

Financial Reporting Advisory Board 151st Meeting Minutes

23rd November 2023
Commencing: 10:00am

	Item	Presented by	Time	Paper
1.	Welcome, minutes and matters arising	Chair	10:00	FRAB 151 (01)
2.	2022/23 Reporting Cycle Update	Louise Armstrong	10:10	FRAB 151 (02)
3.	Preparer Updates: <ul style="list-style-type: none"> • Devolved Administrations • Local Government • DHSC 	Kim Jenkins, Stuart Stevenson & Aileen Wright Iain Murray Ian Ratcliffe & Vanessa Singleton	10:20	Verbal
4.	Audit Updates: <ul style="list-style-type: none"> • NAO • Devolved Administrations 	James Osborne Suzanne Jones	11:10	FRAB 151 (03)
Break (10 mins)			11:40	
5.	User Preparer Advisory Group (UPAG) Update	Maggie McGhee	11:50	FRAB 151 (04)
6.	Non-investment Asset Review	Charlotte Goodrich / Sarah Geisman	12:10	FRAB 151 (05)
Lunch (50 mins)			12:40	
7.	CIPFA/LASAAC Update	Iain Murray	13:30	FRAB 151 (06)
8.	LGPS in Health Accounts	Ian Ratcliffe & Vanessa Singleton	13:50	FRAB 151 (07)
9.	FReM 2023-24 in year update and FReM 2024-25	Louise Armstrong	14.20	FRAB 151 (08)
Break (10 mins)			14.35	
10.	Sustainability Reporting Update and TCFD-aligned Disclosure	Max Greenwood	14.45	FRAB 151 (09)
11.	Performance Reporting Thematic Review	Joshua Rushbrooke	15.15	FRAB 151 (10)

12.	FRAB Strategy, Action Plan and Risk Register	Chair	15.35	FRAB 151 (11)
13.	AOB	Chair	15.45	Verbal
<i>Papers to note only</i>				
14.	IFRS Interpretations Committee summary of announcements			FRAB 151 (12)
15.	Relevant Authority Working Group update			FRAB 151 (13)
16.	GFR Progress Review			FRAB 151 (14)

Attendees:

Lynn Pamment
Jenny Carter
Jasmine Mathews
Mike Metcalf
Shiva Shivakumar
Charlotte Goodrich
Iain Murray
Ian Ratcliffe
James Osborne
Karl Havers

Stuart Stevenson
Aileen Wright
Kim Jenkins
Michael Sunderland
Pam Beadman
Ian Webber
Ryan Oliver
Christine Golding
Vanessa Singleton
Suzanne Jones

Alex Knight
Conrad Hall
Caitlin Stanley
David Lyford-Tilley
Steven Cain
Kathryn Allen
Louise Armstrong
Josh Rushbrooke
Mia Wright

Notes and Apologies:

Jessica Seymour – unable to attend, Jill Roberts deputised
Andy Brittain – unable to attend, Vanessa Singleton deputised

Date of next meeting: 21st March 2024

Agenda item 1: Welcome, minutes and matters arising

1. The Chair welcomed members to the 151st FRAB meeting and invited any comments on the minutes of the previous meeting and matters arising, which had already been circulated. No comments were given by the Board.

Agenda item 2: 2022/23 Reporting Cycle Update

2. HM Treasury provided an update on financial reporting timeliness for the 2022-23 reporting cycle - 30 out of the 49 bodies whose ARAs are laid by the FST were able to lay their ARAs before Parliamentary summer recess.
3. At the date of circulating the paper, 40 bodies had laid their annual reports and accounts (ARAs) before parliament, with 9 accounts still outstanding. Those outstanding are 3 Ministerial Departments (DHSC, DCMS and MoJ), 3 non-Ministerial Departments (Food Standards Agency Consolidated Accounts and Food Standards Agency Westminster Funded, the Government's Actuary Departments), and 3 pension schemes.
4. HM Treasury highlighted some of the key issues as to why ARAs were laid later than expected, which included:
 - a. Preparation-driven delays, including capacity of preparers and complexity of accounting issues.
 - b. Concerns about meeting the qualifications stipulated by IFRS 16.
 - c. Issues with delays in the completion of accounts for component entities that were material to the group.
 - d. Audit driven delays including capacity constraints.
5. HM Treasury notified the Board that 3 of the departmental ARAs laid to date had audit qualifications - DWP, HMRC and DEFRA.
6. It was noted that there were slightly fewer ministerial and non-ministerial departments laying in pre recess compared to the previous year and the Board discussed steps that could be taken to avoid qualifications.
7. **ACTION:** The NAO have published an internal report on accounts which deal with issues underlying the qualifications and the improvements that the department are seeking to make in these areas; the NAO will share this with the Board.
8. **ACTION:** HMT to prepare short paper on timeliness of reporting for the March FRAB 152 meeting.

