

# Regulatory Strategy 2023/24 (draft)



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# I. Introduction

The financial year 2022/23 was the UKEB's first full year of operation, following delegation of our statutory functions in May 2021, and it proved to be a very busy one. We continued to address the twin challenges of fulfilling our statutory functions at the same time as we were implementing and embedding a robust governance and due process framework and enhanced stakeholder engagement strategy. As the summary below shows, we were able to balance these competing demands on our limited resources effectively.

Highlights of the UKEB's achievements in this past year include the following:

- Finalising the adoption of IFRS 17 *Insurance Contracts*. UK registered companies will be able to use the standard for financial years beginning on or after 1 January 2023, the effective date set by the International Accounting Standards Board (IASB).
- Adopting six narrow scope amendments to IFRS and three minor annual improvement items issued by the IASB.
- Monitoring the IASB's redeliberation of live standard setting projects and influencing their debate, particularly through active participation in discussions at the IASB's Accounting Standards Advisory Forum (ASAF).
- Publishing two research papers on Goodwill and Impairment, and Intangibles. We presented our research on Goodwill and Impairment at a number of international meetings of standard setters, including a presentation to the IASB and other national standard setters at the September ASAF meeting.
- Developing, consulting on and finalising the UKEB's due process handbook. It sets out the due process we expect to follow when undertaking our work and will help to ensure that we meet our statutory responsibilities and adhere to our guiding principles of accountability, independence, transparency and thought leadership.
- Implementing and embedding a robust governance and risk management framework.
- Developing our stakeholder engagement and communications strategy and enhanced digital output.

The Memorandum of Understanding between the UKEB, the Secretary of State for Business, Energy and Industrial Strategy (BEIS) and the FRC requires us to consider any additional areas of work when requested to do so by the Secretary of State. During the year, the Secretary of State asked us to respond to the ISSB on its exposure drafts (S1 and S2) and to provide views from our perspective as the body responsible for endorsing and adopting international accounting standards in the UK. This means we have a particular focus on how the sustainability standards interact with accounting standards

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issued by the IASB. As a result, we commenced a project to influence the development of those exposure drafts by the ISSB. Our comment letter, which reflected the views of a number of UK stakeholders, was submitted to the ISSB during July 2022.

In line with our agreed strategy, the Board set up four advisory groups during the year (Accounting Firms and Institutes, Preparer, Investor, and Academic) as well as an ad-hoc advisory group on Rate-Regulated Activities to support the upcoming adoption project. In addition, a Financial Instruments Working Group has been formed to provide support to the UKEB Secretariat in its work on the IASB's upcoming projects on financial instruments. I am delighted with this initiative and look forward to working with these groups in the future. They will not only help us to fulfil our statutory requirement to consult with stakeholders with an interest in financial reporting but also provide an insight into developments within the accounting community.

2022/23 has been a very successful year for the UKEB and I am grateful for the enthusiasm and energy the Board and Secretariat have shown. Considering the variety of projects on our expected workplan, as set out in this Regulatory Strategy for the forthcoming year, 2023/24 promises to be another busy and productive year and we are looking forward to the challenge.<sup>1</sup>

**Pauline Wallace**

**Chair**

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<sup>1</sup> For operational reasons the UKEB's 2023/24 budget is included in the [FRC Draft 3-Year Plan 2022-25](#) which is being published for consultation at the same time as the UKEB Regulatory Strategy. Our budget is designed to ensure that we have adequate resource to enable us to fulfil our statutory objectives and deliver on our regulatory strategy.

## 2. Our Purpose

The UKEB was established with a specific mission and vision, to be achieved via a core set of values as outlined below.

