



Department for  
Business, Energy  
& Industrial Strategy

BUSINESS IMPACT TARGET:  
SUMMARY  
**2 JULY 2019**

Non-qualifying Regulatory Provisions (NQRPs) summary

Regulator: Financial Reporting Council

Business Impact Target Reporting Period Covered: 21<sup>st</sup> June 2018 – 20<sup>th</sup> June 2019

Excluded Category*	Summary of measure(s), including any impact data where available**
<p>Measures certified as being below <i>de minimis</i> (measures with an EANDCB below +/- £5 million)</p>	<p><i>Accounting &amp; Reporting Policy</i></p> <p><b>Amendments to FRS 101 Reduced Disclosure Framework - 2016/17 cycle (July 2017)</b> provides exemptions from disclosures that would otherwise have been required (through EU-adopted IFRS) thereby enhancing the cost-effectiveness of the standard by removing an administrative burden associated with preparing financial statements. The cost of compliance for entities choosing to apply FRS 101 will be reduced. The amendments principally provide exemptions in relation to disclosures relating to leases and are effective when an entity applies IFRS 16 <i>Leases</i>. The IASB published IFRS 16 <i>Leases</i> in January 2016 with an effective date of 1 January 2019.</p> <p><b>Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland - Triennial review 2017 Incremental improvements and clarifications (December 2017)</b> - including amendments to FRS 100 <i>Application of Financial Reporting Requirements</i>, FRS 101 <i>Reduced Disclosure Framework</i>, FRS 103 <i>Insurance Contracts</i>, FRS 104 <i>Interim Financial Reporting</i> and FRS 105 <i>The Financial Reporting Standard applicable to the Micro-entities Regime</i>. Reduced costs of compliance are expected to arise from these changes through simplifying some of the more challenging requirements (including requiring fewer fair value measurements in some areas), introducing more accounting policy choices, and clarifying existing requirements (meaning less time is spent determining an appropriate accounting policy in these cases). Familiarisation costs are estimated at £9.7m. The effective date is 1 January 2019.</p> <p><b>Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland - Multi-employer defined benefit plans (May 2019)</b> - amends Section 28 Employee Benefits to require the difference between any liability for the contributions payable arising from an agreement to fund a deficit and the net defined benefit liability recognised when applying defined benefit accounting, to be recognised in other</p>

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	<p>comprehensive income. The effective date is 1 January 2020, with early application permitted. The amendments do not lead to significant additional costs.</p> <p><b>Guidance on the Strategic Report</b> - Revised in July 2018, has been enhanced to recognise the increasing importance of non-financial reporting while maintaining the key principles of existing guidance.</p> <p><b>Guide to help smaller companies improve financial reporting</b> - In May 2019, the FRC jointly with the ICAEW published a new guide to help smaller listed and AIM quoted companies improve their financial reporting.</p> <p><i>Corporate Governance</i></p> <p><b>Code for the corporate governance of large private companies</b> – On 10 December 2018, the industry Coalition Group co-ordinated by the FRC and chaired by James Wates launched the Wates Corporate Governance Principles for Large Private Companies providing a framework to help those companies not only to meet legal requirements but to promote long term success.</p> <p><b>UK Corporate Governance Code</b> – revised in July 2018, places emphasis on businesses building trust by forging strong relationships with key stakeholders including the workforce. It calls for companies to establish a corporate culture that is aligned with the company purpose and business strategy, and that promotes integrity and values diversity.</p>
EU Regulations, Decisions and Directives and other international obligations, including the implementation of the EU Withdrawal Bill and EU Withdrawal Agreement	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Measures certified as concerning EU Withdrawal Bill operability measures	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Pro-competition	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.

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Systemic Financial Risk	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Civil Emergencies	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Fines and Penalties	<p><i>Enforcement activities</i></p> <p>At 21 June 2018 there were 43 investigations<sup>1</sup> involving audit and financial reporting with a total of 92 subjects under investigation. During the year to 20 June 2019:</p> <ul style="list-style-type: none"> <li>• 10 further investigations commenced into 26 further subjects;</li> <li>• 7 investigations concluded with settlements made with 15 subjects;</li> <li>• 4 investigations concluded following a determination by a Tribunal with 10 subjects; and</li> <li>• cases closed for 5 subjects.</li> </ul> <p>Total fines (at settlement and tribunal) were £28,045,000 (£22,487,888 after discounts).</p> <p>In respect of non-financial sanctions imposed upon subjects:</p> <ul style="list-style-type: none"> <li>• there were 18 reprimands/severe reprimands;</li> <li>• there were 6 exclusions;</li> <li>• there were 5 conditions;</li> <li>• there were 3 declarations.</li> </ul> <p>At 20 June 2019 there were 40 investigations (of which 1 case heard and currently awaiting Tribunal decision) with a total of 88 subjects under investigation for audit and financial reporting. Of these 88 subjects, 53 are under AEP, with the rest under the Accountancy Scheme.</p>
Misuse of Drugs	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Measures certified as relating to the safety of tenants, residents and	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.

