

April 2014

Plan & Budget and Levies 2014/15

The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. We represent UK interests in international standard-setting. We also monitor and take action to promote the quality of corporate reporting and auditing. We operate independent disciplinary arrangements for accountants and actuaries; and oversee the regulatory activities of the accountancy and actuarial professional bodies.

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Registered Office: 5th Floor, Aldwych House, 71-91 Aldwych, London WC2B 4HN.

Financial Reporting Council

Plan & Budget and Levies 2014/15

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Section 1 Overview

Mission

Our **mission** is to promote high quality corporate governance and reporting to foster investment.

Our **strategies** to support this mission are:

- to create a framework that encourages trustworthy behaviour by directors and professionals and engagement with them by investors; and
- to encourage companies to produce trustworthy information that contributes to informed decisions.

In addition, we seek to build justified confidence internationally in the UK regulatory framework for corporate governance and reporting, including across the European Union (EU) and other major capital markets. The breadth of our role gives us the opportunity to work closely with Government and other regulators in the UK and internationally in a joined-up way. We aim to provide leadership in international debate; and to guard against damaging and unintended consequences arising from international regulation.

To deliver our strategies we committed in 2013 to six key priorities to be pursued over the three year period 2013/16. These were to promote:

- High quality **corporate governance and stewardship** which foster trust in the way companies are run;
- High quality **corporate reporting** that is fair, balanced and understandable;
- High quality **audit** and confidence in the **value of audit**;
- **Actuarial oversight and standards** which underpin high quality actuarial practice, and the integrity, competence and transparency of the actuarial profession;
- Effective, proportionate and independent **investigative, monitoring and disciplinary procedures**; and

- Our ability to **understand and influence** key developments.

We believe our mission and priorities remain appropriate. In pursuing them in 2014/15 we will focus in particular on:

Governance and Stewardship

- The FRC will continue to promote a **longer term approach to corporate governance and investor stewardship**. Actions will include updating the UK Corporate Governance Code in relation to risk management, going concern and remuneration; encouraging improvements in the quality of explanations where boards choose not to comply with a Code provision; working closely with investors to ensure that they have the information they need to take a long-term view of a company's prospects and encouraging fund managers and asset owners to explain how they are engaging with the companies in which they invest.

Corporate Reporting

- The FRC will **address the needs of investors from corporate reporting**, by supporting companies and their audit committees in responding to new requirements such as reports being fair, balanced and understandable, including providing practical assistance through the work of the Financial Reporting Lab.
- The FRC will promote more useful information being given to investors through auditor reporting.
- The FRC will also continue to influence **EU and international developments on reporting**, including the development of International Financial Reporting Standards (IFRS) and the IASB's Conceptual and Disclosure Frameworks and will also work closely with the IAASB on its development of auditor reporting.

- The FRC will evaluate and plan how it might assist **smaller listed and AIM companies to address the quality of their reporting** so as to improve confidence in the integrity of their financial statements and of the market as a whole. Such companies are important to economic growth. Greater confidence in their governance and reporting will help them grow even more strongly. This responds to concerns that the market has expressed over a number of years about the quality of reporting in this sector. The FRC will also continue to implement new UK GAAP to improve standards of reporting by non-listed companies.

Audit Quality

- The FRC will undertake its annual programme of work to monitor and report on the quality of approximately 125 audits. It will also make appropriate use of its new regulatory powers to impose sanctions where poor quality audit work is identified.
- The FRC will also undertake a thematic review of progress made by the major firms in improving the auditing of banks and building societies, in the wake of its concerns about the pace of audit quality improvements in this sector.

Actuarial Oversight

- The FRC will build on its work with other regulators and the Institute and Faculty of Actuaries to promote the quality of actuarial work. The FRC will undertake a substantive review of the framework of Technical Actuarial Standards, including in the light of an actuarial risk map. The map will inform the work on the standards and thinking on how the quality of actuarial work should be monitored.
- The FRC will also engage with the Department for Work and Pensions and other regulators on the implications for Technical Actuarial

Standards of the pensions reforms announced in the March 2014 Budget Statement, including the role of AS TM1 in pensions illustrations and the wider approach to defined contribution pensions.

Investigative, monitoring and disciplinary procedures

- The FRC will address the consequences of major legislative change and other proposals affecting audit and audit monitoring including: the recommendations by the Competition Commission following its inquiry into the audit market; changes resulting from the proposed EU audit directive; and a new requirement to review local government audits. The combined proposals of the EU, UK Government and Competition Commission will add very significantly to the FRC's workload. The FRC's goal is to ensure this additional work delivers a notable improvement in audit quality. It plans to make further progress in securing timely, cost efficient and effective outcomes from its professional disciplinary schemes.

In Section 2 we describe the progress we made in 2013/14 (the first year of our three year strategy) and how we will develop our work in 2014/15 in the light of our assessment of the public interest and changing economic circumstances.

Our regulatory approach

We deliver our priorities through a number of functions based on our legislative and other powers. In particular we set the UK Corporate Governance and Stewardship Codes; set standards for accounting, audit and actuarial work; monitor the quality of accounts and audits; operate a disciplinary scheme for accountants, auditors and actuaries and oversee the regulatory activities of their professional bodies.

In January 2014 we published 'The FRC and its Regulatory Approach' which explains in more detail our role and our approach to our regulatory responsibilities, including our governance and funding. The document is on our website at www.frc.org.uk/about

Across all its activities the FRC seeks to act in the public interest. Investors, insurance policyholders, pension scheme members, savers, employees, consumers, creditors, taxpayers, clients of professional accountancy and actuarial advice and other groups are affected by the issues we address through our work. Although each of these groups may define their requirements in different ways they all have an interest in high standards of governance and reporting.

Parliament has given companies the privilege of limited liability. In return the public has a right to expect high standards of accounting and reporting, supported by effective independent audit. In the listed sector in particular, investors provide equity without rights over the company's assets but against an expectation of high standards of governance and reporting of a standard that enables them to take good decisions as owners. Confidence in this system will help bring forward investment and underpin growth and prosperity.

While recognising that the public interest is wide, we have to set clear priorities so that we can use our resources effectively and efficiently; and can be proportionate in all our work - ensuring that we do not impose inappropriate burdens on business. The FRC focuses in particular on listed companies' behaviour and information and related professional activity where most investment is at stake - recognising that private as well as institutional investors have a strong interest in the quality of corporate governance and reporting. We also consider that the quality of reporting and auditing by smaller listed and AIM companies is important for the integrity of the capital markets as a whole. In addition, we are very conscious that we exercise significant influence over the quality of reporting by non-listed entities through our role in setting UK and Irish Generally Accepted Accounting Practice (GAAP), the application of our auditing standards and monitoring of relevant accounts.

Actuarial work underpins much information provided to investors, including pension scheme members and trustees. Our oversight of the actuarial profession and our technical actuarial standards are designed to build confidence that the public interest is properly pursued in these areas.

