



Financial Reporting Advisory Board Paper

Minutes of the 146th FRAB meeting and matters arising

Issue:	For information – minutes of the last 146 th meeting held on 31 st March 2022 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 146 th meeting by email but to note the matters arising
Timing:	N/A

Detail

1. To note the minutes of the 146th FRAB meeting held on 31st March 2022 which were circulated, and comments received by email after the meeting (Annex A)
2. Matters arising are noted below:

Matters arising

Paragraph	Issue	Action
2	HM Treasury to provide further explanation and analysis for why pension benefits are excluded from fair pay disclosures.	Done – email circulated to members on 23 June.
3a	FRAB Secretariat to send out a survey to gauge member's preferences for the meeting style going forward (including format, frequency and length).	Done. Survey issued to members for completion by 20 th April. Results received with thanks and meeting schedule updated as a result.
3b	The next FRAB meeting being split over two consecutive days for ½ day each. FRAB Secretariat will send out a second scheduler for the next FRAB meeting.	Done. Meeting invites sent to members for the afternoon of 29 th June and 23 rd November.
25	CIPFA to present its work on the cross-sector and international-looking report into internal audit and the value of it at a future meeting.	Deferred to a future meeting – date tbc.
40	The Chair to circulate the draft decision made on the deferral of IFRS 16 in local government to members for comment.	Done. HM Treasury circulated the Chair's draft for comment on 1 st April .
41	CIPFA colleagues requested further comments on the application of IAS 37 in relation to social benefits outside of the meeting.	Done. Board members sent comments by email to CIPFA.
43	CIPFA to present on ISA 260 at the next FRAB meeting.	See agenda item 12 – Thursday 30 th June meeting.
52	DLUHC colleagues to return to FRAB to discuss transition arrangements for the system leader role moving to FRC and seek members views on this.	Agenda item at a future meeting – date tbc.
85	Andrea Pryde to offer further support in summarising arguments for not requiring the confidence level disclosure to be recorded formally.	Done. With thanks to Andrea for her engagement with the IFRS 17 technical working group.
88	Mike Metcalf requested a general discussion on discount rates at a future meeting.	Done. See agenda item 17 – Thursday 30 th June meeting.
89	HM Treasury to have a discussion with Mike Metcalf before the June meeting on how discount rates are applied and is the basis for calculation.	Done. Meeting held on 12 th May.

107	FRAB's future strategy to be discussed at the next meeting, inviting external speakers (e.g. IFRS foundation, FRC, IPSASB, UPAG etc) to give views based on their current work plans and expertise.	Done. Standard setter updates and a FRAB forward look discussion taking place on the Wednesday 29 th June meeting.
109	HM Treasury to update the risk register with new risks (including on the issues within the Local Government sector).	Done – risk register for discussion – Agenda item 6
111	FRAB to reassess the risk register (with help from HM Treasury) so that it addresses the needs of users of the accounts, rather than focusing solely on financial reporting.	Risk register to be presented as part of the forward look discussion - agenda item 6.
111	HM Treasury to provide an update at the next FRAB meeting outlining the progress on the Government Financial Reporting Review.	See agenda item 7 – Wednesday 29 th June meeting.
113	HM Treasury to include the text for the tentative agenda decisions within the IFRS interpretations committee meeting paper.	Done. Full text for tentative agenda decisions have been added as appendixes to the paper.
116	For the thematic review on non-investment assets, HM Treasury agreed to bring preliminary findings to the June 2022 meeting.	See agenda item 21 – Thursday 30 th June meeting.

Annex A

Financial Reporting Advisory Board Meeting March 2022: Minutes

Location: Virtual

Time: 12.30pm to 5pm

Attendees:

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

Guest presenters:

Siobhan Jones (DLUHC)
Matt Hemsley (DLUHC)
Myles Binney (DLUHC)
Hanan El'Omrani (DLUHC)

Notes and Apologies:

Andy Brittain – unable to attend, Jen Nichols deputised
Craig Mackinlay – unable to attend
Iain King – unable to attend, Jennifer Griffiths deputised
Shiva Shivakumar – unable to attend

Agenda:

	Item	Presented by	Time	Paper
1.	Welcome, minutes and matters arising	Chair	12:30	FRAB 146 (01)
2.	20-21 Central government ARA reporting cycle summary and forward look	Chris Willcox (HMT)	12:40	FRAB 146 (02)
3.	Devolved Administrations – outlook on the 2021-22 reporting cycle	Gawain Evans, Stuart Stevenson and Aileen Wright	12:50	Verbal

