



21 October 2022

Sir Jon Thompson
CEO, Financial Reporting Council
Via: frc.plan.budget@frc.org.uk

Dear Sir Jon

CCAB RESPONSE TO THE FRC'S ARGUMENT FUNDING CONSULTATION

1. CCAB takes the opportunity to comment on the above consultation issued in July 2022.

About CCAB

2. The combined membership of the five CCAB bodies – ICAEW, ACCA, ICAS, CIPFA and Chartered Accountants Ireland – amounts to over 300,000 professional accountants in the UK and the Republic of Ireland (some 466,000 worldwide).
3. CCAB provides a forum for the bodies to work together collectively in the public interest on matters affecting the profession and the wider economy.
4. 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.

Context

5. All the five CCAB bodies will be responding individually to the consultation, in detail, and there will be much in common in what they will have to say. This response is therefore high-level focussing on principles and raising some questions about the future role of CCAB and its funding formula which has operated successfully for a number of years.
6. Similarly, the consultation itself is said to be based on high-level principles, with many unknowns and no costings, and we note and welcome the commitment to undertake further consultation in the future, once more detail is available.

Consultative Committee of Accountancy Bodies

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Principles

7. We appreciate this opportunity to comment on the FRC's consultation. The transition from the FRC to ARGA will be a period of considerable change. With the high expectations of all stakeholders, we are fully committed to working with the FRC to ensure that the new regulator can work with the whole corporate reporting ecosystem to drive up quality.

8. We reference the principles of transparency, proportionality and fairness in our response to the FRC's consultation on its 3 Year Plan, 2022 – 2025 and these accord with the *standards expected of public services Managing Public Money, namely honesty, impartiality, openness, accountability, accuracy, fairness, integrity, transparency, objectivity and reliability, carried out in the spirit of, as well as to the letter of, the law in the public interest to high ethical standards achieving value for money*. We therefore welcome the principles established in the Consultation Document; *fairness, proportionality and transparency*, but believe they need extension and further development. The FRC is now a public body as ARGA will be. We expect its operations to fully accord with these principles. The principle of proportionality needs to be developed to recognise a commitment to effective and efficient delivery – including by working with professional bodies and other partners to leverage existing frameworks.

9. We also remain concerned about the lack of a reference to a principle of *accountability*, which we believe is of critical importance as the funding proposals progress. We believe the principle of *transparency* should be extended to encompass granular disclosure of costs by levy category and a new principle of *accountability* be added. We hope these enhancements can be reflected in ARGA's Framework Document when that is prepared.

10. As stated previously, we still consider that the FRC has not adequately articulated the justification for the recent steep increases in its budget and the CCAB contribution, and the vagueness of the current consultation does not bring much comfort at this stage. We remain unconvinced that there will be any net financial benefit to the CCAB bodies even if headline reductions indicate otherwise. It is difficult for us to comment until further details are published.

11. We urge the FRC to continue to develop its mechanisms for accountability and transparency – for example by following best practice and instigating an Annual General Meeting and opening parts of its board meetings to public observation. We believe the FRC should produce a medium-term plan of three years (and for ARGA when established), providing greater granularity and certainty about the nature of the activities it plans to carry out and how much each will cost. This can only be of benefit to all stakeholders who need to plan and budget effectively in difficult financial circumstances.

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The CCAB Funding Formula

12. Under the current arrangements (SATCAR places an obligation on the CCAB bodies to fund the activities of the FRC), CCAB determines the shares of the five member bodies to the CCAB contribution by private agreement on the basis of a well-established formula which has been successfully applied for a number of years now. Whilst there may be alternatives to the current method of collection of these shares through CCAB, we do question the need to abandon the formula and its determination by CCAB. Determination of the shares on membership numbers alone could be a rather crude method. The current formula allows flexibility in response to new issues and the different circumstances of the CCAB bodies (an example is that it recognises the dual jurisdictions of Chartered Accountants Ireland which means that it is regulated by both the FRC/ARGA in the UK and IAASA in the Republic of Ireland).

13. The proposals suggest that the professional bodies will only contribute to their direct oversight by ARGA, with little role for CCAB. This will fail to recognise the importance of the collaborative role the CCAB plays in the public interest and the national debate around corporate governance and its implications for the UK economy. We believe the positive role of the CCAB should be reflected in ARGA's Framework Document – including the potential for collaborative working to achieve effectiveness and efficiencies.

14. Please be rest assured that the CCAB bodies remain fully committed to co-operating with the FRC in its efforts to implement the significant reforms necessary for the establishment of the new independent regulator, ARGA.



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Managing Director

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