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Our ref: ICAEW Rep 89/07

Your ref:

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By email a.colban@frc.org.uk

Dear Ms Colban

ACTUARIAL STAKEHOLDER GROUP SURVEY OF THE NEEDS OF PRINCIPAL USERS OF ACTUARIAL SERVICES: FINDINGS AND IMPLICATIONS FOR THE WORK OF THE FRC

The Institute of Chartered Accountants in England and Wales (the 'Institute') welcomes the opportunity to comment on the consultation paper *Actuarial Stakeholder Group survey of the needs of principal users of actuarial services: findings and implications for the work of the FRC* published by the Financial Reporting Council in July 2007.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council (FRC). As a world leading professional accountancy body, the Institute provides leadership and practical support to over 128,000 members in more than 140 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

General comments

1. As is made very clear, the survey was limited and covered trustees and non executive directors (NEDs) as primary users of information. We find it surprising that NEDs who receive advice in their capacity as both directors and trustees claim that the advice received as a NED is of much better quality. It is not clear whether such trustee advice is coming from the actuaries employed by the insurer or from externally appointed actuaries.

2. It would be helpful to undertake further research into the perception of different aspects of actuarial advice. In relation to pension schemes, this could include the distinction between advice on funding and how it is linked with advice on investment strategy.
3. It would also be useful to consider the requirements and views of other users of actuarial information, such as auditors.

Comments on specific issues

The need for clarity between the role of the Board for Actuarial Standards (BAS), the Professional Oversight Board (POB) and the actuarial profession.

4. From our contact with the actuarial profession, we believe that there is an immediate need for much greater clarity in the respective roles of BAS, POB and the Institute and Faculty.
5. We believe that BAS should set only the framework and it should be for the profession to provide guidance. For example, in respect of communication, BAS should set broad principles and the Institute and Faculty (IFA) should provide guidance in how actuaries fulfil the requirements. This is the way in which the Institute operates in relation to the standards set by the Auditing Practices Board (APB) and the Accounting Standards Board (ASB), with the IFA giving guidance in the form of advisory and technical helpsheets for members where necessary. This is a flexible approach which can also be used to provide an interim solution when standards are being revised to reflect, for example, legislative changes.
6. We do not believe that it should be a function of the FRC to “focus attention on the training of actuaries to communicate effectively and to produce reports and advice that employ plain language accessible to non actuaries” (page 9). International Standard on Auditing (ISA) (UK and Ireland) 260, ‘*Communication of audit matters with those charged with governance*’ provides a suitable model for professional communications that we believe BAS could use to develop guidance in this respect.

The FRC should adopt a ‘light touch’ regulatory approach

7. We believe that any regulation should be proportionate and that principles-based regulation is appropriate. However, because there is a lack of clarity as to the respective roles of the FRC and the professional institutes, we believe that discussions should take place between the parties to determine how responsibilities should be shared.
8. We also concur with the views of the stakeholder group that user interest and the wider public interest should be embedded into regulation of actuaries, as it is for auditors.

Implications for standard setting

9. Page 14 of the paper states that BAS proposes its immediate priority should be to set standards for actuarial information, including information provided by entities such as pension schemes and insurance companies.
10. We have reflected on this and believe that BAS should be very clear on what appears to be a dual role in setting standards for the actuarial profession and setting standards for trustees and insurers. There is a very clear distinction in the respective roles of the ASB and the APB, in that the standards they issue apply to different functions (financial reporting and auditing) and they are two separate bodies.
11. We believe that BAS should progress its work on actuarial standards and actuarial information together. Concentrating on one aspect and deferring the other is not helpful to the profession, nor to those who use its services or fall within its remit in terms of setting standards for actuarial information. There is a danger that standards are set for information, which disregard the practical, regulatory and legal requirements of those charged with providing it or complying with professional guidance.
12. Finally, we believe that it is not just a responsibility of the actuarial profession to ensure that users of information understand it – the responsibility also lies on the user.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely



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