4.	2021-22 & 2022-23 CIPFA/LASAAC Code, local government update, CIPFA/LASAAC Chair update	Sarah Sheen, Karen Sanderson & Conrad Hall	13:10	FRAB 146 (04)
5.	Government response to delays to audit completion of local government reporting - update	Siobhan Jones, Hanan ElOmrani & Myles Binney (DLUHC)	14:00	Verbal
	Break		14:30	
6.	Department of Health and Social Care Group Accounting Manual 2021-22 post consultation version and health sector update	Jen Nichols (DHSC) & Ian Ratcliffe	14:40	FRAB 146 (06)
7.	NAO and NIAO update on the 2021-22 audit cycle and key issues arising	James Osborne and Suzanne Walsh	14:55	FRAB 146 (07)
8.	IFRS 17 implementation update: <ul style="list-style-type: none"> • Timetable • Risk adjustment • Discount rate 	Sudesh Chander (HMT)	15:10	FRAB 146 (08)
9.	Sustainability – FRAB - SSC update	Max Greenwood (HMT)	16:00	FRAB 146 (09)
10.	WGA update	Louise Roberts (HMT)	16:10	FRAB 146 (10)
11.	2020-21 Best Practice Report	Vikki Lewis (HMT)	16:20	FRAB 146 (11)
12.	FRAB effectiveness review, action plan, strategy and risk register	Chair	16:30	FRAB 146 (12)
13.	AOB: <ul style="list-style-type: none"> • IPSAB update • BEIS consultation into restoring trust in audit and corporate governance – implications for the public sector • Thematic review into valuation of non-investment assets update • Future meeting arrangements 	Chair & HMT	16:50	
	<i>Papers to note only:</i>			
14.	IFRS Interpretations Committee – summary of announcements			FRAB 146 (14)
15.	IFRS issued but not yet effective and narrow scope amendments			FRAB 146 (15)
16.	Relevant Authority Working Group -summary of last meeting			FRAB 146 (16)

Agenda Item 1: Welcome, minutes and matters arising

1. The Chair welcomed members to the 146th FRAB meeting and asked for any further comments on the minutes of the previous meeting which had already been circulated. Matters arising were also considered.
2. A member raised a matter arising (with reference to para 63) covering the exclusion of pension benefits from fair pay disclosure requirements. HM Treasury provided an explanation prior to the meeting, but the member requested a further explanation for the rationale of the exclusion. HM Treasury agreed to provide a further explanation after the meeting.
3. The Chair set out plans for future meetings:
 - a. The Chair informed members that FRAB Secretariat will circulate a survey to gauge members' preferences for the format of meetings going forward.
 - b. The next FRAB meeting will be split over two consecutive days for ½ day each to allow time to hear from standard setters and other key stakeholders on their forward agendas and current issues. FRAB Secretariat will send out a second scheduler for the next FRAB meeting.

Agenda item 2: 20-21 Central government ARA reporting cycle summary and forward look

4. HM Treasury presented a paper on the central government reporting timetables. The paper covered:
 - a. The number of departments that made the administrative deadline and the statutory deadline of 31 January.
 - b. The qualification issues arising from the last financial year.
 - c. A new landing page on gov.uk for central government annual reports and accounts.
 - d. HM Treasury support for departments aiming to lay the ARAs earlier this financial year.
 - e. The timetable for laying ARAs and how some departments aim to move back to a pre-recess timetable which for some, may take more than one year to do so.
5. A member noted that the audit team for the entity in which they work, although not a major department, was unable to commit to a pre-recess timetable, which appeared to be at odds with HM Treasury corporate aims of pre-recess laying for all of central government as soon as feasibly possible. The member elaborated that there tends to be a focus on pre-recess laying for larger departments/ entities, which may be at the expense of smaller bodies.
6. Discussion noted that auditors are making and executing plans to return to a pre-recess laying timetable but similarly had challenges with the wider audit market in terms of resourcing, resulting in some operational decisions to stagger the audit timetable being necessary.

Agenda item 3: Devolved Nations update

7. The Welsh Government reported to FRAB that the 2020-21 accounts had not yet been signed off due to audit work being undertaken on a post balance sheet event (PBSE) of a sensitive nature. The Welsh Government are hoping for a June 2022 sign off.
8. The Welsh Government accounts had regularity and true and fair qualifications relating to fraud and error of Covid grant schemes.
9. Some devolved nations explained the challenges of remote, compared to in-person, audits, and the challenging nature of the audit in 2020-21.

10. For 2021-22, the Welsh Government has never published pre-recess, and do not plan on bringing forward the timetable to a significant extent.
11. All devolved nations raised concerns about the WGA timetable, specifically that the work for the next WGA overlaps with the accounts preparation and audit time for the 2021-22 statutory accounts.
12. Northern Ireland (NI) reported to the Board that approximately a half of entities made the pre-recess deadline. All but one entity made the legislative laying date in November 2021.
13. For 2021-22, NI stated that most departments are able to lay pre-recess. For those which cannot, NI will help them to lay as soon as possible.
14. NI discussed issues encountered during the 2020-21 accounts preparation and audit process, including:
 - a. Qualifications, including a true and fair qualification and regularity for Covid-19 grant fraud and error.
 - b. Emphasis of Matter (EoM) paragraphs are included for property valuations.
15. Scotland detailed similar challenges to those faced by Wales and NI in terms of audit challenge and the accounts preparation process. Scotland did not have a true and fair qualification in their 2020-21 annual report and accounts for Covid-19 grant fraud and error.
16. For 2021-22, Scotland is looking to reduce deadlines and close the accounts by a minimum of one month than in prior years.

Agenda item 4: CIPFA – 2021-22 & 2022-23 CIPFA/LASAAC Code, local government update, CIPFA/LASAAC Chair update

17. The Board received an update from CIPFA colleagues on work carried out concerning the issues identified by the Redmond Review. CIPFA informed the Board that minimal progress has been made on the simplified statement recommendation, due to other pressing issues but remains a key point to address.
18. The Board heard that the FRC had issued a consultation paper in relation to key audit partners, which closed on 28th March, which reviewed the qualifications and experience necessary to be a key audit partner. CIPFA also informed the Board that Neil Harris from Ernst & Young (EY) has been appointed by the FRC to be director of local audit, a role that will be critical for the Auditing, Reporting and Governance Authority (ARGA) when it transitions from the FRC.
19. CIPFA has been reviewing additional resources and technical advisory support for auditors and exploring different avenues for encouraging smaller audit firms to join the market. CIPFA collaborated with the ICAEW and published a joint article on this topic.
20. It was stated that only 9% of local government audits met the September deadline in the last financial year, with this rising to 47% as at the end of February. The Board learnt that the Public Sector Audit Appointments (PSAA) have begun their next procurement round and are encouraging local authorities to opt into that process.
21. CIPFA has been working on supporting audit quality and timeliness, however, have concerns that these issues will deteriorate before they improve. It was identified that issues such as Infrastructure assets and part-year implementation of integrated care system reforms will have an impact on already constrained resources.
22. The Board learnt that CIPFA has established a new financial reporting hub and working group to develop and consider best practices in communicating key messages to users. Similarly, they have also introduced a practice oversight panel to monitor developing

areas of concern and risks to both the institute and sector. It was confirmed that the focus will be on the public sector as a whole.

23. CIPFA has been considering how best to strengthen local authority audit committees and advised the Board that a statement will be issued in due course. The aim is to encourage more independent members to join committees. Governance of local authority companies is also being considered, due to failures within the last few months, and whether there is guidance that can be issued to help reduce the risk.
24. The Board was informed that the CIPFA Financial Management code issued in 2019 was fully implemented for the year 2020/21, and so CIPFA will evaluate what has been learnt and if there have been any improvements made through the code.
25. The Board learnt that CIPFA has been working on a cross-sector and international-looking report into internal audit and its value, which is expected to be published in May.
26. CIPFA has issued four discussion papers on sustainability to stimulate thinking in this area and in relation to 'Levelling Up'. A report was issued in February based on four international case studies looking at how to tackle regional inequality. It is yet to be considered how areas with inequality will be impacted by the new subsidy rules.
27. The NAO commented that local audit delivery was raised in a Public Accounts Committee (PAC) session on the system of Local Government finance in November and again by TPAC in their session on the NAO strategy and budget. The NAO's Local Audit Code and Guidance (LACG) team continues to provide help where possible, such as providing additional time for auditors to complete the VFM commentary and supporting attempts to address the infrastructure assets issue.
28. It was questioned whether authorities have not embraced bringing independents onto audit committees or whether there is a lack of suitable candidates. CIPFA confirmed there has been difficulty in finding the right people, as the role is quite technical, and there has also been some resistance to more opposition in holding the executive to account.
29. A member queried the scope of system leadership. CIPFA clarified that this concerns audit and bringing together the various components of the local audit system which was fragmented after the Audit Commission ceased in 2015. In terms of financial reporting, CIPFA is responsible for this element but there is a need to work collaboratively. CIPFA and NAO colleagues also clarified that the Code of Audit Practice is currently held by the NAO and will transfer to ARGA under new proposals.
30. A point was raised on the reason for the need for a separate key audit partner for Local Authorities. It was commented that diversity of knowledge is required, such as the capital finance framework and value for money reports, and that it is currently a legislative requirement. The NAO highlighted that the scope of local audit also includes statutory duties in relation to value for money and quasi-judicial functions.
31. CIPFA/LASAAC proposed to the Board the approach to delay IFRS 16 in local government in the context of a crisis in local authority financial reporting. The Board heard that the majority of respondents to the emergency consultation voted in favour of the two-year deferral, to overcome problems of timeliness and pressures in the local audit. It was outlined that the overall response from audit firms was reluctant support, whilst the majority of support came from account preparers.
32. It was outlined that DLUHC requested an emergency consultation to update the 2021/22 and 2022/23 Codes, due to the need to improve the timeliness of local government reporting. CIPFA was keen to avoid unintended consequences of any

