

<p>Title: Light touch PIR of The Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc.) Order 2012 (i.e. a set of proposals put in place to reform the Financial Reporting Council.)</p> <p>IA/PIR No: BIS0331</p> <p>Lead department or agency: Department for Business, Innovation and Skills</p> <p>Other departments or agencies: Financial Reporting Council (FRC)</p> <p>Contact for enquiries: Jayesh Patel Tel: 020 7215 3027</p>	Post Implementation Review
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Type of review: Light touch PIR
	Date of implementation: The Order was implemented in 2012
	Date review due (if applicable): 2015-16

1. What were the policy objectives and the intended effects?

Background

The Financial Reporting Council's (FRC)¹ mission is to promote high quality corporate governance and corporate reporting to foster investment. In 2012 four constraints were identified following a joint BIS-FRC public consultation, and a joint BIS-FRC consultation response, regarding the FRC's effectiveness:

1. Its structure was thought to be overly complex, with some FRC powers given to subsidiary bodies rather than the FRC Board.
2. The FRC was not deemed sufficiently independent from those it regulates.
3. It was not equipped with a proportionate range of sanctions.
4. Its scope was not aligned clearly enough with its mission (as outlined in the first sentence above).

Policy objects and intended effects

The overall objective was to streamline the FRC's existing arrangements, by addressing the four constraints, so as to create a more effective, efficient and independent FRC and minimise the regulatory burdens it places on market participants.

The supporting objectives were to:

- Enhance the FRC Board's ability to focus on key corporate governance and reporting issues.
- Contribute to the quality of auditing in the UK through enhanced independence from the accountancy professional bodies and a more proportionate range of sanctions.
- Enhance the effectiveness of the FRC's contribution to the efficient operation of the capital markets by focusing its monitoring and enforcement activities on publicly traded

¹ <https://frc.org.uk/>

and other significant companies.

Policy changes

To achieve the policy objectives and intended effects four key changes were made by The Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc.) Order 2012.² The changes are summarised in the table below.

Policy changes	The Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc.) Order 2012
<p>Delegate most statutory powers to the FRC Board not the Operating Bodies.</p> <p>Previously, a number of different bodies existed and were not strategically arranged and joined up under one Board. These previous bodies included: the Accounting Standards Board (ASB), the Accounting Practices Board (APB), the Board for Actuarial Standards (BAS), the Financial Reporting Review Panel (FRRP), the Professional Oversight Board (POB), and the Accountancy and Actuarial Discipline Board (AADB).</p> <p>A new FRC structure was needed to equip better the FRC to tackle the most strategic issues and to provide high quality leadership, as well as continuing to develop excellent technical solutions. Essentially, the structure was changed so that the Codes and Standards Committee and the Conduct Committee now sit under the FRC Board:</p> <ul style="list-style-type: none"> • The Codes and Standards Committee is advised by the Councils on accounting, audit and assurance, and actuarial matters. The Councils were expected to form an important part of the new decision making structure, with their advice put fully to the FRC Board. • The Conduct Committee is responsible for overseeing the FRC's conduct work aimed at promoting high quality corporate reporting. The powers to apply to Court in respect of defective reports or accounts are delegated to the Conduct Committee. <p>The functions of the ASB, APB, BAS, FRRP, and the AADB were reallocated within this new structure and these boards ceased to exist. The result was an FRC Board with more statutory powers.</p>	<p>Part 3 – Transfer of functions of the Secretary of State</p> <p>Part 5 – Prescription of Body to issue Accounting Standards</p> <p>Note: The Supervision of Accounts and Reports (Prescribed Body) and Companies (Defective Accounts and Directors' Reports) (Authorised Person) Order 2012 provides for the powers of the Conduct Committee.</p>
<p>Provide the FRC Board with powers to determine and require Recognised Supervisory Bodies (RSBs)³ to impose sanctions for poor quality audit.</p> <p>Previously, the FRC could request but not require an RSB to impose</p>	<p>Part 2 – Amendment of the Companies Act 2006 (Amendments to Schedule 10)</p>

² <http://www.legislation.gov.uk/ukdsi/2012/9780111524404/body>

³ The RSBs are: Association of Chartered Certified Accountants (ACCA), Chartered Accountants Ireland (CAI), Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute for Chartered Accountants of Scotland (ICAS).

