

Financial Reporting Council

Minutes of a meeting of the Board of Directors of the Company held on 25 September 2012 at 71 -91 Aldwych, London, WC2B 4HN

PRESENT:	Baroness Hogg	Chairman
	Glen Moreno	Deputy Chairman (by telephone)
	Stephen Haddrill	Director & Chief Executive
	Richard Fleck	Chairman, Conduct Committee
	Jim Sutcliffe	Chairman, Codes & Standards Committee
	Mark Armour	Non-executive Director
	Peter Chambers	Non-executive Director
	Elizabeth Corley	Non-executive Director
	Gay Huey Evans	Non-executive Director
	Sir Steve Robson	Non-executive Director
	Keith Skeoch	Non-executive Director
	Olivia Dickson	Chairman, Actuarial Council
	Roger Marshall	Chairman, Accounting Council
	Paul George	Executive Director, Conduct
	Melanie McLaren	Executive Director, Codes & Standards
IN ATTENDANCE:	Anne McArthur	Secretary
	Graham Clarke	Finance Director (Item 1)
	Chris Hodge	Director, Corporate Governance (Item 4a)
	Marek Grabowski	Director, Audit Policy (Item 4b)
	Michelle Sansom	Director, Accounting (Item 4c)
	Jenny Carter	Project Director (Item 4c)
	John Grewe	Director, Oversight (Item 5a)

Apologies were received from Nick Land.

1 MINUTES

- 1.1 The Board approved the minutes of the meetings held on 10 July 2012 for publication subject to minor amendments.

Matters arising

- 1.2 On the FRC Annual Report, the Board noted that invoices rendered to the AADB in respect of disciplinary cases following the FRC audit had exceeded the amounts accrued and that the FRC's auditors had advised that the sums were not material. The Board also noted that the FRC's systems had been adjusted in order to ensure that this situation did not arise again. The Board requested that the AADB Board, at its last meeting in October 2012, provide a report to the FRC on the additional invoices and give assurance that there were no other issues to bring to the attention of the FRC before its functions were transferred to the FRC.

Action points

- 1.3 The Board noted the action points and that the Turnbull Guidance and the Sharman Inquiry would be discussed at the Board's December meeting.

2 CHIEF EXECUTIVE'S REPORT

- 2.1 Mr Haddrill introduced his report.
- 2.2 Discussion included the following reports, points and observations:

- The FRC would prepare a heat map to identify issues arising out of previous and existing corporate reporting practice and the players involved in order to guide its own activities;
- The FRC should consider reconstituting the SAG convening a panel of analysts which would meet e.g. once a year and assist the FRC in identifying strategic themes and risks. It was noted that the FRC had convened a banking working group to look at disclosures, impairment provisions etc.
- In view of the emerging issue of valuations of credit provided to EU entities by banks, the FRC should consider issuing guidance to audit committees on their challenges to the valuation and impairment processes and should communicate to audit firms that they would be expected to be robust in dealing with valuations of credit.

2.3 The Board agreed

- that the Board should approve any negative assurances of SORPs;
- routine changes to the TASs (i.e. replacing 'BAS' with 'FRC') to be overseen by the Executive Director, Codes & Standards; and
- in relation to interpretive and guidance material, that the Executive Director, Codes & Standards should agree a grading for each such document (and subsequently seek approval, where relevant) as follows:
 - Documents that simply refer to extant material and are routine – may be issued by the staff;
 - Documents that are reasoned; i.e. interpret or apply standards and guidance to a specific circumstance – may be approved by the Executive Director Codes & Standards, on the advice of the relevant Council; and
 - Documents that break substantive new territory and go to the substance of a standard – require approval of the Codes & Standards Committee.

2.4 The Board noted the Chief Executive's report, project plan, Outline Board Calendar 2012/13 and reports from the CC and CSC Chairmen.

3 CROSS FRC

a. Publication of Minutes and Consultation Responses

3.1 Ms McArthur introduced the paper. The Board noted the recommendations and the FRC's designation under the FOIA in relation to some of its functions.

3.2 The Board agreed:

- To continue to publish Board meeting minutes;
- Noting the importance of keeping stakeholders informed of the matters under consideration by the FRC on a real time basis, to publish the agendas of Board, CC and CSC meetings;
- To publish the decisions (with reasons) of the CSC on guidance;
- To publish the decisions of the CC as required by the procedures under which they are taken;
- To publish the minutes of Council meetings;
- That CSC and CC Chairman reports should be provided to the Board following the meetings of those Committees and that the full minutes should be available on request;

- To publish FRC responses to consultations unless to do so would significantly damage the FRC's influence or sought outcomes;
- To review the position in relation to the publication of minutes at the July 2013 Board meeting.

4 CODES & STANDARDS

a. Effective Company Stewardship and the Stewardship Code

- 4.1 Mr Hodge introduced the paper which invited approval of feedback statements and amendments to the Corporate Governance Code, Guidance on Audit Committees and the Stewardship Code. Mr Sutcliffe confirmed that the proposals were supported by the CSC.
- 4.2 The Board approved the amendments proposed subject to drafting amendments which were aimed at ensuring that the intentions of the proposals were achieved.
- 4.3 The Board noted that many companies were currently conducting audit tender exercises and that the FRC should establish how best practice is evolving and inform stakeholders.
- 4.4 The Board also recommended that the FRC consider issuing a thought piece on a code for proxy voting agencies in order to guide the FRC influencing over any final position arising out of any proposals by the EC Company Law Action Plan.

b. ISA changes: Effective Company Stewardship; Irish Auditor reports and related Bulletin

- 4.5 Mr Grabowski introduced the paper which invited approval of revisions to ISAs (UK and Ireland) 260, 700,705,706 and 720A and publication of Bulletin 2012/1 "Compendium of Illustrative Auditor's Reports on Irish Financial Statements". Ms McLaren confirmed that the proposals were supported by the Audit & Assurance Council.
- 4.6 The Board approved the amendments subject to drafting amendments which were aimed at ensuring that the intentions of the proposals were achieved.

c. UK GAAP Update and FRS 17

- 4.7 Ms Sansom introduced the paper which invited the Board to approve making no amendments to current UK accounting standards (FRS 17) as a consequence of recent amendments to IFRS and to approve the issue of an Exposure Draft amending FRS102. Mr Marshall confirmed that the proposals were supported by the Accounting Council.
- 4.8 The Board approved the issue of the Exposure Draft and agreed that no amendments should be made to FRS 17.

5 CONDUCT

a. Monitoring the work of Third Country Auditors

- 5.1 The Board deferred the item to its next meeting.

6 AUDIT COMMITTEE – MEETINGS ON 10 MAY AND 21 AUGUST 2012

- 6.1 The Board noted the minutes of the meetings in May and August.

7 ANY OTHER BUSINESS

- 7.1 There was no other business.

8 NEXT MEETING

Tuesday, 1 November 2012