



Minutes of the QCA Financial Reporting Expert Group

Held on: Tuesday 6 June 2017

Venue: Grant Thornton UK LLP, 30 Finsbury Square, London EC2A 1AG

Present:

Matthew Stallabrass (Chairman)	Crowe Clark Whitehill LLP	MS
Edward Beale	Western Selection Plc	EB
Jonathan Compton	BDO LLP	JC
David Hough	RSM	DH
Gary Jones	Grant Thornton UK LLP	GJ
Lisa Vainio	Quoted Companies Alliance	LV
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Marek Grabowski	Financial Reporting Council	MG
Mark Babington	Financial Reporting Council	MB
Keith Billing	Financial Reporting Council	KB

1. WELCOME TO MAREK GRAWBOWSKI, MARK BABINGTON AND KEITH BILLING, FINANCIAL REPORTING COUNCIL

MS welcomed MG, MB and KB to the meeting.

MG explained how ISA 540 for audit accounting estimates currently works and outlined the rationale for amending the Standard. He explained that estimates were often found to be insufficient, showed a lack of professional scepticism and lacked sufficient attention to disclosures.

MG summarised six areas that needed to be addressed to enhance ISA 540:

- i. The risk factors are too high level;
- ii. Treatment of disclosures is too inconsistent and uses ambiguous and undefined terms;
- iii. There is an insufficient emphasis on professional scepticism;
- iv. There is an over-reliance on significant risk;
- v. Risk assessments are not sufficiently granular; and
- vi. The nature of misstatement is often weak and ambiguous.

MG summarised the proposed changes to the ISA 540 audit process; he noted that although there was a lot of change, the IAASB were seeking to enhance risk assessment procedures in the context of facilitating and improving professional scepticism. MG and the Expert Group discussed the characteristics of effective professional scepticism and producing good practice would be useful for auditors.

MG, MB and the Expert Group exchanged views on the difficulties companies face when appointing a new auditor. EB noted that it could be hard to distinguish between different firms due to the restraints of ISAs. He suggested that there could be MB clarified that the proposed changes to ISA 540 were an attempt to ensure consistency, while still allowing auditors to exercise discretion.

MG, MB and KB left the room.

2. APOLOGIES

Apologies were received from Neil Armstrong, Rochelle Duffy, Matthew Howells, Amy Shephard and Tim Ward.

3. MINUTES OF LAST MEETING (14 March 2017)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>FRC Discussion Paper – Auditors and Preliminary Announcements</p> <p>The Expert Group agreed that it should definitely submit a response to the consultation. There was broad agreement that the FRC needed to better demonstrate the problem with preliminary announcements before attempting to find a solution.</p> <p>The Expert Group noted that it was not clear what the FRC was trying to achieve and if it was clear that it could take any action.</p> <p>JC suggested that if there was a role for the FRC, then this could be in the form of guidance as to what a good preliminary announcement looks like.</p>	<p>CA to draft and circulate response to the Expert Group.</p> <p>ALL to send their comments.</p>
b)	<p>FRC Consultation - FRED 67: Draft Amendments to FRS 102</p> <p>The Expert Group concluded that while the content of the consultation was not strictly within its remit, it could be worthwhile submitting a response encouraging the FRC to take a more active thought leadership role.</p>	<p>CA to draft and circulate response to the Expert Group.</p> <p>ALL to send their comments.</p>

c)	<p>IASB Consultation – Improvements to IFRS 8 Operating Segments – Proposed amendments to IFRS 8 and IAS 34</p> <p>The Expert Group concluded that the proposals were generally sensible and it should issue a response noting its agreement. It was also agreed that there should be a comment noting that IFRS 8 can be damaging for smaller companies because it requires the publication of competitive information.</p>	<p>CA to draft and circulate response to the Expert Group.</p> <p>ALL to send their comments.</p>
d)	<p>EFRAG Draft Comment Letter on the IASB’s Exposure Draft ED/2017/2 Improvements to IFRS 8 Operating Segments – Proposed amendments to IFRS 8 and IAS 34</p> <p>This consultation was not discussed.</p>	<p>None at this stage.</p>
e)	<p>IASB Consultation – Disclosure Initiative – Principles of Disclosure</p> <p>The Expert Group noted that the consultation should have discussed the types of information sought by investors in financial statements in more detail. There was agreement with EFRAG’s argument that the content of the primary statement is more important than disclosure in the notes.</p>	<p>CA to draft and circulate response to the Expert Group.</p> <p>ALL to send their comments.</p>
f)	<p>EFRAG preliminary responses to the questions in the IASB Discussion Paper DP/2017/1 Disclosure Initiative – Principles of Disclosure</p> <p>This consultation was not discussed.</p>	<p>None at this stage.</p>
g)	<p>Brexit</p> <p>This was not discussed.</p>	<p>None to note.</p>

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>FRC published its Plan & Budget and Levies 2017/18</p> <p>This was tabled for information only and was not discussed.</p>	<p>None to note</p>
b)	<p>Policy Update (April 2017)</p> <p>This was tabled for information only and was not discussed.</p>	<p>None to note.</p>
c)	<p>Guest invitations to future meetings</p> <p>This was not discussed.</p>	<p>None to note.</p>

6. ANY OTHER BUSINESS

MS mentioned that the roundtable with the IASB would be taking place on Wednesday 28 June; this will give small and mid-size quoted companies an opportunity to share their experience of applying IFRS.

MS noted that Matthew Howells would be taking over the chairmanship of the Expert Group from September 2017 onwards. The Expert Group thanked MS for his stewardship of the Expert Group.

7. NEXT MEETING

Monday 18 September 2017, 4.30pm – 6.00pm, with Andrew Watchman, Chief Executive of EFRAG, as guest (Venue: Deloitte LLP, 2 New Street Square, London, EC4A 3BZ (Host: Amy Shephard)).