to deliver effective oversight across its Group to manage emerging and developing issues and ensure it avoids future financial and governance failings.***

# 1 Inventory procurement in response to COVID-19

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1. On the basis of a report by the Comptroller and Auditor General (C&AG), we took evidence from the Department of Health and Social Care (the Department) and the UK Health Security Agency (UKHSA) on the Department’s Annual Report and Accounts for 2021–22.<sup>1</sup>

2. The Department leads the health and care system in England. The Department has reported that COVID-19 continued to be the most significant challenge faced by both the country and public sector in a lifetime. In this context the Department has acknowledged “2021–22 continued to prove a challenging backdrop against which the Annual Report and Accounts were produced”.<sup>2</sup>

3. The C&AG qualified the Department’s 2021–22 Annual Report and Accounts in several respects. This included the C&AG’s ‘true and fair’ opinion over the year-end inventory balance in the Core Department & Agencies’ and Group’s Statement of Financial Position, £1.36 billion at 31 March 2022 (and £3.6 billion at 31 March 2021). There was also insufficient evidence to support the completeness and accuracy of the associated transactions in the Core Department & Agencies’ and Group’s Statement of Comprehensive Net Expenditure including impairments and write downs recognised of £1.56 billion and inventory consumption of £8.0 billion for 2021–22 (and impairments and write downs recognised of £9.0 billion and inventory consumption of £6.1bn for 2020–21). The £1.2 billion onerous contract provision recognised by the Department for inventory purchased but not received as at 31 March 2021 was also inadequately supported by appropriate evidence.<sup>3</sup>

## Personal Protective Equipment - write offs, storage, and disposal

4. The Department reported £14.9 billion of PPE and other inventory write offs over two years, 2020–21 and 2021–22,<sup>4</sup> including £9.9 billion relating to PPE, £2.6 billion relating to COVID-19 medicines, and £2.0 billion relating to COVID-19 vaccines. An £8.9 billion write off in respect of the PPE and other inventory was recognised in the 2020–21 accounts, and the Department estimates that there was a further £6 billion write off of PPE and other inventory in 2021–22. These write offs have arisen from reductions in market prices since the goods were purchased<sup>5</sup>, items the Department no longer expects to use, and onerous costs relating to PPE, vaccines and medicines for items it had agreed to purchase before 31 March 2022, but which it now does not expect to use.<sup>6</sup>

5. The Department reported, as at 31 March 2022, it estimated it would cost £319 million over the next few years for future storage and disposal costs for the excess and unusable PPE.<sup>7</sup> The cost of storage and associated charges for its PPE from 1 April 2022- 31 December

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1 Report by the Comptroller and Auditor General, [Department of Health and Social Care Annual Report and Accounts 2021–22](#), HC1043, 26 January 2023 (pages 261–267)

2 [Department of Health and Social Care Annual Report and Accounts 2021–22](#), HC1043, 26 January 2023, page 2

3 DHSC 2021–22 ARA, page 252

4 C&AG’s Report, para 3

5 C&AG’s Report, para 4

6 C&AG’s Report para 3

7 C&AG’s Report, para 4

2022 was £199.5 million.<sup>8</sup> We questioned the Department on its progress in disposing of the PPE it had identified as either unusable within the NHS or that it had excess quantities of. The Department told us that it is disposing of 20,000 pallets a month enabling it to reduce the number of storage sites it is using.<sup>9</sup> It stated that this has resulted in spending £25.7 million per year less in storage costs. In the period March-December 2022 the Department disposed of 208,000 pallets, 109,000 pallets were recycled, and 99,000 pallets were burned.<sup>10</sup> We questioned the Department on the environmental impact of burning PPE. The Department stated that it was more environmentally friendly than burning coal and that it was value for money to burn PPE as storage costs are being reduced more rapidly.<sup>11</sup> We asked the Department whether it was taking appropriate action to recover as much value as possible from the PPE it holds and it confirmed that there is a strategy in place to reduce what is held by the Department in line with a hierarchy of recycle, burn for energy and then landfill.<sup>12</sup>