Our core values as an organisation include reaching out to those we regulate and ensuring that we have a good evidence base so that our regulatory activities are proportionate. We rely on a high degree of input from our stakeholders in addressing the needs of investors and other users of information through our outreach events and Financial Reporting Lab activities. As a relatively small organisation of 120 staff, we rely on such input and we are grateful for the help we receive.

Our assessment of the current economic and market context

The UK economy is recovering from the impact of the financial crisis but threats to growth remain: slow growth in the Eurozone and a dip in economic activity in the emerging economies being just two. Overall, however, there is significant potential for investment growth in the UK. Overseas sources of finance also flow strongly into the UK and domestic business profitability is on the increase. The productive use of such sources of finance should reinvigorate our economy and do so sustainably by enhancing our economic capacity not just by boosting consumption.

However, continuing anxieties about the UK's prospects have held back corporate decisions to turn finance into investment. There are many factors underlying this situation but the key challenge for companies is to find the confidence to invest with the wholehearted support of their owners. There are a host of factors that need to work to this end: macroeconomic stability, consumer demand and a skilled workforce are just a few. The quality of, and trust in, corporate governance and reporting are very much part of the picture.

We therefore seek to assess the current strengths and weaknesses of corporate governance and reporting in the UK on a regular basis and use this analysis to drive our work. Our current view is that:

- The quality of governance amongst larger UK companies is generally sound; however, the challenge of maintaining effective internal control and managing risk is considerable.
- We have concerns about whether companies, markets and policymakers take a sufficiently long-term view and we will be looking to provide thought leadership, particularly in the European Union (EU) on the developing role of risk capital.
- The commitment by many fund managers and owners to engagement with companies is rising but there is considerable room for improvement.
- The quality of corporate reporting by major companies is generally strong, but many reports are still too inaccessible. They are not concise and lack clarity in reporting on strategy, business models and risks. To some extent the lack of focus is the result of political and regulatory demands for more disclosure. We also continue to have concerns about the quality of reporting by some smaller listed and AIM companies.
- The quality of auditing, on the evidence of our inspection reports is generally good overall and continues to show an improvement, most notably in relation to the very largest listed companies; but there is scope for improvement, in the banking sector in particular.
- Survey evidence suggests that the level of confidence in the quality of actuarial work is high; this has been mostly supported by the findings of our recent post-implementation reviews of the impact of our standards in pensions and insurance. The existing framework for actuarial standards could be improved by developing principles to apply across a broader range of actuarial work through a coordinated framework with the Institute and Faculty of Actuaries (IFoA). We remain largely dependent on monitoring by the financial services regulators for our assessments and we need to work closely with them to ensure their collective monitoring activities encompass their risk based assessment of the quality of actuarial work.

Section 2 Priorities for 2014/15

We do not believe that it is appropriate or proportionate to address every area where there is scope for some improvement; markets often drive the adoption of best practice themselves. Instead we intend to focus our efforts where we believe the need for improvement is greatest and we have reason to believe markets will not do the job on their own.

This section sets out our current work in each area of our three year strategy and indicates where we believe our work needs to be developed to address gaps and risks more effectively. We have set key indicators of our effectiveness.

Our updated Work Plan 2013/16 is at Annex A.

Corporate Governance and Stewardship: focusing on the long term

We last changed the UK Corporate Governance and Stewardship Codes in October 2012. Since then we have:

- Consulted on how the Corporate Governance Code should address risk management and reporting by listed companies, so as to implement Lord Sharman's proposals in relation to going concern. Our original proposals to implement Lord Sharman's report met adverse feedback on the approach we had taken, but not on the recommendations themselves. We have now consulted on a more integrated and less rigid approach;
- Consulted on how the Corporate Governance Code covers remuneration policies, following the implementation of legislative changes on remuneration policy and reporting.

During 2014/5, we will:

- Consult on the specific wording of proposals for amending the Corporate Governance Code, including risk management, going concern and updating remuneration aspects.

- The Competition Commission in relation to audits of FTSE 350 companies also made recommendations for amendments to the Corporate Governance Code. These recommendations will mainly be considered as part of a later review of the Code. We will however consult in 2014 on guidance on companies publishing Audit Quality Review findings.
- Undertake an assessment of the quality of board succession planning and consider how to develop best practice. This is frequently identified in board reviews as an area where improvements can be made;
- Take action to promote improvements in the quality of the "explanations" given by companies when they decide not to comply with the Corporate Governance Code; and
- Review the impact of the changes made in the Corporate Governance Code in 2012, including changes in relation to audit committee reports. The Financial Reporting Lab completed a project on reporting by audit committees in October 2013. We will consider whether a follow up project is needed, including on the need to develop practical guidance for audit committees on assessing audit effectiveness. We expect that the Lab will also carry out a project to provide practical insight into risk management reporting once we have finalised new guidance in 2014/15 and we have early implementation experience.

In December every year the FRC publishes a report on the impact and implementation of the Corporate Governance and Stewardship Codes. We shall do so again this year drawing on a wide range of quantitative and qualitative evidence. Our key indicators of the overall quality of corporate governance include:

- Evidence of an improvement in the level and quality of take-up of changes made to the Corporate Governance Code in 2012, including the adoption of board diversity policies; more meaningful reporting by audit committees and the number of FTSE 350 companies that have put their external audit; out to tender;

- Evidence for the improvement in the clarity of explanations given by FTSE 350 companies for selected Corporate Governance Code provisions against the criteria set out in the Code; and
- Evidence of the extent to which small cap companies without a premium listing adopt Corporate Governance Code recommendations on board and committee composition, and the level of voluntary take-up by those companies of Code recommendations addressed to FTSE 350 companies, such as annual election of directors.
- Work with other regulators and the market to press fund managers and asset owners to provide better accounts of their engagement with companies and how they are meeting the expectations of clients and beneficiaries.

The key outcomes sought are an improvement in the quantity and quality of engagement between companies and their investors, and greater accountability of asset managers to their clients.

The FRC's overall assessment will be set out in its December report. It will draw on the stewardship surveys carried out by the Investment Management Association and the National Association of Pension Funds and include:

- The frequency and scope of reporting by asset managers to clients and levels of satisfaction with that reporting;
- The percentage of mandates awarded by asset owners to asset managers that explicitly refer to stewardship; and
- The percentage of Stewardship Code signatories with independent opinions on their engagement who make those opinions available to clients.

Investor stewardship: promoting effective investor engagement

The Stewardship Code is now nearly four years old, with the most recent update in 2012. Our initial objectives were to establish support for the Code and raise the profile of stewardship amongst fund managers and institutional shareholders. We feel that this has largely been achieved: there are now nearly 300 signatories to the Code, representing a significant percentage of UK equities.