- changes, and as a result, decided against taking forward the request to review PPE asset valuations as part of the proposals.
33. CIPFA sought the Board's view on whether IFRS 16 should be delayed in Local Government, and should a mandatory approach be taken or should early adoption by choice be allowed. It was clarified that the representatives of the devolved administrations were also not in favour of the deferral.
 34. The Board questioned what the impacts for the WGA would be if a deferral was introduced. CIPFA commented that it has been recognised that implications for WGA would be inevitable, but still need to be considered fully. HM Treasury outlined that there is vested interest from a WGA perspective in accelerating accounts preparation, as well as the implementation of IFRS 16 in Local Government.
 35. The Chair queried the consideration that the situation within local government would be stable in two years' time. CIPFA explained that a one year deferral would not offer the ability to gain sufficient ground, whereas two years would provide more certainty in the time frame than a longer delay. Additionally, auditors engaged at the next procurement round would subsequently have 1 years' worth of experience within the sector before looking at IFRS 16. The impact that ARGAs will have on audit is also unknown at this stage.
 36. The discussion progressed onto the reasons supporting the delay and reasons against it. It was raised that if the deferral was agreed to, there would still be a requirement to provide transition information at the date it was adopted by central government.
 37. The Chair sought the Board's vote on whether it was in support of the delay or against it. There was an equal result of eight in favour and eight not in favour. A follow up question requested the Board to vote on whether a delay should be mandatory, or if early adoption should be granted. Six members voted for the delay to be mandatory for all, whereas ten members voted in favour of early adoption.
 38. A further question was presented to the Board on how early adoption of the Standard should work if allowed. A total of eight members voted in favour of allowing any local government body to adopt IFRS 16 early by choice whilst five voted in favour of allowing early adoption on a jurisdictional basis.
 39. After further discussion, the Chair concluded that the final result was that the Board agreed that IFRS 16 implementation may be deferred in local government, as the vote arrived at ten members in favour and eight not in favour. It was confirmed that voluntary early adoption would be allowed within Local Government after a further two members confirmed they were in favour.
 40. The Chair agreed to circulate the draft decision to Board members first for comment, prior to being announced externally.
 41. The Board was requested to provide any further comments on the papers presented by CIPFA/LASAAC. A member raised a query on point 8.2.12 and the application of IAS 37 in relation to social benefits. CIPFA colleagues requested for this to be discussed further outside of the meeting.
 42. CIPFA colleagues confirmed that they are currently considering a resolution to the issue of the valuation and derecognition of Highway Infrastructure Assets, as auditors have raised a concern that the current treatment may not be correct in accordance with the Code of Practice on Local Authority Accounting.
 43. Due to time constraints, CIPFA requested that the presentation on ISA 260 be delayed until the next FRAB meeting.

Agenda item 5: Update on the government's response to delays in local government reporting

