

Compliance and Reporting Committee

MEETING OF THE 23rd JANUARY 2023

Item 3 Paper A

ACTIONS AND AGREEMENTS – Meeting of 14th November 2022

PRESENT

Joanne Donnelly	Chair – LGA – Board Secretary (chairing in the absence of Mark Wynn)
Jeffrey Dong	Welsh Treasurers
Ian Williams	London Treasurers
Karen Gibson	Practitioner – County Councils
Rachel Brothwood	Practitioner – Metropolitan Authorities
Richard McIndoe	Practitioner – Scottish Authorities
Nemashe Sivayogan	Practitioner – London Borough
John Boyd	Audit Scotland
Nick Harvey	CIPFA
John Jones	Local Pension Board Representative
John Neal	UNITE
George Georgiou	GMB
Peter Worth	Adviser
Teresa Clay	DLUHC
Alan Wareham	DLUHC
Oliver Simms	ICAEW
Jeremy Hughes	LGA – Deputy Board Secretary
Bob Holloway	LGA – Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary

Items 1 & 2 – Welcome, apologies, introductions, and meeting protocol

1. Joanne Donnelly (JD) welcomed members to the meeting and asked all present whether they agreed to go ahead in the absence of the Committee's usual Chair Mark Wynn. All agreed to proceed. JD noted John Cornett's (Audit Scotland) departure from the committee. John Boyd (Audit Scotland) joined the committee as his replacement. Oliver Simms (ICAEW) joined the committee at this meeting as an observer pending the confirmation of his membership at the next Board meeting on 5th December.
2. Apologies were received from Fiona Miller, Kevin Gerard, and the Committee Chair, Mark Wynn.

Item 3 – Matters arising from the meeting of the September 5th 2022

3. The actions and agreements of the meeting on September 5th 2022 were agreed as an accurate account of the meeting.

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Item 4 – Committee Workplan

4. JD introduced Paper B to the committee. The workplan now consisted of 6 active workstreams and the lead officer for each workstream was invited to give an update. After the updates from lead officers, JD explained that Section 2 of the workplan consisted of workstreams proposed by the committee that are contingent upon actions being taken by other parties, principally, by DLUHC on publication of their Autumn public consultations. These are:
 - TCFD reporting framework
 - Pooling guidance
 - Levelling Up
 - Boycotts, Divestment and Sanctions Bill, and
 - CMA Order
5. It was noted that the TCFD consultation would close on 24th November and the SAB response was in the process of being approved by the SAB Chair, Councillor Roger Phillips.
6. The updates on the active workstreams can be found below.

Item 5 – Funding Strategy Statement Guidance

7. On the Funding Strategy Statement Guidance workstream, Rachel Brothwood (RB) reported that the working group would be meeting in the near future. The results of the survey on the FSS guidance had been issued to the group and would be discussed when they met.
8. Jeremy Hughes (JH) noted that most respondents to the survey felt that the Funding Strategy Statement was the responsibility of the actuary as opposed to the fund. Peter Worth (PW) expressed a need to clearly define the roles of the actuary and the fund, as this was definitely a fund responsibility. RB added to this by mentioning that this issue is also arising in the corporate sector, reiterating the needed for clarity on the roles and responsibilities of each stakeholder.
9. Oliver Simms (OS) expressed the opinion that as a result of this, guidance should only be issued once it had been agreed who carries each responsibility.

Item 6 – Annual Report Guidance

10. On the Annual Report Guidance workstream, PW reported that the working group would be meeting for the first time on December 8th and a more detailed report would be fed back to the committee after the meeting had taken place.
11. It was noted that the December 1st deadline for publishing annual reports was approaching, and this was a statutory requirement for funds. Nemashe Sivayogan (NS) said that she expected many annual reports would again be delayed this year due to a failure to complete audits on time. PW confirmed that the data in annual reports does not need to be

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audited before publication; if there is a significant change in the figures after audit then the report could be adjusted and reissued.

12. It was agreed that the secretariat would draft a statement from the Board to funds to inform them that an audited set of accounts was not needed for publication, and that drafts would suffice.

