

Ms Noranne Griffith
Financial Reporting Council
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consultation@frc.org.uk

14 December 2016

Dear Ms Griffith,

Revised Operating Procedures for reviewing corporate reporting

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Financial Reporting and Corporate Governance Expert Groups have examined your proposals and advised on this response. A list of members of the Expert Groups is at Appendix A.

Response

We welcome the opportunity to respond to this consultation on the FRC's revised operating procedures for reviewing corporate reporting. We welcome any initiative that provides further transparency about the review process to companies having their accounts reviewed, as well as other stakeholders such as investors.

We have responded below in more detail to the specific amendments from the point of view of our members, small and mid-size quoted companies.

Responses to specific questions

Q1 Do you consider that the changes to the Operating Procedures are clear and understandable?

We note that Paragraphs 71 and 72 of the revised Operating Procedures indicate that companies that apply the FRC's UK Corporate Governance Code are expected to report on a number of issues including the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review (CRR) team. However, apart from a company-specific press notice, or a formal request from the CRR team for a reference to an enquiry in a company's annual report, there is no reference to the expectations on companies that do not

apply the UK Corporate Governance Code. These include companies that are listed on growth markets such as AIM, and consequently constitute a large proportion of our membership. We would, therefore, encourage the FRC to set out clearly its expectations in this regard.

Q2 Do you consider that the changes to the Operating Procedures will promote more efficient and effective processes?

As a general comment, we support any changes to the Operating Procedures that will increase the speed with which CRR cases will be reviewed. We note that, particularly for smaller companies, CRR cases can consume a considerable amount of time and resources.

Notwithstanding this, the decision to transfer primary decision-making to the FRC staff and reducing the level of review from a two to a one stage process, could, in our opinion, lead to an increase in staff costs, due to the recruitment of additional senior CRR staff. However, the precise impact on staff costs is not quantified. We would be reluctant to support further increases in the levy to pay for these additional costs.

Equally, we believe that transferring primary decision-making responsibility to the FRC staff in CRR activities could lead to more compliance-based decisions, and reduce the level of pragmatism in the decision-making process. We believe that the current review process helps avoid ‘group think’ and introduces a valuable external perspective separate from the staff involved in the detailed review. We do not believe that a change would yield a fairer, more efficient, or more transparent process.

Q3 Do you consider that the revised Operating Procedures are fair and transparent?

We are concerned about the proposal to publish lists of companies whose reports have been reviewed and cases closed, regardless of the extent or outcome of the review. Such a move could lead to harmful misinterpretations. We understand that investors have called for more transparency but the FRC has yet to specify what investors intend to do with the information.

We believe that the current position whereby committee references and press notices are used to highlight certain cases continues to be appropriate. This process provides investors with information in cases where it is truly useful. We believe this avoids the risk of companies having to spend time explaining correspondence with a CRR that has resulted in relatively minor or, in some cases, no changes.

We also question the usefulness of publishing a list of closed cases that relate to December 2015 year ends in 2017. Indeed, we query whether disclosing information with such a time lag will in fact provide useful information to investors or the general public.

We consider it to be unnecessary for a company to have to explain every interaction with CRR to its investors. This would be contrary to the spirit of proportionate regulation and the FRC’s objective to minimise clutter and focus reports and accounts on material matters.

Q4 Do you have any other comments about the revised Operating Procedures?

We have no other comments about the revised Operating Procedures.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'TW', with a horizontal line extending to the right.

Tim Ward

Chief Executive

Quoted Companies Alliance Financial Reporting Expert Group

Matthew Stallabrass (Chairman)	Crowe Clark Whitehill LLP
Matthew Howells (Deputy Chairman)	Smith & Williamson LLP
Jonathan Compton	BDO LLP
Amy Shephard	Deloitte LLP
Neil Armstrong	Frontier Developments PLC
Gary Jones	Grant Thornton UK LLP
Anthony Carey	Mazars LLP
Joseph Archer	PKF Littlejohn LLP
Andrew Westbrook	RSM
Donna Caira	Saffery Champness
Ian Davies	Vislink PLC
Edward Beale	Western Selection Plc

Quoted Companies Alliance Corporate Governance Expert Group

Edward Craft (Chairman)	Wedlake Bell LLP
Colin Jones (Deputy Chairman)	UHY Hacker Young
Nathan Leclercq	Aviva Investors
Jonathan Compton David Isherwood	BDO LLP
Kalina Lazarova	BMO Global Asset Management (EMEA)
Nick Graves	Burges Salmon
David Hicks	Charles Russell Speechlys LLP
Nicholas Stretch	CMS Cameron McKenna LLP
Louis Cooper	Crowe Clark Whitehill LLP
Nick Gibbon	DAC Beachcroft LLP
Tracy Gordon	Deloitte LLP
Melanie Wadsworth	Faegre Baker Daniels LLP
Rob Burdett	FIT Remuneration Consultants
Richie Clark	Fox Williams LLP
Michael Brown	Henderson Global Investors
Will Pomroy	Hermes Investment Management Limited
Alexandra Hockenull	Hockenull Investor Relations
Julie Stanbrook Bernard Wall	Hogan Lovells International LLP
Darshan Patel Niall Pearson	Hybridan LLP
Peter Swabey	ICSA
Jayne Meacham Carmen Stevens	Jordans Limited
Darius Lewington	LexisNexis
Anthony Carey	Mazars LLP
Peter Fitzwilliam	Mission Marketing Group (The) PLC
Cliff Weight	MM & K Limited
Caroline Newsholme	Nabarro LLP
Julie Keefe	Norton Rose Fulbright LLP
Amanda Cantwell	Practical Law Company Limited
Susan Fadil Philip Patterson	PricewaterhouseCoopers LLP
Marc Marrero	Stifel
Kevin Kissane	Vernalis PLC
Edward Beale	Western Selection Plc