

IAA ISAP 1, General Actuarial Practice

Professionalism Committee Review of Compliance with Due Process

**Report approved by the Professionalism Committee on 25 September 2012
and submitted to the Executive Committee on 1 October 2012**

IAA ISAP 1, General Actuarial Practice Professionalism Committee Review of Compliance with Due Process

Introduction

The IASSC has drafted the first ISAP - ISAP 1, General Actuarial Practice - and requested the Executive Committee (EC) to include it on the 60 day agenda for the IAA Council meeting to be held in November 2012.

This report is being submitted to the EC by the Professionalism Committee (PC), following the PC task force's assessment of whether the ISAP was prepared in accordance with the Due Process for ISAPs.

See Appendix 1 for a *Summary of the Due Process* and Appendix 2 for the *Detailed Status Report for ISAP 1*.

This report forms part of the Due Process.

Responsibilities of the Professionalism Committee in relation to ISAPs

The responsibilities of the Professionalism Committee in relation to ISAPs include:

- Monitor the development of an SOI or ISAP at each stage.
 - o *The IASSC has provided updates to a task force of the Professionalism Committee during the course of the preparation of ISAP 1 and has recently completed Step 11 of the Due Process.*
 - o *The IASSC is now in the final stages of completing Steps 12 and 13 of the Due Process and their final report on these steps will be submitted to the EC meeting in October 2012.*
- Through the Chairperson, raise any concerns at any time with the chairperson of the IASSC or EC, as appropriate.
 - o *Arising from their initial assessment of compliance with Due Process, the task force suggested to the IASSC and the EC that they ensure that the comments received on the exposure draft (in particular, comments relating to Scope) are adequately taken into account in the preparation of a final ISAP.*
- Report on whether Due Process has been followed, when an ISAP is presented to EC for approval or to Council for adoption.
 - o *This report has been prepared in order to fulfil this responsibility as set out in Step 14 in the attached Summary of the Due Process.*

- Monitor whether the Due Process is working well and whether it should be updated from time to time.
 - o *The Committee will regularly review the effectiveness of the Due Process and report its findings to the Executive Committee when required.*

Scope of report

This report relates only to a review of process and covers actions only up to 25th September 2012.

Responsibility for the content of any Statement of Intent, Exposure Draft or ISAP rests with other parties, as indicated in the “Summary of Due Process for ISAPS” in this report. The Professionalism Committee has not carried out a detailed assessment of, or agreed an opinion on, the content of the final ISAP 1.

Some parts of this report are not strictly necessary in the case of ISAP 1. However, they are included in order to illustrate how the Professionalism Committee expects to approach the task of monitoring compliance with Due Process for future ISAPs.

Summary of the Review

The review was undertaken in some detail, following the steps of the Due Process as set out in Appendix 1. Full details of the review and the Due Process itself are set out in Appendix 2 and the required record of evidence is given in Appendix 3. The primary focus of the PC is on process. The responsibility for the content of any SOI / ED / ISAP rests with other parties, i.e. IASSC, the EC and Council, as indicated below.

Strategic Action Plan for ISAPs

1.	Consider proposal (EC)	n/a – work was initiated under previous Due Process.
2.	Add to Strategic Action Plan (SAP) for ISAPs (Council)	SAP is still in development.

Statement of Intent

3.	Prepare draft SOI (IASSC)	See note below.
4.	Consult on draft SOI (IASSC)	
5.	Submit final SOI for approval, together with report on consultation (IASSC)	
6.	Approve SOI (EC)	
7.	Ratify approval of SOI within 9 months (Council)	
8.	Publicise approval (EC/Secretariat)	

Work on ISAP 1 began before the current Due Process was introduced in January 2012.

The decision to develop this ISAP was made by Council at the October 2010 Council meeting, following consideration of a Statement of Intent relating to a new standard to replace IASP 2 (*now IAN 2 – this relates to actuarial aspects of financial reporting under IFRS*). Following on from this, at the April 2011 Council meeting, the IASSC presented its work plan, which included ISAP 1. The work plan was accepted by Council and no request was made for a specific Statement of Intent for ISAP 1.