6. The Department does not have adequate controls in place over its inventory, including PPE. The C&AG qualified his ‘true and fair’ opinion in 2021–22, for the second year, on the Department’s financial statements as the Department was unable to perform complete effective physical stock-counts at the 31 March 2022 year-end to verify the quantity and quality of the consumables inventory (which includes PPE) that it held, despite this being two years after the start of the pandemic.<sup>13</sup> The Department confirmed that it would not be performing a full stock take as at 31 March 2023, and stated that it would cost £70 million to count all of the stock it held in warehouses and containers.<sup>14</sup>

7. The Department continues to review the PPE contracts it entered into to identify suppliers that did not deliver against their contractual terms. By February 2022, the Department had negotiated the cancellation or variation of contracts to reduce the original supply of PPE by 1.21 billion items with an associated reduction in value of £572 million.<sup>15</sup> There have been 60 contracts identified by the Department where there was dissatisfaction due to required standards, quality control or due to contractual breach. The value of these contracts is £1.77 billion. In addition, there were twelve contracts held by the Department’s subsidiary Supply Chain Coordination Ltd which were in dispute as at 31 December 2022, where suppliers were under investigation as they were in breach of their obligations.<sup>16</sup> The Department confirmed that on resolution of the disputes the appropriate information will be released to the public.<sup>17</sup>

## Stockpiling for a future emergency

8. As well as the significant volumes of PPE it purchased, and is now disposing of, the Department entered into contracts for both COVID-19 vaccines and COVID-19 medicines which commit it to procure future stock. It recognised impairments on these contracts in 2021–22 of £1.7 billion for COVID-19 vaccines and £1.8 billion for COVID-19

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8 [Letter from DHSC to PAC, dated 16 March 2023](#)

9 Q 84

10 [Letter from DHSC to PAC, dated 16 March 2023](#)

11 Qq 96, 100

12 Qq 98, 99

13 C&AG’s Report, para 5

14 Q 90

15 DHSC 2021–22 ARA, page 57

16 [Letter from DHSC to PAC, dated 16 March 2023](#)

17 Q 107

medicines with a limited shelf life which it now does not expect to use.<sup>18</sup> We questioned the Department on why the impairments of COVID-19 vaccines and medicines were required and it confirmed that medicines were purchased as an ‘insurance policy’ at the beginning of the Omicron wave as there were concerns that it would be a vaccine-escaping variant and this would be protection for the most vulnerable. The Department however continued to explain that it would not expect to have such impairments in the future as there is no expectation that it would have to sign ‘onerous’ contracts again.<sup>19</sup>

9. In our June 2022 report on the Department’s 2020–21 Annual Report and Accounts we noted the lack of planning for how big a PPE stockpile needed to be, and also the need to build greater resilience into the supply chain.<sup>20</sup> We asked the Department again about the need and its future plans for stockpiling items that may be required in the event of a future pandemic. The Department stated there are a number of decisions yet to be made regarding what is included in a stockpile for future pandemics.<sup>21</sup> It said that the stockpile held was invaluable for the first few months of the COVID-19 pandemic.<sup>22</sup> However, one of its big limitations was the ability to create domestic supply and it advised us that it is working on strengthening domestic PPE supply chains.<sup>23</sup> The Department confirmed that, at the time we took evidence in March, it had at least four months’ worth of PPE, particularly inventory, in its stockpiles.<sup>24</sup>

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18 DHSC 2021–22 ARA, page 364

19 Q 82

20 Committee of Public Accounts, [Department of Health and Social Care 2020–21 Annual Report and Accounts](#), Sixth Report of Session 2022–23, HC 253, 10 June 2022

21 Q 101

22 Q 117

23 Q 117

24 Q 80

## 2 UKHSA

10. On 18 August 2020, the Department announced a reorganisation of public health in England. The UK Health Security Agency (UKHSA) was subsequently established as an Executive Agency of the Department on 1 April 2021 with its Chair and Chief Executive appointed on the same day. It became fully operational on 1 October 2021, when it became responsible for the health protection functions of the former Public Health England (‘PHE’) and became responsible for NHS Test and Trace and the Joint Biosecurity Centre, both of which had previously been divisions of the Department.<sup>25</sup>

