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The Turnbull Review Group
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Dear Sir,

**Review of the Turnbull Guidance on Internal Control: Proposals for
updating the guidance – Consultation Paper, 16 June 2005**

Comments on behalf of The Association of Corporate Treasurers

We were very pleased to read the recommendations of the Review Group for updating the Turnbull Guidance. The changes proposed protect the established advantages of the Turnbull approach while adding clarity in some matters and improving the relationship of the Guidance to the Combined Code and the Smith guidance on audit committees. The Review Group seem to have done a very good job.

The preservation of the wide-ranging scope of the matter addressed while generally avoiding prescription of how the guidance is to be applied is particularly welcome. The trap of seeking to eliminate risk rather than to look to its identification and management has been avoided.

We have only a couple of minor points:

- The Review Group proposes that the content of ss. 42-47 be added by the FRC to the Smith guidance (to the extent that it is not already there). We believe that the addition to Smith should be made simultaneously with the elimination from the Turnbull Guidance.
- In the Evidence Paper, it is noted (pp 41, 44 and, particularly, 47) that while investors reported that they obtained important governance information from meetings with directors, directors say that questions relating to governance are never or rarely asked in meetings with investors.

We think that the reason for this lies not in the mendacity of either party but in the mentality with which the parties approach the discussion. Information on governance processes within the company can be gleaned from the responses to many questions – and the information can be more useful as it is less tailored in the matter than the response to a direct question would be. Directors will often respond to questions without being aware of the underlying issues prompting the questions. (Equally, no doubt directors would feel that investors don't always fully understand their answers.)

This is perfectly normal and healthy and not a cause for concern.

Finally, we believe that the FRC should feel that the UK's general approach to internal control has been overwhelmingly supported. While the introduction to the Evidence Paper draws attention to the importance of the companies and investors directly commenting to the Review Group, many companies and investors have, as is customary, relied on representative bodies rather than making inputs directly. Thus there seems to be no significant sector among companies or investors which have taken a contrary view.

Details of The Association of Corporate Treasurers were included in our submission of evidence to the Review Group

Yours sincerely

John Grout

Technical Director