

CIPFA Pensions Knowledge and Skills Framework – Accounting and Auditing

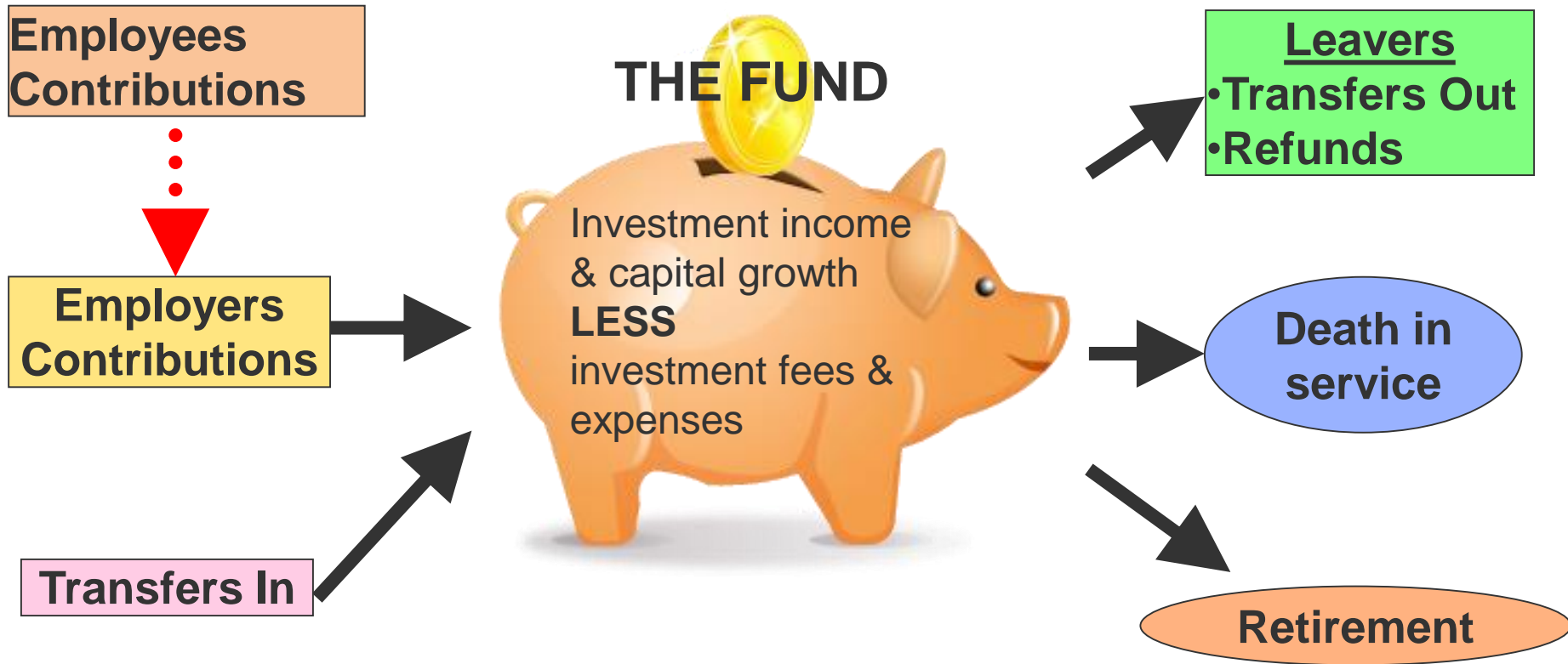
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CIPFA Pensions Knowledge and Skills Framework – Accounting and Auditing

- Accounting & Reporting framework
- Internal Audit
- External Audit
- Annual Reports

