Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Morning Session

Agenda item 4. Review of current developments in international standards of accounting and reporting in the public and private sectors

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Building financial reporting capacity

The UK’s perspective
The UK’s financial reporting journey

Data
Information
Knowledge
Insight
The UK’s financial reporting journey

This is where the UK is now, but it has taken 25 years to get here!

- Insight
- Knowledge
- Information
- Data
Drivers to timely preparation of financial reports

- Political support and meeting expectations of Parliament and citizens
- Robust transactional/monthly/quarterly controls
- Timely introduction of changes to the framework
- Mid year audit interventions
- Effective support from Treasury on issues of judgement
- Timely approval for transactions that require approval
- Clear deadlines for provision of management information that align between internal and Treasury reporting
- Laying of Central government accounts pre summer recess
Building human capacity—the UK experience

- Recruitment and retention are vital to maintaining good finance skills
- Centrally developed training and guidance, especially for new accounting standards
- Transfers/secondments/loans allow staff to develop skills ‘on the job’
- Multiple institutes-ACA, ACCA, CIMA, CIPFA. Allows for flexibility of learning and a broad range of skills.
- Blend statistical and financial expertise
- Cross finance functional agenda
- Ensure senior leaders have finance skills
WGA 2017-18 consolidates over 8,000 entities. Main financial headlines:

- Income of £760.7 billion
- Expenditure of £814.8 billion
- Assets of £2,013.8 billion
- Liabilities of £4,579.2 billion
Scope of UK WGA

UK Government

- Central Government Departments
  - HMT
  - DWP
  - FCO

- Local Government
  - Councils, Unitary Authorities

- Devolved Administrations
  - Wales, Scotland, Northern Ireland

- Public Corporations
  - BBC
Whole of Government Accounts-Benefits

• A consolidated balance sheet for the public sector supports the development of wisdom
• Provides a snapshot of financial risk across the public sector
• Underlying data used for improving Official Statistics and policy development
• Allows scrutiny of the overall public financial position by Parliament
• Increased understanding and emphasis on the balance sheet
Whole of Government Accounts - Challenges

• Buy in from stakeholders - Officials, Parliament, Auditors, the public
• Engagement from preparers to provide high quality and timely information
• Timely provision of accounts, currently takes 15 months, looking to bring down to 12
• Audit challenges - justifying assumptions, balancing detail of disclosure vs length of account
• Application of new standards has to be done in a consistent way across all WGA bodies
• Development of systems and controls
• Limitations of framework (e.g. social benefits)
• Consistency of data and standards
Summary and conclusion

• The UK has taken a long time to develop it’s financial reporting framework
• But it is now in a position to drive real insight and wisdom
• This wisdom will be vital to managing the public finance challenges of the 21st century

*We are proud of WGA, it’s contribution to transparency and effective decision making. We will continue to improve WGA, but it will have to adapt to the challenges and opportunities of the future.*