

For immediate release

LAPFF pushes audit reform agenda

Greater powers for shareholders and tighter rules in respect of audit have been key proposals of the Local Authority Pension Fund Forum (LAPFF) in its recent work on financial reporting in the wake of the financial crisis.

The Forum has continued its push for improved openness and accountability in respect of company audit practices in recent public policy work in order to ensure that companies' financial reporting meets the needs of owners. LAPFF has responded to three separate consultations on company audits, reflecting its belief that the role of company audits, the relationship of audit firms to companies and related disclosure to shareholders are key governance issues.

Auditor independence is one core concern. In its response to the Auditing Practices Board discussion paper LAPFF argued for a prohibition of non-audit services by the audit firm that undertakes the statutory audit. The Forum also called for the introduction of a statutory shareholder vote on audit committee reports. And LAPFF backed annual election for all directors in order to ensure that audit committee members are accountable to shareholders.

In response to the Department for Business Innovation and Skills consultation on simplification for companies and auditors on notices of auditors leaving office, LAPFF urged that companies continue to distribute to shareholders both the statement from the auditor and from the company as to the circumstances around the departure of the auditors. The Forum had concerns that if a resignation statement were not legally required, auditors may resign and 'go quietly' leaving shareholders unaware of any potential problems within the company.

And in response to the Financial Reporting Council's discussion paper on Reducing Complexity in Corporate Reporting, the Forum pressed for a greater emphasis on effectively representing uncertainty in corporate numbers, rather than reducing complexity. LAPFF also argued for a UK equivalent of the SEC's EDGAR database or similar to assist companies to comply with disclosure requirements at the lowest possible cost.

LAPFF chairman Cllr Ian Greenwood said: "Understandably much of the post-crisis reform effort has focused on issues like the functioning of boards and the way they are paid. 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."

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF, www.lapfforum.org), which was set up in 1991, is a voluntary association of 52 public sector pension funds based in the UK. It exists 'to promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £85 billion.

For further information contact:

Cllr Ian Greenwood
Chairman
Local Authority Pension Fund Forum
c/o Bradford City Council
City Hall;
BRADFORD
West Yorks BD1 1HY

Tom Powdrill
Head of Communicactions
PIRC Limited
(LAPFF research and engagement
partner)
Tel: 020 7392 7887
Mobile: 07764 200896

Ian.Greenwood@bradford.gov.uk

TomP@pirc.co.uk