



Financial Reporting Council

# **FRC Board**

## **Schedule of Matters Reserved to the Board**

1<sup>st</sup> June 2023

---

## Schedule of Matters Reserved to the Board

This document sets out the decisions and matters which: are referenced in legislation as the direct responsibility of the FRC Board ('the Board') and cannot be sub-delegated to a Board Committee; or which the Board consider unsuitable for delegation to a Board Committee.

The responsibilities and decisions listed in this Schedule shall be taken and owned by the Board. However, recommendations may be provided by Board Committees where appropriate, as indicated below. Other matters which the Board considers suitable for delegation are contained in the terms of reference of its Board Committees.

In undertaking the matters set out below, the Board will support the Accounting Officer in the fulfilment of his/her responsibilities and ensure compliance with relevant HM Treasury guidance, Managing Public Money and any applicable Cabinet Office Controls.

### 1. Strategy and Management

- 1.1 Assume responsibility for the overall leadership of the FRC.
- 1.2 Establish the FRC's values and culture.
- 1.3 Approve the FRC's purpose, strategic aims and objectives.
- 1.4 Review key performance indicators, operational performance and deliverables in the Annual Plan.
- 1.5 Approve annual Levy Proposals.
- 1.6 Approve and regularly review the FRC's Strategy, Three-Year Plans and Annual Budget.
- 1.7 Approve and regularly review the FRC's regulatory approach.
- 1.8 Approve any extension of the FRC's activities into new regulatory or geographic areas.
- 1.9 Approve the operating Framework Document with the Department for Business and Trade ('DBT') or its successors.
- 1.10 Consider significant matters affecting the FRC's reputation.
- 1.11 Oversee the strategy for stakeholder engagement and the discharge of the Board's responsibilities under s.172 of the Companies Act 2006.
- 1.12 In conjunction with DBT, take any decisions to cease to operate all or any material part of the FRC's activities.
- 1.13 Approve Statutory Instruments (and amendments) relating to the FRC's activities.

---

## **2 Regulatory Responsibilities and Powers**

- 2.1 Approve codes, standards, guidance, policy and major projects which support the FRC's competition objectives.

On the recommendation of the Regulatory Standards and Codes Committee:

- 2.2 Approve, subject to a two-thirds majority, the issuing of codes and standards relating to the FRC's remit, i.e. corporate governance, stewardship, corporate reporting, accounting, auditing, assurance services and actuarial work.
- 2.3 Approve the recognition of Statements of Recommended Practice ('SORP') making bodies and approve significant FRC statements on SORPs.

On the recommendation of the Supervision Committee:

- 2.4 Approve the publication of the FRC's annual report to the Secretary of State on its public oversight functions in relation to the Audit, Accountancy and Actuarial professions, known as the Professional Oversight Report.
- 2.5 Approve the publication of the annual report of the Independent Supervisor on Auditors General to the Secretary of State, known as the Independent Supervisor's Report.
- 2.6 Approve the publication of an annual report on the FRC's view of audit quality in the UK, known as the Tier 1 Firms Overview Report.
- 2.7 Approve any Third Country adequacy and equivalence reports provided to the Secretary of State.
- 2.8 Approve the exercise of the FRC's powers, as the authorised person, to require a company to provide documents, information and explanations regarding their annual financial statements and annual report under s.459 of the Companies Act 2006.
- 2.9 Approve an application to court for a declaration of non-compliance or an order for directors of a company to prepare revised accounts or a revised report under s456-457 of Companies Act 2006.

## **3 Financial Reporting, Risk Management and Internal Controls**

On the recommendation of the Audit & Risk Committee:

### *Financial Reporting*

- 3.1 Approve the Annual Report and Accounts, including the directors' remuneration report, directors' report, strategic report and corporate governance statement.
- 3.2 Agree that the Annual Report and Accounts, taken as a whole, presents a fair, balanced and understandable assessment of the FRC's position and prospects and provides the information necessary to assess the FRC's performance, business model and strategy.
- 3.3 Approve any significant changes in accounting policies or practices.
- 3.4 Consider significant financial reporting issues and judgements having regard to the matters communicated by the auditors.
- 3.5 Ensure financial policies and system are in line with the Principles of Managing Public Money.

