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**Financial Reporting Council
Minutes of a meeting of the FRC Board
held on 15 May 2019 at the FRC Office, 125 London Wall, London EC2Y 5AS**

PRESENT:	Sir Winfried Bischoff	Chairman
	Mark Armour	Non-Executive Director
	Sir Brian Bender	Non-Executive Director
	David Childs	Non-Executive Director
	John Coomber	Non-Executive Director
	Olivia Dickson	Non-Executive Director
	Nick Land	Non-Executive Director
	Keith Skeoch	Non-Executive Director (Items 1 to 11)
	Julia Unwin	Non-Executive Director
	Jenny Watson	Non-Executive Director
IN ATTENDANCE:	Tracy Vegro	Executive Director, Strategy & Resources
	Paul George	Executive Director, Corporate Governance & Reporting
	Mike Suffield	Acting Executive Director, Audit & Actuarial Regulation
	Anne McArthur	General Counsel and Company Secretary
	Elizabeth Barrett	Executive Counsel and Executive Director
	Bryan Turner	Programme Transformation Director (Item 4)
	David Andrews	BEIS Relationship Manager (Item 5 & 7)
	Mario Dunn	Director of Strategic Communications (Item 5)
	Jenny Carter	Director of UK Accounting Standards (Item 6)
	Andrew Meek	Acting Director, Audit Quality Review (Item 9)
	Mark Babington	Deputy Director of Audit Policy (Item 11)
	Simon Wasserman	Project Director (Items 12 & 13)
	Noreen Adams	Board Secretary
APOLOGIES :	Mark Zinkula	Non-Executive Director
	Stephen Hadrill	Chief Executive Officer (CEO)

1 QUORUM AND OPENING OF THE MEETING

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

2 DECLARATIONS OF INTEREST

2.1 The Board noted Keith Skeoch's appointments to HMT's Asset Management Task Force and Investment Association Board.

3 MINUTES AND MATTERS ARISING

3.1 The Board **approved** the minutes of the Board meeting of 21 March 2019 subject to minor amendments.

3.2 The matters arising log was noted.

CONFIDENTIAL

4 CHIEF EXECUTIVE'S REPORT

- 4.1 In Mr Haddrill's absence the Chairman introduced the Chief Executive's Report. The Board considered the report and update on 2018/19 pay settlement discussion with BEIS, senior recruitment and the EU Exit preparation work to be picked up in readiness for 31 October.
- 4.2 Discussion included the following points and observations:
- The CMA Review: any decisions taken about market structures and future regulation must be robust and supported by a solid evidence base. In due course the Board should consider whether or not the FRC should respond publicly to BEIS' public consultation on the CMA proposals;
 - The Audit Firm Transparency Report Thematic Review was due to be published in May 2019 and consideration was being given to how to encourage an improvement in and more meaningful reporting by the firms. It was agreed that a copy of the report would be circulated to Board members prior to publication;
 - The Board discussed publication of matters arising from supervisory work under AFMAS, and suggested the executive develop proposals on publications of such findings and present recommendations to the Board in July.
 - Future of Corporate Reporting: the report should give strong direction to companies; and
 - The Board supported the FRC issuing a strong, clear statement on how the FRC was responding to climate change, and to participate in a joint statement with other regulators. A draft would be circulated for comments.
- 4.3 Mr Turner presented the paper on the implementation of the Independent Review of the FRC. The Board noted the progress to date and high-level plan. It was suggested that the Board membership on the Joint Board/ExCo Working Group be reduced from 6 to 4 and the terms of reference be revised to incorporate the Board's comments; the revised version would be provided to the Board at its next meeting in July.
- 4.4 The Board noted the appended update papers from the Acting Executive Director, Audit and Actuarial Regulation and the Executive Director, Corporate Governance and Reporting.

5. OPERATIONS REPORT

- 5.1 Ms Vegro presented the Operations report. The Board noted the Financial Performance for March 2019, progress on the Communication Plan and the positive feedback from BEIS on the FRC preparedness for EU Exit.
- 5.3 The Board noted the Operations report.

6. ANNUAL REPORT AND FINANCIAL STATEMENTS 2018/19

- 6.1 Ms Carter presented a paper on the Annual Report 2018/19 which included draft extracts for comment. The Board discussed the Strategic Report and made a number of drafting suggestions. It was noted that the full Annual Report 2018/19 would be presented to the Board in July for approval, together with the report to the Secretary of State on the FRC's oversight activities.

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7. PLAN, LEVY AND BUDGET 2019/20

- 7.1 Mr Andrews presented the Plan, Levy and Budget for 2019/20, confirming that a draft had been presented to the Audit Committee on 9 May 2019. The feedback from the consultation process was broadly positive, and supportive of the FRC's priorities and budget. The Board made various drafting suggestions and noted that the Executive were consulting with BEIS on the Plan and Budget 2019/20.
- 7.2 The Board approved the Plan, Levy and Budget 2019/20, subject to final review by the Audit Committee.

8. CHAIRMAN'S AGENDA

- 8.1 The Chairman congratulated Julia Unwin on her recent Chartered Management Institute Lifetime achievement award.
- 8.2 The Board approved the appointment of Liz Murrall as Interim Chair of the Corporate Reporting Council from 23 May 2019.

