



Financial Reporting Council

Summary minutes of a meeting of the Board of Directors of the Company held on 6 November 2007 at 71 -91 Aldwych, London, WC2B 4HN

PRESENT:	Sir Christopher Hogg	Chair
	Baroness Sarah Hogg	Deputy Chair (for Item 4 ' <i>operating bodies</i> ' to the end)
	Paul Boyle	Director & Chief Executive*
	Eric Anstee	Non-executive Director
	Peter Chambers	Non-executive Director
	Sir Michael Rake	Non-executive Director (for Item 4 ' <i>Auditing Practices Board</i> ' to the end)
	Sir Steve Robson	Non-executive Director*
	Sir John Sunderland	Non-executive Director
	Lindsay Tomlinson	Non-executive Director
	Mike Fogden	Chair AIDB
	Richard Fleck	Chair APB
	Bill Knight	Chair FRRP
	Ian Mackintosh	Chair ASB
	Paul Seymour	Chair BAS
	*not present for the induction items on the POB, AADB and CCG	
IN ATTENDANCE:	Anne McArthur	Company Secretary
	Stephen Heathcote	Director of Planning & Resources (for Item 5)
	Roger Nicklen	Note Taker

Apologies for absence were received from Rudy Markham and Sir John Bourn. The Chairman welcomed the new Non-Executive Directors.

1 LEGAL FORMALITIES AND SUMMARY MINUTES

1.1 The Board:

- a. formally acknowledged the appointments as Non-Executive Directors of Eric Anstee, Peter Chambers, Rudy Markham, Sir Michael Rake, Sir Steve Robson and Lindsay Tomlinson,
- b. accepted the resignations as directors of Barbara Thomas Judge, Tim Breedon and Paul Druckman and the resignation of Sir John Sunderland of his previous appointment as director as appointed by the Secretary of State,
- c. instructed the Company Secretary to complete all necessary paperwork in relation to incoming and outgoing directors and to file the required forms at Companies House.
- d. confirmed the appointment of Paul Boyle as Chief Executive and as a Director.



- 1.2 The Board considered a proposal to publish summary Board minutes in accordance with the FRC's commitment to transparency in its Strategic Framework and confirmed its support for the proposal, resolving that summary minutes should be published after their approval by the Board at the following meeting.

2 MINUTES

The Board consented to the Chairman signing the minutes of the meeting held on 11 September 2007 as a true and correct record.

3 BOARD INDUCTION

Chairman's Introduction

- 3.1 The Chairman introduced the business before the first meeting of the new Board together with his thoughts on accountability, the role of Committees and the structure of the organisation. Detailed proposals aimed at spreading the load of committee work would be made shortly.
- 3.2 The Board approved the proposals in relation to the establishment of an Executive Committee chaired by the Chief Executive, comprising the operating body (OB) chairs and the two most senior members of the senior management team (SMT) and agreed that non-executive directors should receive full minutes of Executive Committee meetings.
- 3.3 The Chairman confirmed his proposal that the Corporate Governance Committee might be expanded to include members other than Board directors subject to consultation with the director members of the Corporate Governance Committee, when formed.
- 3.4 The Chairman referred to the process for meeting the requirement (imposed on the FRC as a condition of obtaining reclassification of its NDPB status) that the Chairs of OBs, who were to become directors of the FRC, should be appointed (or re-appointed) in accordance with public appointment principles. The Board discussed the process and the responsibility of the Board in relation to the appointment of OB members and Chairs and also for the oversight of the OBs including ensuring their effectiveness and efficiency.

Chief Executive's Introduction

- 3.5 Mr Boyle introduced his paper which set out an historical perspective on the development of the FRC together with an outline of the organisation, its regulatory approach and an overview of current priorities.
- 3.6 In discussion the following points were made:
- In coordinating private sector problems and discussing real issues with practitioners it was usually possible to progress towards a solution.
 - Evaluations of Board and OB board performance would be of considerable help in improving the effectiveness of the organisation.
 - Whilst there was some concern about the policy of running the FRC with a very limited reserve, it was noted that the policy was in accordance with the government's public expenditure rules which strongly discouraged agencies sitting on money.



