HM Treasury

Cat Little
Director General Public Spending
Head of Government Finance Function
HM Treasury
1 Horse Guards Road,
London,
SW1A 2HQ

E Catherine.little@hmtreasury.gov.uk

Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

9 September 2021

Dear Dame Meg,

Whole of Government Accounts (WGA) 2019-20

Thank you for the Committee's letter of 31st August 2021 in response to my letter of 15th July 2021. My letter provided an update on the 2019-20 WGA, and touched on prospective trade-offs between timeliness and quality, outlined our forward plans for returning to pre-COVID timings for the account, and promised a further update after summer recess. In your response you noted that I had yet to indicate the extent to which a short extension to the deadline could mitigate qualification risks.

We have been in close dialogue with colleagues at the NAO about the prospective timetable for this year, and we have now begun the consolidation work. In my previous letter I highlighted in particular the time available to resolve mismatches in data between entities, where the intra-public sector balances need to be eliminated to produce the consolidated position, and that this 'eliminations' process is an extensive and time intensive element of the production process each year. We are currently working on the basis of a pre-Christmas recess publication timetable which is stretching, both in terms of the time available for production and for the audit process. We remain committed to expediting the completion of the delayed account. However, we expect that by early October we will have better information on the likely trade-offs between timeliness and quality in respect of the eliminations process, including addressing your specific question about the value of a short extension and the likely trade-offs between timeliness and quality that I alluded to in my previous letter, and we discussed in broader terms in February 2021. I should emphasise that the issue of quality relevant here is narrowly about the adjustments we make through the eliminations process and not the overall quality of the document or qualifications in the underlying accounts. By early October it will become clearer whether continuing to work toward a publication before Christmas provides an acceptable balance or whether stakeholders are better served by a later publication, given the overriding importance of producing a good quality account. We are mindful of both the connections between the completion of this year's account and the timetable for the 2020-21 account, and the fundamental issue of avoiding account qualifications, which though arising from one year can persist into the following year. For example, the 2015-16 WGA retained a qualification arising from the 2014-15 account. The NAO concluded that while the 2015-16 account was not qualified with respect to the elimination of intra-public sector transactions and balances, the account retained a qualification because there remained material values of intra-group transactions in the 2014-15 comparator figures (presented in 2015-16 account), which had not been eliminated.

I also wish to reassure the Committee that I remain committed to improving the quality of analysis and narrative in WGA consistent with the Treasury's commitments in our response to your last report on WGA. This includes making the performance report more forward leaning by drawing on forecast information from the Office for Budget Responsibility with commentary on the principal risks and uncertainties facing the economy and their potential implications for the public finances. It will include greater information on the profile of future cash flows from existing WGA liabilities and more information on expenditure on EU Exit and COVID-19, based on available published data sources including departmental data. We have also made improvements to the presentation of the information in the performance report to make it more user-focused, with more use of infographics and diagrams and a more focused narrative.

Your letter also addresses the causes of the delay in the account and references my last letter in which I noted that the delays precipitated by the timeliness of the underlying accounts data have been exacerbated by implementation issues with OSCAR 2. Without these implementation issues there would have been more time available to complete the account before the 31st December 2021 deadline. The principal challenges have been in respect of the data submission process and this has been the driver of the most recent delays. The controls and validations in place for submitting data on OSCAR 2 will improve the quality of submitted data, and in the longer term reduce the level of manual data cleansing, checking and processing required by the Treasury in producing the account. However, in this first year of implementation relatively small technological defects in the system have prevented successful submission and authorisation of returns, and this has caused delays. You will be aware that OSCAR 2 covers a number of business processes across the Treasury and, as with other significant projects, a lessons learned exercise is being undertaken. We will also be reviewing the lessons for the WGA production process. Regarding your request for my assessment of the potential for OSCAR 2 issues to further impact the 2019-20 timetable, I would say that the nature of implementing new systems means I could not rule it out. However, I am confident the principal challenges with data submission have been overcome and the consolidation aspects of the system have been rigorously tested. The functionality in the system that enables us to produce the Notes to the accounts is not operating as fast as we would like but we are taking steps that seek to improve its performance.

I will provide a further update to the Committee in October, in light of progress in the production process and discussion with the NAO about the timetable for completing the remaining tasks in preparation and audit of the account. As ever the Treasury is grateful to the Committee for its continued support for the Whole of Government Accounts and greatly values feedback from the Committee.

Yours sincerely,

Cat Little