

By email: [frc.plan.budget@frc.org.uk](mailto:frc.plan.budget@frc.org.uk)

6<sup>th</sup> February 2026

Dear Sir / Madam

### **Draft Annual Plan and Budget 2026-27 consultation**

The Chartered Governance Institute UK & Ireland is the professional body for governance and the qualifying and membership body for governance professionals across all sectors. Its purpose under Royal Charter is to lead effective governance and efficient administration of commerce, industry, and public affairs working with regulators and policymakers to champion high standards of governance and providing qualifications, training, and guidance. As a lifelong learning partner, the Institute helps governance professionals achieve their professional goals, providing recognition, community, and the voice of its membership.

One of nine divisions of the global Chartered Governance Institute, which was established 130 years ago, The Chartered Governance Institute UK & Ireland represents members working and studying in the UK and Ireland and many other countries and regions including the Caribbean, parts of Africa and the Middle East.

As the professional body that qualifies Chartered Secretaries and Chartered Governance Professionals, our members have a uniquely privileged role in companies' governance arrangements. They are therefore well placed to understand the issues raised by this consultation document. In preparing our response we have consulted, amongst others, with our members. However, the views expressed in this response are not necessarily those of any individual members, nor of the companies they represent.

Our views on the issues raised in your consultation paper are as follows:

We welcome the opportunity to comment on the Draft Annual Plan and Budget for 2026–27. The five major projects cover a broad range of supervisory responsibilities. Delivering these initiatives concurrently will create operational challenges. To manage these effectively, the FRC must maintain consistent supervisory judgment, manage interdependencies between initiatives, and communicate interim expectations clearly to regulated entities. Strong governance arrangements, including internal guidance, quality assurance, and escalation procedures, should be in place to support staff and ensure a proportionate, outcomes-focused approach. The Plan also includes core activities such as updates to corporate governance and auditing standards, maintenance of Technical Actuarial Standards, development of digital reporting taxonomies, and engagement with international standard-setting bodies. Sequencing and prioritisation of these initiatives would help reduce

operational strain and minimise the compliance burden for stakeholders. Adequate staff capacity and resource allocation will be crucial for timely delivery, particularly for overlapping projects such as voluntary sustainability assurance provider registration, the revised Stewardship Code rollout, and engagement with government on pensions and corporate reporting reforms.

Operational Performance Measures and Annex 1 provide transparency on expected outputs and resource allocations. However, linking expenditure more explicitly to project objectives and measurable outcomes would strengthen accountability. For instance, funding for the Audit Quality Assessment Programme could be tied to improvements in inspection coverage or timeliness of feedback, while expenditure on Enforcement Modernisation could be linked to case resolution times, prioritisation of high-risk cases, or maintenance of investor confidence. Clearer connections between resources, activities, and outcomes would enable stakeholders and Parliament to monitor implementation and assess the effectiveness of reforms.

Coordination and stakeholder engagement will be vital across routine and project-related activities. Clarifying how core supervisory functions will operate alongside major projects, how performance measures will track progress, and how milestones will be reported would support consistent implementation. Greater attention to stakeholder communication, engagement with smaller firms, adoption of digital reporting updates, and inter-departmental coordination would help mitigate risks and deliver the Plan's objectives effectively.

### **Objective 2 – Supervision of Accounting, Audit, and Actuarial Work**

The Accelerated Procedure and Early Admissions process aim to improve efficiency and timeliness in enforcement. Delivery depends on staff training, clear procedural guidance, and effective triage. Without strong guidance, stakeholders may perceive inconsistencies in approach.

FASS implementation and enhanced PIE audit supervision strengthen forward-looking, supervisor-led oversight. However, prioritising the largest firms risks diverting resources from smaller firms. Multi-dimensional supervision across leadership, governance, and culture offers benefits but introduces complexity.

The Scalebox programme develops capacity in smaller firms to deliver credible PIE audits, supporting market diversification. Maintaining inspection coverage for large firms while assisting smaller firms requires careful resource allocation to avoid gaps in oversight.

