



ACTUARIAL ASSOCIATION OF EUROPE

Status of the workstream LR with focus on the exchange with the audit profession.

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October 9th, 2020**

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Workstream Legal and Political Recognition

The Task Force Roles of the Actuaries (TFRoA) had been launched in November 2014 (see Terms of Reference as published on the **AAE web site**) and reports to the Professionalism Committee. A report of the activities since that moment was given to the General Assembly last year.

The TFRoA has redefined its priorities in 2017 and has installed 3 workstreams as a result of a survey amongst the members:

- Professional Judgement.
- Data Science/Artificial Intelligence.
- **Legal and Political Recognition.**

Legal recognition

Recognition of the Profession

At the request of the Professionalism Committee the workstream has contacted the audit profession to exchange experiences. There are similarities but also major differences: actuaries can exercise their profession in different capacities and contexts.

The audit profession would encourage legal recognition of our profession.

To help the Professionalism Committee to conclude on the subject, it is the intention to consult each FMA on an individual basis. To make sure that the representatives of the associations have a full understanding of the context and the implementation, it is the intention to prepare a number of case studies.

The purpose is to present the conclusions of the case studies and the guide lines for the individual consultation during the next spring meeting and to present the final report during the autumn meeting 2021.

Contact with the Audit Profession

The main conclusions, ideas and insights are the following ones:

1.- Accountancy Europe:

- Accountancy Europe unites 51 professional organizations [<https://www.accountancyeurope.eu/members>] from 35 countries that represent one million qualified accountants, auditors and advisors. Accountancy Europe is in the EU Transparency Register.

See their Constitution [<https://www.accountancyeurope.eu/wp-content/uploads/Accountancy-Europe-Constitution-181212.pdf>].

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The main conclusions, ideas and insights are the following ones:

2.- What distinguishes auditors from other finance professionals?

Auditors are:

- A regulated profession with a reserve of activity.
- Qualified by, and registered with, the 51 professional bodies united in Accountancy Europe.
- Bound by international ethical standards based on 5 principles (integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) resulting in a need to take the public interest into account
- Susceptible to complaints for not meeting these standards which can lead to sanctions
- Required to follow continuous professional development to keep their expertise cutting-edge
- Bound by international quality standards for their accounting and auditing activities.

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The main conclusions, ideas and insights are the following ones:

3.- Auditors are a regulated profession with a reserve of activity.

One of their foundations for Auditors for being a regulated profession is the reference to the concept that **contributes to the well-being of society.**

Auditors have a strong relationship between been a regulated profession and those three pillars, referred to

- (i) Syllabus and CPD.
- (ii) Professional standards.
- (iii) Code of Conduct.

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4.- Directive 2006/43/EC [In force] about Auditors and their role.

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02006L0043-20140616&from=EN>

- The conditions for the approval of persons responsible for carrying out the statutory audit are laid down in the DIRECTIVE 2006/43/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (Text with EEA relevance) (OJ L 157, 9.6.2006, p. 87)
- Amended by: 2006L0043 — EN — 16.06.2014 — 003.001 — 1
- ▶M1 Directive 2008/30/EC of the European Parliament and of the Council of 11 March 2008
- ▶M2 Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013
- ▶M3 Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014

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5.- Council Directive 91/674/EEC [In Force], about Actuaries and their role.

<https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A31991L0674>

The DIRECTIVE 2006/43/EC mentions the Council Directive 91/674/EEC of 19 December 1991

[Amended by: on the annual accounts and consolidated accounts of insurance undertakings (91/674/EEC) (OJ L 374, 31.12.1991, p. 7)

- M1 Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003
 - M2 Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006]
- on the annual accounts and consolidated accounts of insurance undertakings which requires that the annual accounts or consolidated accounts be audited by one or more persons entitled to carry out such audits.

