

Audit Reform and Regulation Team
Department for Business, Energy & Industrial Strategy
1st Floor, Victoria 1
1 Victoria Street
London
SW1H 0ET

10 June 2019

Email: FRCConsultation@beis.gov.uk

Dear Sir/Madam,

Independent Review of the Financial Reporting Council – Initial consultation on the recommendations

We are writing jointly to express the views of both the Audit Committee Chairs' Independent Forum (ACCIF) and The 100 Group on the Kingman Review recommendations. Given the roles of both Audit Committee Chairs and CFOs in the front line of corporate reporting and auditing, we considered it would be beneficial to collaborate on some key recommendations which we believe are workable and could have impact. There is a good deal of common ground and we united on the key messages you will see both in this letter and the individual letters from each group.

Both groups are highly supportive of the review and the associated recommendations. In a time of significant change for the UK, it is critical that we protect UK competitiveness and for the UK capital market to remain an attractive place to invest, it is therefore crucial that these recommendations keep this in mind. It is equally important that the new regulator be able to improve the identification of the risk of companies failing. Below we have noted ways in which we believe some of the recommendations could be implemented and noted some concerns we have for consideration.

- **Regime to hold directors to account**

We are both supportive of this recommendation in principle but would note the need to have absolute clarity on board responsibilities. Any new regime should be mindful of pre-existing regimes such as the Financial Services Senior Manager Regime, to ensure there is no contradiction between them. It should also be on par with similar regimes in other jurisdictions, so not to negatively impact the attractiveness of UK boards.

- **Strengthening of the UK Control environment**

We are supportive of this being considered and consulted on further. We strongly believe there needs to be equivalence given for existing SEC registrants and, if introduced, the framework should focus on financial reporting controls only, as these can be firmly anchored to the financial statements. We would have concern if a new control environment was more burdensome than US SOX, as this may impact the attractiveness of the UK being a prime location for businesses.

- **Reviewing viability statements**

Both Groups are highly supportive of the recommendation to review viability statements. We believe there needs to be clarity over what the viability statement is intended to represent, or not represent, as we do not feel they have met the expectations that were intended from them. The viability statement should be focusing more broadly on the identification of risks to the sustainability of the business model over a period which should be determined by the board. We

also consider there to be some confusion as to how the going concern assumption and viability statement are linked and would support a review of both statements concurrently.

All of the recommendations proposed will require a significant step up in the capacity and capability of the regulator and this task should not be underestimated. The regulator must be resourced by staff of appropriate seniority, experience and ability.

Joint audits

Whilst we understand there will be consultation on the proposals from the CMA and BEIS Select Committee, we both have strong views on the proposal of joint audits and have taken this opportunity to express these to BEIS.

We have significant concerns over the impact of joint audits on audit quality, efficiency and the effect they may have on the attractiveness of UK markets. Currently we believe a single solution is being proposed to two very different issues, quality and choice, and this creates significant incremental risk. We do not believe it is appropriate to use audits as a 'training ground' for the challenger firms. Further considerations are provided in our individual response letters.

Should you wish to discuss any of the above with either group we would be happy to facilitate this.

Yours Sincerely,



Jock Lennox
Chair of the ACCIF Board



Brian Gilvary
100 Group Chairman

ACCIF - who we are

The Audit Committee Chairs' Independent Forum (ACCIF) is an independent forum focused on FTSE 350 company audit committees. Its overall objective is to promote good governance by enhancing the leadership of Audit Committee Chairs (ACC's) through the sharing of experiences and the establishment of best practice.

The 100 Group - who we are

The 100 Group of Finance Directors represents the views of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent almost 90% of the market capitalisation of the UK FTSE 100 Index. Our aim is to contribute positively to the development of UK and international policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation. Whilst this letter expresses the views of The 100 Group of Finance Directors as a whole, those views are not necessarily those of our individual members or their respective employers.