HM Treasury

Financial Reporting Advisory Board Paper

Minutes of the 148th FRAB meeting and matters arising

Issue:	For information – minutes of the last 148th meeting held on 24th November 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 148th meeting by email but to note the matters arising
Timing:	N/A

Detail

1. To note the minutes of the 148th FRAB meeting held on 24th November 2022 which were circulated, and comments received by email after the meeting (Annex A).
2. Matters arising are noted below:

Paragraph	Issue	Action
27	Invite Neil Harris (System Lead Role, FRC's Director of Local Audit) to the March meeting and a local auditor if possible.	Neil Harris and Mark Stocks (Local Auditor at Grant Thornton) will be presenting an update at the meeting. Please see FRAB 149 - agenda items 10 and 11.
55	HMT to consider whether legislative options should be scoped out of IFRS 9 when progressing the application guidance and exposure draft. (in relation to IFRS 17 implementation).	Completed. HMT Response: - The concern raised was that the narrower scope of IFRS 17 could mean that transactions instead fall into IAS 32. - HMT have considered this concern, but do not see it as a significant issue. - There are relatively few transactions accounted for under IFRS 4 (UKEF, FloodRe, PoolRe, a scheme in DLUHC and intercompany insurance schemes in DfE and DHSC). - For this to be an issue, the transactions currently being accounted for under IFRS 4 listed above would need to fall into IAS 32 due to the narrower scope of IFRS 17. - However, we are not aware of this being the case at all (we expect transactions currently being accounted for under IFRS 4 to fall within scope of IFRS 17 and not fall into IAS 32/ IFRS 9). - The only other way this would be an issue would be if entities were planning to issue lots of insurance-type contracts in the future, but we are not aware of this. - Therefore, we do not anticipate there will be a large volume of liabilities arising from legislation falling out of IFRS 17 and into IAS 32/ IFRS 9.
56	HMT to look at a provision of guidance around instances where the same information will be reflected twice in a department's accounts, potentially via the provision of worked examples.	Completed. This has been completed via the IFRS 17 Exposure Draft published in January 2023 and will be further considered via the comments received on the ED.
62	HMT to provide more guidance in relation to disclosures around other financial commitments.	In progress. HMT have been considering feedback on guidance for preparing the other financial commitments note. We are currently considering including guidance in the 2022-23 PES paper and then including in the FReM in 2023-24.
67	HMT to make an out of meeting decision on the timing of PPP implementation	Completed. The Board decided to defer implementation to next FY, but HMT were to decide whether to allow early adoption. We decided not to allow early adoption and FRAB members have been informed.
71	HMT to review whether information relating to functional standards should	Completed. This was moved to the accountability report.

	be included in the accountability report rather than the performance report.	
72	HMT to review the wording in paragraph 9.1.21 of the 22-23 FReM.	Completed. This paragraph was deleted from the published 2022-23 FReM.
90	HMT to include a specific question in the non-investment asset valuation thematic review consultation on the possibility of using historical data.	Included in the Consultation Paper, reviewed by Board members ahead of publication.
94	HMT and Deloitte to publish a consultation on the outcomes of the non-investment asset valuation thematic review which includes an explanation of why the suggested proposals have been reached.	Included in the Consultation Paper, reviewed by Board members ahead of publication.
95	HMT and Deloitte to set out alternative solutions in the consultation on the outcomes of the non-investment asset valuation thematic review, with explanations as to why they are not viable or presented as options if they are.	Included in the Consultation Paper, reviewed by Board members ahead of publication.
96	HMT and Deloitte to consider whether right-of-use assets should be included in the consultation on the outcomes of the non-investment asset valuation thematic review.	Included in the Consultation Paper, reviewed by Board members ahead of publication.
97	HMT to arrange a single-item extraordinary FRAB meeting to present an updated Exposure Draft on the non-investment asset valuation proposals.	Completed. A single-item extraordinary meeting was held on 27th January 2023.
105	HMT to bring the proposed topic for the new thematic review (and progress) at the March 2023 meeting	Please see FRAB 149 - agenda item 12.
107	HMT to involve the Welsh Government in IFRS 9 consultations.	Completed. Meeting between HMT and WG on IFRS 9 took place on 13th December 2022 with Kim Jenkins, Caitlin Stanley and Sarah Logsdail.
109	HMT to bring an update on IFRS 9 to the March 2023 meeting.	Please see FRAB 149 - agenda item 6.

123	CIPFA to update the Board on progress with the electronic platform at the March 2023 meeting.	Please see FRAB 149 - agenda item 8 and 9.
127	CIPFA to provide an update on whether progress has been made to a resolution for the charge for the Code at the March 2023 meeting.	Please see FRAB 149 - agenda item 8 and 9.
128	CIPFA to report back to the Board on sustainability reporting progress at the March 2023 meeting.	Please see FRAB 149 - agenda item 8 and 9. In addition, FRAB 149 - agenda item 13 will include a discussion with CIPFA representatives in the latest FRAB-SSC meeting.
132	CIPFA to engage with HMT for the measurement of networked assets.	Completed. Engaged with Sudesh Chander (HMT), who is a member of the Task and Finish Group. Also provided comments on the non-investment assets thematic review.
154	HMT to put an updated proposal forward for the 2023-24 FReM incorporating comments made by members (*Accounting for Social Benefits*).	To be addressed at the June FRAB meeting – FRAB 150.
179	HMT to dedicate more time to the FRAB strategy, action plan and risk register agenda item at the March 2023 meeting.	Please see FRAB 149 - agenda item 14.
181	The Board to review whether more items in the action plan are needed to address timeliness issues and additional focus should be given to Departments who don’t face timeliness issues and how they have achieved that.	Board to discuss at the March meeting. Please see FRAB 149 - agenda item 14.

