

**Financial Reporting Council**  
**Minutes of a meeting of the FRC Board held by Teams on 7 October 2020**

PRESENT:	David Childs John Coomber Sir Jon Thompson Jenny Watson Dame Julia Unwin	Acting Chairman - Non-Executive Director Non-Executive Director CEO (excluding items 5 - 9) Non-Executive Director Non-Executive Director
IN ATTENDANCE:	Francesca Carter Alex Kuczynski  Tara Trousdale Miranda Craig Joyce Grant Phil Fitz-Gerald Kate O'Neill Mark Babington James Ferris Jenny Carter Hannah Armitage David Rule Helen Grimshaw Erica Nicholson Robert Sutherland Malcolm Nicholson Elizabeth Barrett	Company Secretary Executive Director, Corporate Services & General Counsel (items 4.2 - 7 and 10-11) Finance Director (items 4.2 - 5) Director of Strategy & Change (item 5) Technical Accounting Director (item 5) Director of the Financial Reporting Lab (item 5) Director of Stakeholder Engagement (item 6) Executive Director, Regulatory Standards (items 7-8) Acting Head of UK Auditing Standards (item 7) Acting Director, Accounting & Reporting Policy (item 8) Project Director, RSC (item 9) Executive Director, Supervision (items 9-10) Senior Economist & Head of Strategy (item 10.3) Deputy Director of Professional Oversight (item 10.4) Project Manager, POT (item 10.4) Case Director, CRR (Item 10.5) Executive Counsel & Executive Director, Enforcement (item 12)

**1. QUORUM AND OPENING OF THE MEETING**

- 1.1 In accordance with the Articles of Association the Board nominated David Childs to chair the meeting in the absence of a Chairman.
- 1.2 The Chairman noted the meeting was quorate and opened the meeting.

**2 DECLARATIONS OF INTEREST**

- 2.1 No new interests were declared.

**3 MINUTES AND MATTERS ARISING**

- 3.1 The Board approved the minutes of the Board meeting of 1 July 2020 for publication.
- 3.2 The matters arising log was reviewed and noted. The Board noted an update on the appointment of an Interim Chair by the Secretary of State for BEIS.

**4 CEO'S REPORT**

- 4.1 The CEO provided an update on three key areas: people, outputs and reform. On people, the Board welcomed the progress that was being made in terms of staff recruitment, enhancing internal communications and plans for returning to the office. It was noted a paper outlining steps to be taken in response to the findings of the staff survey would be presented in November.

- 4.2 On outputs, the Board considered a management information pack that had been designed to better able the FRC to track progress in delivering its strategy, consider principal risks and to monitor operational measures including finance, HR and IT. The Board welcomed the report and the breadth of information it provided and acknowledged progress in respect of a number of KPIs had been delayed and would be monitored. The Board considered the principal risk summary and noted an Audit Committee discussion with respect to risk tolerance.
- 4.3 The Board noted a brief update on the status of BEIS consultation document and the main policy areas under discussion.

## **5 TRANSFORMATION PROGRAMME UPDATE**

- 5.1 The Board considered a report on the work of the Transformation Programme, incorporating recommendations arising from the Kingman review, the CMA's market study and the Brydon review, together with organisational changes associated with becoming ARGA. The Board noted the planning assumptions and associated Programme activities and the updated Programme risk dashboard.
- 5.2 The Board welcomed the progress that had been made since the last report and that the BEIS consultation document was progressing well. Discussion centered on policy areas that remain under discussion, including in respect of proposals to revise the definition of a Public Interest Entity (PIE) and the proposed objectives for ARGAs.
- 5.3 The Board noted the proposed timetable and discussed what steps could be taken should there be any delays to the legislative timetable.

## **6 DIRECTOR OF STAKEHOLDER ENGAGEMENT REPORT AND STRATEGY**

- 6.1 The Board considered a report from the Director of Stakeholder Engagement which set out a new strategy and operating plan for the Stakeholder Engagement and Corporate Affairs function.
- 6.2 The Board welcomed the new strategy and operating plan. There followed a discussion of the initiatives underway to deliver the strategy, the importance of ensuring clear and consistent messages on FRC policy and key communication themes and the need to ensure the FRC demonstrates the impact of stakeholder engagement on its thinking and policy positions.

## **7 CONSULTATION ON PROPOSED REVISIONS TO ISA (UK) 240**

- 7.1 The Board considered a draft consultation document proposing revisions to ISA (UK) 240 to address recent concerns about the auditors' responsibilities in respect of fraud. Through discussion it was noted that expectations on the FRC to address the concerns that had been identified and to increase clarity as to the auditors' obligations in this area were high and that supplementary requirements and application material was proposed in addition to amendments to the standard. Mr Ferris reported the consultation document and proposed revised standard had been considered by both the Audit & Assurance Council and Codes & Standards Committee and additional questions had been added to the consultation document in response to their views.
- 7.2 On the basis of the discussion, and in noting the support of the Audit & Assurance Council and Codes & Standards Committee, the Board approved a 90 day consultation proposing revisions to ISA (UK) 240 (Updated January 2020) to incorporate further UK requirements and application material to address concerns about the auditors responsibilities in respect of fraud.

