

Financial Reporting Council
Minutes of a meeting of the FRC Board
held on 26 September 2019 at 9.15am at the FRC Office, 125 London Wall, London EC2Y 5AS

PRESENT:	Sir Winfried Bischoff	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 (by phone up to item 5)
	Julia Unwin	Non-Executive Director (by phone)
	Jenny Watson	Non-Executive Director
	Stephen Haddrill	Chief Executive Officer (CEO)
IN ATTENDANCE:	Elizabeth Barrett	Executive Counsel and Executive Director
	Francesca Carter	Board Secretary
	Paul George	Executive Director, Corporate Governance & Reporting
	Anne McArthur	General Counsel and Company Secretary
	David Rule	Executive Director, Supervision
	Tracy Vegro	Executive Director, Strategy & Resources
	Claire Lindridge	Acting Audit Firm Monitoring and Supervision Director (item 4)
	Sally Dewar	Allen & Overy (item 4)
	Bryan Turner	Programme Transformation Director (item 6)
	Andrew Miller	Project Manager (Brexit) (items 6 & 7)
	Mark Babington	Deputy Director of Audit Policy (Item 11)
	Francesca Carter	Board Secretary (minutes)
APOLOGIES :	Keith Skeoch	Non-Executive Director

1 QUORUM AND OPENING OF THE MEETING

- 1.1 The Chairman noted that the meeting was quorate and opened the meeting. The Chairman welcomed David Rule, Executive Director, Supervision.

2 DECLARATIONS OF INTEREST

- 2.1 The Chairman reported the Nominations Committee had considered the following appointments and had concluded neither appointment would give rise to any conflict of interest and/or risk of reputational damage to the FRC.

- Nick Land - appointment as Chair of Instant Ltd.
- Julia Unwin - appointment as a Director of Pagaoda Leasing Limited.
- Olivia Dickson - proposed appointment to be confirmed in early 2020.

The appointments were noted.

- 2.2 No other interests were declared.

3 MINUTES AND MATTERS ARISING

- 3.1 The Board approved the minutes of the Board meeting of 4 July 2019 for publication.
- 3.2 The matters arising log was reviewed and noted.

4 ALLEN & OVERY REVIEW OF KPMG

4.1 Ms Dewar provided an oral report on the findings of the review and next steps.

5 CHIEF EXECUTIVE'S REPORT

5.1 Mr Haddrill introduced his report. Discussion included the following points and observations:

- *Thomas Cook:* The Board noted an update had been circulated in advance of the meeting. It was also noted the Conduct Committee was due to meet the following day to consider the matter.
Audit risk: The Board discussed that audit firms are increasingly testing the value of taking on audit clients against reputational and regulatory risks; this touches on the FRC's principal risk that 'the Audit market is severely disrupted by the failure of an audit firm or their withdrawal from all or part of the market'. The Board supported the suggestion that this matter be a key focus for the incoming CEO and Chair.

5.2 The Board considered a report from the Executive Director, Supervision and expressed concern in relation to recruitment and retention in respect of the AQR team. It was agreed a paper on AQR resourcing be presented at the next meeting.

5.3 The Board noted a report from the Executive Director, Corporate Governance and Reporting and noted progress on the Project and Activity report 2019/20.

6 IMPLEMENTING THE RECOMMENDATIONS OF THE KINGMAN REVIEW

6.1 Mr Turner introduced an update on progress in implementing the recommendations of the Kingman Review and the status of the BEIS consultation. The Board noted that BEIS had confirmed delays to the consultation paper being drafted and the earliest date for publishing the consultation document was March 2020. The Board discussed the impact of the delay in terms of risk to the FRC's ability to recruit and reputation.

6.2 The Board noted there would be an opportunity to discuss progress and messaging at the October Board meeting.

7 OPERATIONS REPORT

7.1 Ms Vegro introduced the report. The Board noted progress on the long-running programme to prepare for EU exit and the status of the FRC's EU Exit projects. The Board welcomed that some progress had been made but noted the prevailing political uncertainty and the absence of a Withdrawal Agreement.

7.2 Ms Vegro reported progress in recruiting to meet the target number of staff set out in the 2019/20 Plan & Budget which was encouraging but there was a need to look for new ways to attract and retain staff. In some teams, vacancies were harder to fill than others. The Board noted that whilst the FRC's status as a public body was confirmed, its exact category within the public sector was still to be agreed by Cabinet Office. The FRC's category and the flexibilities on pay were linked and the sooner the flexibilities recommended by Kingman were confirmed the better given the impact on recruitment and retention.

