



Grant Thornton

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Audit issues from 2014/15 accounts:

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Introduction

- External auditors for 29 funds
- 2014/15 period of limited/no change in accounting terms but lots going on.....
- Overall messages
- Common issues
- Earlier close and greater use of estimates

Overall messages

- No qualified audit opinions in 14/15 in England and Wales
- No major issues re. timeliness
- South Yorkshire Pensions Authority - 28/7/15
- Westminster Pension Fund – 24/5/15
- Overall continued improvement in quality of accounts
- Very few significant issues, wide variation re. management costs, various disclosure issues

'Common' Issues

- Member data and contribution rates
- Working with investment fund managers to obtain required information for accounting purposes
- Assurance over level 3 investment valuations
- Disclosures

Member data and contribution rates

- member data in pensions admin system not correct
- reconciliation of movement in membership numbers to starters, new pensioners and deaths not possible
- employer paying incorrect contribution rate since hadn't updated for LGPS2014
- CARE increases importance of ensuring member data is accurate

Working with investment managers to obtain required information for accounts purposes

- delayed receipt of information for finance teams
- delays in responding to auditor queries
- some net asset changes were linked with these
- issues with format of information provided
- using 'mid price' not 'bid price' in valuations

As the client, can you do more to insist on getting the right information to the deadlines you need?

Assurance over investment valuations

- incomplete reconciliation between fund managers and custodian records
- level 3 investments
 - ❖ how do you get your assurance over valuations?
 - ❖ dealing with out of date valuation reports

Disclosures

Improvement noted generally including removing unnecessary disclosures

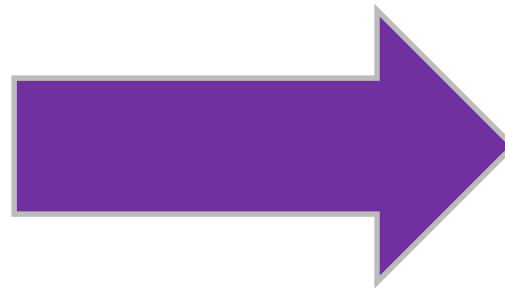
Areas of disclosure changes in 2014-15:

- classification changes on investments
- other investment related disclosure changes
- explanations for significant movements e.g probation transfer, deficit contributions

For 2015-16 remember impact of IFRS13

Earlier close and greater use of estimates

- helpful to work with auditor on this point
- helpful to understand the auditor's responsibilities when auditing estimates



Earlier estimates (continued)

- estimated amounts more susceptible to risk of misstatement due to need for assumptions and judgements
- the more estimation uncertainty, greater management bias possible
- likely areas – level 3 investment valuations
 - IAS26/19 valuations
 - any others?

Earlier estimates (continued)

Auditor responsibilities (ISA 540)

- to obtain sufficient appropriate evidence that estimate is reasonable and valuation basis in accordance with reporting framework
- and related disclosures are adequate

Remember critical judgements and areas of significant estimation uncertainty disclosures

Earlier estimates (continued)

Auditor's consider and test

- method of estimation
- accuracy and completeness of base data used
- reasonableness of assumptions
- subsequent events when available

Implications for taking data at an earlier point/using assumptions at an earlier point.....

Earlier estimates (continued)

The further away from the balance sheet date, data is taken/assumptions used – greater risk of material change before balance sheet date and before the auditor's opinion

How do you get your assurance that still likely to be material?

Consideration of subsequent outcomes?

Earlier estimates (continued)

Discuss with your auditor early in process any changes planned around key estimations

Consider what you can do to reduce risk of material differences in base data or assumptions used

Consider adequacy of current disclosures

Any questions?