

Feedback Summary on the FRC's Draft Plan and Levy Proposals 2010/11

Introduction

This report summarises the responses to our consultation document "Draft Plan and Levy Proposals 2010/11, and provides our feedback.

In general, respondents supported the overall direction of our Draft Plan, and particularly liked the succinct, externally-focused narrative, finding it accessible and easy to understand.

We received ten responses to the issues raised in the consultation document in total.

- Two business organisations:
 - CBI
 - Quoted Companies Alliance
- Two responses on behalf of the professional bodies:
 - Actuarial Profession
 - Consultative Committee of Accountancy Bodies
- Six responses from individual firms:
 - Deloitte LLP
 - Ernst & Young LLP
 - Grant Thornton UK LLP
 - KPMG LLP
 - Mazars LLP
 - PricewaterhouseCoopers LLP

The finalised Plan 2010/11 is published on our website, together with the responses to the consultation document at: www.frc.org.uk/about.

Responses and feedback on our Draft Plan 2010/11

The following section summarises the responses, and our feedback, in relation to each of the consultation questions in our Draft Plan, which were:

- Do you have any comments on the proposed major activities and projects?
- Do you have any comments on our draft budget and our funding projections for 2010/11?

We have given greater weight to those issues which have been the subject of comments from a number of respondents. But we have, where we believe it to be appropriate, included some issues which have been the subject of comment from a single respondent.

Comments on the proposed major activities and projects

Audit monitoring and inspection activities

Respondents noted that the AIU could do more to explain the inspection process to stakeholders to facilitate better understanding and promotion of the important work done by the AIU, whilst also giving an understanding of what it takes to deliver a high-quality audit plan. Additionally, respondents noted the Hampton Review's recent recommendation, to the FRC, to review the length of the reporting cycle and the scale of the inspection.

FRC feedback: The first meeting with audit committee chairs took place in January 2010. This will be an ongoing programme of stakeholder engagement. The format and timing of public reporting by the AIU will be amended in 2010. The Public Reports on each firm will be re-formatted to make the AIU findings clearer and reporting will be significantly accelerated.

The overall AIU public report will now also be published significantly earlier and this is targeted to be published in July rather than November.

In late 2009, following consultation, the AIU decided to print all AIU public reports and post them to approximately 600 audit committee chairs for the purpose of making them more aware of the AIU reporting process.

Responding to feedback from audit committee chairs the AIU will also now include an overall assessment of the quality of the audit in the letter style reports prepared at the end of each individual audit file review.

The AIU has, in the last year, reduced the scale and timing of inspections for the mid tier firms, who will now have an inspection report only every second year.

Corporate Governance

We did not receive specific comments on the review of the UK Corporate Governance Code in relation to the consultation on our Plan. The work of Corporate Governance has been subject to a number of consultations over the last year and stakeholders have used those consultations as an opportunity to put forward their views.

Influencing the development of IFRS and UK GAAP

Respondents emphasised the importance of the ASB's project on the future of UK GAAP, indicating it should remain a top priority for the ASB.

One respondent noted the number of consultations that have taken place in relation to IFRS and convergence with UK GAAP.

FRC feedback: The ASB is working to develop its proposals for the future of UK GAAP in the

form of an exposure draft which will be issued shortly. Additionally, the ASB is making arrangements for the planned use of the IFRS for SMEs in the UK; however, it needs to ensure that appropriate legal issues are considered and that the views of respondents on IFRS use are given due consideration.

The future of UK GAAP has been, and continues to remain, a major priority for the ASB.

Users of actuarial information

One respondent encouraged the FRC to continue to engage with, and obtain views of, users of actuarial information and to explore additional means of engagement before the BAS builds requirements into technical standards.

FRC feedback: The needs of the users of actuarial information are our primary focus when developing technical actuarial standards. We will build on our existing links with users and others stakeholders and continue to build new links. We have recently expanded and re-focused our Actuarial User Committee to make it a more effective sounding board for the BAS and the POB.

Comments on our draft budget and our funding projections for 2010/11

Some respondents called for more explicit justification of the proposed increase in our budget.

FRC feedback: We fully acknowledge and support the principle that we should exercise tight budgetary control and justify fully any increases in our budget, particularly in the current climate.

Comments on our 2010/11 levies

Some respondents commented on the importance of explaining the increase that we needed to apply. In general, however, there was support for our levy proposals.

FRC feedback: The above-inflation increase in our levy is largely attributed to the impact of the reduction in Government funding. We have sought to mitigate the impact of that reduction through our commitment to achieving 5% efficiency savings (compared with our budget for 2009/10) but in setting our budget for 2010/11 have had to take into account an increase in the costs associated with, in particular, our work on corporate governance and influencing significant international developments.

Anthony Snow
Chief Operating Officer
June 2010