

# Independent Review of the Financial Reporting Council

## Advisory Group Meeting – 29 October 2018

### Summary Minutes

#### Those present:

Sir John Kingman  
Mark Burgess  
Simon Fraser  
Sir Peter Gershon  
Teresa Graham  
Mary Keegan  
Nikhil Rathi  
Anne Richards

#### Apologies:

Lucinda Bell  
John Cridland  
Amelia Fletcher

#### Secretariat:

Sanu de Lima (by telephone)  
Amy Ellison  
Claire Hardgrave  
Amaani Hoddoon  
Robin Mueller  
Sam Oakley

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<b>1</b>	<b>Welcome and Apologies</b>
	<p>Sir John welcomed everybody to the meeting. Apologies were noted.</p> <p>Sir John updated the Advisory Group that the BEIS Secretary of State had asked for his views on the case for change in procurement of audit and the setting of fees, and set out the timeframe and practical considerations. Sir John would respond separately, albeit at the same time as submitting the Review's report. He noted that full consultation was not possible, but all respondents to the Review's call for evidence had been invited to submit views by 9 November.</p> <p>The Advisory Group expressed their concern at recent leaks of significant FRC business.</p>
<b>2</b>	<b>Minutes of the last meeting</b>
	<p>The minutes of the last meeting were agreed.</p>
<b>3</b>	<b>Update following visit to United States</b>
	<p>Sir John gave a verbal update on his informative and positive visit to the United States. Sir John had been accompanied by Dame Mary Keegan and Teresa</p>

	<p>Graham from the Advisory Group, and by Claire Hardgrave from the Review's secretariat.</p> <p>Meetings had been held with the Securities and Exchange Commission, the Public Companies Audit Oversight Board, and the Centre for Audit Quality.</p> <p>The functions, powers, standing and maturity of US regulators were noted.</p>
<b>4</b>	<b>Corporate Reporting Review work</b>
	<p>A paper on the FRC's CRR work was considered, with the extent, nature and purpose of the FRC's examination of corporate reporting noted by the Advisory Group.</p> <p>The Group discussed the scope and coverage of CRR work, comparable arrangements for the examination of audit quality, and the importance of clear, accurate and reliable financial and non-financial corporate reporting. There was discussion on how judgement was reached by the FRC in testing published information against relevant standards and the role of FRC guidance; on the viability statement; and on the appropriate balance of responsibilities between directors, auditors, and the regulator.</p> <p>Transparency of CRR results was discussed, as was the question of a pre-clearance function.</p> <p>The Group's conclusions were noted by the Secretariat.</p>
<b>5</b>	<b>Stewardship</b>
	<p>A paper on the Stewardship Code and investor relationships was considered.</p> <p>The Group was invited to offer particular challenge to the Review on this matter given Sir John's position as Chair of L&amp;G.</p> <p>The intention and effectiveness of the Stewardship Code was considered, along with the evolution of the FRC's approach to tiering.</p> <p>The importance of investor engagement by the FRC was noted by the Advisory Group, and the desired nature and strength of future engagement was discussed. The importance of retail investor perspectives was noted.</p> <p>Future EU developments in stewardship and recommended aspirations for the UK in that context were considered.</p> <p>The Group's conclusions were noted by the Secretariat.</p>
<b>6</b>	<b>Remit and objectives</b>
	<p>The mission, remit, and objectives of the FRC were discussed, along with those for comparator regulators in the UK and overseas.</p> <p>The Advisory Group agreed that strategic objectives should be set, and its</p>

	<p>conclusions on those were noted by the Secretariat.</p> <p>The role of regulation in preventing corporate failure was discussed, and the Group noted that a zero-failure regime was not possible.</p>
<b>7</b>	<b>Funding and resources</b>
	<p>The Advisory Group considered a paper on funding and resources of the FRC.</p> <p>The current funding mechanisms of the FRC were noted, and future structures were discussed along with existing statutory powers to require funding. The Advisory Group agreed with the Review's proposed approach.</p> <p>On resources, the Advisory Group considered that a broader range of mechanisms should be used to engage expertise, utilising approaches applied in other regulators.</p> <p>Turnover and the FRC's current pay strategy were noted. The Group considered likely future resource needs.</p>
<b>8</b>	<b>Competition</b>
	<p>The Group received read-out from a sub-group discussion on competition matters. The key matter was whether the FRC should be subject to a competition duty, and what nature that duty should take.</p> <p>The Advisory Group agreed with the Review's proposed approach.</p>
<b>9</b>	<b>AOB</b>
	<p>The scope of audit work was discussed, and the Advisory Group commissioned work from the Secretariat.</p> <p>The Group considered the question of whether the FRC was or should be an 'improvement regulator'. Comparator approaches were discussed.</p>