Annex A

Financial Reporting Advisory Board Meeting November 2022: Minutes

Location: HM Treasury (hybrid)

Time: 09:30am-4:30pm

Attendees:

Aileen Wright
Alison Bonathan
Andrea Pryde
Bob Richards
Conrad Hall
Gawain Evans
Ian Ratcliffe
Ian Webber
James Osborne
Jen Nichols
Jennifer Griffiths
Jenny Carter
Jessica Seymour
Joseph McLachlan
Karen Sanderson
Karl Havers
Kathryn Allen
Kathy Doey
Kim Jenkins
Lynn Brothwood
Lynn Pamment
Michael Sunderland
Mike Metcalf
Sarah Sheen
Shiva Shivakumar
Steven Cain
Stuart Stevenson
Hannah Oliver
Libby Cella
Max Greenwood
Sally King
Sarah Logsdail
Shikha Sharma
Sudesh Chander

Notes and Apologies:

Alex Knight – unable to attend
Andy Brittain – unable to attend, Jen Nichols deputised
Iain King – unable to attend, Jennifer Griffiths deputised
Pam Beadman – unable to attend, Lynn Brothwood deputised
Suzanne Walsh – unable to attend, Kathy Doey deputised

Agenda

	Item	Presented by	Time	Paper
1.	Welcome, minutes and matters arising	Chair	09:30	FRAB 148 (01)
2.	Update on the timeliness and issues coming through from the 2021-22 reporting cycle	Libby Cella (HMT)	09:40	FRAB 148 (02)
3.	Devolved administrations - reflections on the 2021-22 reporting cycle	Gawain Evans, Stuart Stevenson & Aileen Wright	09:55	Verbal
4.	DHSC sector update	Jen Nichols (DHSC) & Ian Ratcliffe	10:10	Verbal
5.	NAO reflections on the 2021-22 audit round and forward look	James Osborne	10:25	FRAB 148 (05)

6.	Devolved administrations audit institutions reflections on the 2021-22 reporting cycle and forward look	Kathy Doey	10:40	Verbal
	Break (15 minutes)		10:50	
7.	Reporting on local government pensions scheme liabilities in departmental accounts	Sudesh Chander (HMT)	11:05	FRAB 148 (07)
8.	IFRS 17 update	Sudesh Chander (HMT)	11:25	FRAB 148 (08)
9.	FReM 2022-23 in year update and FReM 2023-24 with illustrative statements	Sudesh Chander (HMT)	12:00	FRAB 148 (09)
	Lunch Break (45 minutes)		12:25	
10.	Thematic review on non-investment assets and proposed changes	Shikha Sharma (HMT)	13:10	FRAB 148 (10)
11.	Future thematic reviews	Sarah Logsdail (HMT)	13:55	FRAB 148 (11)
12.	IFRS 9 update	Sarah Logsdail (HMT)	14:15	FRAB 148 (12)
13.	Local government update	Karen Sanderson	14:35	FRAB 148 (13)
	Break (15 minutes)		14:50	
14.	CIPFA/LASAAC update, CIPFA – Code 2023-24 developments (including Infrastructure assets issue)	Conrad Hall & Sarah Sheen	15:05	FRAB 148 (14)
15.	IPSAS 42 social benefits	Hannah Oliver (HMT)	15:35	FRAB 148 (15)
16.	Sustainability reporting update	Max Greenwood (HMT)	15:55	FRAB 148 (16)
17.	WGA 2020-21 progress update	Shikha Sharma (HMT)	16:10	FRAB 148 (17)
18.	AOB - FRAB strategy, action plan and risk register	Chair/HMT	16:20	FRAB 148 (18)
	Papers to note only			
19.	IFRS Interpretations Committee summary of announcements			FRAB 148 (19)
20.	User Preparer Advisory Group update			FRAB 148 (20)
21.	Relevant Authority Working Group update			FRAB 148 (21)
22.	HMT consideration of IPSASB adaptations for NCA held for sale			FRAB 148 (22)

Agenda item 1: Welcome, minutes and matters arising

1. The Chair welcomed members to the 148th 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. The Chair commented that a number of out-of-meeting papers of relative significance had been circulated to FRAB members since the last FRAB meeting. The Chair wanted the board to reflect on how to handle significant matters out-of-meeting, whether there is a preference for email exchanges or short single-issue meetings.
3. The Chair also commented that decisions should be made on a consensus basis rather than a democratic vote; and that the Board should reflect on how decisions are made at meetings.
4. The Chair introduced Jessica Seymour who joined the Board for her first meeting representing the Department for Levelling Up, Housing and Communities (DLUHC).
5. The Chair also informed Board members this was the last meeting for Karen Sanderson and Joseph McLachlan and thanked them for their service on the Board.

Agenda item 2: Update on the timeliness and issues from the 2021-22 reporting cycle

6. HM Treasury provided an update on financial reporting timeliness for the 2021-22 reporting cycle. At the date of circulating the paper, 41 bodies had laid their annual reports and accounts (ARAs) before parliament.
7. HM Treasury highlighted some of the key issues as to why ARAs were laid later than expected, which included:
   a. Knock-on issues from the COVID-19 pandemic.
   b. Audit-driven delays, including audit of Local Government Pension Schemes.
   c. Availability of parliamentary laying slots due to the mourning period over the autumn of 2022.
8. HM Treasury notified the Board that 5 of the ARAs laid had audit qualifications, with potentially more qualifications for ARAs due to be laid in December 2022 and January 2023.
9. A member queried whether these qualifications were permanent or if steps were being taken to address the underlying issues causing the qualified audit opinions.
10. Another member highlighted the DWP ARA, whose regularity opinion has been qualified for 34 years. Another member responded that the DWP include a lot of narrative reporting on their fraud issues, including what is done to manage fraud risks.
11. On qualifications and issues surrounding complex financial instruments, a member queried whether these were new issues or if these were ongoing issues. Another member responded that there have been challenges with the student loan portfolio due to rate changes; entities are seeing more work performed by auditors on financial instruments concerning the impact of rate changes. Another member added that accounting and audit of

financial instruments is always a challenge, and the challenge is increased when economic conditions are more volatile.