Agenda item 3: Preparer Updates

9. The Chair introduced the Devolved Administrations updates from the relevant Board members.

Wales

10. The Welsh Government representative notified the Board that Wales NHS reporting cycle for 2022-23 ended in late July, but was signed off on the 10th of November, four months later than pre-covid times. The delay was in part due to challenges in NHS accounts preparation work and to audit capacity issues.
11. Additional work was required due the implementation of ISA 315 and IFRS 16, but implementation was successful with no major issues.

12. The majority of all local government audits for 2022-23 have been completed and plans are in place to bring the LG audit deadline forward gradually over the next few years.

Northern Ireland

13. The Northern Ireland representative informed the Board that by the summer recess NI departments had laid 20 out of 27 targeted sets of accounts. Since summer recess, 3 more departments have laid their accounts.
14. It was highlighted that NI also faced capacity issues similar to Wales, and that a recruitment cycle for accountants and auditors is underway.

Scotland

15. The Scottish government published its consolidated accounts earlier this month, showing incremental improvement but not enough to reach pre-covid reporting timelines.
16. The Scotland representative raised similar concerns to those raised by DA colleagues including capacity challenges. Overall, the situation in local government reporting in Scotland is reasonable with bodies expected to report before the end of the year.

Local Government

17. The Board were updated on the local audit and reporting delays which are a significant issue. The statutory deadline for the 2022-23 accounts was September 30th with only 5 sets of accounts published at that point, leaving 918 accounts spanning several years yet to be published with audit opinions.
18. Some local authorities have unresolved accounts dating back five years. The CIPFA representative agreed to give a fuller update during his substantive item later in the agenda.
19. Their board expressed interest in the findings from the levelling up, housing and communities committee work on auditing and financial reporting in local government that is due to be published shortly.

DHSC

20. The DHSC representative updated the Board that the Department of Health would miss their target date for laying their ARA on 30th November and would now be aiming for January, in large part due to challenges in local NHS audits with Local Government Pension Schemes.
21. DHSC also acknowledged challenges in the audit market including capacity issues and expressed the view that achieving a pre summer recess target for the 2023-24 financial year is unlikely due.
22. DHSC successfully implemented IFRS 16 in the NHS with careful guidance and timely mandates.
23. A discussion amongst the Board highlighted the consideration of lessons learned from the NHS IFRS 16 implementation for application in the local government sector and the development and sharing of guidance and templates to address transition challenges.
24. **ACTION:** DHSC to share learning from IFRS 16 implementation.

Agenda item 4: Audit Updates

NAO

25. The NAO notified the Board on the progress that has been made in certifying departments and entities, with a focus on achieving approximately 70% certification pre-recess. The achievements this year fell behind the targeted goals, with 2 departments CO and HO, not meeting planned certification dates.
26. The NAO highlighted challenges that included preparation delays and unforeseen events affecting capacity that have impacted the timetable, prompting the need for strategic resource management.
27. Efforts are being made to address resource challenges, including increasing resources with Parliamentary agreement.
28. There was an emphasis on the importance of collaboration in improving timely reporting across different sectors. The Board stressed the need for resetting priorities and reaffirming the default goal of completing audits pre-recess.
29. The Board discussion underlined the need for a comprehensive system-wide discussion on the balance between compliance costs, reporting requirements, and user needs, with an awareness of the challenges faced by finance teams in meeting evolving expectations.

