

Financial Reporting Council  
Consultation on Draft Plan and Budget 2009 /  
2010  
CBI Response March 2009

## **I Introduction and Summary**

1. The Confederation of British Industry (CBI) is pleased to respond to the FRC's consultation on its Draft Plan and Budget for 2009 /10, including proposed updates to the Strategic Framework and Levy proposals.
2. We agree that the current economic crisis has increased the corporate reporting and governance challenges for companies and audit firms and it is important that these challenges are reflected in the risks identified in the Draft plan and Strategic Framework, and that the FRC and its operating bodies should very substantially focus on these challenges and risks.
3. These increased risks will in turn impact upon the resources of the FRC, and we therefore support the proposed increase in the FRC budget.
4. In addition, the FRC might wish to acknowledge that it will apply the proposed principles of regulatory budgets, as published by DBERR in Autumn 2008. This will complement the use of Impact Assessments and provide added assurance that regulation is only introduced as appropriate, and is subject to cost benefit analysis.
5. We set out overleaf our responses to the specific consultation questions.

## **II Responses to the Specific Consultation Questions**

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**Q.1. Do you agree with our proposed updates to our strategic framework?**

We agree with the proposed updates, in that they help to provide more detail of the strategic outcomes sought by the FRC.

However, many of the outcomes are inter – dependent and mutually supportive. Therefore we suggest that the FRC also highlights in the framework its specific activities and planned outputs, so that stakeholders can see where their funding will be spent.

**Q. 2. Do you agree that the major risks we have identified in the draft Plan 2009/2010 are significant in relation to confidence in corporate reporting and governance in the UK ?**

**Are there major risks which we have not identified?**

**Do you agree with our draft risks assessments in Section B?**

Consideration should be given to distinguishing in the Plan between risks associated with the current financial crisis and other risks, and to separate the current year risks from future risks, if applicable.

This may help to give the FRC a clear focus on those areas it should be concentrating , and stakeholders' visibility of the actions the FRC is taking, and its future risk exposure.

**Q.3. Do you have any comments on the scope and relevance of the proposed major activities and projects included in the Draft Plan 2009/2010?**

**Are there any additional major activities or projects which should be included in the Plan?**

**Do you agree with our draft work programme 2009/2010 in section B?**

Subject to our earlier comments, the scope and relevance of the activities seems to address the risks highlighted by the FRC, and the work programme in Section B seems broadly appropriate.

The CBI was actively involved in seeking an FRC review the original Guidance for directors of listed companies on going concern, and we were pleased with the updated interim Guidance published last Autumn. Going Concern will continue to be an important issue during the course of the financial and economic crisis, and the CBI will be pleased to continue to be involved with this work.

We also look forward to the FRC's planned consultation on Complexity in corporate reporting, and we will be pleased to assist further in this project.

We are aware that the IASB is expected to launch an IFRS for non publicly accountable entities later this year, and we understand that the Accounting Standards Board will consult on its use within the UK. This may need to be reflected in the Final Work Plan, and in respect of other developments since the Draft Plan was published.

EU policy on possible reform of the 4th and 7th Directives (the Accounting Directives) will also be relevant.

**Q. 4. Do you believe there are any other significant risks which may emerge, beyond the 2009/2010 horizon, which may be relevant to our future planning?**

Subject to our earlier comments, the Draft Plan seems to reflect the areas of risk envisaged at this time. However much may depend on the future course of the financial and economic crisis, and the pressures they may exert on corporate reporting and auditing. This may necessitate further action by the FRC not yet identified in this Plan.

During the currency of the present crisis, and beyond, the incidence of fraud may never be far away, and the role and responsibilities of, and the burdens placed on, boards and audit firms, including NEDs and audit committees can only be expected to increase.

**Q. 5. Do you have any comments on our draft budget for 2009/2010?**

We accept and support an above inflation increase in the FRC's budget to allow it to deal with those increased risks identified in the plan resulting from the financial and economic crisis. However, once this crisis has passed, future FRC budgets should reflect its future workload and inflation.

**Q. 6. Do you have any comments on our draft funding projections for 2009/2010?**

We support the planned increase in the reserves of the FRC.

However we would welcome further clarification of the FRC's policy towards offering discounts to certain contributors, and whether this policy will change as the Government withdraws its funding.

On the Government contribution itself, we note that the Government still appears intent on removing its funding of the FRC, but we are pleased that some Government funding is still expected to be forthcoming for the years 2009/2010 and 2010/2011.

**Q.7. Do you have any comments on our proposed preparers' levy rates for 2009/2010?**

**Do you have any comments on our proposed insurance and pension levy rates for 2009/2010?**

No further comments beyond those made in response to Q.6.