
Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors

February 2023

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This Joint Policy Statement, effective for communications between the auditor and the actuary initiated on or after March 31, 2023, has been approved by the Canadian Actuarial Standards Board and by the Auditing and Assurance Standards Board. Early application is permitted.

Purpose and Application

1. The purpose of the Joint Policy Statement (“Statement”) is to facilitate effective communication between an auditor and an actuary as the two professionals conduct their respective engagement relating to the entity’s financial statements. This Statement sets out the process for:
 - (a) communications between an actuary involved in the preparation of financial statements, and an auditor, regarding their respective responsibilities;
 - (b) how the actuary and auditor would interact in carrying out their respective responsibilities; and
 - (c) how their respective responsibilities may be disclosed to readers of financial statements.
2. This Statement applies when:
 - (a) an auditor is engaged to carry out an audit of financial statements in accordance with generally accepted auditing standards where the financial statements prepared by management include amounts determined by or with the assistance of an actuary; or
 - (b) an actuary uses the work of an auditor in connection with conducting the actuarial valuation to determine amounts to be included in the financial statements prepared by management.
3. The financial statements of a pension plan or post-employment benefits plan and of the sponsor of such plans, and the financial statements of an insurance enterprise are examples of when this Statement applies.
4. This Statement is not intended to address:
 - an actuary’s request for the auditor to perform work that is not part of the audit of the financial statements; or
 - an auditor’s request for the actuary to perform work that is not part of the actuarial valuation to determine amounts to be included in the financial statements.

For such requests, the professionals may consider recommending to management that another type of engagement be undertaken. For example, an auditor may consider recommending that an engagement under Canadian Standard on Related Services (CSRS) 4400, *Agreed-Upon Procedures Engagements*, be undertaken.

5. This Statement does not apply to communications between:
 - (a) an auditor and the auditor’s actuary; or
 - (b) an actuary and the external review actuary.
6. This Statement does not supplant the respective professional’s responsibilities under the applicable professional standards.

Definitions

7. For the purposes of this Statement:
- (a) “Actuary involved in the preparation of financial statements” means an actuary, either an employee of the company or an external consultant, who determines and reports on amounts to be included in the financial statements prepared by management;
 - (b) “Applicable professional standards” means:
 - (i) when the responding professional is an actuary, the Standards of Practice and the Rules of Professional Conduct of the Canadian Institute of Actuaries; and
 - (ii) when the responding professional is the auditor, the Canadian Standards on Quality Management and the Canadian Auditing Standards (CASs) in the CPA Canada Handbook – Assurance and the relevant independence and other ethical requirements set out in the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies;
 - (c) “Auditor” means a person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm;
 - (d) “Auditor’s actuary” means an actuary with the necessary skills, knowledge and experience used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence;
 - (e) “Data” includes particulars of:
 - (i) invested assets of a pension plan or post-employment benefits plan or an insurance enterprise;
 - (ii) membership of a pension plan or post-employment benefits plan;
 - (iii) policies of and claims against an insurance enterprise; and
 - (iv) reinsurance of an insurance enterprise;
 - (f) “External review actuary” means an actuary who reviews the work of another actuary at the request of a regulator and provides an opinion to the regulator as to whether the work meets applicable professional standards and accepted actuarial practice;
 - (g) “Financial statements” means a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.
 - (h) “Inquiring professional” means the actuary or the auditor, as the case may be, who is using the work of the other;
 - (i) “Insurance enterprise” includes the following enterprises, including companies, branches, fraternal benefit societies and other forms of organizations:
 - (i) life insurance enterprises;
 - (ii) property and casualty insurance enterprises;
 - (iii) reinsurance enterprises; and
 - (iv) workers’ compensation enterprises;
 - (j) “Management” refers to the person(s) with executive responsibility for the conduct of the entity’s operations; and
 - (k) “Responding professional” means the actuary or the auditor, as the case may be, whose work is being used by the other.

- (l) “Underlying engagement” refers to the engagement for which the auditor or the actuary is appointed by law or engaged by the shareholders, policyholders, directors, or management to perform. This means:
 - (i) the financial statement audit engagement for the auditor; and
 - (ii) the engagement to determine, or assist management in determining, actuarial amounts in the financial statements for the actuary.

