

# Developments in Corporate Reporting

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# FRC - an integrated regulator

- Set UK and Ireland and influence international standards
  - accounting, auditing and actuarial
- Maintain the UK Corporate Governance and Stewardship Codes
- Issue guidance on the narrative reporting in annual reports
- Review and monitor:
  - Audit quality
  - Compliance with accounting standards and company law reporting requirements
- Oversight of the accounting and actuarial professions



# FRC approach

- Mission: Promote high quality corporate governance and reporting to foster investment
- Two-way comprehensive communication between company and investors is key
  - Financial Reporting Lab
- Mandatory rules are not always the best solution
- Consider all regulatory levers – a holistic approach



# UK Corporate Governance Code

- Key components of effective board practice:
  - Accountability, transparency, probity and sustainable success
- Better reporting leads to better behavior
- Comply or explain
- Supported by the Stewardship code for investors



# Fair, Balanced and Understandable

- UK CG Code
  - All reports should be FBU
  - Board must state in the annual report and accounts that, when taken as a whole, they are FBU
- Audit reporting standard (ISA (UK & Ireland) 700)
  - Report by exception on the board's statement
- FRC resisted calls to explain the terms or provide detailed guidance



# Strategic Report

- Legal requirement for annual reports
- Strategic management – generation and preservation of value
  - Business model, strategy and objectives
- Strategic position in business environment
  - Trends, principal risks and uncertainties, EESCH
- Business performance
  - Analysis of performance and position, Key Performance Indicators (KPIs), gender diversity



# FRC guidance on Strategic Report

- Clear & Concise
- Materiality
- Communication principles
  - FBU
  - Comprehensive but concise
  - Forward-looking and entity specific
  - Placement (cross-referencing v sign-posting)
  - Linkages (e.g. objectives, risks, KPIs and remuneration)



# UK CG Code on risks and viability

- Statement on use of going concern basis of accounting
- Robust assessment and description of principal risks, their management and mitigation
- Viability statement – reasonable expectation of continuing in operation
  - Period of assessment with reasons
  - Qualifications and assumptions





# Reporting on audit

- Extended auditor reporting - ISA (UK & I) 720
  - Assessed risks of material misstatement
  - How materiality was applied in the audit, including materiality threshold for financial statements as a whole
  - Overview of the scope of the audit
- Audit Committee reporting – UK CG Code
  - Significant issues considered and how addressed
  - External audit assessment and tendering processes, and auditor tenure
  - Safe-guarding of auditor objectivity and independence where non-audit services were provided



# Summary

