

Compliance and Reporting Committee (CRC)

HYBRID MEETING – 24 June 2024

ITEM 7 PAPER E

Audit Roundtable update and next steps

Background

1. At the last Committee meeting it was reported that the Board jointly commissioned, along with the Institute of Chartered Accountants in England and Wales (ICAEW), a document which sets out the timeline and information flow throughout a triennial valuation period. The purpose of this document is to make clearer to all parties involved in the audit and accounting of LGPS balances, how the LGPS works in practice, show key information flows between employing bodies, pension funds and actuaries, explain key accounting requirements for employing bodies and explain the role of external auditors.

Current position

2. The draft document was presented at the last audit working group meeting held on 20 March 2024 and at the audit roundtable on 17 April 2024. A note of the discussion at the audit roundtable meeting can be found at **Annex A**.
3. Following the feedback received, the document has been finalised by the ICAEW and can be found on the [Board's website](#).
4. The document is called the 'Local Government Pension Scheme Informer' and includes several charts, graphs, tables and appendices providing further supporting information such as contribution rates and extracts from actuarial accounting reports. There are also links to other key guidance documents throughout. At fifty-five pages the document is comprehensive and covers many complex audit and accounting areas. It has been designed to be as user-friendly as possible with a clearly defined contents page and document navigation so users can easily move between key sections.
5. The Secretariat wishes to thank the ICAEW for the additional work undertaken on the final design and formatting of the document. Also, the Secretariat wishes to thank the audit working group and the audit roundtable attendees for their input into this document.

Next steps:

6. The Secretariat have published the document on the [Board's website](#) and have recorded a short video with the ICAEW to promote it. It has

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also been shared with the audit roundtable network and will be added to the June 2024 LGPC bulletin, which is sent to all LGPS administering authority contacts, with a request to also share with scheme employers and their auditors.

7. Feedback on the informer document is encouraged. The Secretariat will also consider what other information or topics could be developed in this document, or further documents in the future.

Scheme Advisory Board

AUDIT ROUNDTABLE HELD ON 17th APRIL 2024

Present

Mark Wynn	Chair
Joel Duckham	AON
Barry McKay	Barnett Waddingham
Garry Smith	Barnett Waddingham
Adrian Loughlin	Hymans Robertson
Craig Alexander	Hymans Robertson
Mark Wilson	Mercer
Andy Reid	Azets
Mark Bartlett	Bishop Fleming
Chloe Wilkinson	Ernst and Young
Grant Patterson	Grant Thornton
Andy Aldcroft	KPMG
Andrew Cardoza	KPMG
Sharon Liddle	Mazars
Jonathan Livesey	PWC
Leigh Lloyd-Thomas	BDO
Christopher Manning	Practitioner – West Midlands Pension Fund
Nemashe Sivayogan	Practitioner – London Borough of Merton
Peter Worth	Worth TAS Accounting
Nick Harvey	Chartered Institute of Public Finance and Accountancy (CIPFA)
Jack Bower	Institute of Chartered Accountants in England and Wales (ICAEW)
Alison Ring	ICAEW
Andrew Kendrick	National Audit Office
Oliver Simms	Financial Reporting Council (FRC)
Alan Wareham	Department for Levelling Up, Housing and Communities (DLUHC)
Charity Main	Academies Representative
Richard Lane	Academies Representative
Joanne Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Becky Clough	LGA – Board Support and Policy Officer
Ona Ehimuan	LGA – Pensions Secretary
Sarah Tingey	LGA – Research and Data Analyst

Actions and Agreements

1. Mark Wynn (MW) welcomed attendees to the meeting and explained that the key aim was to discuss the information note that had been commissioned by ICAEW and the SAB to assist with the understanding of the timeline and information flow for the triennial valuation, audit and

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accounting processes in the LGPS. The latest draft of the information note had been circulated to the attendees prior to the meeting.

