



FRC Plan 2024-2025: Enforcement Aspects

12 July 2024

Earlier this year the UK Financial Reporting Council (**FRC**) published [its plan and budget for 2024-25](#) (the **24-25 Plan**), setting out its revised strategic objectives. The FRC is aiming for a year of “consolidation and prioritisation”, with a key priority being to further embed the FRC’s ‘growth duty’ into all regulatory decision making. This briefing considers the enforcement aspects of the 24-25 Plan, including the FRC’s key enforcement deliverables for the months ahead.

FRC enforcement strategy

The FRC aims to deliver a risk-focused and timely enforcement regime to ensure that those who are responsible for poor quality audit and reporting, and the underlying behaviours are held to account. As noted in our [horizon scanning](#) briefing from earlier this year, the FRC sees itself as an improvement regulator and has highlighted again in the 24-25 Plan that the imposition of non-financial sanctions is one of its key tools.

The 24-25 Plan describes the following primary goals for the FRC’s enforcement division:

- (a) driving the application of high standards in corporate reporting, audit and actuarial work through proportionate and risk-focused enforcement action where it is in the public interest; and
- (b) promoting improvements and innovation through enforcement cases and publications, and setting and monitoring effective non-financial sanctions.

Whilst the FRC remains of the view that the new “more modern powers” proposed to be conferred in the transition from the FRC to a new Audit, Reporting and Governance Authority (**ARGA**) are both necessary and proportionate to modernise its toolkit, the 24-25 Plan acknowledges that previously planned headcount growth assumed that the FRC would be taking on new statutory duties which is no longer the case. The FRC has therefore decided to keep headcount flat and the enforcement division will:

- (a) carefully monitor its caseload and any risks to case outcomes or handling; and
- (b) not proceed with discretionary work, such as reviewing sanctions policies, unless sufficient resource is guaranteed.

Revised timeliness key performance indicator

The FRC has also reflected on the appropriateness of its two-year key performance indicator (**KPI**) for timeliness (i.e. the period between commencement of an investigation and it being concluded, settled or closed). This KPI has been revised to include a three-year target (which will function alongside the previous two-year target) to provide a more accurate view of achievable resolution timescales. The 2024/25 target for the two-year KPI has been set at 50%, and the three-year target is 80%.

2024-25 key deliverables

The FRC's key deliverables for 2024-25 include:

- (a) using enforcement powers effectively and efficiently by placing FRC focus on the most serious or significant matters, and highest priority areas of regulatory concern;
- (b) continuing to ensure proportionality and consistency in the FRC approach taken to investigations, enforcement action and sanctions;
- (c) continuing to aim for the two and three-year KPI targets of 50% and 80% respectively; and
- (d) publishing case outcomes throughout the year and its Annual Enforcement Review to highlight "what good looks like".

The most recent enforcement outcomes include audit failings relating to London Capital & Finance plc and involved sanctions being imposed on audit firms and individual audit partners. The FRC commented on lack of understanding of the business which was expanding and engaged in selling unregulated financial products to retail investors.

Horizon scanning

Enforcement often follows supervisory priorities and one area of particular note from the Supervision section of the 24-25 Plan is that the FRC intends to collaborate with the FCA in the monitoring of mandatory climate risk disclosures. The FCA recently confirmed its first ESG-related enforcement investigation and it appears that the investigation may well concern climate-related issues (for further information see our blog [here](#)).