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Dear David

Consultation on cost effectiveness of FRC regulation

We welcome the opportunity to respond to the FRC consultation, which raises important issues which all legislators and regulatory bodies should have regard to in the way they discharge their obligations and perform their duties.

Apologies for the delay in getting this letter to you, but I was only receiving input from CBI members shortly before I departed on holiday, and when various CBI members were developing their own responses to you.

Accordingly the comments set out in the Annex are really a summary of possible issues that the FRC may wish to have regard to in the way it conducts its affairs and the projects it undertakes.

These comments should not be taken or read as a formal CBI position on any aspect. Rather we seek to pass on the most material issues and comments which seem to be shared amongst a number of CBI members for your consideration, and which are no doubt reflected in the various submissions you will have received.

We will be pleased to discuss any aspect further with you.

Yours sincerely



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ANNEX

1. Transparency and accountability

- Agendas and minutes of meetings of FRC and constituent bodies to be available on the FRC website except for disciplinary and other confidential matters;
- Consider formation of an FRC user representative panel and generally be proactive in engaging with user groups affected by FRC activities;
- Regular and active dialogue with representatives from the SME community, and make due allowance or exemption for SMEs in FRC regulation; consider an SME user Panel or as a sub-set of the suggested user representative panel.

2. Initiatives and Projects

- Review and monitor the number of initiatives to ensure they can be managed effectively within FRC resources and are not over burdensome to companies, firms and users affected;
- Impact and risk assessment / Cost-benefit analysis to be undertaken before each project commences;
- Benefit of maintaining the “status quo” to be assessed prior to commencing projects;
- Active consultation with companies, firms and users affected on whether change is needed;
- Collaborate with other bodies in the UK and globally, rather than necessarily developing own working parties;
- Follow the better regulation guidelines, including allowing at least three months for consultation; and avoid over complex or repetitive consultation docs.
- Make all comments received publicly available on the FRC website unless confidentiality is requested.

3. Globalisation and harmonisation of standards

- FRC to continue collaboration/influence with international bodies (IASB and IAASB) with a view to promoting and developing international harmonisation for listed and public interest entities;
- Avoid “gold-plating” and seek consistency with international standards for use in the UK unless legally required to do so (for example, we seek consistency between UK Going Concern guidance and IAS 1); and
- Develop more detailed UK ideas on a “Principles” approach to standard setting rather than a rules based approach, perhaps with the aid of a task force.

4. Process for standard setting

- “Stable platform” for business is important; avoid constant change unless absolutely necessary;
- Unless there are special or particular circumstances, aim for only one or two regular implementation dates for new standards on accounting, auditing and other matters each year (such as 6 April and 1 October to be consistent with government);
- Issue standards well in advance,(i.e. at least 9 months and up to 18 months in advance of the effective date);

5. Annual Reports

- CBI members strongly support the Reducing Complexity project.
- In conjunction with other regulatory bodies, seek to reduce the average length of annual reports with an emphasis on quality rather than quantity of financial and narrative disclosure.