44. The Board was joined by DLUHC colleagues who gave an update on system leadership in local government, the package of measures released in December, and forward look for the local government sector.
45. DLUHC gave thanks to CIPFA/LASAAC and FRAB members for engaging with and the careful consideration of the ask to defer IFRS 16 in local government. There continues to be concern about the state of the sector and a view that the situation could decline further before it gets better.
46. DLUHC view the delay as a whole system issue and given the gravity of the situation, it is considering measures that may not usually be considered.
47. In December 2021, a package of measures was pulled together, in consultation with other relevant organisations, to help alleviate the burden on preparers and auditors of local government accounts.
48. Local government reporting is now at a critical stage, as it is entering the next procurement stage for auditors and assurance is needed that sufficient auditor resource is available for the next audit cycle.
49. The package proposed in December 2021 was designed to cover different elements to release audit pressure. The measures included a commitment to explore a new technical advisory service to support new entrants in particular, more commitment to support local authorities (£45m) and more money available for training for audit committees.
50. DLUHC also asked CIPFA/LASAAC to undertake work to help with the delays. HM Treasury has commenced a thematic review and DLUHC also took the decision to delay standardised statements.
51. The Board learnt that DLUHC is considering short and long-term measures to address issues now but to also make a systemic difference in the long term, with commitments such as considering how to work with audit firms to tackle the root cause of the lack of auditor resource availability.
52. DLUHC strongly believe there is a need for a systems leader, which it is currently responsible for but will soon be controlled by the FRC as ARGA. DLUHC is currently in discussion with the FRC about the transition to being audit leader and would like to return to FRAB to discuss this transition plan and seek views on it.
53. The CIPFA/LASAAC Chair expressed that there is a huge appetite to improve the current state of affairs and that this discussion shows the problems in the sector concerning the preparers, auditors and regulators. The Chair expressed that this is an important issue to resolve and that there is a willingness to try and improve the situation and participate in the work that is being planned.

Agenda item 6: Department of Health and Social Care Group Accounting Manual 2021-22 post consultation version and health sector update

54. Jen Nichols shared the Department's plans to publish the 2022-23 Group Accounting Manual (GAM), the post-consultation version, paper FRAB 164 (06), subject to the Board's approval.
55. The main changes to the GAM were highlighted including the inclusion of guidance on IFRS 16 Leases. It was noted that the related guidance had previously been seen by members prior to deferral of the Standard in 2021. No changes had been made since to the guidance.
56. There are other limited changes to the GAM in relation to the creation of Integrated Care Boards (ICBs) and transfer of assets and liabilities from Clinical Commissioning Groups (CCGs) to the ICBs in the summer following upcoming legislation, the Health

and Care Bill. The proposals include accounting for the transfers using modified absorption accounting as set out in the GAM.

57. There may be further changes to the GAM following the upcoming legislation, but these will be brought to the Board at a future meeting as needed.
58. Other changes are listed in the change log shared with the Board ahead of the meeting with a notable area in respect of clarity around fair pay disclosures, already agreed by the Board in November 2021 in respect of the FReM.
59. The Board agreed the 2022-23 GAM for publication, subject to addressing detailed points of drafting to be sent to DHSC by members. Board members to send any further comments as soon as possible.
60. Jen Nichols then presented an update on the status of the DHSC 2020-21 and 2021-22 annual report and accounts. The Board noted that the 20-21 ARA had been laid on 31st January 2022, the statutory deadline for doing so, and was a result of a huge effort from all those involved. Whilst laying the accounts had been planned for before this date, the timetable was very challenging.
61. The account had received five qualifications to the audit opinion and details of these are set out in FRAB 146 (02). The Department is now working to remove as many of these qualifications as fast as possible and is optimistic in doing so as some relate to specific COVID-19 related spend and circumstances which are not expected to be as relevant in 2021-22.
62. There is however, one more enduring qualification in respect of the limitation of scope of inventory as a result of limited access to large quantities of PPE stock inhibiting its valuation at the year-end. Its existence has, however, been confirmed and there is no known risk of fraud in this regard.
63. The Board noted that unfortunately, the delays in completion of the 2020-21 ARAs have led to delays in the preparation of the 2021-22 ARAs however, overall, the Department is in a much better position than in the previous two years. The anticipated laying date is November, but this is still to be confirmed with the audit team and will be kept under review.
64. Details were also provided confirming it is still very much the Department's intention to return to laying ARAs before the parliamentary summer recess, but there is a multi-year recovery plan to achieve this ambition. Other factors will play a part which include the timeliness of local authority reporting.
65. Ian Ratcliffe gave more detail about the progress of the Health and Care Bill which is currently working its way through the legislative process, and which sets out the creation of ICBs. A new target date for the ICBs has been announced of 1st July, delayed from 1 April, and the in-year change of organisational structure may impact accounts preparation and audit timetables, made more challenging because of the pressures in local government reporting. There is ongoing engagement with DLUHC regarding the knock-on impact on the audit market.
66. The Board was also advised that there is planning work underway to consider improvements to the financial, planning and operational processes of the NHS for 2022-23. Discussions are being held with HM Treasury regarding the funding envelope. Priorities such as capacity improvements to primary healthcare and mental health services as well as addressing backlogs in the service have been set out in the NHS's planning guidance.
67. The Board thanked DHSC and NHS Improvement colleagues for the very insightful updates.

