

# Financial Reporting Advisory Board

Annual Report 2021-22





# Financial Reporting Advisory Board:

## **Annual Report 2021-22**

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# Foreword

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## Foreword from Lynn Pamment – Chair

I am pleased to present the Financial Reporting Advisory Board Annual Report for 2021-22. It has been a year that has seen continued challenges for the public sector in the production of timely audited financial statements. For many bodies, the COVID-19 pandemic has continued to be a significant cause of delays to the production and audit of annual reports and accounts. For local government however the problems are compounded due to challenges in the local government audit market.

Our last FRAB Annual Report noted that 2021-22 will act as a transitional period to the return to a pre-recess timetable for central government bodies. It is encouraging to see that progress is being made however we would encourage bodies to seek further improvement as soon as practicable so that audited financial information is available to users on a timelier basis.

As noted above FRAB recognises that there are challenges in the local government audit market that are contributing to the delay in the provision of timely audited annual reports and accounts. However, I am of the firm view that the solution to the audit market challenges do not lie in compromises to the provision of high quality financial statements. Such statements should continue to be prepared to appropriate standards consistent with the rest of the public sector. Whilst FRAB supported the deferral of IFRS 16 in local government it did so by the finest of margins. FRAB firmly believes that IFRS 16 implementation will result in better quality financial reporting. The delay was only supported, with early application permitted, on the basis of considering the balance of public interest in favour of the production of more timely audited financial information given the ongoing delays in local government reporting under current standards. I would expect and would encourage the local government sector to embrace timelier implementation of new standards and to work with the audit market to ensure the production of high quality audited annual reports and accounts on a timelier basis.

During 2021-22, FRAB has taken the important step of establishing a sub-committee to focus on sustainability reporting by the public sector. The establishment and implementation of sustainability standards is moving at a rapid pace internationally and it is crucial that the public sector adopt best emerging practices to enhance trust and demonstrate high quality reporting relevant to users. We look forward to continuing our work in this area in future years.

We have seen some changes to the membership of FRAB during 2021-22 and I would like to thank all members who have served during 2021-22 for their invaluable contributions.

# 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.

### Preparers/Users 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 Assembly Government, the Department for Health and Social Care, NHS Improvement and CIPFA.

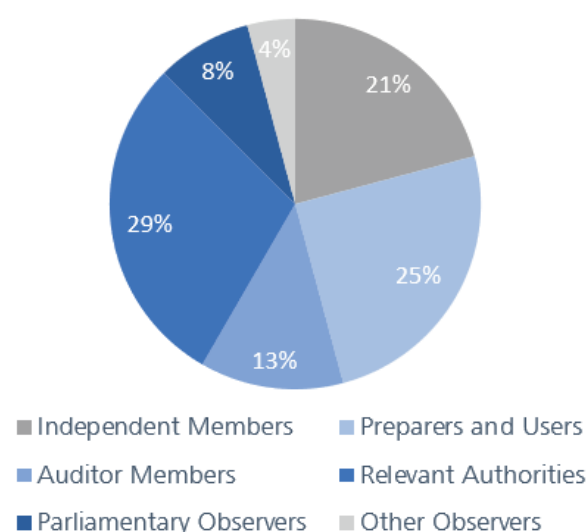
### Parliamentary Observers:

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

### Other Observers:

Consisting of the CIPFA/LASAAC<sup>1</sup> Chair.

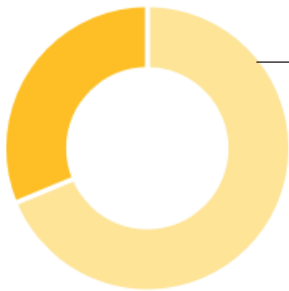
**Board members**



<sup>1</sup> 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

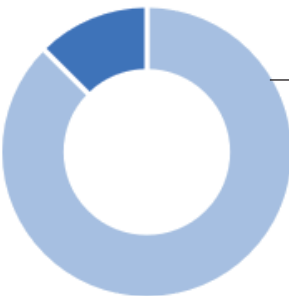
The importance of diversity aligns with FRAB’s strategy, and the need to have improved succession planning. It has been agreed that the Nominations Committee will consider succession planning and the diversity of background and expertise of the Board to ensure it can fully meet its role and responsibilities.



### Gender

**31.2% Female** (2020-21: 33.3%)

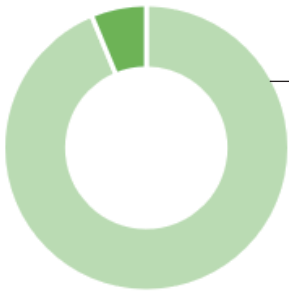
**68.8% Male** (2020-21: 66.7%)



### Ethnicity

**12.5% of the Board are from a black, Asian or ethnic minority background** (2020-21: 6.7%)

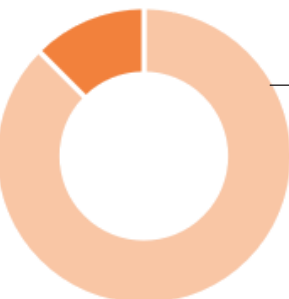
**87.5% are of white origin** (2020-21: 93.3%)



