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Financial Reporting Council

Supplementary  
Report - Major  
Activities and  
Projects in 2008/09

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MAY 2009

## Supplementary Report—Major Activities and Projects in 2008/09

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This Report is designed to be read in conjunction with the Annual Report 2008/09 which is available on our website at: <http://www.frc.org.uk/about/annual.cfm>.

The Annual Report 2008/09 sets out our progress in implementing the major activities and projects which were included in the Plan for 2008/09, which is available on our website at <http://www.frc.org.uk/about/plans.cfm>. This Supplementary Report summarises the actions taken in relation to all the activities and projects set out in the Plan & Budget 2008/09. The major activities and projects included in the Plan for 2008/09 are highlighted in bold.

The Supplementary Report is structured around the version of the FRC's Strategic Framework which was published in April 2007. The overall Aim and Strategic Outcomes in that version of the Framework are set out on page 2 of this Report. The Supporting Outcomes and Components which contribute to the Strategic Outcomes

are set out on pages 3 to 24 of the Report, together with the activities and projects included in the Plan & Budget 2008/09 in relation to each Component and a brief explanation of the progress during the year.

Where appropriate, the Supplementary Report indicates that projects have continued into the period covered by our Plan 2009/10, which was published in April 2009 and which is available on our website at <http://www.frc.org.uk/about/plans.cfm>.

The Strategic Framework was updated in April 2009, following public consultation, and our Plan 2009/10 is based on the updated Strategic Framework, which is available on our website at <http://www.frc.org.uk/about/regulatory.cfm>.

## Strategic Framework 2007

**Overall Aim: Confidence in corporate reporting and governance**

**Strategic Outcomes which contribute to the Overall Aim:**

<b>Outcome One:</b>	<b>Outcome Two:</b>	<b>Outcome Three:</b>	<b>Outcome Four:</b>	<b>Outcome Five:</b>	<b>Outcome Six:</b>
<b>Corporate Governance</b>	<b>Corporate Reporting</b>	<b>Auditing</b>	<b>Actuarial Practice</b>	<b>Professionalism of accountants and actuaries</b>	<b>FRC Effectiveness</b>
UK companies with a primary listing in the UK are led in a way which facilitates entrepreneurial success and the management of risk.	Corporate reports contain information which is relevant, reliable, understandable and comparable, and are useful for decision-making, including stewardship decisions.	Users of audit reports can place a high degree of reliance on the audit opinion, including whether financial statements show a true and fair view.	Users of actuarial information can place a high degree of reliance on its relevance, transparency of assumptions, completeness and comprehensibility.	Clients and employers of professionally qualified accountants and actuaries and of accountancy and actuarial firms can rely on them to act with integrity and competence, having regard to the public interest.	The FRC is an effective and independent regulator, actively helping to shape UK, EU and international approaches to corporate reporting and governance.

### Strategic Outcome One: Corporate governance

UK companies with a primary listing in the UK are led in a way which facilitates entrepreneurial success and the management of risk.

#### Supporting Outcome One (a)

The legislative and regulatory framework for corporate governance is clear, proportionate and capable of dealing with a wide variety of circumstances and of adaptation to developments in corporate practices.

Component	2008/09 Project/Activity	Progress report
i) Legislative provisions relating to corporate governance, originating in the UK or in the EU, are effective and proportionate and appropriately implemented.	Work with the EU and BERR to influence the development and implementation of legislative provisions.	We continued to work with BERR to influence EU developments in relation to corporate governance, most notably the implementation of the Shareholders' Rights Directive.
	Support the Pre-Emption Group in promoting and monitoring the application of its Statement of Principles.	We continued to provide support for the Pre-Emption Group, and issued a Revised Statement of Principles in July 2008.
	Develop guidance, as necessary, in relation to changes in the Companies Act relevant to the meaning of adequate accounting records.	We plan to complete this project in 2009/10.
ii) Good governance is defined by a Code of Principles outlining good practice and based on a "comply or explain" approach and kept under regular review. (FRC)	Implement any changes to the Combined Code and other follow-up actions agreed following the 2007 Review of the impact of the Code.	We published an updated version of the Combined Code in June 2008. In March 2009, we announced a review of the effectiveness of the Combined Code.
	Review and update as necessary the Smith Guidance	We issued an updated version of the Guidance on Audit Committees (formerly known as the Smith Guidance) in October 2008.
	Review and update as necessary the current guidance for directors of listed companies on "Going Concern and Financial Reporting: Guidance for directors of listed companies registered in the UK" (issued by the ICAEW in 1994).	We published three documents to assist boards, audit committees and finance teams to consider the heightened risks associated with current tougher economic conditions: <ul style="list-style-type: none"> <li>• Challenges for Audit Committees arising from current market conditions (published November in 2008)</li> <li>• An update for Directors of Listed Companies: Going Concern and Liquidity Risk (published in November 2008); and</li> <li>• Study: Going Concern and Liquidity Risk Disclosures (published May in 2009).</li> </ul>

<b>Supporting Outcome One (b)</b>	
<b>Boards meet the necessary high standards of performance.</b>	
<b>Component</b>	<b>2008/09 Project/Activity</b>
i) There is an adequate supply of skilled and experienced people willing to serve on Boards.	<i>The activities needed to achieve this Supporting Outcome are primarily the responsibility of company Boards. Shareholders have a significant secondary role in relation to the achievement of this Outcome with regard to individual companies. The FRC has kept under review the overall extent to which the Components accurately describe the behaviour of Boards.</i>
ii) Boards accept the Code as a basis for good practice and willingly seek to meet its standards in a way which is consistent with the long-term health of their companies.	
iii) Companies provide shareholders with information on their governance and performance which is relevant, understandable and balanced.	
iv) Boards accept the need to engage with shareholders in dialogue on corporate governance matters.	