Action – Secretariat to draft and issue a statement on the need for annual reports to be published by the statutory deadline, whatever the position with the audit of accounts

13. On the issue of compliance with the guidance, PW stated that he felt there was sufficient clear guidance on the production of annual reports and many smaller funds along with a number of Scottish funds produce reports of good quality. He felt that the issue of non-compliance could be down to resourcing.
14. NS added that resourcing is a known issue in the sector, explaining that with the increasing requirements for reports such as TCFD reporting, it was becoming harder to manage the workload, as many of the staff members working on these reports were not dedicated pensions staff members and had other roles to manage.
15. JH informed the committee that Mark Wynn (MW) was keen for the committee to lead on some aspects of the Good Governance review, and one area of interest will be the proposal for all funds to have a Workforce Strategy. There is concern about staffing resources in many funds and the implications this has on the workstreams that the committee is currently working on.
16. Teresa Clay (TC) confirmed that the Department's upcoming pooling consultation will include further reporting requirements on pooling. On the timing of the Department's response to SAB's Good Governance review, TC explained that the induction of the new minister meant that prospective dates for the review are under reconsideration.

Item 7 – Audit Separation issue

17. NS confirmed that she would be the lead officer for this workstream and had found two additional pension fund officers to join the workstream.
18. OS explained that the separation of pension fund audit would free up 'key audit partners' to focus on local authority audits. There is a statutory requirement for local authorities to use a key audit partner and if the pension fund audit was separated out from the local authority audit, the opportunity could be taken to relax the requirement for this in respect of the pension fund audit. This might allow funds to instead appoint an audit partner with specific pension fund expertise.
19. TC informed the committee that primary legislation would be needed to separate the audit of pension funds from host authority accounts. This would add to the time and complexity needed to achieve this. In terms of the Minister's response to the letter the Secretariat sent on this, TC said that there was no definite timescale for this, again due to the change of Minister.

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20. A question was asked on whether the separation of accounts would lead to an increase in fees paid by the fund. OS felt that there should not be additional fees as the audit work required was essentially the same; this was reiterated by Jeffrey Dong (JDong) who said that Swansea Pension Fund did not see an increase in fees following the Welsh Government's decision to separate pension fund audit. OS expressed that there was also likely to be increased competition if audit were separated, as there would be an additional pool of auditors/audit firms able to conduct the work. On the question of whether this would open the door to specialist pension audit firms, OS explained that it was likely that the current major audit suppliers would continue to bid for the work using their in-house specialist teams.

Item 8 – Knowledge and Skills Framework

21. John Jones (JJ) informed the committee that the first meeting for this workstream was in the process of being scheduled. JD observed that the recent turmoil in financial markets brought to the forefront the importance of pushing this workstream forward and implementing effective training across funds. There would be a survey published to ascertain the training available at funds so far and gaps in knowledge and skills that will need to be closed. The Secretariat are considering the timing of this survey carefully considering the various other surveys that have been issued to funds in recent months.

Item 9 – Communication on Pension Fund Accounting

22. Nick Harvey (NH) informed the committee that he would be attending a meeting with the CIPFA policy team on November 16th and would discuss the issue at that meeting. PW and NH met to discuss the issue and agreed that it is important for funds to have an appropriate level of professional scepticism and to ask actuaries to clarify assumptions made when carrying out valuations.
23. JH asked for PW and NH to draft some wording that would explain to funds, actuaries and auditors our view of these issues, setting out what is considered reasonable and what level of scrutiny should be applied. OS responded saying that it would be important to have the input of the FRC as any statement issued by the SAB is likely to need approval by the FRC to ensure it lands well and is seen as credible by actuarial and audit firms. PW suggested that it would still be good to draft some wording for information if not formal guidance whilst waiting for engagement from the FRC on this issue. OS said that he would work on engaging his contact at the FRC on behalf of the committee.

Item 10 – Review of Guidance on Administration, Communications and Guidance

24. JDong informed the committee that the first meeting for this workstream would take place on 30th November. The current aim is to leverage the

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admin expertise available from the volunteers in the workstream. Kevin Gerard would work on canvassing for other colleagues who are available to join the workstream.

Item 11 – Any Other Business and date of next meeting

- 25. OS informed the committee that ICAEW would be holding a free online conference on Good Governance in the Public Sector on 9th December and would share details of this with the committee.
- 26. NH informed the committee that CIPFA would be holding their Local Pension Board Conference on 18th May 2023.
- 27. NS asked whether there was any view on provision of pension qualification training. PW responded saying that CIPFA usually ran Pension Fund Accounts training and council audit workshops. NH confirmed that he was looking to hold both in the coming years and would contact PW about collaborating on this – as PW usually facilitated these courses.

The date of the next meeting was confirmed as January 23rd 2023.