

# FINANCIAL REPORTING ADVISORY BOARD

**Report for the period  
April 2014 to March 2015**

Presented to the House of Commons pursuant to Section 24(4) of the Government  
Resources and Accounts Act 2000

Laid before the Northern Ireland Assembly under Section 20(3) of the Government  
Resources and Accounts Act (Northern Ireland) 2001 by the  
Department of Finance and Personnel

The report is laid before the Scottish Parliament and presented to the Audit and  
Finance Committees of the Scottish Parliament by agreement with the  
Scottish Ministers

The report is submitted to the Public Accounts Committee of the National  
Assembly for Wales by the Welsh Assembly Government

---

*Ordered by The House of Commons to be printed [date]*

---

HC XXXX

SG/201/xx

*London: The Stationery Office*

£

## REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015

### © Crown copyright 2015

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to [Michael.sunderland@hmtreasury.gsi.gov.uk](mailto:Michael.sunderland@hmtreasury.gsi.gov.uk)

This publication is available for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk). This document is also available from our website at <https://www.gov.uk/government/policy-advisory-groups/financial-reporting-advisory-board-frab>

ISBN: 9780102983159

Printed in the UK by the Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

ID 2556743 04/13

Printed on paper containing 75% recycled fibre content minimum.

# ***Chairman's Foreword***

DRAFT

# *Executive Summary*

This is the eighteenth report of the Financial Reporting Advisory Board (the Board). The Board's primary objective is to promote the highest standards of financial reporting by government. The report is addressed to the Committee of Public Accounts and the Treasury Select Committee in the Westminster Parliament, to the Northern Ireland Assembly, to Scottish Ministers and to the Public Accounts Committee of the National Assembly for Wales. The report covers the year April 2014 to March 2015.

This year the work of the Board has been more wide ranging than the previous period. Not only has it been providing advice to the Relevant Authorities on accounting guidance, it has extended its efforts to finalise the planned improvements to financial reporting within the public sector.

## *Changes to accounting guidance*

Last year's report described the Board's disappointment that a conclusion was not reached on the application of IFRS 13 Fair Value in the public sector context. As a result, adoption of the Standard had been delayed beyond 2014-15. For much of this year the Board's focus has been to continue its work in this area and the dialogue continued around revised proposals for IFRS 13's introduction and asset categorisation and valuations.

At the start of the year, to resolve the long standing debate of determining the use of IFRS 13 in the public sector, the Relevant Authorities returned to a principles based approach grounded on the conceptual basis of measuring service potential. In November 2014 the Board accepted proposals that IFRS 13 applies to assets which are not held for their service potential and to surplus assets which can be disposed of and where there are no restrictions on disposal. IAS 16 will continue to be adapted to ensure that assets in use and held for their service potential are held at current value. The Board's agreement has paved the way for the adoption of IFRS 13 in the public sector from 2015-16. The financial reporting manuals have been updated and agreed on this basis.

Other developments in accounting guidance are on the horizon and the Board has turned its attention to the forthcoming introduction of two new standards, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments (replacement of IAS 39). Each are not due to be effective until reporting periods beginning on or after 1 January 2017 and 1 January 2018 respectively but the Board is very aware of the lead time needed to ensure that the full implications on the public sector are adequately considered. This programme will continue into next year and the Board will work closely with the Relevant Authorities to secure this objective and introduce the Standards by the effective dates.

### *Improvements to financial reporting*

The Board are very pleased to secure the introduction of the Simplifying and Streamlining Accounts project<sup>1</sup> (the Project) the aim of which is to better meet the needs of users of annual report and accounts (ARAs) and make information more understandable. The Project underwent an extensive consultation exercise with Parliament and other stakeholders which then saw HM Treasury working with departments and their arms' length bodies to ensure a smooth transition from 2015-16. The Board is supportive of this significant step change in reporting which will see a restructuring of ARAs from the traditional "front half" annual report and "back half" financial statements into a more integrated reporting framework based on three sections, a Performance report, an Accountability report and the Financial statements.

