HM Treasury

Financial Reporting Advisory Board Paper

Minutes of the 145th FRAB meeting and matters arising

Issue:	For information – minutes of the last 145th meeting held on 18th November 2021 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 has already provided comments on the minutes of the 145th meeting by email but to note the matters arising
Timing:	N/A

Detail

1. To note the minutes of the 145th FRAB meeting which were circulated, and comments received by email after the meeting (Annex A)
2. Matters arising are noted below:

Matters arising

Paragraph	Issue	Action
14	Board members interested in knowing what the alternative plan will be if system changes for Oscar 2 cannot run years in parallel.	Cleared. Oscar 2 solution to be issued shortly and update agenda item 10.
24	CIPFA colleagues agreed to share detail of the ITC responses on the PPP issues as part of the Treasury guidance with RAWG.	Cleared. PPP guidance shared with RAWG and CIPFA has had opportunity to provide feedback from ITC.
31	Set up training on the financial reporting framework in the Devolved Administrations through RAWG.	Cleared. Training arranged for 25th April.
39	NAO to raise concerns over consistency issues in interpretations of assessing UK schemes with the other audit bodies.	Cleared. NAO raised through discussions between audit institutions.
43	Welsh government to arrange a discussion with auditors to determine clear expectations.	See agenda item 3– update from Devolved Nations
54	Health sector colleagues to share the pre-consultation version of the 2022-23 GAM in late January and then at the March meeting.	Cleared. Shared with FRAB 28th January 2022 plus see agenda item 6
58	Health sector colleagues to share the GAM in advance if there are any contentious issues.	Cleared. See above, shared in January.
62	HM Treasury to review the wording for the asset transfers clarification in the 2021-22 FReM.	Cleared. HMT updated and the FReM was published on GOV.UK.
63	HM Treasury to review the rationale for the exclusion of pension benefits from fair pay disclosures in the 2021-22 FReM in due course and return back to the Board.	Rationale set out below but may return to the Board in November as part of in-year updates to the FReM if needed: Pension pay policy is not generally within the control of government entities, so changes in pay ratios due to pension movements do not provide information on the decisions made by individual entities on pay policies. The existing practise of excluding pension benefits allows the ratios to focus on the elements of pay which are within the control of the reporting entity, and therefore provides a more useful set of

		disclosures to Parliament and other users of the accounts.
64	HM Treasury to check whether the inclusion of 'Ministers' within fair pay disclosures in the 2021-22 FReM is correct.	Cleared. HMT updated and the FReM was published on GOV.UK.
68	HM Treasury to check if the illustrative statement for Department Yellow on remote contingent liabilities should include reference to the new accountability reporting requirement added to the 2022-23 FReM.	Cleared. HMT added this and the FReM was published on GOV.UK.
69	HM Treasury to review the wording of measurement of assets and how they are initially recognised in relation to IFRS 16.	Cleared. Wording updated.
70	The Board was requested to send further drafting points for the FReMs to HM Treasury by 26th November.	Cleared. Received with thanks. The FReM was published on GOV.UK in December.
80	HM Treasury to consider the merits of mandated disclosures of IFRS 17.	See agenda item 8
84	HM Treasury to set out a final argument for the potential adaptation to remove confidence level disclosures in a paper.	See agenda item 8
86	The Board need to consider what is business as usual when implementing new standards in the public sector.	See agenda item 8
89	HM Treasury to develop a more informed decision with a plan in place for the deferral of IFRS 17 to take to the March meeting.	See agenda item 8
95	HM Treasury to articulate the approach of IPSAS 42 more clearly in the FReM or alternative guidance.	In progress. Discussions with RAWG and other stakeholders. Proposed wording being developed. To come to the Board later in the year.
98	HM Treasury to consider government grants when there are nil considerations and what the accounting will be for the longer-term piece of work on IFRS 9.	In progress. HMT is liaising with the NAO and monitoring the impact of the IFRS 9 adaptation and will assess its benefit and ease of implementation to shape plans on expansion to include all financial instruments.
100	HM Treasury to bring the broader issues of IFRS 9 to a future meeting where necessary.	See item 98 In progress. HMT expected to bring

		to FRAB in June (or November, departmental laying dates dependent) potential IFRS 9 plans for comment as part of the longer-term work on IFRS 9
103	HM Treasury to return to the Board with a request to consider whether the financial instrument discount rate should also be updated on an annual basis, in line with general provisions.	In progress. HMT has worked with departments impacted by the update of the FI discount rate and expect to bring the formal request to FRAB to update in June
114	HM Treasury to update the work plan with reviewing audit qualifications and the actions from this meeting and circulate an out of meeting paper.	Cleared. Review of 20-21 audit qualifications and forward look agenda item 2 and action plan updated agenda item 12
116	The Board was requested to send comments to HM Treasury on the FRAB effectiveness review questionnaire by 10th December.	Cleared. Comments were received and the updated questionnaire was issued to members – see results agenda item 12
117	Determine whether training from the health sector and audit institutions is wanted by members.	**Outstanding** - FRAB members still to confirm. May discuss during item 12 Effectiveness review. Training by the Devolved Authorities to take place on 25th April. Training sessions already provided by HMT & CIPFA.
`122	HM treasury to proceed with the thematic review on whether under IAS 16 assets should be held at valuation or cost. Also requested members thoughts on this.	In progress – Update as part of AOB

