



HM Treasury

Financial Reporting Advisory Board

User and Preparer Advisory Group update

Issue:	To provide the Board with a summary of the third meeting of the User and Preparer Advisory Group held on 2 nd March 2020.
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public sector context?	N/A
Impact on budgetary and Estimates regimes?	N/A
Alignment with National Accounts	N/A
Recommendation:	The Board is invited to note the discussion points from the third meeting of the User and Preparer Advisory Group.
Timing:	Ongoing.

DETAIL

Background

1. The User and Preparer Advisory Group is a forum for users and preparers of government financial reporting to discuss developments within the financial reporting landscape.
2. The Group meets three times a year. This meeting was the first in 2021 and held on 2nd March. The UPAG meetings will now mirror the FRAB timetable.

3. FRAB agreed there would be no direct governance relationship between FRAB and the Group, but that FRAB would receive sight of the discussion points from each meeting and the forward plan.
4. Discussion at the Board effectiveness review meeting on 6th November, noted the importance of access to feedback from users and the User Preparer Advisory Group is one route of access.

Summary and recommendation

5. The group's discussion at this meeting focussed on receiving updates from members including HM Treasury, The Institute for Government and the Institute of Chartered Accountants in England and Wales (ICAEW). The group received updates on the Covid-19 report, FReM changes, Best Practice examples, Non-financial reporting, Sustainability reporting, the data bites project and an ICAEW update.
6. The group appreciated the ongoing creation of the best practice examples report and agreed that the document would be very useful when producing the 2020-21 ARA's. The group were encouraged to provide suggestions and feedback on the report produced.
7. The draft minutes from the meeting are shared with the Board below (Appendix 1) however, please note whilst these have been shared with the Group's members, they are still to be formally agreed by the User Preparer Advisory Group and are being shared in confidence. Once formally agreed by UPAG at the next meeting, they will be published on gov.uk.
8. A copy of the Group's forward plan is also attached (Appendix 2) for information following a request made at the Board's meeting in November.
9. The Board is invited to note the contents of this paper but is also invited to make any comments on the discussion points from the third meeting of the User and Preparer Advisory Group.

Appendix 1

**SUBJECT TO UPAG AGREEMENT – SHARED IN CONFIDENCE NOT TO BE
PUBLISHED UNTIL AGREED BY UPAG**

Government Financial Reporting User and Preparer Advisory Group Agenda

Date: 2nd March 2021
Time: 13:30 – 15:30pm
Location: Virtual

Time	Item	Presenter	Associated Paper
13:30	Welcome and minutes from the last meeting	Andrew Buchanan, Chair	UPAG 3 (1)
13:35	Covid-19 Report	Max Greenwood/Sally King	UPAG 3 (2)
13:55	Overview of the changes to the FReM	Sudesh Chander	UPAG 3 (3)
14:05	Best practice examples report	Libby Cella	UPAG 3 (4)
14:20	Non-financial reporting landscape	Chris Willcox	UPAG 3 (5)
14:35	Sustainability reporting	Max Greenwood	UPAG 3 (6)
14:50	Data bites project update	Gavin Freeguard	Slides tabled at meeting
15:05	ICAEW update	Henning Diederichs	Oral update
15:20	Forward look agenda	All	UPAG 3 (7)
15:25	AOB	Andrew Buchanan, Chair	

Attendees:

Andrew Buchanan, Chair
Andrew Firth, BEIS
Alex McNeill, DfT
Andy Carter, HMRC
Helen Creeke, TNA
Jane Piccaver, Natural England
Henning Diederichs, ICAEW
Alison Ring, ICAEW
David Heald, University of Glasgow
Gavin Freeguard, independent consultant to
the Institute for Government

Debbie Paterson, HFMA
Cassie Staines, Full Fact
Sarah Sheen, CIPFA
Ed Hammond, CFPS
Larry Honeysett, Parliament
Max Greenwood, HMT
Chris Willcox, HMT
Libby Cella, HMT
Sally King, HMT
Sudesh Chander, HMT
Vikki Lewis, HMT

Item 1: Welcome and minutes from the last meeting

1. The Chair welcomed the Group and thanked members for taking the time to join the meeting.
2. The Group briefly discussed the minutes of the last meeting, as comments had already been taken on board from members beforehand. The group raised a minor comment on paragraph 5 and 6 questioning the use of, 'ministers' rather than 'members'. HM Treasury agreed to update this correctly.