---

## External Audit

- 3.6 As members of the FRC Limited, approve the appointment or removal of the FRC's external auditor.

## Internal controls and risk management

- 3.7 Consider the nature and extent of the key risks to the FRC's strategic objectives (including climate-related emerging risks).
- 3.8 Receive annual assurance from the Audit and Risk Committee on the effectiveness of the FRC's internal control and risk management systems and determine the FRC's risk appetite.
- 3.9 Monitor the Executive's identification and management of key risks in relation to the FRC's divisions.
- 3.10 Ensure the maintenance of a sound system of internal control and risk management including financial controls.
- 3.11 Approve risk management disclosures in the annual report.
- 3.12 Approve the published Key Performance Indicator in relation to the delivery of outcomes in Enforcement investigations.

## 4 Structure and other Major Decisions

- 4.1 Approve major changes to the FRC's corporate structure including the entering into of material joint venture agreements.
- 4.2 Approve significant changes to the FRC's management and control structure.
- 4.3 Approve transactions (or related programmes of transactions) the value of which (including VAT) is in excess of £1 million or which is otherwise material to the FRC.
- 4.4 Approve any lease with a term exceeding five years.
- 4.5 Approve the prosecution, defence or settlement of litigation involving a value in excess of £1 million or being otherwise materially significant to the FRC (*not including court applications made by the Conduct Committee pursuant to its delegated powers or matters pursued under the Accountancy or Actuarial schemes, Auditor Regulatory Sanctions Procedure or Audit Enforcement Procedure*).
- 4.6 Any approvals at 4.3 to 4.5 above are subject to the requirements, directions and delegations set by DBT as notified to the FRC's appointed Accounting Officer from time to time.
- 4.7 Approve the appointment of principal professional advisers for material and/or sensitive matters.

---

## **5 People Matters**

- 5.1 Approve appointments, reappointments and removal of members of the Board Committees.
- 5.2 Provide advice to the Secretary of State/DBT in relation to the structure, size and composition of the Board and on Board succession planning.
- 5.3 Approve amendments to the Board Diversity Policy.
- 5.4 Approve amendments to the FRC Board Terms of Appointment.
- 5.5 Approve the CEO's annual objectives based on the FRC's strategy and support the Chair of the Board in the performance evaluation of the CEO.
- 5.6 Approve annually the FRC's published Modern Slavery Statement.

On the recommendation of the Chief Executive Officer:

- 5.7 Approve the appointment and removal of the Company Secretary, Executive Counsel and other members of the Executive Committee.

On the recommendation of the People Committee:

- 5.8 Approve any major changes to the FRC's pension arrangements.

## **6 Governance Matters and Delegations**

- 6.1 Regularly evaluate its own performance and that of the Board Committees.
- 6.2 Approve the terms of reference for the Board Committees.
- 6.3 Approve this Schedule of Matters Reserved
- 6.4 Approve any significant changes to the FRC's Committees and non-executive advisory structure.

---

## **7 UK Endorsement Board**

On the advice of the Audit & Risk Committee:

- 7.1 Oversee the UKEB's operational resources, governance and compliance with due process, including reviewing and approving the publication of the FRC's annual UKEB Public Oversight Report to the Secretary of State and provide constructive challenge and recommendations to the UK Endorsement Board regarding its:
  - a. Due Process Handbook;
  - b. Compliance with its operating and governance procedures;
  - c. Independence;
  - d. Strategy; and
  - e. Effectiveness.
  
- 7.2 Ensure that the provision of operational resources to support the UK Endorsement Board's activities is appropriate, including establishing and maintaining appropriate funding arrangements whilst maintaining the independence of the UK Endorsement Board in technical decision making.

**Approved by the Board with effect from 1 June 2023**