

Scheme Advisory Board

HYBRID MEETING – 22nd MAY 2023

ITEM 10– PAPER E

COMPLIANCE AND REPORTING COMMITTEE OF 17th APRIL

General Approach to Guidance

1. On resourcing the drafting of guidance arising from the workstreams, it had been agreed that CIPFA's input would take the form of creating final versions of statutory guidance, but the initial drafting responsibility would lie with the CRC and SAB. The different workstreams are also considering how best to engage with key bodies, like the National Technical Group and actuaries before the public consultation stage.

Funding Strategy Statement (FSS) Guidance

2. We are preparing to draft revised FSS guidance and have asked the committee to flag anything which they think is good practice (it doesn't have to be "best practice") in any recently updated FSS they had seen. This would feed into the process of distilling out what the group thought a good policy should cover. Particular issues that they were interested in seeing good practice on / areas which had been identified as priorities for review included:
 - setting up academies on conversion
 - Use of the "new" employer flexibilities and DDAs
 - Treatment of exit debts and credits
 - Consultation with employers.

Audit Issues

3. A summit of auditors, actuaries, LGPS practitioners and regulators was convened under the auspices of the Committee on 20 April. The summit provided an opportunity for those present to discuss the challenges currently being faced on LGPS fund audit and to explore some potential solutions or at least find some work-arounds. As some audit issues are more acute for scheme employers that aren't local authorities, the Secretariat have also engaged with ESFA and the administrators of the scheme for Housing Associations. The Secretariat was also asked to reconvene the summit in three months' time, and from then on it is expected to become a regular, maybe annual, fixture.
4. The Department said that it was actively looking for an appropriate legislative vehicle to enable separation as it would need primary legislation to achieve. There would be a clearer picture of suitable legislative vehicles after the King's Speech, but there are reports that

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the next Kings Speech will be late in 2024. It seems unlikely that separation could be effected before 2024/25.

Annual Report Guidance

6. The working group has reviewed the existing CIPFA guidance to see which elements be retained and those that should be changed or removed in the updated version. The Committee also discussed ways in which annual reports could be made a more effective showcase for what funds were doing.
7. DLUHC are also now being engaged on the likely future requirements for the annual report on pooling. It seems likely that the new guidance will apply from annual reports for the period 2023/24 (deadline for which would be 1 December 2024).

Knowledge and Skills Framework

8. The working group have undertaken a survey of funds to determine what the current practice was, for both local pension committees and boards, and to use that to inform recommendations that would be brought to the next committee meeting. The results are currently being analysed and will be presented to the next committee meeting.

Review of Guidance on Administration, Communications and Guidance

9. Much of the work of this group is dependent on the Department's Good Governance Review and the group have been engaged with DLUHC and are trying to shape the approach in the upcoming government response on this. We understand that officials have provided advice to the Minister and are awaiting his steer.
10. We are expecting to see DLUHC mandate reporting against a common set of performance benchmarks and the group advised that these should be embedded into administration software systems, or otherwise tech led. The aim would be to harness consistently the data that is already readily available to create benchmarks without any additional compliance burden.

Recommendation – that SAB notes the progress made by the committee on each of the five workstreams set out above

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Annex A

PART 1 – WORKSTREAM MEMBERSHIP (AS AT FEBRUARY 2023)

Background

1. When the committee was established in April 2022 a number of working groups were established which have taken forward the workstreams recommended by the committee and agreed by SAB in June 2022. Since then the committee has agreed a number of changes to both the composition of the working groups and the work areas to be covered reflecting subsequent developments.
2. The current workstreams and working group membership are shown below:

Funding Strategy Statement Guidance

Lead Officer - Rachel Brothwood (West Midlands Pension Fund)

Supported by - Ian Howe (Leicestershire CC) Sara Maxey (Essex CC); Nick Harvey (CIPFA); James Graham (Kent CC)

Meetings - 6 January 2023

Annual Report Guidance

Lead Officer - Peter Worth (TAS Accounting)

Supported by - Ian Howe (Leicestershire CC); Dominic Taylor (Staffordshire CC); Sara Maxey (Essex CC); Nick Harvey (CIPFA); George Graham (SYPF)

Meetings - 8 December 2022, 6 February 2023

Audit Issues

Lead Officer - Nemashe Sivayogan (Merton LB)

Supported by - Melanie Stokes (Staffordshire CC); Sara Maxey (Essex CC); Nick Harvey (CIPFA); Sean Johns (Cornwall CC); Peter Worth (TAS Accounting); Oliver Simms (ICAEW); Joana Marfoh (Islington LB)

Meetings - 30 November 2022, 13 and 16 January 2023, 3 February 2023

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Knowledge and Skills Framework

Lead Officer - John Jones (Local Pension Board Chair)

Supported by - Karen Gibson (Dorset CC); Nick Harvey (CIPFA);
Heidi Catherall (Cheshire PF); Justin Bridges
(Shropshire CC)

Meetings - 2 November 2022, 15 December 2022, 7 February
2023

Review Guidance on Administration, Communications and Governance

Lead Officer - Jeff Dong (Swansea PF)

Supported by - Kevin Gerard (Carmarthenshire PF); Nick Harvey
(CIPFA)

Meetings - 30 November 2022

3. All of the five working groups have met on at least one occasion to discuss and agree the remit of the workstream, proposed output, timescale for completion and next steps. The outcomes for each workgroup meeting were further discussed and agreed when the committee met on 23rd January 2023.

PART 2 – WORKSTREAM DETAILS (AS AT FEBRUARY 2023)

Funding Strategy Statement Guidance

Phase 1 (to be completed before Spring 2023)

- The committee recommends that the focus should be on introducing changes that already need to be made, for example, consultation expectations and the new employer flexibilities. This would also be an opportunity to increase profile and visibility of the guidance (alongside accessibility) and emphasise key features (responsibilities, consultation requirements, related guidance) which the survey indicated may not be well understood. This work should be undertaken alongside CIPFA given the dual reporting routes for the committee.

Phase 2 (to be completed in time for the 2025 triennial valuation)

- The committee recommends that the focus should be on introducing new statutory guidance in time for the 2025 triennial

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valuation (although the group recognised that in Scotland the FSS's would be reviewed next year). SAB is invited to consider the potential for overlap and duplication from changes emerging from other workstreams and developing initiatives, for example, the good governance project. More specific recommendations include:

- that the regulations or guidance governing Funding Strategy Statements should be amended to include a checklist of the minimum content of statements
- that the guidance should signpost to relevant LGPS guidance and policies, for example, the knowledge and skills framework.
- that the guidance should emphasise the management of risks associated with employer covenant and how such risks are monitored
- that the guidance should include reference to how climate change risk might impact on funding strategies
- that the guidance should make reference to specific employment sectors, for example, academies.

Annual Report Guidance

The committee recommends that the work of the group should proceed as set out below:

- To explore concerns around compliance and consider whether current requirements on contents and publication remain fit for purpose for different audiences.
- To explore the scope for easing the burden on administering authorities.
- To consider the impact of any proposal from DLUHC to change the emphasis of pension fund reports from passive to active documents with more emphasis on compliance against agreed statements.
- To consider the usefulness and relevance of the checklist of report contents included in CIPFA's extant guidance and, where appropriate, to recommend new content.

Audit Issues

The committee recommends that the work of the group should proceed as set out below:

- To continue pressing for a response from the Minister to SAB's letter of 3rd August 2022.
- To engage with the National Audit Office (NAO) and Financial Reporting Council (FRC) on the scope for revising guidance to

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auditors on the allocation of assets between LGPS scheme employers, and to continue discussions with fund actuary representatives.

- To engage with the Public Sector Appointed Auditors (PSAA) to discuss implications and options of separating pension fund accounts from main local authority accounts.

Knowledge and Skills Framework

The committee recommends that the work of the group should proceed as set out below:

- To carry out survey on funds on the topic of current practice and monitoring of knowledge and skills training for pension committee and board members.
- To analyse the data from the survey and use to inform discussion on amendments to the revised CIPFA Knowledge and Skills guidance document.

Review Guidance on Administration, Communications and Governance

The committee recommends that the work of the group should proceed as set out below:

- To continue discussions with DLUHC to influence the scope and content of the good governance consultation.

