



Institute of Actuaries of Australia

# XVth GENERAL INSURANCE SEMINAR

*Evolution of the Industry*

## **Actuaries Assisting Auditors: A State of Play**

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[A Background to General Insurance Audit in Australia](#)
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# Audit Assist Background:

## The basics

- What is an Audit?
  - An audit provides an independent opinion on the truth and fairness of the financial statements of an entity at the period end and of its profit or loss for the period
- How are actuaries involved?
  - Actuary acts as the technical specialist engaged by the auditor
- What protocols guide the actuaries?
  - The auditor is the client and sets the scope
  - The role is informal
  - No formal guidance from IAAust but EPR guidance useful
- What legislations/regulations are applicable?
  - Myriad of legislations, regulations, accounting standards – refer to background paper

*Actuarial Audit Assist is a growing and important role*



## **Audit Assist Background:** **Some important audit concepts**

- Materiality
- Independence
- Audit evidence
- Professional skepticism
- Audit opinion
- Management letter
- Positive vs negative assurance

*The Audit is the auditor's domain and all play by the auditor's rules*



## **In house actuary's perspective: Benefiting from the process**

- Another point of view
- High level input
- Benchmarks / market knowledge
- Messages to the board / management
- Control cycle
- Data reliance
- Should be mutually beneficial

*When approached openly and constructively, the process is mutually beneficial*



## In house actuary's perspective:

### Observations from Practical experience (or how to get the auditor off your back!)

- Common questions
  - Understand their role
  - Clarify your own
  - Play an active part
  - No surprises (both ways)
  - Communicate between valuations
  - Evidence vs Assertions
  - “Why” not just the “what”
- Some common ‘answers’
    - High level metrics
    - Management Presentations
    - Commentary on key developments – etc

*The valuation actuary should anticipate this important audience of their work*



# Audit assist actuary's perspective:

## Overview of the role

- Broad
- Scope Differs materially audit to audit
- High level
  - Breadth & depth where needed
  - What is affecting the business
  - What matters at Board level
- Opportunity to present to the Board
- Complex relationships
- Growing role

*Audit assist actuary has a varied role focusing on high level issues*



# Audit assist actuary's perspective:

## Observations from Practical experience

- Involve in planning stages
  - Clearly define scope
  - Communicate issues early
  - Communicate the issues clearly
  - Follow up with valuation actuary
  - Tight Timetables
- 
- Impact of EPR

*An opportunity to be part of the control framework and to add value*



# Actuaries Assisting Auditors: A State of Play

## Recap

- The Auditor is the Assist Actuary's client – the Auditor sets scope
- When approached openly and constructively, and well understood, the process is mutually beneficial
- A constructive approach is best.
- Audit assist actuary has a varied role focusing on high level issues
- An opportunity to be part of the control framework and to add value

*Audit Assist is a growing and important role*



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# Questions?