Devolved Administrations

30. The Board were informed that Northern Ireland completed 75% of audits by summer recess, with outstanding audits for DEFRA and DfE. Challenges included implementing ISA 315, implementation of Clear Line of Sight, and managing the absence of an NI Assembly. It was highlighted that recruitment and retention issues were common challenges for both preparers and auditors.
31. Audit Scotland as of end-September 2023 certified 40% all financial audits for 22-23. It was highlighted that 33% of local government audits were on target for the September 30th deadline, however there were delays in information from preparers and delays in the audit process.
32. It was noted that audit Wales started later than planned due to infrastructure issues, recruitment, retention challenges and implementing ISA 315. NHS audits are completed, central government is on track, however local government is delayed with a revised target of January 31st.
33. Audit Wales are piloting an overtime scheme to address delays aiming to gather feedback for potential implementation elsewhere.
34. The Board were informed that the common challenges across all devolved administrations included resourcing issues, both in terms of securing and retaining staff.

Agenda item 5: UPAG Update

35. The UPAG Chair was introduced to give an overview of the UPAG update paper.
36. The UPAG Chair summarised the discussion at the most recent UPAG meeting, which had included sustainability reporting and thematic reviews.
37. The group expressed the value of bringing in feedback and perspectives from outside sources, for example previous input from academics and professional bodies provided diverse insights.
38. The UPAG Chair suggested that a refresh of membership would be welcomed, with efforts made to include preparers from various sectors, arms-length bodies and think tanks.
39. The Board approved the updated UPAG Terms of Reference.
40. The UPAG Chair thanked the Treasury Secretariat and concluded the update, inviting discussion from the Board.

41. A Board member queried who typical users of account are beyond Parliament. A distinction was made between users in the context of preparation and those who are actual users of the accounts.
42. **ACTION:** UPAG agreed that they alongside HMT will provide a paper to the Board summarising the key users of public sector accounts.

Agenda item 6: Non-investment Asset Review

43. The Chair thanked FRAB members for their input in the thematic review of the valuation of non-investment assets to date. The Chair acknowledged the complexity of the issue but noted progress within recent single-item meetings. It was acknowledged that further discussions will be necessary even after exposure draft stage.
44. HMT presented the exposure draft and the secondary issues paper, particularly focusing on transitional issues and disclosures. A brief recap was provided summarising key decisions made in recent meetings.
45. The Chair sought comments from the Board on the exposure draft ahead of publication and the start of the consultation process which it is hoped will begin before Christmas.
46. The Board felt that the Exposure Draft should be clearer about the fact that the proposal has changed substantially from what was originally put forward and why this is the case. Board members were generally in agreement with the proposal not to include detailed transition guidance in the exposure draft and felt that what was included was sufficient, but that this should be a consultation question.
47. There were areas in the Exposure Draft where the Board felt greater clarity was needed, for example on the valuation of intangible assets. The Board also felt that there would be value in including more pointed questions in the consultation, for example whether respondents anticipated any operational challenges during the implementation of the proposal.
48. Members anticipated auditing challenges related to the transition process, especially in cases where adjustments might be required. It was suggested that narrative disclosures might be helpful e.g., entities should disclose the quantum of assets being measured on each basis during the transition period. HMT agreed to include this in the Exposure Draft.
49. The Board emphasised the need for clarity about the choice between valuation options. It was agreed that all three bases for valuation are valid. One member emphasised the need for key clear articulation of choices and potential implications.
50. The Board agreed that the choice between valuation approaches should be left to the preparers considering factors such as costs and benefits and agreed that the Board was confident that accounts preparers could use judgement to choose the most appropriate valuation basis in each circumstance. Members emphasised the importance of flexibility in the drafting to allow relevant authorities to make decisions based on their specific circumstances, particularly during transition.
51. The Board confirmed a preference for a five-year over a seven-year revaluation period with indexation in intervening years. The Board requested additional clarifications around Right of Use assets, the definition of assets for operational capacity, and the application of indices. There was also a request for a consultation question asking where stakeholders felt additional guidance would be required. HMT confirmed they would update the Exposure Draft to reflect the discussion circulate to members again ahead of publication. Additional guidance to supplement the exposure draft is expected to be ready in spring or early summer.
52. **ACTION:** HMT to update the Exposure Draft to reflect comments made by the Board.