PART 3 - COMPLIANCE AND REPORTING COMMITTEE WORKPLAN

FEBRUARY 2023 UPDATE

1. The workplan set out below comprises three separate sections, namely:

- Those workstreams where work by the committee could commence immediately;
- Those workstreams where work by the committee cannot commence immediately because they are contingent on actions to be taken later in the year by external parties, and
- Those workstreams that are initiated solely by CIPFA.

Section 1

2. The following six workstreams were agreed by the committee when it met on 9th May 2022 and were approved by SAB the following June. In December 2022 the Chair agreed to combine the two workstreams on audit issues into a single workstream headed by Nemashe Saviyogan.

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Funding Strategy Statement Guidance Update

Lead Officer	Rachel Brothwood (West Midlands Pension Fund)
Supported by	Ian Howe (Leicestershire CC) Sara Maxey (Essex CC); Nick Harvey (CIPFA); James Graham (Kent CC)
Start Date	September 2022
Target Completion Date	Phase I (current issues) – Spring 2023; Phase II (emerging issues) – Spring 2024

3. Under Regulation 58(4) of the 2014 scheme regulations (<https://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php>) in preparing, maintaining and reviewing the statement, the administering authority must have regard to the guidance set out in the document published in October 2012 by CIPFA “Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012”.

4. The 2022 triennial valuations are underway, with new rates and adjustments certificates coming into force on 1st April 2023. Fund valuations are therefore well advanced and it is doubtful whether a full review of the existing guidance would be completed in time for it to add any value to the 2022 triennial valuation.

5. However, this does not detract from the need for the existing guidance to be reviewed and, where necessary, improved and updated. On that basis the committee recommends that work on revised guidance should commence immediately even if it may not have any practical impact until the 2025 triennial valuation. The committee doesn’t rule out the possibility that an early draft version of the revised guidance could have a limited impact on the 2022 triennial valuation.

6. In taking this work forward the committee will undertake a major review of the existing CIPFA guidance and in addition will take on board any new elements that it considers to be relevant, for example, cash-flow levels and their management. To assist in this process the Secretariat will undertake a survey of administering authorities and other stakeholders covering both the existing statutory guidance and future requirements.

7. Current position:

Working group met on 6th January 2023 to consider the short summary of the survey undertaken with scheme stakeholders. The minutes of that meeting are at Annex B.

8. Next steps:

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Subject to SAB agreement to proceed to draft the Phase I guidance note.

Annual Report Guidance

Lead Officer	Peter Worth (TAS Accounting)
Supported by	Ian Howe (Leicestershire CC); Dominic Taylor (Staffordshire CC); Sara Maxey (Essex CC); Nick Harvey (CIPFA); George Graham (SYPF)
Start Date	September 2022
Target Completion Date	April 2023

9. Under Regulation 57(3) an administering authority is required to prepare, publish and maintain its pension fund annual report having regard to guidance issued by the Secretary of State. In this case, publication of the guidance was delegated to CIPFA who published “Preparing the Annual Report” in March 2019.

10. For several years the statutory deadline of 1st December for the preparation and publication of pension fund annual reports has been missed by a significant minority of administering authorities. It is claimed that one cause of the delay is main local authority accounts, of which pension fund accounts form part, not being signed off in time. It is also claimed by some administering authority that the effort and resources required to publish annual reports cannot be justified given the limited use they are put to. These issues have a knock-on effect to the preparation and publication of the SAB scheme annual report which aggregates the individual annual reports from each administering authority.

11. In reviewing the existing CIPFA guidance the committee will take on board concerns around capacity and resources and consider whether the regulations governing the content and how the annual reports are to be published remain fit for purpose and whether they can be simplified to ease pressure on resource-stretched administering authorities.

12. Target date for publication of the revised guidance will be March 2023 to assist in the preparation and publication of 2022/23 annual reports that will need to be completed by 1st December 2023.

13. Current Position:

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Working group met on the 8th December 2022 to discuss the work programme and next steps and on the 6th January 2023 to assess the checklist of report contents in the extant CIPFA guidance.

14. Next steps:

To meet shortly to complete the work on the extant contents checklist followed by a paper to the Committee setting out conclusions and next steps.

