

27th February 2008

File Ref: ACC22

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FRC Draft Plan and Budget 2008/09

Thank you for your 23 January letter enclosing a copy of the FRC's Draft Plan and Budget for 2008/9, which my colleagues and I have read with interest.

In general we see this as a useful document, although – as discussed at our meeting with you last October – we continue to find much of the language, including the definitions of the strategic and supporting outcomes, to be very high level, with distinct “motherhood” elements. We appreciate that it may be difficult for a body with such a wide remit as the FRC to be very specific in terms of its desired objectives in any one year, but we do believe that more precise wording, where it can be incorporated, would provide a better yardstick against which stakeholders, and perhaps also FRC staff, could evaluate the success of FRC work over the year.

Our responses to certain of the Consultation Questions contained in the paper are set out below – please note that we have only responded to those where we have specific comments:

1. Will the approach we have developed provide a clearer view of the judgements we have made and be helpful in obtaining better feedback on our assessments?
- A As indicated above, we feel the approach will be helpful only to a degree: more specific definition of the desired outcomes would further improve feedback on your assessments. A related point is that the hierarchy of Strategic Outcomes/Supporting Outcomes/Components comes across as rather complex

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2. Will the publication of our assessments be helpful in highlighting the priority areas for an action to contribute to the achievement of the outcomes defined in the strategic framework?

A We agree that this approach is helpful.

3. Do you agree that our assessment of the achievement of the outcomes in our strategic framework, in the downside scenario, properly reflects the plausible risks?

A We have one specific comment on the FRC's "significant concerns" about the achievement of Supporting Outcome 3(b), in particular Component (iv) "there is an efficient market for audit services in the UK". We wholly agree that the risks relating to auditor concentration are substantial, are likely to continue for the foreseeable future, and could indeed get worse (if, for example, one of the Big Four were to disappear). We see this, however, as the UK manifestation of a global problem rather than a specific UK problem. While the FRC's principal remit is of course confined to the UK, we would like to see the FRC make every effort to raise this problem at an international level, particularly with the US and EU authorities, with a view to ensuring that international effort to address this potentially very serious issue is fully co-ordinated, rather than each individual jurisdiction trying to attack it separately.

I hope these comments are helpful. My colleagues and I will of course be very pleased to discuss these views, and any other related points, with you and your team if that would be useful.

Jonathan Taylor
Director General