Board's Involvement in Enforcement Matters

- 8.3 Ms McArthur presented the paper which set out options for implementing the recommendation of the Independent Review of the FRC in relation to Board Involvement in Enforcement Matters.
- 8.4 The Board discussed whether there should be any change to the FRC's enforcement procedures in relation to the decision to investigate and the risks associated with those options. The Board also noted that implementation of any change or recommendation should be a matter for consideration within the governance review to be taken forward by the new FRC Chair.
- 8.5 The Board noted the strengthened reporting practices already in place and agreed that these processes should be expressly reflected in the Governance Bible. Amendments to the Governance Bible would be tabled at the Board's next meeting.

9. AQR PUBLIC REPORTS 2018/19

- 9.1 Mr Meek presented a summary of inspection results and extracts of draft individual firm reports noting that full drafts would be provided to the Conduct Committee at its June meeting and reporting on the Conduct Committee discussion the previous day. The Board discussed the findings and whether the FRC target of 90% of FTSE 350 audits requiring no or limited improvements remained appropriate. The Board recognised that it would be difficult to raise a target which had not yet been met but also noted that as the regulator, the FRC should be pushing for 100% compliance. It was agreed that further consideration should be given to the issue.
- 9.2 The Board made various comments and drafting suggestions, in summary suggesting a "tougher" and determinative tone, in relation to the draft individual firm reports and requested that the final reports be circulated to a sub-group of Board members before publication.

10. RISKS, INTERNAL CONTROLS, VIABILITY AND GOING CONCERN

- 10.1 Mr George presented the paper which set out the proposals for strengthening aspects of the UK regulatory regime designed to mitigate the risks of unmanaged corporate failure. Noting the recommendations of the Independent Review of the FRC, Mr George drew attention to key proposals i.e. reducing the implied hurdle for disclosure of material uncertainties relating to the going concern basis of accountancy, enhancing requirements for boards in undertaking their

CONFIDENTIAL

review of viability and requiring the Board to confirm whether they consider the internal controls and risk management systems to be effective.

- 10.2 The Board discussed the proposals and the link between the going concern and viability statements and provided input on how to take the proposals forward.

11. UPDATE ON AUDITING AND ETHICAL STANDARDS

- 11.1 Mr Babington presented the paper which included an update on progress in drafting revisions to the Auditing and Ethical Standards to effect the Board's earlier discussion on approach to the revisions and how the issues link with the recommendations of the Independent Review led by Sir John Kingman and the CMA and Brydon reviews. The Board noted the contents of the update paper and provided a number of comments and suggestions, noting the continuing work being carried out including engagement with stakeholders and the link with Kingman, the CMA review and Brydon review.

12. ACTUARIAL POLICY MATTERS:

ASORP 1 – Feedback and Implementation

- 12.1 Mr Wasserman presented the paper noting that, the FRC had received a number of responses to the consultation issued in November 2018. In general, the responses were supportive of the Exposure Draft but some amendments had been made to reflect the responses and it was now proposed that the Board approve for issue Actuarial Statement of Recommended Practice 1 (ASORP1).
- 12.2 The Board noted the paper and the revisions to the Exposure Draft and **approved** ASORP1 for issue and publication of the Feedback Statement.

Review of AS TM1 Assumptions

- 12.3 Mr Wasserman presented the paper on the review of the TM1 Assumptions.
- 12.4 The Board noted that the FRC is the body with responsibility for issuing guidance for the preparation of illustrations by pension providers. Accordingly, the FRC maintains and reviews annually assumptions for Statutory Money Purchase Illustrations which are included in the FRC's Actuarial Standard: Technical Memorandum 1 (AS TM1). Following a comprehensive review, the Executive proposed no changes to the AS TM1 assumptions.
- 12.5 The Board noted that the proposal was supported by the Actuarial Council, and agreed no changes to the AS TM1 Assumptions and to a note on the FRC website to this effect.

13. COMMITTEE CHAIR REPORTS

Report from the Audit Committee

- 13.1 The Board noted the minutes of the meeting of the Audit Committee held on 25 March 2019 and 2 April 2019.

Report from the Conduct Committee

- 13.2 The Board noted the minutes of the Conduct Committee meeting held on 16 April 2019.

Report of the Codes & Standards Committee

- 13.3 The Board noted the oral feedback from the Codes & Standards Committee meeting held on 1 May 2019.

CONFIDENTIAL

14. FORWARD PLAN

14.1 The Board noted the forward plan of actions.

15. ANY OTHER BUSINESS

15.1 The Chairman noted that this was the last meeting of both Mark Armour and Mark Zinkula as their appointments would come to an end on 30 June 2019. The Chairman thanked both Directors for their commitment and contribution to the work of the FRC.

16. DATE OF NEXT MEETING

16.1 Thursday 4 July 2019 at 9.00am.

17. TRAINING

17.1 Following the meeting, the Board received training on the FRC's classification as a Public Body and Implications from Ms McArthur.

Signature: 
Sir Winfried Bischoff - Chairman

Date: 
4 July 2019

