

Written questions and answers

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 10 July 2018

Department for Business, Energy and Industrial Strategy

Lords **HL9366**

Financial Reporting Council: Pay

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 6 July (HL8896), how many employees of the Financial Reporting Council since 2005 had salaries, including pension contributions and bonuses, greater than the salary of the then Prime Minister; and in each case (1) what their (a) salaries, (b) pension contributions, and (c) bonuses amounted to, (2) who they were approved by, and (3) on what date they were approved.

A Answered by: **Lord Henley**

Answered on: 18 July 2018

We are informed by the Financial Reporting Council that information necessary to answer this question in full is not available. The following table provides the number of current employees of the Financial Reporting Council (FRC), falling within each salary range above £150,000:

FTE Salary Range	Number of Employees
150k – 175k	2
175k – 200k	3
200k – 225k	4
225k – 250k	1
300k – 325k	2
375k – 400k	1

The FRC's Remuneration Committee approves the annual reward structure, including any bonuses awarded to employees. The FRC's annual reports, which are laid before Parliament, provide information about the FRC's remuneration policies. This includes the value of the total bonus pot as a percentage of the salary bill (a maximum of 3% in 2016/2017 where the Total Core Staff and related people costs is stated as £20,613,000), individual salaries and bonuses for executive directors.

The Office for National Statistics concluded in December 2014 that the Financial Reporting Council (FRC) was a public body within central government. The Department for Business Innovation and Skills (as it then was) examined whether there was scope for further review. The Department for Business, Energy and Industrial Strategy (BEIS) concluded in 2017 that they should work with the FRC on the application of all relevant guidelines. This includes pay guidance issued by HM Treasury and the Cabinet Office that requires advanced approval from the Chief Secretary of the Treasury for remuneration packages at £150,000 and above.

During the prolonged period in which the status of the FRC as a public body was the subject of or pending review, decisions on the application of the guidelines were taken by Departmental officials under the delegated authority of the responsible departmental Accounting Officer.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 25 June 2018

Department for Business, Energy and Industrial Strategy

Lords **HL8896**

Regulation

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 22 June (HL8591), when each of the bodies listed became public under the Government Resources and Accounts Act 2000.

A Answered by: **Lord Henley**

Answered on: 06 July 2018

The Government Resources and Accounts Act 2000 was enacted on 28 July 2000. On that date the following public bodies were already in existence:

Bank of England
Companies House
Insolvency Service

The Financial Reporting Council was incorporated in March 1990 and became a public body in its current form in 2004.

The Financial Conduct Authority and Prudential Regulation Authority were established in their current form in April 2013 by the Financial Services Act 2012.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 13 June 2018

Department for Business, Energy and Industrial Strategy

Lords **HL8591**

Regulation

To ask Her Majesty's Government which (1) public, (2) private, (3) self-regulatory, and (4) other bodies have regulatory responsibility for companies, company law, corporate governance, accounting standards, audit and auditors.

A Answered by: **Lord Henley**

Answered on: 22 June 2018

The following UK bodies have regulatory responsibility for companies, company law, corporate governance, accounting standards, audit and auditors:

Public Bodies (under the Government Resources and Accounts Act 2000):

Bank of England (including the Prudential Regulation Authority)

Companies House

Financial Conduct Authority

Financial Reporting Council

Insolvency Service

Other:

Association of Chartered Certified Accountants

Association of International Accountants

Chartered Accountants Ireland

Institute of Chartered Accountants in England and Wales

Institute of Chartered Accountants of Scotland

Takeover Appeal Board

Takeover Panel

This answer does not consider obligations on companies and other businesses generally such as employment regulation, environmental regulation or for reasons of public safety, or those bodies that have general responsibilities in respect of criminal investigations and prosecutions. The categorisation of bodies reflects the categorisation used for government accounting purposes and the application of the requirements of managing public money.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 13 June 2018

Department for Business, Energy and Industrial Strategy

Lords **HL8592**

Regulation

To ask Her Majesty's Government which non-statutory bodies, including the Takeover Panel and Financial Reporting Council, have been given statutory powers under the Companies Act 2006 and other financial services legislation; and which bodies perform comparable functions voluntarily.

A Answered by: **Lord Henley**

Answered on: 22 June 2018

In addition to the Takeover Panel and the Financial Reporting Council, the following non-statutory bodies have statutory powers or functions under the Companies Act 2006 or perform comparable voluntary functions:

Association of Chartered Certified Accountants

Association of International Accountants

Chartered Accountants Ireland

Institute for Chartered Accountants in England and Wales

Institute of Chartered Accountants of Scotland

Takeover Appeals Board

There are no non-statutory bodies that have powers under financial services legislation.

Department for Business, Energy and Industrial StrategyLords **HL8256****Financial Reporting Council: Internet**

To ask Her Majesty's Government whether the website of the Financial Reporting Council is managed and maintained in accordance with the National Archives' guidance for digital and records management teams enabling it to be incorporated into the UK Government Web Archive; and whether they will place in the Library of the House all documents that have been changed or removed from the website since 9 January.

A Answered by: **Lord Henley**

Answered on: 13 June 2018

The Office for National Statistics concluded in December 2014 that the Financial Reporting Council (FRC) was a public body within central government. Up to that point the FRC determined its own policies on records management. The British Library archives FRC material in the UK Web Archive in accordance with the Non-Print Legal Deposit Regulations 2013.

The Department and the FRC will review in due course what arrangements should apply in the future given the FRC's confirmed public body status.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 04 June 2018

Department for Business, Energy and Industrial StrategyLords **HL8257****Financial Reporting Council**

To ask Her Majesty's Government, further to the Written Answers by Lord Henley on 3 May and 22 May (HL7149 and HL7589), what were the legal costs paid by the Financial Reporting Council (FRC) to each law firm used in relation to enforcement action in the cases of HBOS, and Royal Bank of Scotland; what steps were taken to ensure there were no conflicts of interest in relation to the law firms used that had also acted for HBOS and Royal Bank of Scotland in related cases; and what was the involvement, if any, of Richard Fleck, former partner and now consultant to Herbert Smith in any of these cases whether in his FRC or Herbert Smith capacity.

A Answered by: **Lord Henley**

Answered on: 13 June 2018

No law firms were instructed by the Financial Reporting Council (FRC)'s Enforcement Division in relation to HBOS or RBS.

Richard Fleck had no involvement in relation to either investigation in his role as former partner or consultant to Herbert Smith LLP. As noted in the FRC report on the FRC's enquiries and investigation of KPMG's 2007 and 2008 audits of HBOS, Richard Fleck was the Chair of the FRC Conduct Committee from 01/04/2012 to 30/04/2014.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 04 June 2018

Department for Business, Energy and Industrial StrategyLords **HL8258****Financial Reporting Council**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 22 May (HL7589), what roles within the Financial Reporting Council (FRC) or its predecessor bodies has Kathryn Cearns, currently a member of the Financial Reporting Review Panel, has held; in what years she held each role; and what fees, other than any salary as an employee, she was paid in each year.

A Answered by: **Lord Henley**

Answered on: 13 June 2018

From June 2006 Kathryn Cearns OBE has been a Member of the Financial Reporting Council's Financial Reporting Review Panel; a position which is unpaid. Kathryn was on the Urgent Issues Task Force of the Accounting Standards Board from November 2006 to July 2012 and she was on the UK GAAP Technical Advisory Group from April to December 2013; no fees were paid in relation to these positions.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 04 June 2018

Department for Business, Energy and Industrial StrategyLords **HL8259****Financial Reporting Council**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 22 May (HL7589), why the selection of firms for enforcement cases was not the subject of a public tender.

A Answered by: **Lord Henley**

Answered on: 13 June 2018

The Office for National Statistics concluded in December 2014 that the Financial Reporting Council (FRC) was a public body within central government. Up to that point the FRC determined its own policies on tender processes.

Since being confirmed as a public sector body the FRC has been working with the Department to review all internal processes and practices in order to ensure that they comply with managing public money guidance. Sir John Kingman's review of the FRC will also consider the transparency and appropriateness of FRC's procedures in all aspects of its activities.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 04 June 2018

Department for Business, Energy and Industrial Strategy

Lords **HL8260**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 1 June (HL7968), what was the composition of the steering group of the Financial Reporting Lab at the time the Financial Reporting Council published Disclosure of Dividends Policy and Practice; what proportion represented (1) investors, and (2) other civil society groups; and how many were or had been employees of KPMG.

A Answered by: **Lord Henley**

Answered on: 13 June 2018

The Financial Reporting Council (FRC)'s Financial Reporting Lab Steering Group provides advice to the Lab staff but is not a decision-making body, nor does it approve the publication of any Lab reports. The Steering Group's composition includes representatives of the main participants in the corporate reporting process:

- Companies
- Investors
- Design agencies
- Corporate brokers
- Audit firms
- Accountancy professional bodies
- Academics
- Legal representative
- the FRC
- Government

The Financial Reporting Lab published three reports into Disclosure of Dividends Policy and Practice; the first of which was published in November 2015. At the time of this report there were 18 Steering Group members, of which two represented investors. There were no representatives from civil society groups and there were no partners or staff currently employed by KPMG. Three Steering group members were previously employed by KPMG. One member of staff who led the original project was also previously employed by KPMG. She worked for KPMG UK from 1996 to 2000 and KPMG Australia from 2000 to 2003.