<p>sanctions on an audit firm/and or individual auditor in response to shortcomings identified as a result of its inspection work. While no such request had ever been rejected, the arrangements were deemed to risk the FRC not being seen to be independent from the RSBs.</p> <p>The Government and the FRC agreed that RSBs should retain a crucial role in ensuring that high standards are adhered to; but that the FRC should be independent from the RSBs in its role as the UK's lead audit regulator. Therefore the FRC was made able to:</p> <ul style="list-style-type: none"> ○ Determine an appropriate condition or sanction to be observed by an auditor or audit firm where the FRC's audit inspection arrangements identify shortcomings. ○ Where such a condition or sanction is not accepted by the auditor or audit firm, refer the matter for hearing by an independent tribunal. ○ Require the RSB to implement any condition or sanction accepted or determined by the independent tribunal. 	
<p>Provide the FRC Board with powers to impose directions and financial penalties on the RSBs and Recognised Qualifying Bodies (RQBs)⁴ for shortcomings in discharging their regulatory responsibilities in relation to the quality of auditing in the UK.</p> <p>The FRC previously had only two statutory enforcement powers. It could remove a body's recognition to offer an audit qualification and/or to supervise auditors; and it could apply for a court order which, if granted, would set out what a body must do to meet its statutory obligations. The difficulty with both powers was that they were essentially "nuclear" options, which were not considered proportionate to the issues most commonly faced by the FRC in exercising oversight over the bodies.</p> <p>It was thought that a more graduated range of powers was necessary to achieve two purposes:</p> <ol style="list-style-type: none"> 1. To help sharpen the RSB and RQB responses, in particular, the timeliness of actions. 2. To establish more firmly the independence of the regulator from the regulated. <p>As such the FRC Board was provided with powers to impose directions and financial penalties on the RSBs and RQBs for shortcomings in discharging their regulatory responsibilities in relation to the quality of auditing in the UK.</p>	<p>Part 2 – Amendment of the Companies Act 2006</p>
<p>Enable the FRC to conclude disciplinary cases without a public hearing where all involved agree.</p> <p>Previously the FRC was required to resolve disciplinary cases via a public hearing.</p> <p>It was considered to be in the public interest for the FRC to be able to resolve disciplinary cases quickly. Although it was acknowledged that</p>	<p>Part 2 – Amendment of the Companies Act 2006 (Amendments to Schedule 10)</p> <p>Note: Parts of The Statutory Auditors and Third Country Auditors</p>

⁴ The RSBs are listed at footnote 3. The RSBs together with the Association of International Accountants (AIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) are RQBs.

there will always be cases which, by their nature, demand a public airing of the issues,⁵ there are cases which do not fall into this category and where agreement could be reached and the outcome published. In these cases the resources of regulated individuals and/or firms, and of the FRC, could be saved. The procedure would be concluded more quickly, and the conclusions of disciplinary processes would be relayed in a more timely fashion.

Regulations 2013 also implement this reform.

2. Describe the rationale for the evidence sought and the level of resources used to collect it, i.e. the assessment of proportionality.

The policy change is de-regulatory in nature and relatively low-impact. The Impact Assessment (IA) identified familiarisation costs as the only costs to businesses as a result of the change. They were not expected to be significant and were not monetised. Therefore it is considered disproportionate to conduct a full post implementation review. Instead, a light touch review was deemed more appropriate. BIS has relied on the FRC to provide information to substantiate an assessment of the impact of the policy changes.

3. Describe the principal data collection approaches that have been used to gather evidence for this PIR.

This light touch review is informed by information provided by the FRC relating to 2014/15. Specifically, BIS asked the FRC to provide quantitative data on a range of performance indicators used in the original impact assessment analysis.

BIS also asked the FRC to provide any relevant qualitative input, in the form of stakeholder feedback, to inform the assessment of the regulatory changes.

BIS sought stakeholder feedback from the FRC by means of responses to their stakeholder surveys in Autumn 2012 and Autumn 2014. We have accepted what the FRC has provided as appropriate evidence of stakeholder feedback and have not analysed the FRC's raw data or repeated the stakeholder feedback exercise as this would be an inappropriate use of resources for a light-touch review.

The approach of gathering evidence through the FRC was chosen because they hold the necessary evidence to respond to the queries and this was the most efficient way to assess performance against the indicators used in the original impact assessment. We conducted some verification of the responses provided by checking the FRC's annual reports⁶ (e.g. on the number of board meetings) but this was not possible for all measures.

The data collected is summarised in the table below. The data provided by the FRC was accurate at October 2015.

⁵ For instance if the sanction that has been determined is felt not to be justified, as was the case in the collapse of MG Rover.

