



Financial Reporting Advisory Board Paper

ARA Reporting Timeliness

Issue:	HM Treasury's response to the FRAB Effectiveness Review undertaken by the NAO
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public-sector context?	N/A
Impact on budgetary regime and Estimates?	N/A
Alignment with National Accounts	N/A
Recommendation:	That FRAB consider and agree to the recommendations made by the NAO as a result of the review as set out below.
Timing:	Ongoing

Background

1. FRAB's Terms of Reference states that it will undertake a review of its effectiveness at least once every three years. The Board's most recent effectiveness review was published in October 2020. The NAO therefore undertook a new review of the Board's effectiveness between September and October 2023 and the findings are presented in their paper.

Effectiveness Review Findings

2. HM Treasury welcomes the NAO's findings. We agree that the Board is well Chaired and that Members are engaged and collegiate with the appropriate skills and experiences. The Board is transparent and engages effectively with external stakeholders.
3. HM Treasury also agrees with the areas for further improvement identified by the NAO, and proposes responding to the recommendations with the actions set out below, following discussion and agreement from the Board.

	Recommendation	Proposed Board Response
1.	In consultation with HM Treasury, the Board should consider whether there is scope to clarify or expand its terms of reference.	HM Treasury would welcome feedback from the Board on its Terms of Reference, and will bring an updated ToR back to the Board in June.
2.	The Board should consider how it can arrange proportionate annual evaluations in consultation with HM Treasury and update the Board's terms of reference if appropriate.	HM Treasury proposes including an annual agenda item for the Board to discuss its performance and areas for improvement, in addition to the cycle of Effectiveness Reviews.
3.	The Board should consider preparing a stakeholder analysis and engagement strategy. This should be re-assessed on a timely basis, and explore how the Board can achieve greater outreach, and how best to use stakeholders to influence and inform its work.	<p>HM Treasury would welcome input from the Board in identifying key stakeholders and will prepare a stakeholder analysis for later in the year.</p> <p>Rather than developing a standalone engagement strategy, HM Treasury recommends that stakeholder engagement is included in the Terms of Reference update, and that it is a standing item in the Board's annual evaluation discussion.</p>
4.	The Board should review its evaluation processes to ensure it identifies key learnings from its work and can easily apply these to its future work.	FRAB already considers implementation successes and failures e.g. IFRS 16. If the Board is content, HM Treasury proposes including a regular agenda item for users/preparers/auditors to share reflections and learning from the implementation of any standards/accounting changes that have been implemented in that reporting period.
5.	The Board should consider how it can provide tailored learning and development opportunities for new and existing members.	HM Treasury would welcome views from the Board on areas where they feel additional learning and development would be helpful. Board members are also welcome to attend meetings of the Sustainability Sub-committee, the Relevant Authorities Working Group, or the Users and Preparers Group to see how these operate and discuss specific areas of interest with members.
6.	<p>Working with the Nominations Committee, as part of succession planning, the Board should consider:</p> <p>a. the package of skills and experience required to meet future challenges</p>	The Nominations Committee will meet in April 2024; Board skills and experience and succession planning will be included in the agenda, and feedback will be provided to the Board at the June meeting.

	b. what approaches it can take to secure a sufficiently diverse membership	
7.	The Board should consider drawing up contingency plans to cover any key absences, for example the Chair.	HM Treasury proposes the nomination of a vice-Chair who can step in for the Chair when not available. If the Board agrees, this will be discussed by the Nominations Committee and a proposal brought back to the June meeting and included in the Terms of Reference.
8.	The Board should ensure the number and length of meetings is reviewed at reasonable intervals alongside the best use of sub-committees and working groups. The review should take account of future demands likely to be made on the Board.	HM Treasury would welcome feedback from the Board on the frequency and length of meetings, and will build this feedback into future planning.
9.	The Board should actively consider the balance of each agenda and – where possible – streamline board papers so members have enough time in advance of meetings to digest the material.	As above, HM Treasury would welcome feedback from the Board on the balance of agendas and the number of Board papers for meetings.
10.	The Board should explore the potential for opportunities for members to develop chemistry and share knowledge outside of formal meetings.	HM Treasury would welcome feedback from the Board on how they would prefer for members to share knowledge outside of formal meetings.

Next Steps

4. If the Board agrees with the proposed actions above, HM Treasury will incorporate the recommendations of the review into an updated Terms of Reference and will bring it back to the Board for review at the June meeting.