

UK Accounting Standards Endorsement Board

Governance & Due Process Annual Report 2023/24

31 May 2024



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I Introduction

The UK Accounting Standards Endorsement Board ('UKEB') was established to perform certain functions relating to the adoption of International Financial Reporting Standards ('IFRS') as developed by the International Accounting Standards Board ('IASB'), for use in the UK, and to contribute, on behalf of the UK, to the development of a single set of international accounting standards.

Chapter 3 of The International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685) confers on the Secretary of State for Business, Energy and Industrial Strategy ('BEIS') functions relating to the adoption of IFRS for application in the UK. The Secretary of State exercised the power conferred by Chapter 4 of those Regulations to delegate to the UKEB the functions specified in SI 2021/609, ('the Delegation Regulations') ('the Functions'). This delegation of powers came into force on 22 May 2021.

Underpinning the performance of the functions, UKEB has certain governance and due process duties and responsibilities which are incorporated primarily within the following:

1. Memorandum of Understanding ('MoU') between UKEB, BEIS¹ and FRC
2. UKEB Terms of Reference ('ToR')
3. UKEB Due Process Handbook ('the Handbook')

The MoU (s4.1) states that the FRC has oversight responsibility in respect of the effective governance of UKEB whilst recognising the fundamental importance of UKEB's independence by confirming (in s4.3) that the FRC does not have the power to direct the UKEB in relation to the determination of its programme of work or the outcome of its technical decision-making.

The MoU (s9.2) requires UKEB to report annually to the FRC Board setting out how it has complied with the procedures in the Handbook. The ToR (s10.3(b)) supports this by requiring that UKEB report, at least annually, to the FRC in relation to its governance and due process.

This report fulfils the above stated annual reporting requirement, covering the period from 1 April 2023 to 31 March 2024.

The UKEB Board is satisfied that it has fulfilled its governance and due process duties and responsibilities throughout the reporting period.

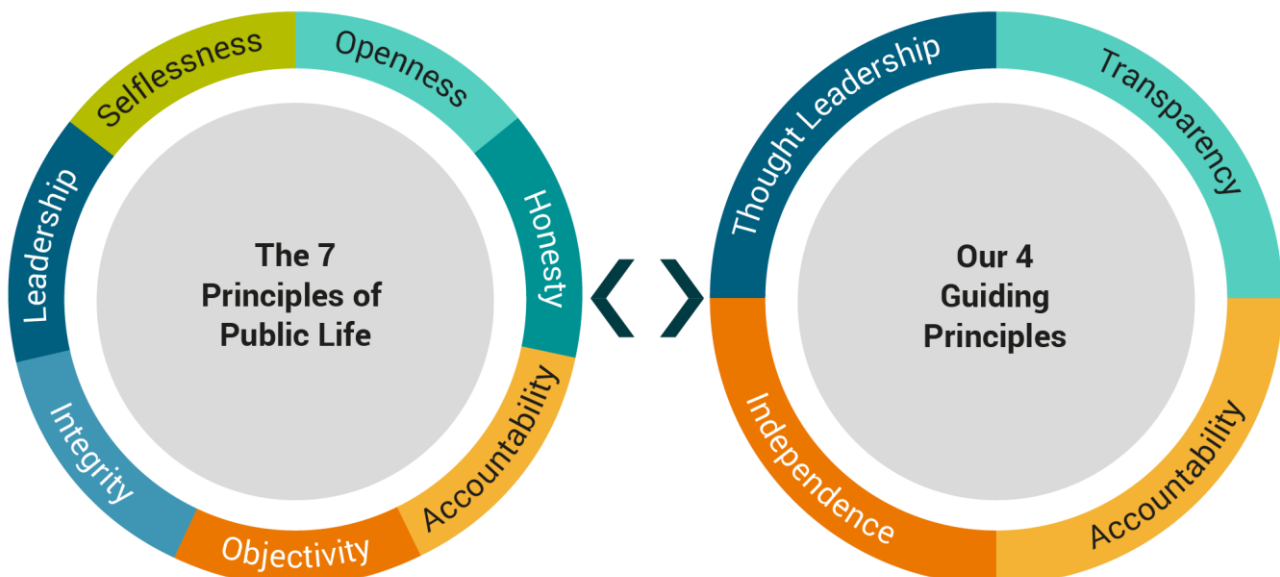
¹ Following the changes announced on 7 February 2023, oversight of UKEB's discharge of its statutory functions moved from BEIS to the Department for Business and Trade.

