

## Financial Reporting Council

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

PRESENT:	Baroness Hogg Stephen Hadrill Richard Fleck Jim Sutcliffe Mark Armour Peter Chambers Elizabeth Corley Gay Huey Evans Olivia Dickson Nick Land Roger Marshall Paul George Melanie McLaren	Chairman Director & Chief Executive Chairman, Conduct Committee Chairman, Codes & Standards Committee Non-executive Director Non-executive Director Non-executive Director Non-executive Director (By telephone) Chairman, Actuarial Council Chairman, Audit & Assurance Council Chairman, Accounting Council Executive Director, Conduct Executive Director, Codes & Standards
IN ATTENDANCE:	Anne McArthur Chris Hodge David Andrews  Marian Williams Graham Clarke Peter Timberlake Jenny Carter Gareth Rees	Secretary Executive Director, Strategy Head of Organisational Development (Item 4a) Director, Codes & Standards (Item 4a) Director of Finance (Item 4a) Head of Communications (Item 4a) Project Director, ARPT (Item 4b) Executive Counsel (Item 5c)

Apologies were received from Glen Moreno and Keith Skeoch.

### 1 MINUTES

- 1.1 The Board approved the minutes of the meeting held on 31 October 2013 for publication subject to minor amendments.

*Matters arising*

- 1.2 There were no matters arising.

*Action points*

- 1.3 The Board noted that the JFAR, a group comprising the FRC, PRA, FCA, tPR and IFoA had been convened by the FRC and would collaborate to address actuarial oversight risks. The first major project would be the development of a risk map.
- 1.4 The FRC would attend UKLA Listing Advisory Committee where governance issues were to be discussed. David Lawton would be invited to attend CSC meetings as a contributor.
- 1.5 On audit firm contingency planning, the PCAOB had confirmed at a recent meeting that they remained keen to collaborate.
- 1.6 The Board noted the action points.

## **2 CHIEF EXECUTIVE'S REPORT**

2.1 Mr Haddrill introduced his report.

2.2 Discussion included the following points and observations:

- Recent press reports on specific disciplinary cases had again raised the issue of how much the FRC was able to say in public;
- A thematic review of the quality of bank audits would be undertaken and the audit firms would be put on notice at a senior level and consideration would be given to the best way of engaging with audit committee chairs;
- EFRAG had requested that national standard setters commit to funding over the next year in view of the financial difficulties it was experiencing. More insight was needed into the issues and the European Commission position;
- The trilog on audit scheduled for the previous day had not proceeded and had been deferred to January with a consequent risk that the trilog would not in fact take place until after the European elections;
- A project was being scoped in relation to dividend capacity and it was anticipated that a public call for engagement would be issued in the new year.

2.3 The Board noted the Chief Executive's report.

## **3 COMMITTEE CHAIR REPORTS**

### ***Reports from CSC meetings of 30 October & 22 November 2013***

3.1 Mr Sutcliffe introduced his written report and drew to the Board's attention the effectiveness review of the Councils which had shown that the Councils were working well with good support. The CSC had further discussed how it would provide more input on the drafting of standards before tabling to the Board in accordance with the proposals tabled at the last Board meeting and this process was being developed by Ms McLaren.

### ***Report from CC meeting of 20 November 2013***

3.2 Mr Fleck introduced his report and drew attention to the impending publication of two thematic reviews (fraud and irregularity; and materiality) which would be circulated to Board members before publication. He also reported on the CC's away day which had resulted in a clear action plan and objectives and that progress would be monitored against the plan and objectives.

### ***Report from Nominations Committee meeting of 31 October 2013***

3.3 The Chairman introduced her report and provided an oral report of the further meeting of the Committee immediately before the Board meeting. Her report included that the BIS search for her successor continued and that she had agreed to stay on as Chairman until 1 May 2014. The Committee had discussed the successor to Mr Fleck as Chair of the Conduct Committee and its recommendations would be dealt with under any other business. The search for non-executive Directors continued and appointable candidates had been identified subject to references: it was anticipated that it would be possible to put a firm proposal to the Nominations Committee (and then the Board) in the near future.

### ***Report from Audit Committee meeting of 21 November 2013***

3.4 Mr Land reported that matters considered by the Committee included the 2014/15 budget, the FRC risk register and the half year accounts and had discussed the possibility of adopting FRS before making any recommendation to the Board.

