

AccountancyAge

Investors call for bespoke audit committee reports

by Richard Crump

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INVESTORS would engage more with audit committee reports if they provided "hooks" to form a discussion around, the UK's reporting watchdog has been told.

A [report by the FRC's Financial Reporting Lab](#) found that investors want audit committee reporting to be bespoke and company specific and for significant [financial](#) statement issues to be tailored to the company each year.

Based on the views of 19 companies and 25 investor analyst groups, the FRC found that information on audit committee judgments related to financial statement

issues had the most scope for [improvement](#) and could help them in developing views on valuation.

"It's not [useful](#) to have four pages on immaterial issues - far better to be shorter and focus on real issues," one respondent suggested.

There were also specific recommendations that the audit committee chair be more accountable by personalising the report; describe in detail actions taken rather than just the functions they serve and depict their specific activities during the year and their purpose, using active, descriptive language.

Audit chairs were also advised to disclose judgements made for the year, and the sources of assurance and other evidence used to satisfy themselves of the appropriateness of the conclusion and consider their audience in describing issues and their context.

"Investors have told us that they will pay more attention to audit committee reports if they provided more meaningful information," said Sue Harding, director of the Financial Reporting Lab. "Audit committee reports should form part of the conversation between [companies](#) and investors building confidence in this important area of governance and showing how it contributes to good financial reporting."

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