Following continued investor interest in dividend reporting, the Lab carried out two implementation studies, the first published in December 2016 and the second in October 2017. The studies considered the extent to which companies had put into place the recommendations included in the original report. There remained no partners or staff currently employed by KPMG on the Steering Group at the time of publication of either of these reports.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 17 May 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7968**

Carillion: Company Accounts

To ask Her Majesty's Government what assessment they have made of the independence of the Financial Reporting Council (FRC) investigation into the accounts and audit of Carillion for the years to 31 December (1) 2014, (2) 2015, and (3) 2016, in view of the FRC's 2016 publication, Disclosure of Dividends Policy and Practice, which set out Carillion's 2015 accounts as an example of best practice stating it was an example of "disclosure that details the policy and provides insight into factors relevant to the setting of the dividend."

A Answered by: **Lord Henley**

Answered on: 01 June 2018

The Financial Reporting Council (FRC)'s Financial Reporting Lab aims to highlight good corporate reporting practice as identified by investors. The Lab was not privy to the FRC's investigations into Carillion's accounts and audit as this regulatory activity was being undertaken by the FRC's conduct teams. It would

have been inappropriate for information on this work to have been shared with the Financial Reporting Lab.

Sir John Kingman's review of the FRC will consider all aspects of the FRC's activities to ensure that they work effectively.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 May 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7589**

Financial Reporting Council: Herbert Smith Freehills

To ask Her Majesty's Government, further to the Written Answers by Lord Henley on 26 April and 3 May (HL7046 and HL7149), how much in fees was paid in each year from 31 March 2005 to 31 March 2018 by the Financial Reporting Council (FRC) to Herbert Smith, the law firm at which Richard Fleck, formerly a member of the FRC board, was partner and is currently a consultant; and whether they will place details of any relevant tender processes in the Library of the House.

A Answered by: **Lord Henley**

Answered on: 22 May 2018

The fees paid (inclusive of disbursements and VAT) from the Financial Reporting Council (FRC) to Herbert Smith during the period cited are as follows:

2004 - £5,415

2005 - £22,169

2006 - £7,683

2007 - £40,423

2008 - £85,262

2009 - £43,798

2010 - £2,420

2011 - £176,413

2012 - £651,476

2013 - £494,528

2014 - £230,664

2015 - £169,758

The FRC have not used Herbert Smith since 2015.

Save for approximately £62,000 incurred in 2011, all the fees relate to enforcement cases. The non-enforcement fees followed a tender process with bids received from two firms. Richard Fleck was not involved in the tender process in 2011 and he was not involved in the selection of any firm for enforcement cases.

The selection of firms for enforcement cases was not the subject of a public tender. Since being confirmed as a public sector body the FRC has been working with the Department to review of all internal processes and practices in order to ensure that they comply with managing public money guidance. Sir John Kingman's review of the FRC will also consider the transparency and appropriateness of FRC's procedures in all aspects of its activities.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 May 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7590**

Financial Reporting Council: DAC Beachcroft

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 3 May (HL7149), what was the procurement process undertaken by the Financial Reporting Council (FRC) for the appointment and retention of DAC Beachcroft; what was the involvement, if any, of the FRC's Company Secretary and General Counsel, Anne McArthur, formerly an Associate at DAC Beachcroft; and whether they will place details of any relevant tender processes in the Library of the House.

A Answered by: **Lord Henley**

Answered on: 22 May 2018

The firm was instructed on discrete pieces of work only and no tender exercise was undertaken. As General Counsel, Anne McArthur was involved in some of the instructions to DAC Beachcroft.

Since being confirmed as a public sector body the FRC has been working with the Department to review of all internal processes and practices in order to ensure that they comply with managing public money guidance. Sir John Kingman's review of the FRC will also consider the transparency and appropriateness of FRC's procedures in all aspects of its activities.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 May 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7591****Financial Reporting Council: Fieldfisher**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 3 May (HL7149), what assessment they have made of the application of the public body procurement rules to the Financial Reporting Council's adoption of Fieldfisher LLP as its "preferred legal provider since 2006"; and whether they will place details of any relevant tender processes in the Library of the House.

A Answered by: **Lord Henley**

Answered on: 22 May 2018

The Government has made no such assessment. During the period in question, the status of the Financial Reporting Council as a public sector body was being reconsidered by the Office for National Statistics. As such the full requirements of the managing public money guidance were not applied to the FRC.

Since being confirmed as a public sector body, the FRC has been working with the Department to review of all internal processes and practices in order to ensure that they comply with managing public money guidance. Sir John Kingman's review of the FRC will also consider the transparency and appropriateness of FRC's procedures in all aspects of its activities.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 03 May 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7547****Halifax Bank of Scotland**

To ask Her Majesty's Government what was the composition of those case committees of the Financial Reporting Council that have dealt with the matter of the KPMG audit of HBOS plc.

A Answered by: **Lord Henley**

Answered on: 14 May 2018

The members of the Financial Reporting Council's (FRC's) Group Case Management Committee dealing with the matter of KPMG's audit of HBOS plc were Malcolm Nicholson, Mark Eames, Richard Murray and Jim Jack. The responsibilities of the Group Case Management Committee are set out in paragraph 4(3) of the FRC's Accountancy Scheme, a copy of which is attached.

Other individuals and FRC committees associated with the FRC's enquiries and investigation of KPMG's 2007 and 2008 audits of HBOS, as well as committee governance, roles, remit and conflict of interest policies, are set out in the FRC's report on the FRC's enquiries and investigation of KPMG's audits of HBOS, also attached.

FRC Accountancy Scheme 2014 (PDF Document, 355.27 KB)

HBOS Report November 2017 (PDF Document, 1.05 MB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 03 May 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7548****Cooperative Bank**

To ask Her Majesty's Government what was the composition of those case committees of the Financial Reporting Council that have dealt with the matter of the KPMG audit of Co-op Bank plc.

A Answered by: **Lord Henley**

Answered on: 14 May 2018

The members of Financial Reporting Council's (FRC's) Group Case Management Committee dealing with the matter of KPMG's audit of Co-op Bank plc were Malcolm Nicholson, Philip Taylor, Jim Jack, David Brew and Geraint Davies. The responsibilities of the Group Case Management Committee are set out in paragraph 4(3) of the FRC's Accountancy Scheme, a copy of which is attached.

FRC Accountancy Scheme 2014 (PDF Document, 355.28 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 April 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7148****Financial Reporting Council: Public Appointments**

To ask Her Majesty's Government what was the membership of the Board of the Financial Reporting Council (FRC) for each of the years 2004 to 2018; and, in respect of each member, (1) what was their profession, (2) what other positions they held during their period of membership, including acting as Chief Executive Officer or board member of a listed business, and (3) whether they previously or subsequently sat on any other body or panel associated with the FRC, the Institute of Chartered Accountants in England and Wales, or similar body.

A Answered by: **Lord Henley**

Answered on: 03 May 2018

Information on membership of the Board of the Financial Reporting Council for each of the years 2004 to 2018 is published in FRC Annual Reports for those years and is summarised in the attached table.

From 2015/16 onwards, where board members worked in other capacities during the time they were members of the FRC board, this was recorded in the FRC's annual reports.

The annual reports are published and available on the FRC's website: <https://www.frc.org.uk/>

In accordance with the FRC's Code of Conduct for Board and Committee members, a publicly available register of interests for current members of the FRC Board and Committees can be accessed on the FRC's website.

Information is not available on the professions of board members, or on the other appointments taken up by board members subsequent to, or previous to, their appointment to the FRC board. As a result this information could only be compiled at disproportionate cost.

FRC Board membership summary 2004-18 (Word Document, 17.57 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 April 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7149**

Financial Reporting Council: Legal Costs

To ask Her Majesty's Government what legal costs were incurred by the Financial Reporting Council (FRC) in each year from 2010-17; and which law firm was engaged by the FRC in each case.

A Answered by: **Lord Henley**

Answered on: 03 May 2018

In each year between 2010 and 2017, the Financial Reporting Council (FRC) spent the following on legal and other professional fees:

2010/2011	400,000
2011/2012	1,002,000
2012/2013	450,000
2013/2014	467,000
2014/2015	666,000
2015/2016	1,235,000
2016/2017	807,000

The FRC has used a number of law firms during this period, including Herbert Smith, DAC Beachcroft, Reed Smith, and Fieldfisher LLP which has been its preferred legal provider since 2006.

