

Financial Reporting Council

Minutes of a meeting of the FRC Board held by Teams on 18 November 2020

PRESENT:	Keith Skeoch	Chairman
	David Childs	Non-Executive Director
	John Coomber	Non-Executive Director
	Sir Jon Thompson	CEO (to item 14)
	Jenny Watson	Non-Executive Director
	Dame Julia Unwin	Non-Executive Director
IN ATTENDANCE:	Francesca Carter	Company Secretary
	Alex Kuczynski	Executive Director, Corporate Services & General Counsel (to item 14)
	Mark Babington	Executive Director, Regulatory Standards & Codes (items 6-9)
	David Rule	Executive Director, Supervision (items 6 and 10.2-10.4)
	Laura Warren	Head of Competition Policy (item 6)
	Jenny Carter	Director, Accounting & Reporting Policy (item 7)
	Jason Bradley	Project Director (item 8)
	James Ferris	Head of UK Auditing Standards (item 8)
	Miranda Craig	Director of Strategy & Change (item 9)
	Jenny Waterman	Head of HR (item 12)

1. QUORUM AND OPENING OF THE MEETING

- 1.1 The Chairman noted the meeting was quorate and opened the meeting.

2 DECLARATIONS OF INTEREST

- 2.1 No new interests were declared.

3 MINUTES AND MATTERS ARISING

- 3.1 The Board approved the minutes of the Board meeting of 7 October 2020 for publication.
- 3.2 The Board noted and ratified the decisions that had been taken in writing since the last meeting.
- 3.3 The matters arising log was reviewed and noted. The Board noted an update on the status of the MoU with the PRA and that an exercise to update all existing MoU's with UK regulators would be undertaken in 2021.

4 CHAIRMANS REPORT

- 4.1 The Chairman reported on meetings he had attended with both members of the executive and external stakeholders since his appointment on 12 October 2020. The Board welcomed the summary of discussions and the progress that had been made in taking forward the FRC's reform agenda.
- 4.2 The Board noted the recruitment process for Non-Executive Directors had been delayed and agreed a staged approach to the implementation of the governance structure planned for 1 January 2021. The Board also noted the process to recruit a permanent Chair would launch later that week.

Modern Slavery Act

- 4.3 The Board considered and approved a proposed Modern Slavery Act statement for publication subject to minor drafting amendments. Through discussion the Board requested assurance from

the executive that appropriate steps would continue to be taken with respect to assessing modern slavery risk in the FRC’s supply chain.

Approach to Reporting on Corporate Governance

- 4.4 The Board agreed a recommendation that the FRC, as the regulator responsible for the UK Corporate Governance Code, should continue to report on compliance with the UK Corporate Governance Code but that it should also have regard to the Corporate Governance Code for Central Government Bodies. The Board discussed the need to provide high quality explanations for any departures from the Code and welcomed a draft report for inclusion in the 2020/21 Annual Report & Accounts.

5 CEO’S REPORT

- 5.1 The CEO provided an update on the activities of the executive, recent publications and people / recruitment matters. The Board noted that outputs remained high and welcomed that the FRC’s work on the development of non-financial reporting was gaining momentum. The Board discussed the toll of extended homeworking on staff morale and welcomed initiatives that had been put in to place to support staff wellbeing. The Board also discussed recruitment and noted that the FRC was on track to meet its target headcount by the end of the financial year.
- 5.2 The CEO provided an update on progress against budget and noted that the quarterly management information pack would be shared with the Board in early January.

6 YouGov Research – Audit Committee Chairs’

- 6.1 The Board considered the findings of a research project undertaken by the YouGov research agency on Audit Committee Chairs’ views on, and approach to, audit quality. The Board discussed the key findings and noted that the findings showed a range of approaches to audit quality.
- 6.2 The Board discussed next steps and recommended that consideration be given to establishing more opportunities to hear from Audit Committee Chairs and share information on audit quality with them. The Board also approved publication of YouGov’s research and agreed that a set of draft standards for Audit Committees could be shared with stakeholders following publication of the reform consultation.

