

Financial Reporting Council

Minutes of a meeting of the FRC Board held at the FRC Office, 125 London Wall, EC2Y 5AS
on 1 July 2021

PRESENT:	Keith Skeoch	Chairman
	David Childs	Non-Executive Director
	John Coomber	Non-Executive Director
	Sir Jon Thompson	CEO (to item 13)
	Hannah Nixon	Non-Executive Director
	Jenny Watson	Non-Executive Director
	Ruwan Weerasekera	Non-Executive Director
	Dame Julia Unwin	Non-Executive Director
IN ATTENDANCE:	Francesca Carter	Company Secretary
	Alex Kuczynski	Executive Director, Corporate Services & General Counsel (to item 13)
	Miranda Craig	Director of Strategy & Change (items 5.5)
	Kate O'Neill	Director of Stakeholder Engagement and Corporate Affairs (items 5.5 and 7)
	Elizabeth Barrett	Executive Director, Enforcement & Executive Counsel (item 6)
	David Rule	Executive Director, Supervision (item 9)
	Andrew Meek	Director of Audit Firm Supervision (item 9)
	Mark Babington	Executive Director, Regulatory Standards & Codes (item 10)
	David Styles	Director of Corporate Governance & Stewardship (item 10.2)
	Claudia Chapman	Head of Stewardship (item 10.2)
	Sian Barr	Project Director (item 10.3)
	Vanessa Leung	Director of Actuarial Policy (item 10.3)

1. QUORUM AND OPENING OF THE MEETING

- 1.1 The Chairman noted the meeting was quorate and opened the meeting. The Chairman welcomed Hannah Nixon and Ruwan Weerasekera to their first Board meeting.

2 DECLARATIONS OF INTEREST

- 2.1 The Board noted interests previously declared by Sir Jon Thompson and Ruwan Weerasekera in an ongoing investigation referenced in the Quarterly Enforcement Update.
- 2.2 The Board also noted interests previously declared by Ruwan Weerasekera in respect of the Public Audit Quality Reports and Hannah Nixon in relation to Actuarial Regulatory Reform.

3 MINUTES AND MATTERS ARISING

- 3.1 The Board approved the minutes of the public and private Board meetings held on 12 May 2021 and the minutes of the additional meeting held on 19 May 2021.
- 3.2 The Board noted and ratified the decisions that had been taken in writing since the last meeting.
- 3.3 The Board reviewed the matters arising log. The Board was pleased to note the MoU with the PRA had been finalised and signed.

4 CHAIRMANS REPORT

- 4.1 The Chairman reported on meetings he had held with internal and external stakeholders since the last meeting and provided an update on the expected timing of the campaign, led by BEIS, to recruit a permanent chair and further NEDs.

5 CEO'S REPORT

- 5.1 The CEO provided an update on the activities of the executive, including that a KPI pack and project reporting approach had been agreed and would support future CEO reports. The CEO also reported that a series of facilitated Executive Committee development sessions had been held, several actions had been identified and would be delivered via an action plan.
- 5.2 The CEO reported on a large number of engagements he had led as part of the consultation outreach programme and there followed a discussion on common themes and issues identified by attendees.

FRC Values and Behaviours refresh

- 5.3 The Board considered a report that summarised an exercise to review and refresh the FRC's Values and Behaviours in response to findings of the 2020 Employee Survey. The Board welcomed approach that had been taken, including that an internal working group had been established and an external consultancy agency had been appointed to support the work.
- 5.4 The Board supported the proposed approach to retain the existing high-level Values but to refresh and clarify the supporting behaviours. Through discussion the Board highlighted the importance of ensuring the refreshed behaviours reflect behaviours expected both internally and externally. The Board also highlighted the importance of ensuring mechanisms would be put in place to monitor the embedding of the values and behaviours, including whether the behaviours achieve the desired culture.

Transformation Programme

- 5.5 The Board discussed a report that provided an update on the status of the Transformation Programme, consultation outreach, engagement with BEIS and next steps following the consultation closing date.

6 QUARTERLY ENFORCEMENT REPORT

- 6.1 The Board considered a report that provided an update on the activities of the Enforcement Division and the status of active investigations. The Board was pleased to note planned actions to improve the case management process and to note increased use of the Senior Advisory and Advisory Panel.