The Financial Reporting Manual (FReM) 2015-16 was given due consideration by the Board having been revised in line with the Project and then published in December 2014 for early sight of the new structure. The Board will closely monitor how these changes are embedded once in effect along with feedback from users of the ARAs.

2013 was the first year of mid-year reporting by the main government departments. The Board reviewed the outcome of the first year and took feedback from both the Liaison Committee and Parliamentary Scrutiny Unit on their thoughts of how useful they found the reports. The Board noted that HM Treasury in particular found this a helpful exercise as it informed the 2014 guidance to departments and as a result saw an improvement in the second year of reporting. However, the Board recognises there is still some way to go to increase engagement between departments and Parliament and further improvements to the quality of reporting.

The Board welcomed the publication of the whole of government accounts (WGA) 2012-13 in June 2014, six weeks earlier than the previous year and a significant achievement. Marked consideration was given to the account qualifications which were given again but noted that important steps were being taken to clear them as much as possible. The Board was pleased with the useful addition of a separate four page summary document which makes the account more accessible to users.

The Board took great interest throughout the year in emerging proposals for European Public Sector Accounting Standards (EPSAS) and noted the rising profile of public sector accrual accounting in Europe. Concern remains over the impact on Member States like the UK that have already integrated internationally accepted accrual accounting standards into their wider public finance management systems. The Board is also conscious that were there to be a move towards harmonised public sector accounting standards at a European level, its own role may have to adapt if it is to continue to fulfil its statutory function.

## REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015

### *Priorities for 2015-16*

An important priority the Board will take forward next year will be ensuring the new accounting standards IFRS 9 and IFRS 15 are fully considered in the public sector context. Work plans are in place to ensure this is so but notwithstanding, the Board has much work to do to oversee the readiness for their introduction.

The Board will also take great interest in any further adaptations proposed by the Relevant Authorities in respect of the use of discount rates in financial reporting. It will be keen to ensure that any proposals are appropriate adaptations of IFRS and are justified in the public sector context.

The Board will be keen to closely monitor the International Accounting Standards Board's progress in finalising a new *Leases* standard that will remove the existing distinction between finance and operating leases. It is expected to produce a more consistent approach to the recognition and measurement of the rights and obligations that arise from lease agreements. The Board will keep a watchful eye on progress of the project and deliberate on the implications of the new standard for public sector financial reporting. The Board will address how this evolves in the next report.

Email: [Michael.Sunderland@hmtreasury.gsi.gov.uk](mailto:Michael.Sunderland@hmtreasury.gsi.gov.uk)

Telephone: 02072704538 Address: Michael Sunderland, FRAB Secretariat, 1 Horse Guards Road, London, SW1A 2HQ.

# Contents

- 1 INTRODUCTION**
- 2 CHANGES TO ACCOUNTING GUIDANCE IN 2014-15**
- 3 BOARD ACTIVITIES IN 2014-15**

DRAFT

# Chapter 1

## INTRODUCTION

### Background to the Financial Reporting Advisory Board

- 1.1. The Financial Reporting Advisory Board (the Board) is an independent body fulfilling the statutory role as the ‘group of persons who appear to the Treasury to be appropriate to advise on financial reporting principles and standards’ for government, as required by the Government Resources and Accounts Act 2000.<sup>2</sup>
- 1.2. The Board acts as an independent element in the process of setting accounting standards for government and exists to promote the highest possible standards in financial reporting by government. In doing so, the Board seeks to ensure that any adaptations of, or departures from, generally accepted accounting practice in the public sector context, are justifiable and appropriate.
- 1.3. The Board’s main focus is on examining proposals for amending current, or implementing new, accounting policies in the accounting guidance for central government departments, executive agencies, non-departmental public bodies and trading funds, and for examining the proposals for accounting guidance for local authorities. The Board also advises the Treasury on the implementation of accounting policies specific to Whole of Government Accounts.
- 1.4. Further information about the Board, including membership, terms of reference, meeting minutes and papers, is available on the gov.uk website.<sup>3</sup>