### Sexual orientation

**6.3% of the Board identify as LGBT** (2020-21: 6.7%)

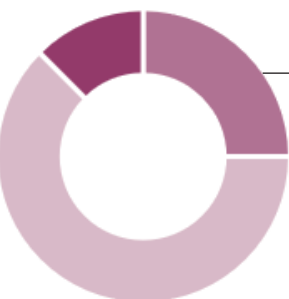
**93.7% of the Board do not identify as LGBT** (2020-21: 93.3%)



### Disability

**12.5% of the Board have a disability** (2020-21: 6.7%)

**87.5% of the Board do not have a disability** (2020-21: 93.3%)



### Age

**25% aged 35-44** (2020-21: 26.7%)

**62.5% aged 45-54** (2020-21: 60.0%)

**12.5% aged 55-64** (2020-21: 13.3%)

## Responsibilities of board members

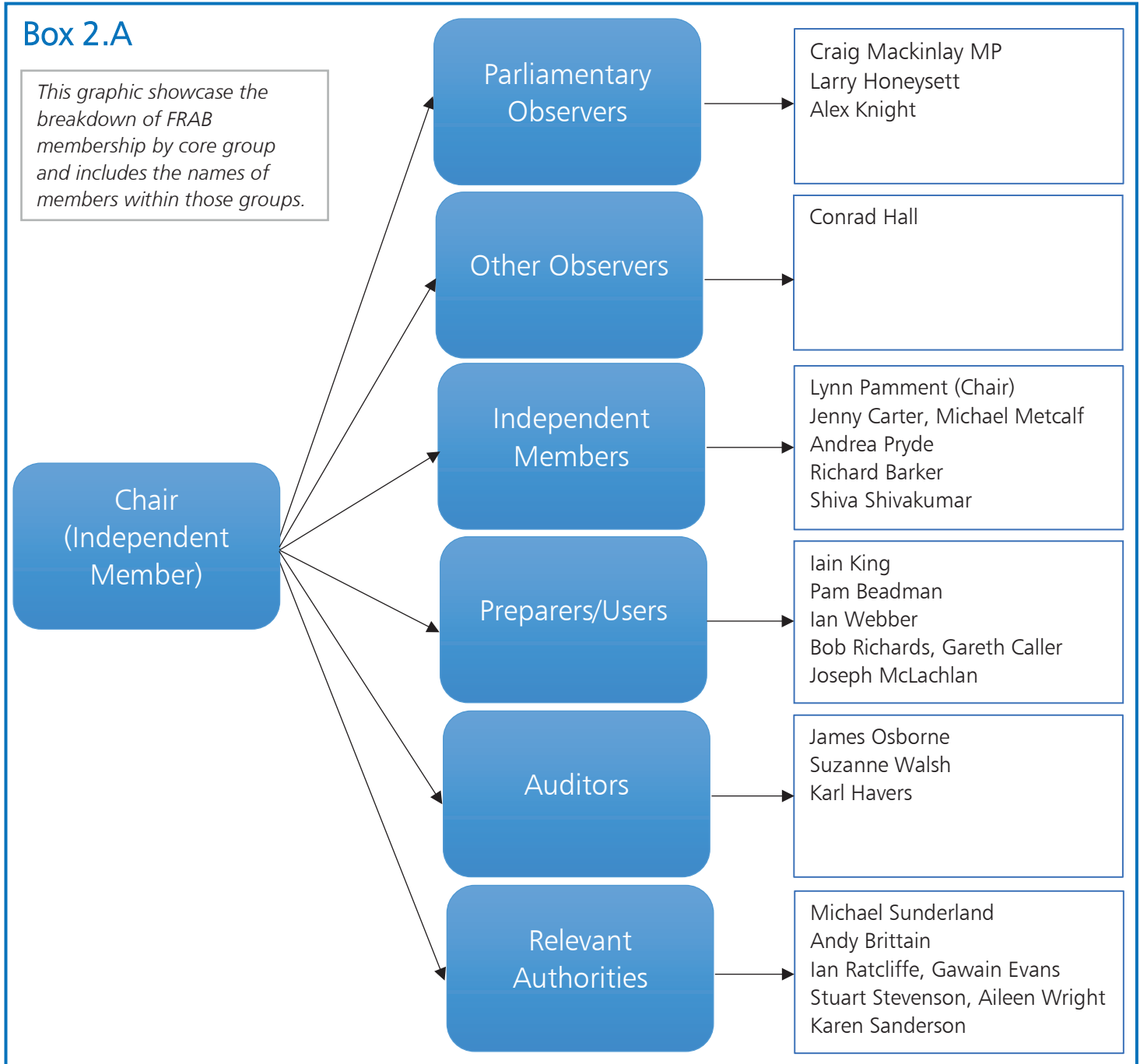
FRAB provides independent advice to HM Treasury, the Welsh Assembly Government, the Scottish Ministers and the Executive of the Northern Ireland Assembly. Its focus is on examining proposals for amending current, or implementing new, accounting policies in the accounting guidance for central government 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.

