

The Planning Manager
For the attention of : Sir Christopher Hogg &
Mr Paul Boyle
Financial Reporting Council
5th Floor
Aldwych House
71 – 91 Aldwych
London
WC2B 4HN

By post and by email

11 March 2008

Dear Sir

Draft Plan & Budget 2008/09

We write in response to the invitation to comment on the FRC's Draft Plan & Budget 2008/09 which is to be read in the context of the FRC's Regulatory Strategy updated in November 2007. We have also noted the Supplementary Information on the Draft Plan 2008/09 published in January 2008.

We set out below our comments on the Draft Plan & Budget.

1. A mere three years ago when we commented on the 2005/06 Plan & Budget we considered just over 40 pages in the draft consultation, together with the Regulatory Strategy. Today, we are looking at over 110 pages across the three documents listed in our opening paragraph. In our view, the world has not more than doubled in complexity in three years. We would urge that the FRC saves some time and expense in 2008/09 by simplifying this planning and budgeting process. In particular, it would be helpful if the document could set out more clearly what new tasks are planned for the new year, what will be business as usual and what may require less resources in the forthcoming year.
2. We agree that the Board for Actuarial Standards has not made the progress over the last two years that was hoped for, given some of the issues in current actuarial work and the need for improved standards. We note that the FRC is making changes in this area and we support the increase in funding for 2008/09. We would ask that the FRC monitors this closely to ensure that progress is made in this important area.
3. In the areas of accounting, auditing and corporate governance, the proposal is to increase the budget from a forecast result for 2007/08 of £14.5m to a budget of £16.1m

for 2008/09. The principal difference appears to be in respect of staff numbers, with these increasing by 8% from 63 in 2007/08 to 68 in 2008/09. These numbers exclude the AIU staff. Given the FRC's output in 2007/08, we cannot identify readily areas in which it has been held back by lack of staffing. Nor can we see clearly why an 8% increase in staff is justified in 2008/09.

4. In making these comments, we agree with the statement on page 2 that confidence in corporate reporting and governance in the UK is largely achieved at present. We also agree that there is no room for complacency. Accordingly, we support the continuation of the current resources available to the FRC, increased as appropriate for inflation, for 2008/09.
5. We have difficulty identifying within the current paperwork the FRC's key priorities for 2008/09 as represented by particular activities. In reviewing all of this, we have the following views:
 - a) as indicated above, we agree with the need to make progress on actuarial matters;
 - b) we agree that the bodies which monitor practice, principally the Financial Reporting Review Panel and the Audit Inspection Unit, should focus their activities in 2008/09 to take into account the current economic climate. We see this as a reallocation of current resources, not necessarily the need for additional resources at this time;
 - c) we agree that the FRC should follow up on the recommendations of the Market Participants Group. In this regard, we note that the Institute of Chartered Accountants in England & Wales is supporting one particular FRC group. We see the FRC's work as a reallocation of the resources which have supported the MPG in 2007/08, rather than justification for additional resources;
 - d) we strongly support the focus of the standard setters in auditing and accounting being on the development of international standards. Given this, we suggest that the FRC re-examines the resources allocated to these areas to ensure that appropriate productivity is achieved; and
 - e) we would also support FRC redirecting effort towards the adoption of the IFAC Code of Ethics in say three years' time. We believe that this is appropriate as the Code is currently being clarified and revised to meet public interest needs.

If you would wish to discuss these comments with us, please contact Martyn Jones or Isobel Sharp.

Yours faithfully

Deloitte & Touche LLP