Annex A

Financial Reporting Advisory Board Meeting November 2021: Minutes

Location: Virtual

Time: 09:30am – 04:30pm

Attendees:

Aileen Wright
Alex Knight
Andrea Pryde
Bob Richards
Conrad Hall
Gareth Caller
Gawain Evans
Iain King
Ian Ratcliffe
Ian Webber
James Osborne
Jenny Carter
Jen Nichols
Joseph McLachlan
Karl Havers
Kathryn Allen
Lynn Pamment
Michael Metcalf
Michael Newbury
Michael Sunderland
Sarah Sheen
Shiva Shivakumar
Steven Cain (CIPFA)
Stuart Stevenson
Suzanne Walsh
Chris Wilcox (HMT)
Libby Cella (HMT)
Max Greenwood (HMT)
Sally King (HMT)
Sudesh Chander (HMT)
Hannah Oliver (HMT)
Louise Roberts (HMT)
Vikki Lewis (Secretariat)

Eleanor Roy – guest presenter for CIPFA Sustainability agenda item

Notes and Apologies:

Andy Brittain – unable to attend, Jen Nichols deputised
Craig Mackinlay – unable to attend
Karen Sanderson – unable to attend
Pam Beadman – unable to attend

Agenda:

	Item	Presented by	Time	Paper
1.	Welcome, minutes and matters arising	Chair	9:30	FRAB 145 (01)
2.	WGA 2019-20 and 2020-21 update	Louise Roberts (HMT)	9:40	FRAB 145 (02)
3.	CIPFA/LASAAC update	Conrad Hall	9:55	Verbal update
4.	CIPFA – Code 2022-23 developments	Karen Sanderson	10:10	FRAB 145 (04)
5.	Local government sector update including the Redmond Review	Karen Sanderson	10:25	Verbal update
6.	Devolved Administrations – reflections on the 2020-21 reporting cycle	Gawain Evans, Stuart Stevenson & Aileen Wright	10:40	Verbal updates
	Break		11:00	

7.	NAO reflections on the 2020-21 audit round and forward look	James Osborne	11:15	FRAB 145 (07)
8.	Devolved Administrations Audit Institutions reflections on the 2020-21 reporting cycle and forward look	Suzanne Walsh	11:30	Verbal update
9.	DHSC sector update & GAM pre-consultation notice	Andy Brittain (DHSC) & Ian Ratcliffe	11:40	Verbal update
10.	FReM 2021-22 in year update and FReM 22-23 with illustrative statements	Sudesh Chander (HMT)	12:10	FRAB 145 (10)
	Lunch Break		13:00	
11.	IFRS 17 update	Sudesh Chander (HMT)	13:45	FRAB 145 (11)
12.	Accounting for social benefits - IPSAS 42 Social Benefits and IFRS	Hannah Oliver (HMT)	14:15	FRAB 145 (12)
13.	IFRS 9 adaptation – follow up	Chris Willcox (HMT)	14:40	FRAB 145 (13)
14.	Discount rates	Chris Willcox (HMT)	15:05	Verbal update
	Break		15:15	
15.	CIPFA Sustainability update	Eleanor Roy	15:30	FRAB 145 (15)
16.	Sustainability working group update	Max Greenwood (HMT)	15:50	FRAB 145 (16)
17.	Forward look agenda	Vikki Lewis (HMT)	16:10	FRAB 145 (17)
18.	AOB - FRAB effectiveness review updated questionnaire - FRAB member training - Asset valuation	Chair	16:15	
	Close		16:30	
	Papers to note only:			
19.	Relevant Authority Working Group Update			FRAB 145 (19)
20.	User Preparer Advisory Group Update			FRAB 145 (20)
21.	IFRS Interpretations Committee summary judgements			FRAB 145 (21)

Agenda Item 1: Welcome, minutes and matters arising

1. The chair welcomed members to the 145th FRAB meeting and extended a warm welcome to the newly appointed members, Shiva Shivakumar and Alex Knight, to their first meeting.
2. The Board was asked for any further comments on the minutes of the previous meeting which had already been circulated. Matters arising were also considered.
3. The chair queried whether the action for Welsh colleagues to have a discussion offline with DHSC (and the Scottish Government) on how to reach a pre-recess timetable where the

reporting entity has a large number of subsidiary bodies was completed. It was confirmed that this is no longer an issue and can be marked as not requiring further action.

