



**Sir Winfried Bischoff**  
**Chairman, Financial Reporting Council**  
**FRC Annual Open Meeting**  
**21 September 2017**

Good afternoon and welcome to the Financial Reporting Council's Open Meeting.

Over the past year, we have seen an unprecedented wave of political change in the UK and globally. The Brexit referendum result was a surprise to many and it ushered in a new political and economic narrative, and a degree and sense of uncertainty about the future. Our work has to evolve at this time if we are to support business for the betterment of not only the UK economy, but also the perception of the public which we are beholden to.

Public confidence in business undoubtedly has been damaged over the last decade leading to a view that it is not delivering for all. This has highlighted the need for companies to focus on the effectiveness of their governance and stewardship practices, and importantly to explain and be transparent about how they are doing so.

We ourselves have looked deeper into how well our own activities and mission are aligned with the needs of a broad stakeholder audience. In a moment Stephen Haddrill will explain more about this and outline our preliminary conclusions.

The unexpected political twists and turns that have surprised many and confused some since June last year have led to the FRC being asked by the Government to be in the

forefront of its plans to adapt UK corporate governance and to make it match-fit for Britain's future as the obvious and natural place to do business. Brexit adds urgency to that.

The UK's departure from the EU has other implications for our work too. The accountancy and actuarial professions in the UK are held in generally high regard around the world – I was just in Singapore and the way they look at governance and industry here is quite remarkable. Professionals who qualify in the UK must be able to ply their trade wherever it is needed in pursuit of the UK's international commercial aims. We need to aim that our professionals remain respected and able to work worldwide.

Investors tell us that they want the international accounting regime to continue after Brexit so that they can more easily compare company performance and make effective objective decisions. The UK must make a decision on adopting international financial reporting standards as part of its post-Brexit competition strategy.

Here at home progress has been made on improving the quality of audit work. In the year since the FRC became the Competent Authority for Audit in the UK our inspections of audits have shown further progress towards our target of 90% of FTSE 350 audits requiring no more than limited improvements. We have a number of initiatives in place to support audit firms in that direction of travel.

Our Enforcement activity has picked up pace with an increasing number of cases concluded either by an Independent Tribunal or a settlement with the firms and individuals. We are conducting an independent review of sanctions to ensure that the level and type of sanction have a real deterrent effect and help the greater focus on quality work by the professionals we regulate.

Our plans for 2018/19 will build on recent developments, with the aim of further improvements in governance, reporting, auditing and actuarial work. I personally hope the result of our enforcement activity, in helping firstly to raise standards, will also contribute to increased trust and confidence in business.

Over the next year, we will keep the needs of investors and all stakeholders at the front of our minds. We will remain focussed on our priorities, measuring success by the impact we make - not by our level of activity. We will maximise that impact by working in close collaboration with the professional bodies, fellow regulators and others to avoid imposing unnecessary burdens on those we regulate.

We will continue to work closely with the Department for Business, Energy and Industrial Strategy, on corporate governance reforms and other important policy work, including the Industrial Strategy and Diversity initiatives.

We will, in conjunction with BEIS, Cabinet Office and the Treasury, resolve any remaining issues in respect of our status as a public body. And we will conclude a review of our own governance structure and processes to ensure our decision making is robust and appropriate to our public interest responsibilities.

One aspect of this review has been the preparation of a register of interests for all members of our Board, Committees and Councils. That register will be published in October on our new website.

Such a register is important for the FRC to retain confidence in how it reaches decisions, particularly on enforcement matters. The Executive Counsel's decision, announced earlier

this week, to end the investigation into KPMG's audit of HBOS has been questioned by media and politicians, and it has attracted questions about our independence. It is vital that these decisions are taken based on the available evidence rather than on political considerations or public clamour. Our robust policies and procedures on conflicts of interest ensure those decisions are appropriately made by the Executive Counsel. Many of you, but not all commentators, know that the Board of the FRC does not take enforcement decisions. Publishing our policy and our register of interests should further remove doubt about the objectivity of our decisions

I want finally to say a word about diversity. I am delighted that Stephen Haddrill has been appointed to represent the FRC on the Business Diversity and Inclusion Group, which is chaired by the Business Minister Margot James.

At the FRC we embrace diversity in all manifestations, and types of thinking, experience and backgrounds. It encourages better leadership and contributes to better all-round performance, engagement and innovation by the Board, our Committees and Councils and throughout our workforce.

Thank you once again for joining us this afternoon. I now hand over to Stephen Haddrill, our CEO, and I hope you will join my colleagues and myself for refreshments at the end of our meeting.