Agenda item 3: Devolved Administrations - reflections on the 2021-22 reporting cycle

12. Colleagues from the Welsh Government reported to the Board that they hoped to sign their 2021-22 accounts on 9 December 2022. Delays to the prior year's accounts were played out in the Welsh media. There were some knock-on impacts from the prior year delays to 2021-22 plus some issues on financial instruments as noted in the previous agenda item.
13. Northern Ireland (NI) colleagues reported they achieved their targets of laying 12 accounts before the summer recess and are on their second target of laying 19 sets of accounts; there are currently 3 outstanding ARAs and hope to lay these in early 2023. The NI representative commented the reporting process had improved compared to 2020-21.
14. NI colleagues discussed risks for the 2022-23 reporting period including political challenges in the region and their impact on the estimate.
15. NI colleagues updated the Board that they are implementing a new financial reporting system and are fully implementing their own version of the Clear Line of Sight project in 2022-23.
16. Scotland colleagues provided their update to the Chair in writing:
    a. Consolidated accounts are planned to be laid on 1 December 2022.
    b. Remote auditing was still an issue for the 2021-22 reporting cycle.
    c. The timing of the 2021-22 reporting cycle was an improvement from the prior year.
    d. A number of individual entity audits have not yet been completed; some may not meet the statutory deadline of 31 January 2023.
    e. Scotland colleagues noted capacity issues both in reporting bodies and audit bodies.
17. A member queried whether there was a pattern to the types of bodies who laid their accounts late. Welsh Government colleagues responded that health bodies were running between 4-6 weeks delayed, which impacts the Welsh Government consolidation. Entities with COVID loans also experienced issues with preparation and audit, leading to challenges in returning to a pre-recess timetable.

Agenda item 4: DHSC sector update

18. DHSC colleagues thanked members for their comments on the out-of-meeting paper on accounting for PPP arrangements within the DHSC group; noting the Chair's earlier request to reflect on handling significant matters out-of-meeting.
19. At FRAB 147, DHSC shared a paper on the financial reporting implications of the new Health and Care Act. The DHSC representative confirmed the Act was now in place.
20. The DHSC representative explained that for the Autumn Statement, health and social care was the outlier in receiving a significant funding uplift to

address pressures on pay assumptions and inflation, with the department making commitments on elective recovery, access to primary care, maximising efficiency gains, etc.

21. As in prior years, a pre-consultation version of the Group Accounting Manual (GAM) will be circulated to FRAB in an out-of-meeting paper in January 2023; with a post-consultation version brought to FRAB for approval in March 2023.
22. Whilst preparation of the DHSC group accounts has been more straightforward this year; with fewer novel accounting and auditing judgments related to the COVID-19 pandemic; there’s only a slight improvement to the laying timetable to mid-January. This is driven by pressures in the local/national audit market which have delayed component accounts, including Arms-Length Bodies (ALBs) and NHS bodies.
23. The group accounts will be qualified; however, DHSC expects the number of qualifications to reduce compared to the prior period. The limitation of scope, related to inventory existence, will continue as a high volume of personal protective equipment remains inaccessible for year-end stocktakes.
24. In addition, there was a new technical excess vote qualification for a non-budget line for NHS Resolution. This was driven by a fundamental error in the valuation of the clinical negligence provision requiring prior period restatement. The material error was not identified until after the Supplementary Estimate. To avoid a non-budget excess vote qualification any material prior period adjustments must be corrected prior to submission. This led to a one-off qualification to correct the error in the underlying account.
25. The NHS representative confirmed that a handful of NHS bodies had been impacted by delays to the audit of Local Government Pension Schemes (LGPS). Furthermore, local audit capacity impacted timeliness, delaying returns and requiring the auditors to review group consolidations.
26. In the medium term, the NHS is considering ways to attract more mid-tier firms to the market. In the shorter term, a more realistic 2022-23 timetable has been agreed upon with audit firms to encourage focus/discipline.
27. The Chair announced her intention to invite Neil Harris (new System Lead Role, FRC’s Director of Local Audit) to the March 2023 FRAB meeting. At the request of a FRAB member, the Chair also agreed to look to invite a local auditor for their perspective (e.g., timing and quality of provided information).
28. DHSC colleagues explained that 2022-23 will be more challenging due to:
    - IFRS 16 implementation - with significant complex inter-group leasing transactions (which are no longer cost neutral); and,
    - Integrated Care Boards (ICBs) replacing Clinical Commissioning Groups (CCGs) in year - driven by the Health and Care Act and leading to split year accounts.
29. A member asked whether health auditors could apply lessons from the local audit market. DHSC confirmed they were in regular communications and were considering the audit market as a whole.

Agenda item 5: NAO reflections on the 2021-22 audit round and forward look

30. The NAO made significant progress in bringing forward departmental group accounts pre-recess, although prioritisation decisions came at the expense of some smaller entities. The NAO is now aiming for a three-year recovery plan to achieve 80% of accounts pre-recess (instead of the two years originally planned).
31. Prompted by the Chair, the NAO confirmed the 80% target was broadly in line with the laying timetable before the pandemic and that the ambition would be for 100% of all major departments to lay pre-recess; recognising that achieving this for all small entities (400+) was unrealistic.
32. All the departments that laid pre-recess for 2021-22, plus the Cabinet Office - which was delayed due to a complex financial instrument - are expected to lay pre-recess for 2022-23. For other departments, the NAO is working to consider a variety of complex challenges (e.g., LGPS, complex support schemes, interventions, etc.). This is in addition to complexities around IFRS 16 implementation.
33. The DHSC representative queried whether resourcing was adequate to improve the audit timetable in the medium term. De-prioritisation of the 2021-22 DHSC core account (based on DHSC group) had led to the audit starting in September rather than June - impacting morale. The NAO representative confirmed the Public Accounts Committee (PAC) was supportive and progress was being made. Furthermore, the NAO has taken steps in respect of recruitment processes and pay.
34. A FRAB member queried how the new auditing standards would impact preparers. The NAO representative explained that the main changes would be to risk assessments and documentation around controls and systems; and that departments had already been briefed in this regard.

Agenda item 6: Devolved Administrations Audit Institutions reflections on the 2021-22 reporting cycle and forward look

35. The Northern Ireland Audit Office (NIAO) representative provided an update on behalf of the audit agencies across the devolved administrations – although explained no update has been received from Audit Scotland.
    - Wales – most accounts were signed off in line with targets; although individual issues led to a few outliers. The sign off of local government pension funds is expected in December.
    - Northern Ireland (NI) - most audits are complete with only a few outstanding.
36. For 2022-23, ISA 315 will impact the audit approach/workload. Audit Wales is making steady progress on audit timeliness. The NIAO is working to move audits pre-recess; however, expects challenges in auditing the first set of consolidated accounts for NI. Furthermore, the NI political situation has a knock impact on audits, via budgets (e.g., excess votes). The audit agencies are working on the planned implementation of ISQM1 on audit quality arrangements.