### Establishment of UKHSA

11. The Department told us that there was an operational imperative to establish UKHSA before the winter of 2021–22, which was driven by the state of the pandemic and the need to create a single source of advice for Ministers and a single operational response.<sup>26</sup> The establishment of UKHSA was a complex task. The Chair of UKHSA compared it to creating a FTSE 50 sized company through a merger of three entities, with different systems and cultures, in six months.<sup>27</sup>

12. The complexity was compounded by the changing remit for UKHSA and by policy decisions which had significant implications for UKHSA’s size and structure. For example, in March 2022 with the implementation of the ‘living with covid’ strategy, UKHSA began a restructure which resulted in it decreasing its workforce from 18,000 to 6,700 full-time equivalents.

13. On 1 October 2021, UKHSA had a Chief Executive and a non-executive Chair, both of whom had been appointed on 1 April 2021. UKHSA told us that the Chief Executive, despite her expertise in the science of public health, did not have experience in the other elements of running a complex organisation. The Chair of UKHSA therefore saw his role during the first 12 months as providing the Chief Executive with support in some of the functions where she had less experience, such as technology operations and procurement. This resulted in his role departing from the traditional Chair’s role of challenging and scrutinising management to taking more of an executive role.<sup>28</sup>

14. No additional non-executive directors were appointed until after the 2021–22 financial year. As a result, UKHSA did not comply with the principles of HM Treasury and the Cabinet Office’s *Corporate governance in central government departments: code of good practice* and UKHSA’s Head of Internal Audit concluded that, in their opinion, UKHSA’s corporate governance arrangements were unsatisfactory.<sup>29</sup> The Department acknowledged that this was not normal and that in more ordinary circumstances it would have tried to establish a new entity at the beginning of the financial year with all necessary governance arrangements in place. In the Department’s view, the circumstances of mid-2021 meant this was not possible.<sup>30</sup>

25 Report by the Comptroller and Auditor General, [UK Health Security Agency Annual Report and Accounts 2021/22](#), HC 1086, 26 January 2023, p. 91.

26 Qq 14, 27

27 Q 17

28 Q 50

29 C&AG’s Report on UKHSA, p. 92.

30 Q 14

15. We asked the Department whether, given the risks associated with the establishment of UKHSA, it had considered an alternative timing for establishing the new organisation to ensure that an appropriate governance framework could have been put in place. The Department said that its priority was ensuring that it had the most effective system in place for managing the pandemic during the winter of 2021–22.<sup>31</sup>

16. The absence of governance arrangements at UKHSA, during a time of significant change and operational challenge, meant that there was inadequate scrutiny and oversight over UKHSA. We asked the Department what it had done to support UKHSA to help mitigate the risks associated with the absence of governance arrangements. The Department said that it has done this in a very light-tough way.<sup>32</sup> When we asked for detail on this light touch involvement, the Department said that its own Audit and Risk Committee had discussions on two occasions about the risks facing UKHSA in its establishment.<sup>33</sup>

## Financial management and control

17. The C&AG’s audit of UKHSA’s first set of accounts resulted in him disclaiming his opinions.<sup>34</sup> This means that he was unable to give an opinion on whether the accounts were ‘true and fair’ or on whether the transactions recorded in the accounts were applied to the purposes intended by Parliament (‘regularity’).

18. The UKHSA accounts were ‘disclaimed’ as: the inventory transferred from Public Health England (£254 million) and the Department (£794 million) to UKHSA on 1 October 2021 was not subject to stock counts, £3.3 billion of consumption of Test and Trace inventory was not supported by records and the inventory held as at 31 March 2022 was not subject to stock counts until several months after the year end; UKHSA was unable to provide sufficient evidence to support the £1.9 billion accruals balance as at 31 March 2022 and £3.0 billion expenditure on the purchase of goods and services during 2021–22; and UKHSA was unable to provide sufficient evidence to support journal adjustments made to the accounts.<sup>35</sup>

