

The Rt Hon Liam Byrne MP
Chair, Business and Trade Committee
House of Commons
London
SW1A 0AA

20 May 2025

Dear Liam

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

1. Following the meeting on 11 February 2025 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. This is the third such update.

Activity completed to support the 2024-25 ARA audit timetable

2. The NAO audit of the 2024-25 ARA formally commenced on 6 May 2025. The Department has continued to meet all agreed deadlines in preparation for the audit. The Department has undertaken significant work to address key audit risks. Further details on these risks and the actions taken by the Department are provided below.

Key audit risks

3. As with 2023-24, key audit risks include the Post Office Limited (POL) redress schemes and the Department's wider portfolio of financial instruments and investments that the British Business Bank (BBB) manages on behalf of the Department.
4. For BBB financial instruments and investments, the Department, BBB, and the NAO have worked to streamline the audit timeline to reduce the risk of delays. A code-based audit of the financial guarantee models, as mentioned in the March 2025 Committee update, will significantly improve audit timeframes. However, a persistent risk, not mitigated by the code-based approach, is the timeliness of quarter four valuations for BBB Group positions, which may take up to 90 days after 1 April 2025. This means both BBB and the Department can only finalise positions for accounts at the beginning of July. The Department and BBB are working together to de-risk the position for the Department's accounts in 2025-26.
5. In respect of the POL redress schemes, despite some uncertainties surrounding key variables that may significantly affect the assessment of provision value, the Department has proactively engaged with the NAO and provided it with accounting papers detailing the current assumptions and judgements for the fiscal year 2024-25.

These papers address the nature and proposed accounting for recent commitments or liabilities including redress for those affected by the Capture system, Horizon's predecessor.

6. For each Horizon redress scheme, models and underlying data substantiating the provision estimates were provided to the NAO in early May. Providing these papers early has allowed the NAO to flag any key questions on the provisions promptly. This enables the Department to provide comprehensive responses in future audit evidence submissions, supporting a timely audit of these matters.
7. The Department continues to engage with the NAO in a positive manner on these issues and on the business-as-usual matter of completing the year-end audit. We will continue to do so to achieve a 2024-25 pre-conference recess accounts laying, as referenced in the April 2025 committee update.

Summary

8. The 2024-25 ARA production is progressing well and in line with the agreed timetable. Progress being made on the 2024-25 accounts shows ongoing positive developments stemming from the lessons learned exercise the Department undertook. The Department has taken decisive actions in areas of key audit risk to help facilitate a timely audit. We are working closely with key stakeholders to achieve a pre-recess audit timeline for 2025-26 and to efficiently progress 2024-25 year-end activities and audit.

Best wishes,

A handwritten signature in black ink, appearing to read 'Tara Smith', with a stylized, cursive script.

Tara Smith

Chief Operating Officer, Department for Business and Trade