



## Parliamentary Accountability and Audit Report

# Statement of Parliamentary Supply

## Summary of resource and capital outturn 2020-21

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the department to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

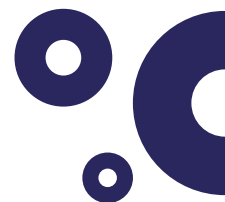
The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).



| Summary table, 2020-21, all figures presented in £000's |           |               |           |               |               |           |               |                             |                                  |
|---|-----------|---------------|-----------|---------------|---------------|-----------|---------------|-----------------------------|----------------------------------|
| Type of Spend   | SoPS note | Outturn       |           |               | Estimate      |           |               | Outturn vs Estimate, saving | Prior Year Outturn Total 2019-20 |
|   |           | Voted         | Non-Voted | Total         | Voted         | Non-Voted | Total         |                             |                                  |
| <b>Departmental expenditure limits</b>                  |           |               |           |               |               |           |               |                             |                                  |
| Resource  | 1.1       | 11,994        | -         | 11,994        | 14,801        | -         | 14,801        | 2,807                       | 701                              |
| Capital   | 1.2       | 2,199         | -         | 2,199         | 4,300         | -         | 4,300         | 2,101                       | 1,000                            |
| <b>Annually managed expenditure</b>                     |           |               |           |               |               |           |               |                             |                                  |
| Resource  |           |               | -         |               |               | -         |               |                             | -                                |
| Capital   |           |               | -         |               |               | -         |               |                             | -                                |
| <b>Total budget</b>                                     |           | 14,193        | -         | 14,193        | 19,101        | -         | 19,101        | 4,908                       | 1,701                            |
| <b>Non-budget</b>                                       |           |               |           |               |               |           |               |                             |                                  |
| Resource  |           | 2,388         | -         | 2,388         | 5,900         | -         | 5,900         | 3,512                       | -                                |
| <b>Total budget and Non-budget</b>                      |           | <b>16,581</b> | <b>-</b>  | <b>16,581</b> | <b>25,001</b> | <b>-</b>  | <b>25,001</b> | <b>8,420</b>                | <b>1,701</b>                     |
| Total resource  |           | 11,994        | -         | 11,994        | 14,801        | -         | 14,801        | 2,807                       | 701                              |
| Total capital   |           | 2,199         | -         | 2,199         | 4,300         | -         | 4,300         | 2,101                       | 1,000                            |
| <b>Total</b>  |           | <b>14,193</b> | <b>-</b>  | <b>14,193</b> | <b>19,101</b> | <b>-</b>  | <b>19,101</b> | <b>4,908</b>                | <b>1,701</b>                     |

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

#### Net cash requirement 2020-21, all figures presented in £000's

| Type of spend               | SOPS note | Outturn | Estimate | Outturn compared with estimate: saving | Prior Year Outturn Total 2019-20 |
|-----------------------------|-----------|---------|----------|--|----------------------------------|
| <b>Net cash requirement</b> | <b>3</b>  | 6,812   | 10,416   | 3,604                                  | (8,746)                          |

#### Administration costs 2020-21, all figures presented in £000's

| Type of spend               | SOPS note  | Outturn | Estimate | Outturn compared with estimate: saving | Prior Year Outturn Total 2019-20 |
|-----------------------------|------------|---------|----------|--|----------------------------------|
| <b>Administration costs</b> | <b>1.1</b> | 11,994  | 14,801   | 2,807                                  | 53                               |

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Explanations of variances between estimate and outturn are given in the Accountability report.

The Department has Prior Period Adjustments (PPAs) because during 2020-21, Ofgem identified that an incorrect amount of VAT had been reclaimed from HMRC in prior years. A provision should have been recognised for the amount owed to HMRC. The 2019-20 financial statements have been restated to recognise this provision. Admin RDEL budget for 2019-20 is therefore increased by £5.9m. It is proper for the department to seek parliamentary authority for the provision that should have been sought previously.

In 2020-21 this PPA has been made, which has been included within voted Supply in the Estimate.

## Notes to the Statement of Outturn against Parliamentary Supply, 2020-21 (£000's)

**SOPS1. Outturn detail, by Estimate Line****SOPS1.1 Analysis of resource outturn by Estimate line**

| Resource Outturn – Administration                        |                |                  |               | Estimate      |           |                           | Outturn vs Estimate, Saving | Prior Year Outturn Total 2019-20 |
|--|----------------|------------------|---------------|---------------|-----------|---------------------------|-----------------------------|----------------------------------|
| Type of Spend (Resource)                                 | Gross          | Income           | Net total     | Total         | Virements | Total including virements |                             |                                  |
| <b>Spending in departmental expenditure limits (DEL)</b> |                |                  |               |               |           |                           |                             |                                  |
| A Gas and Electricity Markets Authority: administration  | 92,013         | (80,717)         | 11,296        | 14,100        | -         | 14,100                    | 2,804                       | 701                              |
| B Ofgem E-Serve: administration                          | 29,100         | (28,402)         | 698           | 701           | -         | 701                       | 3                           | 648                              |
| <b>Total resource</b>                                    | <b>121,113</b> | <b>(109,119)</b> | <b>11,994</b> | <b>14,801</b> | <b>-</b>  | <b>14,801</b>             | <b>2,807</b>                | <b>53</b>                        |