### 2.1 Mission

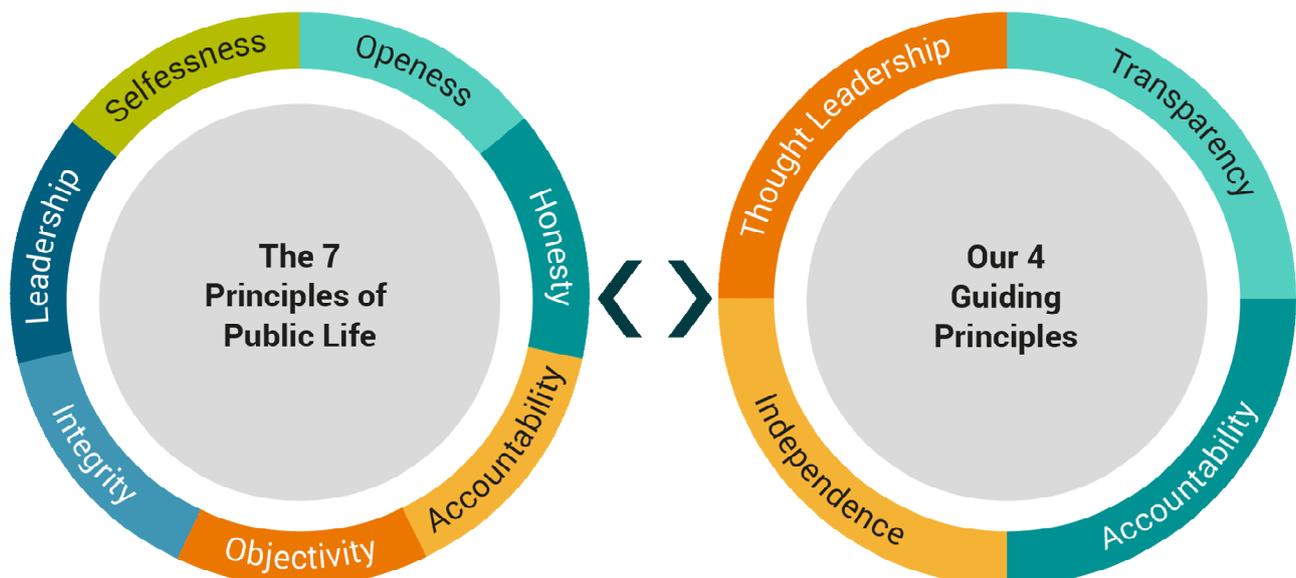
To serve the UK public good by leading the development and synthesis of UK views on financial reporting and representing them in the international arena, ensuring that the UK's voice is influential in the development of high-quality international accounting standards that are suitable for adoption in the UK.

### 2.2 Vision

To maintain the high quality of UK financial reporting that underpins confidence in the UK's capital markets and reinforces its reputation for transparency.

### 2.3 Values

The UKEB operates in the public interest, following the seven principles of public life and our four guiding principles.



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## 3. Strategic Objectives

The UKEB's strategic objectives emanate from its statutory functions, as delegated to it by the Secretary of State for the Department for Business, Energy and Industrial Strategy (BEIS) in May 2021.

### 3.1 Statutory functions

The statutory functions of the UKEB are to:

- a) participate in, and contribute to, the development of a single set of international financial reporting standards; and
- b) adopt international accounting standards when they meet the criteria in Statutory Instrument 2019/685 'The International Accounting Standard and European Public Limited-Liability Company (Amendments etc.)(EU Exit) Regulations 2019'.

The objectives for adoption of IFRS for use in the UK are to ensure:

- a) a high degree of transparency and international comparability of financial statements; and
- b) the efficient allocation of capital, including the smooth functioning of capital markets in the UK.

### 3.2 Strategic objectives 2023/24

The strategic objectives will enable the UKEB to deliver against its statutory functions, in accordance with its stated mission, vision and values. The UKEB's three-year strategy for the period 2022-25 was published in March 2022 following consultation. In this second year of the three-year strategy, the UKEB's strategic objectives remain unchanged and it will continue to build on the previous year's work on achieving those objectives. The current year's objectives are outlined below.

#### 3.2.1 Influencing

The UKEB will take a principles-based, proactive and pragmatic approach to influencing the IASB and other global players, to help ensure the development of high-quality financial reporting standards that promote transparency and comparability of financial information, and the smooth functioning of capital markets. In particular, it will:

- a) aim to influence the IASB at the beginning of its standards development cycle, providing evidence-based recommendations and thought leadership on emerging issues from a UK perspective.

