

Independent Review of the Financial Reporting Council

Advisory Group Meeting – 25 May 2018

Summary Minutes

Those present:

Sir John Kingman
Dame Amelia Fawcett (via phone)
Amelia Fletcher
Simon Fraser (via phone)
Sir Peter Gershon
Teresa Graham
Dame Mary Keegan
Nikhil Rathi
Anne Richards

Apologies

Lucinda Bell
Mark Burgess
John Cridland

Secretariat

Claire Hardgrave
Amy Ellison
Peter Stevenson

1	Welcome and introductory remarks
	<p>Sir John gave an explanation of the Review's background and scope, emphasising that it was independent in its nature. The Review would include a public call for evidence, and there was a desire to hear a wide range of views. It was noted that there some strong views about the FRC. The Review's Terms of Reference had been issued.</p> <p>Practicalities for the Advisory Group were discussed. Whilst Advisory Group discussions will be held under Chatham House principles (to enable free and frank scrutiny of the issues), a summary meeting note would be produced and made available if requested.</p>
2	Preliminary comments or questions
	<p>It was important for the Advisory Group to have a strong understanding of the FRC's detailed responsibilities and remit, its legal structure, funding, oversight, accountabilities and comparison to other UK regulators, including where there were mechanisms for co-operation.</p>

	<p>It was noted that it was a public body; that FRC’s role included statutory and non-statutory functions; and that self-regulation remained the model for some elements of oversight of the accountancy profession.</p> <p>In discussion, it was noted that the Government had a live consultation on Insolvency and Corporate Governance.</p>
3	Comments on the proposed Call for Evidence
	<p>It was noted that the Review intended to publish a call or evidence in early June, with a two-month consultation period that would include stakeholder outreach and dialogue.</p> <p>In considering the draft Call for Evidence, the Advisory Group made various suggestions for inclusions and clarifications, including on:</p> <ul style="list-style-type: none"> - The question of competition in the audit market and the role of the Review, - The role of other regulators in the landscape, - Expectations of external audit, - The statutory and non-statutory functions of the FRC, - The international oversight of audit and accounting standards, and - How directors are held to account. <p>The Advisory Group discussed the responsibilities of the FRC Board and its role in relation to decisions on enforcement cases. There was a desire to understand more about the rationale underpinning decisions to investigate, or not to investigate, certain cases; and the common factors of corporate failure.</p>
4	Review approach
	<p>Stakeholder engagement was discussed, and the Advisory Group’s views were sought on any gaps in stakeholder engagement; and on any recommended engagement during the consultation period.</p> <p>In terms of the Review’s methodology, the Advisory Group noted that it would be important to develop a clear view on what success would look like in terms of regulation and oversight in this area.</p> <p>The Review’s methodology was discussed. It was proposed that alongside a baseline assessment, hypotheses should be used to apply a consistent approach, and establish a clear set of evidence and information that would be needed to test them.</p> <p>The Advisory Group considered that developing a set of hypotheses would be a helpful organising framework for the Review’s work. It was noted that it would be critical that such hypotheses were considered with an open mind, and against objective information, facts and evidence in order not to prejudge the Review’s conclusions.</p>
5	Any other business
	<p>Sir John noted meetings would be held in July, August, September, October, and November. Calendar invites would be circulated.</p>