

Compliance Review

Pensions Conference - June 2004

by

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Introduction

- Announced at 2001 Conference.
- Researched with major firms.
- Presented to ACA meeting 2003.
- EXD 52 - 2 Consultations.
- GN expected Autumn 2004.

Reasons

- Reinforces existing good practice.
- Maintains & strengthens confidence in actuarial advice.
- Contributes to achieving a high quality of advice.

Scope

- Scheme Actuaries.
- All written advice subject to Practice. Standard GNs.
- GNs 3, 9, 11, 16, 19, 27, & 28.
- Not GN 29.

Attestation

- Self Certification.
- Part of Certificate renewal application.
- Starts only when the GN becomes a Practice Standard.
- Estimated “ in about 2 years ”.
- But MFR goes in April 2005.

Attestation (Continued)

- All written advice given in last 12 months has been reviewed, review initiated or not yet due,
- and reviews outstanding at last application have been completed,
- or no advice given which is subject to the GN.

Review Principles

- Choice of Peer Review or Audit Review.
- Choice applies to each written advice.
- Both have the objective that the Reviewer considers the written advice complies with the relevant practice standard.

Reviewer must comment on

- Material inaccuracies or inconsistencies identified in the course of the review.
- Any aspects that might be unclear to the recipient.

Reviewer not required to

- Test accuracy or completeness of analysis.
- Review the process of arriving at the advice.
- Review documentation & files.
- Do an editorial or stylistic review.

The Scheme Actuary must

- Not disclose identity of Reviewer to client without the Reviewer's permission.
- Provide the Reviewer with any information the Reviewer deems necessary.
- *But* the Reviewer does not have right of access to the Scheme Actuary's files.

The Reviewer must

- Have the experience necessary to provide the advice being reviewed.

Disagreements

- Where the Reviewer considers that the advice is not compliant,
- and, after consultation, the Scheme Actuary and Reviewer still disagree,
- the Scheme Actuary must seek guidance from his firm's senior actuary. If there is no senior actuary, then from another appropriately experienced actuary.

Review Principles (Continued)

- The Scheme Actuary does not require to disclose to the Reviewer, the actions taken as a result of the Reviewer's findings.

Peer Review

- Soon enough to influence the decisions that flow from the advice.
- Range of Reviewers & retain evidence.
- Scheme Actuary can terminate review.
- SA must inform subsequent reviewer.
- Subsequent reviewer must check "no reasons to refuse".

Audit Review

- Period not exceeding 6 months.
- Within 1 month of most recent advice -
- Audit Reviewer must be appointed and given list of all written advice in period.
- List must contain - the GN to which the advice was subject, the client name and the date advice was delivered.

Audit Review (Continued)

- Audit Reviewer must get written statement from previous Audit Reviewer re. “ no professional reasons why not ”.
- Audit Review may cover a group of SAs.
- Audit Reviewers may be a team of SAs.
- Audit Reviewer may be in the same firm.
- No restriction on the terms of the Review.

Audit Review (Continued)

- Audit Reviewer selects the sample, which must cover all GNs on the list.
- AR must be satisfied that sample is large enough for findings to be reliable.
- Sample selection is for the Reviewer alone.
- Reviewer may resign on receipt of list - SA has 1 month to appoint another Reviewer.

Audit Review (Continued)

- SA or AR may terminate the audit.
- SA must disclose this to the next AR.
- AR must terminate the audit if SA will not supply necessary information.

Audit Review Product

- Within 3 months of receiving list, AR must-
- Provide statement recording Audit Review.
- Confirm the selected sample.
- Provide written report of findings to the SA within 2 weeks of the statement.
- SA must retain the statement.

Audit Review Product (Cont.)

- AR should discuss the written report of Findings with the SA.
- Purpose is to identify disputed Findings and determine if agreement can be reached.
- Within 1 month of receipt of Findings, SA must write to AR either accepting Findings, or Listing disputed aspects.

Questions asked on Exposure

- How to deal with non-compliant advice ?
- Are paras. 2.7 & 2.8 enough ?
