3 April 2013

Policy and Planning Officer
Financial Reporting Council
5th Floor, Aldwych House
71-91 Aldwych
London WC 2B 4HN

By post and email: planning@frc.org.uk

Private & Confidential

Dear Sir

FRC Draft Plan & Budget 2013/14

Ernst & Young LLP welcomes the opportunity to comment on the FRC's Draft Plan & Budget 2013/14 ("the Draft"). Broadly we are supportive of the draft and have outlined below some high level comments which seek to improve it. We respectfully ask the FRC to keep these comments confidential.

The plan

The draft plan could be clearer about the initiatives the FRC will prioritise in 2013 and 2014, and how the specific outcomes from these tasks will enable the FRC to achieve its overriding aims. It would be helpful if these matters could be addressed in the final plan.

For example; it would be helpful if the evidence supporting the need for initiatives, such as the revised guidance on going concern, could be explained in the plan itself. Similarly it would be helpful to understand in more detail how the FRC plans to engage more closely with investors and the new financial services regulators.

Finally on the plan, we would welcome more information about how FRC plans to develop its role and influence internationally – an extremely important and valuable part of its work.

The budget

Clearly, the FRC needs to focus on the important task of promoting confidence in the UK's capital markets including the auditing profession. It is important this should not be unduly compromised by budgetary constraints. London is the world's largest capital market, and Europe is the world's largest economy in terms of GDP. Therefore, it is entirely appropriate for the FRC to "punch its weight" with resource and a budget to match.

At the same time everyone who contributes to the FRC's funding needs to have comfort that the funding levels are appropriate and being put to good use, in terms of efficiency and effectiveness. To this end, it is important for the FRC to (i) make good use of clearly defined KPIs; and (ii) set out clearly where efficiencies have (and will be achieved), consistent with the aims outlined in the joint BIS and FRC *Proposals to reform the Financial Reporting Council.*

For example, it is clear that additional costs will be incurred to clear the backlog of disciplinary work. Once this is done, will there be a corresponding reduction in the budget? We also note that the 2013/14 budget for actuarial activity was reduced compared with last year's. Presumably this was because the investment required to introduce new actuarial standards is not to the same as last year but it would be helpful to the reader to understand why.

If you would like to discuss any of our views please do not hesitate to call me. In the meantime we wish you well as you finalise the plan and budget.

Yours faithfully

Andrew Hobbs
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Ernst & Young LLP