

Financial Reporting Advisory Board

Annual Report 2022-23



Financial Reporting Advisory Board:

Annual Report 2022-23

Presented to the House of Commons pursuant to Section 24(4) of the
Government Resources and Accounts Act 2000

Laid before the Northern Ireland Assembly under Section 20(3) of the
Government Resources and Accounts Act (Northern Ireland) 2001 by
the
Department of Finance

The report is laid before the Scottish Parliament and presented to the
Audit and Finance Committees of the Scottish Parliament by agreement
with the Scottish Ministers

The report is submitted to the Public Accounts Committee of Senedd
Cymru/Welsh Parliament by the Welsh Government

Ordered by the House of Commons to be printed on 18th July 2023



© Crown copyright **2023**

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN 978-1-5286-4337-5

E02943382 07/23

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

Foreword	6
Introduction	7
Who we are	7
Our work (as per the terms of reference)	7
Background to the FRAB report	8
Representative organisations	8
FRAB membership	9
Diversity of the Board	10
Responsibilities of the Board	11
Board membership	12
Board attendance	13
FRAB activities in 2022/23	14
Overview	15
Financial reporting cycle	16
Financial reporting guidance	19
Accounting standards	21
Public sector financial and non-financial reporting	24
Governance and future work	27
Glossary of common terms	28
Useful links	29

Foreword

I am pleased to present the Financial Reporting Advisory Board (FRAB) Annual Report for 2022- 23. It has been a year where FRAB has continued to monitor the timeliness of the production and audit of financial statements across the public sector. FRAB recognises that getting the publication of audited financial statements back on track is vital in helping users of accounts understand how public sector entities are performing.

Constraints in the audit market and late delivery of accounts to auditors for audit is however continuing to have an impact in a number of parts of the public sector. Issues with the timely production of accounts for audit and timely completion of audits continue to be most acute within the local government sector. FRAB remains of the view that a broad base of solutions needs to be found, which address the root cause of the issues, whilst maintaining the integrity of accounting frameworks. This will help to ensure accounts can be prepared and audited in a timely fashion, whilst ensuring accounting standards and frameworks across the public sector provide for high quality, comparable financial statements. In January 2023 FRAB reviewed and approved an important consultation paper as part of HM Treasury's Thematic Review of Non-Investment Asset Valuations. The consultation paper set out a potential case for change in the valuation techniques and bases used in the measurement of non-investment assets in the public sector. In considering the potential for change there are opportunities to drive greater consistency in reporting across the public sector. There will however be a need to ensure that the final approved proposals result in asset valuations that meet the qualitative characteristics of high-quality financial reporting. FRAB will consider final proposals for change during 2023-24.

Another important area of work for FRAB during 2022-23 was in respect of sustainability reporting. Following the establishment of the sustainability sub-committee during 2021-22, FRAB agreed on a strategy for sustainability reporting in the UK public sector in 2022-23. The strategy to implement the Taskforce on Climate Related Financial Disclosures will continue to be reviewed and developed as international sustainability reporting standards are finalised and issued by the International Sustainability Standards Board and, in due course, by the International Public Sector Accounting Standards Board.

We have seen some changes to the membership of FRAB during 2022-23. I would like to thank all members who have served during 2022-23 for their invaluable contributions. The position of parliamentary observer to FRAB has remained vacant throughout 2022-23. I encourage the Government Chief Whip to nominate a Member of Parliament to this position as soon as possible in accordance with the FRAB Terms of Reference.

Chapter 1 - Introduction

Who we are

The Financial Reporting Advisory Board (FRAB) is an advisory board formed of relevant experts in the finance profession and representatives of the relevant authorities and acts independently of government. Section 24 of the Government Resource and Accounts Act 2000 (GRAA) sets out the legal requirement for the formation of FRAB. FRAB's own [Terms of Reference](#) available on Gov.uk gives a full breakdown of the FRAB's governance.

Our work (as per the Terms of Reference)

The role of the FRAB is to provide advice on financial reporting policy and standards and in doing so, ensure that government financial reporting meets the best possible standards by following Generally Accepted Accounting Practice (GAAP) as far as possible.

FRAB is an independent body whose work is enacted in multiple forms:



Advising

Provide independent advice to HM Treasury and other relevant authorities, fulfilling the obligation to consult an advisory group on financial reporting principles and standards.



Oversight of Standard Setting

Oversee implementation of accounting standards in the public sector.



Promoting Excellence

FRAB exists to promote the highest possible standards in financial reporting by government.



Examining Proposals

Examine the proposals for changes to accounting policies in order to ensure any deviation from the GAAP is justifiable and appropriate.



Self-Governing

FRAB is required to form its own rules for reaching conclusions as well as producing its own report.

Background to the FRAB report

In accordance with its Terms of Reference and the GRAA, FRAB has a responsibility to prepare an annual report of its activities, including its views on the changes made to accounting guidance within the Board's remit.

FRAB is required to send a copy of its report directly to the Public Accounts Committee and the Treasury Select Committee of the UK Parliament, to the Welsh Government, the Scottish Ministers and the Northern Ireland Executive.

Representatives include the following organisations who are members or observers to the Board:

The graphic above showcases the organisations that send representatives/observers to FRAB.

Chapter 2 – Financial Reporting Advisory Board Membership

The Financial Reporting Advisory Board members are categorised into six core groups as per the [FRAB Terms of Reference](#).

Independent Members:

Consisting of an independent chair, a professional academic with relevant accounting/economics experience, one member nominated by the Financial Reporting Council and two other independent members.

Preparer/User Members:

Consisting of three members nominated by finance directors of UK government departments, one member nominated by the national statistician, one member nominated by the Department for Levelling Up, Housing and Communities and one member nominated by CIPFA.

Auditor Members:

Consisting of one member nominated by the Comptroller & Auditor General and two members from audit institutions from devolved administrations on a rotational basis.

