



Pension Fund
Reporting: The
discord between
the Law and
IFRS
IPEC – 16 June
2016





Reconciliation of the Law and International Financial Reporting in the Financial Services sector presents one of the most difficult areas affecting fair reporting today . It is imperative that there be continuous convergence of views between regulators and Financial reporting standard setting bodies."



Back Ground?

Pension and Provident Act

Requires financial statements prepared on a historical cost basis.

Prescribes how the Report by the Auditor should be structured.

Requirement for a prescribed asset ratio of 10% difficult to meet in the current market, resulting in most Funds being qualified on this basis.

Accounting Standards

Accounting point of view' (IFRS) requires that financial statements be prepared on a fair value basis as far as possible.

Audit Opinions as Suggested by Pensions and Provident Act

- **Report by Auditor: For a Self-Administered Fund**

Ex Form PPFR 5/Ex Form PPFR 9

We have examined the accompanying balance sheet and income and expenditure account which, in our opinion, are properly drawn up so as to exhibit a **true and fair** view of the financial position of the Fund from an accounting point of view as at XXXX; and of its income and expenditure for the year ended on that date.

if financial statements are prepared on a historical cost basis [as is the requirement of the Pensions and Provident Funds Act (Chapter 24:09)]; then they can no longer be referred to as being true and fair from an accounting point of view

Proposed solution to problem

Legislative
Changes

This would be a preferred approach
Inordinate amount of time in legislative
changes (e.g. 10years)

**Standardize
audit report**

Fairly simple process

- Require Public Accountant and Auditors Board Institute to draft and adopt a standard audit report that meets the requirements and expectations of the Commissioner of Insurance, Pension and Provident Funds

Structure Of The Audit Report

Scope paragraph should outline that the financial statements are prepared for regulatory purposes.

- **Trustees Responsibility for the Financial Statements**
- **Auditor's Responsibility**
- **Opinion**
- **Emphasis of matter (*where applicable*)**
- On none compliance with the prescribed asset ratio of a minimum of 10%.
(should be applicable for all Pension Funds as there is not enough prescribed paper on the market at the moment)
- If the fund has fairly valued assets at year end although the Pension and Provident Fund Act (Chapter 24:09) requires assets to be measured at cost.
- **Restriction on use**

QUESTIONS ???



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