. In fact, the IASSC had prepared a specific Statement of Intent. Looking back, it might have been beneficial to present this to Council and circulate it to member associations, as a number of comments on Scope were submitted during the consultation on the Exposure Draft, and a key purpose of a Statement of Intent is to provide clarity in advance on Scope. The new Due Process (introduced, as indicated above, after work on ISAP 1 was initiated) requires consultation on a draft Statement of Intent, which we believe will prove helpful to the development of other ISAPs in the future.

Exposure Draft

9.	Develop an Exposure Draft (IASSC)	Approved by IASSC, 19 th July 2011
10.	Consult on ED (IASSC)	26 th July – 1 st December 2011
11.	Publish, on IAA website, a report on the consultation (IASSC)	Report approved by IASSC on 10 th August 2012 and circulated to parties that submitted comments. Report published on the IAA website on 22 nd August 2012. A further communication to all commenters was sent out on 29 th August 2012.
12.	Consider whether re-exposure is necessary (IASSC)	Considered by the IASSC on 10 th August 2012, initially discussed at the EC meeting on 28 th August 2012 and a final recommendation will be submitted to the EC on 2 nd October 2012.

The task force carried out a high level review of the IASSC’s report on the consultation, in which the IASSC explains why various changes to the proposed ISAP were made.

The report does not deal specifically with every comment submitted. Nonetheless, the task force believes that the IASSC has carried out a comprehensive assessment of the comments submitted.

However, the task force suggested that the Executive Committee seek information from the IASSC on which comments submitted (in particular, comments relating to Scope) were not taken into account in the final ISAP, and why, before deciding whether to recommend the ISAP to Council for adoption. Arising from this, the communication to commenters on 29th August sought feedback on whether the proposed final version of the ISAP deals appropriately with comments submitted and the IASSC has received comments on this matter during September 2012.

Development of ISAP

13.	Develop final ISAP (IASSC)	Approved by IASSC, 13 th August 2012, and a final recommended version of the ISAP will be submitted by the IASSC to the EC on 2 nd October 2012.
14.	Assess compliance with due process (PC)	➔ this report

Adoption of ISAP

15.	Approve ISAP for submission to Council (EC)	These steps have yet to be carried out and are noted here only for completeness.
16.	ISAP -> Council for approval – 60 day agenda (EC)	
17.	Adopt ISAP (Council)	
18.	ISAP promulgated (EC/Secretariat)	

Conclusion

Arising from the review, the Professionalism Committee have reached the conclusion **that ISAP 1 has been developed substantially in accordance with the Due Process for ISAPs.**

Prepared by:
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Professionalism Committee Task Force

Approved by the Professionalism Committee on 25th September 2012

Appendix 1: **Summary of Due Process for ISAPs**

The steps involved, and the allocation of responsibilities, in the Due Process for ISAPs may be summarised as follows:

Strategic Action Plan for ISAPs

1.	Consider whether to recommend to Council that development of the ISAP be added to the Strategic Action Plan for ISAPs (“SAP”). If not recommended, process ends here. <i>(i) Executive Committee (EC) should consider whether an IAN would be more appropriate.</i> <i>(ii) It is for the EC, having consulted with the IASSC, to decide whether a former Class 4 standard of practice should, in whole or in part, become an ISAP.</i>	Executive Committee (EC)
2.	Approve new SAP, to include development of the proposed ISAP. If not approved, process ends here. <i>IASSC may then prepare a preliminary discussion draft of the ISAP, and initiate discussions, if it wishes to do so.</i>	Council

Statement of Intent

3.	Prepare a draft Statement of Intent (SOI). <i>(i) Executive Committee may ask IASSC to start work on an SOI at any time, but may approve an SOI only if an SOI with (in outline) the same scope and objectives is on the SAP.</i> <i>(ii) SOI should include: reasons why ISAP is desirable; purpose(s) of ISAP; scope of ISAP (including boundaries), roles to which it would apply and high level indication of proposed content; and confirmation that there is no conflict with principle of subsidiarity.</i>	IASSC
4.	Consult (for 60 days) with member associations, relevant IAA committees and other stakeholders re draft SOI. <i>Member associations will be asked to inform local standard setting bodies.</i>	IASSC
5.	Submit final SOI to EC for approval. Include a summary of key issues from consultation process, and the IASSC’s responses. Copy to Professionalism Committee. <i>This and other notifications to Professionalism Committee will help the Committee to make the assessment required under 14. below.</i>	IASSC
6.	Approve the SOI. If not approved, re-working will be required. There should be sufficient demand for the ISAP (e.g. from actuaries, actuarial associations and/or users of actuarial services) to justify the work to be done in developing it. <i>(Note: any SOI approved by Council under the previous Due Process will be treated as if it had been produced and approved under this Due Process.)</i>	EC
7.	Ratify approval of SOI (within 9 months). If not ratified, SOI becomes void. <i>Council may invite IASSC and EC to re-submit a modified SOI.</i>	Council
8.	Publicise approval of SOI to members associations and appropriate external bodies, in a form approved by EC. <i>Member associations will be invited to communicate decision to relevant national bodies.</i>	EC & Secretariat

