



The Secretary of State
The Department for Business, Energy &
Industrial Strategy
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1 September 2020

Dear Secretary of State

The Financial Reporting Council: Re International Accounting Standards and the UK's new endorsement process

As you will see from the attached letter LAPFF has written to correct the position that the Financial Reporting Council ('FRC') intends to send to the International Accounting Standards Board.

The Local Authority Pension Fund Forum is a voluntary association of 81 local authority pension funds and six LGPS pool companies, based in the UK with combined assets of over £300 billion. It exists to promote the investment interests of the funds.

LAPFF has long had concerns about the quality of accounts, audits and defective standards, all falling under the auspices of the FRC.

Following the UK's departure from the European Union the endorsement criteria for the adoption of an International Accounting Standard in the United Kingdom are reflected in the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019.

The International Accounting Standards Board is currently consulting on a revised version of International Accounting Standard 1. This is the foundation of the International Accounting Standards system and it is in this standard that things come adrift on the fundamental matters at stake.

We were therefore disappointed to see the FRC agreeing with the different function of accounts that International Accounting Standards Board has created which differs from the function of Companies Act accounts. Our letter to the FRC goes into more depth.

As it repeatedly comes up, we make the additional the point that a relatively close group of so-called 'investors' have over time been used as a 'shield' by both the international accounting standard setters and the FRC to legitimise what they do.

Our observation that that tends to tend to be a less than qualified group that has been cultivated by the standard setting parties, and don't actually represent investors. In large part these purported investors have been corralled by PwC.

When LAPFF had previously brought up the risk to companies, shareholders and the public of accounts which fail to address the model company law requires the FRC assisted by such supportive parties attempted to deflect from the issue with a desktop review of certain companies' accounts, without dealing with the core and obvious issue that the numbers might be wrong.

By that approach, Carillion plc was given by those investors and the FRC as a good example of dividend disclosure practice. So superficial and wrong was the analysis Carillion then collapsed into insolvency.

We tend to support the views of more credible real investors such as Warren Buffett and Charlie Munger of Berkshire Hathaway who are openly derisive of the approach the international standards take. Rigorous investment practice requires calling out falsehood not going along with it.

I am happy to have a meeting or submit any further information you may wish to have.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Doug McMurdo', written in a cursive style.

Cllr Doug McMurdo
Chair, LAPFF

c/o Alistair Tucker (alistair.tucker@pirc.co.uk) of PIRC, the Forum's research and engagement partner

enclosure: Letter to the FRC