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THE ACTUARIES' CODE AND SUPPORTING ACTUARIAL PRACTICE STANDARDS

The Institute of Chartered Accountants in England and Wales (the ICAEW) welcomes the opportunity to comment on the consultation paper *The Actuaries' Code and Supporting Actuarial Practice Standards* published by the Actuarial profession in November 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. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 130,000 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.

We do not believe it appropriate to comment on the code of another profession in detail: accordingly our comments are high level and focused on the structure and style of the Actuaries Code and Standards.

We support the proposed structure of the new Actuarial Profession's Standards framework comprised of The Actuaries' Code, the Actuarial Professional Standards and the Information and Assistance Notes. Setting the structure around a number of principles, supported by standards and non-mandatory notes for information and assistance, allows flexibility and encourages professional judgement.

As a pioneer of the principles-based approach in the accounting profession, we welcome the actuarial profession's move to a principles-based code. A principles-based approach is powerful because it provides guidance that can be applied to a wide variety of situations. It avoids excessive usage of rules and detail by not having to anticipate every possible circumstance or situation that may arise while at the same time providing guidance on problem situations. It also encourages compliance

with the spirit of the requirements, rather than a legalistic compliance with the letter of the requirements, while avoiding the underlying intent.

The ICAEW's principles-based Code of Ethics sets out five fundamental principles: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour which must always be complied with by members and students of this Institute. We note that you have included conflicts, commencing appointments and communication as principles but believe they should be regarded as standards or guidance since they apply principles such as honesty, integrity and competence rather than being principles themselves. For example, when actuaries are considering a new appointment they should evaluate whether they are competent to accept this appointment, should manage conflicts of interest and behave with integrity.

We notice that honesty and integrity are included under the conduct principle whereas in our Code integrity is a separate principle which must be adhered to. The ICAEW Code of Ethics defines integrity as being "straightforward and honest in all professional and business relationships." The ICAEW has spent some time considering integrity as we are of the view that in fact this is *the* fundamental principle form which all other derive. We have produced a publication *Reporting with Integrity* (available at www.icaew.com/bettermarkets) which proposes that honesty is one aspect of integrity. The publication further proposes that integrity has five key aspects:

- moral values such as honesty, truthfulness and fairness;
- motives which includes taking into account the interests of other stakeholders;
- commitments in thoughts, words and deeds;
- qualities such as perseverance and courage; and
- achievements in the face of adversity.

For your convenience, we have attached a copy of the abstract and full report.

We wonder whether the Actuaries' Code could be further enhanced by including a framework for identifying threats to compliance with the fundamental principles. Our threats and safeguards framework requires members to consider whether actions or relationships might constitute threats to adherence to those principles and where these are significant, requires safeguards to be implemented. Sometimes, because of the nature of the threat, specific safeguards, rules or prohibitions are mandatory. The Code discusses the types of threats and safeguards which might be applied. Further information on this can be found in the Overview of the Code of Ethics (see attached) and at www.icaew.com/ethics.

A relatively recent addition to our Code of Ethics for the benefit of members has been the inclusion of a conflict resolution framework which may be helpful when managing conflicts and trying to determine an appropriate course of action that is consistent with the principles of the Code. The framework proposes items to consider when managing a conflict and suggests persons and/or organisations which could be consulted to resolve the conflict. Further details of the conflict resolution framework can be found in the Overview of the Code of Ethics and in the full Code of Ethics – Part A (www.icaew.com/ethics.)

As an observation on style, the statement of '*non-compliance with this standard*' at the end of each standard might be better placed at the end of the ED 1The Actuaries' Code. As drafted, including this statement at the end of each standard is repetitive and does not necessarily relate to the principle being discussed. For example, non-compliance with ED 2 Actuarial Professional Standard Conduct refers to honesty and integrity not behaviour, competence and judgement.

I hope you have the above comments helpful. Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

A handwritten signature in black ink that reads "Anne Davis". The letters are cursive and slightly slanted to the right.

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