

26 June 2012

Chris Hodge
Financial Reporting Council
Fifth Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN

Dear Chris

Consultation on revisions to the UK Stewardship Code

CIPFA is pleased to offer its comments on the above consultation document.

We are the leading professional accountancy body for the public services. CIPFA is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. CIPFA is also the leading independent commentator on managing and accounting for public money. CIPFA members are well-represented across the accounting community in the public sector and the wider CIPFA group is active in supporting financial management improvement in government.

Areas of active interest for the Institute are the financial management and governance issues surrounding the Local Government Pension Scheme (LGPS). These interests are pursued through a panel of our members (supplemented by specialists) drawn from senior positions across the Local Government Pension Scheme, including fund actuaries, auditors and regulators. The LGPS holds combined assets of over £180 billion (as at 31 March 2011) across 100 individually managed funds across the UK. CIPFA, via its Pensions Panel and Pensions Network, provides guidance and support to LGPS practitioners in the field.

Overall conclusions

This response has been prepared by CIPFA officers and has been reviewed by our Pensions Panel. We are pleased to offer the following observations on the FRC proposals, which are largely from the perspective of pension funds in the public sector.

Overall CIPFA welcomes the revisions to the Code and in particular the clarifications on the meaning of "stewardship" in the context of the Code and the on the respective roles of the asset owners and asset managers. In our view the proposed changes achieve the objectives as set out by the FRC i.e.

- *clarify the aim and definition of stewardship;*
- *delineate more clearly the varying responsibilities of different types of institutional investors;*
- *address issues identified in the FRC's December 2011 report;*
- *address a small number of other issues fundamental to stewardship that previously had not been dealt with in the Code;*



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- *edit the previous text where needed to create greater consistency across the Code; and*
- *provide more information, where needed, on how the Code is expected to be implemented.*

Detailed comments

Assurance reports

The FRC consultation notes that “some asset owners have raised concerns with the FRC that they have been denied access to the assurance reports on their managers, or have been asked to pay an excessive amount for access. The FRC believes that this undermines the purpose and credibility of obtaining independent assurance, and therefore proposes to add in Principle 7 that, if requested, clients should be provided access to such assurance reports.”

CIPFA has received similar comments from asset owners and therefore supports the proposed revisions to the Code that would oblige asset managers to obtain an assurance report and to make this report available to their clients upon request.

CIPFA also participates in the AAF01/06 working party which made certain representations regarding the proposed revisions at their meeting on 14 June. CIPFA would echo the concerns raised regarding the replacement of “robust” with “effective” in Principle 2, as this would have consequences for level of work required (and therefore the cost to institutional investors) by reporting accountants to obtain the necessary evidence to support the audit opinion in the assurance report.

I hope that you find these comments a useful contribution to the development of the Stewardship Code. If you have any questions regarding any of the above comments, please contact the secretary to the CIPFA Pensions Panel, Nigel Keogh, at nigel.keogh@cipfa.org.

Yours sincerely

Alison Scott
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