Proportionate audit file inspections and firm surveys identify risks and monitor culture. Inspection outcomes must consistently inform follow-up and enforcement actions to maintain confidence in supervisory processes. Professional oversight of RQBs, RSBs, and third-country auditors ensures statutory compliance. International engagement through IFIAR, PCAOB Institute, and knowledge exchange strengthens global alignment, but balancing these activities with domestic workload requires clear governance arrangements.

AQ2030 seeks to maintain the relevance and rigour of UK audit qualifications. Delivery depends on coordination with professional bodies and alignment with supervisory reforms. Progress metrics, such as uptake and competence assessment, remain undefined and should be clarified to demonstrate impact.

This approach integrates supervision, enforcement, and regulatory projects. It is forward-looking, risk-based, and proportionate, while supporting market development through diversification of audit capacity. However, several gaps remain. Concurrent projects may stretch resources and staff capacity. Interdependencies require clear sequencing and planning. Objectives lack explicit outcome metrics. Engagement with smaller firms needs



monitoring, and guidance is necessary to avoid stakeholder confusion. Integration with digital and emerging risks is not yet addressed.

### **Objective 3 – Future-Focused Market Understanding and Innovation**

Objective 3 sets out a forward-looking approach to market oversight, combining innovation with evidence-based regulation. It aims to strengthen the FRC's ability to anticipate emerging risks, support market development, and ensure that regulatory frameworks remain relevant and effective.

The Innovation and Improvement Hub, including initiatives such as the Audit Sandbox, Scalebox, and support for smaller firms, requires robust evaluation frameworks and scalable pilots to demonstrate impact. These mechanisms should provide clear evidence of how innovation improves audit quality and market resilience. The Digital Reporting Strategy will enhance public access to corporate data and must align with parallel initiatives led by the FCA, Companies House, HMRC, and international bodies. Effective coordination will avoid duplication and ensure interoperability across reporting systems.

Audit qualification and skills development must reflect the growing importance of AI, ESG, and other emerging risks. Clear timelines and measurable assessment criteria will help ensure that future auditors possess the competencies required for a rapidly evolving market.

Sustainability reporting and government advisory work will play a major role in achieving consistent implementation of new standards. This requires strong cross-departmental coordination and clear communication with stakeholders to maintain confidence and reduce compliance burdens.

Developing economic impact assessment capability will support the government's growth and burden-reduction agenda. High-quality data and robust methodologies will enable the FRC to evaluate the cost-effectiveness of regulatory interventions and demonstrate proportionality.

Finally, research and market studies underpin evidence-based decision-making. Timely dissemination of findings to supervisory teams will ensure that insights inform operational priorities and strategic planning.

This objective is forward-looking, evidence-driven, and proactive. It integrates innovation with core regulatory functions and places emphasis on research, market intelligence, and economic impact. However, several gaps remain. Resource and capacity constraints could limit delivery. Outcome measurement and evaluation need to be embedded across all initiatives. Integration with other objectives must be strengthened to avoid siloed approaches. Stakeholder engagement requires greater clarity to secure buy-in, and technology-related risks demand explicit mitigation strategies.

### **Objective 4 – Modern Organisation**

Objective 4 positions the FRC as a modern, efficient, and trusted regulator. It provides the systems, capabilities, and culture needed to support high-quality supervision, enforcement, and innovation, underpinning the delivery of Objectives 2 and 3.

The ERP system will integrate HR and Finance functions, improving resource planning and performance tracking. Cybersecurity and resilience measures will safeguard data and maintain operational continuity, requiring ongoing monitoring and adaptation to emerging threats. The technology strategy aims to maximise the use of tools and



ensure interoperability with innovation projects, while strong data and information management will enhance accuracy, efficiency, and decision-making through robust governance.

Transparency and innovation initiatives, including the Audit Sandbox, CODEx, and digital reporting projects, will require active stakeholder engagement and impact monitoring to demonstrate value. AI upskilling will build staff expertise and must align with ethical standards and practical application. A central contracts database will streamline administration and support workforce planning.