Agenda item 7: NAO and NIAO update on the 2021-22 audit cycle and key issues arising

68. James Osborne provided the Board with a paper and update on the 20-21 reporting cycle and 2021-22 forward look. Points of focus were noted, including that the impact of the pandemic continues to have a significant influence over the preparation and audit of ARAs for example, in respect of the estimates of fraud and error although these are refining over time.
69. Other asset valuations also remain areas of challenge with high levels of judgement needed and IFRS16 will also play a factor. The Board noted that lessons learned from early implementation of the Standard by some departments have been a very useful opportunity.
70. The current crisis in Ukraine will be closely monitored for any potential impacts on accounts as it may lead to higher valuation and regularity risks as well as the potential for new control systems that entities may need to implement.
71. The proposed audit timetable for departments was considered, set out in FRAB 146 (07) and it was noted that it remains in line with previous notice to the Board reflecting a two year recovery plan. The NAO has retained additional resources agreed by Parliament due to the ongoing impact of the pandemic and additional audit procedures following changes to auditing standards.
72. A question was asked whether rising inflation rates are causing any concern from an audit perspective, but it was noted, that whilst it is not a significant issue at the moment, inflationary assumptions will be kept under review.
73. A question was asked about whether the updates to ISA 315 are a particular challenge for local government. Discussion followed which heard that the principal changes involve the level of risk assessment but that all sectors will be impacted significantly and that auditors are engaging with entities as to the effects.
74. Suzanne Walsh provided an update from the audit institutions of the devolved nations noting that challenges are very much aligned to those already highlighted by the NAO.
75. The updated ISA 315 will bring additional complexities to the audit and the audit institutions are developing a new audit methodology in response.
76. Audit Scotland has successfully undertaken an exercise to appoint 38% of its audits to the market to increase resource capacity. Audit Scotland is also optimistic about ensuring that the NHS related audits will return to a pre-pandemic timetable.
77. In Wales, it was noted that the Welsh Audit Office is not currently anticipating contracting out any audits but that may change. The WAO aims to improve the 2022-23 local government audits timetable to 30th September.
78. The Northern Ireland Audit Office contract out circa 25% of its audits but a main audit partner has withdrawn from the market creating capacity restraints. Nevertheless, the NIAO is ambitious in working toward a pre recess timetable for almost all of the audits. Local authority audits are expected to retain the normal deadline.
79. NIAO has recently appointed a new C&AG expected to take up office on 1 August.
80. Members were advised that audit institutions are finding it difficult to recruit and retain qualified staff and to secure external resource via contracting out. The Board discussed that this is a common problem across both the public and private sectors that audit institutions are trying to address.
81. The Board discussed that delays to WGA will also be affected by limited audit resources making it difficult to ensure that staff are available to deploy at the scheduled time.

Agenda item 8: IFRS 17 implementation update

82. The Bboard received an update from HM Treasury on the implementation of IFRS 17 and outlined, in turn, three areas of focus and sought agreement from the board for each separate aspect.

83. Members of the Board expressed their support for the proposed adaptation to remove the IFRS 17 para 119 disclosure requirement, though some Board members disagreed with certain arguments put forward in the paper despite their overall agreement for the proposed adaptation.
84. One Board member challenged HM Treasury as to what/if they intended to replace the disclosure with to maintain transparency over the risk adjustments being made and the prudence of those adjustments.
85. The Chair observed that the Board supported the adaptation, though requested one member to help HM Treasury summarise arguments for not requiring the confidence level disclosure to be recorded formally.
86. HM Treasury outlined its proposal to issue a central discount rate based on Treasury Gilt yields and, to support consistency across IFRS 9 and IFRS 17, for this to be the same as the financial instrument rate.
87. The Board agreed with the proposal primarily on grounds of simplicity for preparers and consistency of application however some Board members queried what discount rate the paper intended to use. HM Treasury clarified it was the Financial Instrument Discount Rate.
88. The Board challenged the use of this discount rate and suggested this to be an item on a future agenda.
89. The Chair observed the Board supported the proposal, but it needed a better understanding of discount rates as they were calculated and applied across accounts and suggested one Board member discuss this with HM Treasury before the Board meeting in June 2022.
90. HM Treasury outlined its request that FRAB agrees the revised planned mandatory adoption date for the Standard (2025-26 financial year), with early adoption permitted on a case-by-case basis by HM Treasury.
91. The Chair observed the Board was all in agreement.

