

The General Code, the ESOG, the ORA and the search for truth

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Taking the step into the unknown

Even though the General Code is here, many pension schemes are yet to undertake their Effective System of Governance (ESOG) gap analysis or review their risk management arrangements.

The uncertainty of how to tackle it, especially if you've never done anything like it before, and what you might find can lead to inertia.

However, not taking action now will lead to a headache when you come to do your first Own Risk Assessment (ORA). TPR expects trustees to have everything they need to be ESOG and Code compliant well before the first ORA needs to be done (by the end of 2026, depending on how your scheme year falls). Remember that risk management is within the internal controls banner of the ESOG requirements.

Not having your System of Governance documented or a risk register and risk management policy in place not only means you're not compliant but you've got a lot of catching up to do.

Single source of truth

Many schemes are in the position of knowing that they have processes in place to cover the ESOG requirements, but don't have them documented or in one place to refer to. If that's the case, then they don't have the ability to review if they remain fit for purpose and effective – a key test for the ORA.

Trustees and those who manage their schemes day-to-day want a single source of truth on governance. They want all the relevant governance documents; policies, processes, plans, registers, logs etc. held securely in one place that is accessible.

If one policy says X is done and the delegations are to Y, this needs to be consistent in any other documents, policies, terms of reference that link to it. It's not helpful having things in duplicate, half complete or set out in a way that confuses, as things then fall through the cracks or get actioned in the wrong way.



The single source of truth should be a helpful repository that trustees can refer to when making decisions.

It should be maintained continually, with all information held within it included in a rolling cycle of review. If held on an online platform, those updates can automatically feed through into a workflow planning tool so that nothing is missed.

A key output of this work should be that good document management becomes part of business as usual if it wasn't already.

Don't be afraid to tackle risk management

Likewise many schemes manage risk, if the wheels haven't fallen off then something is working... right? Wrong, that might be more by luck than judgement. Good risk management is about having clarity on what's important to you (your objectives) and why you are managing certain risks over others.

Getting into a place where you have your key risks on the risk register, i.e. those that are most material to you, and are actively looking at the horizon for what might be coming means you are focused on the things that move the dial for you.

The rest can be dealt with through robust reporting and assurance – you want to have confidence that all other risks are being managed with accountability clearly understood and that controls are designed and operating effectively.

Being ready for the ORA

With your System of Governance documented, your risks identified and documented and your risk management framework fully operational you're where you need to be to undertake your ORA.

We've followed this process when undertaking ORAs. It's tried and tested.

(Continued on the next page)





With your System of Governance in place, the ORA is a process to test whether or not you have the right governance in place for your circumstances, given what you're trying to achieve (your objectives) – i.e. that it's effective for you. The ORA is also a process to test that you are managing your risks in the right way. This is very specific to your scheme, but allows you to think big. You don't want to get sucked into the detail of risk management (you've already done that in meeting the Code requirements), but you do want to know you are focusing on the right things, in the right way and that you are prepared for what's coming next. This will also help ensure that your actions are proportionate to your needs.

The ORA must be your version of the truth – a clear assessment of how effective your governance and risk management are, not something that feels like it is distributed across different subject areas and their associated advisers/ providers. Contact us if you would like help in searching for your truth.

Do you need help, or want to know more?

Contact Rosanne for practical help and independent advice at rosanne@museadvisory.com