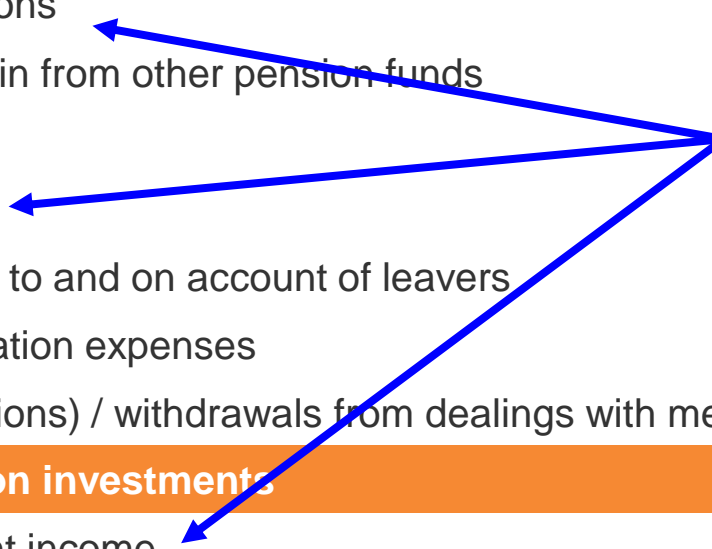
Pension fund overview



Fund Account

| Dealings with members, employers and others directly involved in the fund | |
|---|-------------------------|
| Contributions | (191,262) |
| Transfers in from other pension funds | (25,358) |
| Benefits | 232,580 |
| Payments to and on account of leavers | 48,896 |
| Administration expenses | 5,970 |
| Net (additions) / withdrawals from dealings with members | <u>70,946</u> |
| Returns on investments | |
| Investment income | (52,660) |
| Taxes on income | 773 |
| Profit and losses on disposals & changes in MV of investments | (300,444) |
| Investment management expenses | 7,300 |
| Net return on investments | <u>345,031</u> |
| Net (increase) / decrease in net assets available for benefits during the year | <u>(274,085)</u> |

**Minimum disclosure
Supporting disclosure
notes**



Net Assets Statement (NAS)

Net Assets Statement

| | | |
|--|-----------------------------|------------------|
| Investment assets | | 4,403,074 |
| Cash deposits | Minimum disclosure | 12,850 |
| | Supporting disclosure notes | 4,415,924 |
| Investment liabilities | | (11,051) |
| Borrowings | | (436) |
| Current assets | | 104,178 |
| Current liabilities | | (11,506) |
| Net assets of the fund available to fund benefits at the period end | | 4,497,109 |

CIPFA Pensions Knowledge and Skills Framework – Accounting framework

- CIPFA Code of Practice on Local Authority Accounting in the UK
- Based on International Financial Reporting Standards, adapted for the public sector context.

CIPFA Pensions Knowledge and Skills Framework – Accounting framework

- Pension Fund Accounting in the Code of Practice:

IAS 26 – overall framework and context

PRAG Pensions SORP – fills in the gaps

Other IAS/IFRS - gives detailed accounting

CIPFA Pensions Knowledge and Skills Framework – Financial reporting framework

- Requirements set out in detail in the **Accounts and Audit Regulations 2011**
- Requirement to prepare annual statement of accounts
- Signed by the CFO by 30 June
- Approved by committee or full council*
- Audited and published by 30 September
- Open to public inspection
- Includes pension fund accounts

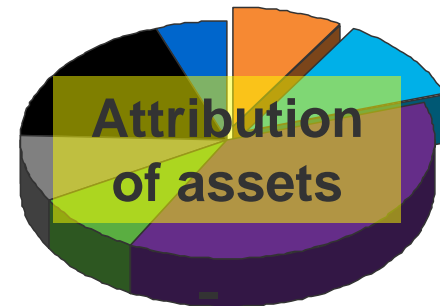
Example Accounts and disclosure checklist 2012-13

- Introduced in 2011-12
- These are not pro-forma accounts!
- Includes examples of all commonly required disclosures...
- ...but exclude, for example, accounting for direct property
- Does not take account of materiality
- Accounting for LGPS Management Expenses
 - Investment Management expenses
 - Oversight and Governance
 - Pensions Administration



FRS 17/IAS19 – an employer issue

- Each body accounts for its own share of assets/liabilities & pension costs
- Actuary estimates assets & liabilities for employers
- Methodology:
 - Roll forward membership data from last triennial funding valuation
 - **Different assumptions to funding valuation (set by IASB)**
 - Key difference is discount rate
- Pension fund involvement:
 - Providing data on cashflows
 - Not all employers have same year-end