Agenda item 9: Sustainability – FRAB - SSC update

92. HM Treasury outlined the proposal contained in the paper. This was that the sustainability subcommittee develops financial reporting application guidance on climate change over the next few months and presents this for approval at either the June or November FRAB meetings.
93. A summary of the work of the subcommittee was also presented. At the most recent meeting, the existing IFRS guidance on climate change was reviewed, along with a relevant article from the Technical Accounting Centre of Excellence (TACoE). At the next subcommittee meeting, there will be an update on TCFD and the ISSB's exposure draft (due in June) along with updates from PAC and parliamentary discussions. Subcommittee members were thanked for their attendance and input.
94. It was noted that ISSB has issued exposure drafts on the date of the FRAB meeting, and that IPSASB intends to issue a consultation paper on sustainability reporting in the public sector, likely in May. This may prove useful for the subcommittee to keep an eye on.
95. There were no objections to the recommendation in the paper. The recommendation was approved, and the subcommittee will take forward work as planned.

Agenda item 10: WGA update

96. HM Treasury delivered an update on current WGA work and the forward timetable.

97. The 2019/20 WGA is close to finalisation and audit work is ongoing with the NAO. HM Treasury hopes to publish in late April or early May 2022, with data collection for the 2020/21 WGA to open from April 2022.
98. HM Treasury is considering harmonising audit thresholds for WGA Data Collection Tools (DCTs) between local and central government sectors from 2020/21. Currently, thresholds are much lower for local government. This would mean that the number of local authorities requiring audit of their WGA data would significantly reduce. The NAO may still need to obtain additional assurances from individual local authority auditors, which is being explored between HM Treasury and the NAO. HM Treasury may look to gain more assurances centrally if this is taken forward to ensure sufficient assurance with the data provided.
99. HM Treasury set out the forward timetable for the next two years and hopes to accelerate preparation in advance of these timeframes where possible, and so improve the timeliness of the WGA. The 2020/21 WGA publication is targeted for March 2023, and the 2021/22 WGA publication is targeted for November 2023, with the aspiration that the 2022/23 WGA publication can recover and meet the statutory deadline.
100. However, issues with the local government audit market are a concern for this return to timeliness which has been outlined to the PAC.
101. Questions were received on how the NAO is prepared for this WGA timetable as it runs across other work. The NAO is aware of the planned timetable and considering how its resourcing response.
102. Clarity was also sought on the potential changes to the DCT audit thresholds. It was confirmed that it only impacts the extra audit work performed on some DCTs in accordance with the group audit instructions and does not affect the requirement for audited accounts data to be used for cycle 2 returns. It was also noted that the Government Resources and Accounts Act 2000 gives HM Treasury the power to require WGA returns and for these to be audited where necessary, so it is on this basis that HM Treasury set the DCT audit threshold (as there is an overlay between HM Treasury's management controls and the NAO's auditing standards).
103. There were some clarificatory questions about the timetable asked, including a question about the cycle 2 deadline for the upcoming 2020/21 WGA cycle. This has not been set yet; however, it will be the end of July 2022 at the earliest and more likely to be late August 2022. A CIPFA representative noted that many local authorities may not meet the proposed cycle 2 timeframes for the 2020/21 WGA, due to issues with infrastructure assets holding up their audits.

Agenda item 11: 2020-21 Best practice in financial reporting report

104. HM Treasury presented an update on the best practice in financial reporting report, which is in its third year of existence following a commitment made to Parliament in 2019 to produce such a report. The 2020/21 report will be published shortly. The examples have been shared in advance with the departments featured and were also shared with the User Preparer Advisory Group (UPAG) for feedback. Comments were sought from the Board, along with any additional examples they could suggest to incorporate.
105. One board member asked whether the best practice reports have been helping to drive improvements in financial reporting. HM Treasury commented that there is a particular difference observed in the quality of presentation of information. This is becoming more understandable and user friendly, and there has been greater use of graphics to present complex information visually. However, there are still areas for

improvement, including on fair and balanced reporting. There is also an additional exercise ongoing in HM Treasury to look at how departments have complied with the mandatory Covid-19 reporting requirements in annual accounts, and HM Treasury has tried to include more examples of Covid-19 and EU exit reporting within the best practice report as these are areas of particular parliamentary interest.

