

Financial Reporting Council

Minutes of a meeting of the FRC Board held by Teams on 30 March 2021

PRESENT:	Keith Skeoch	Chairman
	David Childs	Non-Executive Director
	John Coomber	Non-Executive Director
	Sir Jon Thompson	CEO (to item 13)
	Jenny Watson	Non-Executive Director
	Dame Julia Unwin	Non-Executive Director
IN ATTENDANCE:	Francesca Carter	Company Secretary
	Alex Kuczynski	Executive Director, Corporate Services & General Counsel (to item 13)
	Kate Davies	Deputy Executive Counsel (Items 4.4-4.5 and 5.7)
	Miranda Craig	Director of Strategy & Change (items 5.2-5.6)
	Tara Trousdale	Finance Director (items 5.4-5.6 and 7)
	Elizabeth Barrett	Executive Counsel & Executive Director, Enforcement (item 6)
	Chris Watson	Senior Risk Manager (item 7)

1. QUORUM AND OPENING OF THE MEETING

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

2 DECLARATIONS OF INTEREST

- 2.1 The Board noted the People Committee had considered and was supportive of the appointment of Jenny Watson as a non-executive director of the Norfolk Community Trust from June 2021.
- 2.2 All members noted an interest in agenda item 4.2 Board composition and succession planning.

3 MINUTES AND MATTERS ARISING

- 3.1 The Board approved the minutes of the Board meeting of 3 February 2021 for publication subject to a minor drafting amendment.
- 3.2 The matters arising log was reviewed and noted. A Memorandum of Understanding with the PRA was in final stages of drafting.

4 CHAIRMANS REPORT

- 4.1 The Chairman provided an update on meetings with internal and external stakeholders. The Board noted the Chairman had been interviewed by the Financial Times, the article had been published on 26 March 2021.

Board composition and succession planning

- 4.2 The Board noted an update on the Non-Executive Director recruitment process led by BEIS and the Secretary of State's consideration of the Board's recommendations with regards to succession arrangements and the composition of the Board as the FRC transitions to ARGAs. The Board expressed serious concern at continued delay and the impact of the delay on FRC governance and the FRC's ability to progress with full implementation of its revised Governance Structure.
- 4.3 Following discussion, the Board agreed the following interim Committee appointments:

- i. Julia Unwin as Chair of the Regulatory Standards and Codes Committee and as a member of the Audit & Risk Committee and People Committee to 31 August 2021.
- ii. Jenny Watson as Chair of the People Committee and member of the Audit Committee to 31 August 2021.
- iii. Keith Skeoch as a member of the Regulatory Standards and Codes Committee and People Committee to 11 October 2021.
- iv. John Coomber as Chair of the Audit & Risk Committee to 22 July 2021.

Governance structure implementation

- 4.4 The Board considered a report that recommended the establishment of the Supervision Committee from 1 April 2021, with, as an interim arrangement pending the appointment of new Non-Executive Directors, the same membership as the Conduct Committee. The Board discussed the benefits of establishing the Supervision Committee and associated risks. It was noted that the newly appointed Senior Advisors to the Supervision Committee would begin attending Committee meetings from 1 April 2021. The Board noted that a statutory instrument, to be laid in April 2021, would name the FRC as a person authorised by the Secretary of State for the purposes of powers in section 456 of the Companies Act 2006, where previously the Conduct Committee had been the authorised person. It was intended that the FRC would then delegate these powers and the maintenance of the associated corporate reporting operating procedures to the Supervision Committee. BEIS had confirmed that, in its opinion, such sub-delegation to a Board Committee was permissible.
- 4.5 The Board considered and approved the establishment of the Supervision Committee and the following recommendations necessary to affect the establishment of the Supervision Committee from 1 April 2021:
 - i. The Appointment of David Childs as Chair of the Supervision Committee to 30 May 2021.
 - ii. The appointment of Sean Collins, Anne Whitaker, John Hitchins, Andrew Johnston, Philippa Hardwick and Geoffrey Green as members of the Supervision Committee until 30 September 2021.
 - iii. The reappointment of Philippa Hardwick and Geoffrey Green as members of the Conduct Committee until 30 September 2021.
 - iv. Revised terms of reference for the People Committee.
 - v. Revised terms of reference for the Conduct Committee.
 - vi. Terms of reference for the Supervision Committee.
 - vii. Revised operating procedures to be published following the effective date of the corresponding Statutory Instrument.
 - viii. Revisions to the Schedule of Delegations, subject to a minor drafting amendment, reflecting the delegation of the section 456 powers to the Supervision Committee.
- 4.6 The Board also noted that a written resolution amending the Articles of Association to reflect the introduction of the Supervision Committee and to reduce quorum to two thirds for both directors and general meetings would be circulated to the Board as Members of the Company.