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- b) conduct stakeholder engagement with key stakeholder groups on a flexible and proportionate basis, aimed at ensuring the quality and persuasiveness of information shared.
  - c) raise the UKEB's domestic and international profile by:
    - i. working with the advisory groups to ensure regular and timely input and interaction with UK stakeholders;
    - ii. further developing our relationship with the IASB through active participation in the IASB's Accounting Standards Advisory Forum;
    - iii. participating in other international financial reporting groups and collaborate with those who share our goal of high-quality financial reporting; and
    - iv. ensuring effective utilisation of an enhanced communications strategy and website to help deliver to the UKEB's accountability and transparency principles.
  - d) showcase UK thought leadership and research by:
    - i. ensuring research is a key component of the UKEB's evidence-based and persuasive influencing and thought leadership activities to identify the key issues to be addressed during the development of a standard on a particular topic, allowing for more focused deliberations;
    - ii. developing an active research programme aimed at addressing new and emerging issues in international accounting, with a particular focus on topics included in (or likely to be included in) the IASB's long-term agenda; and
    - iii. amplifying the research outcomes by sharing them with the IASB and other international partners.

### 3.2.2 Adoption of standards for use in the UK

The UKEB will aim to assess all new and amended international standards for adoption in the UK on a timely basis. In particular, it will:

- a) assess new standards and amendments against the statutory adoption criteria;
- b) conduct proportionate stakeholder engagement to ensure that the practical implications of implementation of those standards and amendments for UK companies, their investors and other stakeholders have been appropriately established and assessed;
- c) liaise with IASB staff and board members to ensure a full understanding of the technical issues and bases for conclusions; and

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- d) monitor the endorsement work of other national standard setters to ensure that all issues relevant to the assessment of the impact of the standard on the long-term UK public good have been identified.

### 3.2.3 Operations framework

Maintaining a robust operations framework is key to ensuring the requisite level of support to facilitate achievement of the influencing and adoption objectives detailed in sections 3.2.1 and 3.2.2 above. The core objectives are to:

- a) provide the UKEB with the support it requires to fulfil its statutory functions, aligned with the culture and values of the organisation;
- b) collaborate effectively with the FRC in its role as the UKEB's outsourced services provider;
- c) continue to embed UKEB's enhanced stakeholder engagement capability, including a comprehensive communications strategy and plan, and enhanced digital output;
- d) maintain tight budgetary control, aligned to the principles of Managing Public Money.

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## 4. Measuring Success

The UKEB will monitor progress in implementing its strategic objectives in a variety of ways. Progress in influencing the development of international accounting standards is not susceptible to measurement via key performance indicators and will instead be assessed through our regular monitoring of IASB projects and our interaction with other standard setters.

Other objectives will be monitored via key performance indicators in the following core areas:

- Compliance with the governance framework, based upon requirements set out in the Memorandum of Understanding, Terms of Reference and Service Level Agreement;
- Compliance with the Due Process Handbook in delivering to the technical workplan;
- Effective management of outsourced services;
- Actual costs in line with agreed budget/ forecast and adhering to Managing Public Money principles.

The Board will also ensure that its risk landscape is understood and managed appropriately. This will involve identifying, mitigating and monitoring key risks that would otherwise impede the UKEB's ability to achieve its strategic objectives and, therefore, to effectively perform its statutory functions.

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## 5. Workplan

As the UKEB's statutory functions relate to influencing the IASB during the development of new and amended International Financial Reporting Standards (IFRS) and the subsequent adoption of those standards, the work plan is necessarily focused on the projects on the IASB's current and future agenda, or those issued standards and amendments requiring adoption for use in the UK.

### Looking ahead to 2023/24

This year the UKEB's workplan includes adoption projects, influencing projects that relate to projects on the IASB's current workplan, some aspects of the ISSB workplan, and the UKEB's pro-active research work. Given the need to align our work programme with that of the IASB, several of the projects listed on the 2022/23 workplan did not commence during the year as the IASB had not commenced its project or issued any due process documents. Consequently, these have either been included in the 2023/24 workplan or will be rolled forward to the UKEB workplans for future years. Where the IASB has deferred projects to later periods this has been reflected in the UKEB's expected timeline for undertaking those projects.