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Net asset/liability

Different reporting requirements

Pension Fund a/cs

3 options:

- A. In Net Assets Statement
 - B. In the notes to the a/cs
 - C. Cross referred to actuarial report
- If using A:
 - need to compare assets with liabilities at the same date
 - Analysis of movement in IAS 19 assets & liabilities **NOT** disclosed
 - Will need actuarial valuation of all pension liabilities including smaller bodies

LG employer a/cs

- IAS 19 charge recognised in CIES
- Statutory override applied for council tax charging:
 - IAS 19 charge transferred to Pension Reserve via MiRS
 - Replaced by actual contributions payable to pension fund
- Disclose analysis of movement in IAS19 assets & liabilities

Related party transactions

- Disclosures as per Code
- But also key management personnel compensation
 - Short-term employee benefits
 - Post employment benefits
 - Other long-term benefits
 - Termination benefits
 - Share-based payments
- Disclose in total and for each category
 - No names required

- Pension fund examples – 2.162-2.185 Pension SoRP

“Those with authority or responsibility for planning, directing or controlling...”

CIPFA Pensions Knowledge and Skills Framework – Internal Audit

- Internal Audit - statutory requirement in Local Government
- CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom
- Prepared by CIPFA Audit Panel and overseen by CIPFA Public Finance and Management Board

CIPFA Pensions Knowledge and Skills Framework – Internal Audit

- Purpose of internal audit –

to provide an independent and objective opinion to the administering authority on the system of internal control and how risks are managed

to provide an annual opinion to support the Annual Governance Statement

CIPFA Pensions Knowledge and Skills Framework – Internal Audit

- Pension committee and internal audit –
 1. Agree the annual audit programme
 2. Receive and review audit reports
 3. Monitor implementation of recommendations

Audit regime



- Auditors appointed by Audit Commission
- Not a separate audit appointment but separate audit fee and fee scale
- Separate audit plan for pension fund audits
- Reporting:
 - Separate section in audit report on Statement of Accounts
 - Audit report on Pension Fund Annual Report
 - separate reporting to those charged with governance of the pension fund audit



Audit Scope

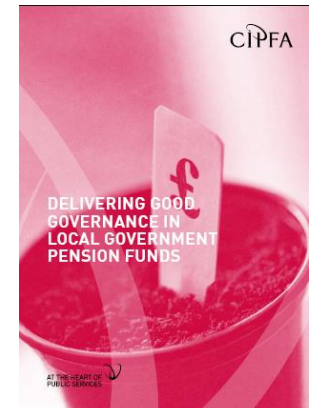
- Audit of accounts only
- No separate vfm conclusion
- Annual Report consistency
- Negative assurance on Governance Compliance Statement

- Follow PN15: The audit of occupational pension schemes except for:
 - Certifying contributions
 - Reporting breaches to The Pensions Regulator

**May change
in April 2015**

Auditing the Annual Report

- Pension fund accounts:
 - Figures in annual report match audited statements
 - Figures are disclosed in same manner as audited statements
 - Other information is consistent with financial statements
- Negative assurance on the governance compliance statement
 - Complies with statutory requirements and related guidance
 - Consistent with rest of the audit
- No separate Annual Governance Statement



Pension Fund Annual Reports

- Statutory Requirement – Reg 34
- CIPFA Guidance with DCLG approval
- Framework of 'good practice'
- Content not format
- Defines Administering Authority Role
- Publish by 1st December – audit approval
- Formally reviewed by PFC