Information as to the professional service and the provider in each case is not readily available and could be obtained only at disproportionate cost.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 24 April 2018

Department for Business, Energy and Industrial Strategy

Lords **HL7204**

Company Accounts: Audit

To ask Her Majesty's Government whether the Financial Reporting Council (FRC) has published guidance on the auditor duty under section 498(1)(a) to form an opinion whether companies have kept adequate accounting records at all times; and if not, why not; whether the FRC's review of the audit of HBOS plc took account of that duty; and if not, why not.

A Answered by: **Lord Henley**

Answered on: 03 May 2018

The Financial Reporting Council (FRC) issues comprehensive auditing standards based on international standards, amended to reflect UK law and regulation. These include requirements on the auditor's obligation to consider and report where a company has not maintained adequate accounting records, as required by Section 498(1)(a) of the Companies Act 2006. The requirements are further supported by guidance on the application of the standards, which is provided alongside them.

The FRC carried out its investigation into the 2007 audit of HBOS plc under its Accountancy Scheme. This allows the FRC to open an investigation only where there are reasonable grounds to suspect that there has been misconduct, and to determine the scope of the investigation. In relation to the audit of HBOS the scope did not include compliance by the auditor with their duty under section 498(1)(a) of the Act. This was because FRC did not consider that there were reasonable grounds to suspect misconduct by the auditor in relation to this.

The FRC's November 2017 report on its enquiries into the 2007 and 2008 audits of HBOS plc and its investigation of the 2007 audit sets out the scope of FRC's enquiries and investigation. The report is available on the FRC's website.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 17 April 2018

Department for Business, Energy and Industrial StrategyLords **HL6970****Banks: Company Accounts**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 9 April (HL6568), whether the ongoing supervision of banks by the Prudential Regulation Authority, as set out in the Financial Services Act 2012, absolves auditors of their responsibilities in respect of the full accounting solvency requirements of the Companies Act 2006; and if so, under which provisions of the Financial Services Act.

A Answered by: **Lord Henley**

Answered on: 26 April 2018

Auditors' responsibilities to their clients under the Companies Act 2006 do not differ between those companies that are subject to prudential regulation under the Financial Services Act 2012 and those that are not.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 17 April 2018

Department for Business, Energy and Industrial StrategyLords **HL6971****Company Accounts**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 11 April (HL6619), why the guidance setting out generally accepted practice on realised and unrealised profits is produced by the Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants of Scotland; and, in determining who should produce that guidance, what account was taken of section 464 of the Companies Act 2006 which provided for the Financial Reporting Council to be the body prescribed to set statements of standard accounting practice relevant to the company's circumstances and to the accounts.

A Answered by: **Lord Henley**

Answered on: 26 April 2018

The guidance issued by the Institute for Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland concerns the generally accepted practice of directors in determining the distribution of profits by their companies. This is not the subject of an accounting standard, which are issued by the Financial Reporting Council, as the prescribed body under section 464 of the Companies Act 2006. The powers under Section 464 of the Companies Act 2006 are limited to statements on the standard practice applicable to a company's annual accounts.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 18 April 2018

Department for Business, Energy and Industrial StrategyLords **HL7046****Company Accounts**

To ask Her Majesty's Government why the Financial Reporting Council (FRC) used the solicitor Richard Fleck to prepare the FRC's guidance on true and fair view in 2011 and to instruct counsel; in appointing Richard Fleck, what account was taken of his having been (1) previously a practice partner at Herbert Smith advising KPMG and PwC on matters including auditor liability, and (2) a member of the FRC Board or predecessor body board since 1986; and whether that board membership was in compliance with the FRC's own criteria for independence of nine years.

A Answered by: **Lord Henley**

Answered on: 26 April 2018

The FRC's Guidance on True & Fair View published in 2011 was issued by the FRC following full consideration by the FRC's Accounting Standards Board (ASB) and Auditing Practices Board (APB). It was signed by Mr Roger Marshall and Mr Richard Fleck as the respective Chairs of those Boards. The FRC consider that Mr Fleck's involvement in the development of the guidance was consistent with the FRC's Code of Conduct applicable to non-executive members of the FRC Board and its operating bodies. It also considers his membership of the APB and the FRC Board consistent with the terms of the Articles of Association of both the APB and the FRC at the relevant times. Mr Fleck's term on the FRC Board did not exceed nine years.

As explained in the reply given to the noble Baroness on 12th February 2018 to Question HL5215, the FRC considers that instructions to Counsel held by it are subject to legal professional privilege.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 26 March 2018

Department for Business, Energy and Industrial StrategyLords **HL6619****Insolvency**

To ask Her Majesty's Government why their consultation document Insolvency and Corporate Governance, published on 20 March following the collapse of Carillion, refers to guidance from the Institute of Chartered Accountants in England and Wales (ICAEW) instead of guidance from the Financial Reporting Council (FRC); in particular, why that document states that "the link between the profit in a company's financial statements and any reserves available for distributions is elaborated in guidance issued by the ICAEW"; and what assessment they have made of the respective roles of the ICAEW and the FRC in issuing such guidance.

A Answered by: **Lord Henley**

Answered on: 11 April 2018

The consultation document refers to guidance published jointly by the Institute for Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland. The guidance (Technical Release TECH 02/17) is aimed at members of the institutes who are directors, or who are advising directors, determining the distribution of profits by their companies. It sets out the generally accepted practice on realised and distributable profits under the Companies Act 2006.

This guidance is separate to the Financial Reporting Council's (FRC) guidance, which I explained in my answer of 12 February to the noble Baroness. The FRC's guidance is on auditors' responsibilities in respect of certain reports and statements which they might be called upon to provide in addition to the audit report.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 22 March 2018

Department for Business, Energy and Industrial StrategyLords **HL6568****Banks: Company Accounts**

To ask Her Majesty's Government further to the Written Answer by Lord Henley on 21 March (HL6193), whether any part of financial regulation either exempts banks from the accounting solvency requirements of the Companies Act 2006 or gives the duty to oversee those requirements to the Prudential Regulatory Authority or Financial Conduct Authority instead; and if so, which.

A Answered by: **Lord Henley**

Answered on: 09 April 2018

Banks in the UK are subject to the full accounting solvency requirements of the Companies Act 2006. The ongoing supervision of these and the additional regulatory requirements, on banks in particular, is conducted by the Prudential Regulation Authority as set out in the Financial Services Act 2012.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 19 March 2018

Department for Business, Energy and Industrial StrategyLords **HL6436****Company Accounts**

To ask Her Majesty's Government what assessment they have made of whether members of boards that set and endorse accounting standards (1) have the Financial Conduct Authority designation to represent the interest of public investors, and (2) have been adequately vetted for potential conflicts of interest.

A Answered by: **Lord Henley**

Answered on: 05 April 2018

The UK requires the use of EU endorsed International Financial Reporting Standards (IFRS), which are issued by the International Accounting Standards Board (IASB). These standards are used by group companies listed on EU markets to prepare their annual financial statements. The IFRS Foundation is an international not-for-profit, public interest organisation. The IFRS Foundation Trustees are responsible for the governance and oversight of the IASB and are formally required to act in the public interest in the Foundation's constitution, which is publicly available on their website.

The Trustees are accountable to the IFRS Foundation's Monitoring Board. This monitoring function permits capital authorities to carry out their investor protection mandates. The European Commission is a member of the Monitoring Board acting on behalf of European capital markets.

The IFRS Foundation's constitution only allows three out of fourteen members to be 'part-time'. These part-time members are subject to guidelines of independence in the Foundation's constitution established by the Trustees. All other members must be 'full-time', and therefore must commit all their paid employment time to the IFRS Foundation.

The Financial Reporting Council's (FRC) Board sets UK Financial Reporting Standards, which are required to be used by private companies. The FRC is the prescribed body in Company Law to issue UK accounting standards. The members of FRC Board are not required to be designated to represent the interest of public investors in order to set accounting standards so no assessment of this is necessary. The FRC's current Register of Interests is published on its website.

The Financial Conduct Authority plays no role in this process.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 07 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5467**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 1 February (HL5095), for which periods, from 2004, the word "required" was used in the factsheet accompanying notices requesting payment by the Financial Reporting Council; and when, and for what reason, the wording was changed to "requests".

A Corrected answer by: **Lord Henley**

Corrected on: 28 March 2018

An error has been identified in the written answer given on 20 February 2018. The correct answer should have been:

Fact sheets for the preparers levy were used from 2009/10 when the preparers levy was extended to cover large private companies and public sector organisations. The fact sheets used the word "required" in explaining the rates applied to different categories of preparers. They also included similar wording to that included in the 2018/19 fact sheet which was placed in the Library of the House in response to question HL5095. This makes clear that the Financial Reporting Council collects the levy from all preparers on a voluntary basis. The word "required" was replaced with the word "requested" to improve clarity in 2018/19.