4. The Board approved the previous meeting's minutes, and the matters arising.

Agenda item 2: Whole of Government Accounts (WGA) 2019-20 and 2020-21 update

5. The Board was presented with an update on the WGA, which included detail on the progress of the 2019-20 timetable, improvements to the 2019-20 accounts and the outlook for 2020-21.
6. It was confirmed to the Board that the WGA team is working towards publication of the 2019-20 WGA in February 2022. WGA colleagues outlined that the delay has given them the opportunity to update the performance report in line with best practice set out in the Government Financial Reporting Review. The Board also learnt that the preparation for the 2020-21 accounts will begin in March 2022, with the current aim to publish in Autumn 2022.
7. Members expressed concern on the ongoing delay of the publication and how the timetable will revert back to as it was before and achieve earlier publication. The Board challenged whether the WGA is prioritised like it was previously, and whether a cultural change and more active engagement is needed to get back on track. HM Treasury outlined that the PAC is very engaged in moving the timetable forward, including working with other stakeholders on the timeliness of local government accounts. It was also highlighted that specific measures DLUHC will take on the timeliness of local government accounts are still being worked through.
8. HM Treasury explained to the Board that the WGA is principally an accountability piece. The value it has is in prompting discussion of all matters relating to public spending and the state of public finances, however it is not equivalent in value to a forecast.
9. The Board acknowledged that OSCAR 2 has been a vast improvement compared to previous collection tools, however raised concerns on the length of time it is taking for the tool to be finalised. It was outlined that from a preparer perspective the data tool wasn't available to input data on time, and individuals that were trained on OSCAR 2 may have left with the potential loss of corporate memory.
10. HM Treasury acknowledged year 1 system implementation issues have exacerbated delays, however a significant amount has been learnt from this and it is expected that the data submission will be easier next year.
11. Members queried the request for covid-19 information in the WGA and whether this is the right mechanism for reporting information since it will be so outdated. HM Treasury confirmed that where possible the most up to date 2020-21 information will be incorporated, as well as using published OBR data as a source of information in respect of covid.
12. The Board highlighted that it would be useful to receive feedback on the NAO timetable and be informed when guidance is expected to be issued, in order to plan for the 2020-21 WGA.
13. A Board member raised that it would be helpful to understand what the systemic issues are, and which of these are within Treasury's control and which of these are not. Treasury colleagues responded that there is a collective responsibility, as the timeliness of the WGA is dependent on underlying entities. It was stated that Treasury has a collective plan for central government, which the FLG supports, however it does not have direct responsibility over local government- instead DLUHC does. Despite this, Treasury colleagues reiterated that it is still engaged on the issues in the local audit market.
14. Members questioned the practicality of publishing two sets of accounts in 2022, as it is clear that a significant amount of work is required to prepare the WGA. Treasury colleagues

agreed that this is a challenge, however, are confident that this is the timetable that should be worked towards. The Board expressed interest in knowing what the alternative plan will be if the system changes cannot run years in parallel.

Agenda item 3: CIPFA/LASAAC update

15. The Board received a verbal update from the CIPFA/LASAAC Chair, who provided a brief overview on the consultation, possible issues and strategic plan.
16. The CIPFA/LASAAC Chair informed the Board that a future project will be to look at the Code structure itself, as it has been previously raised that local authority accounts are unduly long and complex. Though, it was clarified that this reflects the Code setting the framework which consists of 394 pages. The CIPFA/LASAAC Chair reiterated that this is not an issue for 2022-23, however it will be something that will come up in the future.
17. The Board was reminded of the CIPFA training session taking place on the 24th November, which will build awareness on the local authority framework for accounting and financing. The CIPFA/LASAAC Chair encouraged members to attend where possible.
18. The Board learnt that less than 1 in 4 local authorities completed their audited accounts as of the end of October. It was highlighted that covid has had some impact on the delay, however it is expected that this will not have such a significant impact in the future.
19. The CIPFA/LASAAC Chair addressed the principal area of focus being the issues that remain in the local authority audit market, which has had a vast impact on the number of local authorities able to be audited by the 30th September deadline.

Agenda item 4: CIPFA – Code 2022-3 developments

20. The Board received an update from CIPFA colleagues on the 2022-23 Code. The Board was informed that the deadline for invitation to comment (ITC) was extended, due to technical issues. It was highlighted that 26 responses were received, with the most significant responses being in relation IFRS 16 and IFRS 17.
21. CIPFA colleagues outlined that there were some significant technical objections in relation to PFI/PPP liabilities, and as a result CIPFA/LASAAC will carry out a further review of the objections at their next November meeting to determine if they are valid and to consider implications for the Code or related guidance.
22. The Board was updated on CIPFA's strategic plan, which includes 6 main projects: Materiality, streamlining the accounts, annual development programme for the 2022-23 Code, PFI/PPP Contracts Working Group, implementation of IFRS 17, and narrative reporting.
23. The Board questioned what the indexation and capitalisation issue is, as well as the pension guarantee issue. CIPFA colleagues explained that the issue is how indexation should apply to the liability and the asset depending on the nature of the contract. Similarly, in terms of pension guarantees, local authorities provide assurances on local government pension schemes, and therefore it would need to be determined whether it is an insurance contract within scope of IFRS 17 or a financial instrument within scope of IFRS 9.
24. A point was raised on whether RAWG will have an opportunity to consider the ITC responses on the PPP issues as part of the Treasury guidance. CIPFA colleagues highlighted that the focus is on local government accounting rather than other sectors, however recognised that there may be similar circumstances within NHS contracts. CIPFA colleagues agreed to share the detail with RAWG.
25. The Chair raised the question on whether the issues in local government are unique to the sector. It was suggested that when CIPFA/LASAAC reach a view, the other relevant authorities should consider it in their respective guidance.

Agenda item 5: Local government sector update including the Redmond Review

26. CIPFA colleagues gave an overview on the local government sector update, including detail from the Redmond review. The Board learnt that only 9% of audits were completed by the 30 September deadline and 64 local authorities are yet to achieve closure on the 2019-20 accounts.
27. The Board was informed that the government is taking forward significant recommendations from the Redmond review and announced that local public audit will be within the remit of the new audit regulator the Audit, Reporting and Governance Authority (ARGA).
28. CIPFA colleagues outlined other actions and initiatives underway to improve local audit, including the DLUHC liaison committee, different workstreams established, and a consultation in the summer on the local audit framework etc.