37. NIAO audit fees are expected to increase by 15-25% overall. The Welsh representative noted the substantial increases in audit fees are a difficult sell to public bodies who are experiencing reduced budgets and asked what the NAO's position was. The NAO representative noted challenges in the audit market which make recruitment difficult and more expensive.
38. The NAO representative confirmed that contracts with private sector audit firms, who they use for work, had also increased fees. The NIAO representative agreed that they were similarly impacted.

Agenda item 7: Reporting of local government pensions scheme liabilities in departmental accounts

39. HM Treasury sought FRAB's support to issue an accounts direction for the LGPS to be accounted for as a defined contribution scheme within the accounts of two departments, rather than as a defined benefit scheme. This would be a temporary two-year solution. The intention would be to allow for more timely laying of these accounts, to which delays in finalisation of LGPS audits is currently a barrier. Additionally, it is more closely aligned with the treatment of the Principal Civil Service Pension Scheme (PCSPS) within departmental accounts.
40. HM Treasury also wished to explore a more general amendment being made in the FReM with regards to defined contribution accounting for LGPS obligations.
41. The Chair queried the role of the Board in approving changes to accounts directions. HM Treasury outlined that they issue accounts directions to entities, which generally direct preparers to follow the FReM with occasional minor amendments. As this would be a more significant amendment, this is being tested with the Board.
42. Board members questioned whether defined benefit accounting was still the optimal approach from a financial reporting perspective. Some Board members noted the need to ensure accounts are both timely and high quality. HM Treasury clarified that the defined benefit approach conveyed useful and important information, however there is a question around where the best place is to reflect that information and whether that is within the departmental accounts.
43. It was observed by a Board member that it would be important to understand the intersection between accounting standards and HM Treasury accounts directions, particularly where some central government entities may prepare accounts under alternative frameworks such as FRS 102.
44. Clarification was sought from a member on whether there would be a budgeting implication of the switch to defined contribution accounting for these two departments. HM Treasury advised they would work through that should the accounts direction be made.
45. Board members questioned whether there were alternative solutions to promote timeliness. It was noted by HM Treasury and the NAO that attempts to gain assurance over unsigned LGPS data via other methods to enable defined benefit accounting for LGPS within the departmental accounts had

been unsuccessful. The NAO were supportive of the proposal, acknowledging the situation faced by the two entities concerned and feeling that the proposal considered both quality and timeliness.

46. Some Board members disagreed with the analogy drawn with the PCSPS and noted differences in the underlying characteristics of the PCSPS and LGPS schemes. For example, the PCSPS has its own estimate and entities who contribute to the PCSPS are limited in their liability to the contributions they pay each year. For the LGPS schemes, entities can identify their share of the liability, so LGPS schemes are fundamentally different from central government schemes (such as the PCSPS) in that way.
47. Board members raised issues with the proposal as the change in accounting would not have been discussed if there were no issues with reporting timeliness.
48. Board members noted that entities could accept a limitation of scope audit qualification to publish their accounts in a timely manner. Some Board members considered a limitation of scope would be more transparent and more accurately reflect the issues encountered, rather than changing the accounting requirements.
49. Some Board members raised concerns that this could open raise the precedent risk in terms of other entities requesting accounts directions from HM Treasury if there are complex issues impacting the timeliness of ARAs. For example, if an entity was encountering valuation issues which impacted their ability to produce timely ARAs, they could request an accounts direction on the same basis.
50. Some Board members stated they considered defined benefit accounting the correct accounting for LGPS schemes and cannot see why this conclusion would change.
51. CIPFA colleagues observed that this proposal may have implications for the local government sector. As the LGPS is also included in local authority accounts, an unwelcome precedent for accounting for the LGPS as a defined contribution scheme within entity accounts may be set if the accounts direction were made. The separation of the LGPS and local authority accounts was one longer term option suggested, it was observed that this would potentially require primary legislation.
52. The Chair concluded the discussion and set out that a consensus for support for the proposal had not been reached. Therefore, the Board did not support the issuance of a revised accounts direction. It was noted that HM Treasury has the ability to issue such a direction, but if so, it would not be with the Board's support. The Chair set out that the Board would be open to hearing a principles-based argument regarding the best approach to public sector pension scheme accounting guidance in the future. The expectation would be that any such future paper would be brought by the relevant authorities collectively.

Agenda item 8: IFRS 17 update

53. HM Treasury provided an update on IFRS 17, which has an intended public sector application date of 2025/26. Full draft application guidance had been produced and had been reviewed by the IFRS 17 technical working group. The Board were asked to review the draft application guidance and provide comments.
54. An exposure draft will be produced and consulted on with government departments over this winter. The intention is to then bring a finalised version of the application guidance to the next FRAB meeting.
55. Board members provided positive comments on the quality of the draft application guidance, and the merits of having engaged with budgeting aspects early.
56. The timing for the consultation on the exposure draft (ED) was discussed, as to whether winter was the optimal time. HM Treasury noted that the intention was to allow for the final application guidance to be issued two years in advance of implementation. The working group had been keen to see this as early as possible.
57. A member asked whether it would be desirable to define what an 'excessive' premium is within the guidance. HM Treasury noted that this had been discussed with the technical working group. The best approach was felt to be to leave this to entity judgement, in agreement with their audit teams. The member noted that if there is a way to drive greater consistency, this would be beneficial.
58. Additionally, the point arose as to whether mandating one transition option over another would be an interpretation or an adaptation. The Chair and HM Treasury agreed that this would be an interpretation.
59. A further point was with regards to the interaction with IFRS 9. A board member felt that legislative options should be scoped out of IFRS 9. HM Treasury agreed to consider this.
60. A Board member observed that provision of guidance around instances where the same information will be reflected twice in a department's accounts could be useful. For instance, where an amount is accounted for under IFRS 17 but also disclosed to Parliament as a remote contingent liability. The NAO member was in agreement that such guidance could be helpful, potentially via the provision of worked examples.
61. Board members were asked to send any further editorial points to HM Treasury as soon as possible. The Board agreed to the exposure draft consultation and looked forward to seeing the output at the next meeting.