### Background to the FRAB Report

- 1.5. In accordance with its Terms of Reference, the Board has a responsibility to prepare an annual report of its activities, including its views on the changes made during the report period to accounting guidance that is within the Board’s remit.
- 1.6. The Board is required to send a copy of its report direct to the Committee of Public Accounts and the Treasury Select Committee of the UK Parliament, to the Welsh Assembly Government, the Scottish Ministers and the Department of Finance and Personnel, Northern Ireland.
- 1.7. The Treasury, the Scottish Ministers, and the Department of Finance and Personnel in Northern Ireland formally lay the Board’s report before respectively the House of Commons, the Scottish Parliament, and the Northern Ireland Assembly. The Welsh Assembly Government submits the report to the Public Accounts Committee of the National Assembly for Wales.



1.8. This is the Board's 18<sup>th</sup> Report and the Report structure is summarised below.

### **Report structure**

#### **Changes to accounting guidance**

1.9. Chapter 2 of the Report summarises changes to accounting guidance approved by the Board during 2014-15.

#### **Board activities**

1.10. Chapter 3 of the Report reports on those issues in financial reporting, both new and continuing, which may lead to changes in accounting guidance in the future and provides an indication of how those issues will impact the Board's work in future years.

DRAFT

---

<sup>2</sup> Government Resources and Accounts Act 2000, section 24.

<sup>3</sup> <https://www.gov.uk/government/policy-advisory-groups/financial-reporting-advisory-board-frab>

# Chapter 2

## CHANGES TO ACCOUNTING GUIDANCE IN 2014-15

### Introduction

2.1. This chapter details significant changes in accounting guidance within the Board’s remit for 2014-15 and 2015-16.

### The 2014-15 FReM

2.2. The Board agreed HM Treasury’s proposed schedule of amendments to the 2014-15 Financial Reporting Manual (FReM).

2.3 Two substantive changes were agreed relating to financial instrument disclosures. HM Treasury gave a commitment to the Public Accounts Committee following a hearing regarding a report by the National Audit Office, “Managing debt owed to central government” in February 2014 to strengthen guidance and promote best practice on reporting of debt in financial statements, where material. Where entities are exposed to material financial risk, the FReM now has additional emphasis for entities to consider the relevant disclosures for significant credit risk of receivables.

2.4 The second amendment includes the requirement to retain IFRS 7 Financial Instruments (2011) disclosures of valuation techniques to determine fair value of financial instruments following their relocation to IFRS 13 Fair value on its introduction. As IFRS 13 does not have a public sector implementation date until 2015-16, the original disclosure references are to remain.

2.5 Other amendments accepted were to correct minor errors and reduce inconsistencies and possible ambiguity. In 2013-14, the Board had already agreed (and previously reported<sup>4</sup>) a number of issues relating to the 2014-15 FReM, the most significant of which are detailed in Table 1.

Table 1

Standard	Summary	FReM impact
IFRS 10, <i>Consolidated Financial Statements</i> IFRS 11, <i>Joint Arrangements</i>	These standards were EU-adopted for annual periods beginning on or after 1 January 2014 and affect the consolidation and reporting of subsidiaries, joint ventures, and investment entities: <ul style="list-style-type: none"> <li>The IFRS 10 definition of control (investor power and ability to</li> </ul>	Accounting boundaries are adapted in the 2014-15 FReM so that the Westminster departmental accounting boundary continues to be based on control criteria used by the Office for National Statistics.

<sup>4</sup> 17<sup>th</sup> Report of the Financial Reporting Advisory Board, Report for the period April 2013 to March 2014