Agenda item 6: Devolved Administrations – reflections on the 2020-21 reporting cycle

29. The Board welcomed updates from each of the Devolved Administrations.
30. The Board heard that there had been significant complications for the Welsh Government due to the continuation of virtual audits, with insufficient early audit work being completed. The Board was informed that the Welsh Government is a month behind on the delayed timetable for signing the accounts and identified that a controls-based audit would have been much more beneficial than the random sampling approach taken. Welsh colleagues explained that the primary reason for the accounts being late is due to complex issues on the funding provided to support businesses during the COVID-19 pandemic, and subsequently a limitation of scope on the accounts.
31. Members expressed interest in receiving some training on the financial reporting framework in the Devolved Administrations. It was agreed to arrange this through the Relevant Authority Working Group (RAWG).
32. Discussion moved on to an update from Northern Ireland colleagues who informed the Board that approximately 60% of departments laid their accounts pre-recess. NI colleagues highlighted that the legislative deadline has just passed and there are two accounts outstanding, due to technical and audit issues. It was outlined that the comprehensive net expenditure of the department has trebled compared to 2019-20, and therefore additional audit testing has been required. NI colleagues explained to the Board that in terms of qualifications, there has been a number of issues raised around material uncertainties on property valuations, insufficient audit evidence to support covid support schemes testing and the level of ineligible payments leading to irregularity qualifications.
33. The Board learnt that 13 of 20 departments in Northern Ireland achieved a clean audit report, and despite there being some qualification issues to work on, the department has no major concerns and a reasonable level of assurance to improve next year.
34. The Board heard from colleagues from Scotland, who are experiencing similar issues to the other devolved administrations. Scottish colleagues informed the Board they are yet to have the qualifications discussion with audit. The Board learnt that some new staff had to be drawn into the accounts and audit processes, which has also been a contributor to delays. It was identified that the extended timelines were not as effective as anticipated. Scottish colleagues also provided the view that remote audit has caused unnecessary delays and misunderstandings, which could have been avoided. It was confirmed to the Board that the remaining accounts are almost completed.

Agenda item 7: NAO reflections on the 2020-21 audit round and forward look

35. The Board received an update from the NAO, who shared the view that it has been a challenging year in terms of audit. NAO colleagues reflected on the difference between 2019-20 and 2020-21, with more challenges emerging from the covid schemes in 2020-21.
36. The Board was informed that by summer recess 55% of audits had been certified, in comparison to 41% the previous year. It was highlighted that there are still 7 main departments to conclude ahead of the statutory deadline (31 January 2022), and it is expected that all except one will be completed by Christmas.
37. NAO colleagues explained that there is a clear commitment to the PAC to achieve a pre-recess timetable for departments next year where possible, with the return of more in person auditing. The Board learnt that there are still a number of bodies where pre-recess laying may be more challenging, which will be worked on through a case-by-case basis.
38. A Board member queried in relation to identified levels of fraud whether the higher level of risk was explicitly acknowledged by the reporting departments in the scheme design and whether the actual levels found are consistent with what was tolerated in the scheme design. NAO colleagues responded that this needs to be considered on a scheme-by-scheme basis, and this is being reflected in the extended reports on accounts where risks are present. It was explained that there is currently still a high level of uncertainty, and they are seeking to report more neutrally until better information allows this to be reported on.
39. Colleagues from Wales recognised that there is a trend of differences in interpretations of assessing UK schemes between the NAO and Audit Wales and requested whether more could be done to align moving forward. The NAO confirmed that there are frequent discussions with the other audit bodies but are happy to raise concerns over consistency issues.
40. A Board member questioned whether there is any scope for the NAO to bring together fraud and error on a system wide or government wide basis for the PAC, and whether this would be published within the public domain. NAO colleagues explained that there is no intention to publish broad assessments currently, though confirmed that an in-depth session was carried out in the summer with the PAC on the fraud and error framework.
41. A Board member observed that a significant amount has happened since April 2020 in terms of dealing with the design, scope, audit and assurance regimes of the covid schemes introduced, and identified how this has caught up with departments. It was re-enforced that the high-risk schemes have been difficult for departments in accounting terms and when gathering assurances, but it has also been difficult for the NAO to audit.

Agenda item 8: Devolved Administrations Audit Institutions reflections on the 2020-21 reporting cycle and forward look

42. The Board received an update from the NIAO on the 2020-21 audit cycle of the Devolved Administrations and the forward look. NIAO colleagues reiterated the point that they are keen to revert the deadline back to pre-recess next year.
43. NIAO colleagues raised that the update from Audit Wales differs from that provided in the Devolved Administrations' update, as they have indicated that most of the audits met the extended deadlines and are content with the progress made. It was recommended that a discussion should be arranged with auditors and the Welsh government to determine clear expectations.
44. NIAO colleagues also discussed the qualifications in relation to property valuations, regularity and limitation of scope on covid schemes, and agreed they are a result of the pace at which the schemes were administered. The Board also learnt that there have been incidents where departments have recorded accruals incorrectly at year end, which should

have been accounted for as provisions. NIAO colleagues agreed this would be monitored closely next year.

45. A Board member raised concerns about how the qualifications and limitations of scope will affect future years. NIAO colleagues explained that this will be re-examined in next year's accounts and highlighted that there will not be the same level of expenditure as covid schemes are expected to come to an end. It was reiterated that the reasons for the qualifications occurring have been made as transparent as possible.