<b>Supporting Outcome One (c)</b>	
<b>Institutional shareholders regard good corporate governance as an essential basis for sustained good performance by companies.</b>	
<b>Component</b>	<b>2008/09 Project/Activity</b>
i) Institutional shareholders support shareholder-led enforcement of standards of corporate governance.	<i>The activities needed to achieve this Supporting Outcome are primarily the responsibility of institutional shareholders. The FRC has kept under review the overall extent to which the Components accurately describe the behaviour of institutional shareholders.</i>
ii) Institutional shareholders support the Code, including “comply or explain”, as the best instrument for enforcing good corporate governance in listed companies.	
iii) Institutional shareholders appropriately engage in dialogue with boards on corporate governance matters.	

## Strategic Outcome Two: Corporate Reporting

Corporate reports contain information which is relevant, reliable, understandable and comparable, and are useful for decision-making, including stewardship decisions.

### Supporting Outcome Two (a)

The legislative and regulatory framework provides clarity in what is required to provide relevant, reliable, understandable and comparable reports, and underpins the importance of a true and fair view.

Component	2008/09 Project/Activity	Progress report
i) Legislative provisions relating to corporate reporting, originating in the UK or in the EU, are effective and proportionate and appropriately implemented.	<b>Influence the continued appropriate adoption of IFRS by the EU</b> - Work within the EU to ensure appropriate European influence in the development of international standards, and promote their adoption by the EU. Timing of specific standards for endorsement will depend on (a) the IASB/IFRIC work programme and (b) the timetable for EU endorsement.	The ASB continued to play an active role in EFRAG. This was achieved through: <ul style="list-style-type: none"> <li>• Attending the meetings of the Technical Experts Group.</li> <li>• Participating in the on-going discussions of the enhancement of EFRAG to achieve a more effective European contribution to international accounting debates.</li> <li>• Responding to EFRAG draft comment letters on (a) endorsement advice and effects studies to the European Commission and (b) IASB/IFRIC consultations.</li> <li>• Liaising with BERR on Accounting Regulatory Committee (ARC) meetings and developments.</li> <li>• Responding to an EFRAG draft comment letter on the IASB/FASB Memorandum of Understanding.</li> <li>• Responding to a Pro-active Accounting Activities in Europe (PAAinE) Discussion Paper on distinguishing between liabilities and equity.</li> <li>• Considering the responses to the PAAinE Discussion Paper on the financial reporting of pensions and re-deliberating the issues.</li> </ul>
	<b>Review the complexity and relevance of the requirements relating to corporate reports and identify opportunities to improve them.</b>	We initiated a long-term project to consider the complexity and relevance of corporate reporting. We established a Complexity Advisory Panel, comprising a range of practitioner and user interests. A consultation paper will be published proposing guiding principles in relation to regulation of reporting and effective communication in reporting. The continuation of this major project is included in the Plan 2009/10.