<b>Standard</b>	<b>Summary</b>	<b>FReM impact</b>
<p>IFRS 12, <i>Disclosure of Interests in Other Entities</i></p> <p>IAS 27, <i>Separate Financial Statements</i> (amended)</p> <p>IAS 28, <i>Investments in Associates and Joint Ventures</i> (amended)</p>	<p>direct activities of an investee) requires more judgment, notably of agency-principal relationships. Clarity on investor exposure or rights to variable returns (e.g. cost savings) may result in new consolidations.</p> <ul style="list-style-type: none"> <li>• IFRS 11 provides a principles-based definition of joint arrangements (joint operations or joint ventures) based on rights and obligations. Proportional consolidation accounting for joint ventures is no longer permitted (only equity accounting).</li> <li>• IFRS 12 requires more disclosure of the financial effects on, and risks to, the consolidating entity.</li> </ul>	<p>With the continuation of current adaptations, the impact on departments and agencies mainly relates to the disclosure requirements under IFRS 12.</p> <p>Arms' length bodies will apply the consolidation standards in full and their consolidation boundary may change as a result of the new standards.</p>
<p>IFRS 13, <i>Fair Value Measurement</i></p>	<p>IFRS 13 has been EU-adopted for annual periods beginning on or after 1 January 2013. It has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise):</p> <p>The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements.</p>	<p>IFRS 13 has been specifically scoped out of the 2014-15 FReM and will not be adopted until 2015-16. Further details on the implementation of IFRS 13 are included in Chapter 3.</p>

2.6. The revised FReM was issued by the Treasury in December 2014. A log of all 2014-15 amendments is available on the gov.uk website.<sup>5</sup>

<sup>5</sup> <https://www.gov.uk/government/publications/government-financial-reporting-manual-2014-to-2015>

## REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015

### The 2015-16 FReM

- 2.7. The Board also reviewed the form and content of the proposed 2015-16 FReM presented by HM Treasury. The changes fall into three main categories:
- Adoption of IFRS 13 Fair Value for the first time – this also includes IAS 16 and IAS 38 adaptations, previously agreed by the Board;
  - Adoption of a new reporting framework outlined in the Simplification and Streamlining Accounts project which changes the form and content of the ARAs and the Statement of Parliamentary Supply previously agreed by the Board. These changes include a revised ARAs format introducing three sections being, the Performance Report, the Accountability Report and the Financial statements; and
  - Minor accounting updates including the introduction of two charity SORPs for relevant arms' length bodies.
- 2.8 The Board agreed these changes following a review of the consultation exercise with users and the 2015-16 FReM was published to timetable, in December 2014<sup>6</sup>.

---

<sup>6</sup> <https://www.gov.uk/government/publications/government-financial-reporting-manual-2015-16>

## **The NHS Manual for Accounts 2014-15 and Foundation Trust Annual Reporting Manual 2014-15**

- 2.8. The Board agreed the 2014-15 Foundation Trust Annual Reporting Manual and 2014-15 NHS Manuals for Accounts with no new divergences from the FReM. The 2014-15 Foundation Trust Annual Reporting Manual was issued by Monitor in December 2014 (subsequently updated in March 2015) and the 2014-15 NHS Manual for Accounts was issued by the Department of Health in XX.
- 2.9. The Board will review the draft NHS Manual for 2015-16 at its March 2015 meeting with the aim of publication in April 2015.
- 2.10. The Board looks forward to approving future versions of the Manual continuing on a progressively improved timetable.

## **The 2015-16 Code of Practice on Local Authority Accounting**

- 2.11. The Board agreed the 2015-16 Code of Practice on Local Authority Accounting. The Code will be issued by CIPFA/LASAAC in XX
- 2.12. The changes to the 2015-16 Code related to:
  - IFRS 13 Fair value measurement;
  - Narrow scope amendments to IFRS including amendments to IAS 19 Employee benefits, annual improvement to IFRSs 2010-2012 cycle and 2011-13 cycle;
  - IFRIC 21 levies;
  - Accounts for schools update with a focus on transitional arrangements and the allowance of a deemed cost valuation; and
  - Frequency of valuations for property, plant and equipment interpretation.

# Chapter 3

## BOARD ACTIVITIES IN 2014-15

### Introduction

- 3.1. This chapter comprises the developments in financial reporting in the public sector, both new and continuing, which were addressed during 2014-15. An update on each of the developments considered by the Board is provided in Table 2 below. Table 3 provides details of when each topic was discussed and papers and minutes from those meetings are available on the gov.uk website.<sup>7</sup>
- 3.2. In addition to continuing work on known developments in financial reporting, the Board will monitor developments in international accounting standards and will respond selectively to those consultations which have implications for public sector financial reporting and in which the Board has a particular interest. These include consultation documents issued by the International Accounting Standards Board (IASB), the IFRS Interpretations Committee and the International Public Sector Accounting Standards Board (IPSASB).
- 3.3 The Board's future work on accounting standards will include leases, revenue recognition and financial instruments.