19. It is very unusual for an auditor to disclaim their opinion. No C&AG has disclaimed an audit opinion since January 2006, concerning the Home Office resource accounts 2004–05.<sup>36</sup> UKHSA confirmed that they do not anticipate being able to produce accounts which will be unqualified until 2023–24 at the earliest.<sup>37</sup>

20. There were multiple root causes of UKHSA’s inability to produce auditable accounts. One of the key causes was the accounting system that UKHSA implemented on 1 October 2021. Implementing a new accounting system is a significant challenge, even more so half-way through the financial reporting period when merging three entities and managing a large-scale change in spending and headcount. The C&AG reported that UKHSA struggled to provide records and populations from the accounting system which reconciled back to

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31 Q 25

32 Q 20

33 Q 35

34 Q 36

35 UKHSA ARA 2021–22 pages 86–87

36 Report of the Comptroller and Auditor General, [Home Office Resource Accounts 2004–05](#), HC 826, 31 January 2006, pp. 24–29.

37 Q 64

UKHSA's accounts and that this implied shortcomings with how the system had been configured.<sup>38</sup> The issues with the system resulted in UKHSA failing to perform monthly bank reconciliations, one of the most basic financial controls for any organisation and a critical component of cash management.<sup>39</sup>

21. We asked UKHSA whether it would have been better to use one of the systems used by its predecessor entities rather than implementing the new system on the day it became operational. UKHSA said that it had inherited the decision to implement the new system from Public Health England and acknowledged that, in hindsight, it may have been preferable to run existing systems side by side.<sup>40</sup>

22. UKHSA also experienced significant difficulties with staffing which compromised its ability to provide evidence and explanations to support the figures reflected in the accounts. The C&AG reported that one barrier to his ability to obtain evidence to allow him to give an audit opinion was the transitory nature of UKHSA's workforce. This meant that officials who had prepared figures for the financial statements had left the organisation by the time of the audit and were not able to provide explanations and evidence to support those figures.<sup>41</sup> During our evidence session, UKHSA echoed this, noting that from April to August 2022 it reduced its headcount by almost two thirds resulting in a loss of continuity of knowledge to help address the NAO's audit queries.<sup>42</sup> UKHSA also stated that two of the predecessor entities to UKHSA, NHS Test and Trace and the Joint Biosecurity Centre, did not have a history of budget and accounting discipline which further contributed to the difficulties in providing evidence and explanations.<sup>43</sup>

23. There were also operational decisions which UKHSA and the Department took which meant that some form of accounts qualification was always likely. The Department decided not to count the stockpile of emergency goods transferred from Public Health England to the UK Health Security Agency on 1 October 2022. The Department's view was that counting these stocks on the date of transfer would have compromised the autumn 2021 vaccine roll-out because it would have required the closure of warehouses.<sup>44</sup> However, there were other inventories transferred to UKHSA, for example the NHS Test and Trace inventories transferred from the Department, where no stock counts were performed because the Department's inventory management systems were not adequate.<sup>45</sup>

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38 C&AG's Report on UKHSA, p. 94.

39 C&AG's Report on UKHSA, p. 94.

40 Q 21

41 C&AG's Report on UKHSA, p. 93.

42 Q 22

43 Q 17

44 Qq 38, 51

45 C&AG's Report on UKHSA, p. 94.

## 3 Departmental group oversight

### Timely publication of the Annual Report and Accounts

24. To ensure timely accountability for the spending of public funds, Treasury set an administrative deadline of 30 June after the end of the financial year for Departments to publish their Annual Report and Accounts, and no later than parliamentary summer recess in July. The Department has a statutory deadline of 31 January to publish its annual report and accounts.<sup>46</sup> The Department laid its 2020–21 Annual Report and Accounts on the statutory deadline of 31 January 2022, and it acknowledged that this was a “incredibly challenging year to produce the Annual Report and Accounts”<sup>47</sup>. The Department told us in a previous session held on 07 March 2022 that it was working hard to bring the publication of its 2021–22 Annual Report and Accounts forward, with an aim to publish these in November 2022.<sup>48</sup> The 2021–22 Annual Report and Accounts were however laid on 26 January 2023, only five days earlier than the prior year.