Agenda item 9: DHSC sector update & GAM pre-consultation notice

46. The Board was presented with a verbal health sector update and the GAM pre-consultation notice.
47. Health sector colleagues informed the Board that from a financial reporting perspective, it has been a great success for NHS trusts, despite there being significant challenges with the number of new schemes requiring accounting guidance. The Board learnt that only a small amount was challenged at local audit level, and the majority of local health audits were signed off successfully. It was noted that this is a result of the engagement of the Board via the GAM approval process.
48. Health sector colleagues outlined that only a small number of accounts missed the deadline, due to particular issues affecting specific trusts. A key issue is the impact of assurance on local authority pensions, where those are material for NHS bodies, which then causes delays on central NHS audits. It was reiterated that this issue reflects audit capacity and the impact of covid meaning early work was unable to happen.
49. The Board learnt that the department anticipates laying its account at the end of January, which is slightly later than the original ambition. It was clarified that the elongation at group level is not driven by a reflection of work at the underlying level, as it is primarily a result of the complexities within the core department because of the covid specific schemes that are held centrally.
50. Health sector colleagues informed the Board that due to the new operational processes being set up at pace, it has resulted in the need for accounting estimates and judgements to be made to compensate for the data. This has proven difficult for the NAO to conclude on estimates and judgements, as they result in uncertainties.
51. It was outlined to the Board that a prior year qualification on loan impairments will be expected to roll forward by a further year. As well as this, a covid inventory limitation of scope has been accepted, as a material amount of stock was either inaccessible or in covid secure locations.
52. Health sector colleagues informed the Board that the department will be publishing some of the covid story earlier than the publication of the ARAs. It was noted that this will be disclosed through a ministerial statement, which will explain some of the losses and impairments through covid and their causes.
53. It was highlighted that health colleagues expect 2021-22 to be another challenging year, as there are still large volumes of covid spend and inventory. Health sector colleagues recognised that the department would need to recover from a significantly late start and implement IFRS 16. The Board was informed that the department is hoping to lay the 2021-22 accounts in October 2022, however it is still difficult to determine this until the 2020-21 accounts have concluded.
54. Discussion progressed onto the 2022-23 GAM, where it was confirmed that the timeline will be similar to previous years. Health sector colleagues agreed to share this at the March meeting, however confirmed that they are willing to share the pre-consultation version in late January if members would like this.

55. Health sector colleagues outlined that from a reporting perspective, it is expected to be less complex next year, albeit with IFRS 16 being significant for the department. However, it was raised that the local audit capacity matters remain a significant challenge, which has a knock-on effect for the department returning back to pre-recess in the future.
56. A Board member expressed interest in the department's reflections on the 2020-21 disparity between local NHS and local authority timeliness. Health sector colleagues explained that there are regular discussions with DLUHC on this issue, and it is evident that deadline issues within local government have been building for a while. As a result, there were already backlogs going into the covid year, in comparison to the NHS who were fortunate to be in a good position. It was also explained that there is a benefit for the NHS in terms of system leadership and how the delivery of local audits on underlying bodies has a direct impact on the group consolidation.
57. A Board member addressed that NHS accounts are not as complex as local government accounts, and there is also a difference in prioritisation between them. It was also reiterated that there are supply issues within the audit profession and the ability to conduct controls-based auditing varies significantly. Another member also pointed out that there have been numerous comments that local authority audits are perceived by some as less important than NHS audits, which CIPFA are seeking to address within their Redmond review response.
58. The Board requested to receive sight of the GAM in advance if health sector colleagues believe there are any contentious issues. The department is not expecting any contentious issues, however agreed to distribute the GAM early to members where necessary.

Agenda item 10: FReM 2021-22 in year update and FReM 22-23 with illustrative statements

59. HM Treasury introduced a paper that had been circulated prior to the meeting, setting out the amendments made to the 2021-22 and 2022-23 FReMs and illustrative statements. It was highlighted that for 2021-22, there has been no significant changes, adaptations or interpretations, and the changes made are only for clarification purposes and continuous improvements.
60. HM Treasury highlighted a clarification made in relation to IAS 19, which has elucidated where entities have a quadrennial valuation of their pension fund, they do not necessarily have to feed this into the ARAs of that specific year, as there may be timing differences. The Board was informed this was in the PES paper last year but has now been moved into the FReM.
61. HM Treasury outlined other changes including departments reporting against priority outcomes, strategic enablers and other metrics (changes from 2021-22) in Performance Reports and changes made to more closely align public sector remuneration reporting with the Companies Act. There has also been an additional clarification on asset transfers to set out when an asset is revalued, the revaluation should take place prior to the transfer being undertaken for consistency purposes.
62. The Board queried the intention of the asset transfers clarification, as the existing language for IAS 20 directs to fair value but also allows for nominal value, whereas the additional paragraph included could be interpreted as directing to fair value in all circumstances. HM Treasury confirmed that the intention was not to remove the option to transfer assets at nominal value and agreed to review the wording, so the intent reads through clearly for users.
63. A point was raised on the rationale for excluding pension benefits from the fair pay disclosures. HM Treasury explained that this is consistent with guidance issued several years ago, and this was decided because pension benefits can lead to unusual fluctuations and was not deemed to be appropriate for the public sector. Similarly, the Hutton guidance

which departments use also excluded the use of pension benefits, and RAWG members agreed including this guidance in the FReM is clearer. The Board requested that this principle is reviewed at some stage. HM Treasury agreed to take this forward and respond in due course.