A Answered by: **Lord Henley**

Answered on: 20 February 2018

Fact sheets for the preparers levy were used from 2009/10 when the preparers levy was extended to cover large private companies and public sector organisations. The fact sheets used the word "required" in explaining the rates applied to different categories of preparers. They also included similar wording to that included in the 2018/19 fact sheet which was placed in the Library of the House in response to question HL5095. This makes clear that the Financial Reporting Council collects the levy from all preparers on a voluntary basis. The word "required" was replaced with the word "requested" to improve clarity in 2018/19.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 13 March 2018

Department for Business, Energy and Industrial Strategy

Lords **HL6286**

Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 5 March (HL5591), whether the Financial Reporting Council (FRC) intended to publish (1) the Opinion of Mr Moore QC, and (2) the instructions on which that Opinion was based; and if the FRC intended to publish the Opinion but not the instructions, why.

A Answered by: **Lord Henley**

Answered on: 27 March 2018

The Financial Reporting Council intended to publish the opinion of Martin Moore QC and not instructions provided to him. The opinion was self-standing.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 13 March 2018

Department for Business, Energy and Industrial Strategy

Lords **HL6287**

Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 5 March (HL5591), whether the statement on accounting standards by the Minister for Employment Relations and Consumer Affairs, published on 3 October 2013, was based on the Opinion of Mr Moore QC; if so, whether she knew the question or questions put to Counsel for that Opinion; and if applicable, why the content of that Opinion was taken into account in preparing that statement.

A Answered by: **Lord Henley**

Answered on: 27 March 2018

The statement made by the then Minister for Employment Relations and Consumer Affairs was based on internal advice including legal advice, which is the subject of legal professional privilege. The advice also included consideration of the draft opinion that was in preparation by Martin Moore QC because of its relevance to the statement.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5821**

Financial Reporting Council

To ask Her Majesty's Government further to the Written Answer by Lord Henley on 20 February (HL5467), whether the Financial Reporting Council changed the wording after my question (HL4627) was tabled on 11 January; and why the Written Answer by Lord Henley on 1 February (HL5095) referred to a position with future effect, not the past and present position.

A Corrected answer by: **Lord Henley**

Corrected on: 26 March 2018

**An error has been identified in the written answer given on 05 March 2018.
The correct answer should have been:**

The fact sheet attached to the ~~placed into the Libraries of the House in~~ response given to question HL5095 used the word "requested" and is dated June 2017.

My answer to question HL5095 stated the position as of 1st February 2018.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The fact sheet placed into the Libraries of the House in response to question HL5095 used the word "requested" and is dated June 2017.

My answer to question HL5095 stated the position as of 1st February 2018.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 March 2018

Department for Business, Energy and Industrial Strategy

Lords **HL6193**

Banks: Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 5 March (HL5823), why banking solvency would not be a matter for the Financial Reporting Council to deal with as well as a Financial Services Authority matter given that the capital maintenance and dividend distribution regime contained in the Companies Act 2006 applies to all companies incorporated under that Act, whether banks or not.

A Answered by: **Lord Henley**

Answered on: 21 March 2018

As stated in the reply given to the noble Baroness on 5th March 2018 to Question HL5823, the Financial Reporting Council is not responsible for the prudential regulation of banks.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 March 2018

Department for Business, Energy and Industrial StrategyLords **HL6194****Company Accounts**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 5 March (HL5822), what assessment they have made of whether the fact that ease of comparison and preparation took precedence over the public safety, creditor protection and solvency position of companies accounts, including those companies that are banks, had the ingredients of regulatory capture by virtue of expedient outcome taking precedence over the public interest.

A Answered by: **Lord Henley**

Answered on: 21 March 2018

No assessment has been made on this. The Government consults extensively on all aspects of company law to ensure that it properly reflects the public interest.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 March 2018

Department for Business, Energy and Industrial StrategyLords **HL6195****Banks: Company Accounts**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 5 March (HL5823), in which month and year the Financial Reporting Council (FRC) first became aware of "the contribution that certain features of the International Accounting Standards made to the problem of the capital adequacy of the banks"; when the FRC first informed Parliament; and by what means Parliament was informed.

A Answered by: **Lord Henley**

Answered on: 21 March 2018

The Financial Reporting Council is not responsible for banking supervision.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 26 February 2018

Department for Business, Energy and Industrial StrategyLords **HL5865****Financial Reporting Council**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 20 February 2018 (HL5467), whether the Financial Reporting Council (FRC) will make a statement to its levy payers that the charges it has levied were not required to be paid; and whether they will make an assessment of the impact of improper charging including (1) whether the practice of speculative invoicing has created grounds for full refunds in a similar way to which Payment Protection Insurance (PPI) mis-selling has, (2) whether such practices have affected tax deductibility of payments made given that voluntary payments may not be tax deductible, (3) additional legal issues that the FRC is considering, (4) whether the FRC's own auditors have raised the matter as a concern, and (5) whether the amount received from Carillion plc by the FRC will be refunded to Carillion's liquidator.

A Answered by: **Lord Henley**

Answered on: 09 March 2018

As stated in the reply given to the noble Baroness on 22nd January 2018 to question HL4627, requests from the Financial Reporting Council (FRC) for voluntary payments explain that the payments are non-statutory and voluntary. The FRC also explains to funders that, should the system of voluntary payments prove unsustainable, they would request that the Secretary of State make regulations to put the funding requirements on a statutory basis. The Companies (Audit, Investigations and Community Enterprise) Act 2004 includes provisions to enable this.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 27 February 2018

Department for Business, Energy and Industrial StrategyLords **HL5904****Financial Reporting Council**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 20 February 2018 (HL5469) and to the statement by the Minister for Trade on 29 March 2007 (Col 137WS), whether the Minister for Trade was informed of the intentions of the Financial Reporting Council (FRC) regarding its classification when making that statement; if not, why not; and when were ministers informed, if at all, that the FRC's attempts to seek reclassification had been unsuccessful.

A Answered by: **Lord Henley**

Answered on: 09 March 2018

The ministerial statement on 29th March 2007 set out the changes to the Financial Reporting Council's (FRC) governance. These were part of a process at the time aimed at securing the increased independence of the FRC from Government and its reclassification so that it was no longer a public body.

It is an established convention that Ministers of one administration cannot see the documents of a previous administration. I am therefore unable to provide the information requested by the noble Baroness.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 27 February 2018

HM Treasury

Lords **HL5903**

Public Bodies

To ask Her Majesty's Government, further to the Written Answer by Lord Bates on 22 February (HL5517), whether they are able to provide any examples, from the current centrally maintained list of non-departmental central government bodies, of other non-departmental central government bodies that have operated on the basis of expected status rather than actual status confirmed by the National Accounts Classification Committee; and if so, for how long those bodies operated before their status was confirmed.

A Answered by: **Lord Bates**

Answered on: 07 March 2018

All bodies deemed to be in the central government sector by HM Treasury are included in the Governments Resource and Accounts Act 2000 (Estimates and Accounts) Order 2017 ^[1]. All bodies that have been classified by ONS to the central government sector are included in their Public Sector Classifications Guide ^[2]. The differences between the two reflect entities that have not yet been formally classified by ONS's Economic Statistics Classification Committee but following HMT

[1] <http://www.legislation.gov.uk/ukxi/2017/310/contents/made>

[2]

<https://www.ons.gov.uk/methodology/classificationsandstandards/economicstatisticsclassifications/introduc>

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 20 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5587**

Company Accounts

To ask Her Majesty's Government, further to the Written Answers by Lord Henley on 12 February (HL5215 and HL5281), what role they played in commissioning and approving the legal opinion provided by Martin Moore QC, in the light of a Freedom of Information request (BEIS/FOI2016/15803) recording a Department for Business and Industrial Strategy (BIS) official stating that: "I agree; we will need to jointly commission with the FRC an opinion from an eminent QC which could be published" and the Financial Reporting Council later stating to an official that: "We have now developed the Martin Moore opinion to an advanced stage and I thought it would be useful to share it with you to see whether you would like to discuss any points or seek the inclusions of any points"; and whether they will publish any instructions provided to Mr Moore and any insertions added to the legal opinion that he produced.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

Although initial consideration was given to the Department for Business, Innovation and Skills and the Financial Reporting Council (FRC) commissioning an opinion jointly from counsel, it was later agreed that the FRC would commission the opinion from Martin Moore QC independently.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 20 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5588**

Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 12 February (HL5281) which stated that "the FRC has to form its own view, for the fulfilment of its regulatory functions, of what it considers the law to be. The statement above is an example of the Government and the FRC working together to confirm such an interpretation", whether the legal opinion by Michael Moore QC, published on 8 October 2013, was dependent upon the Ministerial Statement published by BIS on 3 October 2013, or whether the Ministerial Statement was dependent upon the Moore opinion.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The Department for Business, Innovation and Skills (BIS) received a draft copy of the legal opinion by Martin Moore QC on 19 September 2013. The statement from Jo Swinson MP about accounting standards, published on 3 October 2013, was based on discussions held with the Financial Reporting Council and consideration by BIS's own legal advisers.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 20 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5589**

Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 12 February (HL5212) which stated that "The Financial Reporting Council published a statement in June 2014 confirming that the true and fair requirement remains of fundamental importance in the preparation of accounts", whether they have identified any mistakes in the description of requirements deriving from section 393 of the Companies Act 2006 within the June 2014 FRC statement; and when any such mistakes will be corrected.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The Department for Business, Energy and Industrial Strategy has not identified mistakes in the description of requirements deriving from section 393 of the Companies Act 2006 in the June 2014 Financial Reporting Council (FRC) statement. The FRC is an independent regulator.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 20 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5590**

Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 12 February (HL5280) which stated that "the Government has stated previously that it does not consider that the Companies Act requires the accounts of the company to state the company's distributable profits", what assessment they have made of the Financial Reporting Council guidance on section 837 of the Companies Act 2006 which states that "A disclaimer of opinion on the financial statements as a whole would be material as the auditor would be unable to form an opinion on the amount at which the company's distributable profits are stated".

