

LAPFF calls for tighter audit rules

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Greater powers for shareholders and tighter audit rules should be introduced following the global financial crisis, the Local Authority Pension Fund Forum (LAPFF) has said.

In particular, the forum said auditor independence was a “core concern”. Combining its messages from three separate consultations on company audits, LAPFF said the push for improved openness and accountability was required to make sure investors’ needs were met.

It is keen to see the continuation of legal requirements for a statement to shareholders detailing the circumstances if a company’s auditors resign – in a move aimed at stopping watchdogs from “going quietly”.

The forum also wants statutory shareholder votes on audit committee reports and the annual election of directors.

Forum chair Ian Greenwood (Lab) said there was a danger that concentrating change on the behaviour of executives risked overlooking simpler options.

“Understandably much of the post-crisis reform effort has focused on issues like the functioning of boards and the way they are paid,” he said.

“But financial reporting remains a key concern, and an area in which the forum continues to be very active.

“We believe there are relatively modest reforms available that could greatly improve shareholder oversight to the benefit of all parties.”

LAPFF’s responses were to reform consultations run by the Department for Business Innovation and Skills, the Auditing Practices Board, and the Financial Reporting Council.