<p>ii) Accounting standards provide an effective framework for the preparation of financial reports, are principles-based and serve the public interest. (ASB)</p>	<p>Influence the IASB/FASB conceptual framework project, other IASB/FASB convergence projects, and other IASB projects. Timing of specific standards is dependent on IASB/IFRIC work programme.</p> <p>Continue to consider the implications of the IASB/FASB conceptual framework project for public-benefit entities (with Australia, Canada and New Zealand).</p>	<p>The ASB continued to monitor all projects on the IASB's work programme. During the period, the ASB:</p> <ul style="list-style-type: none"> <li>• Agreed responses to IASB and IFRIC consultations.</li> <li>• Together with the standard-setters from Australia, Canada and New Zealand, issued a report on the implications for public-benefit entities of the proposals in the IASB's conceptual framework Discussion Paper 'The Reporting Entity' and Exposure Draft 'Objectives of Financial Reporting and Qualitative Characteristics'.</li> <li>• Issued a joint statement with the chairs of EFRAG, CNC (France) and GASB (Germany) on financial reporting issues arising from the credit crunch and continued to monitor the IASB's work on those issues.</li> <li>• Chaired the September 2008 meeting of the global group of National Standard-Setters and attended the IASB's conference with World Standard-Setters.</li> </ul> <p>The FRC sent a response to the IASCF Trustees on the second consultation on the Constitution Review. It continued to look for opportunities to promote the merits of reassessing the advantages of further convergence between IFRS and US GAAP.</p> <p>The ASB continues to keep those UK standards which are converged with their IFRS equivalent up-to-date. In the period, the ASB:</p> <ul style="list-style-type: none"> <li>• Issued an amendment to Financial Reporting Standard (FRS) 25 (IAS 32) 'Financial Instruments: Presentation', to change the classification from liabilities to equity of certain financial instruments, following similar proposals to amend International Accounting Standard (IAS) 32 'Financial Instruments: Presentation' issued in June 2006 by the International Accounting Standards Board (IASB).</li> <li>• Approved the issue of (i) an Amendment to FRS 26 on 'Eligible Hedged Items' to mirror parallel amendments to IAS 39; and (ii) UITF Abstract 45 'Hedges of a Net Investment in a Foreign Operation' to bring into UK GAAP the provisions of IFRIC 16.</li> </ul>
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<p>iii) The standard-setting body plays an influential role in the development of international accounting standards, and plays an influential role in Europe. (ASB)</p>	<p>Contribute to specific IASB projects as appropriate, in particular on leasing.</p>	<p>The ASB contributed to the IASB leasing discussion paper.</p>
	<p>Continue to play a leading role in the global group of National Standard Setters (NSS).</p>	<p>The ASB, as part of the National Standard Setters (NSS) group of 4 (Australia, Canada, New Zealand and the UK), contributed to commentary on implications for Public Benefit Entities of IASB Phase exposure draft and Phase D discussion paper issued in July 2008. On-going monitoring of the IASB/FASB's discussions on the project continued.</p> <p>The ASB chaired the NSS meeting in September 2008, contributing to the agenda and papers and the subsequent report from the meeting. In November 2008, the ASB chairman also co-ordinated the issue of a communiqué, signed by 20 members of the NSS, expressing support for the IASB's efforts to achieve true global standards, in the face of pressure on the IASB and the threat to independent standard-setting. The ASB coordinated the agenda and papers for the NSS meeting in April 2009.</p>
	<p>Participate in EFRAG and Pro-active Accounting Activities in Europe (PAAinE) projects.</p>	<p>The ASB agreed a Memorandum of Understanding (MoU) with EFRAG. The ASB also participated in EFRAG's twice-yearly convergence discussions with the IASB.</p> <p>The ASB responded to the PAAinE discussion paper on distinguishing liabilities and equity in July 2008. The ASB also considered a draft of a further PAAinE discussion paper on reporting performance. The ASB, jointly with the German Accounting Standards Board, started work on a project on accounting for tax.</p>
	<p>Analyse the responses to the PAAinE Discussion Paper on pensions and prepare a report on the outcome for probable submission to the IASB.</p>	<p>The consultation on the discussion paper on the financial reporting of pensions closed in July 2008. The responses indicated that the paper had achieved its first objective of stimulating debate. Re-deliberation of the proposals set out in the discussion paper commenced in September 2008. A report setting out final recommendations for consideration by the IASB and FASB is not anticipated until the second half of 2009.</p>

iv) The standard-setting body maintains an appropriate and high quality regime for UK accounting standards – which takes account of the size and degree of public interest in the entities to which the regime applies. (ASB)	<b>Determine the appropriate degree of convergence between UK GAAP and international standards, taking into account both the potential benefits and costs of convergence to UK preparers and users.</b>	The ASB developed a discussion paper on the strategy for the future of UK GAAP and its convergence with IFRS was developed, but as yet there is no publication date as it is dependent on IASB's proposed IFRS for SMEs.
	Maintain an appropriate regime for UK GAAP, including reviews of revisions to the FRSE and SORPs.	The ASB continued to keep those UK standards which are converged with their IFRS equivalent up to date, and also to update standards to reflect legal changes.
v) There is guidance on the meaning of "true and fair" to guide preparers and to maintain confidence in the financial reporting regimes in place. (FRC)	<i>No significant projects planned in this year.</i>	
vi) There is best practice guidance to preparers on aspects of financial reporting not covered by accounting standards, such as narrative reporting, (ASB)	Maintain and effectively promote guidance on best practice in financial reporting, such as narrative reporting. Leverage our knowledge around best practice to assist and influence the IASB, as appropriate, in developing its thinking on the Management Commentary project.	The FRRP concluded a project to monitor the application of the Enhanced Business Review.

<b>Supporting Outcome Two (b)</b>	
<b>Directors strive to ensure that financial statements show a true and fair view and to embrace best practice in the provision of all information in financial reports</b>	
<b>Component</b>	<b>2008/09 Project/Activity</b>
i) Directors apply the principles set out in accounting standards responsibly and with integrity and in a way that reflects the underlying economic reality; and disclose and explain the key judgments made in compiling financial statements and other reports.	<i>The activities needed to achieve this Supporting Outcome are primarily the responsibility of Company Boards.</i>
ii) Directors set out a clear and balanced analysis of the development, performance, strategic position and future prospects and direction of their business that enables users to make informed decisions, including an assessment of the Directors' stewardship.	<i>Outcome Three (Auditing) and Outcome Five (Professionalism of accountants and actuaries) have important secondary roles in relation to this Outcome.</i>