A Answered by: **Lord Henley**

Answered on: 05 March 2018

That assessment was set out in the reply given to the noble Baroness on 12th February 2018 to Question HL5280: The determination of the distributable profits and of a distribution by a public company must be based on the profits of the company as set out in the company's accounts. These must be prepared in accordance with the accounting standards, with the overriding requirement that they must give a true and fair view of the company's finances. However, the Government has stated previously that it does not consider that the Companies Act requires the accounts of the company to state the company's distributable profits.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 20 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5591**

Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 12 February (HL5215), whether any member of the Financial Reporting Council board acted as an instructing solicitor when Michael Moore QC was asked to provide a legal opinion; and if so, which board member acted in this capacity; what remuneration they received; and on how many other occasions they had also instructed Mr Moore on behalf of the FRC.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

As stated in the reply given to the noble Baroness on 12th February 2018 to Question HL5215, the Financial Reporting Council (FRC) considers that instructions to Counsel held by it are subject to legal professional privilege. The Government did not ask the FRC to share copies of its instructions to Martin Moore QC.

Department for Business, Energy and Industrial Strategy

Lords **HL5592****Financial Reporting Review Panel**

To ask Her Majesty's Government, further to the Written Answers by Lord Henley on 1 February (HL4991 and HL4993), on what basis were members of the Financial Reporting Review Panel omitted from the Financial Reporting Council Register of Interests; which members of the Panel have previously served as Financial Reporting Council employees; which members of the Panel are serving or previous members of accounting firms and, for each such member, which firms they have worked for; which remaining Panel members have had any professional relationships with accounting firms; and, for each such member, (1) what the nature of the relationship was, (2) which accounting firm the relationship was with, and (3) when the relationship occurred.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The details of the members of the Financial Reporting Review Panel (FRRP), including biographies, can be found on the Financial Reporting Council's (FRC) website and are attached.

The FRRP is not part of the FRC's governance structure but rather a panel from which members are drawn to form Review Groups under the Conduct Committee's Corporate Reporting Review Operating Procedures. Interests in relation to the specific entity whose accounts are being reviewed are checked before appointment to any Review Group.

Financial Reporting Review Council (PDF Document, 252.76 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5819****Company Accounts**

To ask Her Majesty's Government for what reason, and by whose advice, the overriding true and fair view requirement of sections 226(2) and 227(3) was taken out of the Companies Act 1985 on the implementation of International Accounting Standards; why this was then reinstated as section 393 of the Companies Act 2006, and by whose advice; when section 393 of the Companies Act 2006 come into effect; and for what years that requirement was absent.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004 introduced the amendments to the Companies Act 1985 needed to provide for the application of the International Accounting Standards Regulation. The regulations commenced on 1 January 2005. The Companies Act 2006 introduced section 393, which commenced on 6 April 2008.

The 2004 regulations gave effect to the EU's International Accounting Standards Regulation, which introduced the requirement to prepare accounts using EU adopted International Accounting Standards (IAS). The EU Regulation did not include the requirement that IAS accounts should give a "true and fair" view. The Regulation instead relies upon the fact that the framework supporting the standards requires a "fair presentation" of the company's finances; that it does not require strict conformity with every technical accounting requirement in the accounting Directives; and that the auditor's report should state whether the accounts give a true and fair view.

The Companies Act 2006 consolidated the requirements of the Companies Act 1985 and the amendments to it and restated and reformed the requirements on the preparation of accounts. In line with the recommendations of the company law review following public consultation, the Companies Act 2006 introduced the "true and fair" requirement for all accounts in section 393.

I am unable to provide further explanation of the Government's justification in 2004 for not having also included an overarching requirement that IAS accounts must give a true and fair view. It is an established convention that Ministers of one administration cannot see the documents of a previous administration. I am therefore unable to provide the information requested by the noble Baroness.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5820****Financial Reporting Council**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 21 February (HL5518), when each director of the Financial Reporting Council (FRC) was informed that the FRC was a public body; how they were informed, and how this was documented; whether they will place in the Library of the House letters of appointment for each director at the date of each appointment, rather than the recent general letter of appointment dated 30 January; and whether they will set out how a public body can operate as a public body if the public has not been informed that it is a public body.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The terms of appointment for each director of the Financial Reporting Council (FRC) mirror the terms of appointment placed into the Library of the House for my answer HL5518. I will ask the FRC to provide the letters of appointment for each director and will place these in the Libraries of the House in due course with appropriate redactions.

The classification of the FRC in 2004 and the further considerations by the Office for National Statistics up to 2014 were published. The FRC is included in the whole of Government accounts pursuant to legislation.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 February 2018

Department for Business, Energy and Industrial StrategyLords **HL5822****Company Accounts**

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 12 February (HL5280), what were the circumstances that led to the UK voluntarily adopting International Accounting Standards (IAS) for separate, company-only, accounts by invoking the option under Article 5 of the IAS Regulation 2001; and whether, prior to the UK invoking that option, the Financial Reporting Council or Department for Trade and Industry had anticipated the difficulties that this option would create for the use of separate accounts for capital maintenance purposes.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The Department for Trade and Industry consulted on the adoption of "International Accounting Standards" in 2002 (URN 2002/1158). The consultation considered whether the UK should exercise the Member State option under Article 5 of the IAS Regulation and, in particular, whether to extend the application of the Regulation to the individual accounts of publicly traded companies.

The consultation stated that:

"There may be good reasons to exercise this option in order to help internal consistency and comparability of accounts within the same group and assist in preparation of consolidated accounts. There is the additional advantage that the current practice of presenting entity financial statements of the parent with the group accounts as one package could continue. With no extension the practice would probably have to change, as it would be cumbersome and confusing to have to explain two different bases of preparation. We estimate that this would affect around 2700 companies."

The Government considered the responses to the consultation and conducted a full assessment of the costs and benefits of the various approaches to implement the IAS Regulation. Following this consideration the Government concluded that it would implement the option in the regulation, including to extend the application of the Regulation to the individual accounts of publicly traded companies.

The Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004 (SI 2004 / 2947) provided for the application of the International Accounting Standards Regulation. The impact assessment accompanying the regulations sets out the Government's assessment of the costs and benefits. It concluded that the Government's resulting policy on taking up the option in Article 5 overall had the following benefits:

"Parent companies and building societies and subsidiaries in groups will be able to prepare their accounts to one framework of accounting standards. Companies and building societies that do business or seek capital across borders would be able to prepare their accounts to adopted IAS for ease of comparison. Comparability of accounts will assist, shareholders, analysts and other users of accounts."

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 February 2018

Department for Business, Energy and Industrial StrategyLords **HL5823****Banks: Company Accounts**

To ask Her Majesty's Government when the Financial Reporting Council (FRC) first became aware of any problems with International Accounting Standards for the capital adequacy of particular banks; by what means the FRC found out about such problems; which banks any such problems applied to; and how the FRC responded to any identified problems.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

The Prudential Regulation Authority is responsible for regulation of the capital adequacy of banks. Prior to 2013 this was the responsibility of the Financial Services Authority. The Financial Reporting Council (FRC) was not aware of the contribution that certain features of the International Accounting Standards made to the problem of the capital adequacy of the banks until the problem was a matter of public knowledge. The FRC has engaged with UK Government, Europe, internationally, and with the International Accounting

Standards Board since then to develop reforms to the standards, which address the concerns that have been identified.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5824**

Company Accounts

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 12 February (HL5214), on which issues does the Financial Reporting Council now accept the position set out by Mr Bompas QC; and in particular whether section 831 of the Companies Act 2006 is one such issue.

A Answered by: **Lord Henley**

Answered on: 05 March 2018

As stated in the reply given to the noble Baroness on 12th February 2018 to question HL5214, the Financial Reporting Council (FRC) sought advice on a range of matters from Martin Moore QC and accepted the advice it received. This includes the advice relating to the requirements of the Companies Act 2006 that determines distributable profits. Section 831 forms part of those requirements. The FRC has not changed its views on those matters.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 February 2018

HM Treasury

Lords **HL5517**

Public Bodies

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 1 February (HL4990), what other examples there are of non-departmental central government bodies that have operated on the basis of expected status rather than actual status confirmed by the National Accounts Classification Committee; and if there are such examples, for how long those bodies operated before their status was confirmed.

