

Memorandum of Understanding

between

The Secretary of State for Business, Energy
and Industrial Strategy,

The Financial Reporting Council Limited

and

The UK Accounting Standards
Endorsement Board

22 May 2021

1 Introduction

- 1.1 The parties are the Secretary of State for Business, Energy and Industrial Strategy (**Secretary of State**), the Financial Reporting Council Limited (**FRC**) and the UK Accounting Standards Endorsement Board (**UK Endorsement Board**) (individually a **Party** / together, the **Parties**).
- 1.2 The purpose of this Memorandum of Understanding (**MoU**) is to set out the framework and working relationships for delivery of the functions set out in paragraph 1.3 in, and on behalf of, the United Kingdom (**UK**).
- 1.3 The functions of the UK Endorsement Board (acting in accordance with delegating legislation) are:
 - (a) The endorsement and adoption (or, in exceptional circumstances, the adoption in part) of International Financial Reporting Standards (**IFRS**) for use in the UK.
 - (b) The UK's participation in and contribution to the development of a single set of international accounting standards.
 - (c) The compliance with such other functions, duties and responsibilities delegated to or conferred upon it by law, including The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 (SI 2021/609, ('the Delegation Regulations').
- 1.4 The duties and responsibilities of the FRC are:
 - (a) Oversight of the UK Endorsement Board's operational resources, governance and compliance with the due process handbook.
 - (b) Provision of operational facilities and resources to support the UK Endorsement Board's activities by means of a subsidiary of the FRC.
 - (c) Provision of support for recruitment for the UK Endorsement Board and Secretariat.
- 1.5 The duties and responsibilities of the Secretary of State are:
 - (a) Oversight of the UK Endorsement Board's discharge of its statutory Functions.
 - (b) Lay an annual report before Parliament of the UK Endorsement Board's discharge of its statutory duties.
- 1.6 On the delegation of functions by the Secretary of State, the UK Endorsement Board will be responsible for considering and deciding whether to endorse and adopt new and amended IFRS for application in the UK. Whilst the FRC will provide operational infrastructure and other support to the UK Endorsement Board (by means of a subsidiary of the FRC), the UK Endorsement Board's technical decision-making shall be independent.
- 1.7 This MoU is entered into on the date stated at the end of this document and shall continue unless and until terminated by way of written notice from any Party to the other Parties. Each Party shall make a copy of the MoU available on its website and the Parties shall jointly review and as necessary update the MoU at least once every five

years, or at any time at the request of one of the other Parties, consulting such stakeholders as the parties consider appropriate.

2 Relationship

2.1 In agreeing this MoU:

- (a) The Secretary of State and the FRC aim to support the independence of the UK Endorsement Board in technical decision making.
- (b) The UK Endorsement Board recognises the primary responsibility and legitimate interest of the Secretary of State in the effective performance of the functions delegated to it.
- (c) The UK Endorsement Board, the Secretary of State, and the FRC agree to work in good faith.

2.2 The UK Endorsement Board may develop and maintain its own relationships with other organisations for the purposes of carrying out its role and responsibilities. The UK Endorsement Board shall keep the Secretary of State informed of key developments that may affect the policy interests of the Department for Business, Energy and Industrial Strategy in the area of company reporting.

3 Role and responsibilities of the Secretary of State

3.1 Chapter 3 of The International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685, 'the 2019 Regulations') confers on the Secretary of State functions relating to the adoption of IFRS for application in the UK. The Secretary of State has exercised the power conferred by Chapter 4 of those Regulations to delegate to the UK Endorsement Board the functions specified in SI 2021/609, ('the Delegation Regulations') ('the Functions').

3.2 The Secretary of State is responsible for:

- (a) Keeping under regular review the performance of the UK Endorsement Board in exercising the Functions.
- (b) Appointing, following a fair and open recruitment process, the Chair of the UK Endorsement Board.
- (c) Approving the appointments of other UK Endorsement Board Members by the UK Endorsement Board Chair.
- (d) Reporting to Parliament and laying before Parliament copies of each report received from the UK Endorsement Board on the carrying out of its responsibilities.
- (e) Making such provision as may be reasonably necessary, or expedient, to enable the UK Endorsement Board to perform the functions delegated to it (including the transfer to, or substitution of, the UK Endorsement Board in any intellectual property licensing arrangements entered into by the Secretary of State).
- (f) Approving the UK Endorsement Board's Terms of Reference and any amendments to them.

- (g) Reviewing, annually, the UK Endorsement Board's budget, against agreed regulatory strategy.
- (h) Holding meetings, when necessary, with the Chair of the UK Endorsement Board.

4 Role and responsibilities of FRC

4.1 The FRC's role (acting through the FRC Board) is to oversee the effective governance of the UK Endorsement Board and to provide operational support.

4.2 In performing its oversight role, the FRC's responsibilities are as follows:

- (a) To ensure that the UK Endorsement Board has, and maintains, an open and transparent due process, including public consultation, in connection with its performance of the functions set out in paragraph 1.3.
- (b) To ensure that the independence of the UK Endorsement Board's technical decision-making is maintained.
- (c) To engage with the UK Endorsement Board, especially in relation to developments in financial reporting and other matters that may impact financial reporting.
- (d) To provide operational resources to support the UK Endorsement Board's activities, including recruitment of UK Endorsement Board Members and the secretariat, whilst maintaining the independence of the UK Endorsement Board in technical decision making.
- (e) To review annually and provide constructive challenge and recommendations, as appropriate, to the UK Endorsement Board in connection with the UK Endorsement Board's Due Process Handbook, compliance with its operating and governance procedures, independence, strategy and effectiveness.
- (f) To notify the Secretary of State, where considered appropriate, when the FRC Board has made an oversight recommendation in accordance with paragraph 4.2(e) and considers that the UK Endorsement Board's response or otherwise reasonably merits such notification.
- (g) To establish and maintain appropriate funding arrangements for the UK Endorsement Board.

