

**Briefing for Sir Adrian Cadbury - Informal Press Briefings  
Thursday 17 February 1994**

**1. Membership of the Committee**

There have been some changes to the Committee's membership since the publication of the Report and Code in December 1992. An up to date list is included in the folders given to the journalists.

NB - Sir Sidney Lipworth's name does not appear on the list. I will advise you if we get a formal response from him prior to the meeting.

**2. Report and Code - Copies distributed**

Discounting those copies which were sent to all listed companies at the time of publication in December 1992, during 1993 nearly 8,500 copies of the Report and Code were distributed. So far in 1994 over 300 copies have been distributed.

These numbers will be made up both of copies sold direct by Gee, the publishers, and those which they have made available to us for distribution as we think fit.

All newly listed companies are given a copy by the Stock Exchange as part of their "welcome pack".

**3. Breadth of influence of the Report**

King Committee in South Africa, Toronto Stock Exchange Committee on Corporate Governance in Canada, developments in Australia.

Also interest from more surprising sources - Stock Exchanges in Bangkok and Zimbabwe.

Within the UK, very gratifying to note that other organisations now looking critically at their systems of corporate governance:-

- National Health Service - draft Codes of Conduct and Accountability for NHS Boards
- Building Societies Commission - draft Prudential Note
- Federation of Agricultural Co-operatives.

Also indications of move to greater accountability in the public sector generally.

#### **4. Monitoring**

Aim of the Committee to get as much information as possible from as wide a source as possible on companies' compliance/non-compliance with the Code.

The Committee

- has set up formal monitoring arrangement with ABI with computerised database, from which Committee will be able to draw aggregate data on levels of compliance;
- is liaising with the ICAEW Corporate Governance Research Board in promoting several research projects which will be completed in time for the Committee to use as evidence to put to successor body. Examples of areas covered include the modus operandi of the board, the role of institutional shareholders and audit committees;
- looking carefully at research projects/surveys carried out by other parties (eg commercial consultants, accountancy firms) into compliance with specific aspects of the Code, or by size of company;
- will consider commissioning research itself into any area of interest or concern that is not being covered elsewhere. Nothing in train as yet - perhaps something could be shown up by results of ABI monitoring in due course.

#### **5. Going Concern/Internal Controls**

Refer to copy of letter to Bill Morrison included in journalists folders. This sets out the relationship as the Committee sees it between the Committee and the preparers of guidance. ( No formal responses were received from the recipients of this letter disputing the view put forward.)

The ICAS Working Party Recommendation on a suggested framework for internal control is contained in the information given to journalists. This was submitted in evidence to the Committee prior to publication of the Report and Code.

The Committee have not as yet made a formal response to the Working Party on Internal Control chaired by Paul Rutteman. The Committee is next due to meet on 23 February and could still meet the Group's deadline for comments of 28 February if decision is made to put forward views.

## 6. Extracts from Company Reporting - Corporate Governance Statements

- Kwik Save plc - reservations that implementation of going concern and internal control will bring increased bureaucracy and cost
- Royal Bank of Scotland - very full corporate governance statement- no reservations
- Creston plc - comment on internal control and going concern
- Bass plc - example of auditors' statement
- S Lyles plc - smaller company with disclosures "appropriate to a company of its size"
- Dalgety plc - statement includes internal control and going concern
- Scholes Group plc - example of auditors' statement
- Smiths Industries - expansive statement on financial controls
- J Smart & Co - compliance with the spirit of the Code, but not the letter
- Barry Wehmiller Int. plc - example of a possible "standard" compliance statement