Agenda item 7: CIPFA/LASAAC Update

53. The CIPFA LASAAC representative updated the Board on 24/25 Code of Practice on Local Authority Accounting in the UK (the Code), including the output of the annual Code consultation and revisions. The update also considered the wider context and the underlying issues facing local authority accounting and reporting in England.
54. The implementation of IFRS 16 was a focus of discussion, and the Board considered the readiness of local authorities and the impact of audit backlogs on preparation. The importance of adhering to the proposed timetable for IFRS 16 implementation was emphasised. The Board discussed the importance of finding a way to draw a line under the old sets of accounts to allow the focus to be on timely and accurate reporting going forward. There was a feeling that a pragmatic approach would be required to overcome the existing backlog.
55. CIPFA also provided an update on non-investment assets, pensions, and infrastructure assets. The Chair highlighted that some areas – such as pensions – are likely to need a broad, cross-sector approach.
56. The Board agreed in principle on the 24-25 revised code, with the option for members to provide detailed comments to CIPFA after the meeting.
57. The need for clarification on the timing of asset related changes specifically infrastructure assets and non-infrastructure assets was discussed amongst the Board, as well as the urgency of delivering timely code update for non-investment asset valuations to align with broader government actions.
58. **ACTION:** The Board agreed the need for separate meeting to discuss the Code
59. **ACTION:** It was proposed to document significant Board decisions on a basis of conclusions to maintain clarity e.g. rationale for temporary relaxations.
60. **ACTION:** FRAB members to pass specific comments on draft Code along to CIPFA.

Agenda item 8: LGPS in Health Accounts

61. The DHSC representative presented the paper setting out the impact of the local government pension scheme in health accounts, recognising that LGPS was the focus of a Board discussion a year ago but that in this case the focus was exclusively on a small number of LGPS balances that were immaterial to the group accounts but were having a disproportionate impact on the timeliness of DHSC reporting.
62. The paper proposed changing the accounting for these schemes in health accounts, with recommendations for revised disclosure requirements. The change would be reflected in the DHSC Group Accounting Manual (GAM) via a late update to 2023/24.
63. Some Board members expressed discomfort with the proposed permanent change in accounting practises, emphasising the importance of maintaining the integrity of the international financial reporting standards.
64. Members discussed the audit model, the aggregation of assurance, and the need for auditors to provide a signed opinion on both councils' main accounts and pension funds simultaneously – there was an interest from the Board in the potential decoupling of pension fund accounts.
65. One member expressed a preference for a holistic approach that would address the broader challenges in the local government accounting system rather than just where LGPS issues interact with DHSC accounts.
66. Some Board members felt that the root issue seemed to be more of an audit problem, and expressed concerns about trying to apply accounting solutions to audit challenges.

67. The risk appetite of audit firms and individual auditors was discussed, with suggestions that this could be contributing to delays. The Board agreed that the delays to LGPS were having a disproportionate impact, particularly on the health sector.
68. Although several Board members expressed sympathy with DHSC's position and the arguments put forward in the paper, the Board did not approve the proposed changes.
69. **ACTION:** HMT to invite audit regulator to a future FRAB for discussion.

Agenda item 9: FReM 2023-24 in year update and FReM 2024-25

70. The Chair went on to introduce the FReM papers and welcomed an update from HM Treasury. The paper served as a reminder to the Board of the previous decisions made by FRAB. It was acknowledged that all substantive issues had been discussed and agreed upon in prior meetings.
71. The Chair asked the Board for comments on the proposed amendments to the 23-24 FReM. The Board considered the amendments and agreed to publication with a minor amendment to clarify size thresholds for TCFD-aligned disclosures are established, the FReM guidance lacks clarity, especially for bodies not following TCFD requirements. HMT outlined plans to review the FReM paragraph on TCFD thresholds, acknowledging the guidance's vague direction, partly due to different reporting requirements set by devolved administrations Defra and DESNZ who in collaboration with other departments, are developing reporting requirements for 2025-30. HMT intends to integrate these with existing TCFD requirements in the SRG and FReM.
72. Board members agreed to the publication of the 23-24 FReM and draft 24-25 FReM.
73. **ACTION:** HMT to check and clarify the language on size thresholds in sustainability reporting.