7.3 The Board noted the Operations report and Financial Performance for July 2019 and that the FRC had been confirmed as compliant with the Managing Public Money requirements.

8 CHAIRMAN'S AGENDA

8.1 The Board:

- approved the appointment of Simon Dingemans as Chair of the Nominations Committee for a four-year period commencing 7 October 2019; and
- on the recommendation of the Nominations Committee, approved the appointment of Simon Dingemans as a member of the Remuneration Committee for a four-year period commencing 7 October 2019.

9 UK ENDORSEMENT BOARD (UKEB) CONSULTATION

9.1 The Board considered a report that set out the proposed structure of the UKEB and summarised the proposed relationship between the UKEB and the FRC, the respective roles and responsibilities of the UKEB and the FRC and the impact on FRC resources and budget. The Board noted that the proposals would be subject to a joint consultation by BEIS and the FRC and that the Board would be required to approve the consultation document for issue.

9.2 The Board expressed several concerns in relation to the proposed governance arrangements and requested the Executive raise those concerns with BEIS at the next project Board meeting.

10 AIM QUOTED COMPANIES

10.1 The Board considered an update report on the FRC response to the Kingman recommendations in relation to AIM quoted companies. The Board supported the proposal to align the scopes of AQR and CRR, focusing work on large AIM companies and to move to a more risk-based approach to selecting AQR and CRR reviews. In discussion the Board reiterated its concerns in relation to AQR resourcing.

10.2 The Board also supported the proposal to provide greater clarity externally in relation to the FRC's role in regulating AIM-quoted companies. Minor drafting amendments were suggested in relation to the proposed communications.

11 ISA (UK) 570 (REVISED SEPTEMBER 2019) GOING CONCERN

11.1 Mr Babington introduced the revised standard and feedback statement. The Board noted the consultation had closed on 14 June 2019 and that there had been significant stakeholder engagement.

11.2 Mr Babington reported that responses to the consultation supported the proposed revision of the standard. However, in response to feedback extended reporting requirements for audits of SME entities had been removed and minor editorial changes had been made to enhance the requirements and application materials. Through discussion it was noted the Audit & Assurance Council had debated removal of the reporting requirements for SME entities at length and was content that the approach presented in the revised Standard was appropriate and proportionate. In relation to the scope of entities required to apply the enhanced reporting requirements the Board requested an amendment to the drafting to include Entities subject to governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018.

11.3 On the advice of the Audit and Assurance Council given to the Executive, the Board approved the revised standard for adoption with an effective date of 15 December 2019 subject the amendment at 11.2.

12 DEVELOPMENTS IN AUDIT

- 12.1 Mr Meek introduced the draft Developments in Audit Report and noted that the Report had been revised following discussion at the Conduct Committee meeting the previous week. The Board queried whether it would be appropriate to publish the report in light of the CMA, Brydon and Redmond reviews but in noting the FRC is required to report annually on its monitoring activities agreed to proceed with publication on 17 October.
- 12.2 The Board reviewed the draft and suggested a number of amendments and additions.
- 12.3 The Board approved the report for publication, subject to the agreed drafting amendments and consideration of the report by the incoming CEO and Chairman.

13 DEVELOPMENTS IN CORPORATE REPORTING

- 13.1 Mr George introduced the draft report and invited comments on the overall tone and tenor of the report. The Board noted the report had also been considered by the Conduct Committee the previous week. Through discussion, a number of drafting suggestions were made.
- 13.2 The Board approved the report for publication, subject to the agreed drafting amendments and consideration of the report by the incoming CEO and Chairman.

14 COMMITTEE CHAIR REPORTS

Report from the Codes & Standards Committee

- 14.1 The Board noted the minutes of the meeting of the Codes & Standards Committee held on 10 September 2019.

Report from the Conduct Committee

- 14.2 The Board noted an oral report of the meeting of the Conduct Committee held on 17 September 2019.

15 FORWARD PLAN

- 15.1 The Board noted the forward plan.

16 ANY OTHER BUSINESS

- 16.1 The Board acknowledged that this may be Sir Win’s last Board meeting and thanked him for his commitment and contribution to the work of the FRC.

Date of Next Meeting

Tuesday 22 October 2019 at 10.30am

Signature:
Simon Dingemans - Chairman

Date:.....