



Consultation: Revised Operating Procedures for reviewing corporate reporting

ICAEW welcomes the opportunity to comment on the *Revised Operating Procedures for reviewing corporate reporting* consultation paper published by the FRC in October 2016, a copy of which is available from this [link](#).

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MAJOR POINTS

1. We welcome and broadly support the revised operating procedures proposed in the consultation paper and agree that the FRC has satisfactory procedures in place for the purpose of carrying out its statutory functions. We also agree with the importance of providing transparency in this area.
2. We note that the general practice of informing companies in advance of a review has not been included in the revised operating procedures. The FRCs *Corporate Reporting Thematic Review: Tax Disclosures* concluded that advance warning of a review improved corporate reporting which in our view is sufficient evidence to underpin it becoming regular practice. We would encourage the FRC to reinstate this approach in all circumstances and to draw on the conclusions from thematic reviews generally.
3. In the draft procedures it is recommended that the audit committee report should disclose that a review of the company's financial statements has been undertaken by the FRC. It is unclear where this disclosure should be made by private companies which have no audit committee. A consistent approach may be advisable, for instance, requiring that disclosure is made in the strategic report by companies which do not fall within the audit committee guidelines. We would also recommend that the disclosure guidelines are reviewed more generally to ensure that they are suitable for all reporting entities within their scope.
4. The requirement for a company to state that a review has taken place is welcome; however, this could be expanded and made more explicit. Specifically, the guidance could usefully direct that even a 'no issues' letter should be reported, since this event is in itself significant. As well as helping the users of that company's accounts, providing clarity on disclosure practice in such circumstances would avoid any confusion that might arise if a company not disclosing receipt of a 'no issues' letter is subsequently included in a list published by the FRC of companies reviewed.

RESPONSES TO SPECIFIC QUESTIONS

Question 1: Do you consider that the changes to the Operating Procedures are clear and understandable?

5. We consider the changes are clear and understandable with the exception of the omission mentioned above, where we explain in one respect that it is not clear what or where disclosure should be made by private companies.

Question 2: Do you consider that the changes to the Operating Procedures will promote more efficient and effective processes?

6. We agree that the changes in the operating procedures will promote more efficient and effective processes, generally. However, as mentioned above, we think that letting companies know about planned reviews in advance will lead to more effective reporting outcomes.

Question 3: Do you consider that the revised Operating Procedures are fair and transparent?

7. Yes.

Question 4: Do you have any other comments about the revised Operating Procedures?

8. We have no further comments.