HM Treasury

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Sir Geoffrey Clifton-Brown
Chair of the Committee of Public Accounts
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By email

26th June 2026

Dear Sir Geoffrey,

Treasury Minute Response – Small Bodies Reporting Regime

Thank you for your report of 24 April following the Public Accounts Committee hearing on Accountability in Small Government Bodies. HM Treasury shares the Committee's commitment to ensuring that central government reporting is timely and of high-quality.

In their report, the NAO highlighted that all central government bodies are expected to comply with a wide range of reporting requirements. Compliance with reporting requirements can be proportionately greater for smaller bodies as they have more limited resources and specialist expertise than larger organisations.

As a result, the NAO recommended HM Treasury explore the options for a small body reporting regime. Following the hearing in January, the Committee recommended that HM Treasury write to the Committee to set out a definition of a small body and options for reducing the reporting burden for these bodies.

HM Treasury are acutely aware of the time and resource that is required for the production and audit of central government accounts. As the Committee is aware, timeliness of reporting has decreased in recent years, and this is in part due to changing reporting and audit requirements. HM Treasury is actively considering whether the correct balance is being struck between the delivery of high-quality financial reporting, timeliness, and value for money.

HM Treasury is also considering the how best to apply new accounting standards in central government reporting, notably IFRS 19. IFRS 19 would reduce the narrative disclosure requirements for bodies that meet certain criteria; reducing their overall reporting burden.

Beyond the impact of new standards, HM Treasury is undertaking a review to consider whether existing reporting requirements could be further streamlined to better reflect the needs of users of the accounts. This review will consider reporting requirements, options for a small bodies regime, and audit.

HM Treasury is engaging with the NAO to identify areas where audit could be made more proportionate, reflecting changes in auditing requirements in recent years and the critical independent role the NAO plays in the delivery of audited accounts to Parliament.

Only 48 bodies were captured by the definition of a small body adopted by the NAO in their report (c.12% of the bodies audited by the NAO). Changes that impact a relatively small number of bodies are likely to have a limited impact; HM Treasury is therefore considering options that could benefit a larger number of bodies, whilst maintaining a commitment to exploring the options for a dual reporting regime.

Under the GRAA 2000, changes to the financial reporting framework for central government are subject to review by the independent Financial Reporting Advisory Board (FRAB). FRAB is an independent body which includes accounts preparers, the NAO, the Scrutiny Unit, and independent experts. Options for a separate reporting framework for small bodies will partly depend on decisions made elsewhere in this work, particularly linked to the application of IFRS 19; HM Treasury will engage with the Board on options for small bodies financial reporting as part of the wider review of financial reporting in central government.

Widening the scope of the review beyond the small number of bodies captured in the NAO report will increase the work required to develop proposals for reporting changes, but has the potential to have a much greater impact and improve both the quality and proportionality of reporting for a larger number of central government bodies. HM Treasury will write to the Committee by March 2027 with an update on the progress of this review.

I am copying this letter to the Comptroller and Auditor General and to the Treasury Officer of Accounts.

Thank you again for the Committee's engagement on this important issue.



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