

FRC Discussion Paper

Joint Forum on Actuarial Regulation: A risk perspective

response to discussion paper

19 February 2015

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 150219 SC0216

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By email to: JFAR@frc.org.uk

February 2015

Dear Natasha Regan

Discussion Paper *Joint Forum on Actuarial Regulation: A risk perspective*

CIPFA is pleased to present its comments on this Discussion Paper, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

While CIPFA has a general interest in financial management, financial reporting and related activities, we have a specific interest in the public sector and wider not-for-profit sector. We therefore have a particular interest in regulations, standards and guidance for actuarial work insofar as that work affects financial reporting and decision making by public sector and not-for-profit entities.

Specific Matters for Comment

In line with the request for feedback at 2.1, we have considered whether:

- the Discussion Paper looks at the right risks;
- any identified risks are particularly important; and
- there are other risks which should be considered.

Generally, our view is that the body of material on risks appears sensible, balanced and relevant. No gaps are immediately evident. The high-level risk / hotspot and theme approach also generally seems to work.

While we have not identified gaps, we have some concerns that the material on the risks associated with pensions financial reporting is not sufficiently explicit and this is not accorded sufficient emphasis.

Section 3.5.2 explains that

A significant component on the balance sheet of some companies is the surplus or deficit of its pension scheme. This is accounted for in accordance with financial reporting standards that include actuarial methodologies the results of which are sensitive to changes in market conditions. This sensitivity may influence company and investor behaviour.

CIPFA agrees that it is appropriate to highlight the significance of pension reporting in some company balance sheets, and we would note that the risk associated with this reporting is relevant, for example, to a large number of public sector and not-for-profit entities with both funded and unfunded defined benefit pension schemes.

However, in contrast to the other contextual material in the first part of section 3.5.2, no hotspot is raised in respect of this risk area. CIPFA believes that a specific hotspot should be raised.

I hope this is a helpful contribution to the development of the body of actuarial standards and guidance. If you have any questions about this response, please contact Steven Cain (e: steven.cain@cipfa.org, t: +44(0)20 7543 5794).

Yours sincerely

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