Audit Issues

Lead Officer	Nemashe Saviyogan (Merton LB)
Supported by	Melanie Stokes (Staffordshire CC); Sara Maxey (Essex CC); Nick Harvey (CIPFA); Sean Johns (Cornwall CC); Peter Worth (TAS Accounting); Oliver Simms (ICAEW); Joana Marfoh (Islington LB)
Start Date	August 2022
Target Completion Date	April 2023

15. The committee proposes to investigate further the delays in main local authority accounts being signed off and the consequential impact this has on pension fund accounts, pension fund annual reports and SAB's scheme annual report. In December 2022 the Chair agreed to combine this working group with the other working group on audit issues looking specifically at communications on pension fund accounting and the impasse between fund actuaries and external auditors on the allocation of assets between scheme employers.

16. In taking this work forward the committee will examine the scope for recommending that pension fund accounts should be separate for main local authority accounts and to measure the impact this will have on the availability of external audit companies.

17. The committee will also take evidence from the LGPS in Scotland and Wales where the switch has been made to separate pension fund accounts.

18. As a first step SAB agreed that the Chair should write to the local government Minister confirming the committee's interest in this area and seeking collaborative working with the Department on this key issue. A response from the Minister remains outstanding.

19. Current position:

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A response from the Local Government Minister to a letter from SAB on external audit remains outstanding. The working group met on 30th November 2022 to discuss the work programme and next steps and on 13th January 2023 to discuss issues around the separation of pension fund accounts and external audit issues around the allocation of assets across scheme employers. A further meeting with Public Sector Audit Appointments was held on 13th January to discuss the implications of moving to separate pension fund accounts. Minutes of the 6th and 13th January meetings are at Annex C and D respectively.

20. Next steps:

To meet again in February/March 2023 to discuss work undertaken by the Secretariat on the group's behalf.

Knowledge and Skills Framework

Lead Officer	John Jones (Local Pension Board Chair)
Supported by	Karen Gibson (Dorset CC); Nick Harvey (CIPFA); Heidi Catherall (Cheshire PF); Justin Bridges (Shropshire CC)
Start Date	TBC
Target Completion Date	TBC

21. Despite a plethora of guidance from CIPFA, the Pensions Regulator and the FCA in the context of MIFID II on knowledge and skills the committee is aware that inconsistencies exist in the extent to which elected members sitting on pension committees and members of local pension boards are acquiring and maintaining a level of knowledge and understanding to comply with industry standards and at times, statutory requirements such as MIFID II.

22. In taking this work forward the committee proposes to explore the scope for introducing a more robust framework both in terms of what level of knowledge and understanding is required and how such levels should be monitored and reviewed. The committee will also examine the scope for moving to a single framework to avoid duplication and potential misunderstanding of requirements.

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23. The committee also proposes to specifically clarify the level of knowledge and understanding required of elected members on pension committees to resolve the long-standing claim that members of LGPS local pension boards are under a statutory duty to acquire knowledge and understanding whereas elected members are under no similar requirement. Further work will be undertaken to ensure effective implementation, monitoring and the sharing of best practice.

24. Current position:

The Working group met on 15th December to discuss the group's work programme and next steps. Working group members were invited to submit questions for a possible survey of stakeholders.

25. Next steps:

Report on progress to C&R Committee on the 23rd January 2023.

Communication on Pension Fund Accounting (Disbanded in December 2022)

Lead Officer Peter Worth (TAS Accounting)

Supported by Nick Harvey (CIPFA)

Start Date September 2022

Target Completion Date April 2023

26. The committee proposes to prepare a paper which explains the different accounting standards that can apply to pension fund accounts and how these compare and contrast with the standards and practice adopted by LGPS fund authorities.

27. This is felt to be necessary to explain to those outside of the scheme why accounting data in the LGPS is at variance with the corresponding data in other pension schemes, in particular, where accounting standard IAS19 is used in the private sector.

28. Current position:

As from December 2022 the work described above will be carried out by a single Audit Issues working group headed by Nemashe Saviyogan.

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29. Next Steps:

See paragraph 20 above.

Review Guidance on Administration, Communications and Governance

Lead Officer	Jeff Dong (Swansea PF)
Supported by	Kevin Gerard (Carmarthenshire PF); Nick Harvey (CIPFA)
Start Date	TBC
Target Completion Date	TBC

30. The 2014 scheme includes a number of examples where administering authorities are required to prepare, publish and maintain policy statements on key issues like governance compliance, communication, administration and use of discretionary powers.