- d. It was fairly evident that there was going to be a considerable degree of risk in relation to the valuation of liquid assets by financial institutions in their December 2007 year ends and the FRC's activities in response to this risk were discussed.
- e. In further discussion of "credit crunch" issues, it was noted that it would be important that the FRC did not allow the necessity of moving forward with internal issues, such as the appointments of OB chairs, to distract it from keeping in touch with events.

Briefings from operating body Chairs

- 3.7 The Board had received briefing papers from each of the operating body Chairs and on the Committee on Corporate Governance (CCG). Operating body Chairs were invited to supplement their papers as necessary.

Accounting Standards Board (ASB)

- 3.8 The importance of the situation on accounting standards in the EU not getting out of control was emphasised. There was the potential over the next few months for decisions to be taken on adoption of IFRS in the EU that could result in EU listed entities reporting on a basis that was different from IFRS users outside the EU and which could have serious implications for the UK market.

Auditing Practices Board (APB)

- 3.9 Priority issues for the APB were the movement from current auditing standards to standards recognised under the European Statutory Auditing Directive and the challenge of smaller audits.

Board for Actuarial Standards (BAS)

- 3.10 The BAS was now close to publishing a consultation paper in relation to its conceptual framework which would be followed by an exposure draft possibly leading to publication of an agreed framework by the summer of 2008. A priority issue was mortality and what BAS should do in terms of setting a standard. A consultation document was planned for early in 2008.

Financial Reporting Review Panel (FRRP)

- 3.11 The considerable efforts made on the part of the FRRP to encourage referrals of matters of concern from the bankers and analysts was emphasised. The FRRP would benefit from help from the City.
- 3.12 On the extent to which the FRRP was expected to be proactive, it was noted that it was the FRRP's practice to pick up on matters raised in the Press and to encourage people to come to the FRRP with their concerns. The FRRP used its own sampling techniques and carried out an annual risk analysis but complaints were always better because there would be something specific to investigate.

Accountancy and Actuarial Discipline Board (AADB)

- 3.13 Priority issues were the continued consideration of new matters and the board's review of the accountancy Scheme which would be amended following consultation with the profession and the public.



4 ROUTINE BUSINESS

Regulatory Strategy

- 4.1 Mr Boyle invited the Board to approve the draft Regulatory Strategy for publication. The new members of the Board might not feel ready to approve the Strategy but there was a strong case for not deferring publication because the existing version was dated May 2006 and was out of date.
- 4.2 The Board commended and approved the Regulatory Strategy for publication subject to suggested amendments.

Draft Plan and Budget 2008/09

- 4.3 Mr Boyle introduced the Draft Plan & Budget for 2008/09 for discussion rather than decision. The Draft Plan & Budget would be submitted for formal approval at the Board's next meeting.
- 4.4 Mr Boyle explained that there was a requirement for the FRC to publish its budget. The practice had been to publish a draft Plan & Budget shortly before Christmas each year, leave it open for comment for three months and take account of those comments in deciding on the Plan and Budget for the ensuing financial year.
- 4.5 On the budget, Mr Boyle explained that the FRC had a track record of modest budget increases. The budget three years previously had been £10 million and the FRC's responsibilities had increased significantly since then. The draft paper proposed a 9% increase for 2008/09 and set out reasons for the increase. The budget remained modest in comparison with comparable organisations. The effect of the 9% increase on the levy was higher because BERR had abandoned the previous arrangement of meeting one third of the FRC's core operating costs and there was no alternative to filling the gap equally from the levy on the accountancy profession and business.
- 4.6 Directors commented on the presentation of the draft Plan. As regards the budget the Directors noted the government's position on funding and that the reasons for the additional increase in levy would have to be explained accordingly. It was important for the profession and the markets to have a strong and effective regulatory body that was efficient and fit for purpose. The price of that in the case of the FRC was indeed small compared with other regulators. Provided care was taken to control the organisation's efficiency and effectiveness, increases should be seen in the context of increasing inflation and the increasing range and complexity of the matters being tackled. The key issue was to ensure that the FRC had enough staff of the right calibre to engage effectively with all the issues it now had to deal with.

5 NEXT MEETING

- 5.1 Tuesday 11 December 2007 at 2.00 p.m.