

## **FRC Areas of Research Interest**

The FRC's mission is promote transparency and integrity in business. We encourage high quality corporate governance and regulate the work of accountants, auditors and actuaries. We constantly monitor the quality of audits and company reports and take enforcement action when we see misconduct or breaches of regulations. The FRC also [works internationally](#) to influence the development of international standards.

To achieve these aims we need robust research to enable us to understand our impact, improve our operational effectiveness and efficiency, and develop future strategy. Research complements and informs the FRC's regular consultations on proposed changes to codes and standards and our implementation plans, and the work of the [expert Committees and Councils](#) that advise the FRC Board.

The FRC has a track record of engaging with leading academics on which we wish to build. The FRC's Corporate Reporting Council is assisted in its work by an [Academic Panel](#), a group of distinguished academics who meet regularly to discuss issues relating to the work of the Accounting and Reporting Policy team. But our interests, of course, range more broadly.

This document sets out the FRC's areas of research interest under thematic headings. It is designed to inform those who fund and provide research about the key questions facing the FRC and to stimulate further dialogue between the FRC and the academic and research community. We welcome engagement on both your existing research and on-going programmes, as well as bringing forward new research.

### Get in touch

Please contact us [Research@frc.org.uk](mailto:Research@frc.org.uk).

## **Corporate Governance and Stewardship**

The UK Corporate Governance Code sets standards of good practice in relation to board leadership and effectiveness, remuneration, audit and relations with shareholders and other stakeholders. A [new version](#) of the UK Corporate Governance Code was published last year and took effect from 1 January 2019. It places greater emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that is aligned with the company purpose, business strategy, promotes integrity and values diversity.

The current [UK Stewardship Code](#) aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. The FRC has just consulted on the [draft 2019 Stewardship Code](#) and a final version will be published later this year. The new Stewardship Code aims to substantially raise the standard of stewardship expected from Code signatories and increase demand for more effective stewardship and investment decision-making from asset owners and clients.

The FRC and the Financial Conduct Authority (FCA) have also published a discussion paper on [Building an effective regulatory framework for stewardship](#). The paper aims to advance

the discussion about what effective stewardship should look like, expectations for financial services firms, and how this can be best supported by the UK's regulatory framework.

*We are interested in the following:*

- Which aspects of corporate governance and culture are most important to shareholders and stakeholders such as employees, customers and suppliers, and the wider community?
- To what extent is reporting on the Corporate Governance Code driving sustainable company performance, good governance and behavioural change?
- To what extent is *comply or explain* a successful reporting mechanism on the Provisions of the Corporate Governance Code?
- How can greater diversity in business and companies, particularly company boards, be achieved?
- What are the barriers to effective stewardship? Are barriers to effective stewardship greater for smaller shareholders?

### **Accounting and Reporting Policy**

The FRC undertakes the following activities on accounting and reporting policy:

1. **Accounting Standards:** develops and maintains UK and Irish accounting standards by developing and issuing accounting standards and undertaking outreach with stakeholders. [Read more.](#)
2. **International Financial Reporting Standards (IFRS) influencing:** monitors and influences the International Accounting Standards Board (IASB) on IFRS by responding to their consultations, undertaking outreach with stakeholders and liaison with the European Financial Reporting Advisory Group (EFRAG) and other national standard setters. [Read more.](#)
3. **Wider Corporate Reporting:** improves the quality of annual reports by developing and maintaining Guidance on the Strategic Report, undertaking thought leadership initiatives such as Clear and Concise and undertaking outreach with stakeholders. [Read more.](#)
4. **XBRL (eXtensible Business Reporting Language) FRC Taxonomies:** develops and maintains Taxonomies for EU adopted IFRS, UK GAAP (Generally Accepted Accounting Principles) standards and the Charities SORP (Statements of Recommended Practice). [Read more.](#)

*We are interested in the following:*

- How can financial and narrative reporting be improved?
- What role can technology play in facilitating such an improvement through alternative reporting models?
- How are Alternative Performance Measures (APMs) being used by investors?
- To what extent are climate related risks being disclosed as part of principal risks and uncertainties in the strategic report, or being factored into share prices and valuation models?
- How are companies adapting their business models for climate-related risks?
- How should corporate reporting evolve to better meet the legitimate demands of stakeholders other than investors and potential investors? Can the needs of other

stakeholders be met by the annual report or are other communication channels necessary?