2 Reporting Period 2023/24

The reporting period 1 April 2023 to 31 March 2024 saw UKEB continue to embed the constituent parts of its governance and due process framework which underpin its day-to-day operations and the Board’s decision-making. Planned changes were also made to the make-up of the Board, with one member standing down, two new members joining and nine members being reappointed.

2.1 Core Values and Guiding Principles

The UKEB’s mission is to serve the UK’s long-term 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. The UKEB is committed to performing its functions, and acting at all times, in accordance with its four guiding principles and the seven principles of public life. These core values are intrinsic to all of UKEB’s governance and due process activities.



UKEB’s approach to ensuring robust governance and due process, in pursuit of its strategic objectives, includes the following core activities:

1. Public Board Meetings

- a) The Board’s technical decision-making is carried out in a fully transparent manner, in accordance with the ToR. Members of the public can choose to observe the discussions live or watch an online recording.
- b) The meetings are attended by Official Observers from the Department for Business and Trade (‘DBT’), Bank of England, FRC, HMRC and FCA, all of whom have speaking rights.
- c) Meeting agenda and Board papers are published on the UKEB website in advance and a summary of decisions and minutes are published afterwards.
- d) In addition, the agenda and summary minutes of UKEB’s private Board meetings are published on the UKEB website.
- e) UKEB has a Board Meetings Transparency Policy which sets out the key principles the Board considers when deciding which matters it discusses in public Board meetings and which matters are discussed in private.

2. Managing Conflicts of Interest

The Board complies with a Conflicts of Interest Policy and a Gifts and Hospitality Policy. A Transparency Register and Gifts and Hospitality Register are published on the UKEB website and regularly updated.

3. Stakeholder Engagement

- a) The UKEB has developed a Stakeholder Engagement and Communications Strategy to support the influencing and thought leadership responsibilities which form part of its Regulatory Strategy. It considers the high level of stakeholder engagement activities that UKEB is already performing and those areas where, at this stage in UKEB’s maturity, resource should be focused in order to continue enhancing that engagement in the most effective and efficient manner.
- b) Five Advisory Groups, chaired by Board members, have been set up as follows:
 - i. Academics (AAG)
 - ii. Accounting Firms and Institutes (AFIAG)
 - iii. Investors (IAG)
 - iv. Preparers (PAG)
 - v. Rate-regulated Activities (RRA TAG)

Each of these groups meets between two and six times per annum. They are not decision-making bodies but they do report into and provide advice directly to the Board.

- c) Two Working Groups, chaired by the UKEB Secretariat, have been set up as follows:
 - i. Financial Instruments (FIWG)
 - ii. Sustainability (SWG)

These groups meet between two and six times per annum and provide advice to the UKEB Secretariat.

- d) There is proactive engagement with stakeholders across various mediums to ensure that their views are heard and the potential impact of IASB proposals is understood.
- e) Public consultation comment letters received from stakeholders are made available on the UKEB website unless the stakeholder requests otherwise.
- f) The Handbook (see s2.2 below) sets out the required approach to stakeholder engagement, including public consultations, at the technical project level.

4. Regulatory Strategy and Budget

- a) There is a clearly defined and robust process for ensuring that UKEB's Regulatory Strategy and Budget are:
 - i. designed to support achievement of its statutory functions; and
 - ii. subject to timely scrutiny and approval, both internally by the Board and by DBT and the FRC/ UKEB Accounting Officer.

The Regulatory Strategy and Budget for 2024/25 were both subject to public consultation and received Board approval during this reporting period, working closely with DBT and the FRC. The final Budget is published on the FRC website, as part of the wider FRC Budget. The Regulatory Strategy and Feedback Statement were approved by the Board in the 28 March 2024 public meeting and are published on the UKEB website.

- b) Managing Public Money principles were applied rigorously throughout the reporting period and the financial position, and general budget management, was reviewed regularly throughout the year by both UKEB and FRC.

5. Risk Management

UKEB has a clearly defined and embedded risk management framework, including a detailed risk register, that is subject to Board monitoring and review. It ensures that UKEB has a clear understanding of its risk environment and a focused approach to the managing, monitoring and recording of its key risks.

