



Parliamentary Accountability and Audit Report



Statement of Outturn against Parliamentary Supply

Summary of resource and capital outturn 2021-22

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the department to prepare a Statement of Outturn against 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).

The SoPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Accountability Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SoPS disclosures.



Summary tables - mirrors part 1 of the Estimates

Summary table, 2021-22, all figures presented in £000's										
Type of Spend	SoPS note	Outturn			Estimate			Outturn vs Estimate, saving		Prior Year Outturn Total 2020-21
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Departmental expenditure limits										
Resource	1.1	(9,807)	-	(9,807)	78,645	-	78,645	88,452	88,452	11,994
Capital	1.2	3,567	-	3,567	3,791	-	3,791	224	224	2,199
Total budget expenditure		(6,240)	-	(6,240)	82,436	-	82,436	88,676	88,676	14,193
Non-budget expenditure		-	-	-	-	-	-	-	-	2,388
Total budget and Non-budget		(6,240)	-	(6,240)	82,436	-	82,436	88,676	88,676	16,581

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 2021-22, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving	Prior Year Outturn Total 2020-21
Net cash requirement	3	(10,762)	24,316	35,078	6,812

Administration costs 2021-22, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving	Prior Year Outturn Total 2020-21
Administration costs	1.1	(10,449)	77,111	87,560	11,994

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Outturn against Parliamentary Supply, 2021-22 (£000's)

SOPS1. Outturn detail, by Estimate Line

SOPS1.1 Analysis of resource outturn by Estimate Line

Type of Spend (Resource)	Resource Outturn – Administration			Programme			Total
	Gross	Income	Net total	Gross	Income	Net total	
Spending in departmental expenditure limits (DEL)							
Voted expenditure							
A Gas and Electricity Markets Authority: administration	96,398	(94,574)	1,824	642	-	642	2,466
B Ofgem E-Serve: administration	31,571	(30,885)	686	-	-	-	686
C Ofgem Green Gas: administration	1,261	(14,220)	(12,959)	-	-	-	(12,959)
Total resource	129,230	(139,679)	(10,449)	642	-	642	(9,807)

Type of Spend (Resource)	Estimate			Outturn vs Estimate, Saving	Prior Year Outturn Total 2020-21
	Total	Virements	Total including virements		
Spending in departmental expenditure limits (DEL)					
Voted expenditure					
A Gas and Electricity Markets Authority: administration	76,600*	-	76,600	74,134	11,296
B Ofgem E-Serve: administration	1,266	-	1,266	580	698
C Ofgem Green Gas: administration	779	-	779	13,738	-
Total resource	78,645	-	78,645	88,452	11,994

* Comprises £77,111,000 of administration and £1,534,000 of programme budget estimates



SoPS1.2 Analysis of capital outturn by Estimate Line

Type of Spend (Capital)	Outturn			Estimate			Outturn vs Estimate, Saving	Prior Year Outturn Total 2020-21
	Gross	Income	Net total	Total	Virements	Total including virements		
Spending in departmental expenditure limits (DEL)								
Voted expenditure								
A Gas and Electricity Markets Authority: administration	2,049	-	2,049	2,100	-	2,100	51	2,199
B Ofgem E-Serve: administration	3,133	(3,133)	-	-	-	-	-	-
C Ofgem Green Gas: administration	1,518	-	1,518	1,691	-	1,691	173	-
Total capital	6,700	(3,133)	3,567	3,791	-	3,791	224	2,199

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 (income)/expenditure

		Outturn Total	Prior Year Outturn Total, 2020-21
		£000	£000
Total Resource Outturn	SoPS1.1	(9,807)	11,994
Add: Capital income from BEIS	SoPS1.2	(3,133)	-
Net Operating (Income)/Expenditure in Statement of Comprehensive Net (Income)/Expenditure	SOCNE	(12,940)	11,994

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating (income)/expenditure, linking the SoPS to the financial statements.

Capital income is budgeted as capital DEL but accounted for as income on the face of the SOCNE and therefore is a reconciling item between total resource outturn and net operating (income)/expenditure.

SoPS3 Reconciliation of net resource outturn to net cash requirement

Item	Reference Note	Outturn total	Estimate	Outturn vs Estimate, saving/(excess)
		£000	£000	£000
Total resource outturn	SoPS1.1	(9,807)	78,645	88,452
Total capital outturn	SoPS1.2	3,567	3,791	224
Adjustments to remove non-cash items:				
▪ Depreciation and impairment	3	(1,337)	(2,094)	(757)
▪ New provisions and adjustments to provisions	3	(3,966)	(74,500)	(70,534)
▪ Other non-cash items		(920)	(85)	835
Adjustments to reflect movements in working balances:				
▪ Increase/(decrease) in receivables	10	8,156	5,505	(2,651)
▪ (Increase)/decrease in payables	11	(9,958)	1,000	10,958
▪ Use of provision	12	3,503	12,054	8,551
Net cash requirement		(10,762)	24,316	35,078

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 to the consolidated fund

We collected no Consolidated Fund income in 2021-22.

Parliamentary Accountability Disclosures (audited)

Fees and charges

Ofgem's regulatory activity is funded by taxation, in the form of a licence fee paid by the industry. Costs and income for the year for taxation related to licence fee were £91.3 million.

The cost administering energy schemes and environmental schemes on behalf of governments is funded either by government bodies, or by the schemes themselves. Income for the year for schemes and other services was £51.5 million and costs were £38.6 million.

Analysis of costs and income for the year is shown in note 4, on page 89. There were no subsidies or overcharging.

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;
- Remote contingent liabilities; and
- Long term expenditure trends.



Jonathan Brearley
Chief Executive

11 July 2022



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 (Ofgem) for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise: Ofgem's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net (Income)/ 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, the financial statements:

- give a true and fair view of the state of Ofgem's affairs as at 31 March 2022 and its net operating income 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 Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (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 Ofgem 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 Ofgem's 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 Ofgem's 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 Ofgem is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires 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 financial statements nor my auditor's certificate and report. 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.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Ofgem and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by Ofgem 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 Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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 the Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing Ofgem's 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 Ofgem 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Ofgem's accounting policies
- Inquiring of management, Ofgem's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Ofgem's 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 Ofgem's controls relating to Ofgem's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Ofgem for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of Ofgem's framework of authority as well as other legal and regulatory frameworks in which Ofgem operates, focusing on those laws and regulations that had a



direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Ofgem. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money and relevant employment law and tax legislation.

In addition, I considered compliance with HMT controls over the approval of senior remuneration and Cabinet Office controls over contracts for expenditure.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and
- obtaining evidence of HMT approval for senior remuneration and compliance with Cabinet Office controls over contracts.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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
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12 July 2022