Exposure Draft

9.	Develop an Exposure Draft (ED). <i>(i) To be done in accordance with this due process and the IASSC's TOR.</i> <i>(ii) Any significant revision of scope, compared with SOI, would require EC approval.</i>	IASSC
10.	Consult on ED (min. 120 days for first version, min. 60 days for subsequent versions). <i>(i) Distribute to member associations. Publish on IAA website. Invite comments from member associations and relevant international bodies.</i> <i>(ii) Member associations will be encouraged to consult with their own members, actuarial standard-setting bodies in their jurisdictions, legal advisers and applicable national bodies.</i>	IASSC
11.	Publish, on the IAA website, a report on the comments received and the IASSC's response.	IASSC
12.	Consider whether re-exposure is necessary. <i>If it is, report this to the Executive Committee and the chair of the Professionalism Committee and initiate a further ED.</i>	IASSC

Development of ISAP

13.	Develop the final ISAP. <i>Inform chair of Professionalism Committee.</i> <i>Submit ISAP to EC for approval.</i>	IASSC
14.	Assess whether due process has been complied with (subject to materiality) in the development of the ISAP and advise Executive Committee accordingly.	Professionalism Committee

Adoption of ISAP

15.	Approve ISAP for submission to Council. <i>(i) EC must be satisfied that the ISAP conforms to the SOI (which may have been modified, as per 9. above.)</i> <i>(ii) EC must have been advised by the Professionalism Committee that the production of the ISAP conformed to the Due Process.</i>	EC
16.	Submit ISAP to Council for approval. <i>(i) Include on 60-day agenda. EC, having consulted with IASSC, may make some limited changes, but not after 30-day agenda is issued.</i> <i>(ii) Include statement from Professionalism Committee that Due Process has been complied with.</i>	EC
17.	Decide whether IAA should adopt the ISAP. <i>Approval requires affirmative vote of at least 80% of the votes cast.</i>	Council
18.	If ISAP is adopted, publicise decision and encourage member associations to take appropriate actions. <i>(i) Member associations will be asked to advise the Professionalism Committee annual regarding actions that they (or relevant standard-setting bodies) decide to take in relation to ISAPs that have been adopted by the IAA.</i> <i>(ii) The IAA will encourage member associations that have not adopted the ISAP to report to the Professionalism Committee on the differences between the ISAP and any relevant standards in their home territory.</i>	EC/Secretariat

Appendix 2:
Detailed Status Report for ISAP 1, General Actuarial Practice

Strategic Action Plan for ISAPs

		Date	Evidence	Verified (1)	Verified (2)
1.	Consider proposal (EC)	n/a – work was initiated under previous Due Process			
	<i>Under the new Due Process, EC should consider whether an IAN would be more appropriate. However, this is not applicable here, as work started before this Due Process was introduced.</i>				
2.	Add to Strategic Action Plan for ISAPs (Council)	n/a - SAP is still in development			

Statement of Intent

3.	Prepare draft SOI (IASSC)	See notes below.
4.	Consult on draft SOI (IASSC)	
5.	Submit final SOI for approval, together with report on consultation (IASSC)	
6.	Approve SOI (EC)	
7.	Ratify approval of SOI within 9 months (Council)	
8.	Publicise approval (EC/Secretariat)	

Work on ISAP 1 was initiated before the current Due Process was introduced in January 2012:

- At the October 2010 Council meeting in Vienna, a Statement of Intent to issue an IASP on “Actuarial Practice When Providing Professional Services Concerning Financial Reporting under International Financial Reporting Standards” was discussed. Comments submitted by some of the US member associations were considered. Taking on board these comments, Council approved the SOI "on the basis that a generic standard would be prepared in parallel to this one".
- There appears to have been some confusion afterwards as to whether a Statement of Intent was required for the generic standard, or whether Council had already decided that generic matters in the SOI discussed in October 2010 were to be covered by the generic standard.
- In March 2011, the IASSC drafted a Statement of Intent for a generic standard and presented it to the EC.
- At its March 2011 meeting, "the EC approved the proposal for the generic standard, recognizing that this could only be provisional pending a change in due process". By that time, a task force was working on the new Due Process.
- At the April 2011 Council meeting, the IASSC presented its work plan, which included (as a priority) a generic/general standard. There were no objections to the work plan and no request was made for a specific SOI for ISAP 1.
- The SOI for ISAP 1 was posted to the IAA website, though it was not presented to Council or circulated to member associations for comment.

Evidence:

The October 2010 (Vienna) Council minutes are at:
http://www.actuaries.org/COUNCIL/Minutes/Vienna_EN.pdf.

- These minutes record agreement to developing a standard on IFRS matters “on the basis that a generic standard would be developed in parallel”.

The Statement of Intent for a generic/general standard, developed by the IASSC in March 2011, is at:
http://www.actuaries.org/COUNCIL/Documents/IAA_statement_of_intent_General_ISAP_D10.pdf

The minutes of the EC meeting at which this SOI was approved are at:
http://www.actuaries.org/CTTEES_EXEC/Minutes/ConfCall_Mar2011_EN.pdf.

The April 2011 (Sydney) Council minutes are at:
http://www.actuaries.org/COUNCIL/Minutes/Sydney2_EN.pdf.

- The intention to develop a generic ISAP was noted at Sydney.

Evidence verified by: YL, PD.

Exposure Draft

9.	Develop an Exposure Draft (IASSC)	ED approved by IASSC on 19/7/2011	Conference Call Minutes: http://www.actuaries.org/CTTEES_IASSC/Minutes/ConfCall_19July_2011_EN.pdf	YL	PD
		See Comment (a).			
	<i>Under the new Due Process, any significant revision of scope, compared with SOI, requires EC approval. This is not applicable here, as there is no SOI.</i>				
10.	Consult on ED (IASSC)	26/7/2011 – 1/12/2011	Documents at: http://www.actuaries.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=STANDARDS_EXPOSURE-ISAP1	YL	PD
		See comment (b).			
	<i>Distribute to member associations. Publish on IAA website. Invite comments from member associations and relevant international bodies. Encourage member associations to consult with their own members, actuarial standard-setting bodies in their jurisdictions, legal advisers and applicable national bodies.</i>				

11.	Publish, on IAA website, a report on the consultation (IASSC)	Report approved by IASSC (10 th August 2012), circulated to parties that provided comments and published on IAA website on 22 nd August 2012	Email from IASSC Chairman to IASSC members, 10 th August 2012, following vote by email ("ISAP 1 approved by the IASSC.htm", shared via Dropbox). Documents at: http://www.actuaries.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=STANDARDS_EXPOSURE-ISAP1	YL	PD
		See comment (c).			
12.	Consider whether re-exposure is necessary (IASSC)	Decision and rationale are recorded in the IASSC's report on the consultation (see step 11)	Considered by the IASSC on 10 th August 2012, initially discussed at the EC meeting on 28 th August 2012 and a final recommendation will be submitted to the EC on 2 nd October 2012	YL	PD
	<i>(If there is re-exposure: amend this template as necessary).</i>				

Development of ISAP

13.	Develop final ISAP (IASSC)	Draft final ISAP approved by IASSC on 13 th August 2012 and a final version will be submitted to the EC on 2 October 2012	Email from IASSC Chairman to IASSC Members, 15 th August 2012, following vote by email ("ISAP 1 approved by the IASSC.htm"), shared via Dropbox)	YL	PD
14.	Assess compliance with due process (subject to materiality) (PC)	➔ this report			

Adoption of ISAP

15.	Approve ISAP for submission to Council (EC)	These steps have yet to be carried out and are noted here only for completeness.
16.	ISAP -> to Council - 60 day agenda (EC)	
17.	Adopt ISAP (Council)	
18.	ISAP promulgated (EC/Secretariat)	

Comments from Professional Committee task force (and endorsed by Professionalism Committee)

- (a) The Due Process requires the IASSC to develop an Exposure Draft in accordance with the Due Process and the IASSC's terms of reference. The terms of reference are at:

http://www.actuaries.org/index.cfm?lang=EN&DSP=CTTEES_IASSC&ACT=TERMS.