Board members are expected to:	
1	Have regular attendance at FRAB meetings (typically 3 meetings per year) and work together with other members to ensure the consistency of Board performance.
2	Contribute to discussions on out of meeting issues and provide views on additional papers.
3	Draw on their knowledge, skill set and expertise, to play a full part in the Board's deliberations on issues of financial reporting practice and principle.
4	Be objective when considering accounting issues and points of accounting principle.
5	Ensure that for issues under debate by FRAB, express opinions clearly, supported by reasoned analysis.
6	Adhere to the FRAB Membership Code of Conduct and declare any personal conflicts of interest related to issues being considered or subject to the provision of advice.

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

# Membership

The following table outlines the FRAB membership during 2021-22.



## Membership notes:

- **Larry Honeysett** left FRAB in August 2021, as he retired from the House of Commons Scrutiny Unit
- **Richard Barker's** membership expired in June 2021
- **Suzanne Walsh** joined FRAB in June 2021
- **Shiva Shivakumar** joined FRAB in November 2021
- **Alex Knight** joined FRAB in November 2021

## Board Attendance

The following table outlines the FRAB members attendance at meetings as per the minutes [published on Gov.uk.](#)<sup>2</sup>

Meeting Date	Jun-21	Nov-21	Mar-22	Overall	
1	Aileen Wright	✓	✓	✓	100.00%
2	Alex Knight		✓	✓	100.00%
3	Andrea Pryde	✓	✓	✓	100.00%
4	Andy Brittain	x	x	x	0.00%
5	Bob Richards	✓	✓	✓	100.00%
6	Conrad Hall	✓	✓	✓	100.00%
7	Craig Mackinlay MP	x	x	x	0.00%
8	Gareth Caller	✓	✓	✓	100.00%
9	Gawain Evans	✓	✓	✓	100.00%
10	Iain King	x	✓	x	33.00%
11	Ian Ratcliffe	✓	✓	✓	100.00%
12	Ian Webber	✓	✓	✓	100.00%
13	James Osborne	✓	✓	✓	100.00%
14	Jenny Carter	✓	✓	✓	100.00%
15	Joseph McLachlan	x	✓	✓	67.00%
16	Karen Sanderson	✓	x	✓	67.00%
17	Karl Havers	✓	✓	✓	100.00%
18	Larry Honeysett	✓			100.00%
19	Lynn Pamment	✓	✓	✓	100.00%
20	Michael Metcalf	✓	✓	✓	100.00%
21	Michael Sunderland	✓	✓	✓	100.00%
22	Pam Beadman	✓	x	✓	67.00%
23	Richard Barker	✓			100.00%
24	Shiva Shivakumar		✓	x	50.00%
25	Stuart Stevenson	✓	✓	✓	100.00%
26	Suzanne Walsh	✓	✓	✓	100.00%
	Overall	83.00%	83.00%	83.00%	
	Average				83.00%

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

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

# Chapter 3 – Board Activities in 2021-22

## Year highlights for 2021-22



Ensured members have up to date knowledge of financial reporting

Oversaw the publication of reporting guidance



Agreed the deferral of IFRS 16 in the local government sector



Accepted and actioned recommendations from the effectiveness review

Monitored and committed to improving timeliness of reporting



Advised HM Treasury on accounting standard adaptations



Reviewed financial reporting requirements for 2021-22 and 2022-23

Oversaw the creation of the FRAB Sustainability Sub-Committee



Continued work on IFRS 16 and IFRS 17 implementation

## Overview

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

1

### Financial reporting cycle

The Board's monitoring and commitment to improve the timeliness of reporting back to pre-covid timetables. Strategic objective: *Advising*

2

### Financial reporting guidance

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

3

### Accounting standards

Monitoring and evaluating 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 the Whole of Government Accounts (WGA), IPSASB and oversaw the creation of a new Sustainability Sub-Committee. Strategic objective: *Promoting excellence*

5

### Governance and future work

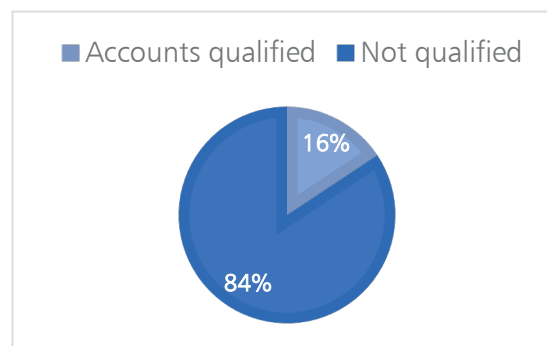
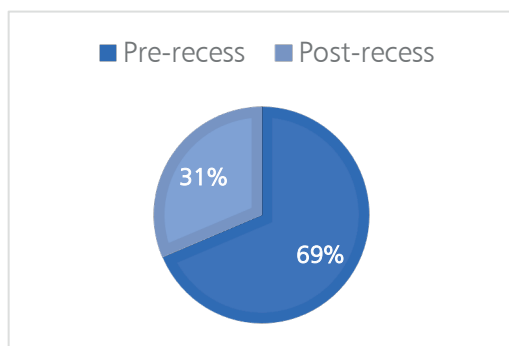
Implementing the recommendations from the FRAB effectiveness review and completing an annual questionnaire. Strategic objective: *Self-governing*

## Financial reporting cycle

The Boards monitoring and commitment to improve the timeliness of reporting back to pre-covid timetables.