64. The Board questioned whether the inclusion of ministers for the first time within fair pay disclosures is correct, as ministerial salaries are subject to a different system, so would unlikely provide the necessary information users are looking for. HM Treasury confirmed that this will be checked.
65. The Board agreed with the admin deadline proposed in the 2021-22 FReM and the removal of reduced reporting going forward.
66. Discussion progressed onto the significant changes to the 2022-23 FReM. HM Treasury outlined that IFRS 16 will have a mandatory adoption, which FRAB has received sight of in previous meetings and was issued in previous years as guidance for early adopters. As well as this, there is now an inclusion of consultancy, temporary and off-payroll requirements in the FReM, which also used to form part of the PES paper.
67. HM Treasury highlighted a new accountability reporting requirement which relates to a reconciliation of contingent liabilities in an entity's Supply Estimate, compared to what is stated within the accounts. It was explained to the Board that there can be differences between these, as one is laid before Parliament via the Estimates process at the beginning of the financial year per the supply framework and the latter is prepared at the end of the financial year according to the FReM. The intention is to improve understanding and transparency for the users of these documents.
68. The Board queried whether the illustrative statement for department yellow on remote contingent liabilities should include a reference to the new accountability reporting requirement. HM Treasury agreed to explore this outside the meeting.
69. The Board raised a point that the paragraph within the FReM discussing the measurement of assets and how they are initially recognised in relation to IFRS 16 may be misinterpreted to read that it will become a right of use asset. HM Treasury agreed to review this.
70. The Board approved the publication of both manuals in December 2021 subject to the requested changes being made. The Board was requested to send any further drafting points to HM Treasury by the 26th November.

Agenda item 11: IFRS 17 update

71. The Board received an update from HM Treasury on the implementation of IFRS 17 and outlined that the discussions within the technical working group have been centred on the scope of the Standard, implementation and risk adjustment for non-financial risk. HM Treasury explained the rationale for the approach taken and sought agreement from the Board.
72. The Board raised that within the FReM there is an adaptation for purposes of IFRS 9 that contracts include legislation, and queried how this differs for IFRS 17, despite most insurance contracts being financial. It was recognised that if these are excluded for contract purposes of IFRS 17, they may then fall into IFRS 9. It was questioned whether actions need to be taken to move, e.g., specific social insurer programmes outside of IFRS 9.
73. HM Treasury commented that in the case of the social benefit aspect, there is already an existing public sector framework, and clarified that IFRS 9 and IAS 37 social obligations are covered. A Board member suggested that HM Treasury look at whether IFRS 9 and IAS 37 needs to be scoped out, in order to regularise how it is done. Another member flagged that IFRS 17 includes terms within an arrangement in legislation, which is not included in IFRS 9.
74. The Chair agreed to the guidance on the scope of the Standard, though outlined that the Board may need to return back to it in due course.

75. Discussion progressed onto the risk adjustment aspect of IFRS 17, where HM Treasury advised the Board that the technical working group has concluded that the requirement to include the risk adjustment will be kept, however the requirement for confidence level disclosures will be removed. The view was that keeping this requirement would result in challenges for practitioners and it also provides minimal benefits. HM Treasury requested agreement from the Board on their approach to the risk adjustment for non-financial risk and the proposed adaptation.
76. A Board member expressed support for the recommendation and contextualised that the odd outcomes from using confidence levels would not meet the requirements set out in IFRS 17, as it would not meet the characteristics needed.
77. It was highlighted that a figure will need to be determined for the non-financial risk adjustment, so it is likely that guidance will be needed for those preparers. A Board member responded that in the IFRS 17 context the risk adjustment is not from the perspective of market participants, it is from the perspective of the entity, and the concern is different entities can choose different routes.
78. A Board member questioned whether a negative confidence level equivalent suggests there is not enough non-financial risk adjustments and raised the point of whether the consideration for removing the disclosure requirement should be deferred when more application has been undertaken.
79. A Board member commented that the paper outlines all government departments would have the same tolerance to risk and queried what the basis is for that. HM Treasury explained that it took the view that the attitude to risk and comparability of accounts is already there, and therefore how much benefit and value is there in relation to confidence level disclosures, when the feedback from the wider sector is that the benefits are marginal.
80. HM Treasury raised the issue set out in the paper on merits of disclosure, and around the value of central mandatory guidance on what the confidence level should be. It was flagged that even in areas where mandatory confidence levels are set, there can still be exceptions, so it will be appropriate to consider this more.
81. A Board member discussed if the removal of this disclosure relates more to a streamlining argument than a burden argument, however audit will still want to know what forms part of the calculations for the risk adjustments. An observation was made that there is an assertion that it is not as applicable for the public sector, resulting in the need to explain to the users of the accounts why it is deemed as irrelevant.
82. A Board member explained that there are three common ways of calculating risk adjustments, which are used for different patterns of risk and produce different results. It was identified that consistency is based on all of the different approaches, and therefore comes across as more of a burden question. It was highlighted that the main reason it is not justified in the public sector is that there is a high degree of burden to calculate 2 methods, resulting in a lack of consistency and comparability between entities.
83. The Chair questioned whether HM Treasury would allow early adopters to implement without this adaptation. HM Treasury colleagues confirmed that it would be content.
84. The Chair observed that the Board supported the potential adaptation but would benefit from seeing the final argument for this set out in a paper, so a final decision can be made. It was also suggested that HM Treasury could engage with early adopters to see if they would include the confidence levels.
85. The Board was invited to comment on the next section of the paper regarding the timing of implementation and whether members support the proposal to delay mandatory adoption of IFRS 17 by at least 1 year.
86. The Board shared the view that FRAB need to consider what is ‘business as usual’, and whether going forward the approach to implementing new standards within the public sector should be private sector implementation plus one year, or if this is not preferable, to

identify what activities will FRAB need to do earlier. The Chair outlined that it is important the Board have consistent management of expectations moving forward.

