

## Financial Reporting Council

### Minutes of a meeting of the Board of Directors of the Company held on 27 January 2016 at 8<sup>th</sup> Floor, 125 London Wall

PRESENT:	Sir Winfried Bischoff Gay Huey Evans Mark Armour Stephen Haddrill David Childs John Coomber Elizabeth Corley  Olivia Dickson Paul George Ray King Nick Land Roger Marshall Melanie McLaren Keith Skeoch	Chairman Deputy Chairman Non-Executive Director (by phone) Chief Executive Non-executive Director Non-executive Director Non-executive Director (except for minute 4.2) Non-executive Director Executive Director, Conduct Non-executive Director Non-executive Director Non-executive Director Executive Director, Codes & Standards Non-executive Director (except for minute 4.2)
IN ATTENDANCE:	Anne McArthur Andrew Meek Rossella Pagano Peter Timberlake Shazia Ahmad Kate Cobill Jenny Carter  Noranne Griffith John Grewe David Andrews	General Counsel and Company Secretary Inspections Director, AQR Board Secretary Head of Communications Project Manager (Item 5b) Assistant General Counsel, GLT (Item 5b) Director, UK Accounting Standards (Item 5d)  Conduct Lawyer, GLT (Item 6c) Audit Directive Implementation (Item 5e) Head of Organisational Development (Item 6a)

Apologies were received from Sir Brian Bender.

#### 1 DECLARATION OF INTERESTS

It was noted that it had been announced that Ms McLaren has been appointed to the UK Municipal Bonds Agency plc.

#### 2 MINUTES

2.1 The Board approved the minutes of the meeting held on 1 December 2015 for publication.

##### *Matters arising*

2.2 The Board noted the matters arising.

### **3 CHIEF EXECUTIVE'S REPORT**

3.1 Mr Haddrill introduced his report.

3.2 Discussion included the following points and observations:

- On the implementation of the ARD, the Board was updated on the discussion with the Minister;
- On professional discipline and enforcement cases generally, the Board discussed the process, including legal risks, funding costs recovery, statutory delegations to the Conduct Committee (CC) and escalation to the Board. The Board requested a briefing note in respect of discipline funding arrangements and the management of the networks. The Board also requested a teach-in session on discipline and enforcement, including on the new arrangements under the ARD;
- On information sharing, the Board emphasised the need for appropriate protocols with external parties;
- On oversight of audit firms, the Board was informed of the latest developments and discussed different regulatory approaches that the FRC could adopt to enhance oversight of audit firm networks; Ms McLaren agreed to address this in her next 'state of the nation' report. In addition, it was agreed that the Board be provided with an annual 'heat map' of regulatory activity in relation to audit firms;
- The FRC would host the IFIAR plenary meeting in April; in this regard, a note would be circulated to the Board; and
- On company-wide bonus, the Board agreed with the proposals outlined in the paper, noting the specific recommendations of the Remuneration Committee.

### **4 COMMITTEE CHAIR REPORTS**

#### ***a. Report from CSC meetings of 13 January 2016***

4.1 The report was taken as read. Ms McLaren reported that the findings of the second year extended auditor reporting would be published the following day.

#### ***b. Report from CC meeting of 15 December 2015***

*[Mr Skeoch and Ms Corley left the meeting during the discussion of an investor issue in relation to this item]*

4.2 Mr Childs highlighted the significant issues discussed at the Conduct Committee meeting. The Board noted the issues surrounding specific cases under investigation, in particular with regard to conflicts of interests.

#### ***c. Report from Remuneration Committee meeting of 30 November 2015***

4.3 Ms Corley emphasised the good work done and reported to the Remuneration Committee in relation to developing a Leadership and Management Development Programmes and the Future Leaders Programmes.

#### ***d. Report from Nominations Committee meeting of 1 December 2015***

4.4 The Chairman reported that the Nominations Committee had identified Mr Coomber as having the relevant skills and expertise to join the Audit Committee following the

wish of Mr Skeoch to step down from the Audit Committee. On the recommendation of the Nominations Committee, the Board resolved that with immediate effect Mr Coomber be appointed to the Audit Committee (his term to be aligned with his directorship term (end of term July 2018)) and noted the resignation of Keith Skeoch from the Committee. The Chairman thanked Mr Skeoch for his contribution to the Committee.

**e. Codes & Standards quarterly report**

4.5 The quarterly report from the Codes & Standards Executive Director was taken as read. The Board asked that a copy of the ICAS FBU research report on narrative reporting be circulated to the Board.

4.6 The Board noted the reports.

**5 CHAIRMAN'S AGENDA**

**a. Board Effectiveness Review - Update**

5.1 The paper on 'Board Effectiveness Review – Update' was received. The Chairman reported that since the appointment of Independent Audit, the majority of interviews had been scheduled. The Chairman invited the Board to consider the publication of a summarized report of the review for 2015-2016; after a discussion, the Board agreed that a summary of the recommendations be published in the report and accounts for the 2015-2016 reporting period.