31. The committee proposes to review all such examples and examine the scope for simplifying and rationalising the number of policy statements that administering authorities are responsible for. In doing so, the committee will also seek to build on the existing regulatory framework and associated guidance to further improve best practice and achieve more consistency across the scheme.

32. In taking this work forward the committee will take account of the separate and ongoing work being undertaken by SAB and DLUHC on the good governance action plan.

33. Current position:

Working group met on the 30th November 2022 to consider what could be fed into the Department's good governance consultation. Agreement to await further details on the possible content of the Department's good governance consultation.

34. Next steps:

Report on progress to C&R Committee on the 23rd January 2023.

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Section 2

35. The following workstreams have been proposed by the committee but work on them cannot be commenced as they are contingent upon actions being taken by other parties, principally, by DLUHC on publication of their Autumn public consultations:

- TCFD/climate risk reporting framework;
- Pooling guidance;
- Levelling Up;
- Boycotts, Divestment and Sanctions Bill, and
- CMA Order

36. The 2022/23 workplan agreed by SAB will be kept under review and updated where necessary to reflect when the above workstreams can be commenced.

Section 3

37. At present the committee has not been made aware of any specific area of work to be undertaken on CIPFA's behalf.

PART 4 – DETAILS OF WORKGROUP MEETINGS

A - FUNDING STRATEGY STATEMENT WORKSTREAM

1. The Funding Strategy Statement workstream team led by Rachel Brothwood met on 6th January 2023 to discuss next steps with particular regard to the outcome of the recent survey on the content of the existing FSS guidance undertaken by the Secretariat.

2. In attendance were Rachel Brothwood (West Midlands Pension Fund), Sara Maxey (Essex Pension Fund), James Graham (Kent Pension Fund), Ian Howe (Leicestershire Pension Fund), Jeremy Hughes (LGA) and Bob Holloway (LGA). An apology was received from Nick Harvey (CIPFA).

Actions and Agreements

3. Rachel Brothwood (RB) opened the meeting noting the C&R committee request for the workstream focus on the outcome of the recent survey undertaken by the Secretariat.

Jeremy Hughes (JH) emphasised the importance of defining the aims of the group in terms of output and, in particular, to identify what works and what doesn't work in the current FSS statutory guidance. SAB will need to work alongside CIPFA, who have agreed that the next version of the statutory

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guidance will be free to users, with an aspiration for this to be a publicly available and live document, suitable for a range of audiences.

4. RB noted that the Secretariat had confirmed that the survey request was sent to all E&W pension managers, administrators, finance officers and others taken from the LGA's LGPS contacts list. One response was received from one of the actuarial firms, and one academy school was also invited to participate (and did respond). In total, 46 responses were received which could be taken to be generally representative of the LGPS as a whole.

5. A range of issues were discussed:

- The group concurred that the production and maintenance of the FSS was clearly a Fund, not actuary, duty but the responses showed that many administering authorities (AAs) were relying on their Fund Actuary to prepare and develop their FSS.
- Any revised statutory guidance should flag up the importance of the FSS and clearly define the roles and responsibilities of AAs under scheme regulations.
- Participants also noted the practical day-to-day importance and value added by having a good FSS which supported the policy and practices applied by the Fund, across the employer base.
- The statutory references need updating and the guidance could usefully include a glossary to define key terms and cross reference other applicable guidance and relevant statements or policies issued by the AA.
- A checklist would be helpful, although there needs to be flexibility for each Fund to continue to consider and establish a local approach, applicable for their Fund. As such, a "boiler-plate" approach would not be encouraged. The checklist should be used to prompt the fund to consider specific issues rather than offer ready solutions.
- There was discussion of the tension between the FSS being a policy document as well as an operational guide which sets out specific processes (eg around how employer pools worked or how exit payments may be calculated). To the extent the guidance gets into more technical and operational areas, the group would like specialist actuarial input.
- The guidance should emphasise the value of the FSS, and the consequences to AAs of failing to have an FSS or not complying with statutory guidance and taking responsibility to regularly review and update.
- The views of scheme employers in the preparation and maintenance of the FSS are important. Current statutory guidance is clear that a consultation process should be undertaken however doubts were expressed on how well this was done in practice.

