

**Financial Reporting Council**

**Minutes of a meeting of the Board of Directors of the Company  
held on 5 December 2018 at the FRC, 8<sup>th</sup> Floor, 125 London Wall, EC2Y 5AS**

PRESENT:	Sir Winfried Bischoff Gay Huey Evans Mark Armour Sir Brian Bender David Childs John Coomber Olivia Dickson Paul Druckman Stephen Haddrill Nick Land Keith Skeoch Julia Unwin Jenny Watson Mark Zinkula	Chairman Deputy Chairman (by phone from item 5) Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director (until item 4 (part)) Non-Executive Director Non-Executive Director (by phone)
IN ATTENDANCE:	David Andrews Mark Babington Elizabeth Barrett Keith Billing Mario Dunn  Paul George  Anne McArthur Siobhan O'Shea Truda Scriven Mike Suffield  Tara Trousdale Tracy Vegro	Relationship Manager for BEIS (items 6 and 9) Deputy Director of Audit Policy (for item 7 only) Executive Counsel Project Director (for items 9 and 10) Director, Strategic Communications (for items 4(part)), 7 and 8) Executive Director, Corporate Governance & Reporting General Counsel & Company Secretary Committee Secretary (minutes) Interim Board Secretary Acting Executive Director, Audit & Actuarial Regulation Finance Director (item 9 only) Executive Director of Strategy & Resources
APOLOGIES:	None	

**1 QUORUM AND OPENING OF MEETING**

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

**2 DECLARATIONS OF INTEREST**

2.1 The Board noted that John Coomber had been appointed as Non-Executive Director of Ecospray. This appointment had been considered and supported by the Nominations Committee.

**3 MINUTES & MATTERS ARISING**

3.1 The minutes of the Annual General Meeting of the Financial Reporting Council Limited held on 17 October 2018 were approved by Board members in their capacity as Members of the Company.

3.2 Subject to minor amendments, the Board approved the minutes of the FRC Board meeting held on 17 October 2018 for publication.

3.3 The matters arising log was noted.

#### 4 CHIEF EXECUTIVE'S REPORT

4.1 Mr Haddrill introduced his report. Discussion included the following points and observations:

- *Kingman Review of the FRC* - the review recommendations were due to be published shortly before Christmas. The steps that would need to be taken immediately afterwards were discussed. Early communication with staff would be undertaken.
- *Sarbanes-Oxley* - the Board considered the merits and disadvantages of incorporating some aspects of the SOX approach into the UK regulatory regime. The importance of preserving the good practice of the UK regulatory regime, and ensuring it remained proportionate, were also commented on.
- *Board guidance on risk management* – it was confirmed that the FRC's guidance on *Risk Management and Related Financial and Business Reporting* would be reviewed before the end of 2019.
- *Select Committee hearings* – the FRC would be invited to give evidence to two BEIS Select Committee inquiries on audit (including the Kingman Review) and executive pay early in the new year.
- *Competition* – the Competition and Markets Authority (CMA) would announce the conclusions of its review of the audit market shortly, following which any implications for the FRC would be considered.
- *EU withdrawal* - the FRC continued to work closely with BEIS on preparations for exiting the European Union (EU).

4.2 The Board would be asked to take a decision in principle by written procedure to enter into a Memorandum of Understanding (MoU) with the Chinese Regulatory authorities in support of the Stock Connect project, the signing authority to be delegated to the Executive.

4.3 Ms Barrett introduced her quarterly report on main activities in the Enforcement Division including an update on progress on current investigations and on process improvements and resourcing matters. The Board noted that the Audit Enforcement Procedure (AEP) would be reviewed following the conclusion of the Kingman Review.

4.4 Update reports from the Acting Executive Director, Audit and Actuarial Regulation and the Executive Director, Corporate Governance and Reporting were noted. Mr Suffield agreed to revisit the current timetable for completing the post implementation review of the 2016 Ethical and Auditing Standards, with a view to determining whether this could be finalised earlier than October 2019. The Board would be kept updated on developments regarding this review.

#### 5 CHAIRMAN'S AGENDA

5.1 The Chairman noted that in accordance with the UK Corporate Governance Code (the Code), it was the FRC's normal practice to undertake an annual effectiveness review of the Board, its committees and members. Whilst the next review had been scheduled to commence in January 2019, the Chairman proposed and the Board agreed that this should

be deferred until later in the year following the outcome of the Kingman Review. An explanation of the rationale for this approach would be included in the Annual Report.

