

**Financial Reporting Council
Minutes of a meeting of the FRC Board
held on 29 January 2020 at the FRC Office, 125 London Wall, London EC2Y 5AS**

PRESENT:	Simon Dingemans Sir Brian Bender David Childs John Coomber Olivia Dickson Nick Land Keith Skeoch Sir Jon Thompson Jenny Watson Julia Unwin	Chairman Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director CEO Non-Executive Director Non-Executive Director
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IN ATTENDANCE:	Francesca Carter David Rule Claire Lindridge Phil Fitz-Gerald Tara Trousdale Kate Davies Anne McArthur Mark Babington Paul George Joyce Grant Mark Shennan Richard Crisp Ros Stowe Andrew Meek	Board Secretary Executive Director, Supervision (Items 5.2,5.3 & 10-12) Acting Director, AFMAS (Items 5.2 & 5.3) Director of Financial Reporting Lab (Item 8) Head of Finance (Item 8) Deputy General Counsel (Item 9) General Counsel & Company Secretary (Item 9) Deputy Director of Audit Policy (Items 10 & 11) Executive Director, CG&R (Item 10) Technical Accounting Director (Item 10) Policy & Strategy Director (Item 10) Case Director, AQR (Item 10) Case Examiner (Item 10) Acting Director, AQR (Item 12)
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1 QUORUM AND OPENING OF THE MEETING

- 1.1 The Chairman noted that the meeting was quorate and opened the meeting. The Chairman noted it was Sir Brian Bender's last meeting and thanked Sir Brian for his contributions to the FRC since joining in 2014.

2 DECLARATIONS OF INTEREST

- 2.1 No new declarations of interest were declared.

3 MINUTES AND MATTERS ARISING

- 3.1 The Board approved the minutes of the Board meeting of 20 November 2019 for publication.
- 3.2 The matters arising log was reviewed and noted.

4 REPORT FROM THE AUDIT COMMITTEE CHAIRMAN

- 4.1 The Board noted an oral report of the Audit Committee meeting held on 28 November 2019. On the recommendation of the Audit Committee the Board:
- (i) Authorised Sir Jon Thompson to sign the audit engagement letter set out at Appendix 1 (subject to minor drafting amendments) on behalf of the Directors of the Financial Reporting Council;
 - (ii) Approved the audit fee for the audit of the Financial Reporting Council Ltd and the UK Accounting Standards Endorsement Board Ltd; and
 - (iii) Approved the reappointment of the GIAA to undertake the internal audit function.

5 REPORT FROM THE CONDUCT COMMITTEE CHAIRMAN

- 5.1 Reports from previous meetings. The Committee noted confirmed minutes of the 10 December 2019 meeting and draft minutes of the 14 January meeting. The Board noted the Committee had considered a report on the FRC's responsibilities under the Local Audit & Accountability Act Report and discussed and suggested consideration be given to increasing focus on hospital and healthcare audits. It was noted that university audits are currently outside of the scope of AQR work.
- 5.2 FRC as Competent Authority. The Board considered a detailed report which set out how the FRC had discharged its responsibilities as Competent Authority (CA). The Board agreed the Conduct Committee recommendation that the FRC has complied with the legislative requirements and fulfilled its CA responsibilities in that it has performed the regulatory tasks set out in the designating legislation and has overseen the RSBs in their performance of the tasks delegated to them by the FRC. After discussion it was agreed that, going forward, the Report would be presented to the Board on an annual basis as part of the year end basis and would include information on the impact of the FRC's work as CA and implications for strategy and forward planning.
- 5.3 Allen & Overy review. The Board considered a summary of the final A&O report and noted an update on progress in agreeing and implementing the recommendations that had been identified. It was agreed the Board would continue to receive regular progress and monitoring updates.
- 5.4 Enforcement report. The Committee noted a report that provided an update on Enforcement activities since the November meeting.

6 CHAIRMAN'S AGENDA

- 6.1 Deputy Chair and Non-Executive Director recruitment. The Chairman reported it was expected that the Deputy Chair recruitment exercise would launch the following week and that the Non-Executive Director process would launch before the end of February, subject to receiving final approval from BEIS.
- 6.2 Code of Conduct amendments. The Board approved changes to the Code of Conduct for Board, Committee and Council Members in relation to conflicts of interest and agreed to publish Executive and Non-Executive Director expenses on a quarterly basis from 1 April 2020.

