

Notice of Intent

Revised Standards of Practice – Subsections 1510 and 1520 CPA Canada/CIA Joint Policy Statement

Actuarial Standards Board

January 2022

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MEMORANDUM

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

From: Josephine Marks, Chair
Actuarial Standards Board

Jacques Tremblay, Chair
Designated Group

Date: January 25, 2022

Subject: **Notice of intent on the revised Standards of Practice – subsections 1510 and 1520 CPA Canada/CIA Joint Policy Statement**

Comments Deadline: **March 18, 2022**

Background

Subsection 1520 of the *Standards of Practice* (SOP) contains the Joint Policy Statement (JPS) of the Canadian Institute of Actuaries (CIA) and the Canadian Institute of Chartered Accountants (CICA) (the legacy organization of CPA Canada) “concerning an Auditor’s use of the work of an Actuary and an Actuary’s use of the work of an Auditor in connection with the preparation and Audit of Financial Statements.”

The current JPS was approved in 2007 and has not been revised in 15 years. There may be areas in the audit of amounts determined using actuarial calculations that have evolved. Consequently, the JPS may no longer reflect how auditors and actuaries interact and the way they use each other’s work.

There is also a booklet available on the CIA website entitled, “[CICA – CIA Guide: Audits of Financial Statements That Contain Amounts That Have Been Determined Using Actuarial Calculations](#)” which was issued by the CIA and CICA in 2011.

Both documents need to be updated as a result of evolving practices since 2007, the upcoming IFRS 17 Accounting Standards effective January 1, 2023, and potentially Canadian Auditing Standards (CAS) 315 *Identifying and Assessing the Risks of Material Misstatement*, CAS 540 *Auditing Accounting Estimates and Related Disclosures*, and CAS 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

A joint CPA Canada/CIA task force has been assigned to develop revisions. Jacques Tremblay is co-chair of this task force; Pierre Lepage and Gus van Helden are members of the actuarial designated group, Lesley Thomson is the ASB observer. Members of the

accounting task force are: Janice Deganis (co-chair), Bob Bosshard, Jessie Foster, Heather George, and Jessica Macht.

The project should result in a revised JPS, approved by the Auditing and Assurance Standards Board (AASB) of CPA Canada, and by the Actuarial Standards Board (ASB) of the CIA. The revised JPS would be included in the SOP.

Objectives

The joint project objectives are to:

- (a) Consider what revisions are needed to reflect developments in matters relevant to the JPS since it was originally issued and codify good practice, such as:
 - how auditors and actuaries use each other's work; and
 - how the professionals communicate with each other.
- (b) Consider whether related non-binding guidance should be updated to reflect changes in accounting and actuarial standards relating to insurance and recently issued auditing and actuarial standards.

Scope

This joint project will seek to clarify whether the communications principles continue to be appropriate in the new practice environment, including the nature timing and extent of communications required between the two professions.

This joint project will seek to clarify the appropriate work effort under the auditing standards and actuarial standards when the actuary (or auditor) requests information from the auditor (or actuary) to use in their calculations.

The Designated Group (DG) has the following mandate:

To recommend any changes necessary to subsections 1510 and 1520, to reflect

1. how auditors and actuaries interact and the way they use each other's work (new practices);
2. new accounting and actuarial standards and guidance; and
3. new legislation or regulations.

Standards versus guidance

It is appropriate to adopt revisions to standards since these standards have not been updated since 2007. The DG believes that the CIA-CICA guide also needs to be updated at this time.

Implications

The joint project has implications for:

- (a) Practitioners who audit financial statements containing amounts determined using actuarial calculations. These practitioners can be from different sized

- practices – including the big-six firms, mid and small-sized firms, sole practitioners, and public sector practitioners.
- (b) Actuaries who consider 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.
 - (c) Pension actuaries who rely on the audited plan/fund statements in the context of preparing a valuation of the pension plan obligations for its financial position.
 - (d) Preparers of financial statements containing amounts determined using actuarial calculations.
 - (e) Users of audited financial statements containing amounts determined using actuarial calculations. However, other users may include investors, board of directors/those charged with governance, regulators, and government.
 - (f) Provincial accounting bodies, as they:
 - i. Advise practitioners on the application of standards/guidelines.
 - ii. Inspect against standards/guidelines.

Timeline

The Joint CPA Canada/CIA JPS Task Force will be proposing revised wording for the JPS. The proposed changes will affect several areas of actuarial practice, so the input of several CIA practice committees will be obtained on the draft revisions. It is anticipated, based on the proposed agendas of the two bodies, that the AASB and ASB will approve an exposure draft of the JPS in late June 2022 and adopt a new JPS in the fall of 2022 (subject, of course, to member and stakeholder input). At the same time, the requisite changes in the Standards of Practice will be exposed and adopted after due consideration of comments. The effective date of the revised standards will be **January 1, 2023**.

Desired feedback

The DG and ASB are soliciting feedback on this notice of intent from members of the CIA and any other interested groups.

Feedback is welcomed on the proposals described above as well as the following questions:

1. Are there any other documents (new financial reporting, auditing, or actuarial standards) that should be considered in revising the JPS?
2. Are there any other developments (legislation, regulations) that should be considered in revising the JPS?
3. Are there any issues that you may have come across in practice?
4. Do you have any other comments on the above observations and thoughts?

Please send comments **by March 18, 2022**, to Jacques Tremblay at jacques.tremblay@oliverwyman.com, with a copy to Chris Fievoli at chris.fievoli@cia-ica.ca. No other forums for obtaining feedback are contemplated at this time.

The ASB's due process has been followed in the drafting of this notice of intent.

JEM, JT