



Financial Reporting Advisory Board Paper

Minutes of the 137th FRAB meeting and matters arising

Issue:	For information – minutes of the 137 th meeting held on the 06 th of September 2019 and matters arising.
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
IPSAS compliant?	N/A
Interpretation for the public-sector context?	N/A
Alignment with National Accounts	N/A
Impact on budgets/estimates?	N/A
Recommendation:	The Board is requested to note the minutes of the 137 th meeting and to note the matters arising
Timing:	N/A

Detail

1. To note the minutes of the 137th FRAB meeting which were circulated and approved by email after the meeting (Annex A)
2. Matters arising are noted below:

Matters arising

Paragraph	Issue	Action
5	HMT to provide further clarity around the 'comply or explain' approach in the FReM	Wording around the 'comply or explain' approach was amended before the consultation weren't live on the 13 th September
8	HMT to make some minor changes to Chapter 1 of the FReM exposure draft	Changes were made before the consultation went live on the 13 th September
11	HMT to restructure and partially rewrite Chapter 2 of the FReM exposure draft	Chapter 2 of the FReM was revised before the consultation went live on the 13 th September
16	HMT to present guidance on the production of Staff Turnover Data to FRAB at the November meeting.	This will be presented to FRAB as part of the agenda item on the 20-21 FReM.
17	HMT agreed to discuss chapter 8 relating to IFRS 16 at the November meeting	An agenda item for IFRS 16 has been added to the November FRAB meeting
19	HMT agreed to hold a date for an additional FRAB meeting in December	December the 5 th has been provisionally held
20	HMT agreed to review and recirculate consultation questions before publication	Question have been reviewed, recirculated and published

Financial Reporting Advisory Board Meeting 137

6th September 2019: Minutes

Location: HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Time: 11:00am – 1:00pm

Attendees: Lynn Pamment (Chair)

Vicky Rock	Richard Barker
Gareth Davies	Iain King
Larry Honeysett	Ian Ratcliffe
David Aldous	Ian Webber
Bob Richards	Joseph McLachlan
Pam Beadman	Anthony Appleton
Stuart Stevenson	Gawain Evans
Andrew Buchanan	Gareth Caller

On the phone:

Fiona Kordiak, Chris Young, Aileen Wright,

Secretariat:

Vikki Lewis,

Apologies Received:

Craig Mackinlay, Karl Havers

Agenda:

Item	Presented by	Time	Paper
1. Minutes and matters arising	Chair	11:00	FRAB 137 (01)
2. Revised FReM 2020-21 and consultation	Ruth Ward	11:05	FRAB 137 (02)
3. Statement of Parliamentary Supply thematic review and suggested revisions	Sam Calvert	12:20	FRAB 137 (03)
4. IFRS 9 and 15 post implementation review – update	Vikki Lewis	12:45	FRAB 137 (04)
5. AOB	Chair	12:55pm	

Introduction

1. The new Chair welcomed members.

Agenda Item 1: Approval of minutes

2. The Board approved the previous meeting's minutes and the matters arising. One small clarification was made in order to reflect all attendees at the previous meeting.

Agenda item 2: Revised FReM 2020-21 and consultation

3. The Board was introduced to the draft FReM 2020-21 and consultation document. Board members first put forward overarching comments, including concerns that the draft text implied an inappropriately low barrier for divergence from the accounting requirements of the FReM, before moving on to the individual chapters of the FReM, and then concluding by feeding back on the consultation.
4. There was general support for the improvements proposed to the FReM. Board members were happy with the inclusion of PES paper guidance, and the new chapters 2 and 3 on principles and narrative reporting. Board members discussed whether it would help to include a checklist for departments to encourage them to review and apply these chapters every year but concluded that this would not be appropriate. The enhanced guidance is one of a range of tools to help improve reporting.
5. Caution was urged in applying a 'comply or explain' approach and it was agreed that the FReM would make clear what elements were mandatory and any potential loopholes would be closed.
6. The Board agreed that Parliament is the primary user of government annual reports and accounts. If there is any conflict between the needs of different users, the needs of Parliament come first. However, there should be a presumption that applying the FReM, in particular its accounting requirements, will lead to reporting that meets the needs of Parliament.
7. The Board moved on to discuss the individual chapters of the FReM.

