



Rt. Hon Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Stephen Haddrill
Chief Executive Officer

27 March 2011

Dear Secretary of State,

Thank you for your letter of 11 March setting out the remit of the FRC. I am writing to confirm that we share your views on priorities and are wholly committed to making a success of the priorities you have set out.

We welcome your recognition of the contribution of our work to the industrial strategy. Strengthening justifiable confidence in business and its governance is fundamental to investment and the wider public interest. To that end we will do our utmost to implement the transition to the new Authority as effectively as possible.

In addition we remain committed to addressing deficiencies in audit and reporting quality vigorously through our supervisory and enforcement roles. We will also monitor how companies implement the new Corporate Governance Code and in due course test the effectiveness of investors' engagement in response to a revised Stewardship Code.

We recognise the importance of close working between the FRC, the Department, the CMA and Sir Donald Brydon to enable you to create a coherent plan to determine the future purpose of audit and address market weakness. At the same time we will address the need for auditors to do more work now to assess whether companies are a going concern and to address the risk of fraud.

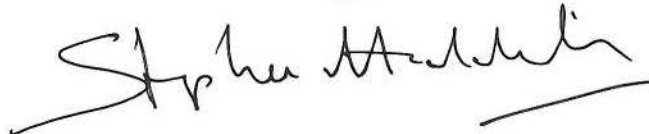
You have stressed the importance of companies paying attention to the interest of all their stakeholders, meeting the requirements of section 172 of the Companies Act. We share this vision, have built it into the Corporate Governance Code and are now reflecting it in the Stewardship Code. We are also undertaking a fundamental review of the purpose and scope of corporate reporting to identify in part how companies can through the information they provide best meet stakeholder needs whilst also delivering on Sir John's call for clarity and brevity.

In addition to these programmes we should also stress that we are working closely with your Department to prepare for EU exit whatever form it takes, and have taken the steps agreed with your Department to minimise the risks.

These programmes require us to strengthen our teams including by recruiting some senior and experienced people as Sir John recommends. We welcome your Department's endorsement of our plans and funding proposals which we have just published. Recruitment of the scale and quality required is a challenge, especially to undertake so quickly, but is essential to delivering the public and the Government's expectations. Sir John stressed that we would need more flexibility over recruitment and we urge you to secure agreement to this.

On behalf of the Board of the FRC I stress our commitment to the remit and agenda you have set out and look forward to pursuing matters with you and your Department to drive this forward.

Yours sincerely,



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