

Introduction

ABOUT THE EXAMPLE ACCOUNTS

This publication has been prepared to assist practitioners in the preparation of the 2016/17 financial statements for Local Government Pension Scheme (LGPS) funds.

This publication is not intended or guaranteed to provide a definitive interpretation of the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code) provisions or to contain all the disclosures that individual authorities might need to make in order to give a true and fair view of their own financial position and performance. It should not be treated as a template for the preparation of the pension fund accounts, nor does it replace the need for practitioners to consider the Code and the associated Code Guidance Notes when preparing the accounts. Practitioners should note the following points:

- The example accounts are a good practice guide to preparing local authority pension fund accounts. They cover the requirements of the Code but are enhanced in some areas to take account of other established practices, such as those set out in the *Financial Report of Pension Schemes – A Statement of Recommended Practice* (2015) (the Pensions SORP), issued by the Pensions Research Accountants Group (PRAG), or CIPFA's *Accounting for Local Government Pension Scheme Management Expenses* (2016). Some supplementary disclosures that might by way of custom and practice routinely be found in pension fund accounts (pension fund membership information; lists of participating employers, etc) are not included.
- The example accounts have been reported at the major category level (the bold items in paragraph 6.5.3.6) with supporting disclosure Notes in line with paragraph 6.5.3.6 a) of the Code. An alternative presentation would be to include the unbolded items from 6.5.3.6 on the face of the fund account and net assets statement.
- Although the example accounts here show disclosures in all cases, the Code requirements only apply where disclosure would be material. Omissions or summaries might be possible for individual authorities in areas where these example accounts contain detailed analyses.
- For the purposes of illustrating all the Code requirements in the example financial statements, materiality has not been taken into account.
- Every effort has been made to ensure that the example is internally consistent. However, for the purposes of providing comprehensive illustrations of the individual notes required, some elements may not be fully consistent. The narrative in several of the notes may be contradictory or contain mutually exclusive statements when compared with other notes, but with the objective of providing the fullest effective disclosure for that particular note.
- The example does not cover the following:
 - prior period adjustments
 - correction of errors

- combination of public sector bodies (previously described as machinery of government changes).
- The ordering of the contents is not definitive. The Code does not require that the main financial statements be disclosed in a specific order, although it does require that the notes be presented in a “systematic manner” (see paragraph 3.4.2.83 and 84 of the Code). In this illustration, the notes have been ordered firstly to the extent that they illustrate lines in the financial statements and then to follow the order in which the disclosure requirement is included in the Code. This is for ease of reference to the source material in the Code and may not be appropriate for individual authorities.

CHANGES SINCE THE 2015/16 EXAMPLE ACCOUNTS

The main change for the 2016/17 example pension fund accounts is the extension of the fair value disclosures required under section 2.10 of the Code¹ to pension funds. The additional disclosures have been included in Note 16, which in the 2016/17 accounts is solely concerned with items at fair value, and therefore includes directly held property investments in the example accounts. Note 17 (which was Note 16 in the 2015/16 example accounts) is solely concerned with financial instruments, which excludes directly held property investments as these are accounted for under IAS 19 *Investment Property*.

Other changes made to the example pension fund accounts include the following:

- Note 11 now includes an analysis of investment management expenses in line with CIPFA’s *Accounting for Local Government Pension Scheme Management Expenses* (2016).
- Notes 12, 14, 16 and 17, together with the net assets statement, have been amended to align with new investment classifications as shown on pages 216–217 of the Code.
- Note 16A – the classification of investment assets and liabilities into fair value hierarchies (levels 1 to 3) has been adjusted to follow the recommendations contained in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).
- An additional disclosure note (Note 25a) covering remuneration of key management personnel has been included in related party transactions.

For most pension funds it is not anticipated that these changes will represent significant changes to existing accounting policies or otherwise necessitate the restatement of 2015/16 comparatives. Consequently no prior period adjustments have been included in the example accounts, however, this is clearly a matter for individual practitioners to consider and, in cases of doubt, to discuss with their external auditors.

1. Required by paragraph 2.10.1.3 of the Code.

ABOUT THE DISCLOSURE CHECKLIST

This checklist identifies the requirements of the Code in relation to accounting for pension funds. It applies to accounting periods commencing on or after 1 April 2016.

The checklist is intended for use as an aide-memoire by those who prepare LGPS accounts to ensure that the requirements of the Code are met. The checklist is in the form of a series of questions. If the answer to a question is 'yes', the Code is being complied with. If the answer is 'no', then a justification for departing from the Code should be given and potentially disclosed in the accounts, where the impact of departure is material. For completeness and to ensure consistency, the checklist is largely reproduced from the *Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2016/17 Accounts* (CIPFA, 2016). It should not be taken to imply that all, or even most, of these disclosure requirements will be necessary for the majority of local government pension funds.

There are statutory requirements relating to certification, approval and publication of the statement of accounts. These requirements are addressed in section 1.7 of the Code; however, because the legislation is changing in some cases, the requirements are not covered in the checklist. Practitioners should refer to the latest statutory requirements.

As pension fund accounts are a component of the wider financial statements for local authorities, this checklist should be read in conjunction with the full *Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2016/17 Accounts* (CIPFA, 2016).

Reference used in the checklist:

CoP – *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (CIPFA/LASAAC, 2016)

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