



18 April 2012

David Andrews  
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Dear David

## **THE FINANCIAL REPORTING COUNCIL (FRC) DRAFT PLAN AND BUDGET 2012/13**

### **Introduction**

1. CCAB would like to take the opportunity to comment on the above consultation document issued by the FRC in March 2012.

### **About CCAB**

2. The membership of CCAB comprises five chartered professional accountancy bodies. These are ICAEW, ACCA, CIPFA, ICAS and Chartered Accountants Ireland. CCAB provides a forum whereby its member bodies can act collectively on behalf of the profession in the UK to promote the public interest on matters within the sphere of the profession and its members.
3. The combined membership of the five bodies amounts to 241,000 accountants in the UK and the Republic of Ireland (334,000 world-wide). These are significant numbers which allow CCAB to speak with authority for the UK profession. Our memberships span all sectors of the profession – members in business, the public and third sectors and audit practice.

### **General**

4. We very much welcome Mr Haddrill's Foreword to the Draft Plan and Budget 2012/13 with its emphasis on the FRC's work to promote high standards in corporate governance and reporting and recognition of the need to work closely with market participants including the professions. We recognise the need for the FRC to demonstrate independence whilst acknowledging that the CCAB professional accountancy bodies (and the actuarial profession) also have regulatory responsibilities. We look forward to working together with the FRC to ensure that "high standards are achieved".

Consultative Committee of Accountancy Bodies

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5. We also welcome the emphasis on the need for the FRC to influence the international debate at a time when there are many challenges both in Europe and globally and will support the FRC in whatever way we can to win recognition for the strengths of the UK governance and reporting system. Such strengths are often overlooked in these times of economic turbulence; they should be regarded as key components that can be used to contribute to economic recovery.
6. We support the FRC's commitment to the promotion of principles, rather than rules, the "comply or explain" concept in the Corporate Governance Code and the use of a "true and fair" override.
7. Under the heading of "Conduct", we suggest that the FRC might consider revisiting the use of the word 'focus'. Page 5 of the consultation paper sets out the areas on which the FRC will 'focus':
  - Commercial property, retail and support services sectors
  - Financial services companies, including banks and building societies
  - Risk disclosures, in particular use of financial instruments
  - Professional scepticism by audit partners
  - Audit of: revenue recognition; fair value measurements and disclosures; impairment of goodwill and other intangibles; recoverability of deferred tax assets; going concern; related party transactions; group audit issues; and quality of reporting to audit committees

There are no indications as to how this list of 'focus' areas will be prioritised nor why some have been chosen.

### **Consultation Questions**

#### **(1) Do you have any comments on the proposed major activities and projects?**

8. The second bullet point on page 7 of the Draft Plan and Budget quite rightly identifies the oversight of the regulatory processes of the Recognised Supervisory Bodies (RSBs) and the Recognised Qualifying Bodies (RQBs) as a major activity for the FRC. However, the fifth bullet point talks about, "Overseeing the regulatory activities of the accountancy and actuarial professional bodies". We would welcome an explanation as to what this will cover as we see a danger of activity beyond the FRC's regulatory remit and recognise that this may be the subject of further discussions around the FRC's reform proposals.
9. We note the continuing work of the FRC with the Department for Communities and Local Government on the oversight of audits for local authorities and other local public bodies (page 7). The monitoring of large public sector entities is a significant and specialist responsibility. While we agree that FRC's involvement should be proportionate, we are concerned that an appropriate balance should be established between adequate resourcing, and ensuring that the oversight of public sector audits does not detract from the stated regulatory objectives of maintaining capital markets and investor confidence.

10. We note on page 6 that a major activity of the FRC will be “playing a leading role in the International Auditing and Assurance Standards Board (IAASB). . .” We feel that we should mention the implementation of the new IAASB compilations standard because of its impact on SMEs and the potential role that professional accountants in public practice will play in assisting in the preparation and presentation of financial information for this sector. We also note the implementation date of 1 July 2013.

**(2) Do you have any comments on our draft budget and funding projections for 2012/13?**

11. The FRRP legal case fund was unused in 2010/11 and 2011/12 and there is no budgeted use shown for 2012/13. The continued existence of this fund should be reviewed as part of the FRC’s reorganisation proposals at a time when the FRC is budgeting £1m for reform costs over 2011/12 and 2012/13.

**(3) Do you have any comments on our levies for 2012/13?**

12. We do not have any comments on the levy proposals.

Yours sincerely

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