However, the development of a stewardship culture also requires behavioural change. Some institutions appear to have signed up to the Stewardship Code in name only. The main focus for 2014/5 will therefore be to improve implementation of the code, not just its adoption. The keys to better implementation include: generating demand from asset owners for stewardship work by fund managers; and improving their ability to differentiate between managers and hold them to account and anecdotal evidence from companies suggests that engagement has not strengthened in all cases.

To achieve change, we will continue to:

- Lead the stewardship debate in the UK and internationally, including influencing the development of the new Shareholder Rights Directive; and

Corporate reporting: meeting the needs of investors for trustworthy and relevant information

In the past year, we have made considerable progress in providing guidance to boards, audit committees and preparers to enable them produce corporate reports which are 'fair, balanced and understandable'. We set requirements for this in the UK Corporate Governance Code and reinforced the role of the auditor through complementary standards. In order to meet the needs of investors we have:

- Alongside the Department for Business, Innovation & Skills (BIS), and in response to concerns raised by investors and others, issued a statement confirming that accounting standards are part of a legally binding corporate reporting framework that includes an overriding requirement to present a true and fair view.
- Produced a framework for financial reporting aimed at improving the quality of disclosure in annual reports. This has also influenced the International Accounting Standards Board (IASB) which has since set up a project to take this forward.
- Worked with European partners to stimulate debate on change to the IASB's Conceptual Framework through a series of publications and events. We have highlighted the importance of stewardship, prudence, and reliability and urging the case for the Framework to acknowledge that financial statements should provide an insight into the success of a company's business model.
- Issued UK GAAP Financial Reporting Standards (FRS 100, 101 and 102) and updated the Financial Reporting Standard for Smaller Entities (FRSSE) in July 2013. Our goal has been in part to simplify standards for UK private companies.
- Continued to develop the Financial Reporting Lab. The Lab, which has grown in credibility and impact, provides a safe environment for companies and investors to explore innovative reporting solutions. Since its launch, the Lab has issued seven project reports on topics such as net debt and cashflow, remuneration reporting and audit committee reporting.
- Increased our dialogue with key stakeholders on the issues arising from our monitoring, including the 2012/13 Corporate Reporting Review (CRR) activity review report which showed that there is good quality reporting amongst large public companies, in particular the FTSE 350. The issues raised in our reviews tend to relate to unusual or complex transactions. In the reports and accounts

of some smaller listed or AIM companies, our review highlighted more straightforward problems which are more likely to result from insufficient resource to address accounting issues.

During 2014/5, we will:

- Undertake our annual programme of reviews of corporate reports, directed at companies of economic significance where a material error could have implications not just for the individual company but for confidence in the market as a whole. We will also carry out thematic reviews on narrative reporting and we are most concerned to help ensure reports are clear and concise.
- Initiate a project aimed at achieving over a three year period, a step change in the quality of reporting of smaller listed and AIM companies. The FRC recognises the important contribution smaller companies make to growth. We will target improvements by these companies in order to underpin confidence in the quality of reporting in the market as a whole and help foster investment in smaller listed and AIM companies. The project will initially gather and assess evidence of the root causes of the problems, including by engaging a broad range of stakeholders.
- Continue to influence the IASB's agenda, particularly its Conceptual Framework, focusing on promoting the exercise of prudence and stewardship and its work on disclosures. We will also seek to influence the development of a new leasing standard and on the post implementation review of IFRS 3 on business combinations. Looking forward to the IASB's next agenda, we plan to carry out research to influence developments in cashflow reporting.
- Continue our work to influence the restructuring of EFRAG in response to the recommendations of the report by M. Phillippe Maystadt "Should IFRS standards be more "European"? If, as proposed, the FRC becomes a member of the Board of the restructured EFRAG, it will make full use of this opportunity to ensure it reinforces the EU's contribution to the development of IFRS.

- Publish, e.g. through the Financial Reporting Lab, reports on accounting policy disclosure and integration, dividend policy and capacity in groups. We will also consider whether the Lab could make a contribution to the debate on the reporting of taxation. More radically, it will develop a project on how corporate reporting can best be adapted to take advantage of developments in technology and how information is shared with and analysed by the investment community.
- Support application of the new UK GAAP to improve standards of reporting by non-listed entities. This work will cover the impact of the standards, clarifying policy intentions, overseeing Statements of Recommended Practice (SORPs) and keeping abreast of changes to EU requirements. The accounting taxonomies for the new UK GAAP are being updated to enable companies to report in eXtensible Business Reporting Language (XBRL) format.
- Report on our activities to secure user views on current and developing requirements of IFRS and on how we represent them in our responses to, and work with, the IASB.
- Evaluate the level of direct company and investment community participation in Financial Reporting Lab projects and assess the extent to which the Lab's reports are influential.

Enhancing the delivery and the future evolution of audit quality and value

We will continue to focus on the quality and value of audit and what measures may be needed for audit to meet evolving public expectations. During 2013/14, we have:

The FRC will conduct outreach and evaluation exercises and draw on research and data provided by others to obtain evidence to support the assessment of its effectiveness on reporting. As key indicators of our effectiveness we will:

- Continued to promote audit quality through the review of around 100 audit engagements, issuing public reports on our findings overall and on individual major audit firms. We have sought to improve the focus and impact of our audit inspection work, by engaging more closely with audit committees and supplementing our routine audit inspections with thematic review of specific issues across all firms.
- Monitored the effectiveness of audit tendering and promoted best practice in this area.
- Contributed to EU and Competition Commission proposals to help ensure these reinforce audit quality.
- Introduced significant changes to improve the content of audit reports, seeking to turn boilerplate into insight for investors.
- Introduced revised auditing standards on using the work of internal auditors - creating a clearer division of responsibility between internal and external audit and prohibiting auditors from using internal audit staff directly as members of their team - to promote greater confidence in the integrity of the audit.
- Determine and evaluate the extent of voluntary adoption of FRS 101 by preparers of IFRS consolidated financial statements to help assess its fitness for purpose. Following mandatory implementation of FRS 102, we will also assess implementation difficulties to inform our first three year review.
- Assess the quality of reporting through our Corporate Reporting Review and in particular publish a report setting out our conclusions on the root causes of problems in reporting by smaller listed and AIM companies. We will also review and assess evidence of the contribution of Financial Reporting Lab projects and narrative reporting guidance on cutting clutter, and helping reports to be more concise and clear.

- Updated guidance for auditors on risks to address in the audit of financial instruments, seeking to enhance investor confidence in the depth and reliability of the audit.
- Promoted professionalism and quality in the work of auditors through our oversight of the recognised supervisory bodies. We worked closely with the International Auditing and Assurance Standards Board (IAASB) to improve international auditing standards, participating actively in its projects on auditor reporting, audit quality, addressing information in the annual report and auditing disclosures in the financial statements.
- Review the operation and implementation of the audit firms' governance code, including the impact of audit becoming a less significant part of audit firms' business models, to identify any necessary changes.
- Continue to contribute to the work of the IAASB, the International Forum of Independent Audit Regulators (IFIAR) and the European Audit Inspection Group (EAIG).
- Looking to the future, consider where further action may be needed to address specific areas where audit scope is questioned, and conduct research and develop thought leadership on the future skills needed of audit.

During 2014/5, we will:

- Undertake our annual programme of work to monitor and report on the quality of approximately 125 individual engagements and to make appropriate use of our new regulatory powers to impose sanctions where poor quality audit work is identified.
- Undertake a thematic review of progress made by the major firms in improving the auditing of banks and building societies.
- Ensure independent and effective oversight of the regulation by the UK accountancy professional bodies of their members, particularly of those practising as statutory auditors. We will identify specific areas of focus based on the findings of our 2013/14 reviews.
- Ensure that the recent UK and European audit reforms are implemented effectively, including by: reviewing extended audit committee and auditor reporting for sound and meaningful implementation; and articulating what audit quality is and how it might be assessed, in particular by audit committees.
- Taking account of these developments, we will review the ethical framework for auditors and whether this is adequate to support a values-based rather than a compliance-based approach to upholding ethical principles by auditors.

As key indicators of our effectiveness we will:

- Establish external benchmark survey data on perceptions of audit quality and value as a basis for monitoring changes.
- Monitor progress in the implementation of the recent extended audit committee and auditor reporting changes, seek investor feedback on the usefulness of such reporting and make any changes necessary to address issues identified
- Increase the number of FTSE 350 audits inspected in 2014/15 by roughly 25% as part of a phased introduction of a programme to cover FTSE 350 audits on average every five years, as proposed by the Competition Commission, while continuing to give due prominence to risk-based selection criteria.
- Publish our annual overview of the audit quality inspection activities of the FRC, including an assessment of audit quality observed through the findings of our audit inspections.

Enhancing actuarial regulation and standards

The outcome of our 2013/14 review of actuarial regulation forms our medium-term agenda. We will continue to set technical standards, oversee the

regulatory activities of the IFoA and operate a public interest disciplinary scheme. We have established a joint forum with other regulators (the IFoA, the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and the Pensions Regulator) to enhance the way in which the FRC conduct its own responsibilities in relation to the public interest risks relating to actuarial work.

During the year, we completed post-implementation reviews of the impact of our Technical Actuarial Standards (TASs) in pensions and insurance, which concluded that they were broadly accepted by practitioners and that users had noticed an improvement in the quality of communication of actuarial information and advice which might be attributable to a number of factors, including the TASs. We will take account of the feedback we received in a substantive review of the standards framework and the TASs in 2014.

During 2013/14 we reviewed the accumulation rates being used in statutory money purchase illustrations (SMPs) following our decision last year to introduce more professional judgement. We confirmed that this had not led to excessive rates being assumed. We consulted on changes to our actuarial standard (AS TM1) to allow more personalised SMPs to be produced in line with the changes in Department for Work and Pensions (DWP) regulations.

During 2014/15, we aim to:

- Develop, with the assistance of the joint forum, an actuarial risk map.
- Based on that risk assessment, review the approach to monitoring the quality of actuarial work.
- Update the framework for standards, including agreement on a more joined up approach with the IFoA on both technical and ethical standards based on the risk assessment – which we will pursue in 2015/16.
- Engage with the DWP and other regulators on the implications for technical Actuarial Standards of the Pensions Reforms announced in the March

2014 budget statement, including the role of AS TM1 in pensions illustrations and the wider approach to defined contribution pensions.

- Work with the PRA and IFoA to influence the development of an effective competence and standards regime for the actuarial function and other actuarial roles in the run up to the implementation of Solvency II.

As a key indicator of our effectiveness we will:

- Assess user and practitioner confidence in the relevance, clarity and reliability of actuarial information and in the competence and integrity of the actuarial profession through independent surveys in 2014 and 2016, including comparisons with previous surveys and questions which examine the impact of changes to our Standards Framework.

Oversight, monitoring and enforcement activities

To ensure that these core activities continue to be delivered to a high standard, we have introduced a number of initiatives to enhance the efficiency, effectiveness and impact of our regular monitoring, investigation and disciplinary work, and to provide evidential underpinning for the key projects – all with a view to promoting improvements in the quality of reporting and audit.

Since 2012/13, we have:

- Introduced arrangements to facilitate the sharing of findings from both our corporate reporting and audit quality reviews to give us a more holistic picture of risk and the quality of reporting; and to ensure that the evidence from our conduct activities informs work on codes and standards.
- Enhanced the effectiveness of corporate reporting reviews, moving to a more assertive approach with companies where necessary to achieve faster conclusions.
- Focused audit quality reviews on the larger entities and audit firms.

- Interacted more extensively with audit committees by:
 - Holding discussions with audit committee chairs at the outset of a number of audit quality reviews; and
 - Providing reports of audit quality review findings directly to audit committees.
- Introduced the auditor regulatory sanctions procedures to ensure greater independence from the professional bodies.
- Implemented changes to the Accountancy and Actuarial Disciplinary Schemes, provided sanctions guidance to Tribunals and enhanced the depth and breadth of the Professional Discipline team to provide a more effective and efficient disciplinary process.
- Established a new capability to undertake supervisory inquiries that enhances the FRC's effectiveness by enabling a more timely response to potential issues and concerns as they emerge.
- Started inspecting certain non-EU auditors ("third country auditors") of companies that are listed on UK markets but incorporated in countries outside the EU.

In 2014/15, we intend to build on these initiatives:

We will consult on the audit quality review aspects of the Competition Commission's recommendations. The recommendations will lead to a significant expansion of our audit quality review inspection activities and will require considerable additional resources to undertake effectively. We are considering on how best to implement these recommendations.

We will also prepare to implement the requirements of the new EU Audit Directive, agreed early in 2014, which are significant for the remit of our audit quality reviews, oversight of audit regulation and ethical standards. As a result of these requirements all inspections of auditors of public interest entities will have to be undertaken directly by ourselves. Currently we delegate the inspection of approximately 50 firms with ten or fewer public interest entity audits to the professional bodies. The resourcing implications of this change, which could take effect as early as 2016,

will be considered together with those required by the Competition Commission recommendations.

In addition, we will prepare for the implementation of local public sector audit inspection regimes in line with the anticipated legislation.

We will start the recruitment of additional resources and changes to the structure and governance of our audit inspection and oversight activities in order to implement the changes to the scope of our activities and support BIS in the implementation of the Audit Directive. Not all of the new requirements will apply immediately. We will begin to recruit the additional staff in 2014/15 to enable appropriate induction and training.

We have also introduced thematic inspections of certain audit areas, which are not typically a significant focus of individual engagement reviews. In 2013/14 we have conducted thematic inspections of Fraud Risks, Laws and Regulations and Materiality. We intend to build on this work further in 2014/15, including extending it to Corporate Reporting Review as described further above.