4.3 The roles and responsibilities of the FRC are restricted to oversight of the operation, governance and Due Process Handbook of the UK Endorsement Board, and as Accounting Officer, and it does not have the power to direct the UK Endorsement Board in relation to the determination of its programme of work or the outcome of its technical decision-making.

5 Roles and responsibilities of the UK Endorsement Board

5.1 The Terms of Reference of the UK Endorsement Board dated 26 March 2021 set out its working procedures and include details of:

- (a) The membership of the UK Endorsement Board.
- (b) The roles and responsibilities of the Chair, Members and Observers.

- (c) The working procedures for its meetings, including transparency of meetings and public access to meeting documents.
- 5.2 The Terms of Reference shall be reviewed at least once every five years. Proposed changes to the Terms of Reference will be reviewed and approved by the Secretary of State.

6 Issues referred by the Secretary of State and the FRC Board to the UK Endorsement Board

- 6.1 The Secretary of State, or the FRC Board may refer relevant issues to the UK Endorsement Board where they believe that the issue has not been addressed and is within the UK Endorsement Board's remit, including any by the FRC Board pursuant to paragraph 4.2(e). The UK Endorsement Board is responsible for addressing the issue in a timely manner and responding with its decision, together with a rationale.
- 6.2 The mechanism by which the Secretary of State or the FRC Board may refer issues to the UK Endorsement Board is:
- (a) by setting out: the issue, why the referring body considers the matter falls within the UK Endorsement Board's remit, why the issue merits consideration and in what context, and any proposals or recommendations.
 - (b) The UK Endorsement Board will give due consideration to the issue referred under this MoU.
- 6.3 Where the issue should not be, in the UK Endorsement Board's view, addressed in the manner recommended by the Secretary of State or the FRC Board, it will provide reasons for its decision to the referring body.
- 6.4 The UK Endorsement Board's decision relating to issues referred to it by the Secretary of State and the FRC Board is final.
- 6.5 Save for communicating their referral of an issue and recommendations in accordance with paragraph 6.1 above, the Secretary of State or the FRC Board shall not seek to influence any technical decision made, and acknowledge that such decisions shall be made independently and at the sole discretion of the UK Endorsement Board upon its due and proper consideration of the issues before it.

7 Confidential information, Data Protection and Freedom of Information

- 7.1 The UK Endorsement Board will treat information given to it by the Secretary of State on the development of policy as confidential. It will, however, be subject to publication or disclosure in accordance with applicable access to information frameworks primarily the Freedom of Information Act 2000 (FOIA).
- 7.2 Where a Party shares information on a confidential basis with another under this MoU, the receiving Party undertakes to treat such information received as confidential and not to disclose it to any other person without the prior agreement of the disclosing Party. In making any disclosures, each Party shall comply with any relevant statutory provisions and protective marking policies or protocols applicable to their organisation.
- 7.3 Each Party will comply with applicable data protection legislation.

- 7.4 If a Party receives a Freedom of Information Act request relating to another Party's information, the receiving Party will inform the other Party and invite representations before reaching a decision on disclosure of that information.

8 The UK Endorsement Board

- 8.1 The UK Endorsement Board is an unincorporated association. It is supported for service and operations by a subsidiary company of the FRC, being a company limited by guarantee, with the name UK Accounting Standards Endorsement Board Ltd, registered in England & Wales (CRN: 11870890). The object of the company will be to facilitate the operation of the UK Endorsement Board.

9 Reporting responsibilities

- 9.1 The UK Endorsement Board must, at least annually, report to the Secretary of State on the fulfilment of its statutory responsibilities and any other matters required by the Secretary of State. The subsidiary company shall publish audited annual accounts for each financial year.
- 9.2 Additionally, the UK Endorsement Board will report annually to the FRC Board setting out how it has complied with the procedures set out in the Due Process Handbook.
- 9.3 Where requested by the Secretary of State, the UK Endorsement Board shall meet with representatives of the Secretary of State to discuss the UK Endorsement Board's activities and the progress towards the achievement of its objectives.

10 Communications

- 10.1 Each Party undertakes to ensure that the other Parties have early warning – at least 24 hours' notice, unless that is not legally permissible or practically attainable – of any issue that falls within the interests and responsibilities of the UK Endorsement Board that is likely to cause substantive comment in the media. When necessary, each Party will produce, assist with and share briefing material (including lines to take, key messages and press notices). It will be the responsibility of all Parties to ensure that any briefing material is accurate and helpful. When responding to comment in the media relating to the UK Endorsement Board's activities, Parties will not release briefing material without ensuring that their counterparts have had an opportunity to provide input and advice.

11 Status, review and public availability of this MoU

- 11.1 This MoU is not legally binding and is not intended to have legal effect.
- 11.2 This MoU shall be regularly reviewed and may be amended, as necessary, at least once every five years or at the request of a Party. After consultation with such stakeholders as the Parties consider appropriate, any amendment must be agreed by all Parties.
- 11.3 The Parties shall make a copy of this MoU available on each of their respective websites.