Agenda item 9: FReM 2022-23 in year update and FReM 2023-24 with illustrative statements

62. HMT introduced a paper that had been circulated prior to the meeting, setting out the in-year updates to the 2022-23 FReM and associated illustrative statements, as well as the FReM 2023-24 FReM and illustrative statements.
63. HMT highlighted changes to the 2022-23 FReM such as the requirement to disclose other financial commitments, added PPP guidance and guidance on

business combination reporting. It was also highlighted that for the 2023-24 FReM, there were currently no changes to present.

64. The Board was informed that disclosures around other financial commitments had been in the illustrative statements already but had now been added into the FReM. The business combination reporting had previously been in application guidance outside of the FReM and has now been brought into the FReM.
65. The Board began with consideration of the 2022-23 FReM.
66. A Board member requested more guidance in relation to disclosures around other financial commitments due to uncertainty over scope. Treasury confirmed they were happy to provide more guidance after further discussion about this.
67. The Board member also questioned a change between the draft PPP guidance previously circulated to stakeholders, and the guidance presented within the 2022-23 FReM. The previous draft guidance indicated that the initial indexation adjustment would take place at the first indexation event after 1 April 2022, whereas the FReM guidance set out that the adjustment would take place at 1 April 2022.
68. HM Treasury explained that this change was in response to a paper presented at the June 2022 meeting (paper 147 18) where the Board agreed to take 1 April 2022 as the indexation point. The FReM guidance also reflects the outcome of a further out of meeting paper concerning the appropriate double entry for the adjustment.
69. Another Board member stated that they agreed with the recognition point of 1 April so that the liability is correctly stated but that the change should be deferred to the next financial year.
70. The Chair suggested that this change should not be included in the 2022-23 FReM and asked the Board for views. After discussion the Board resolved that the change to PPP guidance should be deferred until 2023-24.
71. The question arose as to whether early adoption of the revised PPP guidance should be permitted. A Board member raised the point as to potential comparability and consistency concerns if early adoption were permitted, and this was discussed. It was determined that HM Treasury should reflect on this, and an out-of-meeting decision should be taken by HM Treasury on early adoption.
72. In regard to other financial information disclosures, NAO colleagues raised that they felt this was a significant change as it is beyond what is required by IFRS. Another Board member raised that this requirement could fall within the general IFRS requirement to disclose any additional information under IAS 1.
73. After discussion, the Board approved that the other financial commitments disclosure requirement should be included in the 2022-23 FReM but that, as already discussed, more guidance was needed.
74. A Board member questioned whether the changes around the summary of priority outcomes and other strategic objectives should be more forward-looking. Treasury confirmed that they had engaged with the Cabinet Office in respect of the changes and confirmed that they meet Cabinet Office objectives.

75. The Board member also questioned whether the information in relation to functional standards should be included in the accountability report rather than the performance report. HM Treasury confirmed that they will review where information on functional standards should go.
76. Members also raised concerns around the wording in paragraph 9.1.21, where HM Treasury agreed to review this and remove any confusing wording.
77. The Board agreed that once the matters discussed had been resolved by HM Treasury, they would be happy to endorse the publication of the 2022-23 FReM.
78. In relation to the 2023-24 FReM, the Board queried why there were no changes being raised at this point and questioned if it was likely there would be more changes later in the year. HM Treasury commented that a more significant review of the FReM was previously undertaken in April 2019. Changes could arise in the year, but such changes are typically the result of issues raised by preparers or auditors during the year.
79. The Board agreed to endorse the publication of the 2023-24 FReM.

Agenda item 10: Thematic review on non-investment assets and proposed changes

80. HM Treasury introduced the Thematic Review paper on accounting for non-investment assets and welcomed colleagues from Deloitte. HM Treasury explained that one of the reasons the work was being undertaken now was because this review was part of the commitment made by HM Treasury as part of the package of measures put forward by the Department for Levelling Up, Housing and Communities to address the timeliness of audited local government accounts. HM Treasury emphasised that the goal was not to weaken the reporting framework in order to overcome audit issues.
81. HM Treasury also explained that the Review was aiming to be a fair and balanced appraisal, looking at both the costs and benefits of the current regime, engaging with lots of different stakeholders and performing rigorous analysis.
82. HM Treasury conclusions on the basis of this work were that there was a case for change and that the differential approach was the lead option on which it wanted to consult. The most significant change in this approach would be in respect of certain specialised assets, which would no longer be held at valuation. Networked assets would be held at depreciated replacement cost (DRC). Non-specialised assets would move to fair value, though that conclusion was more tentative.
83. HM Treasury were seeking views from the Board on these conclusions and also asked the Board to consider any further points they felt should be raised, particularly around the implementation timeline.
84. Board members queried the rationale for the differential approach and what the consequences of this approach might be. HM Treasury and Deloitte colleagues explained that after consulting with the various stakeholders it became apparent that a one-size-fits-all approach would not work. HM

Treasury also explained that the current regime is differential to some extent as assets can be held at fair value, existing-use value and DRC.

85. The Board also questioned the benefit of changing this approach and how it would help users in terms of decision-making and accountability. HM Treasury explained under the current regime that the extent to which decisions are made on the basis of the financial reporting information is limited and the costs associated with producing this financial information are expected to rise and this supported the case for change.
86. The Board discussed whether public sector accounts are currently reaching the right audience and who the changes are being made for and why they are being made.
87. The Chair questioned the methodology for arriving at the answer suggested by the report and questioned how the service potential of public sector assets had been taken into account.
88. HM Treasury explained that through the thematic review the intent is to analyse the different classes of assets and different measurement bases and the cost-benefit of each of those.
89. Another Board member commented that from a preparer point of view there did not seem to be a lot of benefit from the changes, although an argument could be made for revaluing land and buildings.
90. The Board also raised concerns around audit of assets under the new valuation method. HM Treasury explained that existing differences and definitions have been used in the thematic review to de-risk the suggested changes.
91. A Board member raised that it may be an issue from a cost-benefit perspective to impose the valuation method used instead of allowing a choice. HM Treasury commented that as well as a standard setter, they are also the preparer of Whole of Government Accounts and so it would not be possible to allow too much variation in accounting policies.
92. A Board member also raised that they would like to see a consideration of IAS 8 as to whether the suggested changes are more reliable and relevant. HM Treasury explained that the current arguments are that under the current regime, significant assumptions are required for DRC assets which undermines the reliability and that as this is considered an adaptation this is considered a change of standard, and so the IAS 8 test for a preparer is not the only thing to consider.
93. Another Board member commented that the categories presented in the paper would make it more complicated for preparers and questioned what would happen if there were no market input for networked assets. HM Treasury commented that this problem could exist under the current regime too.
94. A Board member queried whether it was possible to use historical data. HM Treasury explained that the implementation challenges in using historical data are presumed to be significant, hence the case for transitioning at deemed cost. But it could be included as a specific question in the consultation.