This objective demonstrates a comprehensive organisational focus, integrating technology, data, and workforce development. It supports wider regulatory objectives and innovation while balancing internal capability with external credibility. However, several challenges remain. Effective change management and staff adoption will be necessary to realise benefits. Outcome measurement and performance metrics should be embedded to track progress. Integration across systems must be maintained to avoid fragmentation. Cyber risk and technology dependence require ongoing mitigation, and evaluation of AI and innovation impact should be prioritised to ensure alignment with strategic goals.

### **2027–28 Focus – Forward Strategy and Operational Requirements**

The 2027–28 Focus marks a transition from implementing reforms to realising their benefits. It emphasises consolidation of FASS, ERP, and end-to-end enforcement reforms, development of future skills and market readiness through AQ2030, and a commitment to efficiency, burden reduction, and data-driven decision-making. Maintaining stakeholder confidence while supporting innovation remains a priority.

AQ2030 and the skills pipeline will require clear participation metrics to demonstrate progress. FASS supervisory reforms should be tracked for adoption and risk-based prioritisation. End-to-end enforcement depends on trained staff and robust monitoring to ensure consistency and timeliness. ERP rollout will require careful management of adoption, training, and data migration. Mutual Recognition Agreements will support UK auditor mobility, while forward strategy planning for the 2030s should include scenario analysis and prioritisation to anticipate emerging challenges.

Operational requirements present constraints. A flat headcount of 450 for the FRC and 30 for UKEB limits flexibility, and division-level shifts will require careful reallocation of skills to meet changing priorities. Risks include managing stakeholder expectations in a high-change environment, maintaining influence in international standard-setting, and ensuring supervisory effectiveness through monitoring adoption and impact. Leadership and system weaknesses should be evaluated, and cybersecurity and data governance must remain integrated and continuously monitored.

Operational performance measures provide transparency on expected outputs. Supervision targets include 140–150 AQR inspections, 230–250 CRR reviews, complaints resolved within six weeks at 75 per cent, and full PIE auditor registration. Enforcement aims to resolve 80 per cent of cases within two years and 50 per cent within three years. Financial and operational targets include operating costs of £63.5 million and 100 per cent compliance with complaints service-level agreements.

The strategy is forward-looking and integrates risk management with measurable operational outputs, cost control, and disciplined resource planning. However, gaps remain. Staffing flexibility for emerging priorities is limited. Performance measures need stronger links to impact. Governance across AQ2030, ERP, and FASS requires



coordination to avoid fragmentation. International engagement risks should be addressed, and stakeholder communication and adoption strategies need further development.

### **UK Endorsement Board (UKEB)**

The UKEB plays a strategic role in endorsing and adopting IASB standards, ensuring the UK remains an active participant in international accounting standard-setting. It is accountable to the Secretary of State and operates under FRC oversight, with the FRC Chief Executive acting as Accounting Officer.

The Board's headcount remains at 30 FTE, and its budget of £5.9 million covers statutory responsibilities, technical decision-making, and international engagement. Funding is collected through FRC arrangements, although the UKEB remains operationally distinct.

Operational activities include endorsing and adopting standards, engaging internationally in standard-setting, and coordinating with the FRC to support supervision and enforcement objectives. This remit provides clarity and stability, supported by governance arrangements that reinforce accountability and credibility in international forums.

The UKEB's strengths lie in its clear mandate, stable resourcing, and ability to influence global standards. However, challenges remain. Limited flexibility could hinder accelerated adoption of standards, and contingency planning for workload spikes is not explicit. Feedback integration with the FRC could be strengthened to ensure alignment with supervisory priorities. The current budget may not fully cover indirect costs during periods of intensive review.

The UKEB is a technically independent and accountable body that is integral to the UK's participation in international standard-setting. Continued attention to capacity, integration, and resilience will be necessary to ensure it delivers its statutory objectives effectively.

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If you would like to discuss any of the above comments in further detail, please do feel free to contact me.

Yours faithfully,

**Dr. Valentina Dotto**

Policy Adviser