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- Signposting to other relevant LGPS guidance and policies, such as that on knowledge and understanding, may be helpful in clarifying and confirming standards and oversight functions. The guidance may also warrant review in the context of developing TPR guidance.
- Consideration should be given to scheme regulations prescribing minimum requirements in terms of the content of the FSS in the same way that the content of pension fund annual reports is prescribed by statute.
- Future statutory guidance should have more emphasis on employer risk and how such risks are monitored and managed, noting the increase and divergence in employer base and guarantee arrangements. The guidance should also consider how climate change risk might impact on funding strategies, in view of the recent consultation and developing practice.
- There was discussion of whether the guidance should refer specifically to the academies sector or more generally to the range of different employer sectors within the scheme.
- Future statutory guidance will need to take account of the scheme's new employer flexibilities that were introduced after the current statutory guidance was published.
- Phase 1 of the workstream should focus on introducing changes that already need to be made, for example, consultation expectations and the new employer flexibilities. This would also be an opportunity to increase profile and visibility of the guidance (alongside accessibility) and emphasise key features (responsibilities, consultation requirements, related guidance) which the survey indicated may not be well understood. This work should be undertaken alongside CIPFA given the dual reporting routes for the committee.
- Phase 2 of the workstream should focus on new statutory guidance in time for the 2025 triennial valuation (although the group recognised that in Scotland the FSS's would be reviewed next year). Noting the potential for overlap and duplication (some noted in the survey) this would allow review and update to reflect changes emerging from other workstreams and developing initiatives (such as outcomes of the good governance review)

Bob Holloway

Pensions Secretary

10th January 2023

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ANNEX B

AUDIT WORKSTREAM

1. The Audit workstream team led by Nemashe met on 13th January 2023 to discuss the desire of the Board to see a separation between Pension Fund and host administering authority audit. Following recommendations from this group, the CRC Chair, Mark Wynn, had asked the group to also consider how best to manage the different accounting standards and year-end dates that can apply to different scheme employer groups.
2. In attendance were Nemashe Sivayogan (Merton Pension Fund), Nick Harvey (CIPFA), Joana Marfoh (Islington Pension Fund), Sara Maxey (Essex Pension Fund), Melanie Stokes (Staffordshire Pension Fund), Oliver Simms (ICAEW), Jeremy Hughes (LGA) and Ona Ehimuan (LGA). Apologies were received from Sean Johns (Cornwall Pension Fund), David Fish (ICAEW) and Bola Tobun (Enfield Pension Fund).

Audit Separation

- A discussion was held on whether Peter Worth would be best placed to Chair the workstream. Due to him chairing the Annual Report workstream, it was agreed that Nemashe Sivayogan will remain Chair and Peter Worth be invited as a contributor to future meetings (this had been an oversight in arranging this meeting).
- Oliver Simms (OS) explained that he had arranged a meeting next week with Public Sector Audit Appointments Limited
- It was emphasised that de-linking could mean review of the Key Audit Partner (KAP) requirement, which might have the greatest benefit
- Key issue is not cost, but removing delay in audit completion and getting more specialist pension audit
- Sara Maxey (SM) said that the delay in audit sign-off led to considerable extra work as it meant asset values reported were no longer deemed to be current and had to be adjusted
- Appointment of auditors under PSAA has been done to 2028, so we would only be talking about appointments from then onwards
- If the KAP were removed, then there were hundreds of firms who could do pension audit, in addition to those currently on the PSAA framework
- Even without changing audit appointment, de-linking could still be helpful as one bottleneck is KAP availability. If that was loosened, then current firms might be able to reduce delays
- This would not affect the position in Wales, where all appointments are made by Audit Wales

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- In local audit, DLUHC sets the legislative framework, which includes the KAP requirement. FRC set guidance on what a KAP is, the ICAEW register auditors as KAP based on FRC guidance. CIPFA sets accounting rules and is the qualifying body for auditors.
- One of Sir Tony Redmond's recommendations was that the system does need to be rationalised
- Government's ambition is for FRC to be "system leader", but their powers are limited so they would always need to work through other bodies
- ICAEW Director is meeting the Minister next week and will raise his desire to see audit separation
- SAB to consider some comms on this, and in doing so to emphasise that audit separation doesn't mean organisational or governance separation. The pension fund can still rely on host authority systems and governance.