⁶ See, for example: <https://www.frc.org.uk/Our-Work/Publications/FRC-Board/FRC-Annual-Report-and-Accounts-2013-14-print-versi.pdf>

Policy change 1. Delegate most statutory powers to the FRC Board not the Operating Bodies.	
Number of Board meetings each year.	<ul style="list-style-type: none"> – 7 meetings in 11/12 (Baseline year) – 7 meetings in 12/13 – 8 meetings in 13/14 – 8 meetings in 14/15
Number of Committee meetings each year.	<ul style="list-style-type: none"> – 76 meetings in 11/12 (4 Nomination Committee; 3 Audit Committee; 4 Remuneration Committee; 4 Committee on Corporate Governance, and 61 Operating Body meetings (the Accounting Standards Board, the Auditing Practices Board, the Board for Actuarial Standards, the Professional Oversight Board, the Financial Reporting Review Panel and the Accountancy and Actuarial Discipline Board)). – 25 meetings in 12/13 (11 Conduct; 7 Codes & Standards; 4 Audit; 3 Remuneration; 0 Nominations Committee meetings) – 29 meetings in 13/14 (12 Conduct; 7 Codes & Standards; 4 Audit; 3 Remuneration; 3 Nominations Committee meetings) – 31 meetings in 14/15 (12 Conduct ; 7 Codes & Standards; 4 Audit Committee; 4 Remuneration; 4 Nominations Committee meetings)
Level of investment in FRC structure.	<ul style="list-style-type: none"> – There has been no additional investment in FRC's structure since the reform (when consultant fees were paid to help develop the structure).
Stakeholder views about the changes (from the annual stakeholder survey).	<ul style="list-style-type: none"> – Stakeholder views were determined through an annual feedback survey conducted by an independent organisation commissioned by the FRC. Forty of FRC's customers were selected for qualitative interviews. Because there were only forty responses the results referred to here should be treated as indicative only. – Compared to two years ago (findings from the equivalent review of stakeholder feedback from two years previously), in 2014 the FRC was seen as more focused and coherent and respondents generally had a better understanding of what it does. But there is still a minority who were confused or unclear about its role and mission. – There were differing views on whether the FRC is 'tough enough'. Investors and journalists tended to think not, whereas a number of the accountants considered it too tough. Corporates and regulators/policymakers broadly felt it struck a reasonable balance. – Respondents were positive about the strength and quality of the FRC Board. However, a small minority expressed concerns about the potential conflicts in having active practitioner involvement in the governance and decision making.
Policy change 2. Provide the FRC Board with powers to determine and require RSBs to impose sanctions for poor quality audit.	
Number of sanctions imposed each year.	<ul style="list-style-type: none"> – The Auditor Regulatory Sanctions Procedure took effect in November 2013, effectively making 2014/15 the first inspection cycle in which the new Procedure was applicable. – Five matters were specifically considered under the Procedure in 2014/15. Three of these matters have been concluded, one resulted in a fine of £52,500, another in a fine of £10,400, and a third was subjected to the relevant accountancy professional body's disciplinary procedures.
Total and average cost of sanctions imposed each year.	<ul style="list-style-type: none"> – The total cost of sanctions imposed in 2014/15 is £62,900. – The average cost of sanctions imposed in 2014/15 is £31,450. (It is worth noting that significantly higher penalties have been proposed in respect of matters still under consideration.)
Number of sanctions that are not accepted	<ul style="list-style-type: none"> – To date, 0 sanctions have not been formally accepted and therefore referred to an independent tribunal, although two are yet to be accepted.

