

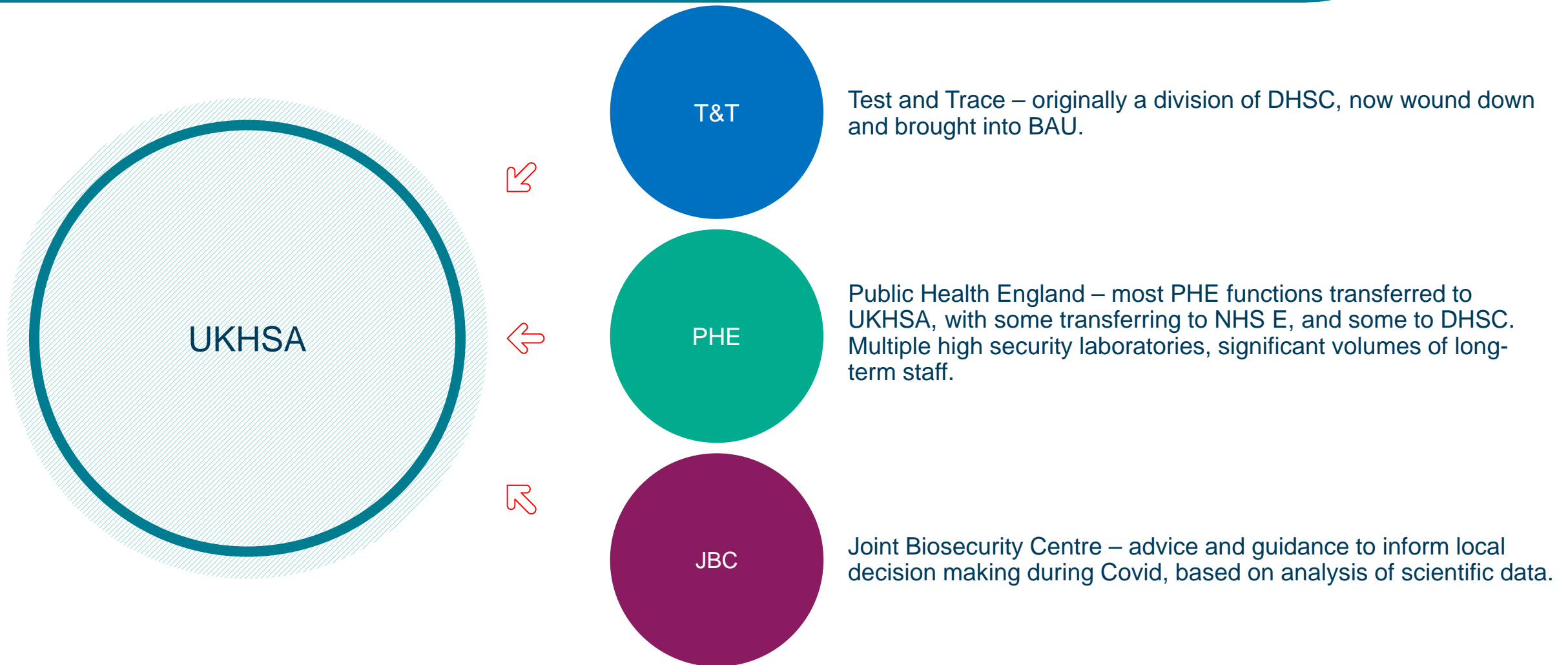


UK Health  
Security  
Agency

# Building Change – a journey out of disclaimer

Emily Bosley – Head of Financial Control, UKHSA

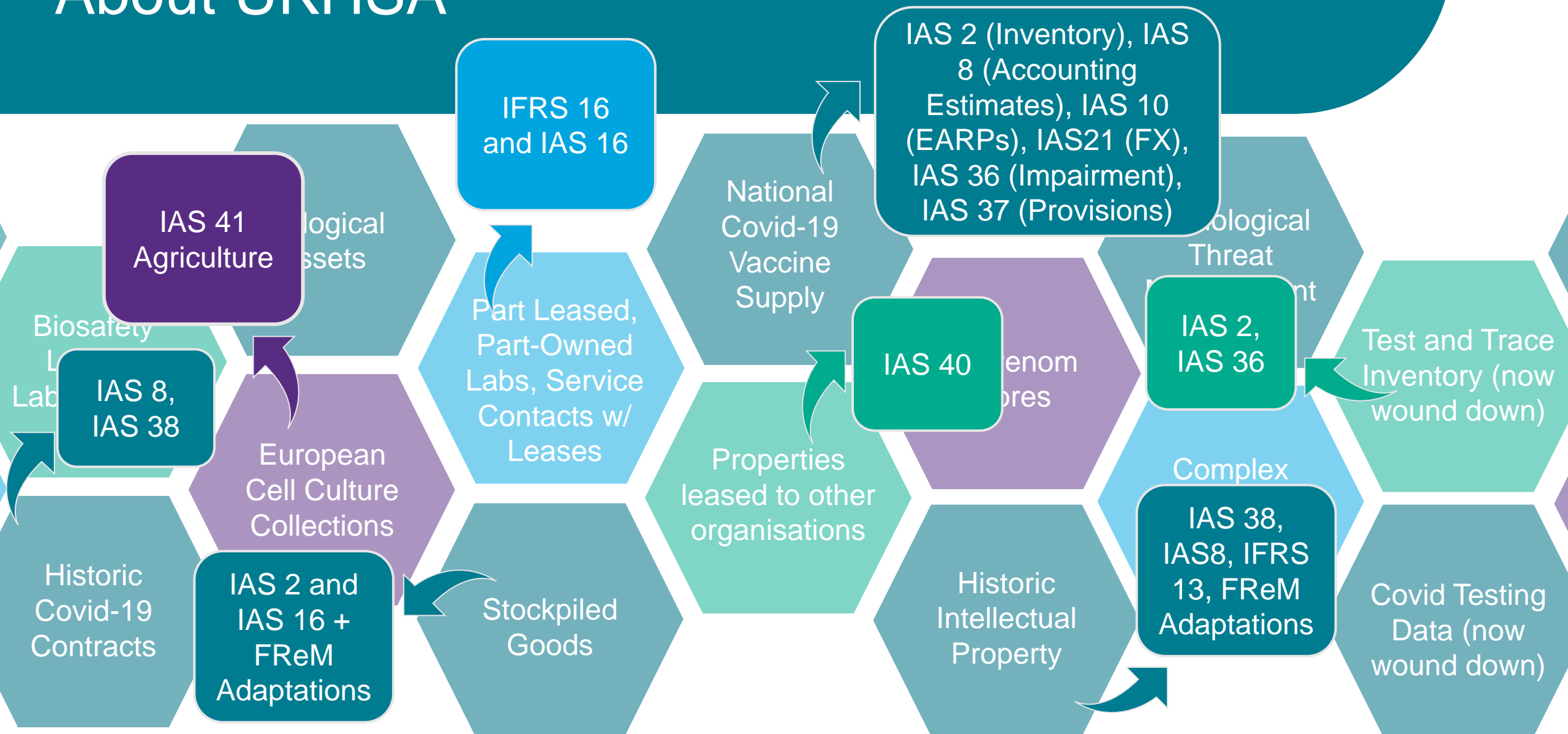
# UKHSA – Who are we?



# About UKHSA



# About UKHSA



# Audit Outcomes

## Disclaimer



**Unable to gain comfort over accounts in a material, pervasive fashion.**

## Limitation of Scope (LoS) (2)



**No comfort over opening or in year balances, but with comfort over closing balances.**

Risk: Any issues in your closing balance tip you back into disclaimer.



## Limitation of Scope (1)



**Get comfort over a proportion of opening balances, a proportion of in-year balances, and either get comfort over all closing or over a proportion of closing.**

The higher the proportion of opening and in year balances you achieve comfort over, the lower the risk of tipping back into disclaimer.

**BUT** this is like doing two years' audits at once.

## Unqualified



**This is a “normal” opinion – what everyone is hoping (and generally expecting) from their audits.**

It is a “reasonable” assurance (as opposed to a “limited” assurance) reengagement – i.e. the highest level of assurance generally given by audit firms.

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# Audit Outcomes – Possible Problems

## Errors



In theory, errors are the easiest of these issues to resolve. You can agree to adjust for any errors and then these will be resolved.

However, any errors located may result in auditor concerns about the overall control environment that you maintain and therefore the confidence level they have in the overall accounts.

Any reduction in confidence could result in audit time-out.

## Extrapolations



Extrapolations CANNOT be adjusted for, but material extrapolated error would result in it not being possible to offer an opinion over the area with that error.