UK Endorsement Board update

- 4.7 The Board considered a report that provided an update on developments in relation to the establishment of the UK Endorsement Board and the FRC's intended relationship with the UK Endorsement Board.
- 4.8 The Board welcomed the update and discussed proposed inserts to the Board's Schedule of Matters Reserved to reflect the FRC Board's oversight responsibilities. It was noted that the view of the executive was that the FRC's independence arrangements could be preserved and managed through the Memorandum of Understanding (MoU) and supporting service level agreement.

- 4.9 The Board:
- i. Noted and endorsed the paper, including the FRC’s entry into a tripartite MoU with BEIS by signature of the CEO.
 - ii. Noted proposed updates to the UKEB subsidiary Articles of Association reflecting operational support to be provide to the UKEB Board.
 - iii. Agreed an amendment to the Board’s Schedule of Matters reserved to the Board to reflect the Board’s oversight responsibilities in relation to the UK Endorsement Board.

5 CEO’S REPORT

- 5.1 The CEO provided an update on staff morale and plans for a return to the office, the results of the 2021 People Survey, stakeholder engagement activities and Executive Committee succession planning. The Board noted:
- The 2021 People Survey results demonstrated a significant positive shift from the 2020 results with a reduction from 21 areas identified for improvement in 2020 to three in 2021. The Board commended the Executive Committee and Leadership team on the progress that had been made.
 - A significant number of stakeholder outreach events had been held following publication of the “Consultation” ‘*Restoring trust in audit and corporate governance*’ on 18 March 2021. The Board noted that feedback at the outreach events was generally supportive and noted a summary of common themes and questions arising from the outreach events.
 - Routine surveys to staff on their mental health continued to be issued and trained mental health first aiders were in post to support staff where needed. Plans for returning to the office and longer-term working arrangements would be considered by the Executive Committee in the Spring.

Transformation Programme Update

- 5.2 The Board considered a report on the work of the Transformation Programme, incorporating recommendations arising from the Kingman review, the CMA’s market study and the Brydon review, together with organisational changes associated with establishing ARGA.
- 5.3 The Board noted a summary of progress, including in the legislative track, since the last report and welcomed that, following publication of the Consultation document, the focus of the executive was on supporting BEIS on policy matters. Discussion included consideration of the latest timetable and provision for any delay, the impact of the programme on resourcing and the need to maintain momentum and engagement.

FRC Strategy, Plan and 2021/22 Budget

- 5.4 The Board noted the consultation on the draft FRC Strategy, Plan and Budget 2021/22 had closed on 12 March 2021 and considered a report that summarised feedback to the consultation, highlighted proposed changes and presented a final Strategy, Plan and Budget for approval.
- 5.5 The Board noted that, although generally supportive, respondents to the consultation had identified a number of issues for consideration in future years including a more tailored and qualitative publication of KPIs and the publication of a 3-year plan and budget. The Board was pleased to note that the executive had begun developing KPIs for publication and suggested further thought be given to publication of a longer-term plan and budget and the content of any such publication. The Board welcomed changes to the drafting of the Strategy and Plan to reflect publication of the Consultation and welcomed a reduction in proposed expenditure to reflect increased staff attrition and reduced governance costs.
- 5.6 The Board approved the Final Strategy, Plan and Budget for 2021/22 and the accompanying Feedback Statement for publication.