### Endorsement and adoption projects

To enable UK companies to prepare for use of a new standard by the effective date, the endorsement and adoption process must commence in good time. This is particularly crucial for companies that have dual-listed status (in the US, for example) where the listing authorities require foreign registrants to use full IFRS as issued by the IASB. The UK legislative framework prescribes the process for the adoption of new standards. It is multi-faceted, requiring consideration from accounting, technical, economic and legal perspectives. In addition, it stipulates consultation with stakeholders. As a result, the adoption process is labour-intensive, requiring a long lead-in time to prepare for the formal adoption, including ensuring adequate time is permitted to enable a full consideration of all relevant UK-specific issues and legal implications, project-specific stakeholder outreach and input, as well as regular engagement at Board level.

### IASB workplan

Whilst the Feedback Statement on the IASB's Agenda Consultation was published in July 2022, the likely commencement date for those projects is not expected to become clear until Q1 2023. Therefore, the UKEB's planned influencing activities for 2023/24 will continue to be agile to address any subsequent changes to the IASB's workplan. The proposed UKEB workplan for 2023/24 below includes both projects currently on the IASB workplan and the key new projects expected to be added over the coming months.

## ISSB workplan

The UKEB is also expecting to undertake some projects included on the ISSB's workplan. This is in line with the request from the Secretary of State for the UKEB to consider and provide views to the ISSB on its work from the UKEB's perspective as the body with responsibility for endorsing and adopting international accounting standards, including how the sustainability standards interact with accounting standards issued by the IASB.

## UKEB research

The workplan includes some activities relating to research. These are necessary to fulfil the UKEB's thought leadership guiding principle and relate to priority areas of future development, i.e. research relating to goodwill, intangible assets and reporting climate-related matters in financial statements. In addition, some capacity to support the IASB in ad hoc, country-specific research is also necessary as it is key to effective, early influencing of the IASB's projects.

## UKEB stakeholder engagement

The workplan also allocates time to formal stakeholder engagement through the Board's advisory groups, via attendance at the international meetings, for example the IASB's Accounting Standards Advisory Forum (ASAF), and other ad-hoc stakeholder engagement. In addition, in response to calls from stakeholders, the UKEB will consider opportunities for improving its stakeholder offerings in relation to web-based outreach activities and educational materials on active projects.

	UKEB Expected Workplan 2023/24	Expected Workload	Project Confirmed per IFRS Foundation Workplan <sup>2</sup>
<b>Adoption Projects</b>			
1	Primary Financial Statements	Significant	
2	Rate-regulated Activities	Significant	
3	Disclosure Initiative - Subsidiaries without public accountability: Disclosures	Significant	
4	Lease liability in a sale and leaseback	Moderate	*

