

Institute and Faculty of Actuaries
Regulatory Board
Approval

Subject	Quality Assurance Scheme (QAS) Review 2021	
Regulatory Board meeting	10 November 2021	
Previous Board Update/Steer/Approval	July 2021	Discussion on QAS annual noting report - flagged review
International issues considered?	Yes, international issues relating to QAS are addressed in the paper	
Author	IFoA Executive	
Purpose	Approval	

A: Executive summary

1. **This Paper sets out recommendations to the Regulatory Board in relation to the QAS.** This follows a review which has been carried out over the past six months, in advance of the first renewal point of the 6 year accreditations (in April 2022).
2. The recommendations include a **refresh of the QAS Outcomes**, including the **addition of Diversity, Equity and Inclusion (DEI) as a Sub-outcome**, and **some changes to the QAS assessment processes**, including a **different approach for assessment of renewal** and the **addition of a Specialist Consultant** to the review team.
3. The proposals for the QAS aim to deliver a refreshed Scheme that will enhance the QAS' reputation in the profession, protect the public interest and continue to deliver a member-focused scheme which has the public interest in the work of actuaries at its heart.

B: Background

4. As Board Members may be aware, the QAS was introduced in 2015 as a key part of the IFoA's overall regulatory function, to create formal relationships with the employers of IFoA members. This recognised that the working environment is critical to a member's ability to meet the professional regulatory standards set by the IFoA.
5. The QAS is a voluntary accreditation scheme with its foundation in continuous improvement, requiring its members to demonstrate on an annual basis that they monitor the extent to which the Scheme's outcomes are achieved, to review the effectiveness of their policies and procedures which relate to these outcomes and to update them as necessary.
6. The first 22 QAS accreditations were awarded in April 2016. Accreditations are for six years and it is therefore appropriate that a review of the Scheme is carried out in 2021, prior to those organisations applying for reaccreditation in April 2022 so that any changes to the Scheme are in place in time for reaccreditations to commence.
7. As part of the 2021 review of the QAS, the resources required to deliver the refreshed scheme as well as the costs of and income from the scheme itself have been reviewed. The

Financial aspects of the refreshed QAS have been approved separately by the IFoA's Executive Leadership Team. [REDACTED].

8. Included at **Appendix 1**, by way of further background, is a note of the benefits of the QAS to the IFoA and to accredited organisations.

Process for review

9. The objectives for the review were as follows:

To have in place a QAS which is valued by its members and ensures that standards are set which promote high quality actuarial work in its member organisations.

- *To refresh the QAS outcomes*
- *To review the QAS offerings to reflect IFoA and member priorities*
- *To retain the scheme's current members*
- *To promote the public interest aspect of the scheme*
- *To enhance the member experience*

10. Measures of success, that reflect the QAS's regulatory and wider value for the IFoA, have also been identified and agreed. They are included at **Appendix 2**

11. The timeline for the review is:

Milestone	Timeline/Deadline	R/A/G rating (on track?)
1-1s with all SQARs	6 July 2021	Complete
QAS Cttee Workshop	15 June 2021	Complete
Executive enhanced decision making pilot	Commence March 2021 for 12 months	In progress
QAS Cttee final review	Sept 2021	Complete
FRC meeting to discuss initial proposals	October 2021	Complete
Regulatory Board approval	Nov 2021	On target
Comms launch	Dec 2021	On target
Go live for updated scheme	April 2022	On target

12. A series of meeting took place amongst the Executive to discuss options and these were considered in conjunction with the 1-1s which took place with organisations' Senior Quality Assurance Representatives (SQARs) between March and July 2021.

A total of 38 organisations (out of 45) provided feedback to the Executive team in relation to the QAS. The summaries of the discussions are set out in **Appendix 3**. SQARs were also invited to give 'fatal flaw' objections to the proposed refreshed Scheme following the QAS Committee meeting held in September 2021. None were received.

13. The QAS Committee (QAS Cttee) also held a workshop to discuss potential changes to the scheme on 15 June 2021.

Discussions have also taken place with the ICAEW, who have provided assessment services since the start of the QAS to get their input.

A meeting took place between the Executive and the Financial Reporting Council (FRC)'s professional oversight team on 25 October 2021 to discuss the proposed changes. The FRC indicated they were broadly content with the proposals.

C: Proposed changes

14. Refresh of Outcomes

The full proposed refreshed QAS Outcomes are set out in the revised APS QA1, included at **Appendix 4**.

