

Financial Reporting Council

**Minutes of a meeting of the Board of Directors of the Company
held on 23 January 2019 at the FRC, 8th 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 Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director (by phone to minute 8) Chief Executive Officer Non-Executive Director Non-Executive Director (by phone) Non-Executive Director Non-Executive Director Non-Executive Director
IN ATTENDANCE:	Anthony Appleton David Andrews Elizabeth Barrett Jenny Carter Claudia Chapman Mario Dunn Paul George Anne McArthur Olivia Mooney Jen Sisson David Styles Tara Trousdale Tracy Vegro Marian Williams Truda Scriven	Director of Accounting and Reporting (minute 11) Relationship Manager for BEIS (minutes 6 to 8) Executive Counsel Director of UK Accounting Standards (minute 11) Policy Advisor, Corporate Governance (minute 9) Director, Strategic Communications (minutes 4 and 5) Executive Director, Corporate Governance and Reporting General Counsel & Company Secretary Policy Advisor (minute 9) Chief of Staff (minutes 4 and 5) Director of Corporate Governance (minute 9) Finance Director (minutes 6 to 8) Executive Director of Strategy & Resources Director, Audit (minute 12) Interim Board Secretary
APOLOGIES:	None	

1 QUORUM AND OPENING OF MEETING

1.1 The quoracy of the meeting was confirmed by the Chairman who opened the meeting.

2 DECLARATIONS OF INTEREST

2.1 An external NED appointment of Sir Brian Bender had been considered and supported by the Nominations Committee.

2.2 There were no other declarations of interest not already registered.

3 MINUTES & MATTERS ARISING

- 3.1 Subject to minor amendments, the Board approved the minutes of the FRC Board meeting held on 5 December 2018 for publication.
- 3.2 The schedule of matters arising was noted.

4 KINGMAN RECOMMENDATIONS AND CMA UPDATE

- 4.1 The Board discussed in detail the Kingman report and the recommendations.
- 4.2 It was noted that the Board working group had met with Sir John Kingman and BEIS on 14 January which had helped clarify some aspects of the report.
- 4.3 The Board agreed that it was important to move ahead and implement as many recommendations as possible; although noting that some recommendations could not be progressed without legislation and that BEIS would consult on recommendations, possibly in phases.
- 4.4 A joint FRC/BEIS project board was being set up to oversee implementation of the recommendations.
- 4.5 The FRC welcomed the CMA's update paper on the audit market. At a separate meeting on 15 January, the Board had reviewed the paper and provided reflections on CMA's proposed remedies. A response letter had been sent to CMA and circulated to the Board.

5 CHIEF EXECUTIVE'S REPORT

- 5.1 The Chief Executive introduced his report. Discussion included the following points and observations:
- *EU withdrawal* - the FRC continued to work closely with BEIS on preparations for the potential 'no-deal' exit of the European Union (EU).
 - *Audit reform* - Sir Donald Brydon had agreed to undertake the planned review of the purpose and scope of audit.
 - *Enforcement* - reforms to enhance efficiency and ensure consistency across cases were being implemented. A liaison meeting had been held with the Insolvency Service, tPR and FCA.
 - *Corporate reporting* - a new project on the future of Corporate Reporting had been established.
 - *Staff and operational matters* - Staff welcomed and were positive about the Kingman recommendations for FRC to transform into the new Audit, Reporting and Governance Authority, but understandably had questions about the implementation and scale of change ahead.
- 5.2 Planning for the creation of the IFRS Endorsement Board was ongoing. BEIS were preparing the draft Statutory Instruments and undertaking the recruitment of the Chair. BEIS had set a goal of this being established by December 2019. BEIS itself was responsible for the first step, recruiting the Chair. The existing FRC team would handle IFRS matters until the Board was established. Progress was dependent on the Parliamentary approval of the Statutory Instruments.

5.3 Update reports from the Acting Executive Director, Audit and Actuarial Regulation and the Executive Director, Corporate Governance and Reporting were noted.

5.4 A draft briefing note had been prepared for the Chief Executive ahead of his appearance at the BEIS Select Committee. The note would be redrafted to more strongly promote the FRC's transitional position following the publication of the Kingman report. It should also state that the FRC was pleased that Sir John Kingman had accepted most of the FRC's own recommendations.

6 OPERATIONS REPORT

6.1 Two major projects: preparations for a possible 'no-deal' EU exit and the implementation of the Kingman recommendations, were highlighted by the Executive Director of Strategy and Resources.

6.2 BEIS had confirmed the principal operational focus for its partner bodies: to ensure that contingency plans, and the resources to deliver them, were in place to manage a 'no-deal' EU exit. In co-operation with BEIS, there were project plans and joint programme management to cover 'no-deal' preparations. The biggest risk remained a 'no-deal' EU exit without any transitional arrangements.

