

Non-qualifying Regulatory Provisions Summary Report

Business Impact Target Reporting Period Covered: 9 June 2017 to 20 June 2018

Excluded Category*	Summary of measure(s), including any impact data, where available**
<p>Measures certified as being below de minimis (measures with an EANDCB (Equivalent Annual Net Direct Cost to Business) below +/- £5 million)</p> <p>Note: Where measures are below de minimis (measures with an EANDCB below +/- £5 million) they have been summarised against that category, regardless of whether another exclusion category would also apply.</p>	<p><i>Audit Policy:</i> The Financial Reporting Council (FRC) has started to implement the Audit Firm Monitoring Approach (AFMA) with the “Big Six” systemically important, largest, audit firms to fulfil its responsibility for regular monitoring and mitigation of risks in the audit market, in order to minimise the risk of disruption in the provision of statutory audit services. Expectations are being set out and evidence sought in five pillars: leadership and governance; values and behaviours; business models and financial soundness; risk management and control; and evidence on audit quality, including from FRC’s programme of audit quality reviews, and will be reporting privately to the individual firms. It is too early to assess any potential costs, but they are not expected to be significant and will be kept under review.</p> <p><i>Audit & Assurance Policy: Revisions to two International Standards on Auditing (ISA) effective 15 December 2017: ISA (UK) 250 Section A Consideration of Laws and Regulations in an Audit of Financial Statements was revised to adopt into UK standards: narrow scope changes made by the International Auditing and Assurance Standards Board (IAASB) to the international standard as a result of the NOCLAR (Non-Compliance with Laws and Regulations) project; plus changes necessary to reflect the change in auditor’s responsibilities arising from the Fourth EU Anti Money Laundering Directive and associated changes to UK implementing legislation. ISA (UK) 330 The Auditor’s Responses to Assessed Risks was subject to a minor technical revision, previously included in guidance (now withdrawn), to include a paragraph of additional application material relating to the need to obtain external confirmation items such as bank balances, and third-party guarantees.</i></p>

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	<p><i>Professional oversight: Third Country Auditors (Fees) Instrument 2018</i> effective 29 May 2018, was issued to fulfil a requirement arising principally from EU Directive 2006/43/EC to facilitate a new schedule for fees charged for the registration of third country auditors and updates certain other legislative and other references in the extant 2011 instrument which will be revoked when the 2018 Instrument comes into force. The schedule will be reviewed annually to ensure the fees charged continue to be in line with relevant costs incurred. This Instrument will have no impact on how FRC discharges its functions relating to the Third Country Auditors regime.</p> <p><i>Actuarial Policy: Revised Framework and Technical Actuarial Standards (TASs) effective 1 July 2017</i> – three Generic TASs and four Specific TASs were replaced by the Framework, TAS 100, and Specific TASs on Insurance (TAS 200), Pensions (TAS 300), and Funeral Plan Trusts (TAS 400) to simplify the content, framework and structure of FRC actuarial standards; consolidate and refine the high-level principles in the Generic TASs into a single standard (TAS 100) which sets out the high-level outcomes which users and the public can expect; extends the scope of application of TAS 100 so as to reflect that expectation; establishes TAS 100 as a standard against which users and the public can assess the quality of all actuarial work in the UK; and refines the Specific TASs ensuring they focus on matters of public interest. Whilst TAS 100 brings more actuarial work into scope, overall the changes are expected to reduce costs through a simpler framework, standards which are easier to use, whilst promoting the reliability and usefulness of all actuarial work, including some high risk and developing areas of actuarial work where risks have yet to be identified or to crystallise. Transition costs are estimated to be negligible for TAS 100, because most practitioners have experience of implementing the</p>

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	<p>TASs and because TAS 100 is less onerous, and £10-20m one-off cost for familiarisation with the new requirements of the Specific TASs.</p> <p><i>Accounting & Reporting Policy: Amendments to FRS 101: Reduced Disclosure Framework</i> 2016/17 cycle (July 2017) to provide exemptions from disclosures that would otherwise have been required (through EU-adopted IFRS) therefore enhancing the cost-effectiveness of the standard by removing an administrative burden associated with preparing financial statements and will therefore reduce the cost of compliance for entities choosing to apply FRS 101. The amendments principally provide exemptions in relation to disclosure relating to leases and are effective when an entity applies IFRS 16 <i>Leases</i>, which itself has an effective date of 1 January 2019 with early application permitted.</p> <p>Amendments to FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial review 2017 Incremental improvements and clarifications - including amendments to FRS 100 <i>Application of Financial Reporting Requirements</i>, FRS 101 <i>Reduced Disclosure Framework</i>, FRS 103 <i>Insurance Contracts</i>, FRS 104 <i>Interim Financial Reporting</i> and FRS 105 <i>The Financial Reporting Standard applicable to the Micro-entities Regime</i>. Savings are expected to arise from these changes through simplifying some of the more challenging requirements (including requiring fewer fair value measurements in some areas), introducing more accounting policy choices, and clarifying existing requirements (meaning less time is spent determining an appropriate accounting policy in these cases). Familiarisation costs are estimated at £9.7m. The effective date is 1 January 2019 with early application permitted.</p>

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	<p>Amendments to FRS 101 Reduced Disclosure Framework – 2017/18 cycle (May 2018) - FRC issued the results of the latest annual review of FRS101 on 11 May 2018 and confirmed that no amendments are being made to FRS 101 as a result.</p> <p><i>Ongoing activities:</i> The following activities are ongoing, not new, FRC activities with effect from June 2017:</p> <p>Strategy FRC published a new, three-year Strategy 2018/21; Budget and Levies 2018/19 in March 2018.</p> <p>Casework Enforcement activities: At 8 June 2017 there were 23 investigations involving audit with a total of 72 subjects under investigation for the audit work. During the year to June 2018: 13 further investigations commenced into 31 further subjects; 5 investigations concluded with settlements made with 13 subjects and cases closed for 5 subjects. Total fines (at settlement and tribunal) were £25,400,000 (£17,992,625 after discounts). There were 10 reprimands/severe reprimands and 3 exclusions. At 20 June 2018 there were 28 investigations (plus 3 cases heard and currently awaiting Tribunal decisions) with a total of 77 subjects under investigation for audit work. Of these 77 subjects, 37 are under the Audit Enforcement Procedure (AEP), with the rest under the Accountancy Scheme.</p> <p>Audit Inspections: FRC inspected 145 audits in financial year 2017/18.</p> <p>Corporate Reporting Review: FRC performed 133 full scope reviews of annual reports and accounts (excluding thematic reviews). We wrote a substantive letter to 72 companies (letters where we had direct questions for companies regarding their annual report and accounts).</p> <p>Monitoring visits FRC's Professional Oversight team has conducted monitoring visits at 4 Recognised</p>

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	Supervisory Bodies for statutory audit purposes and 2 Recognised Supervisory Bodies for local audit purposes. It has also conducted monitoring visits at 5 Recognised Qualifying Bodies for statutory audit purposes and 1 Recognised Qualifying Body for local audit purposes.
EU Regulations, Decisions and Directives and other international obligations, including the implementation of the EU Withdrawal Bill and EU Withdrawal Agreement	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Measures certified as concerning EU Withdrawal Bill operability measures	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Pro-competition	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Systemic Financial Risk	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Civil Emergencies	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Fines and Penalties	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Misuse of Drugs	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion

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Measures certified as relating to the safety of tenants, residents and occupants in response to the Grenfell tragedy	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Casework	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Education, communications and promotion	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Activity related to policy development	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion
Changes to management of regulator	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion