HM Revenue & Customs

Jim Harra
Chief Executive and First Permanent Secretary

Rt Hon Mel Stride MP
Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

3 April 2020

Dear Mel

Delay to the publication of our Annual Report and Accounts and notice of a breached control total

I am writing to inform you that the production of our Annual Report and Accounts will be postponed by around three months and that, unfortunately, we have breached one of our control totals, the Net Cash Requirement.

Annual Reports and Accounts publication

HMRC has so far coped well to maintain our services to customers while implementing the Government's measures to limit the spread of the Coronavirus, which have had a major impact on the way colleagues work. Our resources are currently heavily stretched in designing and implementing some of the new schemes announced as part of the Government's package of measures to assist businesses and citizens during the Coronavirus outbreak. Also, discussions with the National Audit Office indicate that some of their audit fieldwork will be unavoidably delayed.

This means we will have to put back the date for laying our accounts from early July to early October. This is consistent with my understanding of where a number of departments will be and the revised timelines set by HM Treasury. This is, of course, well within the legal deadline for submitting accounts to the Comptroller & Auditor General by 30 November 2020 and for laying them in Parliament by 31 January 2021.

Net Cash Requirement control total breach

I also want to make you and your Committee members aware that we have breached our Net Cash Requirement (NCR) control total by about £0.8bn. You will be formally notified of this in our Annual Report and Accounts but I wanted to let you know now.

The cause of the breach is an error in the preparation of the 2019/20 Supplementary Estimates. Funding for HMRC's activities comes from two sources: the annual appropriation votes (known as voted supply) and separate statutory authority (known as non-voted supply). An Estimate detailing departmental expenditure is prepared twice yearly and non-voted transactions are included within the Estimate to give complete visibility to Parliament of all government expenditure.

The NCR is a voted control, aligned to voted expenditure and is the product of a mechanical calculation which starts with total departmental net expenditure and is then adjusted to remove non-voted expenditure and working capital transactions. Once finalised, the NCR sets the maximum cash that a department can draw down in a financial year. This year there was a significant movement in non-voted working capital which we treated incorrectly. When we adjusted our total departmental NCR to remove the non-voted cash requirement, we removed £34 billion of expenditure rather than the cash figure of £32.8 billion (which is expenditure adjusted for non-voted working capital). This meant that our NCR control total within the Supplementary Estimate was too low.

This is embarrassing for the department, but beyond the accounting considerations outlined I can confirm that there are no wider impacts for taxpayers or for the Government's overall fiscal position. An Internal Audit review has taken place and has made several recommendations that we will now be implementing at pace to ensure that we avoid a repeat occurrence. This includes strengthening our models and our quality assurance checks prior to submission.

I apologise for the breach and will, of course, be happy to explain it further when I next appear before you.

I have written in similar terms to the Chair of the Committee of Public Accounts.

Yours sincerely

JIM HARRA
CHIEF EXECUTIVE AND PERMANENT SECRETARY