- What is the link between reporting and governance? Do reporting requirements merely encourage the meeting of an information need or do they change behaviour?
- How can corporate reporting provide better information on intangible sources of value, both in the financial statements and elsewhere?
- Which accounting standards are seriously deficient and why? Are there any gaps in what is addressed?
- Do the UK Generally Accepted Accounting Practice (UK GAAP) accounting standards go far enough in enabling users to receive high-quality and understandable financial reporting? Do they ensure that companies undertake financial reporting in a way that reflects economic reality?
- How far do the current principles of the accounting standards reflect a consistent approach to future considerations and discounting of future cash flows?
- Which business statistics, indicators and ratios are indicative of poor-quality financial reporting (including inaccurate financial reporting and misleading narrative statements) and how good is their predictive quality?

### **The Future of Corporate Reporting**

The FRC has launched a major thought leadership project to examine the [Future of Corporate Reporting](#).

The scope of the Future of Corporate Reporting project will evolve to take into consideration the contribution from its advisory group participants. However, the following broad themes will be explored as part of the project:

- Information needs of investors and other stakeholders
- The purpose of corporate reporting and the annual report
- Different forms of corporate communication
- The role of financial and non-financial reporting
- The role of technology
- The role of assurance

### **Actuarial Standards**

The FRC seeks to promote high quality actuarial practice and the integrity, competence and transparency of the actuarial profession to the benefit of all those who rely on actuarial advice. The FRC is responsible for:

- the setting and maintenance of [Technical Actuarial Standards](#) (TAS) and [Actuarial Standard Technical Memorandum 1](#)
- [oversight of the regulation of actuaries by the Institute and Faculty of Actuaries](#) (IFoA)

*We are interested in the following:*

- How will the world in which actuaries work change in the medium to long term – and how will actuarial work change as a result?

- What are the key risks impacting high-quality actuarial work? Which are most pressing?
- What do users of technical actuarial work see as key risks to the quality of that work?
- What changes within the environment that actuaries work in would result in changes to the work they do? How is their work impacted? How would the FRC's assessment of new risks be affected?
- How far do the TAS serve the public interest? How can they be developed? How can the effectiveness of the standards be assessed?
- What work do actuaries do outside of the key practice areas of pensions, insurance and investment? Have these key areas of work changed?
- How does technology factor into the setting and maintenance of the TAS? How could the role of technology be developed to further improve the TAS?
- How must the economic assumptions underpinning the Actuarial Standard Technical Memorandum be adjusted to consider recent economic developments? What legislative and regulatory changes could affect the Memorandum?

### **Audit and Assurance**

The FRC develops and maintains auditing and assurance standards and guidance for engagements that are performed in the public interest within the United Kingdom. We also monitor, and seek to influence as appropriate, international standards and guidance, and policy developments that may affect audit and assurance services in the UK. [Read more.](#)

The Government has also announced the [Brydon Review](#) into UK Audit Standards which will consider:

- how far audit can and should evolve to meet the needs of investors and other stakeholders, putting the UK at the forefront
- how auditors verify information they are signing off
- how to manage any residual gap between what audit can and should deliver
- what are the public's expectations from audit?

*We are also interested in the following:*

- What are the drivers of audit quality and how can audit quality best be measured?
- What are the links between management bias, corporate governance, culture and stewardship with audit quality?
- To what extent is education and training of auditors a factor in improving quality of audit? What is the difference in education and training standards of auditors in the UK and internationally and what differences do they make?
- Where is the direction of accounting and auditing standards heading?