**SoPS1.2 Analysis of net capital outturn by Estimate Line**

| Outturn  |              |          |              | Estimate     |           |                           | Outturn vs Estimate, Saving | Prior Year Outturn Total 2019-20 |
|--|--------------|----------|--------------|--------------|-----------|---------------------------|-----------------------------|----------------------------------|
| Type of Spend (Capital)                                  | Gross        | Income   | Net total    | Total        | Virements | Total including virements |                             |                                  |
| <b>Spending in departmental expenditure limits (DEL)</b> |              |          |              |              |           |                           |                             |                                  |
| A Gas and Electricity Markets Authority: administration  | 2,199        | -        | 2,199        | 4,300        | -         | 4,300                     | 2,101                       | 318                              |
| B Ofgem E-Serve: administration                          | -            | -        | -            | -            | -         | -                         | -                           | -                                |
| <b>Total capital</b>                                     | <b>2,199</b> | <b>-</b> | <b>2,199</b> | <b>4,300</b> | <b>-</b>  | <b>4,300</b>              | <b>2,101</b>                | <b>318</b>                       |

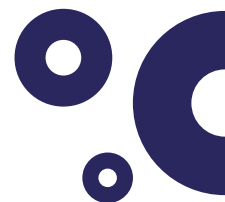
Explanations of variances between estimate and outturn are given in the Accountability report.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

**SoPS2 Reconciliation of outturn to net operating expenditure**

SoPS2 is not required as the total resource outturn in the SoPS is the same as the net operating expenditure within the SoCNE.



## SoPS3 Reconciliation of net resource outturn to net cash requirement

| Item   | Reference | Outturn total | Estimate      | Outturn vs Estimate, saving/(excess) |
|--|-----------|---------------|---------------|--------------------------------------|
|  | Note      | £000          | £000          | £000                                 |
| <b>Resource outturn</b>                        | SoPS1.1   | <b>11,994</b> | <b>14,801</b> | <b>2,807</b>                         |
| <b>Capital outturn</b>                         | SoPS1.2   | <b>2,199</b>  | <b>4,300</b>  | <b>2,101</b>                         |
| <b>Accruals to cash adjustments:</b>           |           |               |               |                                      |
| ▪ Depreciation and impairment                  | 3         | (1,416)       | (1,500)       | (84)                                 |
| ▪ New provisions and adjustments to provisions |           | (10,924)      | (14,100)      | (3,176)                              |
| ▪ Other non-cash items                         |           | (92)          | (85)          | (7)                                  |
| <b>Movement in working capital:</b>            |           |               |               |                                      |
| - Debtors                                      |           | 7,873         | 6,000         | (1,873)                              |
| - Creditors                                    |           | (3,512)       | 1,000         | 4,512                                |
| ▪ Use of provision                             | 11        | 690           |               | (690)                                |
| <b>Net cash requirement</b>                    |           | <b>6,812</b>  | <b>10,416</b> | <b>3,604</b>                         |

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

## SoPS4 Analysis of income payable to the consolidated fund

We collected no consolidated fund income in 2020-21. This does not include any amounts we collected while acting as agent of the consolidated fund rather than as principal. Full details of income collected as agent for the consolidated fund are in the department's trust statement, published separately from but alongside these financial statements.

## Parliamentary Accountability Disclosures (audited)

### Regularity of expenditure

Expenditure of Ofgem was applied for the purposes intended by parliament. Ofgem has nothing to report in respect of the following:

- Losses and special payments;
- Fees and charges disclosures;
- Remote contingency liabilities; and
- Long term expenditure trends.

**Jonathan Brearley**  
Chief Executive

12 July 2021



# The certificate and report of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

- I certify that I have audited the financial statements of the Office of Gas and Electricity Markets for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report and Parliamentary Accountability report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2021 and of the Department's comprehensive net 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and

- 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

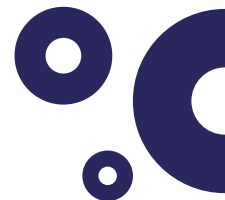
Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office of Gas and Electricity Markets in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office of Gas and Electricity Markets' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office of Gas and Electricity Markets' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.



My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Office of Gas and Electricity Markets is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

### Other Information

The other information comprises information included in the Annual Report but does not include the parts of the information in the Accountability Report and Parliamentary Accountability report that is described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Separate prefaces to the Chair's forward to the annual report have been prepared in respect of versions of the annual report to be laid in the Scottish and Welsh parliaments. Those separate prefaces are not included within the other information identified above and are not audited.

### Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- includes the parts of the information in the Accountability Report and Parliamentary Accountability report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

In the light of the knowledge and understanding of the Office of Gas and Electricity Markets and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the information in the Accountability Report and Parliamentary Accountability report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.



## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Office of Gas and Electricity Markets' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Office of Gas and Electricity Markets will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

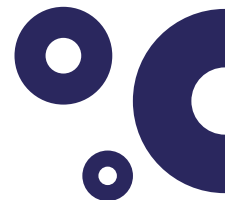
My procedures included the following:

- Inquiring of management, the Office of Gas and Electricity Markets' Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office of Gas and Electricity Markets' policies and procedures relating to:
  - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Managing Public Money and Tax Legislation;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following area: revenue recognition, posting of unusual journals accounting for estimates and other areas of management judgement such as the recognition valuation of provisions; and
- obtaining an understanding of the Office of Gas and Electricity Markets' framework of authority as well as other legal and regulatory frameworks that the Office of Gas and Electricity Markets operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Office of Gas and Electricity Markets. The key laws and regulations I considered in this context included: Managing Public Money and Tax legislation, including the VAT Act (1994),

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;





- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- audit work, including undertaking procedures to rely on the work of management's expert, in relation to a provision for repayment of VAT; and
- challenging management's assessment of exposure to potential costs in relation to energy company appeals against Ofgem's 2020 price determination.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I have no observations to make on these financial statements.

### **Gareth Davies**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP

**13 July 2021**

