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## Audit issues from 2013/14 accounts:

CIPFA Pensions IFRS Accounting and audit technical update February 2015

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# Introduction

- External auditors for 29 funds
- 2013/14 period of limited/no change in accounting terms
- Overall messages
- Common issues
- Accounting for 'pre-payment' of contributions
- Timing of annual report

# Overall messages

- No qualified audit opinions in 13/14 in England and Wales
- No major issues re. timeliness
- South Yorkshire Pensions Authority – early publication of audited accounts 25/7/14
- Overall continued improvement in quality of accounts especially around financial instruments
- Issues identified around disclosures, especially re. financial instruments

# Common Issues

- Financial instruments/investments disclosures
- Disclosure of significant judgements and sources of estimation uncertainty
- Senior management remuneration disclosures
- Ability to act as a stand alone document (Code 6.5)
- Unnecessary disclosures (non-significant items)

# Financial instruments/investments disclosure issues

- Fair value hierarchy disclosures including items held at amortised costs
- Classification of investment balances between FV and AC
- Lack of disclosure to support significant items on face of net asset statement

# Financial instrument/investments disclosure issues (continued)

- Classification of investments between levels 1 to 3, inconsistent with other information in accounts
- Missing level 3 disclosures
  - reconciliation of opening to closing balances and gains and losses, IFRS 7.27b
  - inputs and assumptions used to value assets
- sensitivity analysis for risks – not done/partially done/done when not needed

# Financial instrument/investments disclosure issues (cont)

- leasing disclosures for direct property investments (code 4.4.4.3)
- significant stock lending but no accounting policy re. valuation and how accounted for
- long list but not overly concerning and most addressed by audited accounts stage

# Financial instrument/investments disclosures (cont)



but

inconsistency in reporting of investment transaction costs more 'politically' significant

- IAS39 – transaction costs should not be capitalised as part of the cost of investments where investments held at FVTPL.
- LGPS Management costs CIPFA Guidance June 2014



# Disclosure of significant judgements and sources of estimation uncertainty

- No significant judgements to disclose – OK?
- Areas of significant estimation uncertainty – expected re. valuation of future promised benefits and of level 3 investments
- Should cover:
  - source and nature of uncertainty
  - assumptions made
  - impact/sensitivity analysis

# Senior management remuneration disclosures

- IAS 24 requirements v regulatory disclosures for officers and members
- cross-refer to disclosures in LA statements?
- Code 6.5 - the pension fund accounts must be capable of standing alone.
- regulatory disclosures not necessarily covering senior management for the pension fund
- identify senior management for fund and make relevant disclosures in fund accounts.

# Early payment of contributions in 2014/15

- employers making upfront contributions covering 2014/15 to 2016/17 in return for reduced overall cost
- local authority employers accounting – determined by capital finance and accounting regulations
- accounting by pension funds determined by accounting standards

# Early payment of contributions (continued)

## Accounting in the Pension Fund accounts

- Example £90m paid on 1<sup>st</sup> April as one off payment covering employers liability for next 3 years
- any prospect of cash being paid back?
  
- expect: Dr cash £90m  
                    Cr income £90m
- possible additional disclosure?

# Early payment of contributions continued

## Accounting in the local authority accounts

### Presumption for IAS 19

- balance sheet entry only
  - dr pension liability £90m
  - cr cash £90m

### MIRS

- dr General Fund £30m
- cr Pension Reserve £30m

# Pension fund annual reports

- Annual report due by 1 December
- Consider earlier production in line with final accounts deadline

# Any questions?