<sup>2</sup> As at December 2022

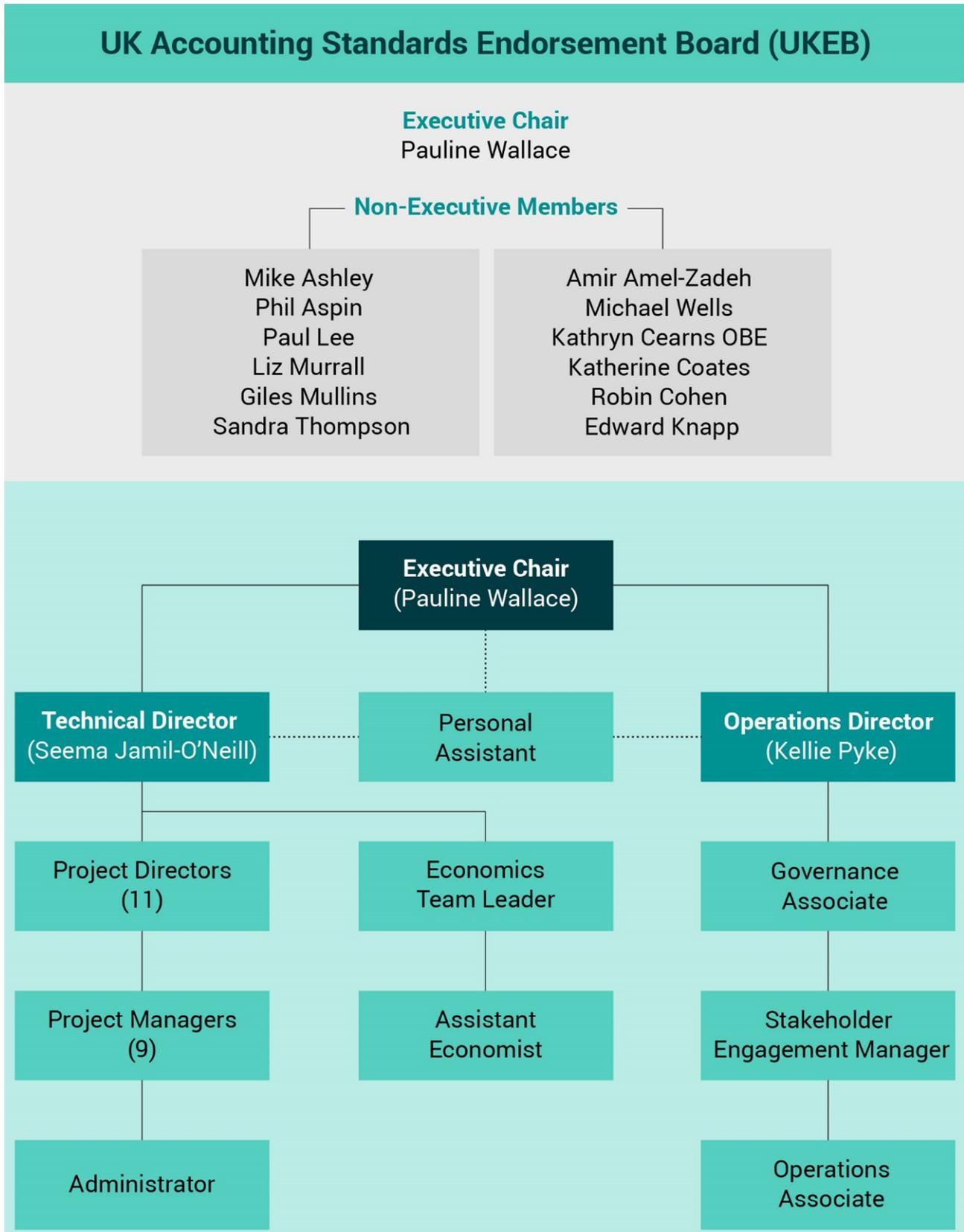
	<b>UKEB Expected Workplan 2023/24</b>	<b>Expected Workload</b>	<b>Project Confirmed per IFRS Foundation Workplan<sup>2</sup></b>
5	Non-current liabilities with covenants	Moderate	*
6	Supplier Finance Arrangements	Moderate	
7	Amendments to the Classification and Measurement of Financial Instruments	Moderate	
8	Lack of exchangeability	Moderate	
9	International Tax Reform – Pillar Two Model Rules	Moderate	*
<b>Influencing Projects</b>			
<b>IASB Standard-Setting:</b>			
10	Disclosure Initiative - Subsidiaries without public accountability: Disclosures	Moderate	*
11	Dynamic Risk Management	Moderate	*
12	Financial Instruments with Characteristics of Equity	Significant	*
13	Primary Financial Statements (monitoring, moves to adoption when IASB publishes standard)	Moderate	*
14	Rate-regulated activities (monitoring, moves to adoption when IASB publishes standard)	Moderate	*
<b>IASB Research/ Post-Implementation Reviews:</b>			
15	PIR IFRS 15 <i>Revenue from Contracts with Customers</i>	Significant	
16	PIR IFRS 9 Impairment	Significant	*
17	PIR IFRS 9 Hedge accounting	Significant	
18	PIR IFRS 16 <i>Leases</i>	Significant	
19	Business Combinations Under Common Control	Moderate	

