

## **CHAIRMAN OF ARC JUDGE'S PANEL SPEECH**

Honourable guests, ladies and gentlemen. Good evening to you all. Let me begin by thanking Griffon for his kind words of introduction and the SPSE for appointing me as Chair of the panel of judges for their annual reports award and for inviting me to make these comments.

In my speech last year I noted that some reports contained an alarming number of grammatical errors, to the extent that the writer's intent was not always clear. While the panel noted a clear improvement in the reports under review this year this short coming is still evident. This is a matter of concern as ambiguity in the message can lead to misunderstanding rather than enlightenment, with the consequent possibility that bad decisions will be made. In preparing our annual reports we must all realize that we are engaged in a one way communication. Readers do not have the opportunity to challenge the accuracy of the writer's statements, or to seek clarification where there is ambiguity. Let me therefore repeat the exhortation made last year that all entities should proof read reports carefully before printing them and seriously consider contracting a professional editor to finalise the reports. Indeed, I would go further. Preparers of annual reports should consider it an ethical duty to ensure the clarity as well as the accuracy of their work, particularly the narrative sections that are not subject to the rigours of the audit process.

The reports under consideration in this competition in categories A, C and D were all compiled under the International Financial Reporting Standards. The Panel was pleased to note that in general a high level of compliance had been achieved, although there were inevitability areas where shortcomings were noted. For the benefit of these entities that have not received letters for the Fiji Institute of Accountants Surveillance Panel, which is charged with monitoring compliance with IFRS's, let me state that weaknesses are commonplace in the areas of disclosures pertaining to the management and measurement of financial risks and with respect to related parties. The first requirement is completely new and the second radically expanded. Failure to fully comply in reports produced with 2008 year endings is understandable and perhaps condonable. The Panel will look to see if these shortcomings will be or have been addressed when it comes to judge reports with 2009 year endings.

While compliance levels in financial reporting were generally very good the Panel detected that the Financial reports have become less reader friendly. In a number of cases the judges found information absent from where it might have been expected, but disclosed somewhere else in the report. We sympathise with the entities, which have had make substantive revisions to their reporting templates to accommodate the charges in regulation. To effect the most efficient and effective presentation first time round would be unrealistic. We trust that entities have given this matter substantive thought in compiling their 2009 reports. We would suggest that cross referencing between the notes as well as from the financial statements to the notes could prove helpful.

It was encouraging to see a general increase in disclosures pertaining to matters of entities' governance and corporate social responsibility, although these is still quite some way to go in these areas and some entities still obdurately confine their reporting to matters required by law and regulation. With respect to matters of governance the panel note that the CMDA's Corporate Governance Code for the Capital Markets becomes effective for reporting periods ending on or after 31<sup>st</sup> December of this year. We have been assured by the Reserve Bank of Fiji that they are committed to see that the code is implemented. The code is comprehensive and calls for timely disclosures of pertinent information for investors and other parties not just in the annual reports, but throughout the year by way of press release and stock exchange announcements. While the code must be adopted by all listed companies, I would urge all other entities to positively consider observing the code. It includes new requirements for inclusion into annual reports and will therefore be factored into the marking for financial reports with 2010 year endings, by which time all entities will have had to comply. As I have noted, observing the code will require entities to place information in the public domain communicating outside the annual report. Evaluating entities achievements in this area falls outside the Panel's remit. We would therefore be delighted to see a new award be introduced relating to the quality of governance demonstrated by entities, using the requirements of the code as a benchmark. As the corporate governance code now falls within the province of the Reserve Bank the Panel hopes that it can give our suggestion positive consideration. The Panel would also like to remind entities that the third iteration of the Global Reporting Initiative on social and environmental reporting has been in place since 2006. It identifies stakeholders concerns and interests in the areas of environmental issues, human rights responsibilities to labour, consumers and society at large, as well as traditional financial accountability. It also offers valuable pointers on how meaningful reports can be framed to address these matters. Entities that have chosen not to report on issues of governance and social and environmental issues can no longer claim that they have no point of reference for such reporting. These entities which do report on these areas, and some reports are admirable, now have direction provided in both areas to further improve their efforts. Market leaders in quality reporting will also want to note the outcomes of he World Summit on climate change in Copenhagen. This will undoubtedly provide direction for environmental reporting in the future.

A total of 19 reports were submitted for this year's competition. A fall from the 23 participants in both 2007 and 2008. This may be due in part to the rescheduling of the competition so that all reports under consideration have a year ending within the same calendar year. It appeared that entities in the public sector, most of which have 31<sup>st</sup> December year ends had difficulty meeting the deadline for submitting reports for consideration. There were only 2 entrants in the public sector category this year. A great pity as this is the category where there has been the most intense competition in previous years. The Panel have set the deadline for submitting the reports for future years at 15<sup>th</sup> July, giving all entities a minimum of six months to get their financial report complete and signed off, plus a grace period for publication. The panel considers that the untimeliness of a report produced six months or more after the financial year end seriously

compromises its usefulness and also reflects difficulties faced by the entity in getting an acceptable report in order. Such a report is unlikely to be one the Panel or indeed the Exchange would wish to confer an award on and by implication held out as an example of a good report. The panel certainly hopes that all entities in the public sector that have competed in the past will participate again in 2010 and the years to come.

The panel would again pay tribute to the not for profit organizations which participated in Category B, All four organizations provide good quality comprehensive reports on a limited budget. We commend them all for their participation and look forward to receiving their reports for next year's competition. Once again the panel calls on NGO's, particularly those committed to promoting accountability, good governance and transparency to participate in this competition. Sadly they continue to be conspicuous by their absence.

We are encouraged by the substantial improvement in the quality of the reports prepared by entities in category D in recent years. The results in this group three years ago were a foregone conclusion. This is no longer the case. Category D can now rightly claim to be the blue riband section of the Exchange's Annual Reports Award it should always have been.

I would like to conclude on a personal note. The Judges task is an onerous but highly enjoyable one as well compiled annual report to the discerning eye s a thing of great beauty. Sadly for me I will not be here when the 2010 competition gets under way. I would therefore like to place on record my personal thanks to the SPSE for inviting me to serve on the panel for so many years and to my fellow judges for their hard work and support. I would also like to wish everybody a truly joyous festive season.