Responsibilities with Respect to Financial Statements

- 8. The financial statements are the responsibility of management. The representations contained in the financial statements may include amounts determined by an actuary. The auditor is responsible for expressing an audit opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- 9. The actuary or the auditor may choose to use the work of the other professional. The process of using the work of the other professional starts with the inquiring professional initiating a discussion with the responding professional. This discussion facilitates the ability of the inquiring professional to use the responding professional’s work. For example:
 - (a) In determining relevant financial statement amounts, the actuary is responsible for assessing the relevance, sufficiency and reliability of the data used in the valuation. The actuary may discuss with the auditor the nature, timing and extent of the auditor’s procedures relating to data integrity to facilitate the actuary’s use of the auditor’s work for assessing the relevance, sufficiency and reliability of the data. In such cases, the actuary involved in the preparation of the financial statements acts as the inquiring professional and the auditor acts as the responding professional.
 - (b) When the financial statements include amounts determined by an actuary, the auditor may discuss with the actuary the assumptions, methods and data used to determine the actuarial amounts to facilitate the auditor’s use of the actuary’s work as part of the audit evidence supporting the actuarial valuation. In such cases, the auditor acts as the inquiring professional and the actuary involved in the preparation of the financial statements acts as the responding professional.

Using the Responding Professional’s Work

- 10. The inquiring professional may use the work of the responding professional provided that the inquiring professional takes reasonable care to determine that there is a basis for such use. This is done by communicating with the responding professional in accordance with this Statement.
- 11. Use of a responding professional’s opinion or their work does not constitute reliance. The Standards of Practice of the Canadian Institute of Actuaries are premised on the actuary being responsible for their work, and that responsibility is not diminished by using the work of others. Similarly, the CASs are premised on the auditor having sole responsibility for the audit opinion expressed on the financial statements, and that responsibility is not reduced by the auditor’s use of the work of others.

Communication between the Two Professionals

- 12. Communication would be established between the auditor and the actuary involved in the preparation of the financial statements when planning their respective engagements, and further communication would take place as necessary throughout the engagement.
- 13. On a timely basis, each professional seeks from management the right to:
 - (a) communicate with the other professional; and
 - (b) when necessary, disclose any relevant information to the other professional.

14. The inquiring professional would:
- (a) inform the responding professional of the intended use of their work in accordance with this Statement, including, if applicable, the intended use of the responding professional's work or name in communications with third parties to avoid potential inappropriate use of the responding professional's work or name;
 - (b) request confirmation from the responding professional that they have been appointed by law or engaged by the shareholders, policyholders, directors, or management to perform the underlying engagement;
 - (c) request confirmation from the responding professional that they are a professional in good standing;
 - (d) request confirmation from the responding professional that they would carry out the underlying engagement required in accordance with the applicable professional standards; and
 - (e) make the responding professional aware of the inquiring professional's needs. This would include a discussion of:
 - (i) the applicable financial reporting framework and accounting policy choices and the actuarial valuation choices to provide the respective professional with a basis to evaluate potential impacts, if any, arising from differences between the applicable financial reporting framework and accounting policy choices and the actuarial valuation choices;
 - (ii) the application of materiality to determine whether the responding professional is using a materiality level that is appropriate for the inquiring professional's purposes;
 - (iii) subsequent events, to determine that the responding professional understands how they are to be treated and that the responding professional would consider the effect of matters that come to their attention up to the date of their report;
 - (iv) the timing of the work to be carried out by the responding professional and the date of their report; and
 - (v) any questions relating to the responding professional's work.
15. The responding professional would provide a written response to the inquiring professional that would:
- (a) confirm the expectation that they are available to perform the work that the inquiring professional intends to use;
 - (b) confirm that they have been appointed by law or engaged by the shareholders, policyholders, directors, or management to perform the underlying engagement;
 - (c) confirm that they are a professional in good standing;
 - (d) confirm that they are qualified to perform the work that the inquiring professional intends to use (including having the certifications or designations, if any, required for particular areas of practice);
 - (e) confirm that the underlying engagement would be carried out in accordance with the applicable professional standards;
 - (f) confirm awareness of the inquiring professional's intended use of their work, including, if applicable, the awareness of the inquiring professional's intended use of the responding professional's work or name in communications with third parties; and
 - (g) discuss any problems expected in meeting the needs of the inquiring professional on a timely basis.

