The following idea was initially contributed to a Group member conducting informal marketplace interviews. It has since aroused positive interest with several stakeholders in the investment research business chain, with whom Group members have discussed it.

Getting good quality corporate information is often a challenge for investors and analysts. Many analysts, sell-side, unaffiliated and buy-side, have explained the frequently occurring need, prior to undertaking analytical work, for reviews of corporate profit and loss and balance sheet numbers, and if necessary for their adjustment and re-statement.

The Audit function might conceivably be extended and redefined to include such work as part of an independent assessment and review of the quality of the company’s shareholder information. “Auditors should re-invent themselves as investment analysts” is a comment contained in a recent paper on this subject\(^1\). Auditor firms bidding for such work would be selected and appointed at Shareholder Meetings, for engagement by companies. Their statutory role would remain the same but auditors would now primarily target a shareholder/investor audience, rather than seeking corporate consulting engagements. Some commentators have suggested that Rating Agencies or other specialised businesses could also provide such a service.

Findings would be compulsorily published, possibly by listing authorities, and would include an assessment of both the quality and the availability of shareholder information. Such reports would be periodic and would continue to be funded by companies. This practice would take time to introduce but would probably not be opposed by well-governed companies, in part because they are already engaging auditors. Thus the role of the auditor could be adapted – with no substantial additional expense. And all investment research could then be based on a common platform.

It is further suggested that a series of standard European formats could be established, designed to produce, over time, comparability across given sectors. Analysts could then focus their efforts to a greater extent on interpretation of business and industry factors and on relative value determination rather than on confronting individual accounting anomalies and related investigations. It would also assist analysts covering companies from the same sector but based in different countries.

Some Group members consider that such a practice could serve to enhance analysts’ relationships with issuers and effectiveness with investors. We draw it to the attention of those responsible in the European Commission for Corporate Governance matters.

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\(^1\) David Hatherly, Edinburgh University, *Auditing after Enron: reengineering the investor information value chain*