

CBI.

Ian Butler (Cookson Group).

U.K. problem (cf. Continent) is total number public cos, many of which would be private elsewhere.

Concern about communications between finance divs & financial analysts
Boards want to meet figures analysts have geared 'City' to expect
& look to auditors to support them.

Problem of 'forecasts' & ultimate responsibility of c/man.

In favour of disclosure, provided it is relevant to company's future prospects & in public interest.

Mandatory additions to Company Reports become formal rituals
& add to weight & expense (multiple receipts by trusts, nominees etc)

KPMG.

Jim Butler.

Audit ctces. are key. Audit report & what it should cover (Bill Morrison)
Should be asked for submissions, if so from whom?

How do we make something happen?

Remuneration

Too often fixed by cabals within board, m.ed's position is weak.
Method & outcome shld. be agreed by board & minuted.

10D

SIR Dermot de Trafford + Blenyz Jenkins.

Terms of refer. in wrong order, ~~responsibilities~~ ^{responsibilities} first.

Papers would go to Policy & Exec. Cttee - Then to Council.

Legal position of auditors in U.S.?

Sir Ron Deansing

STRUCTURE

At least 3. independent. mem's. Selected professionally or with senior mgt. appts. Links with paired exec. dir's? Underused resource.

Not separately responsible for monitoring co. perfc. But responsible to board for an assessment (annually?) of state of co. & d. performance.

Responsible for top salaries, appointment of auditors.

Look at Guinness memorandum & articles for specific mem. resp.

Service to board is to appraise, feed in collective comments, develop

judgements, express anxieties. Bring independent judgement & broad experience to strategic issues & risk/opportunity balance & long-term succession.

Over-reliance on formal meetings, on authentication, source of authority

Greater sensitivity to resource potential of board - underused.

INFORMATION

Aim should be for Co. Report to help shareholders. One concise view not three on where co. is, & where going. Numbers are important but words are vital if not are to be useful.

Short report with option for full document. (multiple copies).

Negative statement, things basically ok, useful.

Half-yearly report + balance sheet? Quarterly may mislead.

Danger of competitive driving down of standards.

Need to win support for change - 100 Group, Stock Exchange, MPs & Politicians of both parties.

Nigel Macdonald

Audit

Audit committees of mcd's + finance dir, c/Exec, head of internal audit as required.

Weakness of auditor's position - bus. partner → technical → managing - business point of view prevails.

No 'opinion shopping', counsel's opinion. Should there be a review panel?

Sh/hldrs. shld. be more actively involved, co. controls their actions through fees & appoints.

Competitive tenders, terms of office, consultancy - tenders should be on full-cost basis; separate auditing/consultancy arms. Disciplining weak auditors.

Chairman if independent / impartial concerned with continuity of business & !, wants effective auditing to protect against bolstering one year's figures which will be at expense of later years. Danger of seeing co. progress in a series of one year frames; this is irrelevant to co. as continuing entity.

CBI COMMITTEE

Principles preferred to codes. If code, then should assimilate other codes & give co's, one set of rules to work to. Concern about FRC as requirements tougher than on Continent.

Who financed FACG? To whom does it report? What will be status of its conclusions?

CBI concern that Brussels will read two-tier structure into codes/requirements.

Long-term convergence between ABI fiduciary interest & national interest.

Principles of remuneration shld. appear in Report of NICE.

ICAS

1] Internal control. Books concerning control. 1967. directors up to date knowledge with fcs.

Integrity of data base. system. self checking, complete, accurate, up to date.

2] Equal resp/liable. Penalty in rel'n to expertise/expere.

Mgt. resp. for fin. statements

Statement in dir's report for control system.

Implementing provision.

3] Audit Cttee. in rel'n to [1 & 2] & hiring/firing auditors.

Audit negligence, auditors responsibilities.?

What is info flow needed for efficient mkt.?

New, clear, rigorous.

What is in interests of us all. — effective boards, well run co's making most of opp'ties.

Auditing Practices Board. Audit report — expectations gap.

Coded report ✓ Expanded report x. Auditor's resp / Dir's resp.

Now working on longer report. Greater readiness to qualify?

Trade-off is acceptance of auditors of resps. beyond Caparo.

Distinguish between what is accurate fact, largely ^{verifiable} precise, best guess.

Ramenarin

Fixed by cabals, mcd's pos'n. weak. Ids. fair □ & uninvited.

Corp. Gov. No of public cos.

Info for dirs/analysts. — Enghd, auditors

Nature of Assets

Disclosure of appropriate to future of co. in gen'l interests

Jim Butler

Audit issues. Key

Audit report & what will it cover. — Bill Morrison.

How to take it forward?

Submissions. ? How make it happen?

Plan of Work. a) terms of refce. b) issues c) work programme.

Clun's visits on reports.

Structure, given repps. of dirs, mgt, funds.

Assess measure perfc, value of stake, put in notes, what put in words.

Passage of information / communication.

Who supplies? Who checks? Form? receive?

Info. mktts. suppliers capitals, shldrs, dirs, creditors.
holds together

How checked? — audit ctee
— external audit.

Who is responsible for supplying info (words & numbers)

↓
Board of dirs... (not chmn / cexec).

They must have confidence in figs (not rely on auditors)

Audit ctee. helps board.

Auditors appt'd by shldrs, reporting to them. Audits matter ∴ of
consultancy, possible discredencey.

Annual audit part of team producing figures.

Regularly audit, domestic team, expect them to signal weaknesses.

Independent audit.

Words. description activities, disconnected.

Business is moving, also are snapshots.

What form. timing, content.

strategy rates forecast.

① What bus. does? + breakdown.

② Who does it? people; trg.

Self-discipline

③ plans for future investment prog. ④ performance stewardship.

Words are binding

Institutions

History reqmt.

give basis & consider quantum

BTI will have to enforce.
Govt. shld. establish framework for statutory construct, balance conflicting interests.
Adjustment to m/cy is govts.

Responsibility put on bds,
external audits,

internal/external relativities.

Pay — practical? how devise fair system of remuneration?
— how to put it across?

Share options / mkt. driven
EPS.

Ask shldrs. in advance to approve methods/notes.

SEC shldr. resolution

Difficult technical task.
precator not binding.