As a result, the only way to mitigate this is to complete more audit work in the hope that testing more things reduces the overall level of extrapolated error in the population.

## Uncertainties



Uncertainties CANNOT be adjusted for, but material uncertainties would result in it not being possible to offer an opinion over the area with that error.

As a result, the only way to mitigate this is to complete more work (and more audit work) over the areas of uncertainty. This is likely to be time-consuming as the only reason that they would be unresolved by management is due to them relating to a large volume of small items.

*If uncertainties + extrapolations are greater than materiality for a given area this would also result in a lack of opinion over that area.*



# The Disclaimer

## The Certificate of the Comptroller and Auditor General to the House of Commons

### Disclaimer of opinion on financial statements

I certify that I was appointed to audit the financial statements of the UK Health Security Agency for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise the UK Health Security Agency's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended;
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

I do not express an opinion on the financial statements of the UK Health Security Agency. Because of the matters described in my disclaimer, I have not been able to provide a basis for an opinion on the financial statements as a whole.

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I have been unable to conclude my audit in a number of key areas, which included but were not limited to:

#### Inventory

The transfer of functions from Public Health England and the Department of Health and Social Care to the UK Health Security Agency was not aligned with the financial reporting period for central government. A public sector body which receives functions from another part of government, 'Should satisfy itself that the data provided by the transferor related to the assets and liabilities being transferred are complete and accurate'.<sup>1</sup> However, no stock counts were performed to support

<sup>1</sup> HM Treasury, Guidance on Accounting for Business Combinations within the Public Sector, p. 5.

#### Accruals

The Department of Health and Social Care transferred £1,552 million of accruals to the UK Health Security Agency on 1 October 2021. During my audit, I sought to obtain evidence to support the completeness and accuracy of accruals transferred. While the UK Health Security Agency was able to provide supporting evidence for some of the balances they received from the Department of Health and Social Care, I am unable to express an opinion on this balance on the basis of the evidence provided.

As at 31 March 2022, the UK Health Security Agency recognises £1,946 million of accruals. During my audit, I sought to obtain evidence to support the completeness and accuracy of these accruals. While the UK Health Security Agency was able to provide supporting evidence for some of these accruals, I am unable to express an opinion on this balance on the basis of the evidence provided.

#### Expenditure

After adjusting for movements in inventory during the year, the UK Health Security Agency recognised £2,984 million of expenditure on the purchase of goods and services during the year. During my audit, I sought to obtain evidence to support this expenditure. While the UK Health Security Agency was able to provide supporting evidence for some of these transactions, I am unable to express an opinion on these transactions on the basis of the evidence provided.

#### Journals

As I conduct my audit in accordance with International Standards on Auditing (UK), I am required to test journal adjustments to the accounting records. While the UK Health Security Agency was able to provide supporting evidence for some of these adjustments, I am unable to express an opinion on these adjustments on the basis of the evidence provided.

#### Summary

Due to the matters outlined above, I am unable to form an opinion on the financial statements as a whole.

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### Regularity

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### Impact of the disclaimer issued in respect of the prior year financial statements

In 2021-22 I disclaimed my audit opinion as I was unable to conclude my audit in a number of key areas which included but were not limited to: inventory, accruals, expenditure, and journal entries. I have been unable to obtain sufficient appropriate audit evidence that these matters have been resolved at the point of completion of my audit. Consequently, I have been unable to determine whether any adjustments to opening balances at 1 April 2022 were necessary or whether there is any consequential effect on the Statement of Comprehensive Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023.

My opinion on the current period's financial statements is also affected by the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

### Covid Vaccine Unit Balances and Model

The Covid Vaccine Unit (CVU) was transferred into the UK Health Security Agency on 1 October 2022. One of the key responsibilities of the CVU is to procure sufficient Covid vaccine supply to support national vaccination programmes. The CVU team uses a model to predict future demand of Covid-19 vaccines and assess the timing of when each vaccine type will expire. The UK Health Security Agency's finance team also uses the outputs of the CVU demand model within its own accounting model to derive a number of highly material estimates and balances reported in the financial statements; these include but are not limited to Inventory, Prepayments, Provisions and Financial Commitments.

The final model used by the UK Health Security Agency to prepare these disclosures in the financial statements was presented for audit in mid-December 2023. The model lacked documentation to set out clearly the quality assurance process applied on the model, the model methodology and the key sources of data and assumptions underpinning the model. This meant I could not carry out the required procedures for an ISA (UK) compliant audit ahead of the 31 January 2024 statutory deadline.