95. The Board commented that if there will be a change to accounting for non-investment assets it has to be the best possible solution and that there needs to be a good reason for change.
96. A Board member commented that the Exposure Draft (ED) does not discuss non-specialised non-land and buildings.
97. The Board also questioned whether there were any alternative categorisations to the ‘specialist’ and ‘non-specialist’ split currently proposed in the ED.
98. The Chair summarised the discussion and expressed the support of the Board for Treasury and Deloitte to publish an ED but that an updated version would need to be considered at an extraordinary meeting before the March meeting.
99. The Board also requested that alternative solutions should be set out in the ED, with explanations as to why they are not supported.
100. The Board asked HM Treasury and Deloitte to consider right-of-use assets further and whether they should be included in the ED or not.
101. The Board agreed to review the updated ED at an extraordinary meeting.

Agenda item 11: Future thematic reviews

102. HM Treasury introduced a paper that had been circulated prior to the meeting, discussing the thematic review topics the User and Preparer Advisory Group (UPAG) considered at their October 2022 meeting. HM Treasury also considered the top 5 ranked thematic reviews, within the context of frameworks provided to annual report and accounts preparers across government and requested the Board to provide a view on the topics listed in the paper.
103. A Board member questioned the timescales for HM Treasury to carry out the thematic reviews, where it was clarified that the expectation is to conduct 2 per year, however, this is dependent on the scale of the review and resourcing constraints.
104. A Board member expressed support for thematic reviews to be carried out and queried the approach for the infrastructure projects topic and IAS 37 topic. HM Treasury explained that they would consider the annual report on major projects prepared by the Infrastructure and Projects Authority (IPA) when reviewing the narrative element and the IAS 37 review would be based on the scope of disclosures. HM Treasury also highlighted that they would reflect on the FRC's findings in their thematic review on IAS 37.
105. A question was raised concerning how useful a review on sustainability reporting would be to inform the work of the Board, given how topical it is. HM Treasury commented that it needs to be established whether a review is needed or if channelling through the Subcommittee is enough.
106. HM Treasury highlighted the NAO decarbonisation study and how its focus was backwards-looking, in comparison to the thematic review approach HM Treasury would take, which would also focus on the forward look, i.e. the changes in relation to TCFD.

107. Topic areas 1 and 4 based on 'telling the story' were considered important by the Board, and a member acknowledged that the fraud & error topic would be useful since there are regularity qualifications in accounts, however, emphasised that it would need to be determined how the review would be scoped for it to make improvements.
108. It was flagged whether a review on sustainability reporting could fall into the category of topic areas 1 and 4, based on 'telling the story'.
109. The Chair observed that the proposed topic, and any progress made should be brought to the March 2023 meeting.

Agenda item 12: IFRS 9 update

110. The Board received an update from HM Treasury regarding the expansion of the existing IFRS 9 adaptation. HM Treasury highlighted that consultations are still ongoing and confirmed that final recommendations will be proposed by March 2023. The Board were asked to note the progress made and provide any comments.
111. Colleagues from the Welsh Government requested to be involved in the consultation, as they have areas that are significantly affected by these adaptations.
112. The NAO member provided clarification to the Board concerning paragraph 24 by highlighting that the disclosed deferred differences are already subject to audit. It was also explained that this has resulted in many audit debates, with different approaches to reach the same conclusion, so it was stressed that consistency would be valuable.
113. The Chair observed that a further update would be brought to the March 2023 meeting.

Agenda item 13: Local government update

114. CIPFA colleagues provided the Board with an update on the local government position and issues arising.
115. The Board were informed that the issues around local audits remain ongoing, and the number of 2020-21 audits completed is significantly low, which has further deteriorated due to issues with infrastructure assets, causing a knock-on effect for 2021-22 accounts progress. Increasing concerns are being raised with Section 151 FDs.
116. It was highlighted that work is progressing with DLUHC in relation to introducing a Statutory Instrument (SI), with the hope that it will enable audits to progress. If the SI is not approved, it is expected that many qualifications will appear.
117. CIPFA discussed the key findings from the performance tracker published in October, including challenges around workforce shortages, and backlogs in health, courts and other systems. Recommendations include moving away from siloed working and becoming more collaborative across the public sector, as well as sharing data and exploring how to achieve advantage from it.

118. The Board learnt of the challenging time ahead for local government, as the impact of inflation will make it difficult to deliver services, which will also have increased demand. It was explained that some Section 114 notices have already been given, and there is a risk that more will be coming. CIPFA colleagues stressed a long-term sustainability plan is needed.
119. It was stressed that the quality of the internal audit is not up to the correct standard, as there has been difficulty in retaining high-quality staff with experience.
120. CIPFA colleagues addressed the audit committee recommendation from the Redmond Review, highlighting that a statement was issued looking at strengthening these Committees. It was flagged to the Board that there are no requirements to have an external member (as it is voluntary), however, the aim is to change this to strengthen governance.
121. A Board member queried whether it is a DLUHC responsibility to change the audit committee requirements with external members. CIPFA confirmed that it does fall into DLUHCs remit and flagged that there is a current proposal with the intention to make it a mandatory requirement.

