

Memorandum

To: All Fellows, Affiliates, Associates and Correspondents of the Canadian Institute of Actuaries

From: Geoffrey I. Guy, Chairperson
Actuarial Standards Board
Allan S. Edwards, Chairperson
Task Force to Review the Revised CIA/CICA Joint Policy Statement

Date: June 27, 2007

Subject: **Revised Standards of Practice – Subsections 1620 and 1630 CIA/CICA Joint Policy Statement**

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Background

Subsection 1630 contains the Joint Policy Statement (JPS) of the Canadian Institute of Actuaries (CIA) and the Canadian Institute of Chartered Accountants (CICA) “Concerning Communications Between Actuaries Involved in the Preparation of Financial Statements and Auditors.” The previous JPS was dated March 1991.

The JPS required updating as a result of the CICA’s issuance of Audit Guideline 43 (AuG-43) Audit of Policy Liabilities of Insurance Enterprises and amendments to other auditing and assurance standards. A joint CICA/CIA task force developed the revisions. Barbara Addie was co-chair of this task force; Nelson Tishcoff, Helmut Engels and Al Edwards were members and Wesley Reynolds provided support.

A Statement of Principles regarding the CIA/CICA Joint Policy Statement dated June 20, 2006 was issued by the Practice Standards Council. An Exposure Draft – Revisions to the Standards of Practice – Subsection 1630 CIA/CICA Joint Policy Statement dated October 11, 2006 was issued by the Actuarial Standards Board (ASB). A corresponding Exposure Draft was issued by the Auditing and Assurance Standards Board (AASB) of the CICA.

After review of the comments received, the Joint Task Force recommended a revised draft to the AASB and ASB. Several changes were made to improve the clarity and consistency of the JPS, but none of the changes were considered substantive by the Joint Task Force and the Actuarial Standards Board.

Comments received on the exposure draft identified the following issues:

- i. In the CIA Standards, “should” is the strongest mandating word, used to indicate a requirement. References in the JPS to “should” were changed to “would” for consistency.

- ii. Some readers found the “reporting professional/specialist professional” terminology difficult to follow. This was changed to “enquiring professional/responding professional.”
- iii. There are significant issues arising in the interaction among auditors and actuaries with respect to pension and other post-employment benefits, and a need to review the CICA’s AuG-29 “Audit of Employee Future Benefits – Defined Plans.” The CICA has initiated a project to review AuG-29 with CIA participation, recognizing that this might lead to further future revisions in the JPS.
- iv. The exposure draft referred to work being carried out in accordance with applicable professional standards. There was a concern that this might require the actuary to comply with accounting standards. A definition was added to make it clear that applicable professional standards for an actuary are the CIA Standards of Practice and Rules of Professional Conduct. Management is responsible for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). While the actuary may assist management in determining that financial statements are in accordance with GAAP, this is not a matter of actuarial opinion or actuarial judgment.
- v. There was concern that the JPS not require that a separate report to the auditor be prepared. Revisions clarify that the responding professional’s response may, when appropriate, include a copy of the report provided to the client.
- vi. The Committee on Workers Compensation and the Committee on Post-Employment Benefit Plans volunteered John Neal, a member of both committees, who participated with the Joint Task Force in the revision process to address implications to these practice areas

The Revised Joint Policy Statement was approved by the AASB on April 11, 2007. The Revised Standards of Practice – Subsection 1620 and 1630 were approved by the ASB on May 1, 2007. The Revised Standards are effective October 1, 2007. Early implementation is encouraged.

The Sample Letters Booklet will be revised by the Joint Task Force, subject to approval by the Practice Council, and the updated version is expected to be available on the CIA website by December 2007.

GG, AE