A Answered by: **Lord Bates**

Answered on: 22 February 2018

Information is not held centrally relating to a full historic list of central government bodies that have operated on the basis of expected status rather than actual status, as confirmed by the Office for National Statistics (ONS).

In the absence of an ONS classification, the Treasury can advise on sector classification (i.e. whether a body is in or outside central government). Where the ONS has not yet taken a decision on a body, it will be considered to be within Central Government if it appears to fit the criteria for classification as a 'central government' body.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 08 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5518**

Financial Reporting Council

To ask Her Majesty's Government when each individual director of the Financial Reporting Council (FRC) board, as at 1 February, was first made aware that the FRC had been designated as a public body in 2004; on what date each director was appointed; and whether they will place copies of each of their letters of appointment in the Library of the House.

A Answered by: **Lord Henley**

Answered on: 21 February 2018

The details of the Financial Reporting Council (FRC) board appointments are published on the FRC website. The board members as at 01 February 2018 were:

Sir Winfried Bischoff, appointed 01 April 2014
 Gay Huey Evans, appointed 01 April 2012
 Stephen Haddrill, appointed 16 November 2009
 Paul George, appointed 02 July 2012
 Melanie McLaren, appointed 02 July 2012
 David Childs, appointed 01 May 2014
 Paul Druckman, appointed 01 January 2017
 Nick Land, appointed 01 April 2011

Olivia Dickson, appointed 02 July 2012
 Mark Zinkula, appointed 01 April 2017
 Mark Armour, appointed 02 July 2012
 Sir Brian Bender KCB, appointed 01 March 2014
 John Coomber, appointed 23 July 2015
 Roger Marshall, appointed 01 November 2010
 Keith Skeoch, appointed 01 March 2012

The terms on which board members are appointed can also be found on the FRC's website and are also attached.

The directors were made aware of the FRC's classification as a public body and reclassification requests, if applicable, when they were appointed.

FRC Non-Executive Board Member Terms of Appointment (PDF Document, 148.03 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 07 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5468**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 1 February (HL4990), what factors made it reasonable to expect that reclassification of the Financial Reporting Council would occur; and what assessment they have made in this respect of internal correspondence from the Office of National Statistics on 6 February 2007 which stated that "Since then there have been a few 'false starts' and a lot of wasted time on the classification of the FRC. We have now been approached three times to consider the classification of the FRC under new arrangements. On the first two occasions (August 05 then May 06) we have put the case document together and been almost ready to consult NACC when the request has been 'pulled' because the arrangements 'might be changing. (Usually following requests for further information from us that might have lead them to believe that a public sector classification would result)'; and HMT are not happy with the way DTI / FRC are taking this forward and we cannot consider the classification further until arrangements have been finalised."

A Answered by: **Lord Henley**

Answered on: 20 February 2018

Up to 2014, the assessment of the Financial Reporting Council's classification was undertaken based on consideration of the categories set out in the European System of Accounts 1995. This was replaced by European System of Accounts 2010, which is what was used when the Office for National Statistics considered FRC's status in 2014 and confirmed it as a public body within central government.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 07 February 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5469**

Financial Reporting Council: Public Appointments

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 22 January (HL4661), in assessing the transparency of the process of reappointing Sir John Sunderland to the Board of the Financial Reporting Council, what account they took of the fact that he was reappointed by the Temporary Nominations Committee (TNC), as set out in Freedom of Information Act (FOIA) request ONS/FOI/2017/3410 in late 2017; whether the existence of the TNC had been made public prior to the release of that FOIA response; if so, when; and what was the composition of the TNC at the time of Sir John's reappointment.

A Answered by: **Lord Henley**

Answered on: 20 February 2018

The Financial Reporting Council (FRC) consulted on proposed governance changes in 2007 including the role of the Temporary Nominations Committee (TNC). The role and work of the TNC was then reported in the FRC's 2007/08 Annual Report.

On 5 June 2007 the Appointing Group appointed the following to the TNC:

- the FRC Chair, Sir Christopher Hogg;
- two members of the then Board: Paul Druckman and Barbara Thomas Judge; and,
- 10 other senior representatives of private sector stakeholders: Alastair Clark, Richard Dyson, Douglas Ferrans, Keith Jones, Lucy Neville-Rolfe, Michael Pomery, Sir Nigel Rudd, Gerald Russell, Miles Templeman and Tony Watson.
- Elizabeth Filkin was also appointed to the TNC as assessor.

The processes and functions of the TNC were endorsed by the Department for Business, Energy and Regulatory Reform (BERR). BERR considered the reappointment of Sir John Sunderland to the Board of the

FRC followed a fair and transparent process.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 30 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5212**

Company Accounts

To ask Her Majesty's Government why the Financial Reporting Council's True and Fair guidance does not include guidance in respect of the net assets test under section 831 of the Companies Act 2006 and that test's relation to accounts and the payment of lawful dividends.

A Answered by: **Lord Henley**

Answered on: 12 February 2018

The Financial Reporting Council published a statement in June 2014 confirming that the true and fair requirement remains of fundamental importance in the preparation of accounts. The statement was made specifically in relation to Section 393 of the Companies Act 2006, which prohibits directors of a company from approving annual accounts unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit and loss of the company.

In addition to guidance to auditors on reports on the annual accounts, the FRC has issued separate guidance on auditors' responsibilities in respect of other reports and statements which they might also be called upon to provide. This includes guidance on a report on a proposed distribution by a company under section 836 to 839 of the Companies Act 2006, dealing with justification of dividends by reference to relevant annual, interim and initial accounts. This includes reference to the application of the net assets test under section 831.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 30 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5213**

Carillion

To ask Her Majesty's Government what is their assessment of the relevance of the net assets test under section 831 of the Companies Act 2006 and its relation to the payment of lawful dividends to the capital adequacy of Carillion plc.

A Answered by: **Lord Henley**

Answered on: 12 February 2018

The requirements of Section 831 of the Companies Act 2006 apply to all public companies, including each UK public company in the Carillion PLC group.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 30 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5214**

Company Accounts

To ask Her Majesty's Government whether the Financial Reporting Council rejected two legal opinions from Mr George Bompas QC, for the Local Authorities Pension Fund Forum, on the net assets test under section 831 of the Companies Act 2006; and, if so, on what grounds.

A Answered by: **Lord Henley**

Answered on: 12 February 2018

The Financial Reporting Council (FRC) sought advice on a range of matters from Martin Moore QC and the Local Authorities Pension Fund Forum sought advice on a range of issues from George Bompas QC. The opinions received have been published by the respective organisations and reflect that leading counsel reached different conclusions on some of the issues. The FRC accepted the advice it received.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 30 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5215**

Company Accounts

To ask Her Majesty's Government whether they will release the Financial Reporting Council's instructions to Counsel in relation to dealing with the opinions of Mr George Bompas QC of 2013 and 2015; and whether they will place a copy of those instructions in the Library of the House.

The Financial Reporting Council considers that instructions to Counsel held by it are subject to legal professional privilege. The Government did not ask the Financial Reporting Council to share copies of its instructions to Martin Moore QC.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 30 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5216**

Audit

To ask Her Majesty's Government what assessment they have made of any risk emanating from large accountancy firms claiming global audit approaches when the requirements for UK audits are grounded in UK company law.

A Answered by: **Lord Henley**

Answered on: 12 February 2018

The Department for Business, Energy and Industrial Strategy is responsible for policy on statutory audit in the UK. It does not consider any claim by the global firms that their UK statutory audit work complies with the requirements of the international auditing standards to be a significant source of risk.

Under UK law, auditors must adhere to auditing and ethical standards issued by the Financial Reporting Council (FRC) in the performance of statutory audits. In setting UK auditing standards, the FRC uses, as a basis, international auditing standards. Where necessary the FRC adds to those standards to reflect UK specific legislative and regulatory requirements, and further requirements that may be necessary to support high quality audit. The FRC also enforces those standards. By complying with UK auditing standards, an auditor will also comply with all of the requirements set out in international standards.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 31 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5280**

Company Accounts

To ask Her Majesty's Government what immediate action, if any, was taken as a result of a letter from the Financial Reporting Council (FRC) to the Department of Trade and Industry of 8 April 2005 stating that (1) the FRC regarded the law relating to capital maintenance, which includes the net assets test of section 831 of the Companies Act 2006, then the Companies Act 1985, as outmoded, and (2) following the law did not form part of the FRC's thinking in setting and approving accounting standards; and if no action was taken, why not.

A Answered by: **Lord Henley**

Answered on: 12 February 2018

No immediate substantive action was possible as the legal framework discussed in the letter from the Financial Reporting Council transposes EU law.

