



Audit Support Made Simple



Actuarial Solutions making it simple®

The core business of Actuarial Solutions Inc. (ASI) is consulting, actuarial and pension administration services for sponsors and administrators of defined benefit registered pension plans as well as consulting on the governance and plan design of all types of capital accumulation arrangements. As a result, ASI has accumulated significant experience with respect to the proper administration of a registered pension plan and in particular the actuarial and accounting standards that apply to the valuation of defined benefit plans.

Periodically we are called upon to express an opinion on the work of a third party with respect to a pension plan or retiree health plan for which we are not directly involved. ASI actively seeks these review assignments where there is no conflict of interest.

Audit Support

The financial statements of many organizations include liabilities (and sometimes assets) relating to obligations arising in the future, such as pension and retiree health promises. The value for these obligations is most often determined by an actuary using methods and assumptions which are 'within the range of accepted actuarial practice in Canada'.

In auditing financial statements, auditors find themselves having to judge these obligations as well as the calculations and the work of their counterpart actuarial professionals. In the past, the attention paid by auditors to these reviews have been uneven, on one end being rigorous examinations supported by independent actuaries and at the other end complete acceptance of the work of a professional in another discipline.

Through time, the accounting profession has recognized its duty to scrutinize all of the components of an organization's financial statements including values calculated by actuaries. In response, the accounting profession, through its audit standards, has sought to tighten the quality of review and acceptance of management's reporting of these actuarial obligations.

In January 2011, The Canadian Institute of Charted Accountants and the Canadian Institute of Actuaries jointly published Audits of Financial Statements that Contain Amounts that Have Been Determined Using Actuarial Calculations. This guideline references the CICA's CAS 620: Using the Work of an Auditor's Expert and the CIA's Standards of Practice. The intent of this guideline is to provide a framework for cooperation between auditors and the actuaries that they directly engage for the purpose of auditing the work of management's actuaries.

ASI is an independent actuarial firm with expertise in pension and retiree health programs. ASI serves as actuary directly to a number of organizations that sponsor these programs. In addition, as a result of our independence, ASI also acts as a reviewer of actuarial work prepared by other actuaries. In these assignments, ASI is most often engaged by auditors in order to clearly demonstrate that the advice being provided to the auditor is not influenced by management. Although ASI's fees are generally paid by the auditor, the fee is most often included in the overall audit fee such that each client of the auditor remains responsible for cost of the audit support required by its unique programs.

Recognizing that there is always a trade-off between the cost of any audit review work and the perceived benefit, ASI has developed three levels of audit review commonly undertaken by auditors.

The following table provides an outline of these levels as well as suggestions under what circumstances that each level might be most appropriate. Ultimately it is up to each auditor to determine the cost-benefit analysis of any review.

Level	Review of Assumptions	Review of Results	Review of Rationale	Uses	Report	Estimated Fees
Level 1	Review assumptions compared to general practice	Review of report in detail – confirm general consistency with GAAP – high-level review of results based upon data and plan summary		Audit rigor – true independence of auditor and reporting actuary	1 to 2 page letter	\$1,500 to \$2,500
Level 2	Review assumptions and test for appropriateness	Level 1 review as well as detailed checking of sample lives to assess accuracy of actuarial calculations		Material obligations and/or unfamiliar relationship with reporting actuary	2 to 4 page letter	\$2,500 to \$5,000
Level 3	Review assumptions and test for appropriateness	Level 2 review as well as obtain full membership data and independently verify results	Interview management and/or actuary Review rationale provided for assumptions selected	Material obligations with significant risks if obligations are misreported and/or concern over experience of reporting actuary	TBD	TBD

It is always challenging for auditors to add external provider fees once an audit fee commitment has been made. As a result, we are working with auditors proactively to define their audit support needs and to provide an appropriate fee range or fixed-fee budget for the work so that the audit engagement can be both a success and on budget.

Please contact Joe Nunes at 866.323.7200 or Joe@ActuarialSolutionsInc.com to learn more about Actuarial Solutions Inc. and how we can help.





Expert Evidence Made Simple



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Expert Evidence

With more than 25 years of pension industry experience, ASI has built up a wealth of experience in the administration of pension plans as well as actuarial practice.

At times, non-experts are critical of the work of consultants, plan administrators, and actuaries. In many cases these criticisms are based upon hindsight rather than any reasonable allegation of failure. At the same time, on occasion, those charged with the careful administration of a pension plan and its assets fall short in their duty and criticism of their performance is warranted. Whether through civil litigation or a disciplinary process ASI is able to illuminate decisions.

In providing expert opinions on these matters, ASI's approach is one of rigorous examination of the facts combined with clear and objective explanation of the reasonable standard of performance and where individual conduct has met or fallen short of this standard.

ASI's "plain language" approach to explaining complex matters is universally appreciated by counsel.

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