

# report

Paper CL 03d 10-10

Committee	CIPFA/LASAAC
Venue	Robert Street, London
Date	27 October 2010
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Subject	FRAB Review

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To note the publication of the FRAB Review and to consider CIPFA/LASAAC's response.

## 1 consultation

- 1.1 As members will be aware, a review of the FRAB has recently been undertaken. HM Treasury has now issued a consultation on the review, which can be found at [http://www.hm-treasury.gov.uk/consult\\_frab.htm](http://www.hm-treasury.gov.uk/consult_frab.htm). The consultation closes on 10 January 2011.
- 1.2 The Terms of Reference for the review and the consultation document are attached to this paper.
- 1.3 A summary of the preliminary views is attached at Appendix A to this report.

## 2 way forward

- 2.1 As CIPFA/LASAAC is one of the relevant bodies advised by the FRAB, the Secretariat does not consider it appropriate for CIPFA/LASAAC to respond directly to the consultation.
- 2.2 However, CIPFA's Accounting and Auditing Standards Panel (AASP) is expected to submit a response to the consultation on behalf of CIPFA. It is therefore proposed that CIPFA/LASAAC feeds its views to AASP for consideration.
- 2.3 Members are asked to forward any comments to the Secretary by 30 November. The Secretary will then produce a consolidated paper which will be circulated to members for comment before being passed to AASP to inform CIPFA's overall response.

## 3 recommendation

CIPFA/LASAAC is asked to note that the consultation has been issued and members are asked to submit any comments on the consultation to the Secretary by 30 November.

## **Preliminary views**

1. The FRAB operates effectively and has made a significant contribution over the years in raising the standard of financial reporting by government.
2. The FRAB performs the independent role expected of it. A change in membership – for example the addition of another independent accountant member (see chapter 4) – would enhance its actual and perceived independence.
3. The size of the FRAB Board may be necessary to reflect the wide interests, but there is scope to improve the balance of the Board.
4. To improve the balance of the Board, it is desirable to add at least one further 'independent' member. If it were considered undesirable to increase the size of the board, this would result in the reduction of remaining members by one.
5. An appropriate tenure for the FRAB Chairman is three years, renewable once. For 'independent' members the appropriate tenure is three years, renewable up to twice. Similarly, for appointed members, a three-year tenure is appropriate, with the presumption this would be renewable no more than twice, except in particular circumstances.
6. The attendance of 'alternates' at FRAB meetings should not be permitted.
7. An individual's membership of FRAB should be reviewed should the member miss three consecutive FRAB meetings, or in the event of a poor attendance record.
8. The FRAB should explore the availability and use of technology in conducting future meetings, such as telephone and video conferencing.
9. The FRAB should continue to meet in closed session, given the transparency of its operations via the publication of its papers and Minutes of its meetings.
10. The broad criteria that FRAB should apply in assessing whether or not something is within its remit for advice is detailed in Chapter 5, paragraph 6.25
11. The FRAB should confirm whether it is to have a secondary role to its core function, by contributing to the development of financial reporting standards by responding as a matter of routine, or selectively, to financial reporting standards in development issued by the international accounting standard setters.
12. The requirement for periodic future reviews of the FRAB should be enshrined in the Board's terms of reference.
13. In the interests of transparency and consistency, the FRAB should consider formalising and documenting the process it follows when considering proposals for the interpretation or adaptation of accounting standards.

## **Questions**

1. Do you agree with the Review Group's preliminary views? If not, please explain why in each case.
2. Are there any matters not covered by the Review Group's preliminary views on which you wish to comment?