

From: Hilary Daniels

TOWARDS A CONCEPTUAL FRAMEWORK: CONSULTATION PAPER

My view is that in producing the document, BAS has taken the opportunity to generate a positive debate about what is needed in actuarial standards. I support much of what is within the document, such as the need for a generic reporting standard and for principles based rather than rule based regulation.

In reviewing the document, I have commented from two perspectives, firstly as a past user of actuarial services and secondly from my perspective as a member of the Professional Oversight Board, albeit writing in a personal capacity. In addition I have some knowledge of these issues for the accountancy profession through my work for CIPFA. My main concerns relate to two key areas:

- 1 Firstly, whilst I can see from an actuarial perspective the breakdown of actuarial work into 5 categories might be attractive, I don't think that these categories mean much to the user and in practice is probably artificial. The user expects all actuarial work to be carried out to relevant standards, whether or not it is required by regulation. I suggest that at most there could be two categories, one for work carried out under regulation and one for everything else, as I can see that BAS might wish to produce specific standards for particular roles. If BAS already has some ideas about how this might apply a table showing applicability of standards to categories would help user's understanding.

In particular I fail to see why category E; monitoring the work of another actuary is specifically excluded from standards, as stated on page 13. It may be that BAS technical standards are not relevant to this work, but in practice, one would expect that the actuary would be following both professional and ethical standards, although some of this may be more a matter for the Professional Oversight Board than BAS.

The paper gives three examples of this work, but interestingly excludes peer review. Taking one of the examples of category E, on page 12, that of the role of an auditor reviewing pension scheme costs, one would expect that individual to be as a minimum aware of the actuarial standards required to complete the work in the first place and to ensure that their review is in accordance with those standards. A user receiving an actuarial report should expect it to be written in accordance with the standard, unless there is a specific disclaimer.

If BAS wishes to keep the categories, I believe it may be more appropriate to make an inclusive statement; i.e. that BAS standards apply to all relevant work undertaken by an actuary, whatever category of work, rather than specifying those that are excluded. In practice it is simpler to have a catch all rather than try and define everything that is included or excluded.

- 2 I am not sure that it is helpful or practical to have two different methods of enforcing the standards. Standards should be compulsory for all work covered by that standard, whatever the category, however if there are exceptional circumstances, then the reason for non compliance should be fully documented and explained to the client. I would expect that this would be a requirement of the reporting standard as well.

It might also be helpful to explain the ways in which standards become enforceable.

I hope these comments are helpful in taking the conceptual framework forward.

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