7 REPORT FROM THE AUDIT & RISK COMMITTEE CHAIR

- 7.1 The Committee noted the draft minutes of the 14 June 2021 meeting of the Audit & Risk Committee and a short oral report from the Committee Chair. The Board was pleased to note the Head of Internal Audit's opinion on governance, risk management and control for the year was assessed as Moderate, an improvement from Limited in 2019/20.

FRC Annual Report and Financial Statements 2020/21

- 7.2 The Chair summarised the Committee's discussion of the draft Annual Report & Financial Statements and commended the team on the preparation of the report. The Board noted minor amendments to the Independent Auditor Report and Letter of Representation had been received and had been marked up on the documents presented to the Board.

- 7.3 On the recommendation of the Audit & Risk Committee the Board:
- a. Approved the FRC Annual Report and Financial Statements 2020/21 in the form attached at Appendix 1, subject to any final editing of the Report approved by the CEO and Chair.
 - b. Approved the Letter of Representation and authorised the Chief Executive Officer and Accounting Officer to sign it on behalf of the Board.
 - c. Authorised the Chief Executive Officer and Accounting Officer to sign the Strategic Report and the Governance Statement, the Chair and the Chief Executive Officer to sign the Balance Sheet, and the Company Secretary to sign the Directors' Report on behalf of the Board.
 - d. Authorised the Executive to submit the FRC Annual Report and Financial Statements 2020/21 to Parliament before the House rises on 22 July 2021.
 - e. Agreed to recommend to the Company at its Annual General Meeting the adoption of the FRC Annual Report and Financial Statements 2020/21.

7.4 The Board also noted, and suggested minor drafting amendments, to the draft Press Notice announcing publication of the Annual Report and Accounts.

8 REPORT FROM THE CONDUCT COMMITTEE CHAIR

8.1 The Board noted draft minutes of the Conduct Committee meeting held on 15 June 2021.

9 REPORT FROM THE SUPERVISION COMMITTEE CHAIR

9.1 The Board noted draft minutes of the Supervision Committee meeting held on 15 June 2021.

Public Audit Quality Reports

9.2 Following discussion at the May meeting the Board considered, and approved, proposed drafting to be included in the cross-firm overview sections of the FRC's public reports on its supervision and inspection work. The Board also discussed quality issues raised by particular audits and approved an appropriate supervisory approach.

Audit Firm Supervision Approach

9.3 The Board discussed a paper which was tabled at the meeting on the approach to the supervision of PIE audit firms. Detailed observations and questions would be circulated by email.

10 REPORT FROM THE REGULATORY STANDARDS & CODES COMMITTEE CHAIR

10.1 The Board noted draft minutes of the meeting held on 17 June 2021.

Corporate Governance and Stewardship Update

10.2 The Board considered a report that provided an update on work to promote high-quality corporate governance and provided further information of progress on the assessment of the stewardship signatory statements. The Board discussed the quality of stewardship reporting, specifically areas where disclosures were lower quality than had been expected, the assessment methods used and the timeline for publication of signatories to the Code.

Actuarial Regulatory Reform

10.3 The Board considered and approved a series of proposed policy positions developed in response to the Governments' proposed framework for actuarial regulation as set out in its' consultation: "Restoring trust in audit and corporate governance". The Board welcomed the focus on the issue of the regulatory scope and objective to establish an effective regulatory regime in the public interest.

Revision of UK's Quality Management Standards

- 10.4 The Board considered and approved the issue of the following standards with an effective date of 15 December 2022:
 - i. International standard on quality management (UK) 1
 - ii. International standard on quality management (UK) 2
 - iii. International Standard on Auditing (UK) 220 (Revised July 2021)
 - iv. Conforming and consequential amendments to other ISAs (UK) following revised Quality Management Standards ISA (UK) 200.

11 FORWARD PLAN

- 11.1 The Board noted the forward plan.

12 AOB

- 12.1 The Board noted an update on succession arrangements to the role of Executive Director, Supervision.
- 12.2 The Board noted that, as Jenny Watson and Julia Unwin would be leaving the FRC at the end of August, the meeting was their last. The Board recorded their thanks to Jenny and Julia for the significant contributions they had made to the FRC since appointment in 2018, particularly with regards to encouraging consideration of the public interest. The Chairman added a personal thanks for the general support and wise counsel he had received from Julia and Jenny.
- 12.3 There was no other business.

13 PRIVATE SESSION

- 13.1 The Board met for a private discussion without members of the Executive present.

Date of Next Meeting

Thursday 23 September 2021 at 10am.

Signature:

Date:.....