The Government Resources and Accounts Act 2000 includes a requirement for the financial statements of the UK Health Security Agency to be laid in the House of Commons by 31 January following the relevant year-end. Considering the complexities of the CVU team's model and limited documentation available to support the model, I have concluded that it is not possible to obtain reasonable assurance that the estimates and balances generated by the CVU model and included in the financial statements are free from material misstatement or prepared in all material aspects in accordance with the financial reporting framework ahead of the 31 January 2024 statutory deadline.

Consequently, I have been unable to conclude my audit of the estimates and balances generated by the CVU model.

# Materiality Matters

Materiality  
(23/24)

£23M

Materiality  
(22/23)

£29M

Materiality (21/22)

£90M

## DHSC Materiality

£1,400M (ish)



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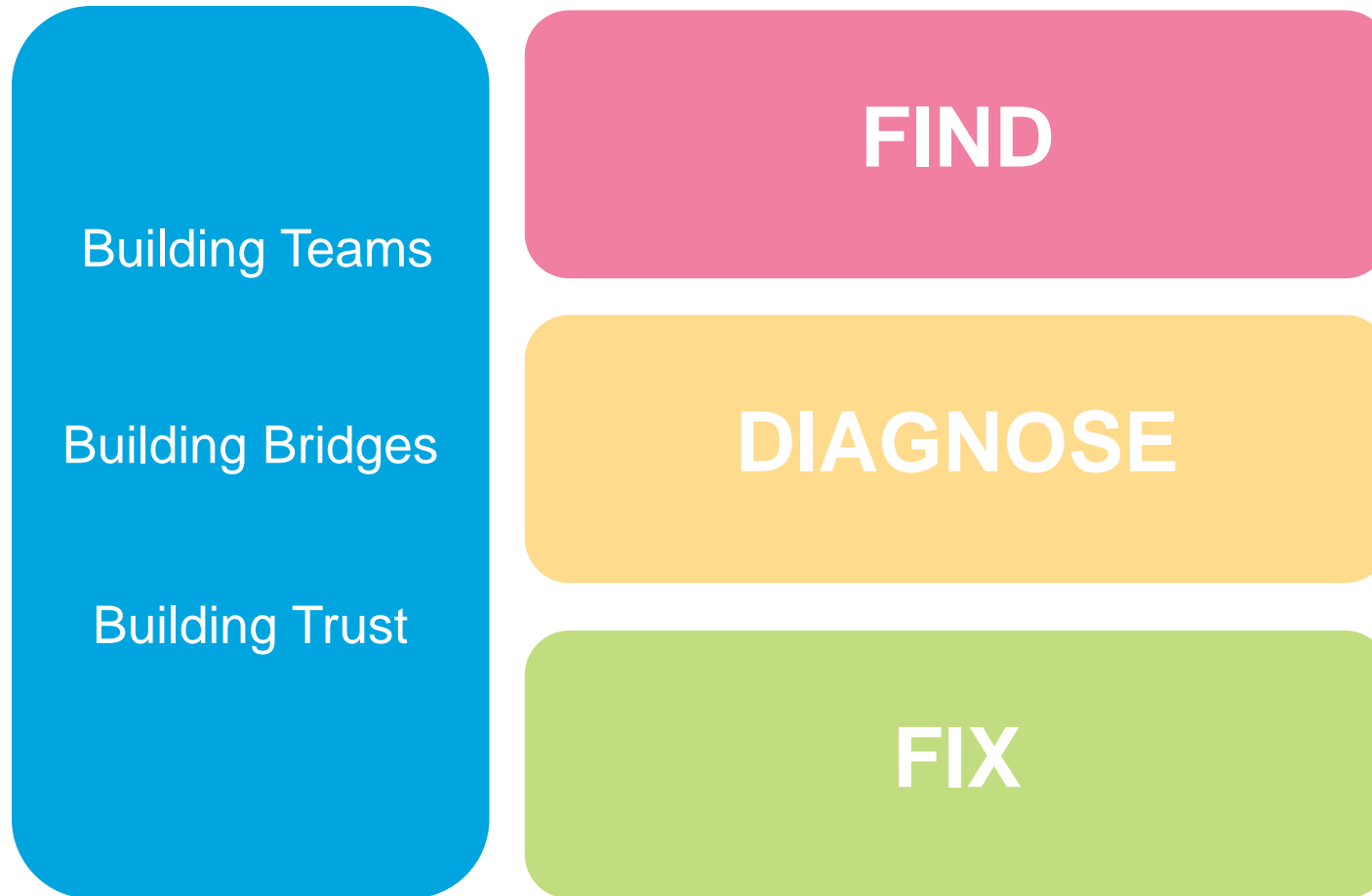
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# The Route Out?