Agenda item 12: FRAB effectiveness review, action plan, strategy and risk register

106. The Chair presented the FRAB Effectiveness Review paper, which provided a high-level overview of the results from the survey completed by Board members. The overall feedback from respondents was positive. The Chair welcomed open discussion on the results and future actions.
107. Based on today's full meeting schedule, the Chair informed FRAB that, with the agreement of the Secretariat, the next meeting would include an update and discussion on FRAB's future strategy, with the plan to invite external speakers (e.g., IFRS Foundation, FRC, IPSASB) to give views based on their current work plans and expertise.
108. There were no member comments on the survey results; however, one board member proposed discussing the decision-making process with the planned external speakers on their respective boards, to check practice by other standard setters.
109. The Chair then moved on to actions, with one member asking whether the risk register's scope is limited to FRAB's role, or represents the Board's wider role in public sector reporting. Should the risk register capture wider risk, for example to FRAB's reputation, as a result of delays and audit issues in the local government sector, or the lack of a solution to infrastructure asset problem? The Chair noted that no new risks had been added to the register since June 2021, despite turbulence in local government which may constitute a new risk.
110. Another member questioned whether these risks are the responsibility of HM Treasury, rather than FRAB. The Chair raised that the phrasing of the risk should capture the environment, for example, in respect of IFRS 16, FRAB strives to meet the objective of the best possible reporting; while considering the barriers due to the ability and capacity of the sector to respond. The other member raised whether there should be a focus on the underlying drivers, where these are outside FRAB's control (e.g., the FReM, the Code). The Chair suggested this risk could be phrased as FRAB's objective for promoting excellence being harder to deliver in the difficult operating environment of local government – even if this is outside FRAB's control. There's a reputational risk to FRAB if the Board continuously set standards preparers are unable to meet/follow.
111. The CIPFA representative advised that points for the forward look agenda had been emailed to the Secretariat for consideration at the June 2022 meeting. The member also raised that the risk register should address the needs of the users of the accounts – rather than focusing solely on excellence in financial reporting. The Chair agreed and the Secretariat agreed to consider this further. She also confirmed HM Treasury's plans to bring a paper to the June 2022 meeting to outline progress on the implementation of recommendations from the seven major work streams identified in the Government Financial Reporting Review, in 2019, where Parliament set out the needs of users and purposes of financial reporting. This may be a good opportunity to update Parliament on progress.
112. The Chair confirmed that members were content with the proposal, noting the comments on the risk register, associated action plan and results of the review; as well as agreeing to discuss strategy at the next meeting. The Chair articulated members' views of accepting virtual meetings; while appreciating the benefit of periodic in-person

meetings, mentioning a planned future survey to clarify the schedule/logistics for future meetings. The final point around succession planning arrangements had been addressed through the nominations committee.

Agenda item 13: AOB

113. A member raised their preference that in the IFRS interpretations committee meeting paper, the text for the tentative agenda decisions should be included for reference. The Chair, with the support of members, asked HM Treasury to include the text in future papers.
114. The Chair updated the Board on IPSASB's March meeting, where the Board approved the IPSAS on non-current assets held for sale and discontinued operations, matching with the IFRS treatment but with additional disclosure for the public sector. IPSASB approved two consultation papers on natural resources and sustainability. IPSASB is continuing work on lease arrangements, revenue, expenses and measurement in the public sector, and has added two projects on differential financial reporting and financial statement presentation to its forward work programme.
115. HM Treasury updated the Board on BEIS's consultation on Restoring Trust in Audit and Corporate Governance, introduced by the NAO in June 2021 (FRAB 144 (04)). This proposes a reform package to strengthen the UK's corporate framework including improving the quality of published data, holding directors to account, choices in the audit market, and creating a stronger regulator, ARGA. Since the consultation closed in July 2021, BEIS has been considering the 600 written submissions to formulate a response. HM Treasury has been considering a path of action for the public sector given prospective changes to the private sector, as well as the treatment of Public Interest Entities in the public sector.
116. For the thematic review on non-investment assets, HM Treasury updated the Board on plans to bring preliminary findings to the June 2022 meeting, followed by more thorough consideration at the November 2022 meeting. HM Treasury is close to awarding a contract to a supplier, that will facilitate the work and drive progress.
117. A member queried whether they were able to share the results of the IFRS 16 local government implementation. The Chair confirmed that FRAB would issue a statement. Local government representatives confirmed desire for prompt communication on the matter, allowing for members to communicate internally on a confidential basis, but leaving CIPFA LASAAC to manage the formal communication externally.

Agenda item 14: IFRS Interpretations Committee – summary of announcements

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

Agenda item 15: IFRS issued but not yet effective and narrow scope amendments

119. The Board noted the update paper and appreciated the summary on IFRS' issued but not yet effective and narrow scope amendments.

Agenda item 16: Relevant Authority Working Group -summary of last meeting

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