

**Financial Reporting Council
Minutes of a meeting of the FRC Board
held on 20 November 2019 at the FRC Office, 125 London Wall, London EC2Y 5AS**

PRESENT:	Simon Dingemans	Chairman
	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 (to item 12)
	Keith Skeoch	Non-Executive Director (to item 10)
	Sir Jon Thompson	CEO
	Jenny Watson	Non-Executive Director (by phone, Item 7 only)
	Julia Unwin	Non-Executive Director

IN ATTENDANCE:	Francesca Carter	Board Secretary
	Bryan Turner	Programme Transformation Director (Item 8)
	Anne McArthur	General Counsel and Company Secretary (Item 9)
	Elizabeth Barrett	Executive Counsel and Executive Director (Item 10)
	Mark Babington	Deputy Director of Audit Policy (Items 11, 12 & 13)
	Jenny Carter	Director of UK Accounting Standards (Items 14 & 15)

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 the Nominations Committee had considered, and was supportive of, the appointment of Olivia Dickson as a member of the Board of the Impact Investing Institute.

2.2 No other new interests were declared.

3 MINUTES AND MATTERS ARISING

3.1 The Board approved the minutes of the Board meeting of 22 October 2019 for publication.

3.2 The matters arising log was reviewed and noted.

4 REPORT FROM THE CONDUCT COMMITTEE CHAIRMAN

4.1 Reports from previous Conduct Committee meetings. The Board noted minutes of the 15 October meeting and an oral report of the 12 November meeting. The report included an update on the now multiple FRC investigations into Carillion. There followed a discussion on the FRC's supervisory approach in relation to KPMG and it was agreed an update would be provided at the January meeting.

4.2 Annual Report to the Crown Dependencies. On the recommendation of the Conduct Committee, the Board approved the issue of the Annual Report to the Crown Dependencies by 31 December 2019.

5 CHAIRMAN'S AGENDA

- 5.1 Report from the Nominations Committee. The Board noted a report from the 20 November Nominations Committee meeting which included an update on re-starting the Deputy Chair recruitment process and initial proposals for the future governance structure of the FRC in preparation for the establishment of the ARGA.
- 5.2 Board effectiveness review. The Board agreed a recommendation to defer the annual Board effectiveness review in light of the numerous expected changes to Board membership over the next few months as well as proposed changes to the governance structure. Expected timing would be proposed once the pace of the changes was clearer.

6 CHIEF EXECUTIVE'S REPORT

- 6.1 The Board considered a report from the CEO which provided an update on progress of FRC activities and operations. Through discussion it was agreed that the internal programme currently focused on implementation of the Kingman recommendations would be expanded to include recommendations coming out of the CMA, Brydon and BEIS reviews.
- 6.2 The Board noted that going forward the CEO would report on executive work via a new integrated management information pack.

7 FRC STRATEGY

- 7.1 The Board supported a proposed strategic framework and outline business model for the FRC in preparation for the establishment of ARGA. The Board agreed the monthly management information that would be reported, noting the pack would be complemented by supplementary papers as necessary. The Board discussed the existing FRC mission statement and objectives, and amendments proposed by BEIS and Sir John Kingman and made a number of suggestions for the executive to consider in developing new statements to reflect the scope of the ARGA.
- 7.2 The Board agreed the management structure that would underpin the business model but suggested further consideration be given to stakeholder management and the risk function.
- 7.3 The Board discussed high level proposed changes to the governance structure; noting the changes would align the governance arrangements with the new management structure, reduce complexity, create clearer accountability and enable the FRC / ARGA to be more responsive and more effective. Whilst the Board supported the proposals several suggestions were identified to consider in developing final recommendations that would be presented in January.

8 IMPLEMENTING THE RECOMMENDATIONS OF THE KINGMAN REVIEW

- 8.1 The Board considered a report that provided detail on progress in implementing the recommendations of the Kingman review and an update on the timetable for publication of the joint BEIS and FRC consultation and the Brydon report.
- 8.2 In noting delays to the consultation timetable the Board considered a list of activities that could be progressed in advance of legislation without exposing the FRC to undue risk. The Board agreed the approach and requested detailed policy papers on areas identified to progress and areas that were not considered consistent with the FRC / ARGA remit and should not be taken forward.

9 ARGA: CHANGING THE FRC NAME

- 9.1 The Board considered the benefits and risks of adopting Audit Regulation and Governance Authority 'ARGA' as a trade name in advance of legislation. Following discussion, it was agreed the FRC should not adopt ARGAs as a trading name at the moment but that the position should

be reviewed following the election with a view to the change of name being announced in the planned joint FRC and BEIS consultation.

10 QUARTERLY ENFORCEMENT REPORT

- 10.1 The Board noted a report on the main activities of the Enforcement Division and progress of current cases. The Board noted that consideration was being given to the appropriateness of the existing Enforcement KPIs and that revised KPIs would be presented to the Board for approval in due course.

11 REVISED ETHICAL AND AUDITING STANDARDS

- 11.1 The Board considered proposed amendments to the UK Ethical Audit Standards designed to enhance confidence in audit, by strengthening and clarifying auditor independence, enhancing and promoting better audit quality and transparent reporting.
- 11.2 The Board noted the proposed amendments mark a significant change to the 2016 standard and discussed the proposal to extend the scope of non-audit services to cover other entities of public interest. Following detailed consideration it was agreed that the revised Standard be issued for entities that fall within the scope of the current standard (subject to confirmation of the process that had been followed in developing the amendments) and that the proposal to extend the PIE non-audit services restrictions to other non-PIE entities be reviewed in January following publication of the Brydon review and BEIS consideration on a revised definition for Public Interest Entities.

12 REVISIONS TO THE CLIENT ASSET ASSURANCE STANDARD (CASS)

- 12.1 The Board approved the proposed changes to the Standard which were minor in nature and focused on improving the clarity and usability of the Standard, noting the Audit & Assurance Council had given its advice in support of the amendments to the executive.

13 COMPETITION DUTY

- 13.1 The Board discussed a report that set out what a competition duty, both as a primary duty and as a secondary duty, could mean for ARGA's work and priorities. Following consideration, the Board agreed that the FRC should recommend to BEIS that ARGA has a secondary duty with respect to competition which would enable ARGA to prioritise its efforts in improving audit quality while also promoting competition when not in conflict with the primary objective.

14 AMENDMENTS TO FRS 102 – INTEREST RATE BENCHMARKS

- 14.1 The Board approved *FRS 102 – Interest rate benchmarks* for issue, noting the Corporate Reporting Council had given its advice to the executive in support of the amendments.

15 FRED 73 DRAFT AMENDMENTS TO FRS 101 – 2019/20 CYCLE

- 15.1 The Board approved *FRED 73 Draft Amendments to FRS 101 – 2019/20 cycle* for issue noting the Corporate Reporting Council had given its advice to the executive in support of the exposure draft.

16 FORWARD PLAN

- 16.1 The Board noted the forward plan.

17 AOB

- 17.1 There was no other business.



Date of Next Meeting

Wednesday 29 January 2020 at 10am.

Signature:
Simon Dingemans - Chairman

Date:.....