



By e-mail: planning@frc.org.uk

Policy and Planning Officer
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26 March 2013

Dear Sir

PwC response to the Financial Reporting Council (FRC) Draft Plan and Budget 2013/14

We welcome the opportunity to respond to this consultation by the FRC on its draft plan and budget for the forthcoming year. In responding, we have considered each of the questions in the consultation document and where we have specific comments these are included in the attached annex. In this covering letter we highlight our views on what we consider to be the more important issues raised by this consultation.

The Vision for Corporate Reporting

The draft plan lists a great many activities intended to take place in the three year period 2013/14 – 2015/16 (some being a continuation of current activities). However, we consider it would be of benefit to stakeholders if the FRC were to set out the overall vision to which these activities are directed. If readers of the draft plan could be provided with the answer to the question “Where would the FRC like UK plc reporting to be in 5 years time?” this would enable them to better appreciate the individual areas of initiative.

An explanation of the overall corporate reporting landscape to which the FRC aspires would help stakeholders to better understand where individual pronouncements fit in, and would assist the FRC itself by guiding its activities and potentially securing greater ‘buy-in’ for its proposals. For example, the current FRC consultations on Implementation of the Sharman Recommendations and on Auditor Reporting would be made easier for stakeholders to evaluate if positioned in the wider corporate reporting context.

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Implementation of 2012 Reforms

We supported the objectives underpinning last year's Reforms proposals and we believe the FRC's focus in the coming year should continue to be on implementing successfully the operational aspects of the Reforms proposals.

Our observation is that neither the Plan nor the Budget seems to be clearly presented along the lines of the twin Codes and Standards/Conduct structure implemented as a result of the reforms. Presenting the plan and budget such that it mirrors the new streamlined structure would better enable readers to appreciate how the new structure is working in practice. It would also demonstrate best practice by reporting externally along the same lines as the organisation is managed.

In our response to the Reforms last year we noted that it would be important to further enhance the transparency of the FRC's due process and governance mechanisms and increase the opportunities for stakeholder engagement. We believe these should continue to be priorities. For example, there have been a number of public consultations and resultant significant changes in recent months on the Conduct side of the organisation. It will be important for the success and credibility of these new arrangements to have an appropriate division of roles and responsibilities between supervisory and disciplinary activities.

We would be pleased to discuss our views further with you. If you have any questions in the meantime regarding this letter, please contact Pauline Wallace (0207 804 1293), Margaret Cassidy (0207 213 1285) or Graham Gilmour (0207 804 2297).

Yours sincerely

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers LLP'.

PricewaterhouseCoopers LLP

Responses to Consultation Questions

1. Do you have any comments on the proposed priorities and engagement strategy outlined above (in Section One)

2. Do you have any comments on the activities outlined above (in Section Two)?

- As noted in our covering letter, it would be helpful if the document also set out the vision of the overall landscape for corporate reporting to which the FRC aspires over, say, the next five years. This would assist stakeholders in better understanding how the many individual activities fit in.
- We also consider that it would be useful to present the plan and the budget such that it mirrors the new twin Code and Standards / Conduct structure implemented as a result of the 2012 FRC Reforms. This would better enable readers to appreciate how the new structure is working in practice and would demonstrate best practice by reporting externally along the same lines as the organisation is now managed.
- One of the objectives of the Reforms was maintaining the UK's international influence. It would be helpful for readers if the FRC provided more information on how it is ensuring that this is achieved – for example by continuing to attract high-calibre individuals to the Codes and Standards activities so that the UK can continue to play a strong influencing role on the international standards-setting scene.
- We note that the Competition Commission in its published preliminary findings from its inquiry into the statutory audit market for listed companies has suggested a remedy of significantly expanding the remit and/or frequency of the AQRT's inspection activities. While the Commission's preliminary findings emerged subsequent to the publication of the draft Plan and Budget, the FRC will need to consider how any final recommendations might impact the organisation's activities in future years.

3. Do you have any comments on our draft Budget 2013/14?

4. Do you have any comments on our proposed preparers' levy rates for 2013/14?

- At the time the FRC Reforms were being discussed in late 2011/early 2012 it was anticipated that these were to be cost neutral and at best yield savings, however we note that the Plan and Budget will result in proposed above-inflation increases in dues for the FRC's stakeholders (8.5% for preparers; 6.5% for the profession).
- We consider that there is insufficient information in the draft Plan and Budget to enable stakeholders to appreciate which areas of activity have led to increased expenditure. For example, the core corporate governance, reporting and auditing operating costs (which, somewhat confusingly, also include Conduct activities as well



as Codes and Standards) are expected to rise by over 10% (£12.9m forecast for 2012-13; £14.3m budget for 2013-14). However it is not possible from the analysis provided for readers to understand the precise impact of different factors that contribute to this increase.

- It would also be helpful if the FRC published comparative headcount data for the main areas of activity (for example split between Codes and Standards and Conduct) as this would give a good indication of where additional effort and resource is being directed.