

In Brief

A plain and simple overview of the recently issued Exposure Draft, Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors

This is an overview of the Auditing and Assurance Standards Board's (AASB) and the Canadian Actuarial Standards Board's (ASB) joint project to revise the *Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors*

Background:

The *Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors* ("JPS"), appended to CAS 500, *Audit Evidence*, sets out communication principles between auditors and actuaries to facilitate and promote communications between the two professionals.

The JPS was first issued in 2007 and has not been updated since. Over the years, practices relating to the audit of amounts determined using actuarial calculations have evolved.

The AASB and the ASB initiated a joint project to consider whether the communication principles in the JPS continue to be appropriate in the current environment.

Comment deadline:

Comments are requested by September 19, 2022.

How to respond:

We are seeking feedback on our joint Exposure Draft, [Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors](#). There are several ways to learn more about the project, understand the proposals, and provide input:

- read our [project page](#);
- attend the virtual roundtable discussions on September 6, 2022 (English) and September 7, 2022 (French); and
- [submit a comment letter](#).

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Objectives of the project

“Audit quality is enhanced when auditors and actuaries have a clear understanding of how they will use each other’s work.”

– Bob Bosshard, AASB Chair

The proposed revisions to the JPS will enhance audit quality by:

- clarifying the scope of the JPS;
- clarifying the use of the other professional’s work and addressing the potential inappropriate use of their work;
- enhancing discussions between auditors and actuaries; and
- making other enhancements to clarify the JPS.

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Key features of the proposed JPS

Here are our proposals on revising the JPS. We want to know if you agree with us.

Clarifying the scope of the JPS

The JPS is intended to facilitate communications between an auditor and an actuary as the two professionals conduct their respective engagements relating to the entity's financial statements.

The AASB and ASB recognize that it has become more prevalent for an inquiring professional (the actuary or the auditor who is using the work of the other) to request a responding professional (the actuary or the auditor whose work is being used by the other) to carry out work beyond their existing engagement. For example, an actuary may request additional information or work from the auditor that is beyond the work performed for the audit engagement. To address these issues, the AASB and ASB propose to expand paragraph 1 and add paragraphs 3A and 3B to better explain the scope of the Statement, including what is outside the scope.

Clarifying the use of the other professional's work and addressing potential inappropriate use

The existing JPS directs the inquiring professional to "consider" the work of the responding professional. This term may convey a different meaning to different users of the JPS and may be a potential source of confusion. For example, some professionals may misinterpret the term "consider" in the context of "reliance" on the responding professional's work. However, under both the auditing and actuarial standards, the professional is responsible for their own work and that responsibility is not diminished by using the work of others.

To describe the desired action of the professionals more precisely, the JPS replaces the term "consider" with "use". Further, the JPS introduces new guidance, as follows:

- adding paragraph 7A to clarify that the inquiring professional uses, but does not rely, on the responding professional's opinion or their work; and
- expanding paragraph 10(a) to direct the inquiring professional to inform the responding professional of the intended use of the responding professional's work or name to avoid potential inappropriate use of the responding professional's work or name.

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Enhancing discussions between auditors and actuaries

The communication between the two professionals starts with the inquiring professional initiating a discussion with the responding professional. This discussion is intended to facilitate the inquiring professional's ability to use the responding professional's work. This initial step is missing from the JPS. The AASB and ASB propose highlighting this step through examples of discussions between the professionals in paragraph 6 of the proposed revised Statement.

The introduction of IFRS 17, *Insurance Contracts*, has resulted in a possibility that an amount determined using actuarial calculations may be compliant with IFRS 17 but not with actuarial standards. To address potential impacts arising from such differences, the AASB and ASB propose to add paragraph 10(e)(i) to direct the professionals to discuss the applicable financial reporting framework and accounting policy choices and the actuarial valuation choices.

Making other enhancements to clarify the JPS

Other enhancements to the JPS include changes to the definitions and other areas to enhance clarity or to conform to the terminology used in other standards.



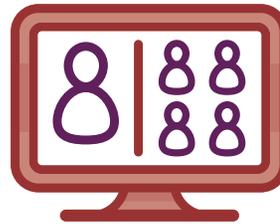
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Influencing change

There are many opportunities for you to understand, discuss, and respond to the proposed changes.

Participate in a virtual roundtable



Provide your comments at our virtual roundtable and help shape the future of the JPS.

Participants will receive the Exposure Draft as well as an outline in advance of the session to prepare their feedback and enable them to participate in the discussion. Check the [project page](#) for our roundtable registration (English roundtable on September 6, 2022, and French roundtable on September 7, 2022).

Respond via comment letter by September 19, 2022



Submit your responses to all or any of the questions posed in the [Exposure Draft](#) to info@asbcanada.ca.

All responses will be a matter of public record unless confidentiality is requested.

During the comment period, AASB staff are available to discuss the document with interested parties.

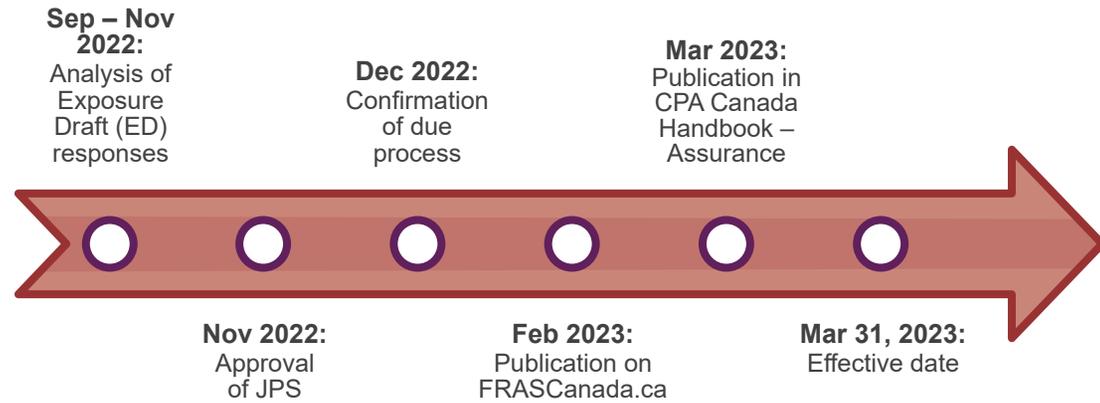
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Next steps

When will the revisions to the JPS be decided/approved and come into effect?

The next steps for this joint project are as follows:



Stay informed

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Please contact:

Chi Ho Ng, CPA, CA
Principal, Auditing and Assurance Standards Board
Phone: +1 416-204-3443
Email: cng@asbcanada.ca