25. We asked the Department about the timing of the 2022–23 annual report and accounts, the Department confirmed that it was aiming to lay its Accounts before the 2023 Christmas recess and then to gradually improve the timeliness in future years.<sup>49</sup> The Department is currently working on a multi-year plan to enable the Annual Report and Accounts to be laid pre summer recess in line with Treasury's expectation, with its aim being to bring forward the laying date by a couple of months each year.<sup>50</sup>

26. The Department faces two main challenges to bring the audit timetable forward, issues within the Department's control and issues within the local audit market. The Department acknowledges that it is always looking to build its finance capability and identified three areas where more expertise is needed: financial, commercial and digital. The Department however confirmed it had enough people within the finance team but that its focus was on the financial expertise of non-finance staff.<sup>51</sup> There are expected issues in 2022–23 with the introduction of a new accounting standard, IFRS 16, which fundamentally changes the way entities account for leases.<sup>52</sup> The written evidence submitted by the Institute of Chartered Accountants in England and Wales (ICAEW) also raises concern with regards to the staffing levels within the finance function.<sup>53</sup>

27. We questioned the Department on the capacity of other bodies in its Group to prepare their Accounts to the required timescales, as we were aware that a number of bodies did not yet have auditors appointed for 2022–23, and this could have a significant impact on the Department being able to bring the laying date of the Group Annual Report and Accounts forward. The Department confirmed that there will be significantly more accounts preparation and audit issues in 2022–23 as Integrated Care Boards (ICBs) were formed mid-year meaning there are audits to be undertaken of both ICBs and also the

46 HM Treasury 'Dear Accounting Officer Letter', [DAO 08/21](#), 16 December 2021

47 [Department of Health and Social Care Annual Report and Accounts 2020–21](#), HC 1053, 31 January 2022, page 2

48 Committee of Public Accounts, [Department of Health and Social Care 2020–21 Annual Report and Accounts](#), Sixth Report of Session 2022–23, HC 253, 10 June 2022, para 31

49 Q 3

50 Q 4

51 Qq 140–142

52 Q 6

53 Q 138



former Clinical Commissioning Groups that ICBs replaced. The Department said it was working with the Department for Levelling Up Homes and Communities (DLUHC) to remove barriers to entry for more audit firms to enter the local audit market.<sup>54</sup>

## Financial control across the departmental group

28. The Department and bodies within its Group have had a number of financial governance and accounting failures in recent years. The Department Core and Group accounts have been qualified by the C&AG for the past two years. In both 2020–21 and 2021–22 there was a ‘true and fair’ qualification arising in respect of inventory, this arose as the Department was unable to perform stock takes to evidence the existence, completeness and valuation of inventory.<sup>55</sup> The Department acknowledged that the inventory qualification will remain until the Department has disposed of all of the excess and unusable PPE it has.<sup>56</sup>

29. The C&AG also qualified the Groups ‘other accruals’ in 2020–21 as there was insufficient assurance in respect of existence and valuation of £17.3 billion, the Department accrues expenditure it has incurred but has not yet been invoiced for and therefore a liability which will need to be paid in future. In 2019–20 the C&AG qualified his ‘true and fair’ opinion on the Core Departments ‘other financial assets’ due to a disagreement in the application of financial reporting standard IFRS 9. The Department did not impair the value of the loans to NHS Trusts and Foundation Trusts, resulting in assets being overstated by an estimated £2.2 billion.<sup>57</sup>

30. Furthermore, the C&AG has qualified his ‘regularity’ opinion on the DHSC Group accounts for the past two years: the Department exceeded its budgetary limit for Resource Non-Budget Expenditure as authorised by Parliament in 2021–22 as a budget of £nil was authorised and the Department incurred an outturn of £2.457 billion; and in 2020–21, the Department spent £1.3 billion on projects they were required to but did not have the appropriate approval from Treasury for, and therefore was irregular, and also in 2020–21 there was insufficient evidence to demonstrate that the expenditure incurred by the Department, particularly on COVID-19 was regular, with the assessment of potential fraud losses being inadequate.<sup>58</sup>

