

Sir Geoffrey Clifton-Brown
Chair of the Committee of Public Accounts
House of Commons
SW1A 0AA

www.gov.uk/hm-treasury

26 August 2025

Reporting confidential financial information to Parliament

Dear Sir Geoffrey,

The Public Accounts Committee (PAC) has called David Williams and other Ministry of Defence (MoD) officials to its hearing on 8 September. In advance of this, you have asked me to set out the Treasury's understanding of the reporting rules and expectations as they relate to the spending (or contingency) incurred following the Afghan data protection breach and in relation to expenditure on the Afghan Response Route.

You also requested information on guidance from the Treasury in relation to publishing some information in the annual report and accounts, and providing information in confidence to the PAC and the National Audit Office (NAO).

Communication of confidential material in Annual Reports and Accounts

Under the Government Resources and Accounts Act 2000 (GRAA 2000), the Treasury is required to provide directions to certain entities, including the Ministry of Defence, to prepare accounts that: (a) present a true and fair view; and (b) conform to generally accepted accounting practice subject to adaptations necessary in the context of departmental accounts.

The Government Financial Reporting Manual (FReM),¹ which sets out core guidance for preparing government annual reports and accounts in the United Kingdom, is one of the ways the Treasury discharges its responsibilities under the GRAA 2000.

Where entities may have a liability to recognise on their statement of financial position, which may be the case with the Afghanistan national data leak, this needs to be assessed

¹ <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

against the FReM guidance on provisions, contingent liabilities and contingent assets. This requires the application of the relevant accounting standard (IAS 37 in this instance), as adapted for the public sector.

As such, under the relevant accounting standards, entities are required to do the following.

- Recognise provisions on their statement of financial position (balance sheet) where there is a present obligation as a result of a past event and it is probable an outflow of resources is required to settle the obligation. Entities also need to be able to reliably estimate the obligation.
- Disclose contingent liabilities where an obligation is possible but not probable, or the amount cannot be reliably measured. In central government, this includes contingent liabilities with a remote probability of crystallising.

However, these reporting requirements must be balanced against legal constraints, including court orders such as super-injunctions, though IAS 37 notes these instances are expected to be extremely rare. IAS 37 paragraph 92 also permits an entity to avoid disclosing the nature of a provision if such disclosure would seriously prejudice the entity's position in a dispute.

In such cases, the entity may disclose only the general nature of the dispute, recognising the provision without detailed explanation. Specifically, the amount should be included in the relevant line item (for example, provisions), without identifying details which would breach the legal constraints. The notes to the accounts may include a generic reference to legal proceedings or contingent liabilities, using anonymised and non-specific language. In line with the GRAA 2000, the Comptroller & Auditor General should be provided with the information needed in order to provide an audit opinion on the annual report and accounts.

Communication of confidential material to committees outside of the normal financial reporting cycle

The government guidance "Giving Evidence to Select Committees: Guidance for Civil Servants" (commonly referred to as the Osmotherly rules)² are clear that ministers are ultimately accountable for deciding what information should be shared with Committees and for defending those decisions as necessary, and as such that their views must be sought if a question arises of the appropriateness of sharing information of a confidential nature.

In relation to the data protection breach relating to the Afghan relocations and assistance policy, concerns regarding potential risk to life have meant that ministers (in both the current and previous administrations) decided that it was in the public interest to ensure that information was restricted. As the committee are aware, this approach was also subject to judicial oversight.

² <https://www.gov.uk/government/publications/departmental-evidence-and-response-to-select-committees-guidance>

Spending in and of itself does not trigger explicit notification to Parliament outside the normal reporting cycle. However, as set out in Annex 1.1 of Managing Public Money,³ certain specified categories of expenditure and financial commitments are expected to be notified to Parliament. This includes both serious losses and contingent liabilities.

As set out in Dear Accounting Officer letter 01/24,⁴ where ministers are of the view the public interest is best served by keeping information confidential, it may be appropriate for the accounting officer and the minister to agree whether there is the option of sharing the information with the relevant parliamentary committee(s) on a confidential basis and so facilitate scrutiny while maintaining the public interest concerned. Annex 1.1 of Managing Public Money sets out mechanisms for confidential reporting where that is deemed necessary.

This aligns with the principle set out in the Osmotherly rules that it is to the benefit of Committees in carrying out their task of scrutinising Government activities, and to Government in explaining its actions and policies, for sensitive information to be provided on the basis that it will not be published and will be treated in confidence.

I hope you find this advice of use. My team and I are happy to assist further if we can.

I am copying this letter to the Comptroller and Auditor General and the Permanent Secretary of the Ministry of Defence.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. S. Fe.' with a stylized flourish at the end.

David Fairbrother

Treasury Officer of Accounts

³ <https://www.gov.uk/government/publications/managing-public-money>

⁴ <https://www.gov.uk/government/publications/dao-0124-parliamentary-communications>