

FOR IMMEDIATE RELEASE

LAPFF calls on the Financial Reporting Council to implement the full recommendations of the Sharman Review.

The FRC set up the “Sharman Review” under Lord Sharman of Redlynch, to look at the issues around the signing off of the accounts of banks by auditors shortly before they collapsed. That review was given impetus by the conclusions of the Economic Affairs Committee of the House of Lords into audit failings in 2011. The report of Lord Sharman received the strong support of investors. However the FRC has since done a U-turn on most of its proposals.

LAPFF Chair Councillor Kieran Quinn said “The Sharman Review required auditors as well as directors to consider the commonsense position of whether a company is a going concern or not. However the revised FRC proposals substitute that consideration with following process rather than commonsense factors relevant to the matter of going concern.” A key feature of the change affects the position of the auditors, precisely the matter that the House of Lords was concerned about.

Councillor Quinn said “Whether the accounts give a true and fair view and on a going concern basis, is a matter for the auditor to form an opinion on. The problem that the FRC has created by attaching going concern to the FRC Internal Control Guidance, is that the guidance does not have the auditors forming a commonsense opinion, but reciting what the directors have already told them. That is precisely the problem which resulted in clean audit opinion on Royal Bank of Scotland, HBOS and other failed banks”.

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About the Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 59 public sector pension funds based in the UK with combined assets of approximately £120 billion. 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.” PIRC is the Research and Engagement partner to the Forum, www.lapfforum.org.

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