Agenda item 14: CIPFA/LASAAC update, CIPFA – Code 2023-24 development (including Infrastructure assets issue)

122. CIPFA/LASAAC presented a paper that had been circulated prior to the meeting, which encompassed: a draft of the 2023-24 Code, an update on the CIPFA/LASAAC Strategic Plan for development of the Code, and an update on the latest developments for infrastructure assets.
123. CIPFA explained that any changes to standards are itemised in the report, with the most significant change to the 2023-24 Code being a move to IFRS 16 in financial year 2024-25.
124. The Chair noted low level of consultation responses. CIPFA confirmed that this is an ongoing problem; although, despite fewer formal written responses, they have started to hold more webinars for discussion. CIPFA confirmed it is reasonable to proceed on the basis that response levels were low, so CIPFA opened to the Board for ideas of better engagement.
125. The Chair opened to the Board for comments on the revised 2023-24 Code. The Board raised no further comments on the draft. The Board agreed to the revised 2023-24 Code provided in Annex 1.
126. CIPFA raised the Redmond Review and the importance of focusing on a performance report with relevant, useful financial information. CIPFA suggested the possibility of following a FReM model to help Local Authority users of the accounts. CIPFA announced launch of an online platform as well as business-as-usual horizon scanning.
127. A Board member asked for further information about the electronic platform as it was not addressed in the paper. CIPFA responded their aim is to digitise the content using the format of eIFRS. CIPFA would keep a PDF format but also offer an electronic version too. CIPFA agreed to update the Board in March 2023 of progress.

128. A Board member suggested to CIPFA that instead of repeating IFRS language into Code language, CIPFA could follow the FReM framework (i.e., refer to the standard and only outline adaptation and/or interpretation where relevant). CIPFA responded that it would be easier for account preparers, but the general consensus was users of the accounts would want to see all information together.
129. A Board member responded that CIPFA should ensure the Code categorises different types of users carefully. This is because those users who CIPFA want to target, are not the ones who engage with CIPFA most frequently. Therefore, whatever format, CIPFA should ensure the Code is not esoteric.
130. A Board member raised the issue that CIPFA charges for copies of the Code. Some authorities do not have updated versions of the Code as they do not want to pay for updated copies.
131. CIPFA acknowledged the issue of charging for the Code, and the Chair asked the Board how they can push for resolution. The Chair asked CIPFA to note the Board's view and provide an update at the March 2023 FRAB. CIPFA suggested liaising with DLUHC on this issue.
132. CIPFA colleagues acknowledged they need to catch up on sustainability reporting and intend to take this forward and meet with local authorities in the new year. CIPFA agreed that they would report back to the Board in March 2023.
133. CIPFA thanked the Board for the extraordinary meeting and confirmed that the temporary solution for infrastructure assets has now been published. CIPFA confirmed statutory arrangements are progressing well in Wales and English and should be finalised in the new year.
134. The Board were notified that for the longer term solution, they are likely to be circulating a revised timetable at the next FRAB meeting. Appraisals are currently ongoing – a CIPFA member acknowledged that they do not support the historical cost option but recognises it should be put forward as an option. CIPFA flagged that the DRC measurement basis is the most likely option.
135. The Chair raised the point that the DRC approach ties in with HMT Thematic Review on non-investment asset valuation. CIPFA responded that they were carrying out their own work in the interim but will now look to see how their work comes together with the HMT Thematic Review Exposure Draft.
136. The Chair suggested that CIPFA should stay engaged with HMT for the measurement of networked assets.
137. A Board member acknowledged the point raised by CIPFA that the timetable is under pressure with the change being implemented in 2025-26. The member questioned when authorities will have to start significant work.
138. CIPFA informed the Board that they are due to publish, and this states the expectation for local authorities to conduct analysis now and that guidance will be provided to local authorities.

Agenda item 15: IPSAS 42 social benefits

139. HM Treasury introduced a paper that had been circulated prior to the meeting and thanked the Board for their comments on the wording.
140. HM Treasury reiterated to the Board that the paper addresses concerns raised at June 2022 FRAB. HM Treasury stated that a suggestion has been presented with regards to wording for the FReM which aims to simplify the guidance.
141. A Board member stated that the suggested wording bought them to one conclusion, but the example given led them to another conclusion. The Board member suggested that, in total, there are two departures from IFRS in the paper.
142. Another Board member stated that they had the question as to whether the person's payments only start when they are deemed to be eligible or if it is backdated to the point they make the claim. HM Treasury confirmed the payment is backdated to the date of the claim for support, but this does not necessarily hold true to every social benefit offered. It is correct for universal credit.
143. A Board member suggested there are three possible dates to consider: the date an individual hits state pension age, the date the individual submits paperwork, and the date it is approved.
144. Another Board member stated it would really depend on the social benefit. For a lot of the benefits where eligibility has to be proved it is from the date that this has been approved (i.e., prospective payment from that point). There would be social benefits where this would not necessarily be the case.
145. A Board member stated their understanding was that most of the key pension benefits would go back to the date of claim and raised the risk of Departments running out of money so would have to stop processing claims.
146. Another Board member responded by saying that not every social benefit has to be claimed for – in some instances, eligibility has to be met and then a blanket transfer takes place e.g., cost of living. HM Treasury need to ensure wording includes such examples.
147. A Board member raised that the eligibility is set by wording of legislation. This will determine the point of when payment starts from and so consistency is required with any change of direction in legislation. Another Board member suggested to include an example of this in the paper.
148. A Board member suggested the word 'eligible' is an ambiguous word that could be causing confusion. Ultimately, the wording is trying to state accruals accounting.
149. The Chair summarised the discussion and stated that there are two aspects to consider: the wording in the FReM and illustrative example 1 in the paper. The Chair asked the Board what could be changed or updated to make Example 1 better or is it that the wording is incorrect.
150. A Board member asked whether it was HM Treasury's intention to word Example 1 in the way it has been and if DWP were happy with the wording

set out. Another Board member agreed that DWP would want involvement in wording.

