

Summary of Business of the Regulatory Standards & Codes Committee held on 12 September 2023 at FRC, 125 London Wall, London EC2Y 5AS

MEMBERS:	Hannah Nixon	Chair
	Clare Thompson	Committee member
	Sir Jan du Plessis	Committee member
ADVISORS:	Howard Walpole	Senior Advisor
	Paul Cox	Senior Advisor
	Richard Lawrence	Senior Advisor

1. Preliminaries

The Committee was informed of the resignation of Sir Ashley Fox as a FRC non-executive director after his selection to become a candidate in the next general election.

Following Sir Ashley’s resignation, the Board endorsed the appointment of Sir Jan du Plessis as a member of the RSCC in the interim, for a period of 6 months.

Minutes of the RSCC meetings held on 22 June and 18 July 2023

The Committee approved the minutes of the meetings held on 22 June 2023 and 18 July 2023.

APPROVED ITEMS

2. Proposed Revisions of ISA (UK) 250 Sections A and B

The Committee discussed the proposal to consult on the revision of two auditing standards:

- a. ISA (UK) 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* (Currently known as Section A)
- b. ISA (UK) 2X0 *Special Considerations for Public Interest Entities—Communicating and Reporting to an Appropriate Authority Outside the Entity* (Currently known as Section B)

The Committee was informed that the purpose of the consultation was to enhance ISA (UK) 250A and improve the quality of the work auditors do on risks to the financial statements from non-compliance with laws and Regulations.

Further to discussion, the Committee suggested a number of refinements to the proposed approach and the Committee **approved** the consultation and the proposal for the two revised standards.

3. ISA (UK) 505 – External Confirmations

The Committee considered and discussed the proposed revisions to ISA (UK) 505 *External Confirmations*. It was noted that the revisions would improve the quality of audit engagements by addressing key public interest matters, whilst at the same time maintaining equivalence with the IAASB’s standard.

Following discussion, the Committee **agreed to recommend for approval** to the FRC Board, of ISA (UK) 505, the Conforming and Consequential Amendments to other ISAs (UK) and the Feedback Statement.

4. **FRED 84 Draft Amendments to FRS 102 – Supplier finance arrangements**

The Committee considered the proposal to consult on amendments to the FRC’s financial reporting standards that would introduce new disclosure requirements in relation to the Statement of Cash Flows for entities.

Following discussion, the Committee approved the publication of *FRED 84 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Supplier finance arrangements* for a 12-week comment period.

The Committee noted the next steps and that a summary of responses and proposed final amendments would be provided to the Committee in the first half of 2024.

ITEMS FOR INFORMATION

5. **UK GAAP Periodic Review**

The Committee received an update on the progress of the Periodic Review Project following the external consultation of *FRED 82 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs*.

6. **Guidance on new Corporate Reporting Requirements**

The Committee received an update on the work of the Accounting and Reporting Policy team in developing non-mandatory guidance to help companies comply with the new reporting requirements set out in the draft Statutory Instrument that DBT Ministers had presented to Parliament.

The Committee provided its views on the proposed guidance, particularly on the resilience statement, and noted that the calculation of distributable profits is a necessary underlying step to providing the disclosures that will be the subject of the guidance but is not itself part of this project.

7. **UK Corporate Governance Code & Stewardship**

The Head of Corporate Governance provided an overview of the key emerging themes from the consultation on the UK Corporate Governance Code and an update on progress to complete the annual review of corporate governance reporting.

The Committee also received an update from the Head of Stewardship on the latest update of the UK Stewardship Code signatory list, an outline of the review of the UK framework for stewardship and a plan for the consultation on the review in Q2 of 2024.

8. **Report of the Executive Director, Regulatory Standards**

The Committee was presented with a report of the work of the Regulatory Standards Division since the last meeting. Highlights from the report included:

International Engagement

- that IAASAB approved an exposure draft for proposed International Standard on Sustainability Assurance (ISSA) 5000, General requirements for Sustainability Assurance engagements for public comment.

- that the FRC continue to engage closely with the ISSB via participation in its Jurisdictional Working Group and Sustainability Standards Advisory Forum, as it looks to jurisdictions to adopt its first two standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures and set the agenda for its future workplan.

ISSB Endorsement

- that the FRC continue to work with the Department of Business and Trade (DBT) to set up the UK Sustainability Disclosure Technical Advisory Committee (TAC) and running of its secretariat.

- Audit Sandbox

Three live policy issues are being dealt with by the audit sandbox namely:

- a. The Objective, Reasonable and Informed Third Party (ORITP) Test which requires that firms must consider whether ethical outcomes have been met by reference to the perspective of an ORITP, and specifically a non-practitioner.
- b. The Materiality in Local Government Audit working group - the purpose of this group is to explore what options are available to local authority auditors in an ISA (UK) compliant approach to the application of materiality.
- c. The third issue relates to Models for delivering large FTSE 350 audits with firms from different networks. The issue being addressed is how established FTSE 350 audit firms and challenger networks could work together on these audits, and the challenges relating to greater complexity and the requirements of auditing standards.

Date of next meeting was noted as 30 November 2023