Department for Business & Trade

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The Rt Hon Liam Byrne MP
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Dear Liam

Department of Business and Trade 2024-25 Annual Report and Accounts update

1. Following the meeting on 11 February it was agreed that we would keep you sighted on the progress of the 2024-25 Annual Report and Accounts (ARA) on a monthly basis.

2023-24 ARA lessons learned and changes adopted

2. Over the past five months, DBT finance teams have conducted a comprehensive review of the 2023-24 Annual Report and Accounts process. The primary goal of this initiative is to expedite the delivery of the 2024-25 ARA.

3. Several issues experienced in 2023-24 will improve organically for 2024-25:
   - institutional knowledge has further developed on the complex consolidation required for DBT.
   - recruitment has taken place to enhance finance capability.
   - there is assurance over the opening balances at the reduced materiality threshold of DBT.

4. Proactive actions taken by DBT to improve the timeliness of accounts production for 2024-25 include:
   - producing a detailed timetable for all ARA aspects with clear accountabilities.
   - agreement with the NAO on the timing and quality of audit evidence, thereby rationalising the structure and make-up of working papers
   - reviewing 2023-24 evidence commissions and scheduling timely discussions with all relevant stakeholders, to support a more efficient audit process for 2024-25.
   - reviewing Partner Organisation policies for consistency.
   - documenting processes which align to DBT's functioning in reflecting the size, scale and scope of DBT, rather than placing reliance on legacy documentation and processes in place for the Department for Business, Energy and Industrial Strategy.

- implementing a tech enabled approach to the annual report accounts including a systems-based approach to the consolidation of financial information and where possible using AI tools.

5. These changes have been welcomed by the National Audit Office (NAO) and will result in a more efficient and quicker accounts production and audit timeframe.

2024-25 Timetable

6. DBT has produced a detailed timetable that aims for a pre-summer recess laying of the 2024-25 ARA. Some key dates from the much more comprehensive timetable are shared at Annex A. Initial feedback from the NAO suggests that pre-recess laying may still be ambitious.

7. Key areas of risk include Post Office Limited (POL) provisions related to the Horizon redress schemes and financial guarantees administered by the British Business Bank (BBB). DBT is facilitating discussions to agree on audit approaches and timelines for information provision.

8. It is a risk, given the anticipated status of some of the POL horizon schemes at the year-end, that the Comptroller & Auditor General will again limit his scope on some of the scheme provisions in 2024-25. Given the knowledge and experience gained in 2023-24, DBT does not believe that the provisions are a significant timetable risk.

9. The audit of the financial guarantees is, however, a significant timetable risk as the NAO is yet to move to a ‘code based’ audit which would take considerably less time to audit. The NAO will implement this approach for 2025-26. Both DBT and BBB are working with NAO on how we might satisfy audit requirements for these balances pre recess, but the timescales are extremely tight.

10. Financial information produced for the interim accounts as of 31 December 2024, has focused on enabling NAO to progress the year-end audit efficiently.

Summary

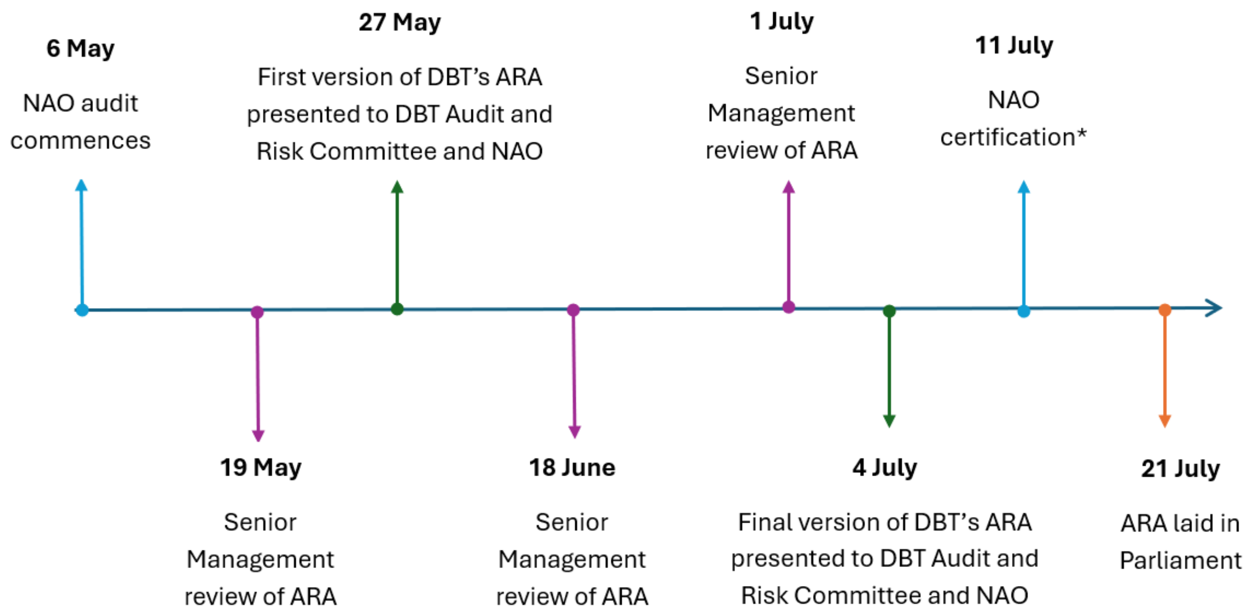
11. The actions taken by DBT aim to expedite the ARA production timetable. DBT is working closely with NAO, POL, and BBB to mitigate complexities in accounting and disclosure of provisions and financial guarantees to achieve a pre-recess timetable.

12. The next update in April will focus on year-end activity progress and audit timelines agreed upon between all parties for BBB financial guarantees and POL provisions. DBT will be able to give a more informed expectation on the audit opinions for the 2024-25 ARA, in later updates.

Best wishes,

Tara Smith
Chief Operating Officer, Department for Business and Trade

Annex A: Draft high level 2024-25 ARA production timetable



*Subject to completion of BBB audit