



## VALUATIONS UNDER INTERNATIONAL ACCOUNTING STANDARD 19: EMPLOYEE BENEFITS (IAS19)

Year end audits can be busy, stressful times for finance professionals the world over. More so when you have to rely on external parties to provide you with crucial information. Which is why you need to partner with a firm that ensures you receive world-class valuation services within the short available timelines which often come with the audit process.

**IAS19 is the accounting standard that deals with employee benefits. It requires a company to determine its obligations in respect of a wide variety of employee benefits, including the following:**

- Gratuity benefits and schemes
- Long service awards
- Severance benefits
- Interest-free loans offered to employees
- Defined benefit pension funds (pension or lump sums payable at retirement)
- Long-term disability benefits
- Post-retirement medical aid schemes

## OUR APPROACH TO VALUATIONS

Each valuation is treated as a project and below we set out the various steps we generally follow in performing a valuation:



### 1. Data request

We will send out a detailed data request to the relevant person at your company/fund via email, setting out the format in which we require the data and guidance on our requirements to ensure that you can provide the data with ease. We will also assess all your employee benefits to ensure that all relevant benefits are included in our scope of work.



### 2. Data validation

It is of critical importance that the data used in the valuation is credible and accurate. This ensures that the results of the valuation provide an accurate reflection of the financial obligations of each member for inclusion in the financial accounts. We will perform a series of robust checks on the data and will send any queries shortly after receipt of the data.



### 3. Assumptions

Actuarial valuations require the use of a number of assumptions, including financial assumptions such as the discount rate and salary inflation rates and demographic assumptions such as employee turnover. Before starting the valuation, we will provide you with our proposed assumptions and detailed descriptions of how we have derived each of the proposed assumptions. You will need to approve the assumptions before we finalise our valuation report.



### 4. Calculate liabilities

Once the final data and assumptions have been approved we will perform the calculations of the liabilities and expense using actuarial cashflow projection models, and the projected unit credit method, as set out in the standard. The valuation is performed by an actuarial student, checked by a senior actuarial student or actuary and then signed off by a senior actuary. The results will be captured in a draft report which will be sent via email.



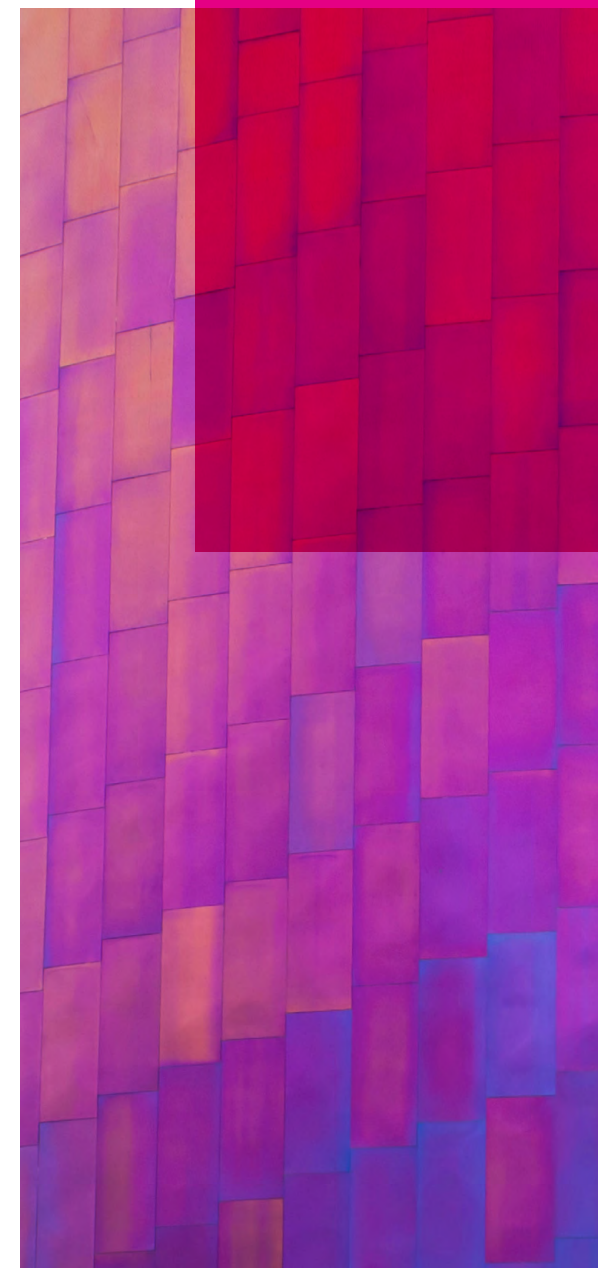
### 5. Discuss results

We will arrange a workshop or meeting with representatives of your company to discuss our report, approach, and the results. This ensures that you have comfort in the reports and the results of the valuation.



### 6. Final reports

Following the discussions, we will update the reports for changes (if any are required) following the teleconference and will then send final signed copies to you.





## SUMMARY OF PROJECT PLAN AND TIMELINES

Below is a summary of the steps of a typical project plan with an estimate of the time we require for each step:

Action item	Time required
Send out data request and quote	0.5 days
Perform data validation as data is received and send queries	1 – 5 days
Send proposed assumptions	0.5 days
Calibrate models and run valuation	2 - 5 days
Production of draft report for discussion	1 – 2 days
Meeting (or Telephone/video conference) to discuss reports	1 – 4 hours
Production of final reports	1 day
<b>Total time</b>	<b>5 – 15 working days</b>



# WHY USE QED?

- **Extensive experience**

- Our highly qualified and experienced team has been involved in well over 1,500 IAS19 valuations for clients in 19 countries across Africa, the Middle East, Europe and the Bahamas.
- We have experience in valuing a wide variety of benefits, including statutory benefits, gratuity schemes, long service awards, leave benefits, pension funds and post-employment medical aid benefits.

- **Efficient service**

- We appreciate the tight timelines involved in year-end audits and we ensure that valuation reports are provided in the shortest possible time. Our target turnaround times for standard valuations are between 1 and 2 weeks from receipt of the data to providing the valuation report.

- **Comprehensive consulting and insights on results**

- Our goal is for clients to fully understand all aspects of our report so that they can take comfort in the results, appreciate any movements and ultimately be more empowered to analyse and interpret the figures that are presented in the financial statements.

- **Value for money**

- We continuously strive to improve the way we do things to maximise efficiency, while retaining quality of the highest standards. This leads to world-class solutions at a fair reasonable price.

QED is the largest independent actuarial consulting firm in Africa. For the past 25 years we have been providing actuarial services throughout the continent from our head office in Johannesburg, South Africa. In 2019 QED sold a majority interest to leading black-owned empowerment investment holding company African Rainbow Capital Financial Services Holdings. This move elevated QED to the status of the largest majority black-owned actuarial firm in South Africa and the rest of Africa.

## We offer actuarial and strategic consulting services to:



Life insurance companies



General insurance companies



Health insurance companies;



Banks



Retailers



Regulatory & industry bodies



Retirement funds & associated employers

## OFFICES

QED has 3 regional offices in addition to the head office in South Africa:



South Africa



Kenya



Mauritius



Nigeria

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