The Responding Professional's Qualifications, Competence and Integrity

16. In the case of an auditor, prima facie evidence of professional qualification is membership in good standing in a professional accounting body. In the case of an actuary, prima facie evidence of professional qualification is fellowship in good standing in the Canadian Institute of Actuaries.
17. When the responding professional is not well known to the inquiring professional, the inquiring professional may obtain information regarding the responding professional's reputation for competence and integrity by consulting with others who are familiar with the responding professional's work.

The Responding Professional's Findings

18. The responding professional's written response to the inquiring professional after completion of the work would:
 - (a) identify the responding professional's relationship to the entity to which the financial statements or data pertain;
 - (b) identify the financial statements or data to which the work relates;
 - (c) describe the work in the context of the underlying engagement;
 - (d) describe the inquiring professional's request and include or refer to the work performed as agreed with the inquiring professional;
 - (e) for auditors, state that the work provided to the actuary does not constitute an assurance engagement and accordingly, the auditor does not express an opinion or an assurance conclusion specifically on the data to which the work relates;
 - (f) inform the inquiring professional not to quote or refer to the work in communications or provide the work, in whole or in part, to parties other than the ones the inquiring professional previously identified to the responding professional without the responding professional's prior written consent; and
 - (g) when appropriate, include a copy of the report on the underlying engagement.
19. The Appendix provides examples of the responding professional's written response to the inquiring professional.
20. When the inquiring professional has a question about an aspect of the responding professional's work, the question would be raised with the responding professional who would provide a reasonable explanation about that aspect of their work. This does not, however, restrict the inquiring professional from obtaining information or explanation that may be required in the performance of their duties in accordance with the applicable professional standards.

Disclosure of Respective Responsibilities to the Readers of Financial Statements

21. When required by law or regulation, a description of the respective responsibilities of the auditor and of the actuary involved in the preparation of the financial statements would accompany the financial statements.

Appendix

Illustration 1: Example of an auditor's written response to the actuary

The following is an example of an auditor's written response to the actuary after the auditor has completed the work requested by the actuary. This example is intended only to be a guide and will need to be adapted according to the circumstances.

[Actuary or another appropriate addressee]

[Date]

We are responding to your request to use our work in accordance with the Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors ("Joint Policy Statement").

We are engaged to audit the financial statements of XYZ Company Limited for the year ended December 31, 20X1. The work we provide to you relates to [describe the data to which the work relates such as the auditor's procedures on the data integrity of the accounting system]. [Describe the work in the context of the underlying engagement such as we performed this work as part of our audit of the financial statements.]

As requested by you under the Joint Policy Statement, we are providing you with [brief description of the actuary's request]:

[Include or refer to the work performed as agreed with the actuary.]

This work does not constitute an assurance engagement and accordingly, we do not express an audit opinion or an assurance conclusion specifically on [the data to which the work relates].

Please do not quote or refer to our work in communications or provide our work, in whole or in part, to parties other than the ones you have identified to us without our prior written consent.

[When appropriate, include a copy of the auditor's report.]

Yours truly,

[Auditor's signature]

Illustration 2: Example of an actuary's written response to the auditor

The following is an example of an actuary's written response to the auditor after the actuary has completed the work requested by the auditor. This example is intended only to be a guide and will need to be adapted according to the circumstances.

[Auditor or another appropriate addressee]

[Date]

We are responding to your request to use our work in accordance with the Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors ("Joint Policy Statement").

We are engaged to [describe relationship with the entity such as to provide actuarial opinions on the (policyholder) liabilities in the financial statements of XYZ Company Limited for the year ended December 31, 20X1.] The work we provide to you relates to [describe the financial statement or data to which the

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work relates such as an actuarial opinion on whether the liabilities of \$123 billion in the Statement of Financial Position are calculated in accordance with accepted actuarial practice]. [Describe the work in the context of the underlying engagement such as this work is one of several actuarial opinions we are providing on the (policyholder) liabilities.]

As requested by you under the Joint Policy Statement, we are providing you with [brief description of the auditor's request]:

[Include or refer to the work performed as agreed with the auditor.]

Please do not quote or refer to our work in communications or provide our work, in whole or in part, to parties other than the ones you have identified to us without our prior written consent.

[When appropriate, include a copy of the actuary's report.]

Yours truly,

[Actuary's signature]

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