The determination of the distributable profits and of a distribution by a public company must be based on the profits of the company as set out in the company's accounts. These must be prepared in accordance with the accounting standards, with the overriding requirement that they must give a true and fair view of the company's finances. However, the Government has stated previously that it does not consider that the Companies Act requires the accounts of the company to state the company's distributable profits.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 31 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5281**

Company Accounts

To ask Her Majesty's Government why the Financial Reporting Council stated to the House of Lords Economic Affairs Committee, in evidence taken on 22 July 2014, that government lawyers had "concluded that they agreed with" "legal advice from Martin Moore QC who [had] concluded almost exactly the opposite of what [George Bompas QC for the Local Authorities Pension Fund Forum (LAPFF)] had concluded"; and what assessment they have made of the compatibility of that statement with correspondence dated 3 December 2015, obtained from the Department for Business and Industrial Strategy (BIS) following a Freedom of Information Act request (BEIS/FOI2016/07497), in which a BIS official stated that "We have never said that the views [of the LAPFF] are incorrect and may be disregarded. ... Ultimately, whether the views of the LAPFF are incorrect would be a matter for the courts".

A Answered by: **Lord Henley**

Answered on: 12 February 2018

I understand that Stephen Haddrill, the Chief Executive Officer of the Financial Reporting Council (FRC) was referring to the statement issued by the Department for Business, Innovation and Skills (as it then was) on 3 October 2013. The statement is available at the following link:

<https://www.gov.uk/government/news/accounting-standards-are-part-of-legally-binding-corporate-reporting-framework>

It is not the role of the Department for Business Energy and Industrial Strategy (and it was not the role of its predecessors) to provide a definitive interpretation of the law. This can only be provided by the courts. However the FRC has to form its own view, for the fulfilment of its regulatory functions, of what it considers the law to be. The statement above is an example of the Government and the FRC working together to confirm such an interpretation.

Government response (PDF Document, 214.73 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4990**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answers by Lord Henley on 16 January (HL4540 and HL4541) confirming the classification of the Financial Reporting Council (FRC) as a public body, why the Memorandum of Understanding of July 2010 between Baroness Hogg, then chair of the FRC, and an official of the Department of Innovation and Skills, stated that the FRC was a private body.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

As explained in the reply given to the noble Baroness on 16th January 2018 to Question [HL4540](#), the Memorandum of Understanding between the Department for Business, Innovation and Skills and the Financial Reporting Council (FRC) was signed before the Office of National Statistics' confirmation in 2014 that the FRC would remain a public body and was based on the expectations at that time.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4991**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 16 January (HL4541) confirming the classification of the Financial Reporting Council (FRC) as a public body, whether direct ministerial approval was given, at any time, to allow the FRC to operate without adhering to all of the obligations of being a public body set out in Cabinet Office rules; if so, when and by whom; and if not, why not.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

The Office for National Statistics concluded in December 2014 that the Financial Reporting Council (FRC) was a public body within central government. The Department for Business Innovation and Skills (as it then was) examined whether there was scope for further review. The Department for Business, Energy and Industrial Strategy concluded in 2017 that they should work with the FRC on the application of all relevant guidelines.

Up to that point the FRC determined its own policies on these matters. This is with the exception of the appointment of its Chair and Deputy Chair by the Secretary of State, which followed best practice for ministerial appointments.

Decisions on the application of the guidelines, during the prolonged period in which the status of the FRC as a public body was the subject of or pending review, were taken by Departmental officials under the delegated authority of the responsible departmental accounting officer.

Grouped Questions: [HL4993](#)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4992**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 16 January (HL4540) confirming the classification of the Financial Reporting Council (FRC) as a public body, what reports have been made by, and to, the Department of Business, Energy and Industrial Strategy, and its predecessor

departments, on the status, classification, reclassification, and governance of the FRC since the beginning of 2004; and whether they will place copies of all such reports in the Library of the House.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

The Financial Reporting Council (FRC) has reported annually to the Secretary of State since 2013 in compliance with requirements in Part 42 of the Companies Act 2006 on reporting by the Secretary of State's delegate. Those reports have been laid before both Houses of Parliament and include discussions of the governance of the FRC.

The joint consultation by the Department for Business Innovation and Skills and the FRC in 2012 on proposals to reform the FRC considered its governance arrangements and led, among other changes, to the application of these reporting requirements.[1] Before that time the FRC produced an annual report and accounts as a private company which was filed at Companies House. It also published an annual report for its stakeholders on its work.

Between 2006 and 2012, the requirements of the Companies Act on reporting by the Secretary of State's delegate applied to the Professional Oversight Board, an operating board of the FRC. Its functions were transferred to the FRC in 2012. Its reports were also laid before both Houses of Parliament.

[1] The consultation is available at: <https://www.gov.uk/government/consultations/financial-reporting-council-reform>

Consultation document 2012 (PDF Document, 289.91 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4993**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 16 January (HL4542) concerning the obligations of the Financial Reporting Council (FRC), what are the differences between the obligations that have been, since 2004, placed on the FRC by the Department of Business, Energy and Industrial Strategy and the obligations set out by the Cabinet Office for non-departmental public bodies; in particular relating to (1) procurement, (2) recruitment, (3) remuneration of FRC executives, and (4) conflicts of interest.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

The Office for National Statistics concluded in December 2014 that the Financial Reporting Council (FRC) was a public body within central government. The Department for Business Innovation and Skills (as it then was) examined whether there was scope for further review. The Department for Business, Energy and Industrial Strategy concluded in 2017 that they should work with the FRC on the application of all relevant guidelines.

Up to that point the FRC determined its own policies on these matters. This is with the exception of the appointment of its Chair and Deputy Chair by the Secretary of State, which followed best practice for ministerial appointments.

Decisions on the application of the guidelines, during the prolonged period in which the status of the FRC as a public body was the subject of or pending review, were taken by Departmental officials under the delegated authority of the responsible departmental accounting officer.

Grouped Questions: HL4991

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 23 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4994**

Financial Reporting Council

To ask Her Majesty's Government what was the total remuneration paid to the Chief Executive of the Financial Reporting Council for each year since, and including, 2004; and what was (1) the average employment earnings for the UK; (2) the average public sector pay, and (3) the salary of the Prime Minister, for each of those years.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

Year	Salary of Chief Executive of the FRC (£)	Average employment earnings for the UK (£)	Average public sector pay (£)	Salary of the Prime Minister (£)

2008	316,000	25,165	26,676	193,885
2009	325,000	25,806	27,692	193,885
2010	329,875	25,882	28,339	142,500
2011	338,122	26,095	28,656	142,500
2012	346,575	26,472	28,930	142,500
2013	355,239	27,011	29,487	142,500
2014	362,344	27,215	29,773	142,500
2015	369,951	27,615	30,328	149,440
2016	378,831	28,195	30,540	150,402

For the purposes of comparison we have listed the base salary of the Chief Executive of the Financial Reporting Council (FRC), average employment earnings across the UK, [1] average public sector pay and the base salary of the Prime Minister, which is made up of Ministerial and Parliamentary salaries combined. [2]

We have been unable to compare with information before 2008; therefore included in the table above are figures only from 2008 until 2016.

[1] Please note that the report consists of median earnings as opposed to mean earnings as a measure for average earnings. Additionally there have been a number of changes to the ASHE methodology over the years, which has resulted in a break in the series in 2011. Figures either side of a break are not directly comparable so caution should be exercised when interpreting long-term trends over time.

[2] These figures have been taken from 'Appendix 4: Ministerial salaries a comparison of entitlements and amounts received' of the 'Member's pay and expenses and ministerial salaries 2016/17' 10th November 2016. And are accessible here: <http://researchbriefings.files.parliament.uk/documents/CBP-7762/CBP-7762.pdf>

Briefing Paper (PDF Document, 790.39 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 24 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5057**

Financial Reporting Council

To ask Her Majesty's Government whether the Financial Reporting Council (FRC) sought to resist the classification decision of the National Accounts Classification Committee in 2004 that the FRC was a public body; if so, whether they supported that resistance; and if so, why.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

Throughout the period between 2004 and 2014 the Financial Reporting Council (FRC) and the Department for Trade and Industry (and its successors) agreed that the original classification of the FRC as a public body should, if possible, be revised. The Department worked with the FRC to seek its reclassification from the Office for National Statistics on a number of occasions. The justification for this was based on wider Government policy on public bodies and the development of the FRC's functions.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 24 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5058**

Financial Reporting Council

To ask Her Majesty's Government what was the total cost of external legal advice sought by the Financial Reporting Council regarding the classification decision of the National Accounts Classification Committee, including any attempts at reclassification.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

We are informed by the Financial Reporting Council (FRC) that their total spend on external legal advice on all issues arising out the FRC's classification as a public body is £6,482.70 inclusive of VAT. This is a

cumulative figure covering the period from 2004 through to 2017.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 25 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5095**

Financial Reporting Council

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 22 January (HL4627), why the penultimate paragraph of the fact sheet accompanying the request for payment by the Financial Reporting Council expressly states that the amount is required to be paid, refers to 20 per cent and 50 per cent discounts in certain cases, but does not refer to the payment either before or after discount being voluntary.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

The Financial Reporting Council's Preparers Levy fact sheet (attached) makes clear that the payment is voluntary. The paragraph referred to in the question explicitly requests rather than requires payment. The section above this in the fact sheet contains the text referred to in my written answer on 22nd January 2018 ([HL4627](#)).