31. The C&AG being unable to provide an opinion on the UKHSA 2021–22 Annual Report and Accounts<sup>59</sup> (see above) resulted in further ‘true and fair’ and ‘regularity’ qualifications on the Departmental Group accounts.<sup>60</sup> We questioned the Department on when it realised that the difficulties inherited by UKHSA would impact on the Group accounts. The Department said that ‘the precise issues’ and the amount of evidence not available to support the audit only became apparent to it in late 2022 and in January 2023, and that it was the NAO’s audit which had revealed these scale of these issues.<sup>61</sup>

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54 Q 6

55 DHSC 2021–22 ARA, page 252

56 Qq 79, 90

57 DHSC 2021–22 ARA, page 253

58 DHSC 2020–21 ARA, p. 192

59 UKHSA ARA 2021–22 pages 86–87

60 DHSC 2021–22 ARA, pages 252–256

61 Q 36

32. There have been other qualifications across the Departmental Group. The NHS Property Services (NHSPS) accounts were qualified in 2021–22 as NHSPS were unable to demonstrate compliance with the Financial Reporting Framework and account for the expenditure, assets and liabilities arising from certain contracts in accordance with IFRS16 Leases. There were 182 rental arrangements with approximate annual payments of £7.7 million, and NHSPS was unable to provide documentation to determine the substance of arrangements.<sup>62</sup> The NHS England 2021–22 Annual Report and Accounts ‘regularity’ opinion was qualified by the C&AG as ineligible payments were made to suspended medical practitioners; two suspended medical practitioners received suspension payments, over a number of years, with a combined total of £1 million to which they were not entitled.<sup>63</sup> In addition, the C&AG qualified his ‘regularity’ opinion on the NHS England 2020–21 Annual Report and Accounts, also as NHS England failed to comply with Managing Public Money and made payment without Treasury approval for a special severance payment.<sup>64</sup>

33. At the time of our evidence session, University Hospitals of Leicester NHS Trust (UHL) had yet to publish its 2021–22 Annual Report and Accounts. UHL’s auditor was not able to obtain sufficient, appropriate evidence upon which to form an opinion for 2019–20, and issued an adverse audit opinion for 2020–21, due to system and control weaknesses resulting in material misstatements.<sup>65</sup> We asked the Department what oversight it had of other hospitals which may be having similar issues to UHL. The Department advised us that the NHS has a financial oversight framework that looks at financial and performance measures. The Department also advised that it has regular meetings with the NHS, at which it had not been alerted to similar concerns about any other specific trusts.<sup>66</sup>

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62 NHS Property Services Limited, [NHS Property Services Limited Annual Report and Accounts 2021/22](#), 17 February 2023

63 NHS Commissioning Board, [NHS Commissioning Board Annual Report and Accounts 2021–22](#), HC 1011, 30 January 2023

64 NHS Commissioning Board, [NHS Commissioning Board Annual Report and Accounts 2020–21](#), HC 1027, 3 February 2022

65 C&AG’s Report, para 17

66 Qq 136–137

# Formal minutes

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## Thursday 22 June 2023

Members present:

Dame Meg Hillier

Sir Geoffrey Clifton-Brown

Mr Jonathan Djanogly

Mr Louie French

Peter Grant

Anne Marie Morris

Sarah Olney

Nick Smith

### ***Declaration of interests***

Mr Jonathan Djanogly declared that he is a non-executive director in an investing company which has a minority stake in a company that won covid testing contracts.

## **Department of Health and Social Care 2021–22 Annual Report and Accounts**

Draft Report (*Department of Health and Social Care 2021–22 Annual Report and Accounts*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 33 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

*Resolved*, That the Report be the Sixty-second 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 Monday 26 June at 4.00pm.