Relevant Authorities Members:

Consisting of one member nominated from each of the following: HM Treasury, Scottish Ministers, the Executive Committee of Northern Ireland Assembly, the Welsh Government, the Department for Health and Social Care, NHS Improvement and the Chartered Institute of Public Finance and Accountancy (CIPFA).

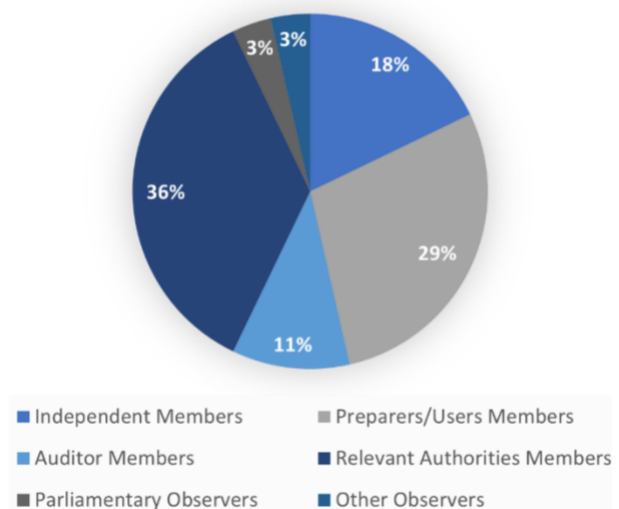
Parliamentary Observers:

Consisting of a member nominated by the Government Chief Whip and the Head of the Parliamentary Scrutiny Unit.

Other Observers:

Consisting of the CIPFA/LASAAC¹Chair.

Board members



¹ CIPFA/LASAAC is the board responsible for preparing, maintaining, developing, and issuing the Code of Practice on Local Authority Accounting for the United Kingdom. The board is a partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC)

Diversity of Board members

Disclosure rate 2021-22: 16 members

Disclosure rate 2022-23: 15 members

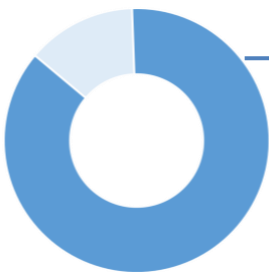
The importance of diversity aligns with FRAB’s strategy, and the need to have improved succession planning. It has been agreed that the Nominations Committee will consider succession planning and the diversity of background and expertise of the Board to ensure it can fully meet its role and responsibilities.



Gender

50% of the Board are male (2021-22: 69%)

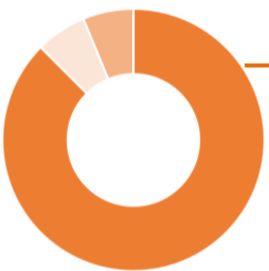
50% of the Board are female (2021-22: 31%)



Ethnicity

13% of the Board are of BAME ethnicity (2021-22: 13%)

87% of the Board are of a white ethnicity (2021-22: 87%)

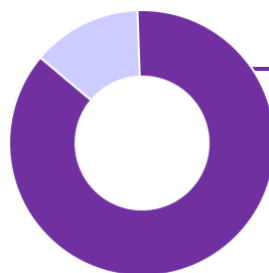


Sexual orientation

6% of the Board identify as LGBT (2021-22: 6%)

6% of the Board preferred not to say (2021-22: 0%)

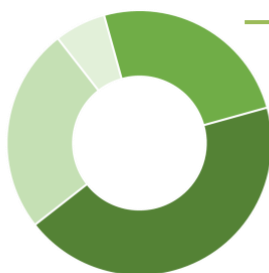
88% of the Board do not identify as LGBT (2021-22: 94%)



Disability

13% of the Board have a disability (2021-22: 12%)

87% of the Board do not have a disability (2021-22: 88%)



Age

6% of the Board are aged 25-34 (2021-22: 0%)

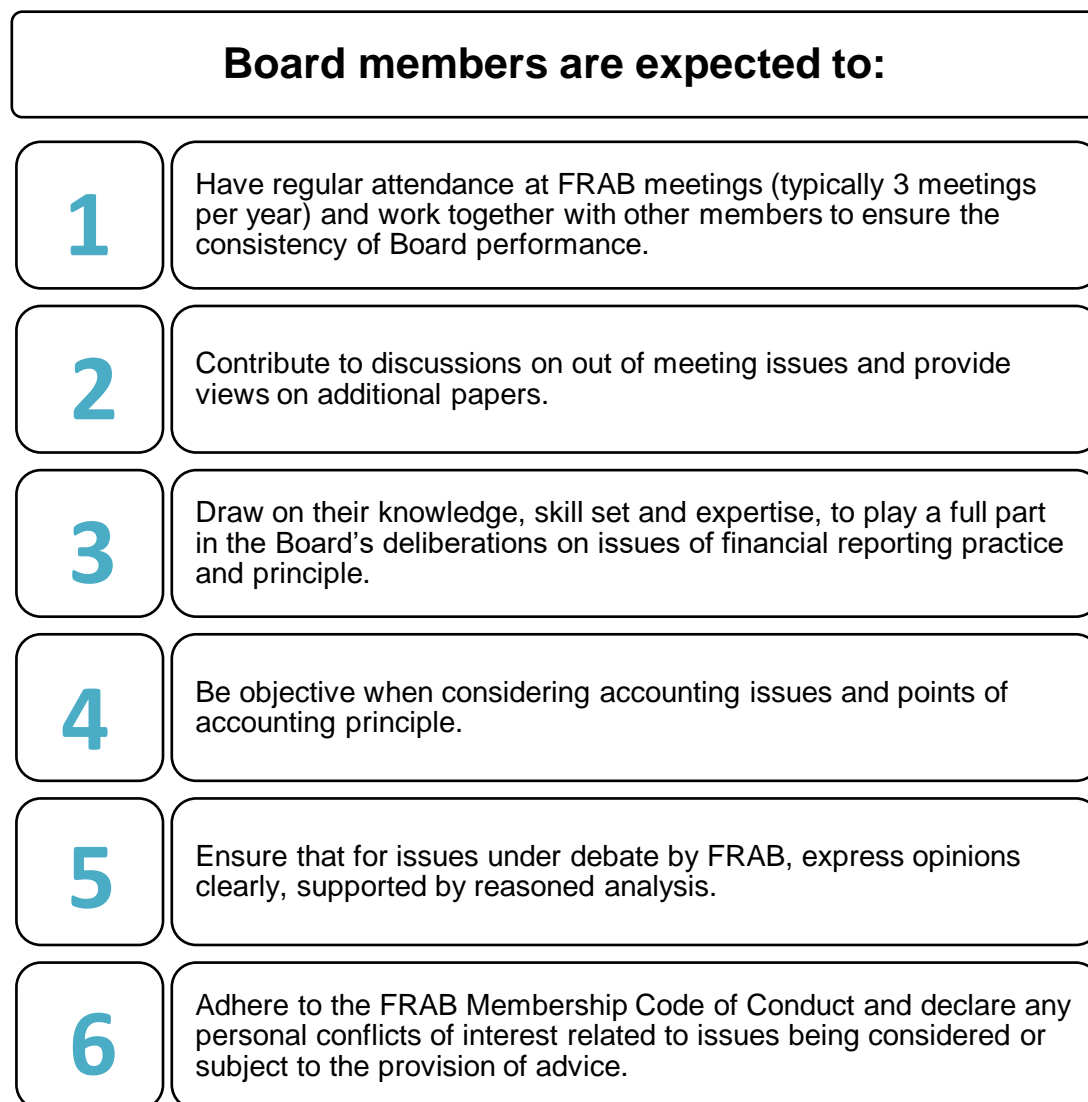
25% of the Board are aged 35-44 (2021-22: 25%)