7 AMENDMENTS TO FRS 101 – ANNUAL REVIEW 2020/21 CYCLE

- 7.1 The Board considered a series of proposed amendments to FRS 101 identified as part of the annual review process. The Board noted the IASB had issued 11 amendments since the 2019/20 review and amendments were proposed to the UK standard to allow an exemption from the disclosure requirement introduced by amendments to IAS 16: *Property, Plant and Equipment: Proceeds before Intended Use*. Minor amendments were also proposed as a result of amendments to IAS 1: *Classification of Liabilities as Current or Non-current* and, in response to stakeholder feedback, to remove a reference to IAS 1 that is no longer necessary.
- 7.2 Noting that the proposed amendments had been considered and were supported by the Corporate Reporting Council, the Board approved FRED 77 *Draft amendments to FRS 101 – 2020/21 cycle* for issue.

8 PROPOSED REVISIONS TO ISRE (UK) 240

- 8.1 The Board considered proposed limited revisions to ISRE 2410 (UK): *Review of Interim Information by the independent auditor of the entity* necessary to bring the standard up to date with current positions in relation to “Going Concern”. The Board noted the proposed amendments would align ISRE 2410 (UK) with recent revisions to ISA (UK) 570 *Going Concern*, the UK Corporate Governance Code and expectations of directors and practitioners in this area.

- 8.2 Noting the proposed amendments had been considered, and were supported, by the Audit & Assurance Council and the Codes & Standards Committee, the Board approved the issue of the Exposure Draft for a 3-month consultation period. The Board noted the intention was that the final revised standard would be completed by April 2021 and would have an effective date of periods commencing on or after 15th December 2021 with early adoption permitted and encouraged.

9 TRANSFORMATION PROGRAMME UPDATE

- 9.1 The Board considered a report on the work of the Transformation Programme, incorporating recommendations arising from the Kingman review, the CMA's market study and the Brydon review, together with organisational changes associated with becoming ARGA. The Board noted the updated planning assumptions, the Programme risk dashboard and a summary of the Government's Regulatory Impact Assessment.
- 9.2 The Board welcomed the progress that had been made since the last report and that the consultation document was nearing finalisation. Discussion centered on ARGA's statutory objectives, in particular the audit quality and competition objectives, and steps that could be taken should there be any delays to the legislative timetable. The Board also discussed the need for international co-ordination and welcomed steps that had been taken to engage with relevant overseas regulators.

10 REPORT FROM THE CONDUCT COMMITTEE CHAIR

- 10.1 The Board noted confirmed minutes of the Conduct Committee meeting held on 13 October 2020 and an oral report of matters considered by the Conduct Committee at its meeting on 12 November 2020. The Board then considered a bi-annual report on the work of the Professional Oversight team and considered the following recommendations from the Committee:

RSB Revocation

- 10.2 The Board noted the Institute of Chartered Accountants of Scotland ("ICAS") wished to surrender its status as a Recognised Supervisory Body (RSB) for local audit, under Schedule 5 of the Local Audit and Accountability Act 2014, as it was no longer authorising any firms to carry out local audits in England. The Board approved the Revocation Order necessary to effect surrender of ICAS's status as a RSB and delegated the signing of the order to the General Counsel.
- 10.3 The Board then discussed the FRC's role in relation to local audit, noting the fragility of the local audit market, and pending the Government's response to the Redmond Review of local authority financial reporting and external audit.

Annual Report to the Crown Dependencies

- 10.4 The Board approved the issue of the Annual Report to the Crown Dependencies before the deadline of 31 December 2020.

11 REPORT FROM THE CHAIR OF THE CODES AND STANDARDS COMMITTEE

- 11.1 The Board noted draft minutes of the Codes & Standards Committee meeting held on 4 November. The Board noted the Committee had discussed the valued input that external observers bring to the deliberations of the Committee and the view of the Committee was that external observers should continue to attend Committee meetings in the new governance structure.

12 REPORT FROM THE CHAIR OF THE PEOPLE COMMITTEE

- 12.1 The Board noted draft minutes of the People Committee meeting held on 5 November and a summary of matters that would be discussed at the 9 December meeting. The Board also noted a summary of agreed actions identified in response to the 2020 People Survey.

13 FORWARD PLAN

13.1 The Board noted the forward plan. It was noted that a suite of documents relating to EU Exit would be circulated to the Board for approval in writing.

14 AOB

14.1 There was no other business.

15 PRIVATE SESSION

15.1 The Board met for a private discussion without members of the Executive present.

Date of Next Meeting

Wednesday 9 December 2020 at 10am.

Signature:
Keith Skeoch – Chairman

Date:.....