87. The Board questioned the language of the delay being for 'at least one year'. HM Treasury explained the need to have credible expectations and to not follow the same route as IFRS 16, which has had a number of revised extensions. The Board agreed that the value of the delay will be much greater if FRAB confirm a 2–3 year delay upfront and develop a plan which will enable the Board to hold the project to account. It was outlined that the target for finalising the Standard and actually implementing it may need to be differentiated.
88. A point was raised on the regulated insurer who is expected to implement in line with the private sector timetable, and whether there is anything useful the Board can take from them. HM Treasury confirmed that the entity forms part of the technical working group, and will understand any lessons learnt from their experience.
89. The Chair agreed that it would be helpful to have a deferral of the Standard for at least 1 year and suggested that at the next meeting there needs to be a more informed decision with a plan in place, in which the Board can make a final decision on implementation dates.
90. HM Treasury invited the Board to comment on the final section of the paper regarding the transitional approach, and highlighted that there are two options, the fair value approach or the modified retrospective approach where fully retrospective restatement is impracticable. HM Treasury outlined that the outputs from the TWG was that an approach should be mandated for consistency purposes, and therefore it was agreed that full retrospective approach will be undertaken first and if it was impracticable, the fair value approach shall be used.
91. A Board member questioned whether there are any centres of excellences for preparers to request assistance or guidance, as HM Treasury will not have the capacity to deal with all queries. HM Treasury commented that on actuarial queries, GAD is available to help, as well as application guidance, training for departments, the Technical Accounting Centre of Excellence (TACOE) and other entities within the TWG who are experienced in applying insurance accounting standards.

Agenda item 12: Accounting for social benefits - IPSAS 42 Social Benefits and IFRS

92. HM Treasury introduced a paper that had been circulated prior to the meeting on accounting for social benefits and sought agreement from the Board that the issuance of IPSAS 42 does not merit any change to the accounting treatment of social benefits in the UK public sector. The paper highlighted that FRAB had considered the issue historically, around 20 years ago, and had waited for the emergence of IPSAS to consider what, if any, impact the Standard may have on UK reporting.
93. A Board member requested clarity on the current accounting treatment, as this is referenced numerous times within the paper. HM Treasury explained that an accrual is made for benefit entitlements up until 31st March.
94. A concern was raised that although there is an existing practice, it is not clear what guidance departments are applying to reach consistency within the social benefits space, and whether core principles need to be set out in the FReM. The Board noted the treatment set out in IPSAS 42 and did not recognise the need to adapt existing practice in the UK in light of it. However, the Board agreed that the agreed approach should be articulated more in the FReM/application guidance.
95. The Chair observed that the Board is content on what is proposed in the paper but requested HM Treasury to look at the consequence of that in terms of guidance or wording in the FReM.

Agenda item 13: IFRS 9 adaptation – follow up

96. HM Treasury introduced the paper on IFRS 9, which was a follow up to the paper brought to the June 2021 meeting. It was outlined that the adaptation proposed at the last meeting has not changed but more rationale and analysis for the need for the adaptation was set out in the paper, as requested by the Board. The Board's approval to the proposed adaptation was now sought so that it is included within the 2021-22 FReM.
97. A Board member provided the view that an adaptation or interpretation is not necessarily needed, however agreed with the outcome from it. It was raised that there is some scope or opportunity for more practical guidance, in order to help preparers on how they reach a discount rate. HM Treasury commented that this can be built on, and there could be value in developing application guidance in supporting preparers to apply it for the longer-term piece of work.
98. A suggestion was made relating to the long-term piece of work for HM Treasury to consider government grants when there are nil considerations and what the accounting will be.
99. Similarly, it was raised whether the adaptation needs to be considered in other manuals or if it is only relevant to the FReM, and if there will be any transitional issues when added to the FReM. HM Treasury addressed that for this specific adaptation this will not be required, however for the further pieces of work this will be discussed, and discussions have already begun with the NAO on that basis.
100. The Chair observed that the Board is content to agree the adaptation and for it to be included in the FReM for publication in December. Some minor drafting comments have been forwarded to HM Treasury and it will be updated on that basis prior to publication. It was agreed that HM Treasury will bring the broader issues to a future meeting where necessary.

Agenda item 14: Discount rates

101. HM Treasury provided a verbal update on discount rates and reminded the Board that there will be a policy change to updating long term and very long-term general provisions discount rates on an annual basis from 2021-22.
102. The Board was also advised of the intention to update the financial instrument discount following advice from GAD. It was explained that the methodology for the financial instrument rate needed to update due to reforms to RPI in 2030. GAD is providing advice on the changes and the Board was asked to confirm it is content for HM Treasury to update the rate based on the GAD advice with publication of rates as at 30th November 2021.
103. In addition, it was noted that HM Treasury will return to the Board on the question of the frequency with which the financial instrument rate is updated. The Board also learnt that the discount rate PES paper will be published in early December.
104. The Board supported the changes as outlined by HM Treasury.