44% of the Board are aged 45-54 (2021-22: 62%)

25% of the Board are aged 55-64 (2021-22: 13%)

Responsibilities of board members

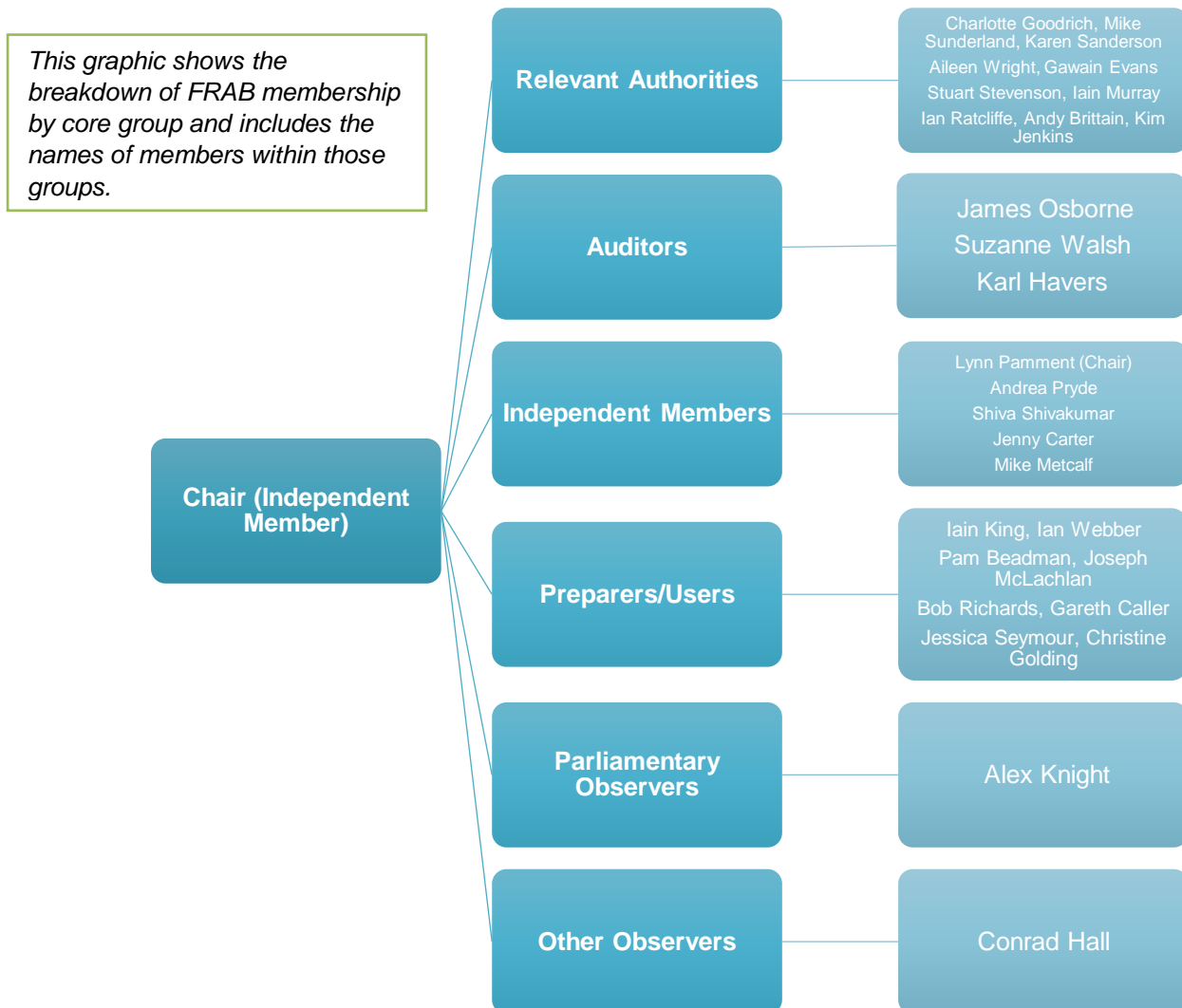
FRAB provides independent advice to HM Treasury, the Welsh Government, the Scottish Ministers and the Executive of the Northern Ireland Assembly. Its focus is on examining proposals for amending current, or implementing new, accounting policies in the accounting guidance for central government departments, executive agencies, non-departmental public bodies and trading funds, and for examining the proposals for accounting guidance for local authorities. FRAB also advises HM Treasury on the implementation of accounting policies specific to Whole of Government Accounts (WGA) and for CIPFA/LASAAC which is responsible for developing the Code of Practice on Local Authority Accounting in the UK.