The impact of the COVID-19 pandemic continued to dominate the agenda in 2021-22, where FRAB sought to remain up to date on both the reporting progress of the accounts and audit cycle. Despite the majority of public health restrictions coming to an end, some COVID-19 challenges remained a key issue for entities. The continuation of virtual audits, increased fraud and error in COVID-19 schemes and the delays from the 2020-21 reporting cycle have had a knock on effect for the 2021-22 cycle.

HM Treasury made a commitment to Parliament to improve reporting timeliness and return to full performance reporting. Out of 51 bodies (Ministerial & Non-Ministerial departments and pension schemes), 35 were able to lay pre-recess, with 16 of these being main departments. The full [list of laying dates](#) can be found on Gov.uk. Eight departmental accounts received a qualified audit opinion (two departments laid pre-recess and six laid post-recess), with qualifications for three of these departments being directly attributable to COVID-19.

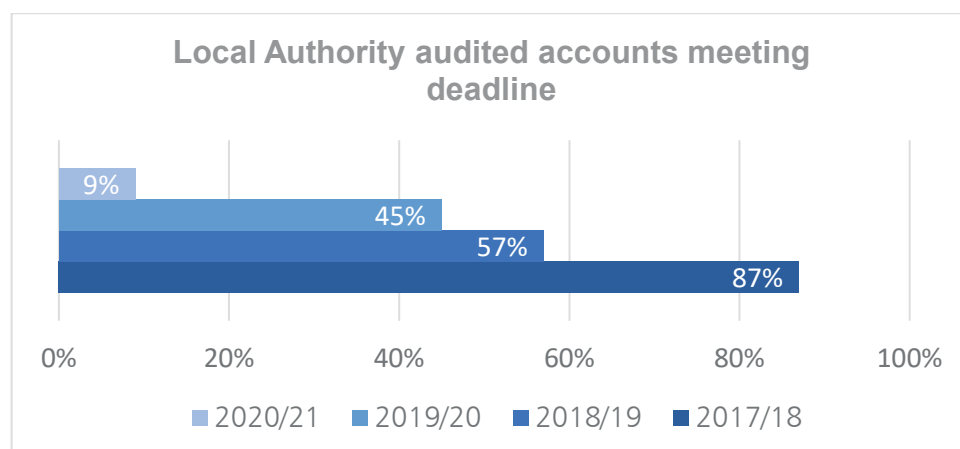


FRAB assisted HM Treasury with monitoring the reporting cycle, identifying key issues and supported the return to full performance reporting requirements for the 2021-22 cycle. The Board also strongly supported the focus on returning to timelier reporting but acknowledged that some departments have experienced greater impacts from the pandemic and 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), where the pandemic has put a significant strain on the sector, including in respect of financial reporting. The department laid the annual report and accounts on the statutory deadline of 31 January 2022, and so the Board was keen for the position to improve for 2021-22 cycle.

For central government, the challenges of the pandemic were not the only factor affecting timeliness, with for example a number 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. The Board learnt how underlying problems, as reported by Sir Tony Redmond in his [independent review](#) into the effectiveness of external audits and transparency of financial reporting in local



authorities, had been exacerbated by the pandemic. The Board heard directly how delays have deteriorated further due to several causes including, knock-on delays from previous cycles, the quality of the accounts provided to auditors and the timing and duration of audits, which are affected by the audit regulatory environment. Audit firms are also struggling with a net loss of qualified staff, with many qualified accountants choosing to leave the audit sector entirely.



The Board heard regular updates on the Department for Levelling Up Housing and Communities' (DLUHC) policy response to the challenges in the local audit and reporting. These included proposals for a system leader, the intervening leadership role provided through the establishment of a liaison committee, and the different workstreams and interventions set in train to address the issues. The Board itself considered the CIPFA/LASAAC's policy response, as prompted by DLUHC, which included considering a range of measures to reduce the reporting and associated audit burden.

FRAB 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 further solutions are identified. The Board will continue to make efficient use of the levers they have, for example, ongoing engagement with DLUHC and CIPFA, and also providing challenge on the Code and other consultations. FRAB 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 National Audit Office (NAO) published a [report](#) in March 2021 and the Public accounts Committee (PAC) published a [report](#) in July 2021 on the timeliness of local auditor reporting on local government in England. Further information on this is provided under the financial reporting guidance and accounting standards sections.

FRAB was presented with updates from the Devolved Administrations (Scottish Government, Welsh Government and Northern Ireland Government) throughout 2021-22. FRAB heard about the challenges each have faced, including issues around the accounting and audit of COVID-19 related expenditures.

FRAB heard in year updates from the NAO including reflections on the 2020-21 audit cycle and the outlook for 2021-22. For 2020-21 reporting, by summer recess 55% of audits had been certified, in comparison to 41% the previous year and the Board heard of the progress in timeliness that different groups of departments are expecting to make for 2021-22 reporting.

HM Treasury will be supporting departments to return to the timelier laying of annual reports and accounts (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.