<sup>1</sup> Where the FRC has an open investigation relating to the audit **and** the preparation and approval of the financial statements of an entity, we have counted this as separate open investigations. In previous years, this split was not made and it was counted as one open investigation.

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occupants in response to the Grenfell tragedy	
Casework	<p><i>Casework</i></p> <p><b>Audit Inspections:</b> The FRC inspected 160 audits in financial year 2018/19, including 4 local audits under the Local Accountability and Audit Act 2014.</p> <p><b>Corporate Reporting Review:</b> The FRC performed 92 routine reviews of annual reports and accounts. As part of our 2018/19 review cycle we also performed 115 thematic reviews. We wrote substantive letters to 81 companies (letters where we had direct questions for companies regarding their annual report and accounts).</p> <p><b>Monitoring visits:</b> The FRC's Professional Oversight team has conducted monitoring visits at 4 Recognised Supervisory Bodies for statutory audit purposes and 2 Recognised Supervisory Bodies for local audit purposes. It has also conducted monitoring visits at 5 Recognised Qualifying Bodies for statutory audit purposes and 1 Recognised Qualifying Body for local audit purposes.</p>
Education, communications and promotion	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Activity related to policy development	<p><i>Corporate Governance</i></p> <p><b>UK Stewardship Code</b> – The FRC published a consultation on the draft 2019 UK Stewardship Code on 30 January 2019 with a final version to be published later in 2019. Additionally, the FRC and the FCA also published a discussion paper on Building an effective regulatory framework for stewardship on 30 January 2019.</p> <p><i>Audit &amp; Assurance Policy</i></p> <p><b>Consultation on revising Standards for Investment Reporting</b> – In May 2019, the FRC launched a consultation on revisions to the Standards for Investment Reporting (SIRs) 1000-5000 and on an exposure draft for a new SIR 6000 dealing with Quantified Financial Benefits Statements, with feedback requested by 26th July 2019.</p> <p><b>Proposal to revise Practice Note 19 The Audit of Banks and Building Societies in the United Kingdom</b> – In December 2018, the FRC issued a revised Practice Note 19: The Audit of Banks and Building Societies in the United</p>

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	<p>Kingdom (PN 19) and requested feedback on this Consultation Paper by 8 March 2019.</p> <p><b>Post Implementation Review Providing Assurance on Client Assets to the FCA - Call for Feedback</b> – In December 2018, the FRC launched a post implementation review providing assurance on client assets to the FCA and called for feedback by 4 March 2019</p> <p><b>Post Implementation Review 2016 Ethical and Auditing Standards - Call for Feedback</b> – In November 2018, the FRC published a post implementation review of the June 2016 revised Ethical Standard and a suite of revised International Standards on auditing (ISAs) (UK). with feedback requested by 15 February 2019.</p> <p><b>Going Concern standard for auditors</b> – In March 2019, the FRC proposed revisions to International Standard on Auditing (ISA) (UK) 570 <i>Going Concern</i> to increase the work required of auditors when assessing whether an entity is a going concern and asked for feedback by 14 June 2019.</p> <p><i>Professional Oversight</i></p> <p><b>Changes to Third Country Auditors (Fees) Instrument -</b> In January 2019, the FRC launched a consultation to seek views on the proposed changes to the Third Country Auditors (Fees) Instrument to reflect changes required when the UK leaves the EU and asked for feedback by 2 February 2019.</p> <p><i>Accounting &amp; Reporting Policy</i></p> <p><b>Consultation into improvements to the reporting of intangibles launched</b> – In February 2019, the FRC published a consultation on possible improvements to the reporting of factors that are important to a business' generation of value and asked for feedback by 30 April 2019.</p> <p><i>Actuarial Policy</i></p> <p><b>Risk Perspective: 2018 Update</b> - In April 2019, the Joint Forum on Actuarial Regulation (JFAR) published its <i>Risk Perspective: 2018 Update</i> setting out its collective view on current risks to high quality actuarial work.</p> <p><b>Actuarial Statement of Recommended Practice 1: Financial Analysis of Social Security Programmes –</b></p>

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	<p>Following a consultation in November 2018, in May 2019, the FRC published ASORP 1 which promotes high quality technical actuarial work where actuaries are performing a financial analysis (or analyses) of Social Security Programmes (SSPs), or reviewing, advising on, or opining on such analyses. This standard applies to technical actuarial work in the scope of ASORP 1 which is completed on or after 1 September 2019.</p>
Changes to management of regulator	<p><i>Strategy</i></p> <p><b>Plan and Budget 2019/20</b> – On 24 May 2019 the FRC published its Plan and Budget with a commitment to push forward quickly its transition to the new regulator, the Audit, Reporting and Governance Authority (ARGA). This work will progress alongside the extensive reform programme already in place in relation to the audit market.</p> <p><b>Governance Bible</b> - In April 2019, the FRC published a revised Governance Bible giving an overview of governance at the FRC.</p>

\* For detailed guidance on the exclusion categories, please see <https://www.gov.uk/government/publications/better-regulation-framework>

\*\* Complete the summary box as 'Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.' where this is appropriate.