Agenda item 10: Sustainability Reporting Update and TCFD-aligned Disclosure

74. The Chair introduced HMT to discuss the sustainability reporting update and TCFD-aligned disclosure draft.
75. HMT presented the TCFD exposure draft for Phase 2, covering the Risk Management and Metrics and Targets pillars, aligning with existing performance reporting on risk and strategic outcomes. The Board agreed on the Subcommittee developing a FRAB position statement on TCFD-aligned disclosure, reflecting recent developments in both the private sector and international standard-setting. HMT explained that the flexibility of metrics and targets accommodates diverse reporting practises across public sector.
76. A member raised a query regarding how risk disclosures, particularly in the context of group reporting, are applied under TCFD. HMT responded, explaining that while the framework is primarily focused on entity-level reporting, provisions are in place for group risk reporting in departments and coverage for smaller bodies influential in climate policy.
77. A member raised a concern about the effort and data collection challenges faced by individual entities especially considering the diverse data sources and efforts involved.
78. HMT explained the existing reporting processes in central government and other parts of the sector. Furthermore, non-compliance which is driven by data challenges can be explained, alongside planned improvements in data collection. TCFD requirements are on a comply or explain basis, allowing entities to explain non-compliance due to capacity issues.
79. **ACTION:** The Board approved the publication of the exposure draft with detailed editorial comments to be addressed separately.

80. **ACTION:** SSC to prepare position statement setting out why FRAB supports TCFD.

Agenda item 11: Performance Reporting Thematic Review

81. HMT presented the outputs of the Performance Reporting Thematic Review; performance reporting was identified as a high priority area by UPAG last year and work on the review began earlier this year with a focus on collaboration and consultation with stakeholders.
82. The review outlined commitments made by HMT, including the production of a one-off best practise report on performance reporting, minor changes to the FReM for increased usability, and the development of new training products.
83. The report had been approved by UPAG, and HMT invited further comments and suggestions from the Board ahead of publication. It was highlighted that changes presented in the thematic review are not yet included in the draft FReM, but if approved they will be incorporated into the final version published in December.
84. The Chair asked members to provide comments or questions on the report Board members welcomed the review outputs especially the best practise report and new training sessions.

Agenda item 12: FRAB Strategy, Action Plan and Risk Register

85. The Chair gave an overview of the FRAB strategy action plan and risk register. It was highlighted that NAO are conducting an effectiveness review and the results are expected to be shared in the March meeting. The Board anticipates a more in-depth discussion on the strategy work programme and risk register at the March meeting.
86. The Chair invited members to provide comments or raise any issues related to the action plan and risk register. The complexity of the excel spreadsheet in the risk register was noted and a more thorough discussion was planned for March.
87. It was noted that the overarching challenge facing public sector reporting is the inability of many bodies to provide timely financial reporting, and the importance of finding a balance between timeliness and high-quality financial reporting. The Board acknowledged the need to consider its role in this context. The Chair encouraged members to share additional thoughts or concerns outside the meeting ahead of a substantive discussion in March.
88. **ACTION:** The action plan, strategy, and risk register will be reviewed following the completion of the NAO's effectiveness review and brought Back to the Board for approval
89. **ACTION:** The Chair will undertake engagement with stakeholders ahead of the March meeting to gather additional insights.
90. **ACTION:** HMT to undertake five-year review of the Government Financial Reporting action list and report back to the Board.

Agenda item 13: AOB

91. The Chair asked the Board if there were any items of any other business. The Chair expressed gratitude for participants engagement and participation.
92. No other business was raised.

Agenda item 14: IFRS Interpretations Committee summary of announcements.

93. The Board noted the update paper.

Agenda item 15: Relevant Authority Working Group update

94. The Board noted the update paper.

Agenda item 16: GFR Progress Review

95. The Board noted the update paper.