## Supporting Outcome Two (c)

**Financial reporting requirements are appropriately monitored and enforced.**

Component	2008/09 Project/Activity	Progress report
<p>i) There is an effective and efficient mechanism to ensure compliance with financial reporting requirements – which provides for risk-based targeting of information for review, and encourages open dialogue with companies and informed referrals from the investor community. (FRRP)</p>	<p><b>Review a selection of annual and interim accounts and directors' reports.</b> During 2008/09, the FRRP plans to focus on the following sectors – banking, retail, travel and leisure, commercial property and house builders. The FRRP will pay particular attention to disclosures relating to financing arrangements and risks and uncertainties in the light of credit market conditions at the time of approval of financial statements.</p>	<p>The FRRP published its annual activity report on accounts reviewed in the year to March 2008 in the context of the particular reporting challenges presented by the credit crunch. In December 2008, the FRRP announced that it intended to review impairment disclosures in 2008 accounts.</p> <p>Announcing its priority sectors for 2009/10, the Panel also drew attention to two important changes to the requirements of the business review and reminded preparers of the need to describe the principal risks and uncertainties facing the company.</p>
	<p>Respond to matters drawn to our attention as a result of complaints or public comment, encouraging referrals from the investment community, other professional advisers and elsewhere.</p>	<p>The FRRP continued to respond to formal complaints and referrals from fellow regulators and others in accordance with its Operating Procedures.</p>
	<p>Influence the development of international enforcement practices through active involvement in EECS, established under CESR.</p> <p>Continue to work closely with other regulators, including those in other EU jurisdictions and the US, to help them understand the benefits of our approach.</p>	<p>We continued to devote time to working with other enforcement agencies.</p>

### Strategic Outcome Three: Auditing

Users of audit reports can place a high degree of reliance on the audit opinion, including whether financial statements show a true and fair view.

#### Supporting Outcome Three (a)

The legislative and regulatory framework provides clarity on the role and purpose of audit and the standards which auditors should meet.

Component	2008/09 Project/Activity	Progress report
i) Legislative provisions relating to auditing, originating in the UK or in the EU, are effective and proportionate and appropriately implemented.	<b>Work with the EU and BERR to influence the development and implementation of legislative provisions - including the implementation of the EU Directive on Statutory Audit, with a particular focus on the provisions relating to foreign auditors.</b>	The POB worked with its counterparts from other Member States to develop as far as possible common requirements across the EU for the registration of auditors of companies incorporated from outside the EU that have issued securities on regulated markets within the EU. In May 2008, it published detailed requirements to give practical effect in the UK to the EU requirements.
	Develop guidance, as necessary, in relation to changes in the Companies Acts impacting the performance of audits.	The APB issued a fifth bulletin on "Miscellaneous Reports required of auditors under the Companies Act 2006".
	Participate in the work of the EGAOB.	We continued to take a leading role in the work of the EGAOB, and its sub-committees in advising the Commission on EU legislative proposals relevant to auditing.
	Continue to review scope for providing guidance on the application of the Companies Act 2006 provisions relating to auditor liability agreements and monitor developments.	We issued guidance on auditor liability limitation agreements in June 2008.
ii) Auditing and ethical standards and guidance provide an effective framework for the expected conduct of audits, are principles-based, and serve the public interest. (APB)	<b>Contribute to IAASB's project to revise and clarify ISAs and work positively towards their adoption in the EU.</b>	The APB contributed to the IAASB's project to revise and clarify ISAs, which was completed at the end of 2008.
	Consider strategy for adopting ISAs in the UK if the timing of EU adoption differs from their finalisation by IAASB.	Following consultation, the APB announced its intention to update UK and Irish auditing standards in line with the new International Standards on Auditing for 2010.
	Contribute to IESBA's project to revise and clarify the IFAC code of ethics.	The APB submitted a comment letter to IFAC. The final international code of ethics is due to be finalised in June 2009.

	Consider the impact of the Companies Act on auditors' reports and the Audit Quality Forum's proposals for additional information to be included in such reports.	The APB finalised ISA (UK and Ireland) 700 (Revised) 'The Auditor's Report on Financial Statements' and Bulletins giving examples of auditors' reports.
	Update industry-specific auditing Practice Notes.	The APB published revised versions of PN 11 "The Audit of Charities in the United Kingdom" and PN 27 "The Audit of Credit Unions in the United Kingdom", and an exposure draft of PN 23 "Auditing Complex financial instruments".
iii) The standard-setting body plays an influential role in the development of international auditing and ethical standards and plays an influential role in Europe. (APB)	Contribute to the EGAOB's ISA sub-group to provide technical advice on the implementation of ISAs in Europe.	We contributed to the EGAOB's ISA sub group; attending regular meetings.
iv) There is guidance on the key drivers of audit quality.	Review how the Audit Quality Framework is being used by audit committees.	We published a feedback statement on the consultation on the Audit Quality Framework and commenced a review of audit committee reports to assess the extent to which they make use of the Audit Quality Framework.
	Ensure that the AIU has regard to the Audit Quality Framework in reviewing and reporting on audit quality.	The AIU inspections that took place in the 2008/09 inspection cycle visits paid regard to the Audit Quality Framework.
v) Recognised supervisory and qualifying bodies have effective regulatory systems in place to support high quality audits.	<i>The activities needed to achieve this Component are primarily the responsibility of the relevant professional accountancy bodies.</i>	

