### SAMPLE INQUIRY LETTER FROM AUDITOR TO ACTUARY

**Instructions for audit teams on preparing an inquiry letter to an actuary:**

1. **Guidance**

The following sample inquiry letter is based on the guidance contained in the *Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors*, which is effective for communications between the auditor and the actuary initiated on or after March 31, 2023. Edit the sample inquiry letter according to the circumstances of the engagement.

1. **Planning**

First, seek from management the right to communicate with the other professionals, including disclosing any relevant information when necessary. Then establish communication with the actuary to plan your respective engagements and to obtain information as necessary throughout the engagement.

Sample Inquiry Letter from Auditor to Actuary

Mar-2023

Template Owner: Audit Services

Maintained by: Design and publishing

[Date]

[Civil title, Name of the recipient (actuary)]

[Title]

[Name of recipient organization]

[Building name]

[Street number and name, Floor, Tower, Suite]

[City, Province]  [Postal code]

Dear [Civil title and name of the recipient]:

Re: [Name of the entity]

The Auditor General of Canada is currently auditing the [day month year] [consolidated] financial statements of the [name of the entity] (“Entity”) prepared in accordance with [name of applicable financial reporting framework: International Financial Reporting Standards (IFRS) or Canadian public sector accounting standards (PSAS)].

We understand that you are engaged as the actuary to determine, or assist management in determining, and report on actuarial amounts to be included in the financial statements of the [name of the entity]. In this capacity you performed the [day month year] actuarial [valuation OR extrapolation] report for the entity’s [list applicable benefits], [and that the last valuation was performed as at day month year]. We intend to use your actuarial [valuation or extrapolation] of these employee benefits as at [day month year] as audit evidence [if applicable, also state the intended use of the actuary’s work or name in communications with third parties], in accordance with the *Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors* approved by the Canadian Actuarial Standards Board and by the Auditing and Assurance Standards Board. This letter is to confirm our understanding of your role as the [name of the entity]’s actuary and other matters relevant to our use of your work as audit evidence.

Audit Objectives and Professional Standards

### The objective of our audit is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of [name of the entity] as at [year-end—day month year], and its financial performance and its cash flows for the year then ended in accordance with [International Financial Reporting Standards, Canadian public sector accounting standards, or other applicable financial reporting framework].

We will conduct our audit in accordance with Canadian generally accepted auditing standards (GAAS). Those standards require that we obtain reasonable assurance about whether the [consolidated] financial statements as a whole are free from material misstatement, whether due to fraud or error.

We plan to use certain elements of your work as audit evidence, based on our understanding of matters described below.

### Professional Qualifications

* You have been [appointed/engaged] as the actuary for the [name of the entity] by [law/shareholders/policyholders/directors/management] to report on the entity’s [list applicable benefits].
* You are a Fellow in good standing with the Canadian Institute of Actuaries (CIA) and you possess the requisite competency to perform valuations.

### Performance of the Actuarial [Valuation or Extrapolation]

* Your work will be carried out in accordance with the applicable professional standards of the CIA and regulatory requirements.
* Your work will be carried out without any threat to your objectivity and without any actual or potential conflict of interest.
* The [consolidated] financial statement items resulting from your actuarial [valuation or extrapolation] will be prepared in accordance with [name of applicable standards from the financial reporting framework: IFRS, as described in IAS 19 *Employee Benefits* or PSAS, as described in PS 3255 *Post-employment Benefits, Compensated Absences and Termination Benefits*, supplemented where required by PS 3250 *Retirement Benefits*]. Should that not be the case, you will advise us of how your actuarial [valuation or extrapolation] has resulted in departures from this standard.
* Your actuarial [valuation or extrapolation] will be performed using assumptions adopted by management as their own best estimates.
* Your actuarial [valuation or extrapolation] will include all benefits of [name of the entity] with respect to which you have been contracted to perform.
* You will use actuarial methods and assumptions, which are consistent with the most recent actuarial [valuation or extrapolation] for accounting purposes. Should that not be the case, you will inform us of any inconsistencies.
* You will communicate to us any matters that have come to your attention, which occurred in the period from the actuarial [valuation or extrapolation] date up to the date of your report, which would have a material impact on the actuarial [valuation or extrapolation].
* We anticipate that misstatements either individually or in aggregate of more than [$ materiality level that actuary should use] are material to the employee future benefits balances and disclosures of [name of the entity]. You acknowledge that you used the above materiality level in performing the valuation and dealing with errors or changes in principle and the application thereof.
* You will confirm with management that the assumptions and provisions for the [list applicable benefits] are up to date and any changes to the assumptions and provisions were considered in your actuarial [valuation or extrapolation].
* There have been no restrictions imposed on you regarding what you may communicate to us, which might impair our ability to conduct our audit.
* You agree to preserve the confidentiality of any information that we provide to you.

