Office for Environmental Protection

Board Paper 26.36

Title: 2025/26 Annual Report and Accounts	
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Summary

Issue

1. The Board's comments are sought on the draft 2025/26 Annual Report and Accounts (AR&A) at Annex A.
2. The Audit and Risk Assurance Committee Chair will report verbally to the Board on the conclusions of ARAC's scrutiny of the AR&A on 8 June, before the Board considers this item on its agenda.

Recommendation

3. The Board is recommended to comment on the draft AR&A for the financial year 2025/26 in Annex A, noting that the draft AR&A remains a working draft with some gaps still remaining in certain sections such as sustainability and the pension statement, which will be completed before the Board is asked to sign off the final audited AR&A.
4. The Board is recommended to note the report of the ARAC on 2025/26 which it has considered in its previous item.

Key considerations

5. The AR&A is the main way we set out the story of our performance each year. We have sought to reflect the Board's discussions on performance, and how to tell this story well, at its May meeting. It must be a fair and balanced account of our performance.
6. The sufficiency statement is a unique aspect of the OEP's annual report. The Board's attention is drawn to the tone and context of funding sufficiency statement for FY2526 and future years (p20 – 21).
7. In considering whether the AR&A is trustworthy, fair and balanced the Board is advised to consider the following:
    a. whether the accounts give a true and fair view of OEP's financial position
    b. the accuracy, completeness, and integrity of financial statements
    c. whether the performance report is fair and balanced
    d. the completeness and transparency of the Governance Statement including any significant control issues and how they were addressed
    e. the assurances from ARAC on these issues

Information and Analysis

Background

8. All public bodies publish an AR&A. The AR&A is the key mechanism of accountability to Parliament, the public and stakeholders for our spending, efficiency, effectiveness, economy and therefore value for money. It is also a platform to explain our work, choices and impact.
9. The AR&A must be trustworthy, transparent, fair, balanced and understandable. There is extensive guidance setting out expectations for annual reports, and several good practice guides. Much content is mandatory, but we also have discretion, notably in the presentation of information above what is mandatory, and the structure of the performance report.
10. The requirements of our AR&A are standard, except that we must include an assessment of whether the Secretary of State and DAERA provided us with sufficient sums to carry out our functions in the year. We sought counsel's advice on how we should go about this assessment in 2023. In summary we have wide discretion as to the factors we take into account, and how we set this out.
11. Approval of the AR&A is reserved to the Board. ARAC will have considered a first draft of the AR&A at its 8 June meeting.
12. To support the Board in considering its approval of the governance statement within the AR&A, ARAC has produced an annual report to the Board which is being considered separately on the Board's agenda.
13. The OEP account materiality threshold for this audit was set at £209,793 (2%) and error reporting threshold was £4,196.
14. The final audited AR&A is scheduled to ARAC and the Board for final sign off on 29 June, by electronic business, with certification by 3 July and publication by 8 July.

Analysis

15. NAO commenced its end of year audit from February 2026. At the time of writing this paper, work with NAO to secure their agreement to the contingent liabilities disclosure continues, but there are no indications of material misstatement in the accounts.

1. The performance report has been drafted in substantially the same form as in previous years, with 'spotlights' used to showcase case studies of our delivery against our objectives and the implementation of our strategy. The Board discussed the OEP's performance in its meeting in May. The performance report aims to reflect that discussion.

16. The sustainability report is restructured to reflect updated reporting guidance. This means we will report fewer, and less granular indicators that in previous years. We will report on all required information.

Northern Ireland

17. The AR&A covers our work in both England and Northern Ireland.

Impact Assessments

Risk

18. The ARAC agreed key areas of risk on which the NAO focused in its audit:
    a. Presumed risk of management override of controls
    b. Applicability of Cabinet Office pay guidance
    c. Pre-recess timetable

19. The outstanding agreement of our Framework Document was identified again, as an outstanding recommendation from last two consecutive years. This has now been agreed and was published on 28 May 2026 (link: OEP Framework Document)
20. There is a risk that the report does not tell a sufficiently compelling story of our performance and impact. There is a counter risk, that it is not a sufficiently frank description of our performance, risks and any shortcomings. The draft report aims to be a fair and balanced account in mitigation of both these risks.

Contribution towards our objectives

21. The AR&A explains our work to further our principal objectives in the period.

Environmental and other duties

22. No material equalities or environmental impacts have been identified.

Finance and resource

23. We forecast non-pay spend of £50k for the NAO audit fee and 0.7 FTEs to cover the resources required in the Finance, and Business Planning and Strategy teams for AR&A preparation and end of year audit work.

Communication and engagement

24. The AR&A will be published on the OEP website with some brief and factual cover text. We do not see this as an external communications activity so will not be proactively promoting the report to the media and the general stakeholder audiences. We will prepare lines to take on any aspects of the report that we think may generate comment if picked up, likely to be focused on the organisation’s approach to future financial constraints. We will also ensure that staff are briefed on the publication of our AR&A through our regular channels (cascade, intranet). A key aim here will be to recognise the quality of the organisation’s work and its strong financial management and the work that went in to producing the document in a timely manner.
25. Defra and DAERA comments will be sought as required, ahead of the ARAC / Board signing by electronic business on 29 June 2026.
26. While we don’t see this as an external communications opportunity, we know that some stakeholders will be interested. We will therefore make sure that those most interested in the operations of the OEP will be aware of the publication timeline.

Transparency

27. This is an open paper and will be published alongside the Board’s minutes of the meeting.

Implementation

28. ExCo reviewed the initial draft AR&A before it is shared with NAO by 22 May 2026.
29. NAO to complete the audit by the end of May 2026 and report its findings to ARAC on 29 June 2026.
30. ARAC and Board meetings to review the first draft of 2025-26 AR&A on 8 and 10 June 2026 respectively
31. Defra and DAERA to review and comment on the AR&A from 15 to 26 June 2026.
32. ARAC to review the AR&A after audit completion on 29 June, to recommend approval to the Board. Board to consider by electronic business.
33. Lay the AR&A before the Parliament and Northern Ireland Assembly by 8 July 2026.

Annexes

2. Annex A – *This section has been redacted as it contains information available elsewhere.*