The graphic above showcases the key responsibilities of the members of FRAB.

Membership

The following table outlines the FRAB membership during 2022-23.



Membership notes:

- **Craig Mackinlay MP** left FRAB in March 2022, due to his term ending. We are in process of working with the Government Chief Whips' Office to identify his replacement.
- **Gareth Caller** left FRAB in September 2022, due to a change of job roles.
- **Iain King** left FRAB in November 2022, due to a change of job roles.
- **Joseph McLachlan** left FRAB in November 2022, due to his membership expiring.
- **Karen Sanderson** left FRAB in November 2022, due to her membership expiring.
- **Jessica Seymour** joined FRAB in November 2022.
- **Iain Murray** joined FRAB in January 2023.
- **Andrea Pryde** left FRAB in March 2023, due to her membership expiring.
- **Gawain Evans** left FRAB in March 2023, due to his membership expiring.
- **Kim Jenkins** joined FRAB in March 2023.
- **Charlotte Goodrich** joined FRAB in March 2023.
- **Christine Golding** joined FRAB in March 2023.
- **Mike Sunderland** attended FRAB as a relevant authority in the June 2022 and November 2022 meetings, then attended FRAB as a preparer in the March 2023 meeting due to change of job roles.

Board Attendance

The following table outlines the FRAB members attendance at main meetings as per the minutes [published on GOV.UK](#).²






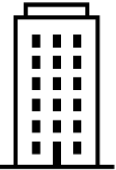



Meeting Date		Jun-22	Nov-22	Mar-23	Overall
1	Aileen Wright	✓	✓	✓	100.00%
2	Alex Knight	✓	x	✓	67.00%
3	Andrea Pryde	x	✓	✓	67.00%
4	Andy Brittain	x	x	x	0.00%
5	Bob Richards	✓	✓	✓	100.00%
6	Charlotte Goodrich			✓	100.00%
7	Christine Golding			✓	100.00%
8	Conrad Hall	✓	✓	x	67.00%
9	Gareth Caller	✓			100.00%
10	Gawain Evans	✓	✓		100.00%
11	Iain King	x	x		0.00%
12	Iain Murray			✓	100.00%
13	Ian Ratcliffe	✓	✓	✓	100.00%
14	Ian Webber	✓	✓	✓	100.00%
15	James Osborne	✓	✓	✓	100.00%
16	Jenny Carter	✓	✓	✓	100.00%
17	Jessica Seymour		✓	✓	100.00%
18	Joseph McLachlan	✓	✓		100.00%
19	Karen Sanderson	✓	✓		100.00%
20	Karl Havers	✓	✓	✓	100.00%
21	Kim Jenkins			✓	100.00%
22	Lynn Pamment	✓	✓	✓	100.00%
23	Mike Metcalf	✓	✓	✓	100.00%
24	Michael Sunderland	✓	✓	x	67.00%
25	Pam Beadman	✓	x	✓	67.00%
26	Shiva Shivakumar	x	✓	✓	67.00%
27	Stuart Stevenson	✓	✓	✓	100.00%
28	Suzanne Walsh	✓	x	✓	67.00%
	Overall	82.61%	79.17%	83.33%	
	Average				81.70%

The graphic above showcases the attendance of each member of the board alongside the overall attendance at each main meeting and the average attendance for the year.

² If a member was unable to attend a meeting, a deputy would be sent with agreement from the Chair.

Chapter 3 – Board Activities in 2022-23

Year highlights for 2022-23

 <p>Advised on IFRS interpretations and adaptations for IFRS 17</p>	<p>Oversaw the publication of reporting guidance</p> 	 <p>Received key updates from external stakeholders</p>
 <p>Advised on local government accounting issues</p>	<p>Monitored and supported improving timeliness of reporting</p> 	 <p>Advised HM Treasury on non-investment asset valuation requirements</p>
 <p>Reviewed financial reporting requirements for 22-23 and 23-24</p>	<p>Agreed strategy for TCFD-aligned sustainability reporting</p> 	 <p>Opined on future HM Treasury-led thematic review topics</p>

Overview

The Board's key activities for this year are summarised below and expanded upon in the following pages.

1

Financial reporting cycle

Monitored and supported improving the timeliness of reporting back to pre-pandemic timetables. Strategic objective: *Advising*

2

Financial reporting guidance

Received updates on the Government Financial Reporting Manual (FReM), CIPFA Code of Practice and the NHS Group Accounting Manual (GAM). Strategic objective: *Standard setting*

3

Accounting standards

Monitored and evaluated the financial reporting landscape and oversight of the implementation of new standards in the public sector. Strategic objective: *Standard setting*

4

Public sector financial and non-financial reporting

Received updates from WGA, IPSASB, and the FRAB the Sustainability Sub-Committee, which considered future sustainability reporting strategy. Strategic objective: *Promoting excellence*