UKEB Expected Workplan 2023/24		Expected Workload	Project Confirmed per IFRS Foundation Workplan <sup>2</sup>
20	Equity method	Moderate	*
21	Extractive industries	Moderate	*
22	Goodwill and impairment	Moderate	*
<b>IASB Maintenance Projects:</b>			
23	Climate-related Risks in the Financial Statements (waiting for project to start) Could include IAS 1, IAS 16, IAS 36, IAS 37, IAS 38, IFRS 13, IFRS 9 / IFRS 7, IFRS 10, and IFRS 8	Moderate	
24	Amendments to the Classification and Measurement of Financial Instruments	Moderate	*
25	Provisions-targeted improvements	Moderate	*
26	Sale and leaseback of an asset in a single-asset entity	Moderate	
27	Interpretations Committee projects	Limited	*
28	IFRS 17 <i>Insurance Contracts</i> (monitoring)	Limited	
29	Supplier Finance Arrangements	Moderate	*
30	Lack of exchangeability	Moderate	*
<b>IASB Research Pipeline Projects:</b>			
31	Intangible assets	Moderate	
32	IFRS 9-Amortised cost measurement	Moderate	
33	Statement of cashflows and related matters	Moderate	
<b>UKEB Research Projects</b>			
34	Ad hoc narrow-scope research	Moderate	
35	Intangibles research	Significant	

UKEB Expected Workplan 2023/24		Expected Workload	Project Confirmed per IFRS Foundation Workplan <sup>2</sup>
36	Reporting climate-related matters in financial statements	Significant	
<b>ISSB Standard-Setting Projects</b>			
37	IASB-ISSB interaction - S1 ED <i>General Sustainability-related Disclosures</i>	Significant	*
38	IASB-ISSB interaction - S2 ED <i>Climate-related Disclosures</i>	Significant	*
39	ISSB Consultation on Agenda Priorities	Significant	*
<b>Other Corporate Reporting Projects</b>			
40	Monitoring changes to UK Corporate Reporting Framework	Significant	
41	IASB and ISSB overlap: Overarching (Dependent on ISSB decision on agenda priorities)	Moderate	
42	IASB and ISSB overlap: Conceptual Framework (Dependent on ISSB decision on agenda priorities)	Moderate	
43	IASB and ISSB overlap: Management Commentary (Dependent on ISSB decision on agenda priorities)	Moderate	
44	IASB and ISSB overlap: Climate-related Risks (Dependent on ISSB decision on agenda priorities)	Moderate	
45	IASB and ISSB overlap: Intangible Assets (IAS 38) (Dependent on ISSB decision on agenda priorities)	Moderate	
46	IASB and ISSB overlap: Pollutant pricing mechanisms (Dependent on ISSB decision on agenda priorities)	Moderate	

UKEB Expected Workplan 2023/24		Expected Workload	Project Confirmed per IFRS Foundation Workplan <sup>2</sup>
<b>UKEB Ongoing Projects</b>			
47	Parliamentary and due-process reporting on technical activities	Moderate	
48	Governance of iXBRL - UK-SEF/IFRS Taxonomy	Limited	
<b>UKEB Stakeholder Engagement</b>			
49	Set up Ad hoc AG on Rate-regulated activities and Financial instruments working group	Moderate	
50	Attendance at: Accounting Standards Advisory Forum (ASAF) International Forum of Accounting Standard-Setters (IFASS), World Standard-Setters (WSS) United Nations International Standards of Accounting and Reporting (UN ISAR), and EFRAG's Consultative Forum Standard-Setters (CFSS)	Moderate	
51	Standing Advisory Groups – AFIAG,PAG, IAG, AAG	Moderate	
52	Other ad-hoc stakeholder engagement	Moderate	

# Appendix A: Organogram 2023/24



Contact Us

**UK Endorsement Board**

1 Victoria Street | London | SW1H 0ET | United Kingdom

[UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk)

[www.endorsement-board.uk](http://www.endorsement-board.uk)