We are satisfied that the Exposure Draft and the final ISAP have been developed in accordance with the terms of reference. In particular:

- The IASSC has provided a report to the Professionalism Committee on how it dealt with comments submitted to the consultation on the Exposure Draft;
- The IASSC has kept the Professionalism Committee apprised of the various stages of development of the ISAP;
- On the architecture of standards, the IASSC has developed a style guide to "to support any actuary tasked with formulating an ISAP". (We have not reviewed the content or application of the style guide, which is beyond the scope of this review of compliance with Due Process).

- (b) In relation to the consultation on the Exposure Draft, the Due Process says that member associations will be encouraged to consult with their own members, actuarial standard-setting bodies in their jurisdictions, legal advisers and applicable national bodies.

In the case of the ISAP 1 ED, member associations were asked to distribute the ED to their members and to local standard-setting bodies. The consultation also included Institutional and Observer Members of the IAA, and it was mentioned in a briefing from the IASSC Chairman to the Standard Setters Round Table at a Round Table meeting on 30th September 2011. The Institutional Members include the IASB and the IAIS. We understand that the IASSC felt that these were the supranational organisations most likely to have an interest in this ISAP, and that, for each ISAP to be developed in the future, the list of supranational organisations to be consulted will be decided having regard to the specific subject matter of the ISAP. This seems reasonable and appropriate.

- (c) Regarding the IASSC's report on the consultation on the Exposure Draft:

- (i) Under the Due Process, the IASSC's response to the consultation on an Exposure Draft should be published on the IAA website **before** the IASSC develops the final ISAP. We consider this to be an important requirement, so that any reaction from member associations can be assessed and addressed, and in the interests of appropriate engagement with member associations throughout the process. We considered it to be all the more important in the case of ISAP 1, given that a specific Statement of Intent for this ISAP was not discussed with Council / member associations - which may account for some differences of opinion having emerged on Scope (see (c)(ii) below).

In this instance, the IASSC has prepared the response to the consultation and the final ISAP in parallel.

The IASSC has, however, consulted again (albeit to a tight deadline) with those parties who submitted comments on the exposure draft to gauge whether those parties are satisfied that their comments have been adequately dealt with.

- (ii) We have not examined whether every comment submitted in the consultation was considered, and we have not considered whether the IASSC's decisions on whether and if so how to amend the proposed ISAP in response to comments submitted were appropriate. Our remit under the Due Process is to carry out a review of process. The responsibility for content rests with the IASSC, the EC and ultimately Council.

That said, the impression we received from the report was that comments submitted were carefully collated and considered.

There is one area of the report, which relates to the Scope of the ISAP, that we wish to bring to the attention of the Executive Committee. The report has the following to say:

“Comment: We received several comments on 1.2. Two commenters suggested ISAP 1 apply only to reserved roles (e.g. statutory/regulatory roles). Several suggested that the second paragraph be numbered separately. We also received a suggestion that the second paragraph belonged in par 4.3.

We addressed most of the comments (especially proportionality) elsewhere, and restructured section 1 extensively.. .

We did not agree with the suggestion that scope be limited to reserved roles because it is inconsistent with the decisions made by the Professional Committee, and ratified by Council, in Vienna that there should be a general standard on which the IFRS standard (now two standards) and the SS standard would rely. All general material would be addressed once in this standard.”

We suggest that the Executive Committee consider this aspect (and, if it arises, any feedback from commenters that suggests a view that other material comments have not been taken into account), before deciding whether to recommend the ISAP to Council for adoption. The issue is pertinent because a specific Statement of Intent for ISAP 1 was not discussed with Council / member associations - and it is the SOI that specifically sets out the scope for a standard.