and are referred to independent tribunal.	
Costs associated with the application of this new regime.	<p>– Costs have not yet been measured but are likely to be greater than originally anticipated, given the “push back” from firms in respect of certain proposed aspects of the sanctions. External legal counsel is also being engaged in respect of one matter. FRC were not able to provide an order of magnitude with respect to the increased costs beyond those originally anticipated.</p> <p><u>Further observations about the effectiveness of the sanctions regime</u></p> <p>As with any new procedure, it takes time for the parties to a disciplinary case under the new process to familiarise themselves with what is required. As a result, particularly where the procedure is being applied in contentious areas, the FRC resources involved have been greater than anticipated. That said the FRC believes the new process has had a positive impact on the speed and extent of actions taken by firms to address shortcomings. The FRC were not able to provide an explanation of what would have happened (and the associated costs) under the old regime. The test of whether the procedure is value for money will be the extent to which it provides an incentive for firms to accelerate improvements in quality of audits. This will take a few years to assess and in any event it may be difficult to distinguish the impact of the procedure from the other actions taken by the FRC and wider factors affecting audit quality.</p>
<p>Policy change 3. Provide the FRC Board with powers to impose directions and financial penalties on the RSBs and RQB for shortcomings in discharging their regulatory responsibilities in relation to the quality of auditing in the UK.</p>	
Number of enforcement orders issued each year.	<p>– Amendments to the Companies Act 2006 which came into effect in July 2012 gave the FRC two additional powers which can be used where a RSB or RQB fails to comply with a requirement or obligation of the Companies Act:</p> <ol style="list-style-type: none"> 1) a power of direction, to secure that an RSB or RQB complies with an obligation or satisfies a statutory requirement; 2) a power to impose a financial sanction, where an RSB or RQB has either not satisfied a requirement or not fulfilled an obligation. <p>– There has been one case, which began in 2013/14 and ended in 2014/15 where the FRC issued a notice of proposed direction to an RSB. The FRC concluded, in the light of the action taken by that RSB, not to issue a formal direction.</p>
Costs associated with the application of this new regime.	<p>– All costs were internal costs i.e. the costs of FRC staff and committee and board members attributable to a consideration of how the FRC’s new powers may be implemented in practice effectively. No external costs were incurred.</p> <p>– The cost to the RSB in the aforementioned case is not known.</p> <p>– This single case has highlighted that enforcement powers may be expensive to apply should the RSB concerned decide to resist and mount a legal challenge in the courts.</p> <p><u>Further observations about the effectiveness of imposing directions</u></p> <p>In terms of the time spent on this single case so far, it is plausible that the same amount of time would have been spent on this case reviewing further work (etc.) even if no direction had been considered. However considerable</p>

	<p>additional time was spent on the preparation of papers for the Conduct Committee and for the FRC Board in consideration of the direction. This also meant that the FRC's decision process had taken longer than it otherwise would. It is important to note that the power of direction may be exercised only by the FRC Board, although the Conduct Committee may often be in a better position to understand the detailed issues around a case and to provide answers to the board.</p> <p>The threat of a direction with publicity ensured that the RSB understood that the FRC was serious about the problem, allowing the FRC to enforce changes that would otherwise, based on precedent, not be forthcoming. As a result it is believed by the FRC that the ability to impose directions has been value for money.</p>
<p>Policy change 4. Enable the FRC to conclude disciplinary cases without a public hearing where all involved agree.</p>	
<p>Number of disciplinary cases each year without a public hearing.</p>	<ul style="list-style-type: none"> - The schemes under which this facility is enabled were put in to effect on 1 July 2013. - The first and only disciplinary case to be settled without a tribunal was in 2014. - The case took 6 months to reach a settlement. This particular case was settled at a cost of about 10% of the cost of a contested Tribunal case. If the new pre-Formal Complaint procedure was not available the FRC estimate the costs would have been about £20-30k more. This figure will vary depending on the size of case. In terms of time to conclude the case the saving is greater and may be about 3-6 months.

<p>4. To what extent has the regulation achieved its policy objectives?</p>	
<p>There are a number of areas where the data collected indicate that progress is being made against one or more of the aforementioned policy objectives. There are also areas where the data collected indicate that progress has been made against wider policy objectives.</p>	
<p><u>Enhance the FRC Board's ability to focus</u></p>	
<ul style="list-style-type: none"> • The Number of Board meetings has increased by one per annum under the new structure, which potentially indicates that issues are still being considered fully and in a timely manner. • There is survey evidence that a majority of stakeholders are clearer about the FRC's focus. • The FRC believe the Board, under the current structure, has played an important role in bringing together work in auditing and accounting. A good example of this is the work the FRC has recently concluded which asked companies to take a longer term view of risk and also ask auditors to consider the 'going concern' basis of accounting and the longer term viability statement and the risk management disclosure. However, the FRC have also stated that more progress can be made in breaking down the silos within the organisation. The FRC are planning an internal review to address this concern and will report on it publicly. 	
<p><u>Enhanced independence from the professional bodies and a more proportionate range of sanctions</u></p>	
<ul style="list-style-type: none"> • The sanctions procedure is being used – this is an indication that poor quality audit work is being tackled. 	