Agenda item 15: CIPFA Sustainability update

105. CIPFA colleagues talked the Board through the presentation that had been circulated prior to the meeting on its global study of climate reporting in the public sector. CIPFA colleagues outlined the key areas of the research including the global landscape, preparing sustainability reports, assurance and accountability, capacity, capability and communication. The Board learnt of seven areas of development CIPFA will be focusing on as a result of the research.
106. The Chair asked what the reactions had been to the report and what changes are envisaged. The Chair also questioned if there is any leading best practice in the public sector.

107. CIPFA colleagues addressed that there have not been any specific reactions from jurisdictions to act on, but since publishing, the consensus is of appreciation for the report and its findings. CIPFA colleagues highlighted for example, that Danish local authorities have broadened out and built the momentum in terms of climate change reporting.
108. A member raised how the content of external reporting is being measured and monitored internally already and suggested that it might be interesting to discover how entities are being managed on these metrics. CIPFA colleagues clarified that these questions were not asked during the research, however the discussions around data challenges exemplifies that entities mainly report on what they have and therefore reporting is not as broad as they would anticipate.
109. The Board questioned how the gap between what is measured now compared to wider sustainability reporting was explored. CIPFA colleagues explained that the research was focused on the bigger picture of climate change reporting, and therefore these issues were not discussed in detail. The Board was informed these issues will be considered in the future.

Agenda item 16: Sustainability working group update

110. HM Treasury provided the Board with an update on the development of the sustainability FRAB working group. HM Treasury requested approval from the Board on the proposed workplan and terms of reference. HM Treasury also invited other members to join the sub-group.
111. HM Treasury explained that the working group will be looking at public sector implications more broadly, considering the situation in the private sector and also what the IFRS foundation are putting forward. It was also highlighted that ministers have agreed to the establishment of the working group.
112. The Board were content and therefore approved the work plan and terms of reference set out by HM Treasury. James Osborne also volunteered to join the working group as an auditor member.

Agenda item 17: Forward look agenda

113. The Chair introduced the paper that had been circulated prior to the meeting, proposing the forward look agenda. HM Treasury clarified that a fuller action plan will be brought to the March meeting as has been done previously. The Board was invited to comment on the paper.
114. The Board identified that the action to review audit qualifications was not included in the forward look plan and requested this to be added moving forward. HM Treasury agreed the work programme will be updated to include this, as well as the actions resulting from today's meeting. The Chair requested an out of meeting paper to be circulated once the items have been incorporated.

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Agenda item 18: AOB

115. HM Treasury addressed the issues raised on the Board Intelligence software and explained to members that certain functionality is limited such as the ability to download documents, is due to security reasons and not able to be changed. HM Treasury confirmed Board intelligence will continue to be used, but PDF versions will also be sent for those without or limited access. However, members were encouraged to use the platform where possible to improve efficiency and reduce the need to share documents by email.

116. The Chair highlighted that the FRAB effectiveness review questionnaire has been circulated and any comments should be provided to HM Treasury by the 10th December.
117. The Board was reminded of the training on local government taking place on the 24th November and learnt that training with the devolved administrations will be agreed at a future date. HM Treasury asked the Board if it would be interested in receiving training from the health sector or audit institutions which was welcomed.
118. The Chair advised the Board that the intention is for the March 2022 meeting to be held virtually, and the June 2022 meeting to be held potentially in person.
119. A Board member raised a point on how under IAS 16 assets are held at valuation rather than cost and questioned whether this should be re-examined. It was highlighted that in the past HM Treasury's argument to use the cost method for IFRS 16 adoption had merit, and subsequently would FRAB members agree that this should be re-examined in the future.
120. HM Treasury expressed support to the points outlined and informed the Board that it is expecting to undertake a thematic review on asset valuations. It was highlighted that it would be interesting to explore the policy choice and also review the extent of the value in the regime. HM Treasury clarified that the detail of the proposition is still to be set out.
121. A Board member pinpointed that this would require input from wider stakeholders. The Board welcomed the review and for it to move at pace, however acknowledged that this could lead to a fundamental change and preparers would require time to implement any major changes.
122. The Chair questioned whether HM Treasury would welcome comments from the Board or proceed with this and report back the outcome. HM Treasury commented that it would be useful for members to share their thoughts as soon as possible if the aim is to proceed quickly on this, and also requested if any members had a contrasting view.
123. The Chair also informed the Board that IPSASB are conducting work on measurement and are proposing changes to their public sector equivalent of IAS 16, which does look at fair value.
124. The Chair thanked members for attending the meeting and looked forward to the next meeting scheduled for March 2022.

Item 19: Relevant Authority Working Group Update (RAWG)

125. The Board noted the update paper and looked forward to receiving a future update on the work of the RAWG.

Item 20: User Preparer Advisory Group Update (UPAG)

126. The Board noted the update paper and looked forward to receiving a future update on the work of the UPAG.

Agenda Item 21: IFRS Interpretations Committee – summary of announcements

127. The Board noted the update paper and appreciated the summary from the IFRS Interpretations Committee meetings.