8. The Board requested several minor amendments be made to Chapter 1 including adding in Scotland as a reference in paragraph 1.4 and the reworking of the scope section to sit at the top of the purpose section. It was also agreed to introduce a more consistent terminology, following the usages found in the Finance Function standard and elsewhere. This will include consistency on the difference between 'guidance' and 'requirement'.
9. The Board discussed Chapter 2. HMT agreed to take on suggestions around wording in 2.4.2, 2.4 and 2.3.3 including "goals" and "purposes" being used interchangeably and adapting wording to specify where financial statements were being referred to rather than ARA's.
10. HMT also agreed to make the guidance very explicit in outlining which elements of the guidance applied to which bodies and which sections of the ARA were being referred to, bringing forward the relevant diagram to the start of the chapter.
11. The Board suggested strengthening the distinction between Chapter 2 and other chapters of the guidance. There was also agreement to clarify where the cost of reporting could be considered and that this did not apply to mandatory reporting requirements. HMT agreed to restructure and partially rewrite this chapter as suggested. Board members offered to send detail on this suggestion through.
12. The Board discussed Chapter 3 and recommended changing the term 'boilerplate' when discussing the use of standardised language in annual reports and accounts. Board members also asked for an added point in 3.5 to say that design choices and graphics should not mislead readers, and for additional emphasis on the importance of reports being 'fair, balanced, and understandable'.
13. Discussion then focused on Chapter 4. The board asked whether it would be useful to make a decision tree out of paragraph 4.3 to help clarify what aspects apply to what entities. Board members agreed that this could be useful at some future point but is not necessary for this version and will need careful consideration to avoid losing nuance.
14. The Board also discussed a large amount of detailed editorial changes to specific paragraphs including enhanced links with chapter 2 and making 4.2.8-9 a new paragraph and making it clearer where wording relates to financial statements, rather than the annual report. The Board agreed to send further detailed comments and suggested changes by email.
15. The Board discussed Chapter 5. Discussion focused on ensuring that the references to financial information was only relevant to the performance report rather than the financial statements, and the importance of consistency and reconciliation between the figures. HMT agreed that they wished to avoid duplication in reporting and clarified the requirement to report on sustainability. Board members again agreed to send through further suggestions, including wording on performance reporting in Wales and on SoPs changes
16. Chapter 6 was then discussed by the Board. HMT explained that the disclosure of turnover data was not an entirely new reporting requirement overall and would not be audited, and that data disclosed in ARAs should be consistent with figures

currently reported to Cabinet Office and published in elsewhere. It was agreed that this would be revisited in November

17. On Chapter 8 some application matters relating to IFRS 16 *Leases* were noted for potential discussion at November's meeting
18. The board discussed the consultation itself. HMT explained that the changes would be made to the FReM following the meeting and that the feedback and detailed suggestions had been very helpful. HMT explained that while the 6-week consultation period was tight, they had undertaken considerable outreach work with users and preparers over the summer and that if a proposed change appeared contentious, it could be removed. HMT also explained that late consultation responses would be considered.
19. The Board agreed that a 6-week timeline was tight. They discussed whether the period could be extended and an additional FRAB meeting held in December and agreed to hold a date in case this was needed.
20. The Board explained that the consultation itself may have too many questions and that potential improvements could be made to avoid repetition and too many soft questions. HMT agreed to review and reduce the number of questions as well as adding a new question on whether any new or additional data had to be gathered as a result of the changes, as well as editing the draft to make it clear which SoPS changes related to 2019-20 and which to 2020-21. HMT agreed to circulate the revised questions to the Board ahead of publication.
21. The Chair concluded by advising that the consultation could go ahead as planned if the changes that had been suggested to the draft 2020-21 FReM and consultation document were made. HMT thanked the Board for their input on the chapters and the consultation and agreed to make revisions based on their suggestions.

Agenda item 3 – Statement of Parliamentary Supply thematic review and suggested revisions

22. The Board received an update from HM Treasury on the thematic review of the Statement of Parliamentary Supply (SoPS). The Board was provided with a paper prior to the meeting which detailed the progress so far. The Board noted the progress made and that the proposals resulting from the review had already been covered as part of the discussion on the revised 2020-21 FReM and consultation.

Agenda item 4 – IFRS 9 and 15 post implementation review – update

23. The Board heard an update on work ongoing on the post implementation review of IFRS 9 and 15. HMT asked if there were any significant issues that can be fed into the FReM with a fuller update on the IFRS 9 and 15 review due in the next FRAB meeting. Board members agreed that while this been a major issue in the private sector despite few qualifications, and it would be interesting to see the extent to which entities had revised their accounting policies. The Board raised some concerns around how the FReM defines what is contractual and where there were things akin to contracts in the public sector. The Chair explained how the FASB were looking at this area.

Agenda item 5 – AOB

24. The chair thanked the board for their attendance and looked forward to their next meeting in November.