Consequential amendments to the Corporate Reporting Operating and Enforcement Procedures

- 5.7 The Board noted that following a suite of consequential amendments to Conduct Committee and Enforcement related procedures to reflect the changes to the governance structure which went live on 1 January 2021, a number of consequential tidying amendments had arisen for ease of use and clarification. Noting that the changes required were consequential to those that had been subject to consultation in September 2020 and that neither a consultation nor an impact assessment was required or expected by the Participants the Board agreed amendments to the:
- i. Audit Enforcement Procedure
 - ii. Accountancy Scheme
 - iii. Actuarial Scheme
 - iv. Auditor Regulatory Sanctions Procedure (Local Audit)
 - v. Crown Dependency Regulatory Sanctions Procedure
 - vi. Comptroller & Auditor General Rules
 - vii. Corporate Reporting operating procedures

- 5.8 The Board also agreed to delegate the approval of any final non-substantive changes consequential to the changes identified in the paper to the Chairman and Executive Director of Corporate Services and General Counsel.

6 QUARTERLY REPORT FROM THE EXECUTIVE DIRECTOR OF ENFORCEMENT

- 6.1 The Board considered a report that provided an update on the activities of the Enforcement Division and the status of active investigations.
- 6.2 The Board discussed the outcome of a horizon scanning exercise undertaken by the Division and encouraged the executive to explore the possibility of establishing an inter-regulator taskforce to achieve better co-ordination between regulators as recommended by Sir Jon Kingman.

7 REPORT FROM THE AUDIT AND RISK COMMITTEE CHAIR

- 7.1 The Board noted draft minutes from the 25 February 2021 Audit & Risk Committee meeting, including a copy of the Final External Audit plan as agreed at that meeting, and draft minutes of an additional Audit & Risk Committee meeting held on 11 March 2021 to discuss risk management.
- 7.2 On the recommendation of the Audit & Risk Committee the Board considered and approved a draft risk management extract for inclusion in the Annual Report and Accounts 2020/21.
- 7.3 The Board considered an annual report from the Audit & Risk Committee on its assessment of the FRC internal control and risk management systems. The Board noted that, based on evidence provided to the Committee and the outcomes of a series of internal audits, the Committee was satisfied that the framework for risk management and internal controls is adequate for the FRC at that point and continue to evolve and improve. The Board also noted that the Committee considered there to be appropriate plans in place to create a proportionate and effective internal control environment and risk management framework to support the delivery of the organisation's strategy within its risk appetite.

8 REPORT FROM THE PEOPLE COMMITTEE CHAIR

- 8.1 The Board noted confirmed minutes of the 3 February 2021 meeting and an oral update from the People Committee meeting held on 30 March. In addition to matters on the Board agenda the Committee had considered the findings of the 2021 People Survey and had considered a report outlining a new approach to talent management and the outcome of a succession planning exercise for senior leaders.

9 REPORT FROM THE CONDUCT COMMITTEE CHAIR



9.1 The Board noted confirmed minutes of the Conduct Committee meeting held on 23 February 2021 and an oral report of the meeting held on 23 March 2021.

10 REPORT FROM THE CHAIR OF THE REGULATORY STANDARDS AND CODES COMMITTEE

10.1 The Board noted draft minutes of the 10 March 2021 meeting and noted reflections from the Committee Chair on the operation of the Committee with the new membership model.

11 FORWARD PLAN

11.1 The Board noted the forward plan.

12 AOB

12.1 There was no other business.

13 PRIVATE SESSION

13.1 The Board met for a private discussion without members of the Executive present.

Date of Next Meeting

Wednesday 12 May 2021 at 10am.

Signature:

Date:.....