*Strategic  
objective:  
Standard  
Setting*

## **Financial Reporting Guidance**

Updates on the Government Financial Reporting Manual (FReM), CIPFA Code of Practice and Group Accounting Manual (GAM).

### *Government Financial Reporting Manual (FReM) 2021-22 and 2022-23*

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. FRAB provides a valuable review of the guidance as part of the quality assurance process and confirms the appropriateness of the guide.

FRAB dedicated significant time to consideration of proposed amendments to the 2021-22 FReM, the 2022-23 FReM and accompanying illustrative statements. The Board reviewed the significant changes to the 2021-22 FReM, including departments reporting against priority outcomes, strategic enablers and other metrics within the performance report, and also changes made to more closely align public sector remuneration reporting with the Companies Act 2006.

For 2021-22 the Board supported a return to 30 June 2022 administrative deadline, and the restoration of full performance reporting going forward.

The Board also reviewed the introduction to a new accountability reporting requirement for 2022-23, which involves a reconciliation between contingent liabilities reported in the Supply Estimate and those reported in the annual report and accounts.

The 2021-22 and 2022-23 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. FRAB continued

its ongoing support to CIPFA/LASAAC, providing technical advice on the implementation of IFRS 16.

In February 2022, CIPFA/LASAAC issued an emergency consultation (as requested by DLUHC) to update the 2021-22 and 2022-23 Codes, due to the need to improve the timeliness of financial reporting within the local government sector. The consultation explored two approaches:

1. An adaptation to the Code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years, or
2. Deferring the implementation of IFRS 16 *Leases* for a further year and reversing the planned changes to the 2022-23 code to implement that Standard.

The Board provided comment on the draft consultation. CIPFA/LASAAC were keen to avoid unintended consequences of any changes, and as a result, decided against taking forward changes to Property, Plant and Equipment (PPE) asset valuations. The conclusions of their consideration of deferral of IFRS 16 *Leases* is addressed in the next section.

### *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 2022-23 GAM through an out-of-meeting paper and was presented with the post-consultation version at the March 2022 meeting.

FRAB approved the 2022-23 Manual.

### *2020-21 Best practice report in financial reporting*

FRAB oversaw the publication of the [2020-21 best practice report](#), which includes financial reporting disclosure examples taken from central government annual reports and accounts against different FReM requirements. The report is in its third year of publication following a commitment made to Parliament in 2019. The User Preparer Advisory Group (UPAG) provided comments on the report prior to it being shared with FRAB.

## Accounting standards

Monitoring and evaluating the financial reporting landscape and oversight of the implementation of new standards in the public sector.

### *IFRS 9 Financial Instruments*

The Board received proposals from HM Treasury on an adaptation to the accounting for financial guarantees under IFRS 9. The adaptation sought to use a lifetime expected credit loss (ECL) model for measurement at initial recognition where there is no active market or observable equivalent for financial guarantees with a transaction price below fair value. It ensures the full obligation is recognised from day 1, in a consistent fashion, and avoids any question of deferral as required under IFRS 9. The adaptation was agreed upon by the Board and included in the [2021-22 FReM](#).

### *IFRS 16 Leases*

In 2021-22 the FRAB worked collaboratively with relevant authorities on the implementation of IFRS 16. After previous deferrals of the Standard, the Board agreed mandatory adoption of IFRS 16 in central government from 1<sup>st</sup> April 2022.

As a result of the emergency consultation issued by CIPFA, the Board considered the request to implement a mandatory deferral of the implementation of IFRS 16 in local government for a fixed period of two years. FRAB considered the request from CIPFA/LASAAC carefully, considering many factors, including:

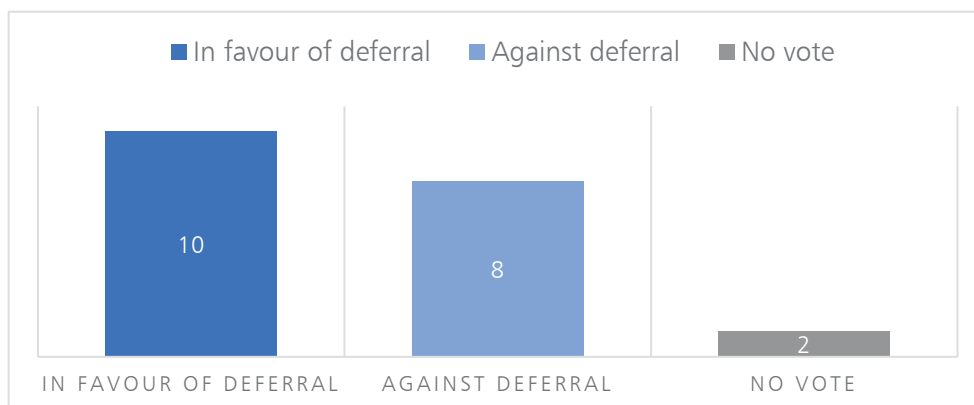
- The acceptance that IFRS16 represented better financial reporting and was the best possible standard of financial reporting in respect of leases;
- the current status of the completion and audit of financial statements in local government in England. FRAB noted that only 9% of the audits of 2020/21 local government accounts had been completed by September 2021 and that only 47% of the audits of 2020/21 accounts had been completed by the end of February 2022;
- the probable impact of deferral on the Whole of Government Accounts; and
- the fact that a number of local authorities, particularly in the devolved nations were ready for the planned implementation of IFRS16.