We will develop our inspections of third country auditors and expect to carry out five such inspections in 2014/15. We will also ensure that information is available for investors on the extent and scope of this work.

We are also preparing for the implementation of the new oversight arrangements for local public sector audits in line with recent legislation. The first inspections under these arrangements will take place in 2016.

As key indicators of our effectiveness we will assess:

- The extent to which we have recruited sufficient resources and established suitable management and governance arrangements to enable us to fulfil our increased responsibilities in relation to audit inspection and oversight stemming from the Competition Commission recommendations and requirements of the EU Audit Directive.
- The extent to which we have made progress on concluding broadly equivalent investigations in a timely manner.

Section 3 Budget 2014/15

The FRC's annual budget is set at a level that reflects our judgement on the resources we need to fulfil our mission and discharge our statutory responsibilities efficiently and effectively.

Our budget for 2014/15 continues to be split between core operating costs which are under our immediate control and costs which are more dependent on external factors, notably the number and complexity of the public interest cases that fall within the scope of our disciplinary arrangements, and our audit quality review activities. They also differentiate between our responsibilities in relation to corporate governance, corporate reporting and auditing and our responsibilities for actuarial standards and regulation. The funding arrangements reflect the legislative framework under which our powers are established.

Our expected expenditure in 2013/14 is £27.2 million, the same as our budget and slightly below our expected income of £27.6 million. In 2014/15 the FRC faces significant pressures on its budget:

- We need to expand the audit quality review team to begin the implementation of the recommendations of the Competition Commission that we review the audits of FTSE 350 companies at least once every five years on average. We are increasing the number of inspections by about 25% to 125 in 2014/15 and reviewing 10 firms rather than six. In addition we need to recruit and train during the next two years to ensure we meet the Commission's target fully by 2016/17 when we expect to be undertaking 150 inspections. We are budgeting for an increase from £3.3 million to £4.8 million.
- We expect disciplinary case costs to rise as we make progress on cases and bring them to tribunal. Recent experience shows that the work and costs required in the tribunal phase are likely to be higher than we planned last year. We budget for an increase from £5.0 million to £7.2 million.
- Our accommodation costs are rising as our landlord sought nearly to double our rent this year. To contain costs we have decided to move and have achieved a significant saving in future years by doing so. However, our costs will still be higher than under our old rental agreement and we are budgeting for an increase of £0.7 million in facilities costs. Together with an average increase in pay rates of 2%, (£300,000), these factors account for most of the increase in our budget of £4.9 million.

To fund these increases we are increasing both our levies on companies and our charges to the accountancy profession. Our actuarial and government funding are largely unchanged. The increase in the levy rate on large companies (market capitalisation in excess of £1 billion) is 4.8%, which for the largest companies equates to an average increase of approximately £1,220. For smaller companies the increase is typically no more than £160.

Our expenditure and funding are set out in more detail below.

Overall Budget:

£m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Total Income in relation to:			
Corporate governance, reporting and audit	15.1	15.7	17.5
Actuarial standards and regulation	2.3	2.3	2.3
XBRL	1.3	1.3	0.3
Audit quality review	3.5	3.3	4.8
Accountancy case costs	5.0	5.0	7.2
TOTAL	27.2	27.6	32.1
Gross Expenditure in relation to:			
Corporate governance, reporting and audit	15.1	15.6	17.5
Actuarial standards and regulation	2.3	2.0	2.3
XBRL	1.3	1.3	0.3
Audit quality review	3.5	3.3	4.8
Accountancy case costs	5.0	5.0	7.2
TOTAL	27.2	27.2	32.1

For all our activities we seek to maximise the value that we add for our wide range of stakeholders, including those who contribute directly to our costs through our funding arrangements. This approach requires us to exercise strict controls over our own costs but also to ensure that we have adequate resources to deliver the priorities we set in consultation with our stakeholders.

The breakdown of total expenditure by cost type is set out below. The main increases are in staffing (+19%), facility costs (+35%) and disciplinary case costs (+42%)

Total Expenditure by type £m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Staff costs	14.8	14.6	17.4
Fees of non-executives, council and committee members	1.3	1.4	1.4
IT and facility costs	2.0	2.0	2.7
Travel and conferences	0.6	0.6	0.7
Legal, professional and audit fees	0.4	0.5	0.6
Contribution to EFRAG	0.3	0.3	0.3
XBRL Development	1.3	1.3	0.3
All other costs	1.3	1.3	1.3
Sub Total	22.0	22.0	24.7
Accountancy and actuarial disciplinary case costs (external fees)	5.2	5.2	7.4
Total	27.2	27.2	32.1

The breakdown of expenditure by department is set out below. The main areas of expenditure growth relate to our audit quality review (AQR) work (+45%) and the cost of progressing disciplinary cases (+48%). The increase in our core business will be 11% and we will reduce spending on XBRL development by 77%, with this work expected to be completed by June 2014.

Total Expenditure by Department £m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Codes & Standards			
Executive Directorate	0.8	0.9	1.0
Accounting & Reporting Policy	1.9	1.9	2.0
Corporate Governance	0.4	0.4	0.6
Audit & Assurance	1.1	1.2	1.3
Actuarial Policy	1.6	1.6	1.7
Financial Reporting Lab	0.4	0.4	0.5
XBRL Development	1.3	1.3	0.3
Codes and Standards Sub total	7.5	7.7	7.4
Conduct			
Executive Directorate	1.2	1.3	1.4
Corporate Reporting Review	1.9	1.7	2.0
Professional Oversight	0.5	0.6	0.6
Professional Discipline			
Internal Costs	1.2	1.2	1.4
Accountancy and Actuarial case costs	5.2	5.0	7.4
Actuarial Conduct	0.4	0.4	0.4
Audit Quality Review	3.5	3.3	4.8
Conduct - Sub total	13.9	13.5	18.0
Corporate	5.8	6.0	6.7
Total	27.2	27.2	32.1

To fund its work programme for 2014/15, the FRC will, as set out in Section 4, increase its levy rates on the majority of account preparers and the professional bodies by 2.2%, with an increase of 4.8% in the rates applied to companies with a market capitalisation of more than £1 billion. There will, however, be significant increases compared to 2013/14 in the contributions from the accountancy profession to fund the FRC's work on public interest disciplinary cases involving accountants and a significant expansion in the audit quality review programme in response to the Competition Commission and the EU.

