

KPMG

KPMG welcome the opportunity to comment on the FRC Draft Plan and Levy Proposals for 2010-11.

We fully support the clear focus that the Draft Plan provides for the FRC and the Operating Bodies in the coming year. We agree with the four priorities and in order to achieve them it is critical that the FRC is not overloaded with too many initiatives - a concern that KPMG and others (including the Treasury Select Committee) have had in the past. The FRC should therefore keep the various initiatives under review to ensure that they continue to be relevant to the four priorities.

We also strongly agree with the need to strengthen links with the investor community - and not just the investor trade associations. This has always been a challenge and we would be keen to work with the FRC in this area, particularly given the requirements under the Audit Firm Governance Code for the firms to similarly engage.

In relation to the priorities we applaud in particular the renewed emphasis on exercising strong UK influence at an international level. We recognise the considerable efforts to date - for example with IFIAR. However, in addition to the work by the Operating Boards, we would welcome a clear programme of senior executive and Board engagement with key external decision-makers like the EU. This engagement strategy should be co-ordinated with the UK Government and other key stakeholders. The case for this has been further enhanced by the appointment of a new EU Commissioner for the Internal Market; the recent confirmation of a sceptical SEC attitude towards IFRS and possibly by a change in UK Government in May. In order to best influence international debate we also hope that the FRC would be at the forefront of embracing international standards whenever possible.

We also support the focus on risks to corporate reporting and governance. In relation to the former, as the recent session of the TSC showed, it is critical for the FRC to make the point very clearly that it is a body independent of the accounting profession. However at the same time, the questioning from MPs underscored the need for the FRC to work with the profession, corporates and investors to ensure that there is a compelling narrative around the economic significance of sound financial reporting and the critical role that audit plays in this.. This may well involve better working with BIS and the Professional Business Services Group.

As we argued in our response last year whilst we do accept the need to monitor the implementation of the MPG report, we would still not wish this to draw significantly on the limited resources of the POB. However one aspect of the MPG report which has clearly not met its objective is liability reform. We strongly believe that the FRC needs to work with all stakeholders to find a satisfactory conclusion to this issue. It seems somewhat unlikely that the SEC will change their position and so proportionate liability by contract as passed by the Companies Act has been effectively vetoed in Washington. The risks of one of the major firms failing has long been considered a major risk by the FRC and so this issue does need to be resolved in the public interest of a strong UK capital market.

The commentary on the budget and the levy are clear and understood. However, we would note that there is going to be an extreme tightening over the next few years of public spending and quite likely a period of low growth so budgets will need to show real value for money to all stakeholders and especially funders.