



## FITNESS CHECK ON PUBLIC REPORTING BY COMPANIES

Issued 8 March 2018

ICAEW welcomes the opportunity to comment on *the proposal for a Fitness Check on public reporting by companies* published by the European Commission on 8 March 2018, a copy of which is available from this [link](#).

ICAEW is listed in the EU Transparency Register (ID number: 7719382720-34).

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This response of 8 March 2018 has been prepared on behalf of ICAEW by the Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

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## SUPPORT FOR THE INITIATIVE

1. ICAEW welcomes the European Commission's (EC) proposed *Fitness check on public reporting by companies*. In our view, it is both important and necessary to evaluate public reporting requirements on a regular basis in order to ensure they are still fit for purpose. It also provides an opportunity to reflect on whether reporting requirements need to be updated for any relevant developments, for example, in relation to technology, or to pinpoint any areas requiring further consideration.
2. Indeed, we are very active in current discussions on future developments in corporate reporting, and in 2017 issued the report *What's next for corporate reporting: time to decide?* In this report, we take stock of where corporate reporting stands at present and identify the key decisions that need to be taken before a step change in the quality and usefulness of reports can be achieved, with particular reference to non-financial reporting. The report also captures some of the main features of current discussions including in relation to:
  - The development of new business models and the growing importance of internally-generated intangible assets;
  - Balancing the reporting needs of investors with those of a wider range of stakeholders;
  - The potential impact of technological developments; and
  - The growing number and importance of non-financial reporting initiatives.

We are pleased to note that the EC's proposed consultation will be examining each of the above areas, as well as other important matters, and we look forward to responding in due course.

3. We also support the EC's plan to evaluate the accounting regime for micro-entities which, since it was introduced in the UK in 2013, albeit on an optional basis, has led to a number of concerns regarding the usefulness of the information included in micro-entity accounts. We believe this to be a timely and welcome review of the micro-entity regime.

## NEED TO ENSURE SUFFICIENT TIME FOR CONSULTATION

4. We understand that the final EC consultation, when issued, will be open for comment over a 12 week period. In our view, this is not sufficient time to enable stakeholders to carry out a thorough assessment of the matters under discussion. We suggest that a consultation of this scope and importance should be open for comment for at least 4 months in order to elicit good quality feedback from professional institutes and other organisations that wish to consult their members and other stakeholders before responding. We would be happy, time permitting, to work with the EC to help gather broader views, perhaps through hosting an event in London or Brussels.