Core operating costs in relation to corporate governance, accounting and auditing

Our core operating costs and funding requirement for each of the main funding groups are summarised in the table below:

£m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Funding Requirement	15.1	15.6	17.5
Funds provided by:			
Preparers	8.9	9.5	11.2
Accountancy Profession	4.9	4.9	5.0
Government	0.5	0.5	0.5
Other (incl publications income & interest earned)	0.8	0.8	0.8
TOTAL	15.1	15.7	17.5

The increase in the budget for this element of our activities in 2014/15 follows primarily from our intention to strengthen key areas of both Codes & Standards and Conduct activities, whilst also covering an unavoidable increase in accommodation costs. The proposed additional resource will enhance our ability to:

- Lead the stewardship debate and work with the markets and investors in embedding good practice on stewardship in the UK and internationally, to enable investors in the capital markets to have the information they require in order to invest for the long-term.
- Carry out a project aimed at achieving over a three year period, a step change in the quality of reporting of smaller listed and AIM companies.
- Implement new UK GAAP and the new European Accounting Directive.
- Focus on effective implementation of measures to increase audit quality, transparency of the audit process and transparency of AQR findings and then to take a forward look at where further action may be needed to address specific areas where audit scope is questioned, and conduct research and develop thought leadership on the future skills needed of auditors. Conduct recently introduced thematic inspections of certain audit areas, which are not typically a significant focus of individual engagement reviews.
- Prepare for the implementation of the new oversight arrangements for local public sector audits in line with recent legislation.
- Relocate from our current offices. The FRC has been at its Aldwych House offices since 2004. The lease expires in 2014 and we have been unable to secure an extension on acceptable terms. We will therefore be relocating during 2014. Our accommodation costs will increase compared to the current position, but by a significantly lower amount than had we chosen to remain at Aldwych House.

Core operating costs in relation to actuarial standards and regulation

The budget for 2014/15 is shown in the table below. The funding requirement is set to remain at the level budgeted for 2013/14, but slightly higher (2%) than the expected outturn.

£m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Funding Requirement	2.3	2.0	2.3
Funds provided by:			
Insurance funds	1.05	1.02	1.05
Pension funds	1.05	1.03	1.05
Actuarial profession	0.2	0.23	0.23
Other (incl publications income & interest earned)			
TOTAL	2.3	2.28	2.33

The priorities for the coming year will be:

- Developing a shared actuarial risk map and agreement on management and mitigation.
- Enhanced access through the IFoA and other sources to key facts and trends in actuarial roles and methods used in the actuarial profession.
- A shared understanding and a coordinated approach to monitoring the quality of actuarial work based on the risk assessment.
- An updated standards framework.

Audit quality review

The costs of audit quality review identified in the table below include only the specific and variable costs of audit inspection. They are met by the individual Recognised Supervisory Bodies (RSBs) with which the firms that are subject to inspection are registered. The fixed overheads of our audit inspection activities (such as accommodation and shared IT systems) are included in our core operating costs.

In 2014/15 we are planning to expand the audit quality review team in order to begin to implement effectively the recommendations made by the Competition Commission following their review of the UK audit market. Going forward we will seek to review FTSE 350 audit engagements on average every five years; and there will also be an expectation of more frequent reporting on mid-tier firms, roughly doubling the current frequency.

Additional resources are also required to allow us to implement EU proposals aimed at improving audit quality.

£m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Funding Requirement	3.5	3.3	4.8
Funds provided by:			
Accountancy profession	2.9	2.4	4.1
Other (incl Audit Commission, Crown Dependencies)	0.6	0.9	0.7
TOTAL	3.5	3.3	4.8

Accountancy disciplinary case costs

The costs shown in the summary table below include only the specific and variable costs of accountancy cases taken by the FRC. The FRC's related fixed overheads (such as core staff, accommodation and shared IT systems) are included in core operating costs.

Accountancy disciplinary case costs are funded by the accountancy professional bodies to which the individuals or firms which are subject to each case belong, within the terms of a formal case-costs agreement. Case costs are forecast on the basis of the available information on actual or prospective cases. The accuracy of the forecast will depend on assumptions made as to the number of new cases and progress of cases and is therefore subject to a degree of uncertainty.

The forecast costs for 2013/14 are now expected to be in line with the original budget estimate of £5.0m, with a large number of current cases flowing through to 2014/15. As at April 2014 we have three cases at tribunal stage (including one at appeal). We expect that the costs associated with the accountancy disciplinary arrangements will be higher over the next twelve month period as we make progress in concluding these cases – but that they will total £7.2m rather than the £10m included as a preliminary estimate in the Draft Plan & Budget published in December 2013.

£m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Funding Requirement	5.0	5.0	7.2
Funds provided by:			
Accountancy profession	5.0	5.0	7.2
TOTAL	5.0	5.0	7.2

Fines and cost awards received in respect of accountancy discipline issues are not retained by the FRC and do not contribute towards its funding.

XBRL taxonomy development

The FRC is involved with the project to develop XBRL taxonomies to support the new UK GAAP standards. The project is resourced by Companies House, major accounting firms, HMRC, BIS and the FRC.

The majority of the work on phase 1 of the development is expected to have been completed by the end of 2013/14 with an allowance to complete the phase by June 2014.

£m	2013-14 Budget	2013-14 Expected	2014-15 Budget
Funding Requirement	1.3	1.3	0.3
Funds provided by:			
Government	0.6	0.6	
Companies House	0.7	0.7	0.3
TOTAL	1.3	1.3	0.3

Reserves

General reserves are maintained in order to enable the FRC to meet its obligations should there be unexpected reductions in funding received or to meet unexpected but necessary increases in core operating costs.

Case fund reserves are maintained to enable the FRC to meet expenditure associated with taking a corporate reporting review case to court and with actuarial disciplinary investigations and any resulting proceedings.

In total the FRC reserves stood at £7.6m at March 2013. Our budget for 2013/14 was prepared on the basis that we would break even in that year. The current expectation for the year is that a small surplus result will be generated.

Total estimated reserves stood at £8.0m at 31 March 2014 and are expected to remain at that level until the end of the 2014/15 financial year. The breakdown is set out in the table below:

£m	Balance at 31st March 2013	Change in year to March Mar-14	Balance at 31st March 2014 Expected	Change in year to March 2014	Balance at 31st March 2015 Budget
General reserves					
Corporate governance, reporting & audit	2.7	0.1	2.8	-	2.8
Actuarial standards and regulation	0.9	0.3	1.2		1.2
Sub total	3.6	0.4	4.0	-	4.0
Case funds					
Corporate Reporting Review	2.0		2.0		2.0
Actuarial discipline	2.0		2.0		2.0
Sub total	4.0	-	4.0	-	4.0
TOTAL	7.6	0.4	8.0	-	8.0

Section 4 Levies 2014/15

Preparers levy

The levy applies to publicly traded companies, large private entities and public sector organisations and is used to raise a proportion of the FRC's annual funding requirement and the UK contribution to the IASB and the European Financial Reporting Advisory Group (EFRAG).