Reporting requirements

The Accounts and Annual Report

Accounts

Fund Account

Net Assets Statement

Notes

comply with LA Code

Annual Report

Management & financial performance

Investment policy & performance

Administration

Actuary's report

Governance compliance statement

The Accounts

Pensions admin strategy & performance

Funding strategy statement

Statement of Investment Principles

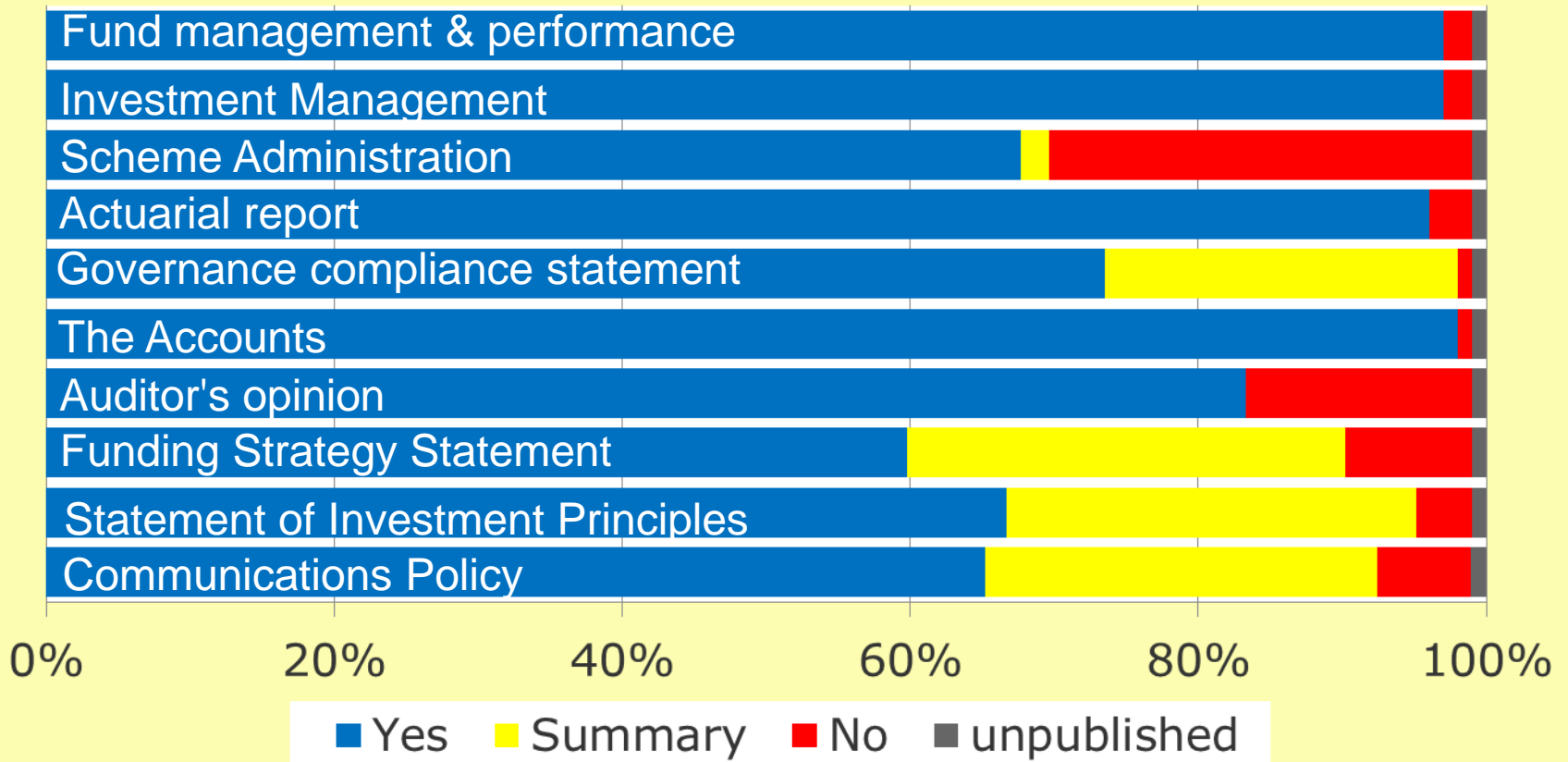
Communication policy

Anything else

have regard to CLG Guidance

CIPFA Review of Annual Reports

Annual Report content 2012/13



CIPFA Pensions Knowledge and Skills Framework – Accounting and Auditing

Accounting, Internal Audit and External Audit

...all part of the LGPS governance framework

CIPFA Pensions Knowledge and Skills Framework – Accounting and Auditing

Key reading:

- CIPFA Code of Practice on LA Accounting (Chapter 1 and 7)
- CIPFA Code of Practice on Internal Audit in Local Government
- Accounts and Audit Regulations
- See Audit Commission website for more on the external audit regime

Thank you

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