



Financial Reporting Council

Questions from the Review of Corporate Reporting Webinar

November 2023

The FRC does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

© The Financial Reporting Council Limited 2023

The Financial Reporting Council Limited is a company limited by guarantee.

Registered in England number 2486368. Registered Office:

8th Floor, 125 London Wall, London EC2Y 5AS

You say you do consistency checks on the cash flow statement. What sort of thing do you look for?

As our reviews are initially desktop reviews of the report and accounts, we look for consistency between amounts reported in the cash flow statement and other disclosures.

We shared a list of the consistency checks that we typically perform on page 35 of our '[Cash flow and liquidity disclosures](#)' thematic review report.

Can you explain again why TCFD does not feature in the Top ten?

The Top ten reflects the substantive questions we ask of companies to which we require a response so that we can better understand a company's reporting. 2022/23 was the first review year in which we raised points on TCFD with companies, and our aim was to improve the standard of reporting in this fast-evolving area. Therefore, most of the points we raised were what we refer to as "Appendix points", which are points that we suggest a company considers when preparing its next report and accounts but to which we do not require a response. In future, we are more likely to ask substantive questions about these disclosures.

When will the FRC's usual annual review of corporate governance reporting be published this year?

The [latest Annual Review of Corporate Governance Reporting](#) has now been published.

Regarding the Thematic Review on Reporting by largest private companies, how many companies have been selected and are the companies notified that they are being reviewed for this Thematic?

Our thematic review on 'Large private companies' is still in progress, with publication planned for January 2024. Companies have not been pre-notified that their accounts will be reviewed in this case.

Do you inform a company's auditor when a company is sent a letter? If so, do you do that for all types of correspondence or only for 'substantive letters'?

We have recently changed our approach in this area and now inform the company's current auditor in all cases where we write to a company following our review of its report and accounts. We inform the company of our intention to contact their auditor.

Will there be a specific industry focus like there has been in the past?

Yes, the FRC expects to publish its areas of supervisory focus for 2024/25, which will identify priority industry sectors, in the usual way towards the end of the calendar year.

I hear that companies reviewed are rotationally addressed, but 60% of this year's reviews on FTSE 350 companies seems high. Is this percentage the yearly average or does focus change each year to a higher weighting on FTSE 100 and 250?

The percentage reflects the actual number of reviews of FTSE 350 companies that we performed in our 2022/23 review cycle, and is similar to the equivalent measure for the previous year. There is further detail on this percentage for the last three years on page 58 of the [Annual Review](#), including an explanation for the key movements.

What is the worst thing that can happen to a company as a result of a review of its report and accounts by the FRC?

The FRC's Corporate Reporting Review (CRR) team principally engages with companies on a voluntary basis, asking companies to explain apparent departures from reporting requirements. If we are not satisfied by the explanations, we aim to persuade them to adopt a more appropriate treatment. Depending on the circumstances, a range of remedial actions may be accepted that correct the matters in error. For example, correction of the comparative figures or disclosures in the next report and accounts and/or interim report, or the voluntary withdrawal of the company's report and accounts and replacement with revised accounts.

Failing voluntary correction, CRR may ask the FRC Board to exercise its powers to secure the necessary revision of the accounts through a court order.

For more information, see our website, in particular [Corporate Reporting Review \(overview\)](#) and [The FRC's Operating Procedures for Corporate Reporting Review](#).

In addition to CRR's review activities, the FRC's Enforcement Division conducts investigations and will bring enforcement action, if appropriate, against auditors, accountants, accountancy firms, and actuaries where there appears to be misconduct or a breach of the relevant professional standards. Further information can be found [here](#) on the FRC's website.

When was the year-end thematic review of IFRS 17 formally announced? Is there a link to the news release?

The IFRS 17 thematic review was included in the announcement of the [FRC's areas of supervisory focus for 2023/24](#) in December 2022.

Regarding the IFRS 17 Thematic Review, how will this reflect a true industry view of transition and challenges faced?

Given that the sample companies are larger insurers who have the resources to effectively transition to IFRS 17. The biggest challenge may seem to be for small/medium sized insurers who may lack the resources to implement the standard. This may better reflect the true IFRS 17 transition challenges the industry is facing.

The [current thematic](#) reviews a selection of insurers' 2023 interim accounts to assess compliance with IFRS 17 and identify examples of better practice disclosures, ahead of the more demanding disclosures expected in their annual reports and accounts. We acknowledge that the issues may be different for smaller insurers and will highlight our findings here, in due course, when we complete our full year thematic review, and in these publications where we identify issues in our routine reviews.

How long does the FRC spend typically on the review of a set of financial statements?

The time spent on our initial reviews varies significantly depending on the complexity of the relevant report and accounts and the nature of any issues identified.

The business model is a fundamental part of an annual report, and yet many companies provide weak explanations of their business models. Is this a common failing you've noticed and if so have you addressed it?

We do ask questions in relation to disclosures about the company's business model. Reasons why we have raised queries on the business model include the omission of an explanation of the business model; a lack of clarity in the description; the apparent absence of important information; and inconsistency with other information in the report and accounts.

Thematic Reviews and webinars such as this are helpful. What else is the FRC planning to do to help preparers avoid errors/restatements?

Our Annual Review, thematic reports and associated webinars are the main ways in which we communicate with preparers, auditors and other stakeholders. The thematic reports, in particular, typically include examples of better practice disclosure, as well as highlighting the areas where we see errors and shortcomings. The disclosure expectations we set out in these publications are

directly aligned to the areas where we identify the most problems, including our 'top ten' issues. See page 16 of the [Annual Review](#).

Over the past years, the ranking of 'judgement and estimates' as key findings shifted from 1st place in 20/21 to 8th and now to 2nd. Based on your review what factors have driven these changes?

Judgements and estimates have consistently been at the top of the list for several years with the exception of 2021/22 when it fell to 8th. We published thematic reports on this area in [2017](#) and [2022](#).

The frequency with which topics are raised each year depends to some extent on the companies that we select. We note in the report that the most frequently raised issues this year were impairment and judgements and estimates, and that this may reflect the heightened economic uncertainties companies need to factor into their financial reporting.

Have you received any stakeholder feedback from your reviews? Are stakeholders expressing any concerns?

Following a review, we collect anonymous feedback from a company's directors and key staff on their experience through an online survey. Further information about the process and summarised findings for 2022/23 reviews are on page 69 of the [Annual Review](#).

The TCFD disclosure required by CA 2006 places it in the NFSI Statement. Many companies present this (NFI Statement as was) as a cross-reference table, not detailed content in the NFSI Statement itself. Also they refer to information outside the report and accounts. Guidance please!

The [Non-binding guidance FAQs](#) published by the Department for Business, Energy and Industrial Strategy confirm that all information to meet the requirements of the CFD regulation must be included in the Annual Report and Accounts. It is not necessary for all of the required information to be included within the non-financial and Sustainability Information Statement (NFSIS), but if included elsewhere in the Annual Report and Accounts, the NFSIS must include a specific cross reference to where it can be found.

Detailed supplementary information, in addition to that required to meet the disclosure requirements of the regulation, may be provided elsewhere.



Financial Reporting Council

**Financial
Reporting Council**

8th Floor
125 London Wall
London EC2Y 5AS
+44 (0)20 7492 2300

www.frc.org.uk

Follow us on
 Twitter [@FRCnews](https://twitter.com/FRCnews)
or **LinkedIn**.