Funding requirement

For 2013/14, our funding requirement is as follows:

	FRC requirement		plus	IASB contribution		=	Preparers levy	
	Forecast 2013/14	Budget 2014/15		Forecast 2013/14	Budget 2014/15		Forecast 2013/14	Budget 2014/15
Levy group	£m	£m		£m	£m		£m	£m
Publicly traded companies	6.1	7.8		0.6	0.5		6.7	8.3
Large private companies	2.9	3.0		0.2	0.2		3.1	3.2
Public sector organisations	0.3	0.4		0.1	0.1		0.4	0.5
Total	9.3	11.2		0.9	0.8		10.2	12.0

Preparers levy rates for 2014/15

The amounts payable under the preparers levy are determined through a minimum levy and further amounts for organisations above a certain size, with the rate per £m declining in five levy bands aligned with the FCA levy arrangements. Details of the levy are published on our website at <http://www.frc.org.uk/funding>

Overall receipts are determined by the FRC's funding requirement, the size of the levy population and the rates we charge.

For 2014/15, the minimum levy and the levy rates for organisations with a market capitalisation (or turnover where relevant) below £1 billion will increase by 2.2%; and for organisations with a market capitalisation of more than £1 billion the levy rates will increase by 4.8%.

Rates to be applied:

In order to raise the amount we require we will apply the following rates:

Band	Organisation size per £m	2014/15 Preparers levy rate per £m*	2013/14 Preparers levy rate per £m*
Minimum fee	Up to 100m	Min levy £992	Min levy £972
1	100m - 250m	£9.37	£9.17
2	250m - 1,000m	£7.15	£7.00
3	1,000m - 5,000m	£5.23	£4.99
4	5,000m - 25,000m	£0.088	£0.084
5	>25,000m	£0.0167	£0.016

*Size is either based on market capitalisation, published turnover, or overall expenditure depending on the type of organisation.

The following example illustrates the way in which the 2014-15 levy will be calculated for a Premium Listed Main Market Company, a large private entity and a public sector organisation each of which is £1.3bn in size:

Example	Premium Listed Main Market Company with a market value of £1.3bn	Large private entity with a turnover of £1.3bn	Public sector organisation with expenditure of £1.3bn
Organisation size £m	Levy payable at 2014/15 rates (£)	Levy payable at 2014/15 rates (£)	Levy payable at 2014/15 rates (£)
Up to 100m	992	496	248
100 - 250m	1,406	703	351
250 - 1,000m	5,362	2,681	1,341
1,000 - 5,000m	1,569	784	392
Total	9,329	4,664	2,332

Aligning the levy categories with the UK Listing Regime

In 2012/13 we consulted on certain changes to bring our levy arrangements in line with the FCA Listing Fees. In particular, from April 2013 we have operated the levy on the basis of the two categories defined by the Listing Regime: companies with a premium listing of equity shares required to 'comply or explain' against the UK Corporate Governance Code; and companies with a standard listing subject only to EU minimum standards and not therefore required to 'comply or explain' against the Code. The main effect of this change was to remove the 50% discount from overseas companies with a premium listing and extended the discount to UK companies with a standard listing.

From April 2014 all companies with a Standard listing, including UK companies will receive a 20% discount rather than 50% discount on the levy in line with the discount provided under the FCA listing fees.

Following our consultation as part of the preparation of the levy arrangements for 2014/15, we will also extend the preparers levy to cover depository receipts and contact companies that will be affected by these changes to explain the impact on the levies they are asked to pay in 2014/15. We will publish guidance on the levy calculations on the FRC website at frc.org.uk/funding.

Actuarial standards and regulation

Insurance levy

The insurance levy will be allocated to insurance companies in the same proportion as the FCA regulatory fees and charged to insurance companies on the same invoice as the FCA fees. In 2014/15 we will maintain the rate implemented in 2013/14 - a levy equivalent to 0.93% of the fees charged by the FCA/Prudential Regulatory Authority.

Pension levy

The pension levy will be allocated to schemes on the basis of their latest scheme returns to the Pensions Regulator. We will maintain the rate implemented in 2013/14, a pension levy rate of £2.55 per 100 members.

Annex A Updated Work Plan 2013-2016

Certain projects have been updated and refined to reflect current thinking and more recent developments. These are marked with an asterisk.

Title of project	Corporate Governance and Stewardship			
Objective/ expected outcomes	High quality corporate governance and stewardship which fosters trust in the way companies are run.	2013/14	2014/15	2015/16
Main activities for gathering evidence and influencing outcomes	Establish a clearer evidence base about the relationship between stewardship, corporate reporting and auditing, making clear the contribution that is and should be made in each part of the investment chain to stewardship.	✓	✓	
	Influence global standard setters to enshrine the centrality of stewardship – making the case for the IFRS conceptual framework to include this explicitly and review audit standards for consequential changes.	✓	✓	
	Monitor the impact of the UK Corporate Governance and Stewardship Codes, including 2012 changes carrying out research where needed.	✓	✓	✓
	*Consult on possible changes to the UK Corporate Governance Code, particularly around remuneration and risk management.	✓	✓	
	Finalise revised guidance on risk management and internal control and going concern.	✓	✓	
	*Consider the need for guidance to underpin risk management models and their governance.		✓	
	Work with other regulators to press fund managers and asset owners to provide better accounts of their engagement with companies and how they are meeting client and beneficiary expectations.		✓	
	Influence legislation and other measures coming out of the EU Company Law Action Plan that will have an impact on Corporate Governance including the Shareholder Rights Directive.	✓	✓	
	Identify and spread best practice in board succession planning.		✓	
	Take action to promote improvements in the quality of company “explanations” in relation to the UK Corporate Governance Code.		✓	

Title of project		Corporate reporting		
Objective/ expected outcomes	High quality corporate reporting, in accordance with the accounting framework, providing fair balanced and understandable information which is concise, relevant and focused on stewardship.	2013/14	2014/15	2015/16
Main activities for gathering evidence and influencing outcomes	Consider the feedback to the FRC Discussion Paper on Disclosure and identify actions.	✓	✓	
	Report on the lessons to be learned from the corporate reports reviewed by the FRC and engage with directors on securing improvements in financial reporting.	✓	✓	✓
	Supplement our detailed review of Annual Report and Accounts with thematic reviews of narrative reporting and cutting clutter.		✓	✓
	Launch a project aimed at achieving, over three years, a step change in the quality of reporting of smaller listed and AIM companies.		✓	✓
	*Seek to produce more focused reporting through specifically designed Financial Reporting Lab experiments. Undertake a project on reporting in an e-enabled world. Conduct case studies with a focus on 'cutting clutter'. Contribute to the debate on taxation and/or dividend capacity reporting.	✓	✓	✓
	Influence developments in the IFRS Conceptual Framework.	✓	✓	✓
	Develop narrative reporting guidance to support BIS regulations, moving towards a more concise, relevant and principles based approach which also takes account of the integrated reporting framework.	✓	✓	
	*Carry out research to support the post-implementation review of IFRS 3 and to influence the IASB developments on cashflow reporting.		✓	
	Issue new and maintain existing UK GAAP standards, monitor issues encountered in implementing new UK GAAP standards, implement any resulting changes.	✓	✓	✓
	Deliver a project to develop XBRL taxonomies.	✓	✓	
	Oversee the development and approval of SORPs.	✓	✓	
Influence the transformation of EFRAG and develop our role and participation in the newly structured organisation.		✓		