### Supporting Outcome Three (b)

**Audits are undertaken by an experienced, motivated and sceptical team within an effective firm-wide environment in audit firms and an efficient market for audit services.**

Component	2008/09 Project/Activity	Progress report
<p>i) Audit provides a rewarding career thus attracting, developing and retaining high quality entrants for the long term stability of the profession.</p>	<p><i>The activities needed to achieve this Supporting Outcome are primarily the responsibility of individual auditors and audit firms. <b>Outcome Five (Professionalism of accountants and actuaries)</b> contributes to this Outcome</i></p>	
<p>ii) Audit firms ensure that audit teams have the capability, competence and time to detect material errors, omissions or irregularities in the financial statements they are auditing - and adhere to the principles on which auditing and ethical standards and guidance are based and not just the rules.</p>		
<p>iii) Auditors should report appropriately to shareholders and communicate effectively with audit committees.</p>		

<p>iv) There is an efficient market for audit services in the UK.</p>	<p><b>Monitor and implement, where appropriate, the recommendations made by the Market Participants Group, which aim to enhance the efficiency of the audit markets and to mitigate the risks associated with a major firm leaving the market.</b></p>	<p>In May 2008, we published the first progress report on the implementation of the Market Participant Group (MPG) recommendations.</p> <p>In November 2008, we published the second Progress Report on the implementation of MPG recommendations, including the feedback to a consultation contained in the first progress report and other developments.</p> <p>The MPG considered that increased choice for public interest entities would require an increase in the propensity of non-Big Four firms to offer to audit public interest entities (the supply side) and an increase in the propensity for public interest entities to select non-Big Four firms as auditors (the demand side). The effectiveness of actions on the supply side would be enhanced by those on the demand side and vice versa.</p> <p>On the supply side the MPG believed the most important development would be an additional investment by the existing non-Big Four firms or new firms in perceived and actual capabilities to audit public interest entities. It would remain for individual firms to decide whether to invest but changes to the market could make such investment more feasible.</p> <p>On the demand side the MPG believed the primary responsibility for the selection of auditors of public interest entities should remain with their Boards. However, to help achieve the intended outcomes, the risks to directors of selecting a non-Big Four would need to be reduced and Boards would need to be more accountable to shareholders for their auditor selection decisions.</p> <p>We continued to monitor progress on the implementation of the MPG recommendations, as well as responses to the ICAEW consultation on a Combined Code-style Best Practice Guide for auditors of public interest entities, and publication by the CCAB of a Voluntary Code of Practice on Governance Disclosure of Audit Profitability.</p>
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<b>Supporting Outcome Three (c)</b>		
<b>Auditing requirements are appropriately monitored and enforced.</b>		
<b>Component</b>	<b>2008/09 Project/Activity</b>	<b>Progress report</b>
i) Audit committees know what the main drivers of audit quality are, and are proactive and effective in undertaking their reviews of audit quality and reporting their findings.	Promote awareness among audit committees of the audit quality framework.	We published a feedback statement on the consultation on the Audit Quality Framework (see 3.a.iv above).
	Review the implementation of regulations and practice on transparency reporting by firms.	The AIU continued to monitor transparency reports as published.
ii) Audit monitoring focuses on the drivers of audit quality and the professional judgments exercised at both the firm-wide and engagement level. (POB)	<b>Undertake inspection visits to the largest audit firms</b>	The AIU carried out full-scope inspections at eight of the nine audit firms currently subject to such inspections.
	<b>Review a selection of audits undertaken by other audit firms of listed companies, and other entities in which there is a major public interest.</b>	The AIU reviewed a selection of major public interest audits undertaken by ten other audit firms.
	<b>Report publicly on the results of AIU monitoring.</b>	In December 2008, the AIU published public reports of each audit firm where it conducted a full scope inspection visit during the 2007/08 cycle together with an overview report on the key themes emerging from its work.
iii) The recognised supervisory bodies maintain appropriate arrangements for the monitoring and enforcement of compliance with their rules and for the investigation of complaints. (POB)	Statutory oversight of the regulatory processes of the RSBs and RQB's.	The POB issued reports to all RSBs and RQB's for the 2007/08 period and these formed the basis of a report to the Secretary of State. Visits for the 2008/09 period were undertaken between September 2008 and March 2009.

### Strategic Outcome Four: Actuarial Practice

Users of actuarial information can place a high degree of reliance on its relevance, transparency of assumptions, completeness and comprehensibility.

#### Supporting Outcome Four (a)

The legislative and regulatory framework provides clarity on what is required to provide relevant, transparent, clear and complete actuarial information.