---

<sup>7</sup> <https://www.gov.uk/government/collections/hmt-financial-reporting-advisory-board-minutes>

Table 2

Accounting standard or reporting issue	Activities during 2014-15	Future work
<i>IFRS</i>		
<i>IFRS 9, Financial instruments</i>	<p>The IASB developed IFRS 9 in three phases from 2009 to finalisation in July 2014 and will replace IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.</p> <p>The Board considered an update paper following the Standard’s finalisation. The briefing, based on the final version of the Standard, considered the public sector implications and highlighted the differences to the current approach.</p>	<p>The initial analysis of the Standard’s adoption and its implications for the public sector, is to be followed by a work plan by the Relevant Authorities in 2015-16 and beyond. This more detailed plan will determine the approach to implementation and identify potential factors which may require consideration of adaptations or interpretations to the Standard for use in the public sector. The Board will continue to closely review the Standard’s implementation process, planned to be adopted within the 2018-19 Financial Reporting Manual.</p>
<i>IFRS 13, Fair Value</i>	<p>The Board continued its work throughout the year with the Relevant Authorities to address the practical difficulties in applying the Standard in the public sector following its decision to delay implementation until 2015-16.</p>	<p>The Board has agreed implementation of IFRS 13 to the public sector from 2015-16 and will keep under review the impact of the adoption.</p>

## REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015

<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
	<p>Extensive further work was undertaken by HM Treasury and CIPFA on the valuation bases to be applied to assets, including assets temporarily not in use, those held for their service potential and are surplus and multi-use property. It had previously been agreed that IFRS 13 would only apply to assets which do not provide services directly to the public but clarification was sought on the treatment of an asset when it is not being used to deliver public services and there is no plan to bring it back into use, with no restrictions on sale and is in effect, surplus. HM Treasury has therefore introduced an additional category when an asset does not meet assets held for sale criteria in IFRS5 and additionally does not meet investment property criteria in IAS 40. Under this category an asset will be measured at fair value using IFRS 13.</p> <p>The Board considered the findings of the consultation exercise with stakeholders held over the summer on the Financial Reporting Manual, and HM Treasury's proposed amendments, and Local Authority Code.</p> <p>The Board agreed the introduction of IFRS 13 into the manuals in 2015-16.</p>	



<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
<i>IFRS 15, Revenue recognition</i>	<p>The Board considered an initial analysis of IFRS 15 following its issue by the IASB in May 2014. The core principles of the Standard were noted and it was agreed that whilst it was difficult to establish the extent of impact before more analysis was done, there could be a potentially significant impact on its application in the public sector context, particularly for entities in the planning process. It was also agreed that a working group made up of representatives of the Relevant Authorities would address the introduction of the Standard and present a high level work plan to the Board before the end of the year outlining the implications and implementation schedule allowing for a planned adoption from 2017-18.</p>	<p>The Board will continue to review the implications of the introduction of IFRS 15 and assess the work plan derived by the Relevant Authorities.</p>
<i>Other issues</i>		
<i>Simplifying and streamlining statutory accounts</i>	<p>In 2013-14 the Board had been supportive of proposals by the Treasury and other Relevant Authorities set out in the Simplifying and Streamlining Accounts project. This project has the objective of improving the quality and usefulness of financial reporting and to improve scrutiny and accountability of reporting entities to Parliament and stakeholders.</p> <p>Further consultation was undertaken in 2014-15 with senior Whitehall officials and Parliament to ensure that key stakeholders were also content with the change in format to government financial reporting and the Board was provided with an update of progress.</p>	<p>The Board will be kept informed of the results of implementation of the new annual report and accounts reporting framework, particularly from both preparers of accounts and key stakeholders.</p> <p>Plans are also on the horizon to consider the concept of a Financial Reporting Manual for some entities, a so called, “FRm light” and the Board asked HM Treasury to consider recent changes to UK GAAP and how or if this could be applied in the public sector.</p>

## REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015

<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
	<p>The Board considered the more detailed overview of plans and subsequent responses to the consultation exercise following the publication of the Project Command Paper. This set out the proposed 3 part revised format to annual report and accounts, that being: a Performance Report, an Accountability Report and finally, Financial Statements. Responses of the consultation were broadly supportive of the Project and the Board agreed to the proposals outlined and then considered the amended Financial Reporting Manual 2015-16, prepared under the new framework, which was also agreed. The new framework will take effect from 2015-16.</p> <p>The Board were also asked to offer views on sustainability reporting within the new framework where more integrated reporting is encouraged. Support was also given to this approach.</p>	
<i>Mid-year reporting</i>	<p>The Board reviewed the outcome of the first year of mid-year reporting by the main departments and considered feedback from both the Liaison Committee and Parliamentary Scrutiny Unit. A good practice example such as that from HMRC was noted and that the exercise could potentially improve financial management and assist in streamlining the year-end account production process.</p>	<p>The Board will appraise further outcomes of mid-year reporting and monitor both improvements to the quality of reports and the engagement and usefulness of reporting.</p>

<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
	<p>Areas of improvements for 2014 were highlighted including the need for greater openness and balance in reporting, and secondly to enhance disclosures around major projects information. HM Treasury then used this feedback to make improvements to guidance issued to departments for the 2014 mid-year reporting exercise.</p> <p>The Board also recognised that mid-year reporting had been received well by Parliament, but greater engagement was still needed and that a “fair, balance and understandable” reporting requirement would improve the quality and usefulness of reports.</p>	
<p><i>Whole of Government Accounts (WGA)</i></p>	<p>The Board was presented with an overview of the Whole of Government Accounts (WGA) 2012-13, published in June 2014, six weeks earlier than the prior year and a significant step towards faster closing.</p> <p>Although the account was qualified on the same basis as the prior year, the Board recognised the significant progress made along with the useful addition of a separate four page summary document.</p> <p>The Board considered a number of substantive issues within WGA including those likely to cause the retention of the qualification in future years but were supportive of the continued efforts by Treasury to remove the qualifications where possible.</p>	<p>The Board will continue to review the ongoing intention of Treasury to remove qualifications on WGA and the continued progress to achieve earlier publication.</p> <p>The Board will also be updated on the notable matters arising from the preparation of WGA and those being discussed at the WGA Advisory Board.</p>

## REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015

<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
<i>Accounting for schools</i>	<p>The Board considered the final amendments to the Code of Practice on Local Authority Accounting in the UK 2014-15 in relation to accounting for local authority maintained schools.</p> <p>The amendments focused on an adaptation to the definition of the single entity financial statements which was subject to a consultation process concluding in April 2014. The outcomes from a joint working group between Treasury and CIPFA/LASAAC concluded that the balance of control lies with the local authority and thus local authority maintained schools should be included in the local authority group boundary.</p> <p>The Board also considered the recommendation within the consultation relating to IFRS 12 which applies to schools to be aggregated in local authorities' financial statements and treat other maintained schools in the same way. These steps will improve consistency with the FReM reporting requirements and may contribute to the removal of one of the qualifications in the whole of government accounts.</p>	<p>The Board will continue to work with CIPFA/LASAAC to provide any additional guidance as deemed necessary.</p>
<i>Discount rates</i>	<p>The Board responded to HM Treasury's review of discount rates under in the financial statements. The Treasury's review was prompted by feedback from users that suggested the use of different rates and frequent updating of those rates (to reflect changes in market conditions) is confusing.</p>	<p>The Board will continue to review any further adaptations proposed to the methodology employed by HM Treasury to ensure they are justified by the public sector context.</p>