Item 2: Covid-19 report

3. HM Treasury presented slides on the purpose and scope of the Covid-19 impact report undertaken to consider the challenges experienced in the 2019-20 central government financial reporting cycle and the support measures that were offered to reduce the reporting burden.
4. HM Treasury highlighted that additional guidance had been issued in May 2020 to support reporting entities for the 2019-20 reporting year in respect of the issues faced as a result of the pandemic as well as other matters such as EU exit. However, many departments were well advanced in preparing their annual reports and accounts (ARAs) after the updated guidance was released but this was because of the timing of the pandemic hitting in late March 2020.
3. HM Treasury explained the engagement with government bodies through the Resource Accounts Special Interest Group (RASIG) to gather feedback through a 'Post-implementation review' survey. It was highlighted that departments found it difficult to meet the administrative deadline to lay the 2019-20 accounts before 30th June 2020, and early discussions with the NAO make it clear that there will be similar challenges for 2020-21.
4. HM Treasury presented slides on performance reporting measures and supplementary guidance. The discussion moved on to highlighting that the overall level of performance reporting remained good as reflected from a sample of the 2019-20 ARAs that were assessed by HM Treasury.
5. The reduced reporting measures and guidance for 2020-21 ARAs were outlined. These were similar to those offered in 2019-20 and have already been approved by FRAB and notified to Parliament.

6. The group appreciated all the measures that have been put in place to support the production of ARAs for 2019-20. HM Treasury was asked how the annual reporting for 2020-21 would be different to 2019-20 and whether there will be a need to provide more guidance to departments on reporting significant amounts of Covid-19 funding in relation to performance. HM Treasury explained to the group that there has been a real focus within the additional guidance provided to departments to ensure departments link Covid-19 expenditure to the outcomes achieved. A preparer member of the group confirmed the direction was indeed clear in the guidance on this matter.
10. The Group went on to discuss sustainability reporting. It was confirmed that HM Treasury is responsible for the sustainability reporting guidance for reporting within the ARAs and liaise with the Cabinet Office, Defra and BEIS to incorporate all areas from each policy lead.
11. Plans to broaden the level of sustainability reporting in the future were outlined, as well as the ongoing commitment to incorporate targets against the Government Greening Commitments (GGCs) set by Defra. The Group noted that, due to the impact of the pandemic, the cross government GGCs report published by Defra had been delayed.
12. The Group discussed the aspirations of being able to lay the ARAs earlier in 20-21 but the ongoing challenges of the pandemic and proposed timetable of the audit cycle is not always supporting this ambition. HM Treasury has been in communication with the NAO regarding the proposed timeline for 2020-21, which indicates that for many entities, a 2-year recovery plan for laying pre-recess is anticipated but the NAO is working to deliver laying as soon as possible.
13. The Group also discussed how the e-laying process was useful and questioned whether this would be considered going forward. HM Treasury explained that they were keen to support ongoing e-laying, however there are some limitations due to the requirements of the Parliamentary Journal Office.
14. A further point was also raised regarding PPE valuations. Asset portfolios undergoing quinquennial valuations may receive a valuation with a 'material valuation uncertainty' clause, which could lead to an emphasis of matter paragraph being included in the audit opinion. The FReM suggests quinquennial valuations as a valuation cycle. HM Treasury responded that they may include additional guidance on OneFinance on this issue and would continue discussions offline.
15. The Chair highlighted the deferral of mandatory IFRS16 implementation to 2022-23. Furthermore, he noted that the first 3 months of 2020 prior to the pandemic, reflected relative normality, whereas this year the accounts preparation process and audit is being conducted remotely. HM Treasury confirmed the ability for departments to lay accounts in a timely manner and implement IFRS 16 in 2022-23 is being closely monitored.

Item 3: Overview of the changes to the FReM

16. HM Treasury provided the Group with an overview of the changes to the 2020-21 and 2021-22 FReMs and set out the background to the updates and work undertaken to date. It was highlighted that the changes have been approved by FRAB at the November 2020 meeting.
17. Discussion followed regarding the removal of reporting against Single Department Plan (SDP) objectives and to reporting on performance against an entity's 'strategic objectives' instead. The update also went on to highlight the new best practice disclosures of reporting on the diversity and inclusiveness of an entity's workforce and their provision of services. HM Treasury made it clear that these are not mandatory, however they have been added to encourage improved reporting in this area.
18. HM Treasury moved on to explain the key updates of the 2021-22 FReM, mostly centred around IFRS 16 implementation and aligning remuneration reporting in the FReM to the requirements of the Large and Medium Sized Companies and Groups Regulations 2008. It was highlighted that there will be an addendum to the 2021-22 FReM with the IFRS 16 guidance, however early adopters will receive guidance this year separately.
19. The Group queried the reason for removing the requirement to report against SDPs. HM Treasury confirmed the performance reporting framework is being updated from 2021-22 and in the interim period, entities will need to report against their 'priority outcomes' as agreed at SR 20.