3.5 The Board noted the Committee Chair reports.

#### **4 FOR BOARD APPROVAL AND ISSUE**

##### ***a. Draft Plan & Budget 2014/15 for consultation (including update on Risk Register)***

4.1 Mr Haddrill introduced the paper.

4.2 The Board discussed the documents tabled and

- Approved the draft Plan & Budget and Levy Proposals 2014/15 for publication subject to the amendments suggested during discussion;
- Agreed that the consultation document should be published in December and invite responses by the end of February 2014;
- Agreed that the press notice should be recirculated to Board members before issue; and
- Noted the draft risk register.

##### ***b. FRED 53: Amendments to FRS 101***

4.3 Ms Carter introduced the paper explaining that the amendments arose as a result of the amendments to IFRS which were deregulatory in that they allowed groups to prepare subsidiary accounts on a reduced disclosure basis. Mr Marshall confirmed the Accounting Council's approval of the Exposure Draft and Mr Sutcliffe confirmed that the CSC had reviewed the Exposure Draft and recommended its approval.

4.4 The Board discussed the frequency of changes to standards and noted the FRC's earlier commitment to keep FRS up to date with legislation and changes to IFRS until the required adoption date and that a paper would be provided to the Board on the later FRS programme. The Board also noted that consideration would be given to a later commitment to updating standards on e.g. a 2 year cycle.

4.5 The Board approved the issue of FRED 53 for publication with a 3 month consultation period.

#### **5 FOR BOARD APPROVAL AND DISCUSSION**

##### ***a. The FRC and its Regulatory Approach (including Transparency Arrangements)***

5.1 Ms McArthur presented the paper and proposed publication of the document after the draft Plan & Budget had been published for consultation.

5.2 The Board suggested some amendments to the document and agreed to provide any further drafting comments following the meeting.

##### ***b. The Operation of Conduct Activities***

5.3 Mr George introduced the paper which highlighted the risks to the FRC model and proposed that the FRC's powers be revisited in three areas.

5.4 The Board discussed the proposal and requested that it be developed for further discussion by the Board and that a later report should also include discussion on the FRC's oversight activities.

##### ***c. Challenges to the Operation of the Disciplinary Schemes***

- 5.5 Mr Rees presented the paper.
- 5.6 The Board discussed whether the Scheme was the right way to investigate members of the professional bodies (participating in the Scheme) who held positions in corporate entities and noted the limitations in only being able to investigate those directors who were also members and the difficulties in obtaining evidence in relation to those who were members.

## **6 FOR AGREEMENT TO PROCEED:**

### ***a. Annual Corporate Governance Monitoring Report***

- 6.1 Mr Hodge presented the paper and Mr Sutcliffe confirmed that an earlier draft had been considered by the Codes & Standards Committee and the changes reflected the Committee's input.
- 6.2 The Board discussed the tone and content of the report and the likely scope of possible changes to be made to the Corporate Governance and Stewardship Codes in 2014. An updated draft of the Report would be agreed with the Chairman, Chief Executive and Chairman of the Codes & Standards Committee before circulation to Board members.

### ***b. Response to Competition Commission***

- 6.3 Mr George presented the paper.
- 6.4 The Board discussed each of the remedies proposed by the Competition Commission which involved further action by the FRC and noted that the FRC's response was due on 13 January 2014 and would be circulated to Board members.

## **7 OUTLINE BOARD CALENDAR 2014**

- 7.1 The Board noted the outline Board calendar.

## **8 ANY OTHER BUSINESS**

- 8.1 On the recommendation of the Nominations Committee, the Board agreed:
- to appoint Mr David Childs as Chair of the Conduct Committee and as a Board member on a date to be agreed with the Chairman.
  - to reappoint Mr Fleck as Chair of the Conduct Committee and as a Board member from 1 January 2014 to the date on which Mr Childs is appointed; and
  - to reappoint Mr Fleck as Chair of the FRRP from 1 January 2014 to 31 December 2014 (and continuing as a member of the Conduct Committee from the end of the reappointment approved above to 31 December 2014).
- 8.2 The Board agreed to delegate to a committee comprising the Chair of the Audit Committee, the Chief Executive and the Executive Director, Codes & Standards the approval of a contract for IT services.

## **9 NEXT MEETING**

- 9.1 Wednesday, 29 January 2014 at 8.30 am