Title of project	Audit quality and value			
Objective/ expected outcomes	Foster high quality audit and confidence in the value of audit.	2013/14	2014/15	2015/16
Main activities for gathering evidence and influencing outcomes	Respond to and implement the Competition Commission's recommendations, as appropriate.	✓	✓	✓
	Develop and implement plans to mitigate risks associated with audit market concentration.	✓	✓	
	Continue to influence and lead the work with the IFIAR and the EAIG.	✓	✓	✓
	Work with BIS to implement changes to the regulation of audit and to auditing and ethical standards arising from the EU Audit Directive.		✓	✓
	Implement our new regulatory power to impose sanctions where poor quality audit is identified.	✓	✓	
	Ensure independent and effective oversight and regulation of the UK professional bodies in their regulation of the UK audit profession.	✓	✓	✓
	Contribute to the quality and value of audit by monitoring and reporting on the quality of approximately 125 audits, the majority of which will relate to the largest audit firms.	✓	✓	✓
	Increase the focus of the audit monitoring programme on the audits of the larger listed entities, whilst continuing to undertake inspections on a risk basis and fulfilling our statutory remit by applying effective oversight over the regulation of auditors by recognised professional bodies.	✓	✓	✓
	Recruit and train additional resources in order to implement planned increases in the number of FTSE 350 audit quality reviews.		✓	✓
	Leverage our knowledge gained through routine audit firm inspection to identify emerging issues that should be considered for a thematic study.	✓	✓	✓
	Conduct a thematic study into progress made by audit firms on improving the quality of auditors of banks and building societies.		✓	
	*Review extended audit committee and auditor reporting for sound and meaningful implementation.		✓	
	*Articulate what audit quality is and how it might be assessed, in particular by audit committees.		✓	✓
	*Review and update the UK ethical framework for auditors.	✓	✓	
	*Review where further action may be needed to address specific areas where audit scope is questioned, and conduct research and develop thought leadership on the future skills needed of audit	✓	✓	✓
	*Develop new standards for Client Assets.		✓	✓
	Consider developing a standard for reporting accountants on Qualified Financial Benefit Statements.		✓	✓
Influence international standards for auditors, with particular emphasis on auditor reporting, audit of disclosures, the auditor's role in relation to narrative reports and the auditing of banks.	✓	✓	✓	

Title of project		Actuarial regulation and standards		
Objective/ expected outcomes		2013/14	2014/15	2015/16
Main activities for gathering evidence and influencing outcomes	Review AS TM1, implement any resulting changes and seek to influence the debate on the wider approach to defined contributions pensions disclosure.		✓	✓
	Consult on the framework for TASs and implement any resulting changes.		✓	✓
	Improve our access through the IFoA and other sources to data and key facts and trends in actuarial roles and methods.		✓	✓
	Through the mechanism of the joint forum with our co-regulators - Joint Forum on Actuarial Regulation (JFAR) - develop a shared actuarial risk map.		✓	
	Develop, through the JFAR, a coordinated approach to the monitoring of the quality of actuarial work based on the risk assessment.		✓	✓
	Influence the development of an effective competence and standards regime for the actuarial function and other actuarial roles in the run up to the implementation of Solvency II.		✓	✓
	Seek to extend our engagement and influence internationally to promote independent and principles-based standards.	✓	✓	✓
	Commission an independent survey of confidence in actuarial work and the profession.		✓	

Title of project	Oversight, monitoring and enforcement activities			
Objective/ expected outcomes	Effective, proportionate and independent investigative monitoring and disciplinary procedures that provide confidence to market participants.	2013/14	2014/15	2015/16
Main activities for gathering evidence and influencing outcomes	Ensure our actions, including further work on emerging issues and revisions to codes and standards, are informed by robust evidence.	✓	✓	✓
	In response to increasing demands from international regulators and standard setters, provide more evidence from our conduct work to support enhancements to standards.	✓	✓	✓
	Conduct thematic studies in response to emerging corporate reporting and audit issues, contributing to our influence over stakeholders through evidence and analysis.	✓	✓	✓
	Conduct supervisory inquiries into events such as corporate failures or near failures by gathering evidence on a timely basis so that we may better determine what action, if any, may be required.	✓	✓	✓
	Ensure the effective and proportionate operation of the newly reformed accountancy and actuarial disciplinary schemes. We will manage a step increase in the speed and effectiveness of our disciplinary processes whilst at the same time clearing the backlog of cases.	✓	✓	✓
	Create and develop the capacity to undertake aspects of an investigation cost-effectively in- house rather than through external suppliers at higher cost.	✓	✓	✓
	Undertake periodic inspections of third country auditors.	✓	✓	✓
	Undertake inspections of public sector audits.	✓	✓	✓

Title of project	Economic and market context			
Objective/ expected outcomes	Ensure the FRC understands and influences the key developments in its economic, business and finance environment to foster investment and rebuild trust.	2013/14	2014/15	2015/16
Main activities for gathering evidence and influencing outcomes	Develop a framework for the FRC to relate its work to the differing needs of UK and international investors.	✓	✓	
	Deepen the FRC's understanding of trends and developments in capital markets, trust and investor behaviour, to better its understanding of how the link between risk and capital structure impacts the effectiveness of stewardship and governance.	✓	✓	
	Develop further the FRC's understanding of the continuing impact of the financial crisis on corporate governance and reporting, identifying areas for further work where needed.	✓		
	Continue to develop and publish for discussion, where appropriate for particular proposals, our analysis as to whether banks, in view of their systemic importance, should be subject to differentiated codes and standards and whether there are wider applications of our standards to banks, taking into account the findings of the parliamentary commission.	✓		
	Work with the PRA to support the implementation of the recommendations of the Parliamentary Commission on Banking Standards.		✓	
	Strengthen the FRC's understanding of investor rights and its implications for stewardship by looking at the relevance of proportionate investor rights, including protection of different types of investors.	✓		

Contact details

Policy and Planning Officer

Financial Reporting Council

5th Floor, Aldwych House

71-91 Aldwych

London

WC2B 4HN

e-mail: **planning@frc.org.uk**

Fax: 020 7492 2301

For general information about the work of the FRC, please see our website at **www.frc.org.uk**

For any further enquiries, please contact us at the above address.



Financial Reporting Council

5th Floor, Aldwych House
71-91 Aldwych
London WC2B 4HN

+44 (0)20 7492 2300

www.frc.org.uk