6.3 It was agreed to focus FRC resources on actions that did not require new legislation, and which signalled the FRC's evolution into the new Authority. In relation to FRC's status and Managing Public Money, the Board noted the GIAA feedback complementing FRC on its successful and speedy implementation of all their report recommendations.

6.4 Disappointment was expressed by the Board that, despite best efforts, approval of the FRC's 2018/19 pay settlement remained outstanding. It needed final ministerial approval.

6.5 The Finance Director's report presenting the financial position at 31 December 2018 was noted.

6.6 The Project and Activity Tracker summarising progress on major projects and activities was noted.

7 CHAIRMAN'S AGENDA

7.1 The Chairman updated the Board on his recent meetings with BEIS.

7.2 The Board strategy day on 20 March 2019 would continue as planned. A draft agenda for the day would be circulated taking into consideration the comments made at the meeting.

7.3 A meeting of the Nominations Committee in February would consider advice to BEIS for progressing the Kingman recommendations on Board size and composition.

8 DRAFT PLAN AND BUDGET 2019/20

8.1 A paper had been circulated asking the Board to approve for publication the FRC's Draft Plan, Budget and Funding for 2019/20. It was subject to review by the Audit Committee.

8.2 The consultation document would include the actions and resources needed to discharge current responsibilities, the work that flowed from EU exit, and the phased implementation of the Kingman recommendations.

- 8.3 The Board's comments on the draft Plan and Budget 2019/20 would proceed to the Audit Committee. The Audit Committee would ensure the consultation document was developed and recommend the final version to the Board for issue. That would need to include a Business as Usual scenario with a carefully calibrated estimated range of the financial implications of the Kingman and other proposals.

9 STEWARDSHIP CODE CONSULTATION

- 9.1 Following an initial public consultation (as part of the UK Corporate Governance Code review) the FRC had undertaken extensive outreach on a substantial revision of the new UK Stewardship Code. In the detailed documents circulated for consideration, account had been taken of the views of the Codes and Standards Committee, the Board and comments in the Kingman report. A revised opening paragraph would set out why the new Code should result in better corporate behaviour.

- 9.2 The proposed new Stewardship Code and consultation document were reviewed and approved for publication. It was noted that a joint Discussion Paper (*Building a regulatory framework for effective stewardship*) by FCA, FRC and HMT would be issued alongside the FRC Code consultation.

- 9.3 The Board commended the team for their work and the breadth and quality of the engagement process undertaken.

10 COMMITTEE CHAIR REPORTS

Report from the Codes and Standards Committee

- 10.1 The draft minutes of the Codes and Standards Committee meeting held on 9 January 2019 were noted.

Report from the Conduct Committee

- 10.2 The oral report from the Chairman of the Conduct Committee on the meeting held on 15 January 2019 was noted.

11 ACCOUNTING AND REPORTING POLICY

FRS 101

- 11.1 FRS 101 was reviewed annually. The 2018/19 review had been conducted in line with the normal timetable. It included consideration of IFRS 17 Insurance Contracts, held over from the previous year, along with other amendments to IFRS that had been issued since the last annual review. The Board considered the risks regarding the references to IFRS 17 whilst the endorsement process was ongoing.

- 11.2 The proposed amendments to FRS 101 were agreed and FRED 70 approved for issue.

FRS 102

- 11.3 An issue had arisen relating to accounting for defined benefit pension plans when improved information about the plan had become available. In order to respond to this matter, it was proposed to amend FRS 102. This would provide clarity to stakeholders and consistency for users of the financial statements of affected entities.

- 11.4 The proposed amendment to FRS 102 was agreed and FRED 71 approved for issue.

- 11.5 It was agreed that, for future papers revising technical standards, there would be a fuller accompanying narrative on the wider sector context and economic impact.

12 FRC AS A COMPETENT AUTHORITY

- 12.1 The bi-annual review of FRC as a competent authority had been conducted and circulated.
- 12.2 The Conduct Committee had considered the paper and supported its conclusions. The Committee recommended the Board agree that the FRC had complied with legislative requirements and fulfilled its responsibilities as Competent Authority.
- 12.3 It was agreed that the FRC had performed the regulatory tasks set out in the designating legislation and overseen the Recognised Supervisory Bodies (RSBs) in their performance of the tasks delegated to them by the FRC.
- 12.4 It was concluded that the FRC had met its legal responsibilities as competent authority.

13 FORWARD PLAN

- 13.1 The forward plan was noted.

14 ANY OTHER BUSINESS

- 14.1 There was no other business.

15 DATE OF NEXT MEETING

- 15.1 Wednesday 21 March 2019.



Chairman