# The Route Out?



# The Route Out?





# Where are we now?

## Key control challenges

### 2022-23 Disclaimer

UKHSA received a second consecutive disclaimer on its 2022-23 accounts. This was as a result of the roll-over of the disclaimed audit opinion for 2021-22, combined with the Covid Vaccine Unit balances.

In relation to Financial Year 2023-24, UKHSA has provided their assurance over the opening balances and the closing balances. In-year movements in the accounts remain unassured. In addition the Covid Vaccine Unit has not been assured. As a result, UKHSA has not provided an unqualified audit opinion over its audit. It was not possible to achieve the current year, and the organisation will continue to work towards an unqualified audit opinion.

### Covid Vaccine Unit

A significant part of UKHSA's expenditure and the organisation's assets and liabilities relate to the 'Covid Vaccine Unit'. This unit is responsible for the UK's supply of Covid-19 vaccinations. In 2022-23, UKHSA did not have sufficient appropriate audit evidence to form a conclusion on the time to lay the accounts before parliament prior to the year end.

UKHSA agreed to work with the NAO to provide an audit of the 2023-24 opening balances for the Covid Vaccine Unit (financial year) as well as the closing balances and the in-year movements.

Review of the accounting approach in relation to the NAO resulted in a restatement of the opening balances to forecast information. This information has been in place as at the 31 March 2023.

The effect of the restatement is described in Note 1. The restatement back to forecast information has resulted in a variety of stock being unimpaired in the restatement and then re-impaired during the financial year.

## THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

### Introduction

1. In this report I set out my findings from my audit of the UK Health Security Agency's 2022-23 annual report and accounts and explain why I have qualified my opinion on the financial statements.
2. As an executive agency of the Department of Health and Social Care, UKHSA is directed by the Secretary of State to prepare financial statements under section 7 of the Government Resources and Accounts Act 2000 (the GRAA). This requires me to "examine and report on them" [and to] issue a report on them".
3. As set out in my certificate, I have been appointed under the GRAA to examine whether the financial statements give a true and fair view of UKHSA's affairs and on whether the transactions recorded in the financial statements are for the purposes intended by Parliament and whether they conform to the authorities which govern them (regularity).
4. UKHSA was created in 2021-22 and began operations on 1 October 2022. It was created by a mid-year merger that brought together the health protection functions of Public Health England (PHE) with the NHS Test and Trace programme and the Joint Biosecurity Centre. At inception, UKHSA operated in a volatile environment. Challenges included responding to the ongoing COVID-19 pandemic, the merger of the Test and Trace organisation to rapidly adapt to the changes in government, and the announcement in February 2022 as part of the Living with COVID-19 plan to move the accounts in 2021-22 as a result of a weak internal control system. This had a consequential impact on the financial statements, in the context of which I set out the reasons for my disclaimer more fully in my 2021-22 report on accounts.
5. In 2022-23, UKHSA's operating environment began to stabilise. In 2022-23, there were lower levels of staff turnover than in the previous year, and the organisation was implementing the government's plan for Living with COVID-19. However, at the same time, UKHSA took over functions from DHSC, namely the Covid Vaccine Unit (CVU) and over the Managed Quarantine Service. I disclaimed my opinion on the accounts in 2022-23 on the combination of the impact of the prior year disclaimer and the lack of assurance over the CVU balances relating to the CVU. I set out the reasons for my disclaimer in my 2022-23 report on accounts<sup>2</sup>.
6. In 2023-24, I have modified my audit opinion. I have gained sufficient appropriate audit evidence to conclude that the financial statements give a true and fair view, except for:

## THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

### Qualified opinion on financial statements

I certify that I have audited the financial statements of the UK Health Security Agency for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000.

The financial statements comprise the UK Health Security Agency's

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, except for the effects of the matters described in the Basis for qualified opinions on the financial statements section below, the financial statements:

- give a true and fair view of the state of the UK Health Security Agency's affairs as at 31 March 2024 and its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

# What next?