- Both of the sanctions imposed so far have been accepted, suggesting the procedure does work.
- There has been one case where the FRC issued a notice of proposed direction to an RSB. This led the RSB to take action before a formal direction was issued. This suggests the responsibilities of RSBs are being considered and tackled more effectively by new FRC powers.
- Increased powers have provided an added incentive to the professional bodies to address issues identified during FRC monitoring visits. The FRC also observe strengthened perceived independence from the profession. However, the FRC note concerns that consideration of using the new powers created tension between the FRC and the relevant bodies.

A more effective and efficient FRC

- The fact that no additional investment has been required to develop further the FRC's structure indicates that the new structure is operating in a cost effective manner year on year.
- In 2011/12 there were 76 meetings at the policy decision making level, in 2014/15 this figure had more than halved to 31. This is an indication of a more 'streamlined' decision making structure.

However, there are a number of areas where the data collected highlight potential issues:

- Differing views about the FRC's 'toughness'.
- Evidence of concerns about the potential conflicts in having active practitioner involvement in the governance and decision making.
- Early indications that the use of the new provisions for the FRC to impose sanctions is more costly than anticipated.
- Acknowledgement that new powers to impose directions and financial penalties on RSBs could be expensive to use in practice (for instance, if an RSB decided to resist and possibly to mount a legal challenge in the courts).
- Also, the FRC acknowledges that the cost of regulation has increased in terms of the time the FRC and the bodies have spent in deliberating individual cases.

However, it is clear that there is not enough data available to draw robust conclusions about the successes or failures of the policy changes. In particular:

- Five matters have been considered under the Auditor Regulatory Sanctions Procedure.
- One matter has been considered under a power of direction and no formal action was taken.
- There is no information relating to the costs of either the sanctions procedure or the new powers to impose directions and financial penalties on the RSBs.
- There is no information relating to stakeholder views about whether the sanctions procedure or new powers are being utilised in a proportionate and fair manner.

Finally, it is worth noting that in undertaking only a light touch review we have made a number of assumptions to help gain an idea about whether the changes have been valuable. For instance, we assume that the use of sanctions is an indication of progress in tackling poor quality audit activity.

5a. Please provide a brief recap of the original assumptions about the costs and benefits of the regulation and its effects on business (e.g. as set out in the IA).

The estimated net present value of the policy was £8.2m, the business net present value was £3.3m and the estimated Equivalent Annual Net Cost to Business was -£0.375m.

The original impact assessment identified an estimated £480,000 one-off transition costs – this comprised the following: £180,000 in staff-related costs, £50,000 in legal costs, £150,000 in external support and £100,000 in IT/support costs. .

The IA also discussed familiarisation costs to business. They were not expected to be significant and were not monetised.

The most significant benefits identified were in relation to the early settlement of disciplinary cases (£750k a year), streamlined FRC governance (£260k a year⁷) and the proposal to facilitate changes to the disciplinary scheme for accountants (£32k a year). Narrowing the scope of the FRC's work (previously £280k per year) following consultation was estimated to be cost neutral.

Non-monetised benefits identified in the impact assessment were: a better understanding of the risks across the market which would benefit market participants (investors, auditors and listed and non-listed companies) through a more effective regulatory framework. By placing powers at the FRC Board level, there was the expectation that the Board would play a much more visible role in influencing dialogue on corporate governance and reporting.

5b. What have been the actual costs and benefits of the regulation and its effects on business?

The following costs and benefits have been calculated using updated cost and benefit information provided by the FRC.

Summary table of costs and benefits

The following table summarises the actual costs and benefits, as identified by the FRC, against the estimated costs and benefits from the IA. More detail is provided below on the evidence and assumptions behind the calculations.

Original cost/benefit estimation from IA	Actual cost/benefit (2015)	Difference from original IA
A reduction in operating body member fees from £900k to £720k (saving of £180k) per annum was estimated through fewer operating body meetings and members	Total operating body member fees dropped from £900k to £648k in 2014/15 – a saving of £252k.	Additional savings of £72k in one year
One-off (Transitional) costs of £480k for the FRC	Total audited costs were £700k (2011/12) – broken down by	Additional transitional costs of £220k for

⁷ There is inconsistency in presenting the level of benefits in relation to streamlined FRC governance in the IA. Both £240k pa (p. 21) and £260k pa (p. 2 and 28) were used. The calculations in the table here refer to £240k pa and may therefore overestimate the additional savings actually achieved when compared to £260k.