2.2 Due Process Framework

A robust due process framework is central to the development of high-quality financial reporting and delivery of accountability and transparency to stakeholders. The core elements of UKEB’s due process framework are set out in the Handbook.

Appendix A sets out the projects that UKEB has undertaken during the reporting period and the core due process steps taken. Further detail of UKEB’s projects is also published on the UKEB website to ensure transparency and strengthen stakeholder engagement.

2.3 Advisory Groups

Each of the five Advisory Groups has a Terms of Reference (‘AG ToR’) which was approved by the Board and is published on the UKEB website. Each AG’s adherence to its ToR is monitored and any breaches reported to the Board. During this 2023/24 reporting period, four breaches occurred and were duly reported and resolved as necessary.

	Advisory Group	AG ToR Section	Breach Details
1	IAG	2.2	<p>Due to the initial challenge in attracting inaugural members, the IAG commenced its work before it was quorate.</p> <p>This approach was taken with the pre-approval of the Board. On the basis that the group is not a decision-making body and with the view that it may become easier to attract new members once the group commenced its work.</p> <p>The breach was ongoing from 7 July 2022, when the IAG held its induction meeting, until 1 February 2024 when an additional member was appointed and the IAG was then quorate.</p>

	Advisory Group	AG ToR Section	Breach Details
2	RRA TAG	3.2(a)(iv)	The summary minutes for the 24 March 2023 meeting were published on 24 April 2023 i.e. one day later than the one-month publication deadline of 23 April.
3	AFIAG	3.1(d)	<p>With the permission of the AFIAG Chair, an individual attended the 15 June 2023 meeting, in the capacity of an observer with speaking rights, in place of a member who could not attend. This is allowed under S3.1(e) of the AG ToR.</p> <p>However, the summary minutes of the meeting state that the individual is attending as 'representing' the member which could be misconstrued as them attending as an alternate. The AG ToR does not allow alternates.</p> <p>This was an administrative error in the wording of the summary minutes rather than an instance of non-compliance with the Handbook and AG ToR. After the matter was noted, the summary minutes were amended, in January 2024, to clarify that the individual was attending as an observer with speaking rights.</p>
4	PAG	2.6	<p>The terms of appointment for AG members stipulate that they may not also be members of the FRC Board or its committees or advisory panels.</p> <p>In January 2024 it came to the UKEB's attention that a PAG member had been appointed to an FRC role which contravened their PAG terms of appointment.</p> <p>It was agreed that the individual would stand down from their PAG role and their appointment was duly terminated.</p>

3 Board Effectiveness

3.1 Board Composition and Appointments

As at 31 March 2024, the UKEB Board is comprised of the Chair and thirteen members. Collectively they bring together a range of relevant backgrounds and expertise aligned to the required categories as set out in the ToR.

	Name	Role	Category	Term End Date
1	Pauline Wallace	Executive Chair		September 2025
2	Amir Amel-Zadeh	Non-Executive Member	Academic	March 2027
3	Michael Wells	Non-Executive Member	Academic	March 2026
4	Tony Clifford	Non-Executive Member	Accounting Firm	February 2027
5	Giles Mullins	Non-Executive Member	Accounting Firm	March 2025
6	Sandra Thompson	Non-Executive Member	Accounting Firm	March 2027
7	Robin Cohen	Non-Executive Member	Economist	August 2025
8	Edward Knapp	Non-Executive Member	Investor	August 2025
9	Paul Lee	Non-Executive Member	Investor	March 2027
10	Liz Murrall	Non-Executive Member	Investor	March 2025
11	Mike Ashley	Non-Executive Member	Other	March 2026
12	Katherine Coates	Non-Executive Member	Other	March 2026

	Name	Role	Category	Term End Date
13	Phil Aspin	Non-Executive Member	Preparer of Accounts	March 2026
14	Owen Glaysher	Non-Executive Member	Preparer of Accounts	February 2027

During the reporting period, the following Board membership changes occurred:

- a) Kathryn Cearns stood down when her term ended on 14 March 2024.
- b) Two new Board members, Tony Clifford and Owen Glaysher, were appointed on 1 March 2024 for a three-year term.
- c) Nine of the existing members were reappointed for a second term of one, two or three years. The reappointment process has introduced staggered terms to support future Board succession planning.

The reappointments and new appointments were made by the Chair, with the approval of the Secretary of State, in accordance with the ToR. The new appointments were made following a fair and open process, with the interview panel being comprised of the Chair, a DBT representative, an FRC Board member and an independent panel member.