**b. FRC Governance**

5.2 The Board received the paper entitled 'FRC Governance'. Following the Board meeting on 1 December 2015, at which the Board considered the FRC's executives and governance structures, the Board was asked formally to approve the appointments consequent to the decisions taken at that meeting. Accordingly, the Board resolved that:

- Mr George step down from the Conduct Committee on 31 March 2016 and be appointed as Executive Director, Corporate Governance and Reporting, to the CSC with effect from 1 April 2016;
- Ms McLaren step down from the Codes & Standards Committee on 31 March 2016 and be appointed as Executive Director, Audit, to the CC with effect from 1 April 2016; and
- Mr Rees be appointed to the Executive Committee with effect from 27 January 2016.

5.3 Ms McArthur reminded the Board of the nature of the CRR function delegated to the Conduct Committee under statute and the reasons why the proposal tabled in December 2015 for a CRR committee to sit under the CSC should be re-considered. The Board agreed that such proposal would not proceed and that the CRR function remained within the remit of the Conduct Committee. The Board noted that the role of the Supervisory Inquiries team following implementation of the new executive and governance structure and the implementation of ARD were under consideration.

## **6 FOR BOARD APPROVAL AND ISSUE**

### ***a. Memoranda of Understanding (Canadian Public Accountability Board (CPAB) and Serious Fraud Office (SFO))***

6.1 Ms Cobill introduced the item, reporting that the Memoranda of Understanding had been considered and recommended by the Conduct Committee. After discussion, the Board agreed to:

- approve in principle that the FRC enter into an MoU with CPAB and SFO respectively, substantially in the forms produced to the meeting; and
- delegate approval of the final CPAB MoU and the final SFO MoU to the Executive Committee.

### ***b. Statement on Charities SORP - Amendments***

6.2 Ms Carter introduced the item, providing the background for the proposed amendment to FRS 102. The Board noted that the simplification of the regime for all charities to apply the same SORP based on FRS 102 was in accordance with the FRC's deregulatory approach. On the advice of the Accounting Council and the recommendation of the Codes & Standards Committee, the Board approved the issue of the FRC's statement in relation to Update Bulletin 1 to the Charities SORP (FRS 102).

### ***c. FRC Whistleblowing policy***

6.3 Ms Griffith reported that the policy had been revised taking into account the comments of the Audit Committee, the points made by the Board at the last meeting and further reviews by the members of the Audit Committee. In the ensuing discussion, the Board considered the respective role of the Audit Committee and management in monitoring the effectiveness of the policy and the options and mechanism in place for enabling employees to raise legitimate concerns, without being adversely affected. The Board suggested some minor drafting amendments and approved the FRC whistleblowing policy, noting that the policy would be published on the intranet. The Board approved the policy.

## **7 FOR DISCUSSION**

### ***a. Update: Audit Regulation and Directive Implementation***

7.1 Ms McArthur introduced the item, reporting on the latest developments since the conclusion of the BIS consultation and FRC consultation. The Board noted the key areas under discussion with BIS, the issues discussed with the Minister and the on-going work surrounding the delegation agreements, AQR and enforcement procedure within the ARD. The Board was informed that a more detailed paper will be presented at the March meeting.

## **8 FOR AGREEMENT TO PROCEED**

### ***a. Deregulation: developing the FRC response***

8.1 Mr Andrews introduced the item, noting that the paper followed up on the discussion on this topic at the Board meeting in December. The Board was informed of the

consultation exercise undertaken both within the FRC and with stakeholders in order to identify deregulatory measures to enable the FRC to contribute to the Business Impact Target set by BIS under the Enterprise Act; these would include actions to reduce the costs associated with existing FRC regulation.

- 8.2 The Board's attention was drawn to the initiatives under consideration to implement a more rigorous and systematic approach for assessing the costs and benefits of regulatory changes, and the reporting on those changes, including further training and guidance to staff in preparing impact assessments and the establishment of an advisory group to review the same.

***b. AQR and CRR Effectiveness Review***

- 8.3 Mr George introduced the item, reporting good progress was being made in implementing the proposals to improve the effectiveness of the AQR and CRR activities. In addition Mr George drew the Board's attention to the proposed draft 'no issues' letter included in the paper and sought the Board's guidance and comments. The Board suggested a few amendments and noted that the draft letter would be subject to external legal review.

**9 OUTLINE BOARD CALENDAR 2016**

- 9.1 The Board noted the outline Board calendar.

**10 ANY OTHER BUSINESS**

- 10.1 The Board noted the decisions approved by way of email since the last Board meeting in December:

- the Review of Audit Firm Governance Code was issued;
- the opening of the deposit account with Santander (approved on 10 Dec 2015); and
- the document on 'Developments in Corporate Governance and Stewardship 2015' (published on 14 January 2016).

**11 NEXT MEETING**

- 11.1 Thursday, 3 March 2016 at 8.30 am.