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The current Council Directive 91/674/EEC of 19 December 1991 (in force) says:

- Whereas in the calculation of life assurance provisions use may be made of actuarial methods customarily applied on the market or accepted by the insurance-monitoring authorities; whereas those methods may be implemented **by any actuary** or expert in accordance with the conditions which may be laid down in national law and with due regard for the **actuarial principles** recognized in the framework of the present and future coordination of the fundamental rules for the prudential and financial monitoring of direct life assurance business;

Article 59

Life assurance provision

1. The life assurance provision shall in principle be computed separately for each life assurance contract. Member States may, however, permit the use of statistical or mathematical methods where they may be expected to give approximately the same results as individual calculations. A summary of the principal assumptions made shall be given in the notes on the accounts.
2. The computation shall be made annually **by an actuary** or other specialist in this field on the basis of recognized **actuarial methods**.

Presence of the word “actuary” in several important directives

The Directive 2009/138/EC of the EUROPEAN PARLIAMENT and of the COUNCIL of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) contains the word actuary:

Article 35. Information to be provided for supervisory purposes:

(c) to require information from external experts, such as auditors and **actuaries**.

Article 68. Exchange of information with other authorities:

(c) **independent actuaries** of insurance undertakings or reinsurance undertakings carrying out legal supervision of those undertakings and the bodies responsible for overseeing such actuaries.

Solvency II Directive requires actuaries to provided Information for supervisory purposes and to exchange information with other authorities.

Presence of the word “actuary” in several important directives

The Directive (EU) 2016/2341 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs)

Whereas:

(40) A prudent calculation of technical provisions is an essential condition to ensure that obligations to pay retirement benefits can be met both in the short and the long term. Technical provisions should be calculated on the basis of recognised actuarial methods and certified by an **actuary** (...)

Article 13 Technical provisions

... 4. The calculation of the technical provisions shall be executed and certified by **an actuary** (...)

Article 55. Exchange of information between authorities

3. Articles 52 and 53 shall not preclude Member States from authorising exchanges of information between the competent authorities and any of the following:

- (a) the authorities responsible for overseeing the bodies involved in the winding up of pension schemes and other similar procedures;
- (b) the authorities responsible for overseeing the persons charged with carrying out statutory audits of the accounts of IORPs, insurance undertakings and other financial institutions;
- (c) **independent actuaries** of IORPs carrying out supervision of those IORPs and the bodies responsible for overseeing such **actuaries**.

Main conclusions and questions

1. At European level, actuaries are playing a key role in society.
2. At European level, users of the actuarial expertise expect Accountability, including the auditing field.
3. At European level, actuaries are looking for a professional environment that offers the appropriate framework.

What are the relationships and connections between these three statements and the concepts of ‘regulated profession’ and the role of actuaries in the well-being of society?

Main conclusions and questions

4.- The presence of the **word “actuary”** in several important directives for the actuarial profession should determine their consequences:

- The Solvency II Directive,
 - The Occupational Pension Schemes Directive IORP II,
 - The Directive 2006/43/EC [in force] about Auditors and their role, through the Council Directive 91/674/EEC [in Force], about Actuaries and their role, and therefore in the role of the actuary in the IFRS17
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- **What are the concrete consequences of these Directives on the role of the actuary in each country of the European Union?**

Main conclusions and questions

5.- Solvency II Directive (2009), IORP II Directive (2016) requires actuaries to provide information for supervisory purposes and to exchange information with other authorities. Therefore, actuaries have an explicit and concrete duty to do and it's mandatory.

- **Does this mean that the actuary has a reserve of activity at European level?**
- **Does having a reserve of activity imply being a regulated profession at European level?**
- **Being a regulated profession implies having legal recognition at European level?**

AT LOCAL LEVEL: The European Commission has an official regulated professions database in its website in order to facilitate the free movement of professionals, providing practical information on EU legislation governing the recognition of professional experience in the European Union (EU), the European Economic Area (EEA) and Switzerland [32 countries].

This legal regime is recognized by the European Union [see: <http://ec.europa.eu/growth/tools-databases/regprof/index.cfm>].

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