

# **PREPARERS LEVY 2018/19 - FACT SHEET**

## **PUBLIC SECTOR ORGANISATIONS**

### **The Financial Reporting Council (FRC)'s role**

The FRC's mission is to promote transparency and integrity in business. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; promotes the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

The FRC develops and maintains UK accounting standards (UK GAAP). It monitors and influences the International Accounting Standards Board (IASB) in setting International Financial Reporting Standards (IFRS). A range of public sector organisations, including central government bodies, prepare their accounts in line with EU-adopted IFRS, which the FRC influences on behalf of the UK, working closely with Government and other stakeholders. Some adaptations are made to these standards for application by public sector organisations under the advice of the Financial Reporting Advisory Board (FRAB). The FRC provides input into the process of review and adaptation through its representation on the FRAB.

The FRC seeks to improve the quality of annual reports by developing and maintaining Guidance on the Strategic Report. It develops and maintains Taxonomies for EU adopted IFRS, UK GAAP standards and the Charities SORP.

The national audit authorities in the UK have chosen to adopt the ethical, auditing and quality control standards issued by the FRC for audits as the basis of their approach to the audit of financial statements in the public sector. This includes the requirements established in the Codes of Audit Practice for local government and local NHS bodies.

The FRC takes public sector considerations into account when developing standards and guidance. The FRC's Audit and Assurance Council includes a public sector representative and has a Public Sector Advisory Group that considers and gives advice on issues pertinent to public sector audit. The FRC issues a Practice Note that gives specific guidance on the application of the auditing standards in the public sector – this was updated for the clarified ISAs (UK and Ireland) in October 2010.

Under the Local Audit and Accountability Act 2014 the FRC is responsible for oversight of the regulation of auditors of local authorities and health service bodies, including directly inspecting the quality of audits of the most significant bodies. In common with all other inspection activities the direct costs of which are recovered separately, the levy finances the associated overheads and corporate costs of this activity.

Details of the FRC's work are available on our website at [www.frc.org.uk](http://www.frc.org.uk). The FRC's role and responsibilities are summarised at:

<https://www.frc.org.uk/getattachment/67835f0e-e4c2-4d2a-9aeb-e57feed885be/FRC-Roles-Responsibilities-Schedule-of-Functions-Powers-June-2017.pdf>

The FRC's Strategy for 2018/21 and Plan & Budget and Levies for 2018/19 are at:

As a public body the FRC aims to meet the highest standards of governance and accountability, operating within the framework agreed with Government and independent from those we regulate.

## Preparers Levy

By agreement with the Department of Business, Energy and Industrial Strategy and HM Treasury, the Financial Reporting Council is funded partly through a voluntary 'preparers' levy' on organisations that are subject to, or have regard to, FRC regulatory requirements in preparing their accounts, including Government Departments, local authorities and other public sector organisations.

The FRC's responsibilities are funded through these non-statutory arrangements on the basis of an understanding with the groups who pay the levy. Should this voluntary approach prove unsustainable, the FRC would formally request that the Secretary of State make regulations for the FRC to levy its funding on a statutory basis under Section 17 Companies (Audit, Investigations and Community Enterprise) Act 2004.

## Calculation of the Preparers Levy

The standard 2018/19 levy is made up of a minimum levy of £1,044 and further amounts requested from organisations above a certain threshold, with the rate per £m declining in five levy size bands. Public sector organisations receive a **75% discount** on the levy, which is calculated on their latest published expenditure / turnover. An example of the calculation is as follows:

<b>Organisation : ABCD District Council</b>				
<b>Tariff data: £</b> £765,000,000				
Levy rate 2018-19			Levy calculation	Levy
Min fee	Up to £100m	£1,044	£1,044	£1,044
Band 1	£100m - 250m	£10.23	150 x £10.23	£1,535
Band 2	£250 - £1000m	£7.80	515 x £7.80	£4,017
Band 3	£1,000m - £5,000m	£7.55		
Band 4	£5,000m - £25,000m	£0.1229		
Band 5	> £25,000m	£0.0233		
<b>Total levy</b>				£6,596
<b>75 % Discount</b>				£4,947
<b>Levy requested</b>				£1,649

## Purchase orders (POs)

For a number of public sector organisations, the team responsible for the annual report and accounts has given us a PO number to make it easier to manage the payment process.

## Contact Us

If you have a question about the method of payment or to provide a Purchase Order number, please contact the Levy Collection Team at Kier Business Services Limited, on [frc@kier.co.uk](mailto:frc@kier.co.uk) (telephone 01642 726 300). For queries about the levy calculation, please e-mail our Revenue & Planning Manager, Tulsee Rughoobur, on [t.rughoobur@frc.org.uk](mailto:t.rughoobur@frc.org.uk) (020 7492 2338). For any other query please e-mail David Andrews, on [plan@frc.org.uk](mailto:plan@frc.org.uk) (020 7492 2382).

## Financial Reporting Council

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