

# Barnett Waddingham

**PRIVATE AND CONFIDENTIAL**

8 January 2010

Louise Prior  
Director  
Board for Actuarial Standards  
By email to [basaccounts@frc.org.uk](mailto:basaccounts@frc.org.uk)

Dear Louise

## **Actuarial Information used for Accounts and other Financial Documents Consultation Paper (October 2009)**

Barnett Waddingham LLP is a UK-based firm of Actuaries and Consultants. We provide a range of actuarial and consultancy services to trustees and sponsoring employers of occupational pension schemes, general insurance companies, life insurance companies and friendly societies.

The comments in this response represent a collection of the views of Actuaries from both the life and pensions areas at Barnett Waddingham LLP but do not necessarily represent the views of the whole firm.

### **General comments**

We are of the view that there is no need for a separate Accounting Technical Actuarial Standard (TAS). The main reasons why we believe there is no need for a separate Accounting TAS are as follows:

- Different areas of work have very different reporting requirements and accounting standards are drawn up in different ways.
- Reporting aspects are already covered in the Reporting TAS.
- The underlying work required is already covered in the relevant Specific TASs (e.g. Insurance, Pensions).

Information provided to auditors (see paragraphs 4.31-4.33) is the only area that may not be automatically covered by other Specific TASs, and so may need to be addressed in another document – but we do not think this justifies a separate Accounting TAS.

### **Specific Questions raised in the consultation**

As discussed above we are of the view that there is no need for a separate accounting TAS. We have, however, made some comments on the specific questions raised in the consultation below which we hope the Board will take into consideration if it concludes that a separate TAS is needed:

9. *Do respondents have any comments on the proposals concerning assumptions that are presented in section 6, and in particular on the principles proposed in paragraphs 6.6, 6.9, 6.10, 6.13 and 6.17?*

We do not agree that aggregate reports “should include an indication of the fitness for purpose of the

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assumptions used in any calculations”. Current pensions accounting standards require company directors to select the key assumptions and it is therefore the role of the company’s auditor to determine whether those assumptions are fit for purpose. We do not feel that the actuary performing disclosure calculations is necessarily best placed to make such judgements.

11. *Do respondents have any comments on the proposed principle regarding materiality levels for accounting purposes in paragraph 7.4?*

The TAS should note that “materiality” in this context is an accounting term and may mean something different from the same word used within the framework of the TASs.

13. *Do respondents have any comments on the proposed principles on reporting in paragraphs 8.4 and 8.6?*

The range suggested in principle 8.4 could itself be a subjective judgement. Indeed, using the example in the text, the use of AA rated corporate bonds to determine the IAS19 discount rate is the common interpretation of IAS19 rather than actually being a prescribed method. Further, many accounting standards require that other assumptions reflect “best estimates” – would this constitute a prescribed method for the purpose of the TAS? The presence of this subjectivity and the number of assumptions potentially involved would seem to limit the benefits of this principle to the user.

The comparison suggested by the principle in 8.6 will increase the amount of work required when calculating pension costs, although some clients do ask for such explanations. On balance we do not believe there should be a compulsion to provide this information – the user can always request this if it is of particular concern. Indeed, it may not be possible to produce such comparisons within the timescale for reporting, especially if the actuary calculating the pension costs is not the Scheme Actuary.

14. *Are there any other principles on reporting which respondents believe should be in the accounts TAS? (section 8)*

We do not agree with the proposals for non-UK accounts for UK entities (see paragraph 4.37). The suggestion that work carried out on the accounts of UK entities prepared in accordance with non-UK standards is out of scope seems odd, since these would still be relied on by users in the UK. An example would be a UK insurer reporting consolidated UK and non-UK business under US GAAP (Generally Accepted Accounting Principles) accounts and Embedded Value (EV). Both US GAAP and EV supplement the UK accounts and both are relied on by users in the UK.

15. *Do respondents have any views on whether accounts TAS should require the user to be given an indication of the time constraints for actuarial work in relation to reporting pension costs for company accounts? (paragraph 9.6)*

The time constraints for actuarial work in relation to reporting pension costs are normally imposed by the user. GN36 requires the actuary, among other things, to advise the employer of the steps needed to achieve the required degree of accuracy with the available timescale. This does seem to be more of a professional issue rather than a technical one.

Please let know if you have any questions in connection with this response.

Yours sincerely

**Martin Hooper FIA**  
**Barnett Waddingham LLP**

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**Waddingham**