

As you are no doubt aware, the Government launched an independent review of the Financial Reporting Council (FRC), led by Sir John Kingman, in April. The independent review issued its call for evidence on 6 June, with a closing date for submissions of 8 August.

The scope of the independent review is broad, covering the FRC's governance and transparency; the avoidance of conflicts of interest, as well as its independence, oversight and accountability; and its impact, resources and capacity. The call for evidence set out 45 questions.

The ACCIF Board concluded that the most practical response to the call for evidence would be for a group of audit committee chairs (ACCs) to meet Sir John and his team to provide feedback, and the meeting, attended by nine ACCs, took place on 3 August. The views expressed by the ACCs at the meeting were those of the individuals concerned.

The key points raised by the ACCs in the meeting were as follows:

- communication between the FRC and ACCs could be improved significantly; ACCs would welcome regular feedback on matters arising; there should be more emphasis on sharing learning
- generally it was felt that the corporate reporting aspects of the FRC's activities worked well in the context of its remit and powers, if on the slow side at times as regards its corporate reporting review work
- a facility for consulting the FRC on accounting for and reporting of complex or unusual transactions similar to the US SEC would be welcomed
- there is some confusion about the roles of the PRA/FCA in Financial Services (FS) and the scope of the FRC; the FCA is more actively engaged with the audit firms for FS companies than is the FRC in relation to non-FS companies
- there should be greater similarity in the principles underlying the regulatory regimes for FS and non FS; the differing business models are a challenge, but if the principle is a good one, it should apply across the board
- the FRC should have powers to sanction all directors not just members of accounting institutes
- there would be major logistical, resourcing and cost challenges if the FCA regime were to be applied to non FS and for example, have the FCA absorb the FRC; any change needs to be proportionate, adequately resourced and sustainable
- having the FCA responsible for monitoring preliminary announcements (through the Listing Rules) while the FRC is responsible for monitoring annual reports needs to be thought through
- on auditing matters, it was felt that the FRC suffered from lack of suitably experienced resources
- the ACCs are not supporters of scoring audit quality under the FRC's current method; they want to know whether or not there has been an effective audit; the PCAOB process (under which portions of inspection reports that deal with criticisms of or potential defects in a firm's quality control systems are not published if the firm addresses the matters satisfactorily) is preferred

The review is due for completion by the end of 2018. The relevant page of gov.uk website<sup>i</sup> refers to the call for evidence and invites users to “visit this page again soon to download the outcome to this public feedback”. The ACCIF Board will assess how best to respond to any proposals that are brought forward, including a possible meeting of ACCIF members early in the New Year to discuss such proposals.

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<sup>i</sup> [www.gov.uk/government/consultations/financial-reporting-council-independent-review-call-for-evidence](http://www.gov.uk/government/consultations/financial-reporting-council-independent-review-call-for-evidence)