

Financial Reporting Council

Minutes of a meeting of the Board of Directors of the Company
held on 5 March 2013 at Aldwych House, 71 -91 Aldwych, London, WC2B 4HN

PRESENT:	Baroness Hogg	Chairman
	Glen Moreno	Deputy Chairman
	Stephen Haddrill	Director & Chief Executive
	Richard Fleck	Chairman, Conduct Committee
	Mark Armour	Non-executive Director (By telephone)
	Peter Chambers	Non-executive Director
	Elizabeth Corley	Non-executive Director
	Gay Huey Evans	Non-executive Director
	Sir Steve Robson	Non-executive Director (By telephone)
	Olivia Dickson	Chairman, Actuarial Council
	Nick Land	Chairman, Audit & Assurance Council
	Roger Marshall	Chairman, Accounting Council
	Paul George	Executive Director, Conduct
	Melanie McLaren	Executive Director, Codes & Standards
IN ATTENDANCE:	Anne McArthur	Secretary
	Mridul Hegde	Executive Director of Strategy
	Pauline Wallace	Accounting Council Member (Item 4)
	Michelle Sansom	Director, Accounting (Item 4)
	Jenny Carter	Project Director (Item 4)
	Carol Page	Director, Corporate Reporting Review (Item 5b)
	Graham Clarke	Director of Finance (Item 3 – Audit Committee report)
	Peter Timberlake	Head of Communications (Item 2)

Apologies were received from Jim Sutcliffe and Keith Skeoch.

1 MINUTES

- 1.1 The Board approved the minutes of the meeting held on 30 January 2013 for publication.

Matters arising

- 1.2 There were no matters arising.

Action points

- 1.3 The Board noted the action points and the following:

- On contingency planning, the first meeting of a group of regulators and government departments which would be convened in the event of a Big 4 firm failure had taken place. There was an issue for the FRC about what could be done by it in the event of a collapse contrasted with what might be expected to be done as well as what other regulators and HMG would be able or willing to do. Contingency planning would assist in highlighting the issues and answering these questions;

- On Sharman, early feedback was being received on the consultation document in particular on the impact on smaller entities and it would be important for the Board to ensure that the guidance did not lead to over-complication or compromised finance to those entities;
- On restoring confidence in audit, the interview survey was being carefully developed and Board members would be interviewed.

2 CHIEF EXECUTIVE'S REPORT

2.1 Mr Haddrill introduced his report.

2.2 The Board

- Discussed and commented on the FRC's responses to the Competition Commission report on the audit market and the DWP consultation on pension smoothing;
- Approved the substance of MoU's with the FCA and PRA and delegated authority to approve minor amendments to the Chair or Chief Executive;
- Agreed that the FRC should seek an observer seat on the FCA's Listing Advisory Group; and
- Noted the Chief Executive's report.

3 COMMITTEE CHAIR REPORTS

Report from CC meeting of 20 February 2013

3.1 Mr Fleck reported on the CC meeting noting that the Committee had

- reviewed a draft website page providing information to whistle-blowers. The page would be amended to reflect comments of Committee members and Board members and an additional page providing information to complainants generally would also be prepared;
- noted that the decision of the Information Commissioner in response to a complaint about the way in which the FRC had responded to an access request under the Freedom of Information Act had upheld the FRC's response and was now posted on the ICO website.

Report from CSC meeting of 29 January 2013

3.2 The Board noted the written report and that Mr Sutcliffe had reported orally to the Board at its meeting on 30 January.

Report from Audit Committee meeting of 28 February 2013

3.3 Mr Land reported that the Committee had met the new auditors who had presented their audit plan which had presented no issues of concern. The Committee had also received a report from the Director of Finance which illustrated no real concern in relation to the FRC's financial performance. The Committee received an update on disciplinary case cost controls and had noted that the controls previously agreed by the Committee and reported to the Board were working well.

3.4 The Board noted the Committee Chair reports.

4 FOR BOARD APPROVAL AND ISSUE

a. IFRS – FRC Policy

4.1 Ms McLaren introduced the paper noting that in contrast to the earlier IFRS conceptual framework, the current project had not been prepared on a convergence basis. The IASB was keen to test the language and appeared to want to look at the framework pragmatically. The FRC was in a good position to guide the IASB onto a firmer path. The paper also outlined the criticisms of the IFRS commonly made by various observers which had been used to test the proposed FRS 102.

4.2 Discussion included the following points and observations:

- The key points set out in the paper tabled would be helpful in the market place: a document should be prepared for publication;
- The language of the conceptual framework should be updated so that it was outcome orientated;
- Whether or not standards are principles based, they have to have underlying principles and it was important to retain an emphasis on the application of judgment.

b. FRS 102

4.3 Ms McLaren introduced the paper noting the discussion at the Board's meeting in January and confirming the support of the Chairman of the Codes & Standards Committee for the standard.

4.4 Discussion included the following points and observations:

- The exercise undertaken since the Board's last meeting had been useful in confirming that the proposed standard was appropriate for the UK environment. It was particularly useful in clarifying that the criticisms often made of IFRS either did not apply to FRS 102 or to ensure where they could have applied, appropriate changes had been made;
- Over the course of development, and particularly in the previous 2 years, the FRC had listened to constituents and, in particular, had amended the scope of the proposed standard. Further, the IFRS based structure of the standard meant that accountants could now be trained in one language and any move from IFRS to FRS 102 (or vice versa) would be relatively easily achieved;
- A Q&A document was being developed for publication. This would include confirmation that the section on impairment of assets would be reviewed following any further IASB publication;
- FRS 102 was a terrific achievement of simplification and cutting clutter.

4.5 The Board approved FRS 102 and thanked the Accounting Council and all those who had supported the Council and its predecessor for their contribution.

5 FOR DISCUSSION

a. FRC Powers post Reform

5.1 Mr Haddrill introduced the paper, recommending no immediate action to seek additional powers pending the work on Project Capri and the outcome of the EU Audit Regulation but keeping Ministers aware of deficiencies remaining post reform.

5.2 The Board discussed the paper and agreed the approach tabled.

b. Corporate Reporting Review – Common Themes

5.3 Mr George introduced the paper confirming that the aim was to review approximately 300 cases each year. The most significant theme identified concerned pensions accounting. The FRC had engaged with the accounting firms on the issue and it was unlikely that they would be encouraging their clients to account in this way in the future. The FRC would continue to engage with tPR and HMRC on the issue. It was clear that the FRC's work on the issue was influencing practice and something would be published on the issue to assist preparers and advisers.

5.4 The Board discussed and noted the paper and agreed that half yearly reports should be tabled to the Board so that it had timely visibility on the FRC's corporate reporting review work.

6 FRC RISK MANAGEMENT

6.1 Ms McLaren introduced the paper. The Board made various comments in relation to the presentation of the FRC Risk Register, commented on and recommended a recalibration of the identified top risks, and identified further risks to be captured including strategic risk.

7 OUTLINE BOARD CALENDAR 2012-2013

8.1 The Board noted the outline Board calendar.

8 ANY OTHER BUSINESS

9.1 The Board agreed to reappoint Mr Richard Fleck as a Director and as Chair of the Conduct and Monitoring Committees up to 31 December 2013.

9.2 The Board noted that the FRC's current lease was due to expire in August 2014 and that a decision on whether to move premises or to take out a new lease at Aldwych House would be required during the summer.

9 NEXT MEETING

10.1 Tuesday, 23 April 2013 at 8.30am in Brussels