FRAB noted its role in ensuring that government financial reporting meets the best possible standards of financial reporting. FRAB also considered that there was a balance of public interest that needed to be weighed up between implementation of IFRS16 and the potential for timelier publicly available audited financial statements for local government in England without implementation of IFRS16.

By a small majority FRAB made the following decision:

- to allow deferral of IFRS 16 in local government for a period of two years; and

- to strongly encourage local authorities to early adopt IFRS 16 on a voluntary basis in advance of the new implementation date.



Lynn Pamment, the FRAB Chair, was disappointed by the deferral of the standard, however, acknowledged that the deferral might aid in recovering the position of delays and prompt higher quality financial reporting in local government. The Chair emphasised that her final vote to defer the standard was only if the ability for early adoption was allowed. The Board will continue to monitor this at future meetings.

### *IFRS 17 Insurance Contracts*

During 2021-22, FRAB received multiple updates from HM Treasury on the work ongoing to implement the IFRS 17, including feedback on discussions by the IFRS 17 Technical Working Group on a wide range of issues with a key focus on the scope of the Standard, timing of adoption and the risk adjustment for non-financial risk.

HM Treasury sought agreement from the Board on several aspects of the standard:

1. HM Treasury have been discussing the scope of the Standard with FRAB in depth since the March 2021 meeting. The Board agreed the approach for HM Treasury to provide guidance on scope, setting out what is and what is not a contract for the purposes of applying IFRS 17. The guidance states that legislation and regulations, in isolation, are not equivalent to a contract as they are not agreements between two or more parties.
2. HM Treasury proposed an adaptation to remove the IFRS 17 para 119 disclosure requirement of disclosing the confidence level at which the risk adjustment has been measured. The main reason for this adaptation was due to the burden it will place on entities to derive the corresponding confidence level for the technique used which exceeds the diminished benefits of the disclosure in central government. The Board agreed with the removal of the requirement.
3. HM Treasury proposed to issue a central discount rate based on Treasury Gilt yields and, to support consistency across IFRS 9 and IFRS 17 liabilities, for this to be the same as the financial instrument rate. The Board agreed with the proposal primarily on grounds of simplicity for preparers and consistency of application.
4. HM Treasury proposed a revised planned mandatory adoption date for the Standard to 2025-26 (a 2-year deferral), with early adoption permitted on a case-by-case basis

by HM Treasury. The Board agreed that this would be most appropriate, due to recovering the timeliness of central government accounts, the complexity of the Standard and the finalisation of application guidance by HM Treasury.

The deferral of the Standard triggered the Board to consider what is 'business as usual' when adopting new IFRSs in the public sector, and whether the approach to implementing standards within the public sector should be private sector implementation plus an additional period to allow time for public sector adaptations and interpretations to be considered.

The Board received a work plan on governance and stakeholder meetings, key areas of IFRS 17 guidance, publication of guidance and post-publication (training etc). Updates on IFRS 17 discussions can be found within the minutes and papers [on GOV.UK](#).

### *IPSAS 42 Social Benefits*

During the year, FRAB considered the potential implications of IPSAS 42 to public sector reporting in the UK in respect of social benefits. The Board supported the view of HM Treasury that the issuance of IPSAS 42 did not merit any change to the accounting treatment of social benefits in the UK public sector. FRAB requested HM Treasury to articulate more clearly the existing treatment in new guidance or include additional wording in the FReM.

### *Discount rates*

The application of discount rates for general provisions has been an ongoing area of attention by the Board throughout 2021-22. Proposals were considered by the Board on the aspects of HM Treasury's project on discount rates for general provisions including updating long term and very long-term discount rates on an annual basis from 2021-22. The Board were also invited to comment on the financial instrument discount rates planned to be updated by HM Treasury. Discount rates will continue to be an agenda item for 2022-23.

### *Thematic review*

HM Treasury has committed to undertake a thematic review of non-investment asset valuations for financial reporting, concerning assets in scope of IAS 16 (PPE) and IAS 38 (intangibles). The Board will be regularly updated on the progress of the review at upcoming FRAB meetings.

*Strategic  
objective:  
Promoting  
excellence*

## **Public sector financial and non-financial reporting**

Received updates from the Whole of Government Accounts (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 FRAB's role with respect to the Whole of Government Accounts, FRAB receives regular updates on the progress of the preparation of accounts and issues arising from its production and audit.

FRAB received updates on the progress in the production of the 2019-20 WGA and recovery plans for future reporting cycles. The timeliness of the 2019-20 account has been very significantly affected by the timeliness of underlying entity accounts, as discussed in the Financial Reporting Cycle section of this report. There is an ongoing risk to future WGA publications, as performance in delivery local government accounts is continuing to deteriorate, resulting in potential lack of timeliness and further qualifications. Furthermore, these delays have been further accentuated by year one implementation issues with a new information system used for the first time in WGA production, called OSCAR 2.

