



UK ENDORSEMENT BOARD – REGULATORY STRATEGY 2022/23

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ICAEW welcomes the opportunity to comment on the UK Endorsement Board's Regulatory Strategy 2022/23 published in January 2022, a copy of which is available from this [link](#).

We are supportive of the UK Endorsement Board (UKEB) and its overall approach to delivering against its statutory functions. We do, however, have some comments on its proposed strategy, which are set out below.

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KEY POINTS

SUPPORT FOR THE UKEB

1. We are supportive of the UKEB and its overall approach to delivering against its statutory functions.

STRATEGIC OBJECTIVES

Influencing

2. Thought leadership and research can play an important role in influencing the IASB and other global players. We are therefore pleased to see that the UKEB are looking to engage in an active research programme aimed at addressing new and emerging issues in international accounting.
3. We note that the board has identified intangible assets and reporting climate-related matters in financial statements as potential research projects. These are two very topical and important areas and it is essential that the UK has a strong and influential voice on these matters, so we understand why the board has added them to its workplan.
4. We would, however, like to see more detail on what research the board is planning to undertake in these areas. Many academics, standard-setters and other organisations around the world have already undertaken or are currently undertaking extensive research on these topics. The challenge for the UKEB will therefore be finding a way to scope and design these projects in a way that not only provides a UK perspective on these issues but also adds something new to the conversation. We appreciate that this may not be realistic or necessary in the context of the strategy document but the board may wish to consider developing a separate policy paper on the aims of and approach to these specific topics and research projects in general.
5. Given that these topics are likely to be added to the IASB's workplan following the conclusion of their ongoing agenda consultation, now may not be the best time to embark on extensive primary research as this can be both time-consuming and expensive. It may be better to undertake secondary research, collating data from previous research and presenting it to the IASB.
6. Another approach may be to work in partnership with the IASB, academics and others who are already working in these areas and direct their work towards those areas of particular concern to the board's stakeholders. This could be achieved, for example, through providing grants to organisations who are interested in undertaking research in these areas.
7. Another interesting possibility would be working with the FRC and other organisations to bring together their network of preparers and users of financial statements with academics working in these areas so that they could share views on how corporate reporting could be improved. We discuss the importance of collaborating with the FRC and others in further detail in paragraphs 13-15 below.
8. Whatever research activities are undertaken, the primary focus should always be on collating and developing UK views on financial reporting matters so that the board can influence the IASB and achieve the outcome that is most conducive to the long term public good in the UK. In particular, attention should also be given to analysing the impacts on UK entities of IASB proposals (including through field testing), while these standards are being developed. This will add credibility to the UKEB in its influencing activities and evidence when making its decisions on adoption.

Adoption of standards for use in the UK

9. It is important for the UKEB to assess all new and amended international standards for adoption in the UK on a timely basis. This should, however, be a relatively straightforward process if the board has successfully influenced the IASB at an early stage in the development cycle and continued to provide the IASB with evidence-based recommendations on emerging issues as the final standard is developed. This will only be possible by engaging with stakeholders at every step along the way.
10. Importantly, listening to stakeholders and sharing their concerns with the IASB throughout the development cycle should minimise the risk of non-adoption of or carve-outs to a final standard.
11. While we acknowledge that the board's ability to carve-out or amend is an important right that is established in law, we nonetheless believe that any divergence with IFRS as issued by the IASB should be avoided wherever possible. In our view, most investors do not have the time or the resources to study the intricacies of local variations from IFRS or to easily understand the implications of carve-outs or amendments. Experience suggests that the full benefits of IFRS adoption can only be reaped if the standards are adopted in full. Carve-outs or amendments should therefore be kept to an absolute minimum and only made where doing so is considered to be clearly conducive to the long term public good in the UK. If carve-outs or amendments are made, they should wherever possible have a limited life.
12. An interesting area of research would be to assess the impact of local variations in IFRS – such as EU carve-outs or modifications – on matters such as the level of inward investment, the cost of capital and investor perceptions, which are relevant to assessing the long-term public good. This would provide evidence-based insight into the implications of the board using their limited powers to carve-out or amend and help inform debate and decisions about any potential carve-outs or amendments.

Collaborating with others

13. We welcome the board's commitment to collaborate effectively with the FRC, although it was unclear why they were described as an outsourced services provider rather than a key stakeholder given their active involvement in monitoring how IFRS is being applied in practice and the lessons learned from doing so. The FRC's work on considering how and when IFRS should be incorporated into UK GAAP should help inform the UKEB's endorsement work, and vice versa.
14. We have discussed the board's plans to develop an active thought leadership and research programme above. We note, however, that the FRC's Financial Reporting Lab already works extensively with companies and investors to identify untapped opportunities to improve financial reporting so that it offers a clearer understanding of the underlying performance of a company. There is a clear overlap between the work of the Lab and the UKEB's nascent research programme so it is important that the two bodies find a way to work together effectively and efficiently to achieve what is in the long term public good in the UK.
15. The importance of building collaborative relationships with the FRC and other key stakeholders cannot be understated. Without their input, the board will struggle to truly influence the IASB.

MEASURING SUCCESS

16. In our view, the KPIs set out in the strategy document seem quite operationally focused. Some KPIs on the board's effectiveness in meeting its statutory objectives would also be useful. There does not, for example, appear to be any measurement of whether or not the board has been successful in assessing the public good when making endorsement decisions. Introducing something similar to a post-implementation review to assess the quality and effectiveness of the board's endorsement activities may be helpful.

WORKPLAN 2022/23

17. The workplan includes a large number of projects but no indication of which of them are seen as priorities. While we appreciate that it will not always be easy to do so before the IASB completes its agenda consultation, we feel that some indication of where the board's priorities for the next twelve months lie would be useful.