<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
	<p>HM Treasury submitted a paper to the Board as part of this analysis with initial conclusions that the financial reporting policy on discount rates could be improved to better reflect the public sector context.</p> <p>The Board advised there was no compelling reason to diverge from the standards and that confusion may be addressed by better disclosure of the effects of discounting aiding comparability.</p>	
<i>Tax and spend schemes</i>	<p>The Board considered a paper presented by HM Treasury providing an update on accounting for imputed tax and spend schemes in departmental accounts. The Board supported HM Treasury's decision not to attempt to adapt IFRS further in order to incorporate these schemes. The Board supports HM Treasury's plans to remove the schemes from Estimates with an alternative accountability arrangement agreed between HM Treasury and Parliament.</p> <p>HM Treasury confirmed that it did not intend to introduce further adaptation to IFRS to account for Contracts for Difference.</p>	The Board will keep under review any work planned by the IPSASB on such hypothecated tax schemes.
<i>European Public Sector Accounting Standards (EPSAS)</i>	The Board received updates throughout the year from HM Treasury on further developments related to the EPSAS project including a meeting of the Relevant Authorities, a Eurostat/PWC fact finding visit, events in Brussels and Eurostat Taskforce meetings.	The Board will continue to be updated on this important project as further developments take place.

**REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015**

<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
	<p>The primary purpose of the project is to improve government finance statistics by ensuring common consistent audited base data established on harmonised standards for Member States.</p> <p>Two major developments were noted the first being a discussion by the Economic and Financial Committee of the European Council to focus on the need to ensure appropriate timing of the project and the scrutiny of the balance of costs and benefits. The second development reported was PWC’s impact assessment findings which highlighted the significant costs involved in adoption of the project.</p> <p>The Board examined other significant areas of concern of some Member States highlighted in the EPSAS update including the complexity and volume of consolidation of entities at a local level in individual states and the anticipated move away from historic cost asset valuations under a new reporting regime. Consideration of how this impacts on the UK’s existing reporting framework.</p>	
<i>Conceptual Frameworks</i>	<p>The IASB and IPSASB Conceptual Frameworks are being changed respectively and details were presented to the Board.</p>	<p>The Board will continue to scrutinise the results of a consultation exercise by the IASB and potential changes to the Conceptual Framework.</p> <p>The Board plan to undertake a further review of the IPSASB Conceptual Framework project as it progresses and will compare terms used with those of the IASB to identify substantive differences.</p>

<b>Accounting standard or reporting issue</b>	<b>Activities during 2014-15</b>	<b>Future work</b>
	<p>HM Treasury gave an overview of a discussion paper released in 2013 by the IASB and the areas of focus including definitions of assets and liabilities, recognition and derecognition of assets and liabilities, measurement, presentation and disclosures. However, it was noted that these proposals did not lead to incompatibility of continued use of IFRS in the UK public sector.</p> <p>The IPSASB Conceptual Framework project was also examined in relation to the impact on public sector financial reporting particularly with regard to key questions of “other economic phenomena” (with a potential to recognise other resource and obligations) and concepts of measurement and evaluation techniques.</p>	

## REPORT FOR THE PERIOD APRIL 2014 TO MARCH 2015

Table 3

<b>Accounting standard or reporting issue</b>	<b>Board meeting where the accounting standard or issue was discussed</b>			
	<b>3 April 2014</b>	<b>19 June 2014</b>	<b>27 November 2014</b>	<b>26 March 2015</b>
<b><i>IFRS</i></b>				
<i>IFRS 9, Financial instruments</i>			✓	✓
<i>IFRS 13, Fair Value</i>	✓	✓	✓	
<i>IFRS 15, Revenue</i>			✓	✓
<b><i>Other issues</i></b>				
<i>Simplifying and streamlining statutory accounts</i>	✓	✓	✓	
<i>Mid-year reporting</i>	✓	✓		✓
<i>Whole of Government Accounts (WGA)</i>		✓		
<i>Accounting for schools</i>	✓			
<i>Discount rates</i>	✓			✓
<i>Tax and spend schemes</i>	✓			
<i>European Public Sector Accounting Standards (EPSAS)</i>	✓	✓	✓	
<i>Conceptual Frameworks</i>		✓		