

Restoring trust in audit and corporate governance consultation Acas response

8 July 2021

This is the Acas Council response to the government's [consultation on restoring trust in audit and corporate governance](#).

Acas Council response

Acas (the Advisory, Conciliation and Arbitration Service) welcomes the opportunity to respond to the government's proposals for restoring trust in Britain's audit and corporate governance framework.

Acas is a statutory, non-departmental public body with a duty to improve employment relations in Great Britain. In 2019 to 2020, Acas handled approximately 800,000 calls from individuals and employers to our national helpline and our website received nearly 15 million visits from individuals seeking advice and support.

The coronavirus (COVID-19) pandemic has hit businesses particularly hard and as a result, demand for our services has been high. In March 2020 we had 3.4 million unique page views on our website compared to a normal average of 900,000 per month and our helpline dealt with over 5,000 calls in one day in late March 2020.

Acas also provides conciliation in collective disputes (more than 550 in 2019 to 2020) and runs training sessions on a wide range of workplace-related topics. A considerable amount of Acas's resource, however, is devoted to providing early conciliation before individuals can bring a claim to an employment tribunal. Last year we received nearly 140,000 early conciliation notifications.

Acas's interest in the proposals for reform

Much of Acas's work is involved in helping individuals understand their rights as employees and workers and ensuring that they receive their legal protections and that employers have all the information they need to meet their responsibilities. We therefore have an interest in the developments that have been taking place in recent years to ensure that the benefits of company audit and corporate governance are brought to a wider group of stakeholders, including employees.

Acas was particularly interested in the changes made a few years ago to the UK Corporate Governance Code setting out new requirements for boards of relevant companies to engage with their workforce. We ran a number of joint events on the issue with the Financial Reporting Council (FRC) to help gather evidence and we commented on the detailed guidance about board level engagement with employees that was published alongside the UK Corporate Governance Code.

The proposals for reform set out in the government's consultation are wide-ranging and the majority relate to aspects of audit and corporate governance that lie outside of Acas's interest or expertise. There are, however, some proposals where we would like to offer a comment.

Consultation question 1 – Should large private companies be included within the definition of a public interest entity (PIE)? Please give your reasons.

Acas believes that large private companies should be included within the definition of a PIE. Larger companies are inherently more complex organisations and therefore require greater audit and corporate governance oversight. Including large private companies in the definition would also have the advantage of bringing a greater number of employees within the protections offered by the more stringent audit requirements and oversight that are applicable to PIEs. When a company collapses, the people most often affected are the employees so the more that can be done to extend the protection offered by high level company audit to these individuals the better.

Consultation question 2 – What large private companies would you include in the PIE definition: Option 1, Option 2 or another? Please give your reasons.

Acas would support Option 1 as the approach to be used to identify the large companies which should be added to the PIE definition on the grounds that this will bring more companies and employees within scope.

Consultation question 22 – Do you agree with the proposed minimum content for the audit and assurance policy? Should any other matters be addressed in the policy by all companies in scope?

Acas supports the government's plans to provide investors and others with a clearer idea of the extent to which the annual report and other disclosures have been scrutinised, whether by the existing company auditor or someone else. As regards the proposed minimum content for the audit and assurance policy, Acas, would particularly support the inclusion of an explanation of whether, and if so how, shareholder and employee views have been taken into account in the formulation of the policy.

The new Audit, Reporting and Governance Authority (ARGA)

Acas notes with interest the government's plans for establishing a new regulator to take over from the FRC. As indicated earlier, Acas has had the pleasure of working with the FRC on specific initiatives and we also serve on the council's stakeholder advisory panel. We have found this panel a particularly useful vehicle for keeping in touch with corporate governance developments and for feeding our views into the council and we hope that the new regulator will have a similar body when it takes over from the FRC.

We hope that these comments are helpful and look forward to seeing the outcome of the government's consultation in due course.