### Report on the results of your work

Please provide us with a report on the results of your work containing the following by [day month year]:

1. a confirmation that you have been engaged by the [name of the entity] as the valuation actuary to report on the [20XX] obligations of the post-employment benefits; which include, [list applicable benefits] to all eligible employees of the [name of the entity];
2. a confirmation that your [20XX] actuarial [valuation or extrapolation] has been performed in accordance with Standards of Practice and the Rules of Professional Conduct of the CIA;
3. a summary of the results of your actuarial [valuation or extrapolation] and confirmation that the amounts derived support the [consolidated] financial statement assertions of existence, rights and obligation, occurrence, completeness, accuracy, cut-off, and classification (or alternatively, an explanation of how the amounts represent a departure from [name of financial reporting framework: IFRS or PSAS]);
4. a description of how you obtained satisfaction that the source data and/or assumptions were sufficient, relevant, and reliable for the [20XX] actuarial [valuation or extrapolation];
5. a confirmation that you are independent from the [name of the entity] and are free from material financial interest in the outcome of the valuation;
6. the specific amounts and information derived from your actuarial [valuation or extrapolation], which will be included in the [consolidated] financial statements of the [name of the entity], are as follows [tailor as appropriate]:
7. accrued benefits obligation as at [day month year];
8. reconciliation of the accrued benefit obligation, including the amounts for current service cost, benefits paid during the period, impact of plan amendments, and interest on the accrued benefit obligation during the period;
9. key assumptions used in your actuarial [valuation or extrapolation] that might be referred to in the [consolidated] financial statements;
10. any other relevant information required to be disclosed in the [consolidated] financial statements for severance and removal benefits; and
11. information on significant subsequent events to your actuarial [valuation or extrapolation] of the [consolidated] financial statements or a statement that you are not aware of any such events.

### Other Reports and Correspondence [*If applicable, otherwise delete this section and the paragraph below*]

[*The following paragraph is applicable only when the auditor intends to use the work of the actuary on the financial statements of an insurance enterprise. This paragraph does not apply to financial statements of a pension plan or a post-employment benefits plan or to the financial statements of the sponsor of such plans.*]

It is your professional and statutory responsibility to report to the management of the [name of the entity] any matters coming to your attention that, in your opinion, have a material adverse effect on the [name of the entity]’s financial condition. You will provide us with a copy of such reports or advise us that no report has been made.

If you are in agreement with our understanding of your role as appointed actuary and the various aspects of your work outlined above, please sign this letter in the space provided and return it along with the requested reports to [name of Engagement Leader], [method to return signed letter (e.g. e-mail address, mailing address)].

Yours sincerely,

[Name]

Engagement Leader
240 Sparks Street
Ottawa, Ontario K1A 0G6

c.c.: [Name of the entity]

I agree with your understanding of my role as appointed actuary and the various aspects of my work outlined above.

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| --- | --- | --- |
|  |  |  |
| [Name]Actuary[Note: Insert civil title of actuary] |  | [Date] |