

Financial Reporting Council

Minutes of a meeting of the FRC Board held by Teams on 12 May 2021

PRESENT:	Keith Skeoch	Chairman
	David Childs	Non-Executive Director
	John Coomber	Non-Executive Director
	Sir Jon Thompson	CEO (to item 17)
	Jenny Watson	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 17)
	Tara Trousdale	Finance Director (item 5.2)
	Miranda Craig	Director of Strategy & Change (items 5.3-5.4, 6 & 7)
	Kate O'Neill	Director of Stakeholder Engagement and Corporate Affairs (items 5.3-5.4 and 6)
	Mark Babington	Executive Director, Regulatory Standards and Codes (item 7)
	Paul Carr	Chief of Staff - Supervision Division (item 8)
	David Rule	Executive Director, Supervision (item 9)
	Andrew Meek	Director of Audit Firm Supervision (item 9)
	Ros Stow	Supervisor (item 9)

1. QUORUM AND OPENING OF THE MEETING

- 1.1 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 30 March 2021 for publication.
- 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 and discussed the status of the Service Level Agreement (SLA) between the FRC and the UK Accounting Standards Endorsement Board (UEKB). Noting that management consider the SLA to be comprehensive, subject to textual changes, the Board agreed to delegate authority to the CEO to sign the SLA on behalf of the FRC.

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 Board succession. The Board was pleased to note that the Secretary of State for Business, Energy and Industrial Strategy (SoS) had appointed Ruwan Weerasekera and Hannah Nixon as non-Executive Directors of the FRC Board effective from June 2021 and a campaign for further Non-Executive Directors would be launched later in the year. A decision by the SoS on the proposed reappointment of a number of existing non-Executive Directors was pending.

5 CEO'S REPORT

- 5.1 The CEO provided an update on the activities of the executive and on a series of people related matters, including the 2020/21 pay review and plans for the return to the office.
- 5.2 The Board reviewed the quarterly Management Information report which presented information on progress in delivering the FRC strategy, delivery of key regulatory projects and activities (including enforcement work), principal risks and detail on operational measures. The Board welcomed the report and proposals to develop the scope, format and presentation of the information to more clearly show outcomes. The Board discussed the principal risks and the effectiveness of the mitigations relating to audit quality; it was agreed the executive would consider this in advance of an Audit & Risk Committee deep dive review of the Supervision Division risk register in June.

Transformation Programme Update

- 5.3 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 establishing ARGA. The Board welcomed a summary of progress made since the last report and forward planning priorities.
- 5.4 The Board discussed programme risks and mitigations, the consultation outreach and engagement programme launched by the Stakeholder Engagement team, including common themes and reactions to the policy proposals, the high degree of interest, and the reporting of feedback to BEIS.

6 STAKEHOLDER ENGAGEMENT UPDATE

- 6.1 Kate O'Neill presented a report that summarised work completed by the Stakeholder Engagement and Corporate Affairs Team over the last quarter and ongoing and planned future work. The Board welcomed the report and discussed the FRC's approach to international engagement, including in relation to the consultation document outreach programme.

7 LOCAL PUBLIC AUDIT – REDMOND REVIEW

- 7.1 In response to Sir Tony Redmond's independent review of local public audit and the recommended establishment of a 'systems leader' the Board considered high level proposals to seek an extension to ARGA's proposed statutory objectives for high quality audit and audit market resilience over the corporate sector to include the local public audit market.
- 7.2 The Board discussed the risks and opportunities offered by the proposals in detail and noted that there would be elements of systems leader role that could not be fulfilled by ARGA for conflicts of interest reasons. On balance and noting the alignment with the proposed strategic objectives of ARGA, and that the work would be funded by government, the Board supported the proposals in principle.

8 REDRAFT OF THE AUDIT ENFORCEMENT PROCEDURE

- 8.1 The Board considered a paper outlining a series of proposed amendments to the Audit Enforcement Procedure (AEP) designed to better facilitate the conduct of Enforcement cases. There followed a discussion of risk, timings and transitional provisions.
- 8.2 The Board noted the scope of proposed changes to the AEP and agreed to delegate:
 - i) approval of the form and content of the public consultation document to the Conduct Committee
 - ii) power to approve the amended AEP to the Conduct Committee subject to any material changes post consultation.

9 DRAFT PUBLIC REPORTS ON SUPERVISION AND INSPECTION WORK

- 9.1 The Board considered a report that summarised key findings and messages to be included in public reports on the FRC's supervision and inspection work at the largest seven audit firms. There followed a detailed discussion on the findings and the tone / content of the public reports.

10 REPORT FROM AUDIT & RISK COMMITTEE CHAIR

- 10.1 The Board noted an oral report of the Audit & Risk Committee meeting held on 5 May 2021 and a summary of key matters discussed.
- 10.2 The Board noted the Committee had reviewed the Draft Annual Reports & Accounts for the year ending 31 March 2021 and an updated draft had been circulated to the Board for comment.

11 REPORT FROM THE PEOPLE COMMITTEE CHAIR

- 11.1 The Board noted confirmed minutes of the 30 March 2021 meeting and an oral update from the People Committee meeting held on 12 May 2021. In addition to matters on the Board agenda the Committee had noted an update on work being undertaken in respect of FRC values and that a discussion on the work would be included on the Board strategy day agenda.

12 REPORT FROM THE CONDUCT COMMITTEE CHAIR

- 12.1 The Board noted draft minutes of the Conduct Committee meeting held on 20 April 2021.

13 REPORT FROM THE SUPERVISION COMMITTEE CHAIR

- 13.1 The Board noted draft minutes of the Conduct Committee meeting held on 20 April 2021.
- 13.2 The Board noted a report from the Supervision Committee Chair on its' oversight of the FRC Professional Oversight work.

14 REPORT FROM THE CHAIR OF THE REGULATORY STANDARDS AND CODES COMMITTEE

- 14.1 The Board noted an oral report of the 28 April 2021 meeting. On the recommendation of the Committee the Board:
- i) Approved amendments to FRS 101 – 2020/21 cycle for issue.
 - ii) Approved final revisions to the International Standard on Review Engagement (UK) 240 for issue.
 - iii) Approved the adoption of ISA (UK) 240 (Revised May 2021) for adoption, effective for audits of financial statements for accounting periods beginning on or after 15 December 2021.

15 FORWARD PLAN

- 15.1 The Board noted the forward plan.

16 AOB

- 16.1 There was no other business.

17 PRIVATE SESSION

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



Date of Next Meeting

Thursday 1 July at 10am.

Signature:

Date:.....