Component	2008/09 Project/Activity	Progress report
i) Legislative provisions relating to actuarial practice, originating in the UK or in the EU, are effective and proportionate and appropriately implemented.	Contribute as appropriate to the continuing development of UK pension legislation and the EU Solvency II project.	The BAS continued to liaise extensively with the FSA regarding Solvency II. The BAS submitted a response to the CEIOPS issues paper on Implementing Measures on a System of Governance.
ii) There is a conceptual framework which sets out the principles and concepts that underlie actuarial information and gives coherence and consistency to the standards. (BAS)	<b>Finalise the Conceptual Framework and Scope &amp; Authority for actuarial technical standards on the basis of the Exposure Draft published for comment in March 2008.</b>	The BAS published the final version of the Conceptual Framework for Technical Actuarial Standards and Scope & Authority for Technical Actuarial Standards in July 2008.
iii) Actuarial standards are developed or amended which are consistent with the conceptual framework (and best practice) and the provision of clear and complete actuarial information. (BAS)	<b>Review existing standards and implement a plan for the transition from existing actuarial technical standards to a new book of actuarial standards based on the principles included in Exposure Draft published for comment in March 2008.</b>  Develop a new standard on information to be included in actuarial reports and issue consultation papers on further generic standards.	The BAS published consultation papers on proposed standards on data and modelling and an exposure draft of a standard on reporting. A proposed standard on data was published in September 2008; a proposed standard on modelling was published in November 2008; and the exposure draft of a standard on reporting was published in March 2009.  The BAS withdrew a number of the Guidance Notes that it had adopted from the Actuarial Profession, as they had been determined to be obsolete or outside the scope of the BAS. The BAS has started work on consultation papers on Long Term Insurance Business, General Insurance and Pensions.

iv) Actuarial standards fit appropriately into a framework that includes all relevant regulation (including professional, accountancy and prudential regulators) and take due account of public interest.	Work with the statutory regulators to ensure continuity between their requirements and BAS standards.	<p>The BAS published a fast track consultation on amending Technical Memorandum (TM1): Statutory Money Purchase illustrations and published an amended version of TM1.</p> <p>The BAS and the POB have worked appropriately with other regulators.</p>
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<p style="text-align: center;"><b>Supporting Outcome Four (b)</b> Actuarial information is provided to a consistently high quality standard.</p>	
Component	2008/09 Project/Activity
i) Actuaries apply the principles set out in actuarial standards responsibly and with integrity, and in a way that reflects the economic reality.	<p><i>The activities needed to achieve this Supporting Outcome are primarily the responsibility of individual actuaries and actuarial firms. The other supporting outcomes in <b>Outcome Four</b> and <b>Outcome Five (Professionalism of actuaries)</b> contribute to this Outcome.</i></p>
ii) Actuaries communicate clearly the underlying assumptions made and the inherent risks for a range of possible outcomes.	
iii) Actuaries supply relevant, reliable and comprehensible information to assist in decision-making by the principal users of actuarial advice.	

### Supporting Outcome Four (c)

**There is effective scrutiny and monitoring to ensure that actuarial information is produced in accordance with the relevant technical and ethical standards.**

Component	2008/09 Project/Activity	Progress report
i) Institutional recipients and users of actuarial information know what the main drivers of quality are, and are proactive in challenging the quality of the actuarial information they receive.	Publish a discussion paper on the drivers of actuarial quality.	<p>Following consultation, we published the Actuarial Quality Framework.</p> <p>We published a statement on challenges for users of actuarial information in December 2008. Both documents will be kept under review.</p>
ii) There is a framework of effective scrutiny and monitoring which ensures that actuarial information complies with the relevant technical and ethical standards.	<b>Publish and follow up the FRC's review of the effectiveness of monitoring and scrutiny of actuarial work by making recommendations to the actuarial profession based on consultation responses.</b>	The POB published a feedback statement on the responses to the discussion paper on the monitoring and scrutiny of actuarial work, and has developed recommendations to the Actuarial Profession for improving the reliability of professional quality controls.

**Strategic Outcome Five: Professionalism of accountants and actuaries**

Clients and employers of professionally qualified accountants and actuaries and of accountancy and actuarial firms can rely on them to act with integrity and competence, having regard to the public interest.

**Supporting Outcome Five (a)**

There is an effective legislative and regulatory framework for the regulation of accountants and actuaries.

Component	2008/09 Project/Activity	Progress report
i) The accountancy and actuarial professional bodies maintain appropriate requirements for membership of the accountancy and actuarial professions.	<i>The activities needed to achieve this Component are primarily the responsibility of the relevant professional accountancy and actuarial bodies.</i>	
ii) There are well-understood principles and standards of practice and ethical behaviour established in the public interest for both the accounting and actuarial professions.	<i>The activities needed to achieve this Component are primarily the responsibility of the relevant professional accountancy and actuarial bodies.</i>	
iii) Standards for reporting on investment circulars, and other assurance services, provide an effective framework for the work undertaken, are principles-based and serve the public interest. (APB)	Review and report on the progress made by accountancy bodies in implementing the recommendations of the FRC's 2006 review of how accountants support the needs of SMEs and their stakeholders.	The POB received the biennial update from the professional bodies in relation to the quality of accounts. This suggested that limited progress had been made by the bodies in the design and format of a standard concise compilation report, on which they are consulting with their members.

**Supporting Outcome Five (b)**

Accountants and actuaries, and the firms to which they belong, meet high standards of practice and ethical behaviour and have regard to the public interest.

Component	Project/Activity in 2008/09
i) There are adequate numbers of high quality individuals entering, and remaining in, the accountancy and actuarial professions.	<i>The activities needed to achieve this Supporting Outcome are primarily the responsibility of individual accountants and actuaries and the organisations which employ them.</i>
ii) Accountants and actuaries maintain and develop the appropriate professional competences, and respect the public interest in, and the ethical rationale for, their work.	

