

Present:

Matthew Stallabrass (Chairman)	Crowe Clark Whitehill	MS
Jack Easton	UHY Hacker Young	JE
Matthew Howells	Smith & Williamson Ltd	MH
Nick Winters	Baker Tilly (RSM Tenon Group PLC)	NW
Tim Ward	Quoted Companies Alliance	TW
Maria Gomes (minutes)	Quoted Companies Alliance	MG

In attendance:

Vicki Wood	BIS (Guest)	VW
Anthony Appleton	FRC (Observer)	AA
Peter Curtain	Allerton Communications (Observer)	PC

ACTIONS

1. Welcome to Vickie Wood, BIS, Assistant Director – Accounting, BIS, to discuss their views on Philippe Maystadt’s Report and a general update on accounting issues

MS welcomed VW and everyone introduced themselves. VW explained that she would comment on Philippe Maystadt’s recommendations, the implementation of the reforms of the European Financial Reporting Advisory Group (EFRAG) and the review of the impact of IFRS by the European Commission. VW also commented on the current work being undertaken by BIS in this regard.

The 2013 Maystadt report recommended reorganising the current EFRAG to increase its legitimacy and representativeness and strengthen the influence of the European Union in international accounting standard-setting. The implementation of the recommendations will be overseen by Mr Maystadt and requires coordinated efforts from a number of organisations involved.

VW explained that the European Commission has presented a report in January to the European Parliament regarding the Maystadt review on EFRAG’s progress in the implementation of its governance reforms, which is not yet published. The main Maystadt recommendations were that EFRAG should focus on its remit (IFRS regulations), and its structure and funding should be reassessed (ensuring there is a mechanism of representation of smaller Member States). Maystadt also suggested establishing a system of compulsory contributions paid by listed companies that use and benefit from IFRS.

VW explained that EFRAG’s Board is currently composed of eight members from the four standard setters, eight from trade associations, professional bodies and similar organisations, and five entities have observer status. Mr Maystadt has recommended a new Board composition that would make consensus-based decisions. This information should be in the Commission’s report, which will be discussed in the European Parliament in September or October 2014. The formal changes to the work of EFRAG need to be endorsed by the European Parliament and the Council of the European Union.

VW explained that the Commission will undertake a review of the IAS regulation and the impact of IFRS. The Commission will be assisted by an informal Expert Group set up for this purpose. The FRC has been nominated by the UK Government to apply to be part of the Expert Group. VW added that a call for evidence from Member States will probably be requested by the Commission later in the process.

VW noted that BIS is working to ensure that stakeholders are informed on the ongoing changes, to ensure that the Member States’ representation is in place and minimise conflict in the discussions. MS

commented that having four big national standard makers in the EU makes it harder to achieve consensus. The group questioned whether there is sufficient representation from the private sector.

VW explained that she is currently working on the transposition of the accounts directive and also on the audit directive and regulation, and that there will not be any developments on IFRS before September. VW noted that EFRAG is currently continuing to go through their work programme, putting into place the processes and working more closely with standard setters.

MS thanked VW for her presentation and VW thanked the group for the opportunity to come speak to us. She mentioned that she is very keen to engage with the QCA and encouraged the group to submit to her via email or letter, formally or informally, any irritants that they encounter and explain why they raise important issues for the UK.

2. Apologies

Apologies were received from David Gray, Shalini Kashyap, Niraj Patel, Nigel Smethers, Chris Smith, Ian Smith, Bill Farren, Paul Watts, Jonathan Lowe and Kate Jalbert.

3. Minutes of the last meeting (18 March 2014)

The minutes were approved.

4. Key discussion items:

- **FRC – Revisited operating procedures for reviewing corporate reporting (RD: 16 June 2014)**

MS explained that the main points of this consultation relate to the introduction of the concept of the “Committee Reference” and the identification of companies who have published Committee Preferences in the FRC’s annual CRR report. MS commented that these proposed changes to operating procedures have been well received by companies; however, there is the danger that this will become more of a stick rather than a carrot for companies.

AA explained that the FRC wants to raise the standard regarding the quality of the disclosures, as right now there is great disparity between companies’ annual reports. The group commented that perhaps it should not be expected of a smaller AIM company to apply IFRS in a way identical to a large multinational bank, for example.

MS volunteered to draft the QCA response to this consultation; MG will circulate it to the group for comments.

MS/MG

- **FRC – Invitation to Comment on IAASB – Exposure Draft of ISA 720 (Revised) The Auditor’s Responsibilities Relating to Other Information (RD: 18 June 2014)**

MS noted that IAASB does not bring great changes for the UK, and that there is nothing controversial about it. The group decided that it is not necessary for the QCA to submit a response on this.

- **FRC – Proposed Revisions to the UK Corporate Governance Code (RD: 27 June 2014)**

The group agreed that it would be interesting to arrange with the Corporate Governance Expert Group a joint session ahead of the due in date of the response to discuss these changes with AA.

MG/Chris Stapeley

TW added that, with the changes to Rule 26 of the AIM Rules for companies (coming into force in August 2014), those companies stating that they have applied the UK Corporate Governance Code will have to produce an enhanced audit report. The QCA is drafting a note advising companies regarding this issue.

- **IAASB – Exposure Draft of ISA 720 (Revised) The Auditor’s Responsibilities Relating to Other Information (RD: 18 July 2014)**

As above, MS noted that IAASB does not bring great changes for the UK and that there is nothing controversial about it. The QCA does not need to submit a response on this.

- **IASB – Exposure draft, Disclosure initiative (Proposed amendments to IAS 1) (RD: 23 July 2014)**

The group is supportive of these changes. This was not further discussed.

- **QCA Consultation Responses**

MS commented that the QCA did not receive enough feedback on IFRS 3 to submit a response to the IASB consultation ‘Feedback on the implementation of its Business Combinations Standard’ representative of our constituency. The group agreed that their feedback from clients on IFRS 3 was not sufficient or relevant; the changes were very technical and it was unlikely that the QCA would have significant comments on them.

Notwithstanding, the group agreed that the participation in the Financial Reporting Group of its members has been poor and that the participation in the group’s responses should be reassessed. MS pointed out that QCA responses to consultations should be consistent and influential, based on hard evidence from the members of the group. The process to collect evidence or comment on draft consultation responses should be simple.

TW added that the QCA could create a Financial Reporting LinkedIn group, to simplify initiating discussions.

- **QCA roundtable session with the Financial Reporting Lab**

This was not discussed.

5. Communications/Future Meetings

- **FRC Plan, Budget and Levies for 2014/2015**

This was included for information only and was not discussed.

- **EU Legislative Package on the Reform of the Audit Market**

This was included for information only and was not discussed.

- **FEE 2014 Audit Directive and amendments to the Statutory Audits of Annual and Consolidated Accounts 2006**

This was included for information only and was not discussed.

- **FRC Lab Corporate Reporting in a Digital World**

This was included for information only and was not discussed.

- Policy Update Briefing (April 2014)

This was included for information only and was not discussed.

- Guests for future meetings

This was not discussed.

6. A.O.B.

No new items were discussed.

7. Date of next meeting

4.30pm Tuesday 22 July 2014 (Venue: Ernst & Young LLP, 1 More London Pl, London SE1 2AF (TBC))

8. Action Points

Action	Person	Timetable
Draft and circulate the QCA draft response to FRC Revisited operating procedures for reviewing corporate reporting	MS/MG	ASAP (before RD: 16 June 2014)
Possibly arrange a joint session with the Corporate Governance Expert Group and AA to discuss the Proposed Revisions to the UK Corporate Governance Code	MG/Chris Stapeley	ASAP (before RD: 27 June 2014)