

The Policy and Planning Manager  
Financial Reporting Council  
5<sup>th</sup> Floor  
Aldwych House  
71-91 Aldwych  
London  
WC2B 4HN

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Our ref B190a/D187/EP4.015/PLW

Dear Sir

**PwC comments of the Financial Reporting Council's (FRC) Draft Plan, Proposed Updates to the Strategic Framework and Levy Proposals for 2009/2010.**

We welcome the opportunity of commenting on the FRC's 2009/2010 draft plan, proposed updates to the strategic framework and levy proposals.

We agree that the current economic crisis has increased the corporate reporting and governance challenges for boards, preparers of accounts, auditors and actuaries and it is important that these challenges are reflected in the risks identified in the draft plan and strategic framework. We would suggest that to reflect the significant challenges faced by the UK corporate sector from this crisis that the FRC and its operating bodies should very substantially focus on these challenges and risks.

In recognising that these increased risks will impact upon the resources of the FRC we support the proposed increase in the FRC budget but would hope that once this crisis has passed that this will also be reflected in the budgetary requirements of the FRC.

In response to the specific questions raised in the consultation paper:

**Question 1 – Do you agree with our proposed updates to our strategic framework?**

We agree that the changes proposed are sensible and should provide greater clarity.

**Question 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?**

We would suggest that the plan differentiates between risks associated with the current crisis and any other risks. This will, we believe, give the FRC a clear focus on those areas it should be concentrating on and stakeholders' visibility of the actions the FRC is taking.

We also question the relevance of including a number of those risks identified in plain text rather than bold within the strategic outcomes. We consider that a number of these risks are historic and that any outcomes are no longer particularly 'strategic', for example outcome 3 - third area (provisions of the statutory audit directive may be difficult to implement cost- effectively). Whilst we accept that the issue of foreign auditors may be a risk for 2010/2011 plan this should not be included as a risk for this year.

We would suggest that a clearer approach for identifying risks over the longer term in the FRC plan (as suggested by a number of stakeholders to the 2008 FRC consultation on its proposals for future arrangements for funding its activities in relation to accounting, auditing and corporate governance and accepted by the FRC) would be to separate the current year risks from future risks. Whilst it is accepted that this will increase the size of the plan it will more clearly identify those current significant risks from those expected in the medium and longer term.

We would also suggest that the first risk of strategic outcome five is either removed or redrafted. A successful legal challenge to the AADB scheme would not, we suggest, reduce the effectiveness of the scheme as responding to that legal challenge may actually improve its effectiveness. We would also suggest that costs awards have no impact on the effectiveness of the scheme but are rather an indication that a case had been brought that should not have been. It could be argued that an effective scheme is one where 'guilt' is found for the 'guilty' and the 'not guilty' are acquitted.

**Question 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?**

Our comments to Question 2 apply

**Question 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?**

We consider that the plan properly reflects those known areas of risk at this time. We consider, however, that any additional significant risks are only likely to emerge as the economic crisis continues. In particular, the pressures on corporate reporting are likely to

surface during the reporting season for financial years affected by this crisis. This may necessitate further action by the FRC that has not been identified in this plan.

**Question 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 economic crisis. However, we would also expect that future FRC budgets will reflect the reduced role of the FRC once this crisis has passed.

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

We consider that an increase in the reserves of the FRC is sensible and agree with the draft funding projections.

**Question 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?**

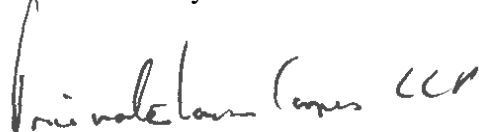
Whilst we are disappointed that the UK Government has not changed its view with respect to removing its funding of the FRC (an area that we believe should be of particular concern during this current crisis) we are pleased that some Government funding has been provided for years 2009/2010 and 2010/2011.

As we identified in our 21 August 2008 response to the FRC consultation to its proposals for future arrangements for funding its activities in relation to accounting, auditing and corporate governance we consider that a 50% discount should be applied to large private entities and public sector organisations to reflect the value these companies and organisations receive from the work of the FRC.

Please contact Peter Wyman of this office if you wish to discuss the contents of this letter.

We are content for this response to be published.

Yours faithfully



PricewaterhouseCoopers LLP