Factsheet (PDF Document, 124.3 KB)

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 25 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL5096**

Audit: Fines

To ask Her Majesty's Government, further to the Written Answer by Lord Henley on 16 January (HL4543), how much in fines has been received under the Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016/649); how much in fines was received and passed on to other bodies from schemes prior to those Regulations coming into force in (1) 2012, (2) 2013, (3) 2014, (4) 2015, and (5) 2016; and to which organisations those fines were passed.

A Answered by: **Lord Henley**

Answered on: 01 February 2018

No fines have been received under the Statutory Auditors and Third Country Auditors Regulations 2016. We are informed by the Financial Reporting Council (FRC) that the following fines were imposed under the FRC's accountancy scheme from 2012 to 2016 and passed to the participating body which met the related case costs. (The table does not include the costs that were awarded to the bodies in relation to specific cases or the contributions to case costs by the participating bodies overall.)

Year	Total fines Received	Fines passed to the accountancy bodies		
		ICAEW	CIMA	CAI
2012	NIL	-	-	-
2013	£815k	£815k	-	-
2014	£1,038k	£1,025k	£13k	-
2015	£4,688k	£4,688k	-	-
2016	£6,712k	£6,552k	-	£160k

Key

ICAEW: The Institute of Chartered Accountants in England and Wales

CIMA: The Chartered Institute of Management Accountants

CAI: Chartered Accountants Ireland

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 11 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4627**

Financial Reporting Council

To ask Her Majesty's Government why companies, pension funds and taxpayer-funded public bodies are served notices by the Financial Reporting Council requesting payment for a charge described as a levy without any accompanying statement that the charge does not have the status of levy or tax, and is not actually required to be paid.

A Answered by: **Lord Henley**

Answered on: 22 January 2018

The Financial Reporting Council (FRC) is funded through a combination of statutory and voluntary funding arrangements. The FRC consults stakeholders annually on the amounts requested under these arrangements. Requests from the Financial Reporting Council for voluntary payments explain that the payments are non-statutory and voluntary. The Financial Reporting Council also explains to funders that, should the system of voluntary payments prove unsustainable, they would request that the Secretary of State make regulations to put the funding requirements on a statutory basis. The Companies (Audit, Investigations and Community Enterprise) Act 2004 includes provisions to enable this.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 11 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4628**

Financial Reporting Council

To ask Her Majesty's Government whether the opening of an office in Brussels by the Financial Reporting Council for lobbying activity was authorised by the Cabinet Office as required by the restrictions placed on non-departmental public bodies by the rules set by the Cabinet Office; and if so, when.

A Answered by: **Lord Henley**

Answered on: 22 January 2018

The Financial Reporting Council operates an office in Brussels in order to support its work as the designated competent authority for audit in the UK and on accounting regulation. The then Department for Business, Innovation and Skills was informed of the decision to open the office when it was established. Up until December 2014 the Financial Reporting Council's status as a public body within central government was pending review by the Office of National Statistics. The Brussels office was established in 2012.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 11 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4629**

Financial Reporting Council

To ask Her Majesty's Government what assessment they have made of the extent to which transfers of staff from the Financial Reporting Council to (1) the International Accounting Standards Board, (2) large accounting firms, and (3) other organisations, have complied with the restrictions on appointment of public officials into private sector roles.

A Answered by: **Lord Henley**

Answered on: 22 January 2018

The Financial Reporting Council (FRC) has an established code of conduct which applies to FRC staff to ensure that conflicts of interest and any other associated threats to independence are managed appropriately. In addition, the FRC applies, on a case-by-case basis measures to ensure that any potential conflicts arising from a proposed departure from the FRC to another organisation are managed. The Government has made no assessment of this policy.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 15 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4661**

Financial Reporting Council: Public Appointments

To ask Her Majesty's Government what assessment they have made of (1) the re-appointment of Sir John Sunderland to the Board of the Financial Reporting Council (FRC) in 2007 following his resignation as a Secretary of State appointment the previous week, (2) the reasons for this occurring, and (3) the transparency of the FRC's appointment process in this instance.

A Answered by: **Lord Henley**

Answered on: 22 January 2018

The reappointment of Sir John Sunderland to the Board of the Financial Reporting Council (FRC) in 2007 followed a fair and transparent process. The reappointment was part of wider board restructuring agreed with the then Department for Business, Energy and Regulatory Reform (BERR). The intention of this exercise was to reduce the number of ministerial appointees on the board and enhance the independence of the FRC with regards to the accountancy profession and the Government.

I understand BERR reviewed and agreed the processes undertaken by the FRC and the FRC reported to the Department at the conclusion of the process.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 09 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4540**

Financial Reporting Council

To ask Her Majesty's Government why the Memorandum of Understanding between the Financial Reporting Council and the Department for Business, Innovation and Skills dated July 2010 describes the Financial Reporting Council as a private body.

A Answered by: **Lord Henley**

Answered on: 16 January 2018

The Memorandum of Understanding between the Department for Business, Innovation and Skills and the Financial Reporting Council will need to be reviewed and updated in due course. The memorandum was signed before the Office of National Statistics' confirmation in 2014 that the Financial Reporting Council is a public body and was based on the expectations at that time. The Department for Business, Energy and Industrial Strategy confirmed last year that it expected the Financial Reporting Council to remain a public body.

The reference to the Financial Reporting Council being a private body does not affect the operation of the Memorandum.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 09 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4541**

Financial Reporting Council

To ask Her Majesty's Government for how long the Financial Reporting Council has been classified by the National Accounts Classification Committee as a central government public body.

A Answered by: **Lord Henley**

Answered on: 16 January 2018

The Financial Reporting Council was classified as a public body by the Office for National Statistics on 31st October 2004. Following a review, in 2014 the Office of National Statistics reconfirmed the Financial Reporting Council's classification as a public body and in 2017 the Department for Business, Energy and Industrial Strategy confirmed it is expected to remain as such.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 09 January 2018

Department for Business, Energy and Industrial Strategy

Lords **HL4542**

Financial Reporting Council

To ask Her Majesty's Government whether the Financial Reporting Council has met all the obligations required of public bodies, in particular relating to (1) procurement, (2) recruitment, (3) remuneration, and (4) the Freedom of Information Act 2000, since its establishment; and if not, for how long, if at all, it has met all the obligations in each category.

A Answered by: **Lord Henley**

Answered on: 16 January 2018

The Financial Reporting Council has met all the obligations placed upon it by the Department for Business, Energy and Industrial Strategy.

The Financial Reporting Council is subject to the Freedom of Information Act 2000 in respect of certain functions under Part 42 of the Companies Act 2006 by sections 1228(3) and 1252(3). The Financial Reporting Council's Freedom of Information Scheme has been approved by the Information Commissioner and it acts in accordance with this scheme. The Department for Business, Energy and Industrial Strategy will continue to review whether the current scope of application of the Freedom of Information Act 2000 is appropriate given the way in which the Financial Reporting Council's responsibilities have developed and the confirmation that it will remain a public body.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 09 January 2018

Department for Business, Energy and Industrial StrategyLords **HL4543****Financial Reporting Council**

To ask Her Majesty's Government who receives the proceeds of successful legal actions brought by the Financial Reporting Council against any of the Big Four accountancy firms; and whether any of those proceeds are allocated to accountancy firms trade associations.

A Answered by: **Lord Henley**

Answered on: 16 January 2018

Fines imposed on accountancy firms by the Financial Reporting Council as part of an audit enforcement action must be paid by the Financial Reporting Council to the Secretary of State. Any costs awarded to the Financial Reporting Council in recognition of the enforcement costs funded by the recognised audit supervisory bodies must be paid to those bodies. This arrangement applies only in respect of fines paid under the Statutory Auditors and Third Country Auditors Regulations 2016.

Q Asked by **Baroness Bowles of Berkhamsted**

Asked on: 09 January 2018

Department for Business, Energy and Industrial StrategyLords **HL4544****Financial Reporting Council**

To ask Her Majesty's Government whether they have given any guarantees to the Financial Reporting Council to cover legal costs for cases brought against accountancy firms.

A Answered by: **Lord Henley**

Answered on: 16 January 2018

The Department for Business, Energy and Industrial Strategy has not given any guarantee to cover the legal costs of cases brought against accountancy firms.

The Department has given the following undertaking for the 2017-18 financial year. It relates to audit investigations and sanctions work resulting in a statutory fine under the Statutory Auditors and Third Country Auditors Regulations 2016. Those regulations require the fine to be paid to the Secretary of State. The Department for Business, Energy and Industrial Strategy would establish a programme of grant payments to cover any loss of funding to the Financial Reporting Council, which would otherwise have been funded from the fine income.