

Minutes of the QCA Financial Reporting Expert Group



Held on: Tuesday 30 January 2018

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

Present:

Matt Howells (Chair)	Smith & Williamson	MH
Matthew Stallabrass (Deputy Chair)	Crowe Clark Whitehill LLP	MS
Edward Beale	Western Selection Plc	EB
Jonathan Compton	BDO LLP	JC
Rochelle Duffy	PKF Littlejohn LLP	RD
David Hough	RSM	DH
Laura Mott	haysmacintyre	LM
Peter Westaway	Deloitte LLP	PW
Tim Ward	Quoted Companies Alliance	TW
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Melanie McLaren	Financial Reporting Council	MM
James Calder	Financial Reporting Council	JCa
Charles Henderson	Invesco Asset Management Limited	CH
Alex McIntosh	YouGov PLC	AM
Alan Newman	Quoted Companies Alliance	AN
Cresten Preddy	Quixant PLC	CP

1. WELCOME TO MELANIE MCLAREN AND JAMES CALDER, FINANCIAL REPORTING COUNCIL

MH welcomed MM and JCa to the meeting.

MM introduced the FRC's principal objectives. With regards to Brexit, she explained that the FRC's desired outcomes were that the UK:

- Maintains existing measures which contribute towards audit quality and confidence in audit in the UK;
- Protects and underpins investor confidence and encourages trade;
- Provides consistency to investors and an equivalence of outcomes; and
- Allows a flexible approach to how this is achieved.

MM summarised the work the FRC was currently undertaking to ensure that it was ready for all potential outcomes negotiated by the UK government with the European Union. She added that, in the meantime, the FRC continued to play an active role in contributing to EU regulatory process with organisations such as EFRAG.

MM noted that the UK would not have a presence on EU bodies during any transitional period.

MM noted the FRC's ambition – articulated in its strategy document (see item 4a) – that it wished to take responsibility for endorsing international accounting standards post-Brexit. There was a lively discussion regarding whether the UK should indeed have its own endorsement process – separate from the European Union – after March 2019.

A good proportion of the Expert Group felt that this would be necessary in order for the UK to both have the freedom to diverge from the IFRS if an accounting standard was against the UK's interest and also to be able to influence the IASB effectively.

Furthermore, there was broad consensus that in such a situation, the FRC would be best placed to undertake this role, although there were concerns as to whether the FRC would be taking on too wide a remit if this occurred. MM noted, however, the potentially large resource implications if the FRC did indeed take on this role.

The Expert Group, MM and JCa exchanged views on ensuring that accounting standards were developed in a proportionate way with regards to smaller quoted companies. There was broad consensus that the FRC had an important role to play in ensuring that IFRSs worked for smaller companies and not just their larger counterparts.

MM explained that the FRC's project on improving smaller company reporting was still ongoing and that a report regarding the quality of reporting would be published in 2019.

JCa summarised the menu of potential outcomes which could result from the UK's negotiations with the European Union with respect to the audit qualification equivalence for both individuals and firms. These ranged from the continued status quo (that is – UK auditors and firms are able to operate in other European Economic Area countries and vice-versa); bespoke agreements on equivalence between the UK and individual EEA countries; to no agreement at all, whereby UK auditors and firms would be subject to the third country regime. The Expert Group and JCa discussed the merits of each potential outcome.

MM and JCa left the meeting.

2. APOLOGIES

Apologies were received from Gary Jones.

3. MINUTES OF LAST MEETING (21 November 2017)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>FRC consultation – Strategy 2018/21 & Draft Budget and Levy Proposals 2018/19</p> <p>MH noted that the FRC has published its strategy for the 2018-21 period, as well as its draft budget and levy proposals for the 2018-19 period. He asked Expert Group members to review the circulated draft response and send any comments to CA as soon as possible.</p>	<p>CA to circulate draft response.</p> <p>ALL to send comments to draft response ahead of the 28 February 2018 deadline.</p>
b)	<p>Brexit</p> <p>This was not discussed.</p>	None.

5. COMMUNICATIONS – FOR INFORMATION ONLY

	ITEM	ACTION
a)	<p>FRC Financial Reporting Lab publishes a report on risk and viability reporting</p> <p>This was tabled for information only and was not discussed.</p>	None.
b)	<p>The FRC confirms that final Strategic Report guidance will follow government legislation and publishes FAQs to help companies comply with Non-Financial Reporting Regulation</p> <p>This was tabled for information only and was not discussed.</p>	None.
c)	<p>AIM becomes an SME Growth Market – Amendments to AIM Rule 26 made</p> <p>This was tabled for information only and was not discussed.</p>	None.
d)	<p>FRC Financial Reporting Lab publishes a report on the digital future of corporate reporting</p> <p>This was tabled for information only and was not discussed.</p>	None.
e)	<p>The FRC publishes a report on good audit committee reporting</p> <p>This was tabled for information only and was not discussed.</p>	None.

f)	The FRC publishes results of Stakeholder Survey This was tabled for information only and was not discussed.	None.
g)	HMRC updates XBRL guide for UK businesses This was tabled for information only and was not discussed.	None.
h)	Policy Update (January 2018) This was tabled for information only and was not discussed.	None.
i)	Guest invitations to future meetings This was not discussed.	None.

6. NEXT MEETING

Tuesday 10 April 2018, 4.30pm – 6.00pm with Nili Shah, Executive Technical Director of the IFRS Foundation, to provide an update on the IFRS Foundation’s work. (Venue: BDO, 55 Baker St, Marylebone, London, W1U 7EU).