

## **The User Preparer Advisory Group**

10th October 2024

Virtual

09:30am – 11:30am

**UPAG 10**

### **Meeting minutes**

**Attendees:**

Maggie McGhee, Chair & Independent member  
Amar Vara, Single Source Regulations Office  
Andrew Evans, HM Treasury  
David Heald, University of Glasgow  
David Lyford-Tilley, CIPFA  
Debbie Paterson, Healthcare Financial Management Association  
Elle Richardson, HM Treasury  
Gavin Freeguard, Independent  
Harry Carter, HM Treasury  
Helen Creeke, The National Archives  
Henry Midgley, Durham University  
Henry Young, Ministry of Justice  
Jack Bower, ICAEW  
Jordan Curnow, Natural England  
Joshua Rushbrooke, HM Treasury  
Kevin Pertaub, HM Treasury  
Martin Pope, HMRC  
Matthew Fright, Institute for Government  
Nitasha Gupta, HM Treasury  
Robert Colbourne, HMRC  
Sean McCluskey, HM Treasury  
Shikha Sharma, HM Treasury  
Sudesh Chander, HM Treasury

**Apologies:**

Henning Diederichs, ICAEW (Jack Bower deputising)  
Alison Ring, ICAEW  
Ed Hammond, CFPS  
Marcus Wilton, Parliament  
Sanjeet Bhumber, UK Supreme Court

Time	Item	Presenter	Associated Paper
09:30	Welcome and minutes from the last meeting	Maggie McGhee, Chair	
09:35	ICAEW Update	Jack Bower	Verbal Update
09:50	IFRS 18 & 19	Sean McCluskey	UPAG 10 (01)
10:05	Thematic review update – non- investment assets	Sudesh Chander	UPAG 10 (02)
10:20	WGA	Harry Carter	UPAG 10 (03)
10:40	Local government update	David Lyford-Tilley	UPAG 10 (04)
11:10	GFR review progress update	Elle Richardson	UPAG 10 (05)
11:25	AOB	Maggie McGhee, Chair	

#### **Item 1: Welcome and minutes from the last meeting**

1. The Chair led introductions.
2. The Group had received the last meeting's minutes from HM Treasury (HMT) prior to the meeting. Members proposed some changes to terminology and an added reference to accountability. HMT will enact these changes before publication.
3. The Chair confirmed that updates on Local Audit and Whole of Government Accounts were added to the agenda following a suggestion from a member.

#### **Item 2: ICAEW Update**

4. A member of ICAEW gave a verbal update. The update covered backstop dates, the findings of the NHS audit market study, and resourcing constraints within the local audit sector. A member and the Chair echoed that the attraction of appropriate people remained difficult across audit and financial reporting.
5. The ICAEW member gave an update on IPSASB, as changes to climate related disclosures had been approved. The Group was notified of upcoming webinars.

#### **Item 3: IFRS 18 and 19**

6. A HMT representative gave an overview of IFRS 18 and 19. Public accountability is a key focus of IFRS 19. IFRS 18 enforces more comparability between entities and required the disclosure of Management Performance Measures (MPMs).
7. A member of the Group questioned whether entities could choose to apply disclosures, which the Treasury representative confirmed. The member reflected that public sector entities already disclose some MPMs and that some IFRS 18 categories would not be relevant to the public sector.
8. A member queried whether HMT would amend IFRS 18 and 19 to reduce their negative impacts, to which HMT confirmed that a consultation needed to take place before any decision could be taken.
9. A member encouraged HMT to investigate what other data should be reported in accounts. HMT stated they would continue to investigate improvements in financial reporting.

#### **Item 4: Thematic review update – non-investment assets**

10. An HMT representative gave an update on changes to non-investment asset valuation requirements in the FReM. Key changes to the FReM include withdrawing the requirement to revalue an asset where fair value differs from carrying value. Assets are now revalued quinquennially with indexation in intervening years, or for non-property assets use of appropriate indices.
11. HMT highlighted they are considering adding an additional valuation process where reliable indices cannot be obtained, e.g. a quinquennial revaluation with a desktop revaluation at year 3.