## Witnesses

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

### Monday 20 March 2023

**Sir Chris Wormald**, Permanent Secretary, Department of Health and Social Care; **Shona Dunn**, Second Permanent Secretary, Department of Health and Social Care; **Andy Brittain**, Director General for Finance, Department of Health and Social Care; **Ian Peters**, Chair, UK Health Security Agency; **Professor Dame Jenny Harries**, Chief Executive, UK Health Security Agency (UKHSA)

[Q1–151](#)

## Published written evidence

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

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

- 1 Crohn's and Colitis UK ([DRA0003](#))
- 2 HFMA Ltd ([DRA0004](#))
- 3 Institute of Chartered Accountants in England and Wales ([DRA0002](#))
- 4 Moderna Biotech UK Limited ([DRA0005](#))
- 5 Smith, Chris (Procurement Consultant at CAS Procurement Consulting Ltd) ([DRA0001](#))

# 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.

## Session 2022–23

Number	Title	Reference
1st	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21	HC 59
2nd	Lessons from implementing IR35 reforms	HC 60
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 Randox Laboratories Ltd	HC 28
18th	Government actions to combat waste crime	HC 33
19th	Regulating after EU Exit	HC 32
20th	Whole of Government Accounts 2019–20	HC 31
21st	Transforming electronic monitoring services	HC 34
22nd	Tackling local air quality breaches	HC 37
23rd	Measuring and reporting public sector greenhouse gas emissions	HC 39
24th	Redevelopment of Defra's animal health infrastructure	HC 42
25th	Regulation of energy suppliers	HC 41
26th	The Department for Work and Pensions' Accounts 2021–22 – Fraud and error in the benefits system	HC 44
27th	Evaluating innovation projects in children's social care	HC 38

<b>Number</b>	<b>Title</b>	<b>Reference</b>
28th	Improving the Accounting Officer Assessment process	HC 43
29th	The Affordable Homes Programme since 2015	HC 684
30th	Developing workforce skills for a strong economy	HC 685
31st	Managing central government property	HC 48
32nd	Grassroots participation in sport and physical activity	HC 46
33rd	HMRC performance in 2021–22	HC 686
34th	The Creation of the UK Infrastructure Bank	HC 45
35th	Introducing Integrated Care Systems	HC 47
36th	The Defence digital strategy	HC 727
37th	Support for vulnerable adolescents	HC 730
38th	Managing NHS backlogs and waiting times in England	HC 729
39th	Excess Votes 2021–22	HC 1132
40th	COVID employment support schemes	HC 810
41st	Driving licence backlogs at the DVLA	HC 735
42nd	The Restart Scheme for long-term unemployed people	HC 733
43rd	Progress combatting fraud	HC 40
44th	The Digital Services Tax	HC 732
45th	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021–22	HC 1254
46th	BBC Digital	HC 736
47th	Investigation into the UK Passport Office	HC 738
48th	MoD Equipment Plan 2022–2032	HC 731
49th	Managing tax compliance following the pandemic	HC 739
50th	Government Shared Services	HC 734
51st	Tackling Defra’s ageing digital services	HC 737
52nd	Restoration & Renewal of the Palace of Westminster – 2023 Recall	HC 1021
53rd	The performance of UK Security Vetting	HC 994
54th	Alcohol treatment services	HC 1001
55th	Education recovery in schools in England	HC 998
56th	Supporting investment into the UK	HC 996
57th	AEA Technology Pension Case	HC 1005
58th	Energy bills support	HC 1074
59th	Decarbonising the power sector	HC 1003
60th	Timeliness of local auditor reporting	HC 995
61st	Progress on the courts and tribunals reform programme	HC 1002

<b>Number</b>	<b>Title</b>	<b>Reference</b>
1st Special Report	Sixth Annual Report of the Chair of the Committee of Public Accounts	HC 50
2nd Special Report	Seventh Annual Report of the Chair of the Committee of Public Accounts	HC 1055

### Session 2021–22

<b>Number</b>	<b>Title</b>	<b>Reference</b>
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
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

<b>Number</b>	<b>Title</b>	<b>Reference</b>
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
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

<b>Number</b>	<b>Title</b>	<b>Reference</b>
1st	Support for children with special educational needs and disabilities	HC 85
2nd	Defence Nuclear Infrastructure	HC 86



<b>Number</b>	<b>Title</b>	<b>Reference</b>
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
8th	NHS capital expenditure and financial management	HC 344
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
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

<b>Number</b>	<b>Title</b>	<b>Reference</b>
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
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