HM Treasury informed FRAB that the 2020-21 publication is targeted for March 2023 and the 2021-22 publication targeted for November 2023. The Board strongly supports the recovery of the WGA timetable, to provide a timelier account.

The 2019-20 WGA was published on 6 June 2022.

### *IPSASB update*

FRAB continues to take a keen interest in the developments occurring in the wider financial reporting landscape. In this way, the Board was pleased to receive a presentation from a member of the International Public Sector Accounting Standards Board (IPSASB) as a standard-setter in the public sector, on their work plan and current areas of focus. It was an insightful exercise where the Board was informed on recent projects and the expected series of publications, exposure drafts and other developments such as issues covering heritage assets, infrastructure assets, and natural resources.

At the June 2022 meeting, the Board will hear from various standard setters, including the IPSASB, IASB, ISSB and FRC, to form a discussion on the direction of travel for the work plan.

### *FRAB Sustainability Sub-Committee (FRAB-SSC)*

The Board oversaw the creation of a new Sustainability Sub Committee , which consists of 6 existing FRAB members plus the HM Treasury secretariat.



The objective of the committee is to consider how public sector annual reports and accounts 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 the reporting regimes. The Committee will consider the adequacy of the public sector’s interpretation of the IFRS framework concerning climate change and to identify specific public sector climate-related issues that have not already been covered by the IFRS Foundation’s existing guidance.

As a sub-committee of FRAB, any key decision or advice will be reviewed and approved by the Board. Throughout 2021-22, the FRAB have made decisions on the remit, status and form, work plan, representatives and terms of reference of the Committee. The Committee will meet at least 3 times a year, organised with consideration for their reporting responsibilities to FRAB and FRAB’s timetable.

The Committee will be developing application guidance to address the financial reporting implication of climate change in public sector accounts. The Board agreed that application guidance, which directs and informs preparers, would be useful in ensuring a level of consistency and transparency across the public sector while aiding preparers in judgemental or complex areas of reporting.

Updates on the Committee’s discussions can be found within the minutes and papers [on GOV.UK](#).

FRAB continues to promote excellence through all of 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 which will pay a key part in the FRAB’s strategic direction.



## Governance and future work

Undergoing the recommendations from the FRAB effectiveness review and completing an annual questionnaire

### 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. FRAB 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. Since the effectiveness review, the FRAB also work against a strategy, risk register and action plan.

### FRAB Effectiveness review

Following the [Board’s effectiveness review](#) in October 2020, a recommendation was for a questionnaire to be developed for the review and to be used as a framework for group discussion on the operation of the Board and its performance on an annual basis. HM Treasury shared the results at the March 2022 meeting. In total, feedback was received via completed questionnaires from 7 FRAB members.

The feedback from members was generally positive with recognition of improvements in board effectiveness since the last review. Some of the recommendations that the Board have taken on since October 2020 are:

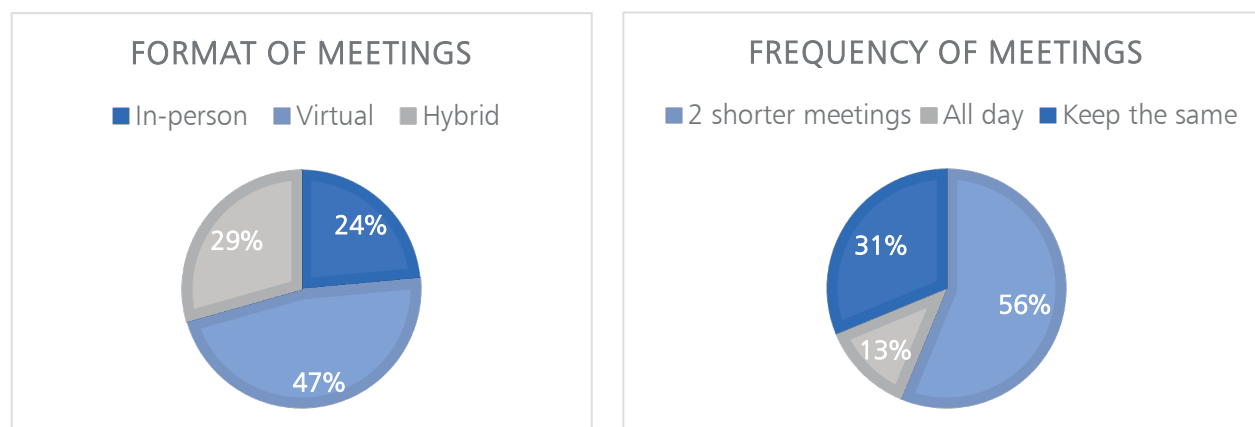
- An enhanced forward look is incorporated in the action plan plus a summary forward look covering the successive three meetings is brought to each meeting for consideration,
- The secretariat has increased the level of detail within the minutes and matters arising,
- Support for new members has improved – an induction pack has been introduced, a series of member training events has been provided from relevant authorities and members introduction discussion with the Chair.

Feedback brought to light some areas that require improvement, which the Board are keen to address:

- Members feel there is a lack of diversity and succession planning – the Nominations Committee will take forward as part of succession planning, as agreed by the Board.
- Members view that the current meetings can be too long, with little opportunity for informal discussions and getting to know other members – arrangements for future meetings formed a key part of the discussion at the March meeting, with a further action for HM Treasury to issue a survey on this matter.