5

Governance and future work

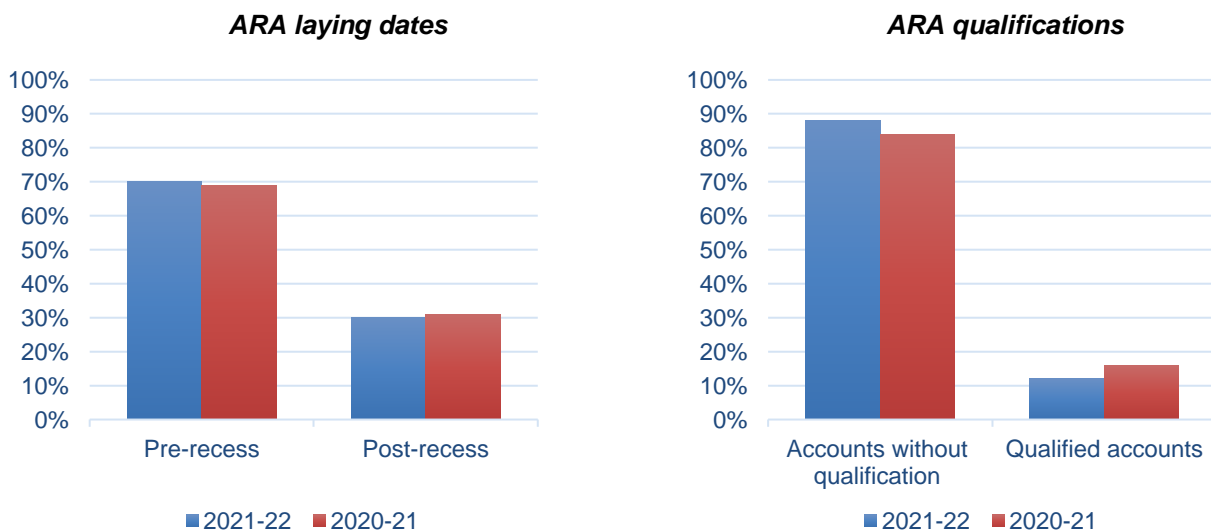
Monitored the strategy, risks, and action plan of the Board. Received updates from the User Preparer Advisory Group (UPAG) and the Relevant Authority Working Group (RAWG). Strategic objective: *Self-*

Financial reporting cycle

Monitored and supported improving the timeliness of reporting back to pre-pandemic timetables.

The return to pre-pandemic reporting timelines continued to be an important item on the agenda in 2022-23, where the Board sought to remain up to date on both the reporting progress of the accounts and audit cycle. Preparer and auditor capacity issues have been key challenges for entities in post-pandemic reporting. Local Government Pension scheme delays and delays from the 2020-21 and 2021-22 cycles have also had a knock-on effect for the 2022-23 cycle.

Getting the publication of ARAs back on track is vital in helping Parliament understand how departments are performing. HM Treasury have made a commitment to Parliament to improve reporting timeliness and return to full performance reporting. For the 2021-22 cycle, out of 50 bodies (Ministerial & Non-Ministerial departments and pension schemes), 35 laid their ARAs pre-recess, with 11 of these being main departments. The full list of laying dates can be found on [GOV.UK](https://www.gov.uk). Six departmental accounts received a qualified audit opinion (three departments laid pre-recess and three laid post-recess).



The Board was kept abreast of developments in the reporting cycle, and strongly supported the focus on returning to timelier reporting. However, the Board acknowledged that some departments face greater challenges in reverting back to a pre-pandemic timetable. The Board received regular updates from the Department for Health and Social Care (DHSC), which was more significantly affected by pandemic delays. The department laid its ARAs for 2021-2022 on 26th January 2023, and so the Board was keen for the position to improve for the 2022-23 cycle.

For central government, the challenges of the pandemic were not the only factor affecting timeliness. For example, a number of bodies were affected by delays in local government audits (in particular in respect of local government pension

schemes). The ongoing delays in local government were a key theme in the agenda during 2022/23. The Board continued to learn about the underlying problems around the effectiveness of external audits and transparency of financial reporting in local authorities.

The Board also welcomed Neil Harris from the FRC, who discussed perspectives on local audit system leadership. Discussion points were around:

- Issues in the local authority accounting and audit sector and the case for reform, including:
 - o Poor timeliness of financial reporting.
 - o Increased risks and complexity of local audit bodies financial reporting and Value for Money arrangements.
 - o Attractiveness of local audit to audit suppliers.
 - o The ownership, transparency, and accountability for high standards of financial reporting and audit.
- The FRC's short-, medium-, and longer-term priorities for local government such as:
 - o Addressing the backlog of annual reports and accounts and improve the timeliness of financial reporting.
 - o Establishing a holistic view on realistic financial reporting and audit timetables.
 - o Maximising opportunities that exist for more proportionality in local audits ahead of reforms.
 - o Supporting new entrants to the market.
 - o Developing a workforce strategy that improves the attractiveness and prestige of the local finance and audit professions.
 - o Developing changes to accounting and audit frameworks which promote high standards of financial reporting and audit in the public interest.
 - o Developing a roadmap to secure sustainable reforms underpinned by an agreed vision and purpose of financial reporting and audit.

At the same meeting, a local auditor presented what they saw as the main challenges in the local auditing and accounting sector. These were identified as:

- a. IFRS and its interpretation for local government.
- b. Complexity and timelines.
- c. Reporting risk and standards.
- d. Financial reporting quality.

Although Board members did not agree with all of these points, there was a fruitful discussion around the potential causes of the issues in the local government and auditing sector.

The Board recognises and understands that there is a deep-rooted issue in terms of local government delays and is therefore continuing to monitor and evaluate how the situation can be improved. The Board are mindful that these delays will continue for

the foreseeable future until all the underlying causes are identified and recognised by all parties involved and further solutions are identified and implemented. The Board will continue to make efficient use of the levers they have, for example, ongoing engagement with DLUHC and CIPFA, and providing challenge on the Code and other consultations. The Board expects the relevant authorities who have the power to ameliorate the situation to keep the Board updated and made aware of any significant changes. The NAO also published a [report](#) on the issue in January 2023.

