



## FINANCIAL REPORTING COUNCIL

### PREPARERS LEVY 2011/12

### PUBLIC SECTOR ORGANISATIONS

### FACT SHEET

The Financial Reporting Council is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment.

The FRC has a range of statutory powers under UK Company Law. We promote high standards of corporate governance through the new UK Corporate Governance Code and the stewardship code for institutional investors. We contribute to high quality corporate reporting, and set standards for auditing and actuarial practice, and monitor accounting and auditing standards. We also oversee the regulatory activities of the professional accountancy and actuarial bodies and operate independent disciplinary arrangements for public interest cases involving accountants and actuaries. Details of the FRC's work are available on our website at [www.frc.org.uk](http://www.frc.org.uk).

***This fact sheet provides an overview of the background and basis for the Preparers Levy, the benefits derived from the FRC by public sector organisations and the calculation of the levy.***

#### **Background to the Preparers Levy**

- The FRC collects an annual levy from preparers of accounts, the Preparers Levy, which forms part of the FRC's funding.
- At the Government's request the FRC carried out a public consultation on its funding arrangements in 2008, following which it announced the decision to bring public sector organisations within the scope of its Preparers levy.
- Public sector organisations are given a substantial discount of 75% on the minimum levy, compared to the amount applied to publicly listed companies.
- The FRC is responsible for raising the UK share of the International Accounting Standards Board's (IASB) funding.

#### **Basis for the Preparers Levy**

- UK public sector organisations use the accounting and auditing standards set by the FRC;
- The FRC has a number of accounting and auditing regulatory duties set by statute.
- Section 17 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, as amended by Part 44 of the Companies Act 2006, confers a power on the Secretary of State to make regulations enabling the FRC to recover its costs through a levy. Thus far, this power has not been exercised.
- The FRC's responsibilities are funded through non-statutory arrangements on the basis of an understanding with the groups subject to the levy. However, should a voluntary approach prove unsustainable, the FRC will formally request that the statutory power be invoked.

## The Benefits Provided by the FRC to Public Sector Organisations

- Accounting and auditing standards that can be applied effectively or adapted for the public sector context;
- Providing standards and guidance that are tailored to the requirements of public sector organisations;
- Influencing the IASB in the UK's interest on international accounting and auditing standards that are used by the public sector organisations in the UK;
- Promoting the professionalism of accountants working in public sector organisations, and operating independent disciplinary arrangements for public interest matters, including matters which might arise in public sector organisations.

The FRC's definition of good practice in corporate reporting and audit is through the application of the new UK Combined Code and the Stewardship code for institutional investors by UK companies with a primary listing in the UK. A number of public sector organisations adopt the Code as a part of their commitment to good governance and business commerce.

## Calculation of the Preparers Levy

The 2011/12 levy for individual public sector organisations will comprise a minimum levy of £237 and further amounts payable by organisations above a certain size, with the rate per £m of expenditure (or turnover where data on turnover is available) declining in five levy size bands.

The National Audit Agencies provide the FRC with the most recent audited expenditure figures for organisations that fall within the FRC's remit and for which they have the relevant data. These figures are used to calculate the levy.

### Contact Us

If you have a question about the **method of payment** please contact the Levy Collection Team in Mouchel Business Services, who are administering collection of the levy on [frc@mouchel-lincoln.com](mailto:frc@mouchel-lincoln.com) (telephone 01522 836860).

If you have a query about the **calculation** of the levy for your company, please e-mail the FRC Finance Officer, Tulsee Rughoobur on [t.rughoobur@frc.org.uk](mailto:t.rughoobur@frc.org.uk) (telephone 020 7492 2338).

If you have **any other query** in relation to the levy, please e-mail the FRC Policy and Planning Manager, David Andrews, on [planning@frc.org.uk](mailto:planning@frc.org.uk) (telephone: 020 7492 2382).