Item 4: Best practice examples report

20. HM Treasury circulated the Government Financial Reporting Review Best Practice Examples Report 2019-20 prior to the meeting and gave a short overview of the draft publication's contents. HM Treasury encouraged members of the Group to provide feedback on the examples used, and whether they had any suggestions for improvement.
21. The Group questioned how HM Treasury would communicate to departments when this report was published. HM Treasury explained that there would be a link published on OneFinance and account preparers will be informed. It was also advised that the NAO has recently published a report on 'good practice' with similar examples.
22. The group appreciated the ongoing creation of the report and agreed that the document would be very useful when producing the 2020-21 ARAs.

Item 5: Non-financial reporting landscape

23. The Group received an update from HM Treasury regarding the non-financial reporting landscape and outlined that there are a variety of different frameworks available with no one standard setting body in place.
24. The Group supported the idea of aligning with the private sector for comparability and incorporating best practice into government reporting where possible.
25. The Group also went on to discuss the timing of non-financial reporting, after reading the FRC report on this matter. It was highlighted that some of this

reporting does not have to be included in the ARA, and the process of having one point in the year to prepare financial information and larger amounts of non-financial information does place a lot of pressure on preparers. Rather, it may be appropriate for some non-financial reporting to sit outside of the ARA.

26. The Group identified the non-financial reporting landscape was rapidly evolving in the private sector and agreed it required monitoring. HM Treasury stated to the Group it will continue to monitor the landscape as part of ongoing work on non-financial reporting.

Item 6: Sustainability reporting

27. The group received an update on sustainability reporting from HM Treasury. This included the GGCs, previous non-compliance, cross-government developments and improving the guidance.
28. The expected major changes to the Sustainability Reporting Guidance (SRG) were highlighted and that there had been communication with BEIS regarding moving towards the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and bringing in those standards for the private sector.
29. HM Treasury updated the Group on improving the clarity in the SRG and highlighted potential future proposals to help preparers with sustainability reporting.
30. HM Treasury reported that the new performance framework would have a mandated sustainability enabler to report against. Further, HM Treasury advised of a central team within the Cabinet Office managing government property, who can provide advice.
31. The Group also went onto discuss how NHS bodies follow separate guidance on sustainability reporting. The Group is keen for these entities to be kept informed as the guidance progresses. HM Treasury confirmed the guidance will be updated to improve clarity of requirements and a move towards better commentary with explanatory analysis.
32. The Chair agreed that TCFD seemed to be the most scalable of the current frameworks and is also consistent with the direction of movement for the UK as a whole.

Item 7: Data bites project update

33. The Group was given an update from Gavin Freeguard on the Data Bites events series, which is made up of people across government presenting about the better use of data.
34. It was explained to the Group the basis for hosting these types of events, including sharing interesting government data projects, bringing people together with an interest in data and how to use data more effectively.
35. The Group was informed on the frequency of the events and shared some links from the data bites page on previous events. He kindly invited members of the

Group to attend or present at an event in the future. The Group showed a keen interest in attending.

Item 8: ICAEW update

36. The Group received an update on ICAEW's public sector work presented by Henning Diederichs. It was highlighted that one of the major themes the ICAEW is working on is around local authority audit. Henning outlined the issues facing the local authority audit market, including audit fees, resourcing challenges and delays in completing local authority audits.
37. ICAEW are acting as the facilitator to keep things moving forward for the local authorities' sector.
38. Henning noted several reports had been released by government on financial management issues, such as the Balance Sheet Review and the Greenbook Review. The ICAEW is looking at next steps following the publication of these reports and how the findings from the reports improve public sector financial management.
39. Henning highlighted the review ICAEW undertook comparing IPSAS with IFRS. The Group agreed that the IPSAS vs IFRS review that has been published was helpful. Henning also highlighted the work IPSAS have done on creating a standard to cover grantor accounting.

Item 9: Forward look agenda

40. The Group received a proposed forward look plan prior to the meeting covering the next three UPAG meetings and invited comments or suggestions from members.
41. The Chair suggested a standing item on international developments on non-financial reporting, which HM Treasury agreed to add.

Item 10: AOB

42. There were no items of other business, and the Chair thanked the Group for their participation.

Date of next meeting: TBC but expected in June 2021

Appendix 2

User Preparer Advisory Group meeting 3
2nd March 2021
Forward look plan – DRAFT

June 2021	November 2021	March 2022
New departmental planning and performance framework	Sustainability reporting update	2020-21 Best practice examples report
Update on the central government reporting and timetable	Developments in non-financial reporting	Thematic reviews
Thematic reviews	Whole of Government Accounts update	Relevant Authorities Working Group update
Sustainability reporting update	Non-financial reporting landscape update	Member updates – as needed
Developments in non-financial reporting	<i>*National Audit Office update – invitation yet to be made</i>	Developments in non-financial reporting
Member updates – as needed	Member updates – as needed	
Relevant Authorities Working Group update	FRAB update	

*To be confirmed