

ASOP No. 21—September 2004

Appendix 2

Comments on the Second Exposure Draft and Task Force Responses

The second exposure draft of this actuarial standard of practice (ASOP), then titled *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements (for All Practice Areas)*, was issued in January 2004, with a comment deadline of April 30, 2004. Twelve comment letters were received. The Task Force to Revise ASOP No. 21 carefully considered all comments received and made appropriate changes in a few sections. Summarized below are the significant issues and questions contained in the comment letters and the task force's responses to each. Unless otherwise noted, the section numbers and titles used below refer to those in the second exposure draft.

GENERAL COMMENTS	
Comment	One commentator believed that the ASOP should explicitly state that the appointed actuary will be considered a responding actuary with respect to statements of actuarial opinion.
Response	The task force had discussed this issue previously with respect to the first exposure draft and believed that the appointed actuary will not necessarily be a responding actuary. The scope of the standard does not include the duties of the appointed actuary with respect to statements of actuarial opinion.
SECTION 2. DEFINITIONS	
Comment	One commentator suggested that the ASOP include a definition of "preparing actuary."
Response	The task force believed that the duties of the preparing actuary were beyond the scope of this standard.
Section 2.2, Examiner	
Comment	One commentator questioned whether this definition was meant to include financial analysts who perform "desk reviews" on annual and quarterly statutory statements.
Response	The task force believed that a review that does not constitute an audit or an examination of a financial statement is not in the scope of the standard.
Section 2.3, Financial Statement	
Comment	One commentator believed that this definition should include the upcoming international accounting standards.
Response	The task force believed that the phrase "applicable generally accepted accounting principles" was sufficiently broad to include upcoming international accounting standards.

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Comment	One commentator believed that the definition should be expanded to cover presentations of financial position that are intended to be publicly available, “regardless of whether in accordance with standards or regulations.” Another commentator questioned whether “special reports” and incomplete financial statements subject to audit or examination were covered by this definition. Another commentator believed the definition should include “agreed upon procedures” to cover times when accounting firms are asked to audit financial information that is not technically a financial statement, such as closed block statutory filings.
Response	The task force intended that the scope of the standard be limited to audits or examinations of financial statements, as defined in section 2.3.
Section 2.5, Responding Actuary	
Comment	One commentator noted that the reviewing actuary normally has access to any actuary at an attest client and that the reviewing actuary may not question whether the other actuary was expressly designated by the client to respond to the auditor or not. The commentator suggested that any actuary responding to the auditor or examiner, whether expressly designated or not, should follow this standard.
Response	The task force disagreed and made no change. The purpose of this ASOP is to provide guidance for those who have been expressly assigned the roles of a reviewing actuary or a responding actuary, as defined in this standard.
Comment	One commentator believed the definitions should explicitly state that a consultant could perform these roles.
Response	The task force believed that the definitions were sufficient to include consultants.
Section 2.6, Reviewing Actuary	
Comment	One commentator sought clarification about what it means to be “designated” in this context and questioned whether an actuary would be designated if he or she researched and responded to an examiner’s question about some actuarial aspect of a company’s financial statement.
Response	The task force modified the definition by adding “expressly” before “designated,” which is consistent with the definition of “responding actuary.”
Comment	One commentator questioned whether a regulatory actuary who does not typically become integrally involved in the planning of periodic financial examinations could be considered a reviewing actuary.
Response	The task force believed that a regulatory actuary is a reviewing actuary when expressly designated to assist with an audit or examination of a financial statement.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Responsibilities of the Responding Actuary	
Comment	One commentator believed that the standard should require actuaries to provide an assessment for all assumptions used in the measurements, whether prescribed or not.
Response	This task force believed generally accepted actuarial practice does not require the responding actuary to comment on the reasonableness of prescribed assumptions.