3.2 Annual Board Effectiveness Review

An annual Board Effectiveness Review was carried out in 2023. The final report and action plan were approved by the Board in June 2023 and all actions were addressed by April 2024.

The 2024 annual review is in progress with a preliminary completion date of July 2024.

3.3 Board Succession Planning

The UKEB maintains an ongoing focus on Board succession planning. Further to the reappointment and recruitment activity completed in March 2024, planning is already in progress for 2025. The Board Chair's term will end in September 2025 and four members terms will end in March and August 2025.

Appendix A: Due Process Documents Published

Set out below is a summary of the UKEB projects undertaken during the reporting period and the core due process steps taken.

	IASB Due Process Stage	Project Initiation Plan	Final Comment Letter	Final Comment Letter Date	Feedback Statement	DPCS
Influencing Projects						
Amendments to the Classification and Measurement of Financial Instruments	Exposure Draft	√	√	19/07/23	√	√
International Sustainability Standards Board (ISSB) Consultation on Agenda Priorities	Request for Information	√	√	11/08/23	√	√
Post-implementation Review of IFRS 9 Financial Instruments – Impairment	Request for Information	√	√	26/09/23	√	√
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	Request for Information	√	√	26/10/23	√	√
Annual Improvements to IFRS Accounting Standards – Volume 11: <ul style="list-style-type: none"> IFRS 9 Financial Instrument - Transaction price; 	Exposure Draft	√	√	14/12/23	√	√

	IASB Due Process Stage	Project Initiation Plan	Final Comment Letter	Final Comment Letter Date	Feedback Statement	DPCS
<ul style="list-style-type: none"> • IFRS 9 Financial Instrument - Derecognition of lease liabilities; • IFRS 7 Financial Instruments: Disclosures - Gain or loss on derecognition; • IFRS 7 Financial Instruments: Disclosures - Disclosure of deferred difference between fair value and transaction price; • IFRS 7 Financial Instruments: Disclosures - Credit risk disclosures; • IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge Accounting by a first-time adopter; • IFRS 10 Consolidated Financial Statements - Determination of a 'de facto' agent; • IAS 7 Statement of Cash Flows - Cost method. 						

	IASB Due Process Stage	Project Initiation Plan	Final Comment Letter	Final Comment Letter Date	Feedback Statement	DPCS
IFRS Interpretations Committee Tentative Agenda Decision: Climate-related Commitments (IAS 37)	Tentative Agenda Decision	√	√	05/02/24	- 2	√
Financial Instruments with Characteristics of Equity (FICE) - Proposed amendments to IAS 32, IFRS 7 and IAS 1	Exposure Draft	√	√	03/04/24	√	√

	Project Initiation Plan	Final Report	Final Report Date
Research Projects			
Intangibles Research Project (Phase 1):			
Major Output 2 – Analysis of Intangible Reporting in the UK	√	√	15/05/24
Major Output 3 – Investor Outreach	√	√	15/05/24

² Feedback Statement not required as, due to the urgency of the project, no formal public consultation on a draft Comment Letter was conducted.

	Project Initiation Plan	DECA	ECA	Feedback Statement	Publication within 3 working days of final written vote	DPCS
Endorsement and Adoption Projects						
Narrow Scope Amendments (Effective date: 1 January 2023)						
Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules	√	√	√	√	√	√
Narrow Scope Amendments (Effective date: 1 January 2024, with early application permitted)						
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	√	√	√	√	√	√
IAS 1 Narrow-scope Amendments 2020 and 2022:	√	√	√	√	√	√
(1) 2020 Amendment to IAS 1 Classification of Liabilities as Current or Non-current (2020)						
(2) 2022 Amendments to IAS 1 Non-current Liabilities with Covenants						
Supplier Finance Arrangements: Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	√	√	√	√	√	√

	Project Initiation Plan	DECA	ECA	Feedback Statement	Publication within 3 working days of final written vote	DPCS
Narrow Scope Amendments (Effective date: 1 January 2025, with early application permitted)						
Amendments to IAS 21 – Lack of Exchangeability	√	√ ³	- 3	- 3	- 3	- 3

³ Public consultation for the DECA closed on 6 May 2024. The ECA, Feedback Statement and DPCS were considered at the 24 May Board meeting but the adoption decision has been deferred until after the Pre-Election Period ends in July.