- 5.2 On the recommendation of the Nominations Committee, the Board approved the extension of Keith Skeoch’s term as a member of the FRC Board and Codes and Standards Committee to 31 July 2019 (5 months).

## 6 OPERATIONS REPORT

- 6.1 Ms Vegro introduced a report on the FRC’s responsibilities as a public body and general operational matters. From April 2019, and in line with other public bodies, the FRC would move to the government accounting system. An explanation of this matter would be included in the Annual Report.
- 6.2 The Board expressed continuing concern about the ongoing delays to BEIS approval of the FRC’s 2018/19 pay settlement and asked that this be taken up with BEIS by the Chairman.
- 6.3 The Board noted that in order to accommodate increasing staff numbers, options for introducing hot desking were currently being explored.

## 7 AUDIT MATTERS: CASS POST IMPLEMENTATION REVIEW

- 7.1 A report introduced by Mr Babington set out the proposed approach to seeking input to support a post implementation review on the FRC’s Client Asset Assurance Standard (CASS) – *Providing Assurance on Client Assets to the Financial Conduct Authority*. Now that the standard had been in place for three years, it was generally recognised, by both the Financial Conduct Authority (FCA) and industry, to have had a positive impact on the quality of CASS audit work.
- 7.2 The Board approved the approach to the review and the draft Call for Feedback documentation for publication.

## 8 COMMUNICATIONS PLAN

- 8.1 The Board had previously approved the FRC’s Communications Strategy. Mr Dunn introduced the underpinning plan to support the strategy. The Board considered the plan and made various suggestions for its further development. Whilst recognising the inherent difficulties of establishing meaningful outcome measures for this type of activity, the Board suggested that assessing target outcomes would be helpful to measure the impact of FRC communications.

## 9 RISK AND ASSURANCE – GIAA RECOMMENDATIONS

- 9.1 The Board considered the risk appetite statement, which had already been reviewed by the Audit Committee and amended on the basis of its recommendations. The Board observed that the statement was a high-level document, which would need to be periodically revised to take account of changes to the external environment and/or organisational risk appetite. The Board noted that the statement would need to be underpinned by a well-articulated organisational risk framework. It was confirmed that the FRC Risk Register and Principal Risks would be reviewed in early 2019.
- 9.2 The Risk Appetite statement was approved.

## **10 ADOPTION OF ISA (UK) 540 (REVISED DECEMBER 2018)**

- 10.1 In July 2018, the FRC issued a public consultation on the proposal to revise ISA (UK) 540 based on the international standard. Mr Billing introduced the report, explaining that having reviewed the consultation responses received, it had been concluded that no further changes were needed to finalise the standard.
- 10.2 The Board approved:
- i. The adoption of the revised ISA (UK) 540 (Revised December 2018); and
  - ii. The conforming amendments to other ISAs (UK), to be effective for the audits of financial statements for accounting periods beginning on or after 15 December 2019.

## **11 COMPLAINTS**

- 11.1 Ms McArthur introduced a report on the FRC's Complaints Procedure, which reviewed complaints received about the organisation over the previous 3 years. The Board noted that the newly appointed FRC Independent Complaints Reviewer (ICR), Mr Walter Merricks OBE, was currently conducting his first review.
- 11.2 Establishing an Unreasonable Complaints and Communications Policy was welcomed by the Board.
- 11.3 The Board approved:
- i. The suggested amendments to the FRC Complaints Procedure set out at Appendix 2 to the paper; and
  - ii. The Unreasonable Complaints and Communications Policy set out at Appendix 2, subject to liaison with BEIS to ensure alignment with the department's policy.

## **12 COMMITTEE CHAIR REPORTS**

### *Report from the Audit Committee*

- 12.1 The Board noted draft minutes of meeting of the Audit Committee held on 5 November 2018.

### *Report from the Codes & Standards Committee*

- 12.2 The Board noted draft minutes of a meeting of the Codes & Standards Committee held on 6 November 2018.

### *Report from the Conduct Committee*

- 12.3 The Board noted draft minutes of a meeting of the Conduct Committee held on 13 November 2018.

### *Report from the Nominations Committee*

- 12.4 The Board noted draft minutes of a meeting of the Nominations Committee held on 20 November 2018, including the current exercise to recruit two new members of the Board.