The Board was presented with updates from the Devolved Administrations (Scottish Government, Welsh Government and Northern Ireland Government) throughout 2022-23 and the challenges each one had faced, including IFRS 16 implementation, new qualifications, and the lack of Northern Ireland Assembly leadership.

The Board heard in year updates from the NAO including reflections on the 2021-22 audit cycle and the outlook for 2022-23. For 2021-22 reporting, by summer recess 53% of audits had been certified, in comparison to 55% the previous year and the Board heard of the progress in timeliness that different groups of departments are expecting to make for 2022-23 reporting. The NAO have also published their [strategy update](#) for the Public Accounts Commission.

HM Treasury will be supporting departments to return to the timelier laying of ARAs and is regularly engaging with the Finance Leadership Group (FLG), chaired by the Head of the Government Finance Function, to identify and help resolve issues that may hinder doing so.

Financial Reporting Guidance

Received updates on the FReM, CIPFA Code of Practice and the GAM.

Government Financial Reporting Manual (FReM) 2022-23 and 2023-24

The FReM is HM Treasury's technical accounting guide for the preparation of financial statements. It provides requirements and guidance on the application of IFRS, as adapted and interpreted for the public sector context. The Board provides a valuable review of the guidance as part of the quality assurance process and confirms the appropriateness of the guide.

The Board dedicated significant time to consideration of proposed amendments to the 2022-23 FReM, the 2023-24 FReM and accompanying illustrative statements. The Board reviewed the changes to the 2022-23 FReM, including performance reporting and updates to improve the clarity of guidance in several areas of the FReM.

The 2022-23 and 2023-24 manuals and accompanying illustrative statements were approved. Both copies of the FReM are available on [GOV.UK](https://www.gov.uk).

CIPFA/LASAAC Code 2022-23

The Board considered and agreed the updated CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2022-23. The Board also continued its ongoing support to CIPFA/LASAAC, providing technical advice on the implementation of IFRS 16.

For the 2022/23 Code, an update was developed in response to changes to the treatment of Private Finance Initiative (PFI) / Public Private Partnerships (PPP) in the 2022-23 FReM. Complete alignment with the FReM was not possible given that IFRS 16 is not mandatory under the Code until 2024/25.

A significant development in 2022-23 was issues regarding historical infrastructure asset data and information management in local government, which impacted infrastructure asset amounts in financial statements. CIPFA presented this issue to FRAB as well as potential solutions. FRAB supported temporary relief from disclosing gross cost and accumulated depreciation for infrastructure assets. This temporary relief applies from 1 April 2021 to 31 March 2025 and is reflected in the Code.

The other issue was in relation to the carrying amounts to be derecognised when there is replacement expenditure. CIPFA argued that as these assets were largely only replaced when the asset was fully consumed that on average across these networked assets the carrying amount to be derecognised was £nil and suggested a practical expedient to that effect. There was no consensus amongst FRAB to support the practical expedient. DLUHC and the devolved administrations in Scotland and

Wales looked to statutory provisions for this transaction, which provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component as either a £nil amount or to follow the unamended Code. Note that the Scottish Government also used statutory provision for the disclosing of gross cost and accumulated depreciation.

Group Accounting Manual (GAM) 2022-23 (Department of Health and Social Care)

The Department of Health and Social Care's (DHSC) Group Accounting Manual (GAM) meets the requirements of the FReM and provides technical guidance to DHSC group bodies.

As part of the annual review cycle of financial reporting guidance in the public sector, the Board considered the pre-consultation version of the 2023-24 GAM through an out-of-meeting paper and was presented with the post-consultation version at the March 2023 meeting. The Board approved the 2023-24 Manual.

2021-22 Best practice report in financial reporting

The Board oversaw the publication of the [2021-22 best practice report](#), which includes financial reporting disclosure examples taken from central government ARA's against different FReM requirements. The report is in its fourth year of publication following a commitment made to Parliament in 2019. UPAG also provided comments on the report.

Accounting standards

Monitored and evaluated the financial reporting landscape and oversight of the implementation of new standards in the public sector.

IFRS 9 Financial Instruments

The Board received a proposal from HM Treasury on an adaptation to the accounting for financial instruments, except financial guarantees, under IFRS 9. The adaptation seeks to measure financial instruments at initial recognition at fair value, when the instrument is issued below fair value or where no active market exists. IFRS 9 would otherwise require deferring the recognition of the difference between transaction price and fair value. It ensures the full instrument value is recognised from day 1, in a consistent and transparent fashion. The adaptation was agreed upon by the Board in March 2023 and will be included in the 2023-24 FReM.

IFRS 17 Insurance Contracts

During 2022-23, the Board received updates from HM Treasury on the work ongoing to implement IFRS 17, including review and approval of the draft application guidance used in the [IFRS 17 Exposure Draft consultation](#), published in January 2023.

Following the Exposure Draft consultation, HM Treasury sought views from the Board on several aspects of IFRS 17, including:

1. How IFRS 17 interacts with parliamentary reporting and accountability requirements for contingent liabilities with a large maximum exposure.
2. Whether the scope of IFRS 17 should be widened to cover agreements between government bodies which meet the definition of an insurance contract under IFRS 17 in all ways aside from legal enforceability.
3. The approach to transition for contracts which are not normally issued by private sector insurers and where a market-based premium is not charged for the insurance cover.

Due to the technical complexities of the adaptations and interpretations to IFRS 17 being proposed by HM Treasury, the IFRS 17 application guidance has not yet been finalised. The implementation of IFRS 17 in central government, and in particular the resolution of the approach of the above three points, will continue to be discussed at the June 2023 FRAB meeting.