7 CHIEF EXECUTIVE'S REPORT

- 7.1 The Board considered an oral report from the CEO on the progress of FRC activities and operations and on progress in implementing changes to the management structure agreed in November. The Board discussed the reform agenda and engagement with the Secretary of State and BEIS colleagues on a range of policy issues and the timetable for reform.
- 7.2 The Board noted there had been a delay in appointing a Chair to the UK Accounting Standards Endorsement Board (UKEB) and requested that the CEO encourages BEIS to reconsider the current plans for establishing the UKEB given concerns previously expressed by the Board.

8 FRC STRATEGY AND BUDGET 2020/21

- 8.1 The Board considered the draft interim FRC strategy and proposed 2020-21 budget. The Board discussed, and was supportive, of the proposed strategy, subject to minor drafting amendments and clarifications. The Board reviewed the budget proposals and discussed the implications for levy payers. The proposed increase in expected expenditure for the 2020/21 year was reviewed along with the proposals to increase resources and headcount. The expansion was to enable the FRC to deliver effectively the additional responsibilities.

- 8.2 The Board agreed to delegate approval of the final strategy and budget documents to be issued for consultation to the Chief Executive Officer.
- 8.3 The Board discussed the impact of the reform agenda for corporates and, in noting the pace of change and potential financial implications, suggested consideration be given to how the change agenda could best be managed and communicated to corporates in particular.

9 GOVERNANCE REVIEW

- 9.1 The Board considered changes to FRC governance that had been developed following discussion at the November meeting. The Board noted the proposed arrangements are designed to enhance the effectiveness, speed and responsiveness of the organisation, establish clearer lines of accountability while empowering the executive. Discussion included consideration of possible risks, legal input, the timetable for implementation and next steps.
- 9.2 The Board agreed the proposed arrangements to take effect on 1 July. It was noted relevant consultation documents would be brought to the Board for approval at the March meeting.

10 TRANSFORMATION PROGRAMME

- 10.1 The Board noted a report that provided an update on progress in implementing the recommendations of the Kingman Review and sought views on a number of policy issues under consideration. The report also provided an overview of developing thinking in relation to the CMA and Brydon reviews and the development of a comprehensive transformation programme which would incorporate the transition to ARGA and the recommendations of the Kingman, Brydon and CMA reviews.
- 10.2 The Board welcomed the report and updated timetable. The Board discussed and provided views on a number of policy positions including, shared and joint audit, operational separation, internal controls, the definition of a public interest entity and enforcement against directors. The Board also gave views on the Brydon review and recommendations relating to the FRC.

11 REVISED AUDIT AND ETHICAL STANDARDS – OTHER ENTITIES OF PUBLIC INTEREST

- 11.1 The Board noted it had approved revisions to Auditing & Ethical Standards at the November meeting and had deferred the decision to expand the scope of non-audit services restrictions on PIE auditors to also apply to the auditors of entities which are of public interest but are not subject to the PIE designation pending further outreach. The Board noted that further outreach had now undertaken and the proposed definition reflecting the wider scope was supported. The proposed definition was also consistent with the recommendations of the Brydon review.
- 11.2 Following consideration the Board approved the revised definition which expanded the scope to include large AIM listed entities with a market capitalisation of over €200 million which exceed the threshold to be an SME listed entity as calculated using the definition in this glossary; Lloyd's syndicates; large private sector pension schemes with more than 10,000 members and more than £1 billion of assets and large private companies entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860) by reference to the most recent set of audited financial statements, excluding private equity or venture capital fund management entities which are included within a private equity or venture capital limited partnership fund structure. The Board noted an extended transition period would be permitted to avoid any risk of a disorderly exit from existing engagements and the new requirements would apply for the first time for the audit of periods ending 31 December 2021.

12 AUDIT QUALITY REVIEW UPDATE

12.1 The Board considered the timing and governance review plans for AQR’s public reports on the seven largest audit firms for the 2019/20 inspection cycle and considered preliminary data on expected outcomes in relation to the reviews of individual audits. It was agreed that the draft public report would be presented to the Board at the May meeting and the final would be presented in July.

13 FORWARD PLAN

13.1 The Board noted the forward plan.

14 AOB

14.1 The Board passed a resolution to effect a number of changes to the FRC bank mandates reflecting changes in personnel.

14.2 There was no other business.

Date of Next Meeting

Wednesday 18 March 2020 at 10am.

Signature:
Simon Dingemans – Chairman

Date:.....