2. MW invited Peter Worth (PW) as the author of the information note to present an overview. The note provides information on year-end processes, audit and actuarial valuation processes. PW consulted with a range of stakeholders including auditors (Grant Thornton and Mazars), actuaries (Barnett Waddingham and Hymans Robertson) and a number of pension fund authorities.
3. Extensive feedback had already been received which PW was still working into the existing draft. For example, the example on page 13 will be replaced and Appendix E will be removed.
4. It was agreed that the document didn't sufficiently cover the different approaches to asset allocation and issues around valuing the assets. There was discussion about whether it was worth holding up publication of the note to add new content or whether that should be followed up separately. It was noted that in the academy sector there were a number of forums and events coming up that it would be useful to have the note available for.
5. It was agreed that the group would provide any further feedback on any factual inconsistencies to PW by Friday 19 April 2024 and further consideration would be given to dealing with the asset allocation issue. It was also agreed that the note and accompanying messaging by SAB and ICAEW would be done with an audience of smaller audit firms in mind.

ACTION – that the information note be published soon, with messaging explaining when/where further information would be available

6. On the separation of pension fund accounts from the local authority accounts, Alan Wareham (AW) said that there is support for this, including from the Levelling Up Select Committee but a suitable legislative vehicle has not yet been identified. Nemashe Sivayogan (NS) asked why there have been delays and whether AW could give an indication of when the separation can be expected, however this could not be confirmed. DLUHC were asked whether the necessary policy work and legal drafting had been done to respond quickly if a legislative vehicle became available. AW confirmed that it had, and the Department could respond swiftly if needed.
7. In relation to the implications of the proposed backstop date for completing local authority audits, it was advised that most auditor firms would only disclaim the main authority accounts if the backstop deadline was reached. Grant Patterson (GP) added that most firms were ready to issue unqualified pension fund opinions in most cases.
8. On the issuing of IAS 19 assurances to employer auditors in advance of issuing the audit opinion, the group noted that there were varying policies on issuing assurance letters when information is incomplete. The representatives from EY, Mazars and Grant Thornton all confirmed that

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they only provide assurance letters if there has been sufficient audit work done. Audit firms also reported delays due to difficulties with valuing complex investments and in obtaining the information to value certain investments (eg, private equity).

9. Charity Main (CM) and Louise Molnar (LM) provided an update on schools' audit with feedback from the academies audit working group. The group was created to engage with academies on matters relating to year-end audits (their year-end is 31 August). They are currently focusing on the complexities faced by multi-fund, multi-academy trusts and are also discussing issues surrounding data quality. An audit forum was coming up and LM said that she would raise the information note and share a link to it once published.
10. In terms of emerging year-end issues for 2023/24, CW raised the implications of the [Virgin Media v NTL Pension Trustees](#) case. JD confirmed that the Secretariat were aware of the case and were liaising with the Government Actuary's Department (GAD) on whether the relevant certificates were available for past scheme changes; and whether it would be necessary to produce exemption certificates for each significant change to LGPS benefits. It was understood that the case is now with the Court of Appeal and will be heard in Summer 2024. AW confirmed that DLUHC officials were also aware but there was no further update at this time.
11. Becky Clough (BC) said that the revised Annual Report Guidance had now been published and is the first joint publication by DLUHC, SAB and CIPFA. BC clarified that compliance with new requirements in the guidance is on a 'best endeavours' basis for 2023/24 reports.
12. Garry Smith (GS) informed the attendees that FRS102 has been revised and mandatory adoption of the new reporting standard would begin in January 2026.
13. Another knock-on effect of local authority audit delays was that some NHS employers were struggling to close their accounts, due to late IAS 19 assurance. Nick Harvey (NH) said given the relatively small impact that LGPS obligations had on the balance sheet of those NHS employers, a proposal had been put to CIPFA's Financial Reporting Advisory Board (FRAB) to account for LGPS liabilities on a defined contribution basis. The proposal was not accepted.
14. It was agreed that this group would meet again before the end of the calendar year.