

Minutes of the QCA Financial Reporting Expert Group



Held on: Tuesday 13 November 2018

Venue: Smith & Williamson, 25 Moorgate, London, EC2R 6AY

Present:

Matt Howells (Chair)	Smith & Williamson LLP	MH
Rochelle Duffy (Deputy Chair)	PKF Littlejohn	RD
Edward Beale	Western Selection Plc	EB
Ben Courts	Moore Stephens	BC
Mark Hodgkins	Trackwise Designs plc	MH
Clive Lovett	Bilby Plc	DE
Claire Needham	KPMG LLP	CN
Elisa Noble	BDO LLP	EN
Jon Wallis	Grant Thornton UK LLP	JW
Tim Ward	Quoted Companies Alliance	TW
Anthony Robinson	Quoted Companies Alliance	AR
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Anthony Appleton	Financial Reporting Council	AA
Charles Henderson	Invesco Asset Management Limited	CH
Seema Jamil-O'Neil	BEIS	SJO
Peter Kohl	Kerman & Co LLP	PK
Daniel Makevic	BEIS	DM
Alan Newman	Quoted Companies Alliance	AN

1. INTRODUCTIONS AND ANNOUNCEMENT OF NEW DEPUTY CHAIR OF THE QCA FINANCIAL REPORTING EXPERT GROUP

MH confirmed and welcomed RD as the new Deputy Chair of the QCA Financial Reporting Expert Group.

MH added his sincere thanks to Matthew Stallabrass for his service as Chair and Deputy Chair of the QCA Financial Reporting Expert Group.

2. WELCOME TO SEEMA JAMIL-O'NEIL AND DANIEL MAKEVIC OF THE DEPARTMENT FOR BUSINESS, ENERGY & INDUSTRIAL STRATEGY (BEIS)

MH welcomed SJO and DM to the meeting.

SJO briefly summarised her role within the *Business Frameworks* directorate of BEIS.

SJO highlighted the two pieces of accounting-related Brexit legislation: *The Accounts and Reports (Amendment) (EU Exit) Regulations 2018* and *Exiting the EU (Adoption and Use of International Accounting*

Standards) Regulations 2019 (Statutory Instrument). The latter is due to be laid in Parliament in early 2019. SJO explained that the *Exiting the EU Regulations* would come into force on Exit Day and ensure that all accounting regulations derived from the EU will be able to continue functioning after 29 March 2019, regardless of whether the UK is able to successfully leave the EU with a deal.

SJO briefly gave an overview of the current process for adoption of IFRSs in the EU. She mentioned that the *EU (Withdrawal) Act 2018* will onshore and freeze all existing EU-adopted IFRSs on the date of EU exit. She noted that the impact of this would be that listed groups would continue to be required to use EU-adopted IFRSs for their consolidated accounts as on the date the UK leaves the EU.

SJO explained that BEIS had reviewed a number of potential options for the UK to pursue with regards to how IFRSs should be adopted post-Brexit and had decided that IFRSs should be endorsed through a new UK-led process. This would require the creation of an Endorsement Board with legislation giving it specific adoption powers.

SJO explained that, notwithstanding the policy objective outlined by BEIS, provisions contained within *EU (Withdrawal) Act 2018* meant that no new body would be able to be created. Accordingly, the Endorsement Board would be a subsidiary of the FRC, but with its own governance arrangements and secretariat.

SJO also mentioned that the new Endorsement Board would, in addition to endorsing IFRS, be tasked with influencing the wider debate on international accounting standards.

SJO explained the new Endorsement Board's procedural requirements when considering whether to endorse an IFRS. SJO and the Expert Group exchanged views on the consultation process that the Endorsement Board would undertake when considering a new IFRS. The Expert Group encouraged BEIS to ensure that any cost-benefit-analysis was conducted on a segmented basis – that is, not just a 'whole market' basis, but with a discrete analysis for smaller companies, too. The Expert Group emphasised that this would provide a more accurate assessment of a Standard's impact.

SJO explained that whether the Endorsement Board would be able to adopt new or amended IFRSs, or merely just have the ability to advise the secretary of state on such matters, was still undecided and would be decided by the secretary of state in due course. In any case, SJO noted that BEIS civil servants would continue working with the FRC and other stakeholders to establish the Endorsement Board in early 2019.

MH thanked SJO and DM for their time. SJO and DM left the meeting.

3. APOLOGIES

Apologies were received from David Hough, Laura Mott and Matthew Stallabrass.

4. MINUTES OF LAST MEETING (18 September 2018)

CH requested to be added to the list of attendees. Otherwise, the minutes were approved.

5. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>FCA discussion paper – Climate Change and Green Finance</p> <p>MH drew Expert Group members' attention to sections 5.12 – 5.27 regarding disclosures in capital markets and public reporting requirements. The Expert Group agreed that, whilst many of the questions posed in the discussion paper were quite broad in nature, it was worth responding to emphasise the key QCA campaign narratives of proportionality and consistency for disclosures required by smaller growing companies.</p> <p>There was an exchange of views on where such information regarding climate change should be placed within a company's annual report. The Expert Group noted the work that the FRC's Financial Reporting Lab had already done in this regard.</p>	<p>CA to produce first draft of response and circulate to the Expert Group.</p> <p>ALL to send comments to CA/AR.</p>
b)	<p>Brexit</p> <p>The Expert Group noted the publication of the government's technical notice on audit and accounting if there is a no Brexit deal.</p>	None.

6. COMMUNICATIONS – FOR INFORMATION ONLY

	ITEM	ACTION
a)	<p>IASB amends definition of a business in IFRS Standard on business combinations</p> <p>This was tabled for information only and was not discussed.</p>	None.
b)	<p>Financial Reporting Council documents</p> <p>The Expert Group noted the publication of the FRC's Annual Report 2017/18; Annual Review of Corporate Governance and Reporting; the letter sent to finance directors and audit committee chairs regarding improvements required in the field of corporate reporting; and the launch of its project on the future of corporate reporting.</p> <p>It was noted that EB, PK and AN had applied to be on the Advisory Group for the project regarding the future of corporate reporting. CA explained that the QCA would submit a letter endorsing all of these applications. The Expert Group also encouraged AA and his colleagues at the FRC to ensure that the letter to finance directors and audit committee chairs was distributed as effectively as possible.</p>	
c)	<p>Policy Update (October 2018)</p> <p>This was tabled for information only and was not discussed.</p>	

d)	<p>Guests for 2019 meetings</p> <p>CA explained that Phil Fitz-Gerald from the Financial Reporting Lab would be attending the January 2019 meeting.</p> <p>MH encouraged Expert Group members to send their suggestions for future guest speakers to the QCA team.</p>	<p>ALL to send suggestions of future guest speakers to CA/AR.</p>
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7. ANY OTHER BUSINESS

The Expert Group noted that the FRC has published:

- (i) Guidance for companies regarding performance metric; and
- (ii) Thematic review findings of IFRS 9 and IFRS 15 company disclosures

8. NEXT MEETING

Tuesday 29 January 2019, 4.30pm – 6.00pm (Venue: haysmacintyre, 10 Queen Street Place, London, EC4R 1AG).