On the back of the effectiveness review feedback at the March 2022 meeting regarding the length and timings of meetings, a short survey was issued to gather members’ views

on the frequency, length and format of future meetings. In total, feedback was received from 17 FRAB members. This allowed HM Treasury and the FRAB Chair to determine preferences, and plan for future meetings.



Further detail on the effectiveness review can be found within the minutes and papers [on GOV.UK](#).

### *FRAB Training*

Given the different bodies that members represent across the public and private sector, the Board are keen for there to be opportunities for ongoing development in areas that are less familiar to members. HM Treasury organised training sessions for members in 2021-22 to support the Board in being more effective and supplement the existing sector updates that happen at meetings.

In September 2021, HM Treasury presented training to FRAB members on the public sector spending and financial reporting framework. Key areas of work were delivered to members on:

- The constitutional foundation of spending
- The supply process
- Fiscal framework and fiscal rules
- Classifications and Budgeting framework
- Accountability
- Financial reporting to Parliament
- Overspending – Excess Votes
- Whole of government accounts (WGA)

In November 2021, CIPFA/LASAAC presented training to FRAB members on local government finance and financial reporting. Key areas of work were delivered to members on:

- The Local government statutory framework
- Budgeting and financing
- Capital finance
- Local authority financial reporting

Training on the Devolved Administrations was undertaken in April 2022, where each jurisdiction provided training on areas such as, the constitutional foundations of spending and the supply process, accountability and financial reporting.

### *Working groups*

In 2021-22, FRAB continued to receive updates and sight of the minutes of discussions and proposals from both the User Preparer Advisory Group (UPAG) and the Relevant Authority Working Group (RAWG).

### *Future Meetings*

The FRAB aims to meet at least 3 times a year. Below are the planned meeting dates for 2022-23:

- 23<sup>rd</sup>-24<sup>th</sup> November 2022
- March 2023 date 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

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FRAB Page	<a href="https://www.gov.uk/government/groups/financial-reporting-advisory-Board-frab">https://www.gov.uk/government/groups/financial-reporting-advisory-Board-frab</a>
FRAB Terms of Reference	<a href="https://www.gov.uk/government/publications/financial-reportingadvisory-Board-terms-of-reference">https://www.gov.uk/government/publications/financial-reportingadvisory-Board-terms-of-reference</a>
FRAB minutes and papers	<a href="https://www.gov.uk/government/collections/hmt-financial-reportingadvisory-Board-minutes">https://www.gov.uk/government/collections/hmt-financial-reportingadvisory-Board-minutes</a>
FRAB news and publications	<a href="https://www.gov.uk/government/collections/financial-reporting-advisory-Board-frab-annual-report">https://www.gov.uk/government/collections/financial-reporting-advisory-Board-frab-annual-report</a>
FRAB effectiveness review	<a href="https://www.gov.uk/government/collections/hmt-financial-reporting-advisory-board-effectiveness-reviews">https://www.gov.uk/government/collections/hmt-financial-reporting-advisory-board-effectiveness-reviews</a>
Government Financial Reporting Manual	<a href="https://www.gov.uk/government/collections/governmentfinancial-reporting-manual-frem">https://www.gov.uk/government/collections/governmentfinancial-reporting-manual-frem</a>
Government Financial Reporting Review	<a href="https://www.gov.uk/government/publications/the-government-financial-reporting-review">https://www.gov.uk/government/publications/the-government-financial-reporting-review</a>
Best practice examples report 2020-21	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1066956/Best_Practice_Report_2020-2021.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1066956/Best_Practice_Report_2020-2021.pdf</a>
HMT Thematic Reviews	<a href="https://www.gov.uk/government/collections/thematic-reviewsgovernment-financial-reporting">https://www.gov.uk/government/collections/thematic-reviewsgovernment-financial-reporting</a>
User Preparer and Advisory Group	<a href="https://www.gov.uk/government/collections/user-and-preparer-advisory-group">https://www.gov.uk/government/collections/user-and-preparer-advisory-group</a>
DHSC GAM 2021-22	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1070565/group-accounting-manual-2021-to-2022.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1070565/group-accounting-manual-2021-to-2022.pdf</a>
CIPFA Code	<a href="https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice">https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice</a>
NAO	<a href="https://www.nao.org.uk/">https://www.nao.org.uk/</a>
NAO report on timeliness of local auditor reporting	<a href="https://www.nao.org.uk/wp-content/uploads/2021/03/Timeliness-of-local-auditor-reporting-on-local-government-in-England-2020-.pdf">https://www.nao.org.uk/wp-content/uploads/2021/03/Timeliness-of-local-auditor-reporting-on-local-government-in-England-2020-.pdf</a>
PAC report on timeliness of local auditor reporting	<a href="https://committees.parliament.uk/publications/6672/documents/71757/default/">https://committees.parliament.uk/publications/6672/documents/71757/default/</a>
WGA	<a href="https://www.gov.uk/government/collections/whole-of-government-accounts">https://www.gov.uk/government/collections/whole-of-government-accounts</a>





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