We also suggest that, for future consultation reports, it would be helpful to include more information than is included in the ISAP 1 report on the comments with which the IASSC disagrees (and which, therefore, they do not take into account), including why they disagree. It is important for associations to understand why changes were made to the proposed ISAP following the consultation, and the ISAP 1 report addresses this; but it is equally important to understand why changes that associations sought were not, in fact, made. We acknowledge that the IASSC has mitigated this issue in the case of ISAP 1 by seeking feedback from commenters on whether their comments were adequately addressed in the proposed final ISAP.

- (d) As indicated above (under “Exposure Draft” and “Development of ISAP”), some recent IASSC decisions are currently recorded in emails. We assume that these will be formally recorded on the IASSC section of the IAA website in due course.

For information:

We intend that, in reports on future ISAPs, the following template will be used for the “Statement of Intent” section of the Detailed Status Report:

		Date	Evidence	Verified (1)	Verified (2)
3.	Prepare draft SOI (IASSC)				
	<i>SOI should include: reasons why ISAP is desirable; purpose(s) of ISAP; scope of ISAP (including boundaries), roles to which it would apply and high level indication of proposed content; and confirmation that there is no conflict with principle of subsidiarity.</i>				
4.	Consult on draft SOI (IASSC)				
	<i>Member associations should be asked to inform local standard-setter.</i>				
5.	Submit final SOI for approval, together with report on consultation (IASSC). <i>Copy to PC.</i>				
6.	Approve SOI (EC)				
	<i>There should be sufficient demand for the ISAP to justify the work to be done in developing it.</i>				
7.	Ratify approval within 9 months (Council)				
	<i>Council may invite IASSC and EC to re-submit a modified SOI (-> amend this template if necessary).</i>				
8.	Publicise approval (EC/Secretariat)				
	<i>Member associations should be invited to communicate the decision to relevant national bodies.</i>				

Appendix 3:

Compliance with Due Process: required records

ISAP 1 is the first ISAP developed under the current Due Process for ISAPs.

As this is the first report on compliance with the Due Process, we list below, for information, the records that the Professionalism Committee will normally require in order to confirm compliance.

For the purposes of assessing compliance, representatives of the Professionalism Committee will review the records below, but at a high level only – their primary focus will be on process; responsibility for content of any SOI / ED / ISAP rests with other parties, i.e. IASSC, Executive Committee and Council, as indicated below.

Strategic Action Plan for ISAPs

1.	Consider proposal (EC)	Minutes of meeting at which a decision was made on the proposal
2.	Add to Strategic Action Plan for ISAPs (Council)	Agenda / minutes of meeting

Statement of Intent

3.	Prepare draft SOI (IASSC)	Minutes of meeting at which final version of draft SOI was approved
4.	Consult on draft SOI (IASSC)	Website link; copy of correspondence with stakeholders
5.	Submit final SOI for approval, together with report on consultation (IASSC)	Copy of correspondence with EC (including documents submitted)
6.	Approve SOI (EC)	Minutes of meeting.
7.	Ratify approval of SOI within 9 months (Council)	Agenda / minutes of meeting or record of email vote, as applicable
8.	Publicise approval (EC/Secretariat)	Website link; copy of correspondence with stakeholders

Exposure Draft

9.	Develop an Exposure Draft (IASSC)	Minutes of meeting at which final ED was approved
10.	Consult on ED (IASSC)	Website link; copy of correspondence with stakeholders
11.	Publish a report on the consultation (IASSC)	Website link; copy of correspondence with stakeholders
12.	Consider whether re-exposure is necessary (IASSC)	Minutes of meeting at which question was considered and decided

Development of ISAP

13.	Develop final ISAP (IASSC)	Minutes of meeting at which final version of draft ISAP was approved
14.	Assess compliance with due process (Prof Comm)	2 members of Professionalism Committee to keep in touch with IASSC and EC and complete Status Report

Adoption of ISAP

15.	Approve ISAP for submission to Council (EC)	Minutes of meeting
16.	ISAP -> Council for approval – 60 day agenda (EC)	60 day agenda (and 30 day agenda, if amended)
17.	Adopt ISAP (Council)	Agenda / minutes of meeting
18.	ISAP promulgated (EC/Secretariat)	Website link; copy of correspondence with stakeholders