	£400k for external fees and £300k for legal fees	the FRC
A reduction in the number of meetings from 61 full operating body meetings in 2011/12 to 31 meetings per year – at an estimated saving of £60k per year	There were 31 full operating body meetings in 2014/15 – a reduction of 30 meetings per year. This represents an estimated saving of £100k per year (using calculations consistent with the IA)	Estimated additional savings of £40k per year
An estimated £320k savings (50% reduction) over 10 years or £32k savings per annum through reduced time to conduct disciplinary scheme reviews. The IA estimated there would be two reviews over the ten-year period. Savings to business is half of this.	There has not yet been a disciplinary scheme review so we are not able to provide actual costs/savings on this at this stage.	Assume the estimated savings stay the same at £32k per annum .
An estimated £750k savings per annum through powers to conclude disciplinary cases without Public Hearing. Savings to business are half of this. The IA estimated savings of running tribunals at £450k per annum and of preparing for tribunals at £300k per annum.	There has been one disciplinary case that avoided a tribunal and was settled at a cost of £3k – an estimated saving of between £20k and £30k. The time taken to resolve the case was estimated at a saving of between three and six months. However, this is the only case that has been able to use the new powers and is not thought to be representative of a 'standard' case – these savings should therefore be taken as indicative. The FRC estimate that they will be able to settle seven cases over the next ten years which would deliver, approximately, the savings presented in the IA.	Assume the estimated savings stay the same at £750k per annum .

It is too early to determine precisely whether the anticipated costs and benefits highlighted in the original impact assessment were realised in practice. Where the FRC was able to estimate, the review highlighted that the transitional (one-off) costs were higher at £700,000 (£220,000 higher than anticipated); operating body member fees were lower representing an additional £72,000 per annum in benefits; and a reduction in the number of meetings has led to additional savings of approximately £40,000 per year in benefits. Overall, this represents a greater benefit to the FRC than anticipated given the savings will be made each year that the policy is in operation (whereas the transitional cost is a one-off cost paid in the first year of operation).

We have been unable to estimate the actual effects on business as we have been unable to estimate the actual costs and benefits of the two categories of benefits to business identified in the IA (the final two rows of the above table). This is because:

- There has not yet been a disciplinary scheme review so we are not able to provide actual costs/savings on this at this stage.
- We do not have sufficient evidence to assess the actual costs and benefits of part of the reforms (reduction in time in conducting disciplinary reviews and powers to conclude disciplinary hearings without Public Hearing). This is because these powers have only recently come into effect which has meant there has only been one case relevant to each of the two anticipated savings.

We will therefore need to revisit the actual costs and benefits of these aspects of the reforms at a later date. We assume the benefits related to those two categories stay the same as estimated in the IA.

It is worth noting that the FRC will from June 2016 assume new responsibilities for audit regulation under the EU Audit Regulation and Directive. Any further evaluation of the 2012 reforms will need to consider the changes to the FRC's powers, scope and structure associated with its new role, including its new Enforcement Procedure.

Non-monetised benefits

The non-monetised benefits identified in the IA were: 1) a better understanding of the risks across the market which would benefit market participants (investors, auditors and listed and non-listed companies) through a more effective regulatory framework and 2) by placing powers at the FRC Board level, there was the expectation that the Board would play a much more visible role in influencing dialogue on corporate governance and reporting.

It is difficult to comment conclusively on whether the FRC has a better understanding of the risks across the market through a more effective regulatory framework. While the FRC stakeholder survey found that stakeholders seemed to have an improved understanding of the role of the FRC following the reforms, this did not translate to all stakeholders (some of whom were still confused about the FRC's role or mission) and it is not clear whether this understanding worked both ways (i.e. that the FRC had a greater understanding of their stakeholders and the market). With regards to a more visible role in influencing dialogue on corporate governance and reporting the FRC were able to provide examples of effectiveness, especially influencing in international fora.

6. What next steps are proposed for the regulation (e.g. remain/renewal, amendment, removal or replacement)?

Recommendation for the regulations to remain in place, and continue to be monitored to see whether they are fit for purpose and are having the desired impact.

- As set out above, there are indications that progress is being made against some of the original policy objectives, as well as progress against wider policy objectives, however, there are also areas for further analysis.
- Fundamentally, there is not enough data available to draw robust conclusions about the successes or failures of the policy changes, and this is largely because the changes have not been in place for that long.

- The next step is to look more closely at areas for further analysis to the extent the data allows, but to commit to a more considered analysis at a later date (in a few years when more information is available).

SELECT SIGNATORY Sign-off For Post Implementation Review:

I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the policy.

Signed: Paul Mooney

Date: 26/ 02/ 2016