Accounting for Social Benefits

During the year, the Board considered potential guidance for inclusion in the FReM in relation to accounting for social benefits. This work was triggered by the publication of IPSAS 42 Social Benefits, and the Board have considered the potential implications of IPSAS 42 to public sector reporting in the UK in respect of social benefits. The Board requested HM Treasury to review how social benefits are

accounted for and to clarify the guidance in the FReM on this area. HM Treasury is continuing to work with relevant parties and the NAO to achieve this.

Non-investment asset valuation thematic review

In the summer of 2022, HM Treasury committed to undertake a thematic review of the valuation of non-investment assets for financial reporting purposes in the public sector. The purpose of the thematic review was to assess the current regime of asset valuation across the public sector, and to identify and evaluate the case, options, and timing for any revisions to the current approach. The review considered the advantages and disadvantages of the current regime, and potential developments.

During 2022-23, the Board received updates from HM Treasury on the ongoing thematic review work. When considering the outputs from the thematic review, the Board, in consultation with HM Treasury, concluded that there is merit in exploring changes to the current public sector asset valuation regime via a formal consultation.

The Board had a single-item meeting in January 2023 to review and approve the [Non-investment Asset Valuations Thematic Review Consultation Paper](#) that HM Treasury created to consult on changes to the FReM guidance on non-investment asset valuations. This was published in March 2023. The thematic review formally concluded on publication of the Consultation Paper, and a summary of the [thematic review](#) was published in June 2023.

Looking forward, the Board and HM Treasury will explore whether changes to the FReM are required in this area after considering the results of the public consultation.

Future thematic reviews

HM Treasury has committed to carry out regular thematic reviews focusing on different issues in government financial reporting. In November 2022, the Board was presented with suggestions of future thematic review topics as suggested and ranked by members of HM Treasury's UPAG and the Board provided both challenge and direction on the topics. The Board also considered, later in the year, the initial findings of the chosen thematic review topic around performance reporting. The Board will receive more information about the performance reporting thematic review in 2023-24.

PPP arrangements and interaction with IFRS 16

IFRS 16 became effective in central government from 1 April 2022. The Board confirmed all public sector adaptations and interpretations to IFRS 16 in previous years.

In 2022-23, the Board considered a related issue concerning PPP arrangements. IAS 17 principles had previously been applied directly or by analogy when measuring liabilities in PPP contracts which contained future payments linked to a price index. The Board had previously determined that IFRS 16 principles should be applied instead from 2022-23. During 2022-23, the Board considered papers regarding the

timing and approach to implementing this change, in response to questions which had arisen in the process of finalising the application guidance for this issue. At the November 2022 meeting, the Board decided that changes to the PPP guidance should be deferred to 2023-24.

Public sector financial and non-financial reporting

Received updates from WGA, IPSASB and oversaw the creation of a new Sustainability Sub-Committee

Whole of Government Accounts (WGA)

As per FRAB's [Terms of Reference](#) which sets out the Board's role with respect to the WGA, the Board receives regular updates on the progress of the preparation of WGA and issues arising from its production and audit.

The Board received updates on the progress in the production of the 2020-21 WGA and recovery plans for future reporting cycles. HM Treasury informed the Board that the 2020-21 WGA publication is targeted for quarter 3 of 2023, as agreed with the Public Accounts Committee.

HM Treasury presented the Board with a WGA recovery plan that looks to shorten timelines, while investing in a strategy to achieve long term recovery from the delays caused by COVID-19. The core elements of the recovery plan are:

- Planning – specialist project management capability and forward certainty for the system to underpin greater submission discipline. HM Treasury informed the Board that a specialised project manager has been recruited to support this. Assurance advisory support has also been provided to enhance efficient assurance processes.
- Resourcing – long term increase in BAU resource, to enable a dual current and future year focus. HM Treasury informed the Board that additional resource has been allocated to the WGA team to support production speed and allow dedicated resource to support bringing forward data collection rhythm.
- Management assurance approach – reduce exposure in near term to problems in the local audit market and focus on timeliness while containing qualification risks. HM Treasury informed the Board that they have implemented a stronger focus on data collection for 2021-22 onwards, with earlier submission windows. An improvement in communication approaches have also reintroduced discipline into WGA submissions.

The Board strongly supports the recovery of the WGA timetable, where HMT plans to deliver the WGA to pre-pandemic timelines by 2024-25.

Standard setter updates

The Board continues to take a keen interest in the developments occurring in the wider financial reporting landscape. At the June 2022 meeting, the Board welcomed presentations from multiple standard setters, including the International Public Sector Accounting Standards Board (IPSASB), who updated the Board on their work plan and current areas of focus, such as issues covering leases, non-current assets held for sale and revenue and transfer expenses.

The International Accounting Standards Board (IASB), also updated the Board on the IASB consultations work plan, including a goodwill impairment discussion paper, the exposure draft on the primary financial statements; and the request for information on the post-implementation review of IFRS 10, IFRS 11 and IFRS 12. Other work included reviewing deficiencies in reporting of climate-related risks and the IFRS 16 narrow scope amendment.

Additionally, the Board also received an update on the work of the International Sustainability Standards Board (ISSB). The ISSB had issued two exposure drafts, IFRS-S1 General Requirements and IFRS-S2 Climate, both structured around the Taskforce for Climate-related Financial Disclosure's (TCFD) recommendations. The Board heard that the ISSB Standards look to provide a globally consistent baseline for sustainability reporting, focused on enterprise value.

Furthermore, the Financial Reporting Council (FRC) updated the Board on the current focus of the FRC. The Board heard that the FRC had issued new additions of current standards, reflecting all the amendments that had recently been made, and had completed the annual review of FRS 101. The FRC also updated the Board on other areas of work such as the exposure draft FRED 80, in relation to company law; the periodic review of FRS 102; reviewing potential changes to public interest entities; and TCFD-aligned reporting.

The Board will continue to receive updates from these standard setters in 2023/24 to inform their forward work plan.

