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| **Independent Review of the Financial Reporting Council**  **Advisory Group Meeting – 14 November 2018**  **Summary Minutes** |
| |  |  | | --- | --- | | Those present: | | | Sir John Kingman  Lucinda Bell  Simon Fraser, by telephone  Mary Keegan, by telephone  Anne Richards, by telephone  Apologies:  Mark Burgess  John Cridland  Amelia Fletcher  Sir Peter Gershon  Teresa Graham  Nikhil Rathi  Secretariat:  Sanu de Lima  Amy Ellison  Claire Hardgrave  Ben Robertson  Sam Oakley |  | |

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| **1** | **Welcome and Apologies** |
|  | Sir John welcomed everybody to the meeting. Apologies were noted. Comments had been provided in advance by those unable to attend. |
| **2** | **Minutes of the last meeting** |
|  | The minutes of the last meeting were agreed. |
| **3** | **Update** |
|  | Sir John gave a verbal update, noting that responses from stakeholders had been received regarding the appointment of auditors. The matter would be discussed at the next Advisory Group meeting.  The Group would be consulted by correspondence on some matters over coming weeks, including on systems of internal controls; the scope of the FRC’s work on corporate reporting; its handling of complaints; and its sub-board structure.  Handling arrangements for the final report were discussed. |
| **4** | **Inspection powers** |
|  | The Group considered a paper on the potential use and impact of the FRC being given further inspection powers. In discussion case studies were noted, the need to consider the regulatory impact of any change, and the need not to distort the responsibilities of directors and auditors.  Scenarios were noted regarding the possible findings of an inspection, and the Group discussed what consequences might proportionately flow. Comparable regulators’ approaches were considered; as were issues relating to the practical application of such powers including the need to avoid conflicts of interest.  The Advisory Group approved draft recommendations. |
| **5** | **Enforcement** |
|  | The Group considered a paper on the effectiveness and impact of the FRCs current enforcement approach; and it considered whether there was a case for the FRC to act against all directors, not only those who are members of a relevant profession.  The FRC board’s role and accountability in relation to enforcement was discussed, as was performance on the time taken to resolve cases. The introduction of the AEP was noted and compared to the difference of approach for the Accountancy Scheme. The Group noted recent changes of senior personnel.  In relation to action being taken against all directors, the Advisory Group noted that there was more unanimity on this point from respondents to the call for evidence than on any other matter. The relevance of other regulators’ powers and responsibilities were noted. Options were considered.  The Advisory Group approved draft recommendations, and commissioned final advice on a specific point. |
| **6** | **Accountancy oversight** |
|  | The FRC’s role in relation to the voluntary arrangements of oversight for accountancy bodies was discussed.  The merits of self-regulatory arrangements were discussed, along with safeguards that existed, and the value added by the FRC’s oversight function. The case for change was considered.  The Advisory Group approved draft recommendations. |
| **7** | **Conflicts of Interest** |
|  | The Advisory Group considered a paper on the FRC’s approach to the management of conflicts of interest, and on procurement practice.  The Advisory Group remarked on the importance of the FRC to rebuilding its public credibility, and approved the Review’s recommendations. |
| **8** | **AOB** |
|  | The Advisory Group wished to understand what other measures relating to insolvency were under consideration by BEIS. The Secretariat would commission advice. |