

## **FRC Consultation on Effective Company Stewardship**

1. Directors should take full responsibility for ensuring that an Annual Report, viewed as a whole, provides a fair and balanced report on their stewardship of the business.

2. Directors should describe in more detail the steps that they take to ensure:

- the reliability of the information on which the management of a company, and therefore directors' stewardship of the company, is based; and
- transparency about the activities of the business and any associated risks.

I agree with both points 1 and 2. It may be worth adding that with more and more emphasis on the work of the Audit Committee, it is increasingly important that the Audit Committee reports effectively to the whole board. Directors who serve on the Audit Committee will have a greater insight into these matters and directors who do not serve on the Audit Committee may have less comfort in acknowledging these responsibilities.

3. The growing strength of Audit Committees in holding management and auditors to account should be reinforced by greater transparency through:

- fuller reports by Audit Committees explaining, in particular, how they discharged their responsibilities for the integrity of the Annual Report and other aspects of their remit (such as their oversight of the external audit process and appointment of external auditors); and
- an expanded audit report that:
  - includes a separate new section on the completeness and reasonableness of the Audit Committee report; and
  - identifies any matters in the Annual Report that the auditors believe are incorrect or inconsistent with the information contained in the financial statements or obtained in the course of their audit.

I am supportive of fuller reports by Audit Committees in the way described.

Regarding the audit report I suggest the following:

- 1) The audit report is usually found immediately before or after the pure financial statements and focuses on the core audit responsibilities regarding those statements. References in the audit report to matters elsewhere in the wider document are then made as required by Companies Act, listing rules etc. I believe it would be better for the audit report to be at the front or end of the entire published document and it should explain the auditor's responsibilities and opinion on each section. The default for any part where the auditor does not have responsibilities covered by legislation or regulation should be the second of your points above: a duty to report matters inconsistent with financial statements or audit findings.

2) I believe that the general obligation to report matters inconsistent with financial statements or audit findings should be enough without having to opine on the completeness and reasonableness of the Audit Committee report specifically.

4. Companies should take advantage of technological developments to increase the accessibility of the Annual Report and its components.

Agreed.

5. There should be greater investor involvement in the process by which auditors are appointed.

I believe that transparency of process and decision-making is key here, followed by AGM vote. I suspect that investors will not want to get involved in the process.

6. The FRC's responsibilities should be developed to enable it to support and oversee the effective implementation of its proposals.

Agreed.

7. The FRC should establish a market participants group to advise it on market developments and international initiatives in the area of corporate reporting and the role of assurance and on promoting best practice.

Agreed. I believe that the FRC should draw attention to specific reporting that they see as being of a high standard, even individual notes, paragraphs or sections of reports.