### Supporting Outcome Five (c)

**Compliance with professional and ethical standards for accountants and actuaries is appropriately monitored and enforced.**

Component	2008/09 Project/Activity	Progress report
i) The accountancy and actuarial professional bodies have effective arrangements to oversee the activities of their members and identify shortcomings in their technical performance and ethical behaviour, and have effective systems for the investigation and disciplining of such shortcomings. (POB)	Monitor the regulatory activities of the accountancy and actuarial professional bodies in relation to their members.	The POB continued its monitoring of the regulatory activities of the professional bodies, including the POB's statutory functions in relation to the recognised bodies for audit purposes.
	Monitor developments, assessing those issues that could adversely affect public confidence in accountants and actuaries and, where appropriate, undertake more detailed research and make recommendations to the professional bodies or recommend the development of new standards.	The POB undertook a review of risks as part of the planning process for 2009/10 and beyond.
	Review the progress made by the taskforce established to consider IES 8, the training of auditors and how audit fieldwork is undertaken.	The POB noted that the professional bodies are continuing to consider these issues.
	Follow up the FRC's current review of monitoring and scrutiny of actuarial work, in the light of consultation responses and progress other recommendations.	The POB published a feedback statement on the responses to the discussion paper on the monitoring and scrutiny of actuarial work, and has developed recommendations to the Actuarial Profession for improving the reliability of professional quality controls.
ii) There are effective arrangements in relation to public interest cases for the independent investigation of the conduct of members and member firms of the professional accountancy bodies and members of the actuarial professional bodies and, where appropriate, for disciplinary action. (AADB)	Take forward the investigations relating to Langbar, MG Rover, EBT, iSoft and European Home Retail/Farepak.	<p>The AADB continued its investigations into Langbar, MG Rover, EBT, iSoft and European Home Retail/Farepak.</p> <p>The AADB announced new investigations into Worthington Nicholls Group PLC, XL Leisure Group and the Equitable Life Assurance Society.</p> <p>A disciplinary tribunal heard complaints brought by the AADB against the auditors in relation to EBT. The tribunal's report was published in January 2009. No further action will be taken in respect of the directors under investigation. The case has now been concluded.</p>

	<p>Consult with relevant accountancy bodies, the actuarial profession, key interested parties and the public on the proposed changes to the Scheme.</p> <p><b>Implement, as appropriate, any agreed changes to the independent disciplinary arrangements to deal with public interest cases involving accountants or accountancy firms or actuaries.</b></p>	<p>The AADB considered the outcome of its Accountancy Scheme Review and consultation, including details of its final proposals, with the Scheme Participants.</p>
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### Strategic Outcome Six: FRC Effectiveness

The FRC is an effective and independent regulator, actively helping to shape UK, EU and international approaches to corporate reporting and governance.

#### Supporting Outcome Six (a)

The FRC meets the principles of good regulation, and is transparent and accountable.

Component	2008/09 Project/Activity	Progress report
i) The FRC has in place and consistently implements policies on good regulation, including effective use of regulatory impact assessments, and having particular regard to the impact of regulation on small enterprises.	<b>Implement agreed actions to improve the cost-effectiveness of FRC regulation whilst preserving confidence in corporate reporting and governance.</b>	We published a feedback statement on the cost-effectiveness consultation, noting that the FRC had implemented measures to address the issues which were raised.
	Review and refresh the Strategic Framework.	We published our proposed updates to the Strategic Framework in December 2008 and published the updated Strategic Framework in April 2009.
ii) The FRC publishes an Annual Report which assesses progress towards the achievement of the outcomes included in the Strategic Framework and the FRC's own performance in implementing its annual Plan and meeting the principles of good regulation.	Implement an approach to measure the achievement of the Strategic Framework.	In producing the Draft Plan 2009/10, we assessed the main risks and activities over the medium term and how these relate to the outcomes in the Strategic Framework.
iii) Stakeholders are provided with regular reports and other information, such as assessment of impact of activities designed to achieve the strategic outcomes in this framework.	Develop and maintain, on the FRC website, a summary of the number and timing of FRC consultations.	We published and kept up-to-date a consultation summary on the FRC website.
iv) An annual Plan & Budget is published which reflects timely and thorough consultation with stakeholders.	<i>FRC will continue core management activities.</i>	We published the Draft Plan 2009/10 in December 2008 and the finalised Plan 2009/10 in April 2009.

### Supporting Outcome Six (b)

The FRC is recognised in the UK and internationally as independent, credible, authoritative and influential.