FRAB Sustainability Sub-Committee (FRAB-SSC)

Representation for the subcommittee as of 31 March 2023 was as follows:

Sarah Geisman Relevant Authority HM Treasury	Lynn Pamment Independent FRAB Chair	Michael Sunderland Preparer DfE	Conrad Hall CIPFA/ LASAAC Chair
Karen Sanderson Relevant Authority CIPFA	Ian Webbber Preparer BEIS	James Osborne Auditor NAO	Iain Murray Relevant Authority CIPFA

The subcommittee was established in November 2021 to consider how public sector annual reports can best reflect financial reporting matters concerning climate change, as well as to provide advice and guidance to FRAB on climate-related and sustainability reporting matters in the public sector. The remit aligns with FRAB's objectives, advising on standards and other reporting frameworks, but with a sustainability and climate-related reporting focus. This allows for more detailed discussions on specific public sector issues around sustainability reporting.

The subcommittee's key decisions and advice were reviewed and approved by the full Board. In 2022-23, the Board agreed with the subcommittee's recommendations that HM Treasury:

- implement the TCFD-aligned reporting in central government annual reports by 2025-26, initially focusing on the recommended disclosures concerning Governance in 2023-24
- monitor sustainability reporting developments in the private sector and by international standard setters
- highlight existing resources around the financial reporting consequences of climate change to raise awareness across the public sector

Updates on the subcommittee's discussions can be found within the minutes and papers on [GOV.UK](https://www.gov.uk).

FRAB continues to promote excellence through all its interactions amongst the public sector financial and non-financial reporting landscape and will continue its work in line with the theme of continuous improvement.

Governance and future work

Monitored the strategy, risks, and action plan of the Board. Received updates from UPAG and RAWG.

Overview

The role of FRAB is to provide high-quality advice to the relevant authorities in financial reporting in the public sector and ensures that it keeps fully abreast of the financial reporting landscape both domestically and internationally. The Board maintains a “Forward Look Agenda” in which it regularly examines the programme for the coming year and beyond to proactively keep up to date on issues. The Board also work against a strategy, risk register and action plan.

FRAB Strategy, Risk register and Action plan

The FRAB forward plan is a standing agenda item, allowing members to review the risks, strategy and future topics to be covered by the Board. Members can also suggest any additions outside of meetings. At the June 2022 meeting the Board discussed the direction of travel for the work plan. The Board agreed that initial temperature checks on changes to international standards would be useful to determine what might be needed for implementation in the public sector. Post-implementation reviews and sustainability reporting were also added to the forward work plan.

Working groups

In 2022-23, the Board continued to receive updates and sight of the minutes of discussions and proposals from both UPAG and RAWG.

FRAB effectiveness review

The next FRAB effectiveness review is due to take place in 2023. This will be an opportunity for the Board to reflect on the work of the Board over the past three years and the implementation of recommendations from the previous effectiveness review, as well as to suggest recommendations on how FRAB can operate more effectively.

Future Meetings

The Board aims to meet at least 3 times a year. Below are the planned meeting dates for 2023-24:

- 29th June 2023
- November 2023 date(s) to be confirmed
- March 2024 date(s) to be confirmed

Glossary of common terms

ARA	Annual Report and Accounts
CIPFA/LASAAC	The Chartered Institute of Public Finance & Accountancy / Local Authority (Scotland) Accounts Advisory Committee
DHSC	Department of Health and Social Care
DLUHC	Department for Levelling Up, Housing and Communities
FRC	Financial Reporting Council
FRAB	Financial Reporting Advisory Board
FReM	Government Financial Reporting Manual
GAAP	Generally Accepted Accounting Practice
GAM	Group Accounting Manual
GRAA	Government Resource and Accounts 2000
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretations Committee
ISSB	International Sustainability Standards Board
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
NAO	National Audit Office
PACAC	Public Administration and Constitutional Affairs Committee
RAWG	Relevant Authority Working Group
The Code	Code of Practice on Local Authority Accounting in the United Kingdom
UPAG	User Preparer Advisory Group
WGA	Whole of Government Accounts

Useful links

FRAB page	https://www.GOV.UK/government/groups/financial-reporting-advisory-board-frab
FRAB Terms of Reference	https://www.GOV.UK/government/publications/financial-reporting-advisory-board-terms-of-reference
FRAB minutes and papers	https://www.GOV.UK/government/collections/hmt-financial-reporting-advisory-board-minutes
FRAB news and publications	https://www.GOV.UK/government/collections/financial-reporting-advisory-board-frab-annual-report
FRAB effectiveness review	https://www.GOV.UK/government/collections/hmt-financial-reporting-advisory-board-effectiveness-reviews
Government Financial Reporting Manual	https://www.GOV.UK/government/publications/government-financial-reporting-manual-2022-23
Government Financial Reporting Review	https://www.GOV.UK/government/publications/the-government-financial-reporting-review
Best practice examples report 2021-22	https://www.GOV.UK/government/publications/government-financial-reporting-review-best-practice-examples-from-2021-22
HMT Thematic Reviews	https://www.GOV.UK/government/collections/thematic-reviews-government-financial-reporting
User Preparer and Advisory Group	https://www.GOV.UK/government/collections/user-and-preparer-advisory-group
DHSC GAM 2022-23	https://assets.publishing.service.GOV.UK/government/uploads/system/uploads/attachment_data/file/1149508/group-accounting-manual-2022-to-2023-updated-april-2023.pdf
CIPFA Code	https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice
NAO	https://www.nao.org.uk/
NAO report on timeliness of local auditor reporting	https://www.nao.org.uk/reports/progress-update-timeliness-of-local-auditor-reporting-on-local-government-in-england/
NAO strategy report	https://www.nao.org.uk/wp-content/uploads/2023/03/nao-strategy-update-and-estimate-2023-24.pdf
WGA	https://www.GOV.UK/government/collections/whole-of-government-accounts

E02943382

978-1-5286-4337-5