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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

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SCOTS CAs SET UP CORPORATE GOVERNANCE WORKING PARTY

1. The Institute of Chartered Accountants of Scotland (ICAS) has announced a major initiative to address selected corporate governance issues which are of particular relevance to the accountancy profession. Nigel Macdonald, the Institute's Vice-President elect, will chair the Working Party which includes senior representatives from the profession, commerce and The Stock Exchange.
2. The Working Party will consider:
- * management's responsibilities for financial statements
 - * the need to require companies to maintain adequate internal control systems
 - * the implications of these issues for the role of audit committees.

3. As Nigel Macdonald explains:

The debate on corporate governance is gathering momentum but, so far, part of the jigsaw has received little attention. This is the striking of an appropriate balance between the accounting profession's responsibilities and those of company directors and investors. We will focus on three specific aspects of this relationship and intend to develop practical recommendations. Our proposals will not be developed in isolation as we will liaise with other bodies, such as the CBI, examining other aspects of the important issue of making corporate governance more effective. The present consensus as to the need to reconsider corporate governance offers a significant opportunity for the financial community to re-examine a vital part of the free market system.

4. A copy of the Working Party's remit and a membership list is attached.

For further information, please contact:

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

CORPORATE GOVERNANCE WORKING PARTY

Membership

1. Nigel Macdonald (Chairman) Ernst & Young, London
2. John Baden Deputy Chairman & Chief Executive
Girobank plc
3. Sir Robin Duthie Vice Chairman
Scottish Advisory Board, BP
4. Jim Gemmell Clark Whitehill, London
5. Geoffrey Maitland Smith Chairman
Sears plc
6. Nigel May KPMG Peat Marwick McLintock, London
7. Roger Musson Coopers & Lybrand Deloitte, London
8. David Porteous The Stock Exchange
9. Brian Price Council Member of ICAEW

MAKING CORPORATE GOVERNANCE MORE EFFECTIVE

Terms of reference of Working Party formed by The Institute of Chartered Accountants of Scotland to address selected issues concerning corporate governance.

1. Objective

To prepare a report containing recommendations related to management's responsibilities for financial statements, the adequacy of existing requirements on directors for internal control systems and the implications of those issues for the role of audit committees, together with any changes proposed in the role of an audit committee in appointing or dismissing auditors and in reviewing their remuneration. These recommendations should be supported by a concise summary of the issues and related considerations. The recommendations should be framed having regard to the optimal way in which they can be given legal/or practical effect. Following the success of this Institute's publication "*Making Corporate Reports Valuable*" a provisional working title for the report of the Working Party is "*Making Corporate Governance More Effective*".

2. Management responsibility for financial statements

To consider the need for Annual Reports to include a statement by management explaining the duties of the directors in relation to the financial statements

To consider the scope of such a requirement

To consider possible means of implementing such a requirement and drafting proposed provisions

To draft a suggested proforma for such a statement

To consider the auditor's role in relation to this statement

To consider indemnity insurance implications of the above

3. Internal control systems

To consider the need for a requirement for the maintenance of adequate internal control systems by companies

To consider the scope of such a requirement

To consider possible means of implementing such a requirement and drafting proposed provisions

To draft proposed guidance to companies on complying with such requirements

To consider the role of the directors, and specifically that of the non-executives' audit committee, in ensuring the maintenance of adequate internal control systems

To consider the auditor's role in reporting on companies' compliance

To consider indemnity insurance implications of the above

Audit committees

To consider the role of audit committees vis a vis

- the proposals at 2 and 3 above
- the appointment, dismissal and remuneration of auditors