Component	2008/09 Project/Activity	Progress report
i) The FRC has a statutory framework in place to provide the appropriate powers and statutory immunity, and a clearly documented basis for the non-statutory elements of its responsibilities.	Participate in the project to be undertaken by the World Bank to review the UK's compliance with the international standards relating to accounting, auditing and corporate governance.	We continue to work with the World Bank to assist in completing this project.
ii) The FRC demonstrates an appropriate degree of independence from government and the regulated communities.	Continue and finalise implementation of changes to FRC governance.	In July 2008, it was announced that Sir Christopher Hogg's term as FRC Chairman would be extended by a further year in order to bed down the changes to the FRC's governance.
iii) Effective working relationships with UK Government (including BERR, HMT and DWP), and other UK regulators (including FSA and the Pensions Regulator) are maintained.	<i>FRC will continue core management activities.</i>	
iv) The FRC effectively engages with, and influences, relevant EU and international organisations, and regulatory authorities in other major jurisdictions.	Contribute to the work of IFIAR.	During the year, the FRC's CEO, Paul Boyle, served as Chair of IFIAR, the international forum of independent audit regulatory organisations. During the year, IFIAR adopted a formal charter and considered the merits of different options for its funding arrangements. The Chair and his colleagues met the CEOs of the six largest international audit networks to discuss current issues and the relationship between IFIAR and their firms. Member organisations shared experiences on audit inspection and the interaction between audit standards and audit inspections and the drivers of audit quality.

	Publish a statement summarising our international activity.	We published on our website a summary of international activity.
	Participate in the arrangements for the co-ordination of the regulation of audit and the oversight of the auditing profession in the EU.  FRC will continue to effectively work with the EU and international regulatory organisations.	We continued to participate in the wide range of international discussions which are noted in this Report in relation to the outcome to which they contribute.
v) There is a clear statement of the relevance of the FRC's work to the public sector and other public benefit entities.	<i>No significant projects planned in this year.</i>	

<b>Supporting Outcome Six (c)</b>		
<b>The FRC has adequate resources and management processes and operates efficiently.</b>		
<b>Component</b>	<b>2008/09 Project/Activity</b>	<b>Progress report</b>
i) The FRC attracts, retains and motivates the people required to meet its objectives.	<i>FRC will continue core management activities.</i>	
ii) The FRC manages information effectively and shares information as appropriate within the organisation.	Maintain the Freedom of Information Act publication scheme and the necessary procedures to respond to FOIA requests.	POB's Publication Scheme was published in April 2008 following approval by the Information Commissioner. The Scheme was reviewed at the end of 2008 and the Information Commissioner's Office model scheme adopted and published at the beginning of January 2009.
iii) The FRC secures the necessary funding and manages its costs effectively.	<b>In response to the Government's request, complete the consultation regarding funding the FRC's core operating activities in relation to accounting, auditing and corporate governance.</b>	Following consultation, we announced new arrangements for funding the FRC's core operations in relation to accounting auditing and corporate governance, which came into effect in April 2009.
	Implement a system to collect the business levy from UK AIM and PLUS Markets Group listed companies.	We collected the levy from companies listed on UK AIM and PLUS markets, through our collection agent.

iv) Activities and projects in the Plan & Budget are completed in a timely and effective way and the risks to the achievement of the Strategic Outcomes in this framework are actively managed.	<i>FRC will continue core management activities.</i>
v) The FRC is resilient to disruptions to its activities.	<i>FRC will continue core management activities.</i>

# Abbreviations

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<b>AADB</b>	Accountancy and Actuarial Discipline Board	<b>GAAP</b>	Generally Accepted Accounting Practice
<b>AIM</b>	Alternative Investment Market	<b>HMT</b>	Her Majesty's Treasury
<b>AIU</b>	Audit Inspection Unit	<b>IAS</b>	International Accounting Standard
<b>APB</b>	Auditing Practices Board	<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>ASB</b>	Accounting Standards Board	<b>IASB</b>	International Accounting Standards Board
<b>BAS</b>	Board for Actuarial Standards	<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales
<b>BERR</b>	Department for Business, Enterprise and Regulatory Reform	<b>IEC</b>	International Ethical Standard
<b>CCAB</b>	Consultative Committee of Accountancy Bodies	<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>CEIOPS</b>	Committee of European Insurance and Occupational Pension Supervisors	<b>IFAC</b>	International Federation of Accountants
<b>CESR</b>	Committee of European Securities Regulators	<b>IFRS</b>	International Financial Reporting Standard
<b>CGU</b>	Corporate Governance Unit	<b>IFRIC</b>	International Financial Reporting Interpretations
<b>DWP</b>	Department for Work and Pensions	<b>IFIAR</b>	International Forum of Independent Audit Regulators
<b>EECS</b>	European Enforcers Co-ordination Sessions	<b>ISA</b>	International Standard on Auditing
<b>EFRAG</b>	European Financial Reporting Advisory Group	<b>POB</b>	Professional Oversight Board
<b>EGAOB</b>	European Group of Auditors' Oversight Bodies	<b>RQB</b>	Recognised Qualifying Body
<b>FASB</b>	Financial Accounting Standards Board	<b>RSB</b>	Recognised Supervisory Body
<b>FRC</b>	Financial Reporting Council	<b>SARG</b>	EU Commission Standards Advice Review Group
<b>FRRP</b>	Financial Reporting Review Panel	<b>SME</b>	Small and Medium-sized Enterprises
<b>FRSSE</b>	Financial Reporting Standard for Smaller Entities	<b>SORP</b>	Statement of Recommended Practice
<b>FSA</b>	Financial Services Authority	<b>UITF</b>	Urgent Issues Task Force

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