



National Audit Office

Helping the nation spend wisely

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Room RED.3
Reference FOI-418
Date 6 January 2010

By email to:
[request-24359-
44f59f57@whatdotheyknow.com](mailto:request-24359-44f59f57@whatdotheyknow.com)

Dear Mr Leaton,

REPORTING OF PENSION LIABILITIES IN THE GOVERNMENT BALANCE SHEET

Thank you for your email of 7 December 2009, in which you requested information relating to the application of IAS 19 and IPSAS 25 in the central government sector. Your request has been handled under the Freedom of Information Act, 2000.

You requested:

- copies of all minutes and discussion papers justifying or discussing why the NAO does not include occupational public sector pension liabilities in the government balance sheet;
- any information as to why the NAO chooses to go against standard accountancy practice in this matter.

Having searched our records I can confirm that we do not hold any minutes or discussion papers addressing the exclusion of occupational public sector pension liabilities from the government balance sheet.

The following information explains our position on the reporting of these liabilities:

Financial accounting standards for central government and Whole of Government Accounts are set by HM Treasury after taking the advice of the Financial Reporting Advisory Board, and are set out in the Government Financial Reporting Manual (the "FReM"). As you note, these standards are based on generally accepted accounting practice (GAAP) adapted where appropriate to take account of the public sector context. The requirements for the financial accounting for the central government pension schemes and their liabilities are set out in Chapter 12 of the 2009-10 FReM and are based upon IAS 19 and IAS 26. This chapter requires the central government pension schemes to disclose the actuarially determined present value of promised retirement benefits within their statements of financial position (i.e. the liabilities are disclosed in the pension scheme accounts' balance sheets). The FReM is available to view and download from HM Treasury's website at: http://www.hm-treasury.gov.uk/frem_index.htm. Liabilities are included in government financial accounts of the pension schemes themselves. Should Pension Schemes not report the liabilities as required under the guidance, then the Comptroller & Auditor General would report on that in his audit certificate.

The Government has announced that it will publish a GAAP-based balance sheet as part of its move towards publishing Whole of Government Accounts (WGA) for 2009-10. We understand that the WGA balance sheet will disclose the combined liabilities of the public sector employee pension schemes.

The Government also prepares various national statistics and statistically based 'National Accounts' according to European System of Accounts (ESA 95) guidelines. The inclusion or otherwise of liabilities in these statistics and accounts is determined by the Office for National Statistics (ONS), based on the ESA 95 guidance.

I hope you find this response helpful. Annex A to this letter sets out the steps you should take if you are not satisfied with the way in which we have handled your request for information under the Freedom of Information Act, 2000.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Julian Wood', with a long horizontal flourish extending to the right.

Julian Wood
Director, Corporate Affairs

Statement of Policy

Our policy is to respond to requests made under the Freedom of Information Act as helpfully and promptly as possible, having regard to the principles set out in the Act. I therefore hope you are happy with the way we have handled your request of information under the Freedom of Information Act. If you are not then you should take the following steps.

In the first instance, write to Julian Wood, Director, Corporate Affairs, asking for an internal review of the way we handled your request. He will arrange such a review, which will be conducted by a senior member of staff who was not involved in decisions relating to your original request. Once the review has been completed we will write to you with the outcome.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF.