

# Compliance and Reporting Committee

**HYBRID MEETING ON 27<sup>TH</sup> JUNE 2022**

**ITEM 5 PAPER C**

**DRAFT LETTER TO THE MINISTER ON EXTERNAL AUDIT**

## **Issue**

1. When it met on the 9<sup>th</sup> May 2022 the committee agreed that the Board's Chair should write to the local government Minister expressing concerns around the late completion of local authority accounts and the impact this is having on the work of LGPS administering authorities.

## **Background**

2. Delays in the completion of local authority accounts, of which pension fund accounts form part are leading to delays in the publication of administering authorities pension fund annual reports and, in turn, the Board's own scheme annual report. Committee members referred to other areas of work that are being similarly affected by the delay in local authority accounts being signed off in a timely manner.

3. Members were invited to consider whether the committee should recommend that the Board's Chair should write to the local government Minister expressing these concerns and asking DLUHC to consider separating pension fund accounts from main local authority accounts as is the case in Scotland and Wales. Teresa Clay (TC) encouraged the committee to make this recommendation.

## **Consideration**

4. The committee agreed that such a recommendation should be made to the Board and tasked the Secretariat to draft a letter for consideration by the committee when it meets on the 27<sup>th</sup> June. A first working draft letter at Annex A was circulated to members and observers on the 2<sup>nd</sup> June.

**Recommendation – that the committee considers and agrees the content of the draft letter at Annex A for final approval by the Board's Chair.**

**Bob Holloway**

Pensions Secretary

23<sup>rd</sup> June 2022

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## Annex A

Kemi Badenoch MP  
Minister of State (Minister for Levelling Up Communities)  
Fry Building  
2 Marsham Street  
SW1P 4DF

Xx June 2022

Please reply to [joanne.donnelly@local.gov.uk](mailto:joanne.donnelly@local.gov.uk)

Dear Kemi

### **Local Government Pension Scheme: Scheme Advisory Board External Audit of Local Authority Accounts**

I am writing to bring to your attention concerns raised by Board members about the impact of the late completion of local authority accounts. The Board's interest arises because in England LGPS pension fund accounts form part of their administering authority's accounts. Delays in the preparation and publication of the administering authority's main accounts are delaying publication of the pension fund annual report that each LGPS administering authority has a statutory responsibility to publish by December 1<sup>st</sup> each year. This delay then impacts on the Board's ability to prepare and publish our own scheme annual report in a timely manner.

I am also aware that these delays have had an impact on publication of the Department's SF3 2020/21 statistical return which had to be published twice, firstly in October 2021 using mostly provisional accounting data and secondly in February 2022 with revised figures as more main accounts had been signed off.

The issues behind delays in the external audit of local authority accounts are much wider and not related to the preparation of pension fund annual accounts. The Board is firmly of the view that, as long as pension fund accounts remain part of main local authority accounts, problems unrelated to pension fund accounts will continue to impact on their timely publication. We would therefore like to explore with you ways of facilitating a solution which is acceptable to the scheme and its stakeholders.

When it last met on June 6<sup>th</sup>, the Board agreed to recommend the separation of pension fund annual accounts in England, as is already the case for the LGPS in Scotland and Wales. We understand that in both of those nations the

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removal of pension fund accounts from main local authority accounts was achieved straightforwardly and within existing legislative powers.

We also believe that moving to separate pension fund accounts will open up the market for more specialist external audit firms to engage on pension fund accounts. This has the potential for more effective audits and reduced audit fees, which can only be good news for those who meet the scheme's costs.

I very much hope that you will be able to support the Board's recommendation and ask your officials to work with us to put in place the necessary arrangements. I appreciate that you will need time to consider the full implications of the Board's recommendation and stand ready if you feel that a meeting to discuss this in more detail would be helpful.

I am also pleased to be able to inform you that we have now launched the Board's ninth Scheme Annual report. The Annual Report provides a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. The report, which can be found at <https://lgpsboard.org/index.php/schemedata/scheme-annual-report>, aggregates information supplied in the 86 fund annual reports, as of 31st March 2021.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger Phillips', with a long horizontal flourish extending to the right.

Cllr Roger Phillips  
Chair of the Board