12. References to specialised and non-specialised assets is also being removed from the FReM to be replaced by assets held for their operational capacity. The measurement basis for these asset remains Existing Use Value (EUV).
13. For intangible assets, these will be valued at historic cost prospectively from 1 April 2025.
14. HMT is developing depreciated replacement cost (DRC) guidance with the Valuation Office Agency (VOA).
15. A member expressed concern that a three-year desktop valuation should be a last resort. The HMT representative responded that this valuation process is to be used when reliable indices cannot be obtained, so should result in being a last resort.
16. A member questioned how these changes met the aim of the original consultation. The HMT representative highlighted that the changes outlined in the presentation would make the valuation process less onerous, without significantly reducing the quality of financial reporting. The HMT member noted that changing the valuation basis to historic cost was consulted on and discussed at considerable length at FRAB meetings and in the non-investment assets technical working group, but overall, it was concluded that assets should still be measured at current value.
17. A member advocated for worked examples and training sessions for preparers. The HMT representative stated that the guidance developed by the VOA covers the changes made to the valuation regime and overlays guidance issued by RICS and guidance in International Valuation Standards (IVSs). On training, the HMT representative replied this should be covered by training covering FReM updates provided each year.
18. A member asked how these changes interact with impairment reviews. The HMT representative replied that in their view entities do not need to undertake a full revaluation to comply with IAS 36 and confirm there are no material impairments. Instead, IAS 36 requires an assessment of impairment indicators to determine if an asset is impaired.

#### **Item 5: Whole of Government Accounts (WGA) Summary**

19. An HMT representative gave an update on the WGA 2022/23, which WGA intend to publish in November. As expected, WGA received a disclaimed opinion from auditors due to missing and unaudited data. They also received confirmation that, had the opinion not been disclaimed, the inconsistent accounting treatment and boundary qualification would have been extended and lifted respectively. The former relates to the adoption of IFRS 16 by central government with adoption by local government due from financial year 2024/25, and the latter follows the reclassification of NatWest Group PLC as a private sector entity following UK Government's ownership of voting rights falling below 25%. WGA intend to lay the 2023/24 accounts before summer recess in 2025 in line with the recovery plan.
20. A member expressed a concern about how disclaimed accounts would be treated within the media. The Chair echoed this concern. A member queried whether WGA are expecting further disclaimed opinions, to which the HMT representative confirmed that the disclaimed opinion could for several years on the basis that it relates to underlying issues in the local government audit sector.
21. A member encouraged an increased pace of reporting, to which an HMT representative outlined that the proposed timescales in the recovery plan are ambitious but attainable and would see a return to pre-Covid publication timescales.
22. A member suggested considering whether incomplete accounts could be published, but a Treasury representative outlined that this would have auditing implications.

#### **Item 6: Local Authority Update**

23. A representative from CIPFA gave an update on the local audit backlog and the backstop dates for which legislation has been laid in Parliament. The representative expects modified audit opinions and disclaimers to continue for multiple years.
24. The CIPFA representative outlined how CIPFA is supporting local audit reform. The representative then explained the mission, membership, and stakeholders of the Better Reporting Group (BRG).
25. A member questioned whether the purposes set out for local authority accounts in the Levelling Up Committee report will be factored into CIPFA's efforts and noted the importance of reconciling these products. The CIPFA representative confirmed that CIPFA was working with the government to meet user needs.
26. A member queried how IFRS 18 and 19 would affect audits. The CIPFA representative reinforced the importance of structural reform. The Chair agreed with that reform was needed.

27. A member expressed unease about capacity in the public sector.
28. Another member noted that local audits are not a problem in Scotland, Wales, and Northern Ireland, which should be taken account of in analysing the English system-wide problem. The CIPFA representative agreed that there are systemic issues within England.

**Item 7: GFR Review Progress Update**

29. A member of HMT gave a 5-year update of the GFR Review, where all 39 recommendations have been actioned. The 2022/23 Best Practice Report will be published in October and HMT had begun collating best practice materials for TCFD Disclosures within accounts.
30. A member stated that the objectives of the GFR Review are not always operationalised within departments, and that annual reports can be difficult to understand. HMT confirmed that it will continue to focus on improvements to financial reporting, including usability.

**Item 8: AOB**

31. The Chair took an update from the Levelling Up Committee as a potential future agenda item and encouraged members to suggest future agenda items.
32. An HMT representative encouraged members to get in touch with ideas and examples of how to improve departmental digitisation.
33. The HMT representative highlighted that there are currently vacancies on FRAB and that recruitment is underway.