

# WHOLE OF GOVERNMENT ACCOUNTS 2021-22 INQUIRY

A public consultation issued by the UK Parliament Public Accounts Committee  
Comments from ACCA to the UK Parliament Public Accounts Committee

**REF: TECH-CDR-2119**

**1 May 2024**

## **About ACCA:**

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **247,000** members and **526,000** future members based in **181** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. Find out more at [accaglobal.com](https://accaglobal.com)

## **For further enquiries please contact:**

Mike Suffield  
Director Policy and Insights

[mikesuffield@accaglobal.com](mailto:mikesuffield@accaglobal.com)

Jessica Bingham ACA FRSA  
Regional Lead, Policy and insights (UK,  
Europe, Eurasia, Middle East & Americas)

[jessica.bingham@accaglobal.com](mailto:jessica.bingham@accaglobal.com)

## GENERAL COMMENTS

---

ACCA welcomes the opportunity to respond to the Call for Evidence on the Whole of Government Accounts 2021-22 (WGA).

ACCA previously responded to the call for evidence on the 2020-21 WGA in October 2023, citing concerns that lessons from the past were not being effectively implemented, the major matters being data quality, data collection and the timeliness of local government audits.<sup>1</sup> Timely publication of the UK Whole of Government Accounts is crucial for promoting accountability, informing decision-making, managing risks, and maintaining public trust in the government's financial management.

As with previous years, the WGA received a qualified audit opinion from the Comptroller and Auditor General. This is in part due to consolidation of new bodies and errors within DHSC accounts, which is consistent with prior reports. However, there are also inconsistent accounting policies and application of new standards. These raise questions around the consistency of public sector definitions of accounting standards. It remains important to understand the preparedness of local authorities for the obligatory introduction of IFRS 16 during the 2024/25 fiscal year. ACCA recognises the backlog of pending statutory audits, the challenges faced by local authorities, and concerns regarding the financial stability of certain councils. We emphasise the necessity for readiness among local authorities for the coming 2024/25 introduction. This is at a time when councils are under pressure to meet widening budget gaps amidst constrained funding. The Committee will be well aware that an increasing number of bodies have issued S114 notices, the local authority equivalent of declaring bankruptcy.

In this regard, meeting additional reporting pressures may simply be undeliverable in the face of staff and spending cuts. In the context of Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), ACCA highlights the need for prudent implementation, especially where considering Private Finance Initiatives. The potential repercussions could result in an upsurge in debt on balance sheets.<sup>2</sup> In this context, though, we are pleased to see the ongoing commitment to

---

<sup>1</sup> ACCA's report, *Whole of Government Accounts: Who Is Using Them?*, looked at literature relating to the consolidated public sector financial reports of Australia, Canada, New Zealand, Sweden and the UK. Our broad conclusions at that time were that the usefulness of such financial reports was debatable in part due to timeliness but also the extensive number of qualifications related to, for example, the boundary of consolidation and inconsistent asset valuations. These issues are still relevant to the 2020-21 Whole of Government Accounts (WGA), especially in the context of WGA being intended as an internationally respected publication and the pace of development in sustainability reporting and public sector sustainability standards.

<sup>2</sup> [TECH-CDR-2082-Consultation Response Invitation Comment CIPFA 2024-25 Code of Practice on Local Authority Financial Reporting UK.pdf \(accaglobal.com\)](#)

building knowledge and capacity in this area through the guidance being provided in IFRS 16 webinars.

As part of our recommendations in other consultation responses, we have consistently emphasised the importance of skills and talent, especially in the context of sustainability-related reporting.<sup>3</sup> We hope to see HM Treasury undertaking work on this in the near future, given the impending roll out of Phase 2 of the TCFD reporting requirements for the public sector.

Looking at the covid cost tracker, while extending the coverage and focusing on ongoing measures may provide some benefits, it's important to carefully consider the potential drawbacks, particularly in terms of historical comparison, information gaps, and transparency.

### **Progress in improving the timeliness of WGA's production.**

The publication of the 2020-21 financial statements 27 months after the reporting date makes the Whole of Government Accounts (WGA) of limited use. The publication of the 2021-22 accounts has been brought down to less than two years after year end, which is a significant step in the right direction. Should HM Treasury succeed in meeting the timetable it outlined prior to the 2020-21 evidence session, then the relevance of the published Whole of Government Accounts will be enhanced, supporting greater public trust and transparency. Regular and timely reporting enhances governance processes by ensuring that decision-makers have access to relevant financial information when needed. This in turn supports effective oversight and control mechanisms within government entities and by Parliament. Considering the purpose of the WGA is to support government transparency, out of date reporting calls into question its relevance to Parliament and wider stakeholders.

### **Continuing issues with the timeliness of local government audit**

ACCA are pleased to see that the number of central government bodies not submitting financial data was reduced for the 2021-22 reporting, however the issue of local authorities persists and, indeed, has worsened, with the number of local government accounts not submitting data, rising from 128 in 2020-21 to 157 in 2021-22. That may in part be due to the need to publish the WGA on a timelier basis and the relevant data cannot be committed under the new timescales promised in 2023. As referenced in the WGA "Data submissions for WGA 2021-22 were closed on 21 August 2023. This was considered to be the latest date we could allow submissions, balancing the needs for quality and completeness with timely production." HM Treasury need to consider the holistic implications should this continue, as it seeks to continue to publish the WGA on a timelier basis, in tandem with the worsening local government audit backlogs. The number of local government audit opinions that have not been issued for previous years total 771 as of March 2024. Despite

---

<sup>3</sup> [A lack of support for skills and green policy | ACCA Global](#)

the low proportion of key totals in expenditure terms when looking at the WGA missing data, it is crucial to note that the values are still material to the accounts overall.

As we continue to emphasise, the timeliness of local government audit opinions directly impacts the preparation and consolidation of the WGA. Delayed publication of local government accounts can lead to inaccuracies or gaps in the WGA, affecting overall transparency and reliability. Ultimately this risks undermining public trust in government financial management practices and impeding informed decision-making at the national level.

ACCA's consultation responses<sup>4</sup> on local government finances in 2024 underscored the critical nature of timely financial reporting and auditing. Late publication of audited financial statements reduces the value of the statements which, in turn, affects the ability of accounts users to hold local entities accountable.

The backlog of audited accounts in local government presents a complex and multifaceted problem, as evidenced by the proposed reset period extending until 2028. While efforts are being made to address the immediate backlog through temporary measures, it is essential to acknowledge that these measures alone will not resolve the underlying systemic issues.

Shortages of experienced staff in local authority finance teams, attraction and retention hurdles in the profession, increased workload pressure on finance and audit staff, and the impact of reduced local government funding are among the root causes contributing to the audit backlog. Addressing these issues is paramount to establishing a sustainable system for local authority financial reporting.

In light of these challenges, we continue to urge for a coordinated approach involving government stakeholders, audit firms, regulators, and professional bodies to address the root causes of the audit backlog in local government. This includes measures such as financial assistance to local authorities, capacity building within council finance teams, knowledge-sharing, partnerships, and technology adoption. In our report *Public Sector Professionalisation*<sup>5</sup> we highlight the importance of having the right people, skills and knowledge as well as structures, systems and processes to help drive the desired public financial management outcomes.

Furthermore, it is essential to carefully evaluate the impact of any proposed reforms or temporary measures on preparers, auditors, and the overall effectiveness of financial reporting processes. Transparency and collaboration are key to ensuring that changes made to the local government audit system are effective and conducive to restoring public trust and confidence and safeguard the integrity and reliability of the UK Whole of Government Accounts.

---

<sup>4</sup> [Consultation: Addressing the local audit backlog in England | ACCA Global](#)  
[Consultation: Code of Practice on Local Authority Financial Reporting in the United Kingdom | ACCA Global](#)

<sup>5</sup> [Public sector professionalisation | ACCA Global](#)

ACCA would recommend that per its commitment in the 2021-22 WGA,<sup>6</sup> HMT sets out its plan for considering local authority sustainability at spending reviews and the actions it might take to ensure that the local authority sector as a whole has the resources it needs to carry out its functions ahead of these reviews. A forward plan on local authority financial sustainability would provide a proactive rather than reactive approach; considering actions that might need to be taken beyond the current phases set out in the DLUHC and CIPFA/LASAAC consultations<sup>7</sup>. Despite the government recognising these are exceptional circumstances, they have been consistently ongoing even prior to the COVID-19 pandemic.

### **Tracking the long-term impacts of COVID spending**

As mentioned, timeliness is crucial, and in the context of the long-term impacts of COVID spending delays hinder informed decision making. As a result, reliable financial data is less available to optimise resource allocation, budgeting and planning across government departments, especially in the context of the considerable fraud that was carried out during the pandemic.

During the 2023 PAC hearing on the 2020-21 WGA, HM Treasury indicated that it would not continue the COVID-19 cost tracker it had inherited from the National Audit Office, beyond the 2021-22 accounts. As of April 2024, it is still unclear as to whether this will take place, however it is included within the 2021-22 report.

The tracker has been adapted with the notable exclusion of complete measures as of March 2022, this enables the tracker to focus more specifically on ongoing efforts and expenditures, offering clearer visibility into the current state of COVID-related spending and initiatives. In tandem the additional year of coverage to March 2023 allows for a more comprehensive understanding of the financial impacts of COVID-19, providing more insights into the long-term effects and expenditures related to the pandemic. However, the exclusion of complete measures may hinder the ability to compare historical data accurately. This could obscure trends and make it more challenging to assess the effectiveness of past measures or to understand the full scope of actions taken throughout the pandemic. Further, there is a risk of missing important insights into the outcomes and impacts of past initiatives. This could lead to a less comprehensive understanding of the overall effectiveness of government responses to the pandemic. Finally, the exclusion of completed measures raises concerns, as it could be perceived as selectively presenting data to fit a particular narrative or to downplay the scale of past expenditures or efforts and erode trust in the accuracy and impartiality of the tracker.

These potential negative outcomes of the adaptation of the cost tracker must be considered in tandem with the wider impacts of the late publication of the WGA, such as the enablement of the

---

<sup>6</sup> [WGA 2021-22 Final for publication.pdf \(publishing.service.gov.uk\)](#) p33, para 1.54

<sup>7</sup> [Consultation: Addressing the local audit backlog in England | ACCA Global](#)  
[Consultation: Code of Practice on Local Authority Financial Reporting in the United Kingdom | ACCA Global](#)

identification and management of financial risks at an early stage, meaningful analysis of trends and to support better benchmarking against other countries or similar entities.