Issues with pension fund and scheme employer audit

- JH had contacted FRC who suggested speaking to NAO and CIPFA first.
 - JH and NH will be attending the NAO Local Government Pension Scheme Employer Audit group on 27 January.
 - The audit companies attending the meeting have already contacted NH to talk about their role on non-public sector group audit (which most of them do as well)
 - There is an issue with auditors' understanding of actuarial concepts. There is an annual discussion between auditors and actuaries, but it doesn't always percolate down to the operational level at the audit company
 - FRC regulate both actuaries and auditors, so could be a useful bridge
 - JH said that SAB had quarterly meetings with actuaries, GAD and DLUHC. They will put the need for better communication between the professions on the agenda for the next meeting
 - The key areas of disagreement were over asset allocation to employers and effects of the disjunct in year ends
 - Also, evidence from actuaries was now treated as 3rd party evidence and not coming from the authority itself. This means that auditors are required to treat it with more scrutiny
 - CIPFA are considering putting out some guidance on this in their year-end bulletin
 - ICAEW offer to review CIPFA guidance to say how auditors are likely to respond.
3. It was agreed that the group would meet again in a month or two's time. JH to circulate a note of the meeting and confirm the membership.

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4. The group also agreed that OS could invite a new colleague to attend the next meeting.

Jeremy Hughes

Senior Pensions Secretary

13th January 2023

Briefing note:

Topic:	LGPS Audit Workstream meeting with PSAA
Date:	16/01/2023
Author:	Oliver Simms
Issue date:	18/01/2023
Background (if necessary):	I arranged meeting on behalf of LGPS audit issues workstream to discuss what audit separation meant for procurement.
Points arising	
<ul style="list-style-type: none">• Tony Crawley felt Bill to create ARGA will offer the chance to amend LAAA 2014 and other legislation. We should see it as one legislative opportunity to get what we need into the Bill.• Neil Harris has mentioned decoupling as an idea to address delays.• Nemashe Sivayogan confirmed that we were looking to separate the two sets of accounts (as in Wales) rather than more formal separation of the pension fund from the administering authority.• The principle aim with this idea is to help address audit delays. Bob Holloway spoke about the consequences for the scheme as a whole in producing the consolidated annual report and for members who cannot see audited accounts in a timely fashion.• Oliver Simms also hoped that removing KAP status from pension fund auditors would boost capacity and allow pension specialists to sign off opinions.• Tony Crawley saw sense in the idea as he spoke of his experience as a KAP and using a pensions specialist EQCR. He also said it was important to address delays to IAS 19 assurance as this was causing delays to central government accounts.	

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- However, he raised concerns that removing KAP status altogether could be politically difficult as bodies can appoint their own auditor. How do you ensure quality?
- Although there is no VFM commentary on pensions and LGPS is more simple than many private pension schemes, it is still a political environment and there could still be objections to the accounts. He felt there was no scope to reduce electors' rights.
- He felt some other accreditation process needed. Either the concept of a "pension fund KAP" needed to be developed but it should not be a too big burden for firms.
- Alternatively, PSAA could do a quality assessment of bids for pension funds but the fact bodies can appoint their auditor could undermine this.
- Bob Holloway felt Norfolk LGPS's call off contract / frameworks model could be a useful model.
- Tony Crawley pointed out that LGPS funds are not independent entities. It would be important to establish who is then charged with governance for the pension funds. At the moment, the administering authority's audit committee signs off the accounts.
- Tony and Andrew did not think changes would have to wait for the end of the appointment period.
- Tony said there has been a lot of talking but now is the time for action. He felt Lee Rowley was more engaged in the issues than previous ministers.

Actions arising

- Continue discussions with relevant parties including firms.
- Keep PSAA in loop of discussions and involve Julie Schofield in future conversations about procurement.

Attendees

- **ICAEW:** Oliver Simms
- **LGA:** Ona Ehimuan, Bob Holloway
- **CIPFA:** Nick Harvey
- **Local government:** Nemashe Sivayogan (Merton Council)
- **PSAA:** Tony Crawley, Andrew Chappell
