

Annual Board Effectiveness Review 2021/22

Contents

- 1. Introduction 3
- 2. Review Process 3
- 3. Summary of Findings 4
- 4. Key Areas of Focus & Action 5

I. Introduction

The UK Accounting Standards Endorsement Board ('UKEB') was established to perform certain functions relating to the adoption of International Financial Reporting Standards as developed by the International Accounting Standards Board, for use in the UK, and to contribute on behalf of the UK to the development of a single set of international accounting standards. The UKEB operates in the interest of the UK's long-term public good and is committed to performing its functions, and acting at all times, in accordance with its four guiding principles of accountability, independence, transparency and thought leadership, to ensure compliance with the seven principles of public life: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership.

The UKEB's first (interim) Chair was appointed by the Secretary of State in September 2020 and led the recruitment of the ten Board members who were appointed in March 2021. UKEB held its inaugural Board meeting on 26 March 2021, in advance of the delegation of its functions on 22 May 2021. The Board brings together a range of backgrounds and expertise and recently marked the 1st anniversary of its delegation of powers. A permanent Chair has been appointed with effect from 11 September 2022.

Following a busy inaugural year for UKEB, this is an opportune time for the Board to reflect upon its strengths and capabilities and consider areas for future focus and further development.

The positive findings coming out of this first Annual Board Effectiveness Review are encouraging, particularly for a new Board leading a new organisation. However, there is a clear message that there is still work to be done in key areas to ensure that the Board continues to build upon the solid foundations laid in its inaugural year.

The findings from this review identify the core areas of focus where further development is required. The detailed feedback has been used to build an action plan which the Board will monitor to ensure its effective delivery.

2. Review Process

The objective of the review was to consider what worked well in UKEB's inaugural year and which areas require further focus and development as the Board, and UKEB as a whole, matures. The Board is committed to ensuring that it fulfils its statutory functions via robust governance and due process, with a clear focus on best practice and continuous improvement.

The review began in May 2022 and the final report and action plan were submitted for approval at the July Board meeting. The principal output from this review is a detailed action plan, approved by the Board, and an agreed process for tracking and execution of the action plan to ensure that the areas identified as requiring further development are addressed in a timely manner.

The review focused on the four core areas of Board governance and accountability, culture and composition, Secretariat support and leadership. Feedback was received from Board Members, the Secretariat and Official Observers via a questionnaire which incorporated a combination of open and closed questions. Each of the Members also attended two 1-1 meetings: one with the Board Chair for a broad discussion across all areas except Board leadership and another with a Board Member to whom the Chair had delegated responsibility for leading the review of Board leadership. Both the UKEB Operations Director and Technical Director also attended a 1-1 meeting with that Board Member.

In addition to the ten Board Members, both the UKEB Secretariat and Official Observers were valued and important participants in the review process. The UKEB Secretariat provides the day-to-day technical and operational support required by the Board as it works to achieve its objectives. The Official Observers attend UKEB's public Board meetings where they have speaking rights and may offer technical and policy insight on the implications of new or amended IFRS relevant to their area of expertise. Official Observers come from five relevant public sector organisations: The Department for Business, Energy and Industrial Strategy (BEIS); Financial Reporting Council (FRC); Her Majesty's Revenue and Customs (HMRC); Bank of England (BoE) and Financial Conduct Authority (FCA).

3. Summary of Findings

The detailed analysis of questionnaire feedback from all three review participant groups is positive across each of the four areas: Board governance and accountability, culture and composition, Secretariat support and leadership. Across all areas the responses showed a high level of 'agreed' or 'strongly agreed' responses, with many questions eliciting a 100% 'agreed' or 'strongly agreed' response. The responses reviewed as a whole indicate that the Board has made a strong start and has achieved a significant amount in its inaugural year. Further probing via the questionnaire's open-ended questions and 1-1 discussions support this position whilst also sending a clear message that there is further work required to build on what has been achieved to date. The key areas of focus and action for 2022/23 are set out in Section 4.

3.1 Board Governance & Accountability

Consideration of the Board's performance with regards to governance and accountability covered areas such as the Board's adherence to its four guiding principles, its statutory remit and responsibilities, the structure under which it operates, its adherence to its Terms of Reference and robust due process, timely receipt of information on key matters and its level of oversight of key areas.

The feedback indicated that the Board has achieved a considerable amount in its first year in terms of the implementation of, and adherence to, robust governance and accountability, in line with its four guiding principles. It was also observed that the Board is viewed as taking its responsibilities very seriously and applying a considerable level of scrutiny to its technical decision-making.

The importance of finalising the Due Process Handbook was noted as a priority in the coming months but there was also acknowledgement of the work done to ensure that, without it, the Board has still succeeded in ensuring robust due process in practice. The importance of developing an effective stakeholder engagement strategy and the need to increase the Board's level of oversight over project prioritisation and resource allocation were also noted as areas of focus.

3.2 Board Culture & Composition

Respondents considered that the Board has achieved a strong level of coherence, trust and openness in the relatively short time that it has been together and has operated in a transparent manner. The level of engagement and input from individual Members, using their different skills and experience to good effect, was also noted as a positive.

Bringing additional economics focused skills and experience into the Board was identified as an action that would add value by ensuring that the broader economic impact of accounting changes is adequately considered. This aligns well with the fact that the UKEB Chair has recently appointed two additional Members (an economist and an investor) with effect from 1 September 2022.

3.3 Board Secretariat Support

The responses from Members regarding the level and quality of support that they receive from the Secretariat were resoundingly positive. Members recognise that the Secretariat is made up of high calibre individuals who have demonstrated a strong work ethic in the past year to support the Board in both the setting-up of the UKEB and delivery of the technical agenda.

Members agreed that a Strategy Away Day for Board and Secretariat would further strengthen the relationship between the two and provide an opportunity to focus on the actions required to ensure that UKEB's strategic objectives are achieved.

3.4 Board Leadership

In response to questions as to how effectively the Chair has led the Board and Secretariat in this past year, the view from Members, Secretariat and Official Observers was consistently positive and provided a strong vote of confidence in the Chair and what she has achieved to date.

The Chair's success in bringing together a new Board and Secretariat with the backdrop of a new organisation still in set-up phase was highlighted as a real achievement, as was the skill with which she manages the Board meetings and the focus on ensuring that all participants (Members, Official Observers and Secretariat) have the opportunity to participate.

Members identified stakeholder engagement and progressing UKEB's influencing agenda as areas that require further development now that the Board is able to move on from the priorities of its first year of operation. Another area highlighted for further development was UKEB's relationship with its governance and due process oversight body, the FRC.

4. Key Areas of Focus & Action

The review findings identified four key areas of focus in formulating the detailed action plan, as follows:

- Board Development
- Stakeholder Engagement Strategy
- Succession Planning
- Working Practices & Resource Prioritisation

Based upon the detailed feedback received from respondents, via the questionnaire and 1-1 discussions, an action plan has been developed to identify clear deliverables to address the specific observations that make up the review findings. The action plan will incorporate action owners and delivery timelines and will be tracked and reported to the Board through to completion.