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Section 3.1.1, Data, Assumptions, and Methods	
Comment	One commentator suggested adding new list items about the impact of any change in actuarial assumptions and the identification of any assumptions used that are not the responding actuary's best estimate of future results.
Response	The task force believed that some such requests, where appropriate, would be covered by sections 3.1.2 or 3.1.3.
Comment	One commentator sought clarification about what was meant by the phrase "based on availability."
Response	The task force clarified the language.
Section 3.1.2, Environmental Considerations	
Comment	One commentator suggested adding a new list item about circumstances surrounding recent changes to the company's appointed actuary.
Response	The task force noted that the list of examples was not intended to be exhaustive and the actuary may consider other factors.
Comment	One commentator suggested that language be added to state that the responding actuary should be prepared to discuss the listed environmental considerations to the extent available.
Response	The task force believed the existing language covered this.
Section 3.1.3, Requests for Information	
Comment	One commentator believed the language was overly broad. Several other commentators believed that the language was consistent with generally accepted actuarial practice.
Response	The task force believed that the language was appropriate.
Comment	One commentator suggested adding the phrase "in support of those elements of the financial statement for which the actuary is the responding actuary."
Response	The task force believed the existing language, read with the definition of "responding actuary" in section 2.5, encompassed this.
Section 3.2, Responsibilities for the Reviewing Actuary	
Comment	One commentator suggested that wording be added to indicate that additional requirements will exist in some situations, such as when a reviewing actuary employed in an audit capacity as an external or internal auditor is subject to additional requirements such as generally accepted auditing standards.
Response	The task force believed that guidance with respect to auditing standards was beyond the scope of this standard.
Comment	One commentator suggested adding language similar to the last sentence of section 3.1 to state that the reviewing actuary may involve other actuaries in performing the audit or examination.
Response	The task force did not change the language. The second sentence of 3.1 had been included to make it clear that the responding actuary may in many cases be in a managerial role and is not necessarily expected to be the actuary most familiar with all items subject to audit or examination. The task force did not consider it necessary to add such language to 3.2 as the scope of the actuary's review is agreed to by the auditor or examiner. It is generally understood that an actuary may require the assistance of others.

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Section 3.2.1, Planning	
Comment	One commentator believed that language should be added to cover instances in which the reviewing actuary has performed a comparable review in prior periods and the results might be assumed to be similar if significant changes did not occur.
Response	The task force believed the existing language was appropriate.
Comment	One commentator noted that, based on the definition of reviewing actuary, the actuary designated by the auditor or examiner to review some actuarial financial statement item is a reviewing actuary. This would imply that, if the auditor asks an actuary at the company or at the auditing firm to assist with a small piece of the overall financials, the actuary becomes a reviewing actuary and is, therefore, responsible to comment to the responding actuary or the company with respect to the scope, procedures, and timing of the overall audit. The commentator recommended that the definition of reviewing actuary be revised or that this section make it clear that the reviewing actuary should discuss only items related to the piece of the audit on which the actuary is working.
Response	The task force believed that the definition of “reviewing actuary” was sufficiently clear in this context.
Section 3.2.2, Documentation	
Comment	One commentator suggested adding a requirement to include documentation of changes in scope in the course of the audit.
Response	The task force believed that this was implicit in the language.
Section 3.4, Confidentiality	
Comment	One commentator suggested that the section be revised to read “except as to the reviewing actuary and others in the reviewing actuary’s organization with a need to know.”
Response	The task force disagreed and made no change.
Comment	One commentator believed that this section should caution actuaries that the confidentiality safeguards offered by the standard are unlikely to keep documents produced for and provided to the government outside of the public domain.
Response	The task force believed it was not appropriate to add such guidance to the ASOP.
Comment	One commentator suggested that the section include language that permits an actuary to disclose confidential data if the actuary is legally obligated to do so.
Response	The task force noted that nothing in the ASOP precludes the actuary from complying with applicable law and that compliance with applicable law is not a deviation from the standard.