151. HM Treasury responded stating that, as picked up in previous discussions, the wording in Example 1 is what DWP agree with, and it is what was considered to be most accurate and IFRS compliant.
152. The Chair stated that if DWP are wanting Example 1, then FRAB need to be convinced that Example 1 is the right treatment from an accounting standards point of view. If it is not right from an accounting standards point of view, then the Board need to decide if they will adapt.
153. A Board member confirmed they agreed with other Board members. 'Per the underlying legislation' is important wording to include. The member recognises that it is not necessarily clear in the paper.
154. The Chair summarises that if the legislation states that one can claim in March for it to be approved in April, this would not be surprising. However, the question would be should this be backdated to when the claim was made. If so, is the underlying entitlement, that has been subsequently post-year end accrued, evidence that there is pre-31st March expenditure to be recognised.
155. A Board member states that as at 31 March there would be no obligation to pay as the legislation states there would be no obligation until there is approval.
156. A Board member stated it is important to distinguish between two different scenarios where an individual who has to make a claim but does not at 31 March, or where an eligible individual makes a claim but does not do so until the following financial year. For the latter, a backdated payment should be required due to the conditions that existed at 31 March.
157. A Board member stated that, at the moment, the wording does not deal with the distinction between prospective payments and backdated payments which might be the source of confusion.
158. The Chair questioned the Board whether an update should be added to the 2022-23 FReM or whether a proper analysis should be done for the 2023-24 position. The Board agreed that the FReM should remain as it is for 2022-23 and another proposal should be put forward for 2023-24.
159. A Board member stated that there is not a problem to defer to 2023-24 and clarify further if what is being proposed is 'fit for purpose' and does not create more confusion. The Chair responded that it is important to consider the first principles – when does a liability exist and how this is measured.
160. A Board member stated they were concerned with the word 'may' in the second paragraph. This member suggested for HM Treasury to revisit this wording and recommended using 'shall' instead.
161. A Board member asked if HM Treasury would be able to obtain scale of social benefits to see if the Board are discussing a small scale of money which might inform the debate.

162. A Board member stated that DWP might say how much of an impact does this have on expenditure and liability that is recognised, and what is the implementation cost of the change.
163. HM Treasury checked the conclusion reached on the principles point. In the case of Example 1, the argument is that there is a present obligation as of 31st March and the nature of the obligation is constructive and not legal.
164. A Board member responded that the example needs to be clearer. If it means the individual is entitled once the claim is made, then it is a legal obligation.
165. The Chair responded that if an individual loses their job prior to 31st March then they are entitled to universal credit, and they will be paid from the date they lose their job. Therefore, if they make a claim prior to 31st March, there is a question whether this would be a legal obligation. If they make a claim after 31st March, but backdate payment, there is a question whether this would be a constructive obligation too.
166. The Chair stated those who claim post-year end but are entitled to pre-year end payment, a different estimated technique could be used.
167. The Chair summarised that as the wording has not been agreed at the Board meeting, there should be no changes to the 2022-23 FReM. The Chair also stated this issue is not incorrect from an audit perspective, so further analysis is needed to see if current practice or the FReM needs changing.

Agenda item 16: Sustainability reporting update

168. HM Treasury presented a paper on the sustainability reporting developments in central government and elsewhere since the last FRAB meeting.
169. The Board raised concern around uncertainty of the governance of sustainability reporting. It was noted that IPSASB have done a consultation on expanding their remit to include sustainability reporting and noted also that the emerging pattern is that financial reporting boards and forums are taking on sustainability reporting. Uncertainty remains as to where governance responsibility lies in the UK public sector and what the Board's role should be.
170. The Chair commented that the Board could be invited to comment on sustainability reporting.
171. The Board discussed the role of the Board's Sustainability Sub-Committee and the support it should provide in coherence across the relevant authorities. Further discussion was had around the extent to which legislative changes were required and the possibility of delays that might occur as a result.
172. The Chair noted that there is nothing stopping the Board being invited to fill the governance role before legislative change occurs.
173. Discussion progressed into the best method to engage ministers on sustainability reporting and sustainability reporting in context of WGA.
174. The Board came to a consensus that they are content to continue their role in the context of sustainability reporting as they have been, whilst engaging relevant authorities on their report.

175. HM Treasury noted that 'Phase 1' as described in the paper is for Central Government entities and not all arm's length bodies.
176. A typo was noted by the Board in paragraph 13 of the paper and HM Treasury confirmed that 'Phase 1' of the implementation of TCFD aligned disclosure is intended for 2023-24 financial year.

Agenda item 17: WGA 2020-21 progress update

177. HM Treasury presented a paper on WGA, including the recovery plan to bring WGA back on timetable and the risks and challenges involved.
178. The Board commented on the engagement of Local Government and asked if there were reasons given for the low level of returns.
179. HM Treasury did note that all Section 151 Officers, under the Local Government Act 1972, had been written to and they had been asked to focus on WGA cycle 1 returns.
180. HM Treasury also commented that feedback they'd received is that Local Government colleagues are focusing on the issues around infrastructure assets but engagement from Local Government is strong and HM Treasury have made efforts to communicate with them.
181. A Board member gave the point of view as a preparer of a WGA return and noted that there is no additional resourcing in teams to allocate to it and OSCAR related issues are significant and requested that the timetable has more contingency planned into it.
182. A discussion continued regarding the risks involved in 2021-22 data collection and the strategy behind the contingency built into the timetable to accommodate these risks.

Agenda item 18: AOB - FRAB strategy, action plan and risk register

183. The Chair invited comments on the FRAB strategy and noted more time would be taken in March FRAB meeting to reflect on it.
184. The Board noted that several items in today's agenda have been brought up to address timeliness and that they focus on delays or difficulties faced by Departments.
185. A consensus was reached that more items in the action plan are needed to address timeliness issues and additional focus should be given to Departments who don't face timeliness issues and how they have achieved that.
186. The Chair highlighted the importance of FRAB reflecting on improvement plans that impact the trade-off between financial reporting quality against timeliness that give the Board insight as to how long they endorse temporary measures for.
187. Joseph McLachlan, who's last FRAB meeting it was, thanked the Board for their support and commented on how interesting it was to see interactions between FRAB and CIPFA LASAAC.

188. The Chair thanked the member for their valuable contribution whilst on the Board.

Agenda item 19: IFRS Interpretations Committee summary of announcements

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

Agenda item 20: User Preparer Advisory Group update

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

Agenda item 21: Relevant Authority Working Group update

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

Agenda item 22: HMT consideration of IPSASB adaptations for NCA held for sale

192. The Board noted the update paper and appreciated HM Treasury's consideration of IPSASB adaptations for NCA held for sale.