

Public Interest Research Centre Limited

CAD-02417
cc Sir Adrian

P.O. Box 111, London NW1 8XG

Tel: 071-586 7771

(Please say if
you would like
to see the full
document.)

N7h

July 9, 1992

Nigel Peace, Secretary
Committee on the Financial Aspects
of Corporate Governance
PO Box 433
Moorgate Place
London EC2P 2BJ

Dear Mr. Peace,

RE: DRAFT REPORT

I have enjoyed reading the Committee's draft report which, may I say, is wonderfully clearly written and presented. As someone who has been looking at the area of self-regulation for several years, I certainly welcome the report's objectives of bringing the greatest possible degree of openness, objectivity and accountability to financial control and reporting. Although the scope is limited to financial aspects, there are models to be had for other areas of company operations.

I did, however, wonder why the terms of reference focused so sharply on the roles and responsibilities of senior management and above. I find it difficult to conceptualise an effective system of internal financial control which does not rely heavily on the probity of every employee with a degree of financial responsibility, and his or her willingness to report concerns to an appropriate recipient (be it senior manager, internal auditor, external auditor, audit committee, non-executive director or other designated officer).

Of course this begs questions of rights and duties of individual employees, formal internal channels for reporting concerns, and statutory protection, which in the report are only addressed in relation to auditors and board members.

When the report quite rightly says (in 7.2) that key safeguards are properly constituted boards, audit committees, and vigilant shareholders, I wonder why vigilant employees are omitted. In 7.5 when the report speaks of "a sharper sense of accountability and responsibility all around", the employee is again missing from the equation.

A Registered Charity

Registered No: 1112242 England Charity No: 266466 Registered Office: 18 Victoria Park Square, London E2
Chairman: Christopher Zealley Directors: Andrew Phillips Oliver Thorold Anthony Sampson Secretary: Maurice Frankel
Associated with Social Audit Limited

How far can there be effective corporate governance without the willing and active participation of the governed? Can a satisfactory degree of openness be achieved if improved internal channels only reach as far down as senior management? In such case, how can auditors, audit committees and non-executive directors be assured that all of the information they need to do their jobs properly is reaching them?

Finally, I wonder if perhaps an opportunity is being missed to embrace the stakeholder approach to corporate governance by not having wider stakeholder representation on the Committee and among those whose views are sought.

I should say that I am involved in setting up a new resource centre (working title: Public Concern at Work) which will advise employees concerned about possible malpractice at work on how best to raise concerns internally--and will advise employers on how to improve internal systems for hearing such concerns. The centre is being set up with a major grant from the Joseph Rowntree Charitable Trust. Lord Oliver of Aylmerton chairs the advisory council and Sir Gordon Borrie will chair the board. Guy Dehn, former legal officer of the National Consumer Council, is director-designate.

I hope you will find my comments helpful. It strikes me that it could be mutually beneficial for you, Guy Dehn and me to meet briefly. If that sounds a good idea, could I ask you to ring me on 071 485-7743 to fix a time.

I congratulate the Committee for taking this step towards effective corporate governance into the next century. I wish your efforts continuing success.

Yours sincerely,
Marlene Winfield

Marlene Winfield
Policy Adviser

P.S. I enclose a summary of my initial research into self-regulation in British companies for your information.

MINDING YOUR OWN BUSINESS

This timely pamphlet and the book it summarises look at how British companies regulate themselves at present — and how they might do so more effectively in future! The pamphlet:

- reports the results of a survey of 53 companies operating in Britain
- recommends ways companies might develop ethical cultures
- considers why and how to make employees into self-regulators
- briefly examines employment law as it helps or hinders self-regulation
- looks at possible roles for trades unions and professional associations in ethical policy-making

The book of the same name provides a more detailed look at all of the above, including criteria for evaluating policy documents and channels of communication. It also contains examples of effective and not-so-effective policy documents, summaries of key employment cases, interviews with British whistleblowers, and British and American reading lists.

£2.50

Social Audit

MINDING YOUR OWN BUSINESS

SELF-REGULATION AND
WHISTLEBLOWING
IN BRITISH COMPANIES

SUMMARY

Social Audit