

FEEDBACK STATEMENT ON THE UPDATED REGULATORY STRATEGY AND PLAN & BUDGET 2006/07

Introduction

In December 2005, we published and invited comments on our updated Regulatory Strategy and our Plan & Budget for 2006/07. We explained that if, as a result of comments received, we made any important changes to our proposed projects and activities for 2006/07 we would publish a revised Plan.

We have published revised versions of the Regulatory Strategy (version 2.1) and the Plan & Budget 2006/07 (version 1.1). The majority of the changes to the two documents relate to our new responsibilities for actuarial standards and regulation. However, there are also specific changes in response to the comments received on the versions published in December 2005 – identified below.

Ten organisations (listed in **Annex A**) commented on the two documents. This report summarises their comments and our response. We are most grateful to all those who have taken the trouble to submit comments.

In general, respondents were supportive of our approach to our responsibilities, set out in our Regulatory Strategy, and the projects and activities included in our Plan & Budget for 2006/07. However, they raised a number of issues, which we have classified as follows:

- a) Topics which were already reflected in our Plan for 2006/07 in respect of which respondents wished to emphasis particular aspects. We have noted these comments for the purpose of implementing our projects and activities in 2006/07.
- b) Issues which we have reflected in specific amendments to the Regulatory Strategy and the Plan & Budget 2006/07.
- c) Issues which require further detailed consideration before we determine an appropriate response, which we will consider in developing our projects and activities for 2007/08.

a) Topics emphasised in relation to our existing projects and activities in 2006/07

Stakeholders identified the following topics which were already reflected in our Plan for 2006/07, but in respect of which respondents wished to emphasis particular aspects:

High quality reporting

- A number of stakeholders raised issues in relation to IFRS. The Accounting Standards Board (ASB), an operating body of the FRC, has been consulting stakeholders on the UK approach to convergence between UK standards and IFRS, and has also taken into account the feedback we received on the Plan & Budget 2006/07. The ASB is continuing to consider its strategy for convergence with IFRS convergence and has published some tentative proposals (see ASB PN 289 <http://www.frc.org.uk/asb/press/pub1100.html>) in addition the ASB has published a strategy for communicating with UK interests: <http://www.frc.org.uk/documents/pagemanager/asb/ASBCommStrat.pdf>
- The importance of our stated intention to shift resources from developing UK standards and guidance towards the development of high quality international standards and effective cross-border regulatory co-operation.
- The importance of promoting a principles-based approach to international standards by demonstrating to international counterparts how a principles-based approach works in practice.
- The importance of our role in leading the UK debate on the role of financial statements – “historic performance” compared with “current statement of fair value”.

High quality auditing

- The importance of our role in influencing international auditing standards.
- The importance of our dealings with the US PCAOB on inspections.
- The need to review PN 15, on pension schemes (already included in the published Plan).
- The need to include auditors of pension scheme accounts in AIU monitoring.
- The need to engage firms outside the Big 4 in the debate on concentration and competition in the audit market.
- The importance of our role in influencing the Company Law Reform Bill, particularly in relation to auditor liability.
- One respondent noted the continuing dialogue between the accountancy profession and us on our role in relation to ethical standards.

High quality actuarial practice

- The importance of our role in setting actuarial technical standards.

The integrity, competence and transparency of the accountancy and actuarial professions

- The importance of following-up the POB reviews of education and training of accountants and auditing as a profession
- The need to secure an information gateway between the Pension Regulator and the FRC.

The SME perspective

In the updated Regulatory Strategy (version 2) published in December 2005, we amended our regulatory principles to include the following commitment:

“Target the use of our powers, taking a pro-active, risk-based and proportionate approach, making effective use of Regulatory Impact Assessments and having particular regard to the impact of regulation on small enterprises.”

Both in implementing our Plan & Budget for 2006/07 and in preparing our Plan & Budget for 2007/08 we will be considering the ways in which we work with SMEs to ensure that we meet this commitment.

b) Issues prompting amendments to the Regulatory Strategy and Plan & Budget 2006/07

Stakeholders identified two issues which we have given greater prominence in the Plan & Budget 2006/07:

Regulatory Impact Assessments

In version 2.1 of the Regulatory Strategy and version 1.1 of our Plan & Budget 2006/07 we have included a commitment to:

“Make available on our website our policy on the preparation of Regulatory Impact Assessments”.

The policy statement is at [web address]

Pensions accounting and best practice in pensions disclosure.

Although we included projects on both issues in the Plan & Budget 2006/07 published in December 2005, we did not include them in the list of issues highlighted in the introduction to the Plan.

In version 1.1 of the Plan & Budget 2006/07 we have included in the list of major issues affecting future confidence in corporate reporting and governance:

“Pensions accounting and best practice in pensions disclosure.”

c) Issues subject to further consideration

Stakeholders identified the following issues which require further detailed consideration before we determine an appropriate response, which we will consider in developing our projects and activities for 2007/08:

Regulatory impact

The impact of new proposals will be addressed through the application of our approach to the preparation of RIAs. However, several respondents suggested that we should also examine the impact of our existing regulatory requirements.

Greater publicity for the FRC's monitoring and inspection activity

Some respondents called for the publication of more information in relation to our monitoring and inspection activity. We will consider this proposition eg in relation to the lessons from FRRP reports and AIU inspection reports.

Annex A

The following organisations responded to the invitation to comment on the FRC's updated Regulatory Strategy and Plan & Budget 2006/07 published in December 2005:

AMF
BDO Stoy Hayward
CBI
CCAB
Deloitte
EU Commission
ICAS
KPMG
The Pensions Regulator
Quoted Companies Alliance