## **8 AMENDMENTS TO FRS 102 AND FRS 105 – COVID 19 RELATED RENT CONCESSIONS**

- 8.1 The Board considered a report summarising responses to *FRED 76 Draft amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions* and the proposed final amendments which would introduce a new explicit requirement specifying how an entity shall recognise temporary

changes in operating lease payments that arise from COVID-19 related rent concessions. The Board discussed feedback from respondents and drafting amendments introduced in response. It was noted that some respondents had suggested the scope of the standard be amended so the requirement is optional or could be applied more broadly however, the view of the executive and the Corporate Reporting Council was that, as the requirement is specific to temporary rent concessions occurring as a direct consequence of the COVID-19 pandemic, it is appropriate that it applies to a particular timeframe and is mandatory.

- 8.2 Noting responses to the consultation and the advice of the Corporate Reporting Council, the Board approved the issue of *Amendments to FRS 102 and FRS 105 Covid-19 related rent concessions* for issue.
- 8.3 Reflecting on the need for the FRC to be agile in developing and amending standards to respond to a fast paced changing environment the Board supported a proposal that consideration be given to establishing an abbreviated standard setting process and to identifying what the triggers would be for launching an abbreviated process.

## 9 FRC CLIMATE CHANGE THEMATIC

- 9.1 The Board considered a report that summarised the finding of an exercise undertaken to assess compliance with reporting on climate related information published by companies as part of their annual report. The Board noted the findings would be published as a 'climate change thematic report' and considered the draft executive summary.
- 9.2 The Board welcomed the report and noted the initial findings and key messages. Through discussion the Board suggested amendments to the tone of the executive summary and reiterated its support to encourage reporting against the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations and the Sustainability Accounting Standards Board metrics.

## 10 REPORT FROM THE CONDUCT COMMITTEE CHAIR

- 10.1 The Board noted confirmed minutes of the Conduct Committee meeting held on 14 July 2020 and draft minutes of the Conduct Committee meeting held on 15 September 2020.
- 10.2 The Board then considered a number of publications that had been reviewed by the Conduct Committee at the September 2020 meeting.

### *Key Facts and Trends 2020*

- 10.3 The Board reviewed the draft report which provided statistical information and trends about the members and students of the principal accountancy bodies in the UK and on the audit firms which perform the audits of Public Interest Entities. The Board welcomed the report and, on the recommendation of the Conduct Committee, approved *Key Facts and Trends 2020* for publication in October.

### *Report of the Independent Supervisor General*

- 10.4 On the recommendation of the Conduct Committee the Board approved submission of the *Independent Supervisor of the Comptroller and Auditor Generals Report* to BEIS and to be laid in Parliament during November.

### *Annual Review of Corporate Reporting*

- 10.5 The Board considered the report on the 2019/20 cycle and the key findings and messages. The Board welcomed the refreshed 'style' of the report and the introduction of a 'highlights' section but commented on the need to ensure flexibility in respect of the priority areas for 2021/22.
- 10.6 On the advice of the Conduct Committee the Board agreed to delegate final sign off to the Executive Director of Supervision and the Director of CRR.

**11 REPORT FROM THE AUDIT COMMITTEE CHAIR**

- 11.1 The Board noted draft minutes of the Audit Committee meeting held on 29 September 2020 and considered a number of updates and recommendations arising from the meeting. In presenting the recommendations the Committee Chairman noted the membership of the Committee represented three of the five Board members present and one co-opted Committee member.

*GIAA Report – Internal Audit*

- 11.2 The Board noted two additions to the 2020/21 audit plan and an update on the preliminary findings of the GDPR audit.

*Internal Audit – effectiveness and reappointment*

- 11.3 The Board noted the Committee had considered the effectiveness of the internal audit function and agreed the recommendation of the Committee to reappoint the GIAA as the FRC’s Internal auditors.

*External Audit – effectiveness and reappointment*

- 11.4 The Board noted the Committee had considered the effectiveness, independence and qualification of the External Auditor and noted the arrangements that are in place to ensure independence given the FRC’s status as Independent Supervisor of the Comptroller and Auditor General. The Board agreed the recommendation of the Committee to recommend the reappointment of the NAO to the Company at its AGM on 18 November 2020.

**12 REPORT FROM THE EXECUTIVE DIRECTOR OF ENFORCEMENT**

- 12.1 The Board noted a report that provided an update on the activities of the Enforcement Division and the status of active investigations.
- 12.2 The Board discussed timeliness and welcomed initiatives underway to identify common causes of delays and to refine the investigation process.

**13 REPORT FROM THE CODES & STANDARDS COMMITTEE CHAIR**

- 13.1 The Board noted draft minutes of the Codes & Standards Committee meeting held on 9 September 2020.

**14 DECISIONS TAKEN BY EMAIL SINCE THE PREVIOUS MEETING**

- 14.1 The Board noted and ratified the decisions that had been taken by email since the 1 July 2020 meeting.

**15 FORWARD PLAN**

- 15.1 The Board noted the forward plan.

**16 AOB**

- 16.1 There was no other business.

**Date of Next Meeting**

Wednesday 18 November 2020 at 1.45pm

Signature: .....

Date:.....