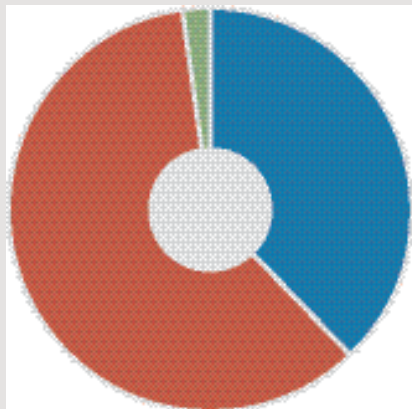


# The reporting divide

Do you agree with the Financial Reporting Council's proposals that narrative reports should be split into two sections to aide comprehension – one printed report on strategy and business model, one online dealing with financial details?



38%: Yes, annual reports need splitting.

60%: No, annual reports are fine as they are.

2%: I have no opinion on the matter.

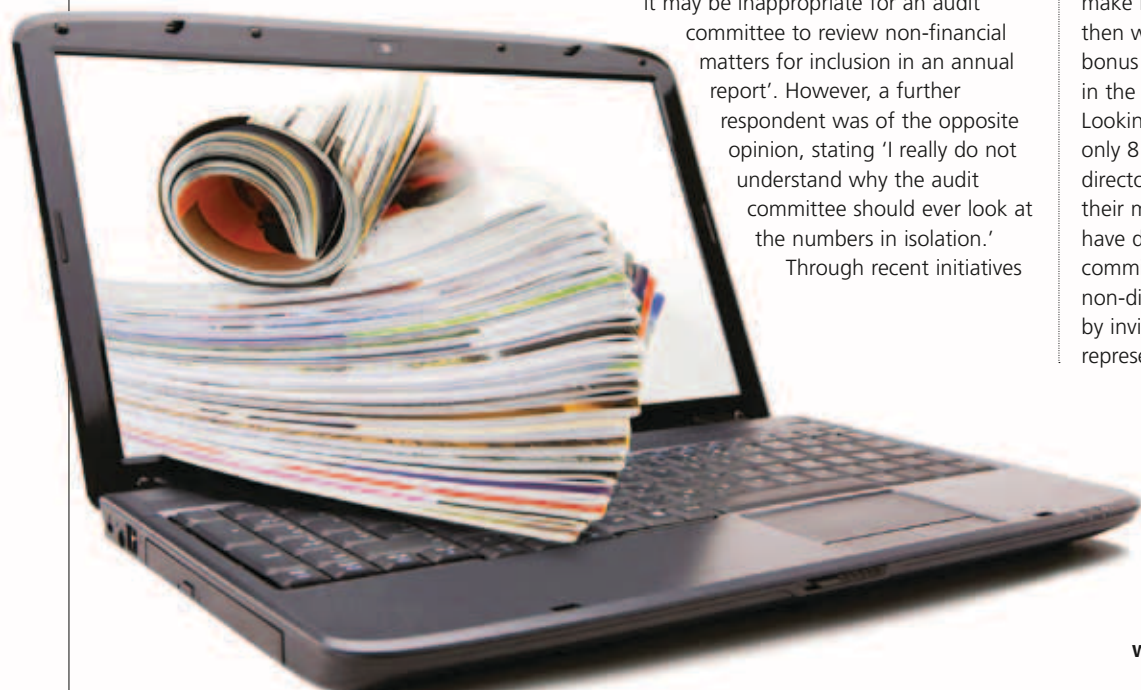
One of Mr Cable's proposals is that narrative reports should be split into two, with one printed report that looks at strategy and the business model and one online report which details financial information. We asked if this kind of split was necessary; 60% of respondents felt that annual reports are fine as they are and 38% thought that they need splitting. A further suggestion is that the audit committee approves the whole of the annual report, rather than just the accounts. When asked their feelings on this, respondents were split: 44% thought that the whole report should be audited, while 46% thought that the auditor's role should be limited to the financial aspects of the report. One respondent considered that 'audit committees should be involved with the whole report, but the role of the external auditors should not be extended.'

Another suggested that 'it may be inappropriate for an audit committee to review non-financial matters for inclusion in an annual report'. However, a further respondent was of the opposite opinion, stating 'I really do not understand why the audit committee should ever look at the numbers in isolation.'

Through recent initiatives

such as the Financial Reporting Council's (FRC) *Cutting Clutter* consultation, the Government has demonstrated that it is keen to streamline the process behind annual reporting in order to make it as efficient as possible. With this in mind we asked respondents if they felt that the proposed changes would increase or decrease the amount of time it takes to produce an annual report. Unfortunately the majority (69%) of respondents felt that these proposed changes would actually increase the amount of time it takes to produce the annual report; only 8% thought it would speed the process up and 23% thought it would not bring about any change at all. Respondents were divided on whether these changes would make it easier for stakeholders to find the information they required for the annual report: 31% thought they would make information easier to find, 37% thought that they would make it harder to find information and 32% thought that the situation would not change either way.

In the wake of the financial crisis the Government is also keen to identify a fairer approach to the development of remuneration policy. The FRC has suggested that one way to achieve this would be to bring employee representatives on to the remuneration committee. When asked if this approach would make remuneration policy fairer, 71% of respondents asserted that it would not, while only 23% thought that it would. One respondent was adamant that 'if you wish to make remuneration 'fair' across a company, then whatever the largest salary increase/ bonus /option award is, should be awarded in the same percentage to all employees.' Looking at board committee composition, only 8% of respondents currently have non-director employee representatives on any of their main board committees, while 82% only have directors represented on main board committees. One respondent said that 'other non-director employees attend meetings by invitation ... but are not 'employee representatives' in the consultation sense.'



Conducted in association with Company Secretarial Services

If you're a company secretary of a leading UK business, and you'd like to take part in or comment on future surveys, e-mail Caroline Evans at [cje@blt.co.uk](mailto:cje@blt.co.uk).