12 February 2016

Mr David Andrews
The FRC
8th Floor
125 London Wall
London
EC2Y 5AS

Dear Mr Andrews

THE FINANCIAL REPORTING COUNCIL (FRC) DRAFT PLAN & BUDGET AND LEVY PROPOSALS 2016/17

Introduction

CCAB welcomes the opportunity to comment on the above consultation document issued by the FRC in December 2015.

About CCAB

The combined membership of the five CCAB bodies – ICAEW, ACCA, ICAS, CIPFA and Chartered Accountants Ireland – amounts to some 250,000 professional accountants in the UK and the Republic of Ireland (364,000 worldwide).

CCAB provides a forum for the bodies to work together collectively in the public interest on matters affecting the profession and the wider economy.

CCAB's credibility stems from its insight into all areas of finance and accounting, from finance director and audit partner to management accountants, professional advisers, public sector finance leaders and entrepreneurs. CCAB's members work through the financial value chain in all sectors as key decision makers and business leaders within the UK and around the world.

General
The CCAB bodies will be submitting their own detailed responses to the consultation document. This response comprises some high-level themes that the bodies wish to draw to the FRC's attention:

Consultative Committee of Accountancy Bodies
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Overall there are matters to welcome in the FRC's proposals and we note references to the FRC working closely with the accountancy profession. We are particularly pleased to hear of proposals for the transfer of audit practice notes and bulletins into the SORP regime in line with the FRC's Strategy of placing more emphasis on working with or through others to develop market-driven guidance. CCAB has already indicated that it will support the FRC in this respect.

The FRC's proposed increase in its budget for 2016/2017 is £2.4m and, of that, the proposed increase to be allocated to the five CCAB bodies is £2.1m (including rebalancing) over 2015/16. From either perspective we find it difficult to understand how such increases can be proposed given that inflation is low and we are in a period of austerity. We are membership organisations and simply are not in a position to recommend to our own members above inflation increases in their subscriptions to fund new audit activities. We suggest that the FRC needs to introduce some financial priority, as requested in our response to last year's plan; that increased costs arising from the new audit activities need to be off-set by efficiency savings in order to reduce the financial burden on all market participants/funders.

Moreover, the majority of CCAB bodies operate on the basis of a financial year end of 31 December, and even for those that do have a financial year ending on 31 March, the notification of a large increase in our contribution in late December when budgets have been considered and confirmed is not conducive to the effective or efficient operation of our organisations.

The difficulty in understanding is compounded by (1) a lack of transparency and details in the consultation document which make an informed response problematic and (2) an inadequate explanation as to the FRC's interpretation of "The new EU audit legislation [that] requires our work in audit to be securely funded".

On the first point, we consider that the FRC has failed to demonstrate that it is justified in proposing increases in certain areas.

On the second point, we question the FRC's definition of audit regulation activities and ask for an explanation of the FRC's interpretation of the legal basis for this definition. In our view the legislation does not require such a shift in costs to the accountancy profession; rather it simply requires that audit activities have "secure funding". We therefore fail to understand why such costs are not to be shared across a wider range of stakeholders. We make this comment in the context of the profession already wholly funding the AQR and discipline activities.

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We are also concerned about the lack of clarity around the transitional arrangements once the statutory aspects of the new regime are implemented on 16 June 2016 and ask for details of what the arrangements will be for those non-statutory activities currently operating by “contract”, i.e. voluntary agreements between the bodies and the FRC.

Yours sincerely

Michael Izza

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