- I. The proposed Outcomes represent a refresh of the current Outcomes, to address some practical issues that have arisen during the first 6 years of operation, with the substantive addition of an outcome relating to DEI.
- II. The existing outcomes have been reorganised into three outcomes instead of five: Professionalism, Development and Training, and Organisational Culture. Each of those have Sub-outcomes and positive indicators underpinning them. It is intended that accredited organisations are deemed to have met the Outcomes by demonstrating that the Sub-outcomes have been met. The positive indicators are suggested best practice examples which organisations may choose to follow to enable them to demonstrate meeting the Outcomes
- III. Each of the previous Outcomes is included in the new structure however only Development and Training has been kept as a "main" outcome. Sub-outcomes have therefore been created to support that Outcome
- IV. The refresh of the Outcomes is a response to the view of both the Executive and SQARs that the weighting of the outcomes and their look/feel needs to be reviewed
- V. All SQARs who took part in the review were specifically asked about the proposed refreshed QAS Outcomes. Details of their responses are in part 5 of **Appendix 3**

15. Addition of DEI as a Sub-outcome

- I. The IFoA's wider strategy around DEI is covered separately in Paper 6 and the proposal to include DEI as a specific sub outcome is aligned with that strategy
- II. This chimes with the QAS, in that it is a global scheme with a diverse membership which in particular reflects in its accreditations the tone set by organisations in relation the support given to actuarial employees and to the organisational culture as a whole
- III. It is therefore proposed that DEI should be included in the QAS in a meaningful way as a Sub-outcome
- IV. The addition of DEI as an Outcome will contribute to the success of QAS Accredited Organisations. These Organisations will foster a culture of engagement and productivity and encourage a working environment where diversity of thought leads to the generation of ideas and fresh approaches to problem solving. Organisations will also be able to serve and understand their customers better and together this will contribute to the attraction and retention of staff
- V. From an international perspective the potential introduction of DEI required careful consideration because DEI means different things in different cultures/geographies. It was important to ensure that the Sub-outcome and its indicators would not cause offence or bind accredited organisation to matters which were unrealistic or did not apply to them for particular reasons such as religion or local law. The introduction has been generally well received by overseas QAS organisations

- VI. A proposed addendum to the QAS Handbook has been included as **Appendix 5**, it is intended that the Handbook will be restructured in light of the refreshed outcomes but that the other content is not substantially amended

16. Remote assessments

- I. All routine “visits” (accreditation, monitoring and re-accreditation) will continue to be carried out remotely. This reflects the situation that has been in place, and working effectively, since March 2020
- II. Both ICAEW and the QAS Committee are satisfied that there has been no adverse impact on the quality of assessments or monitoring visits as a result of them being carried out remotely
- III. This also ties in with IFoA Sustainability target of a net zero carbon footprint by 2030 because neither domestic nor international travel will be required and aligns with the IFoA’s new positioning as a ‘digital first’ organisation
- IV. There is still the option for an in-person visit if there were circumstances in which this was deemed necessary. This would usually be at the firm’s expense, unless there were exceptional circumstances to justify this being waived

17. Re-accreditation process

- I. A slightly different process is proposed for re-accreditation than for initial accreditation, recognising that the IFoA will have significant information about those organisations already from their previous 6 years of participation (accreditation assessment, a monitoring visit and Annual Returns).
- II. Instead of the re-accreditation visits being the same duration as the accreditation visits, their length would be the equivalent of a monitoring visit as follows:

Band	Accreditation visit (days)	Monitoring visit (days)	Proposed re-accreditation visit (days)
0	10	5	5
1	6.5	2.5	2.5
2	5.5	1.5	1.5
3	3.5	1.5	1.5

- III. The Annual Return process is the main risk control, requiring organisations to take reasonable steps to regularly monitor, review and update the policies and procedures relating to the outcomes and act upon areas for improvement relating to them. Annual returns will still be required from re-accredited organisations and these will require the organisations to demonstrate through examples that they are taking appropriate steps and acting upon areas for improvement.
- IV. Reducing the resource required for those assessments means that there would be scope, instead, for introducing specialist reviews each year, For such a review, it is proposed that a specialist works with each accredited organisation each year to ensure external scrutiny of policies and procedures and to support continuous improvement and best practice recommendations. It is anticipated this would be a different QAS-related specialist area (and therefore a different specialist brought in to assist) each time. This would allow a deeper review of particular areas. For example, the initial specialist review might be DEI or Development and Training

- V. It is acknowledged that the QAS Committee must still be satisfied that the QAS Outcomes are met by each accredited organisations and that standards must not slip. The proposal to reduce the length of any type of assessment is therefore based on risk
18. Management of relationships with QAS Accredited Organisations
- I. It is proposed that the QAS moves to a Key Account Management model (whereby a tailored professional relationship is maintained with an organisation, delivered by a specific person at each organisation and in the spirit of mutual cooperation and support)
 - II. The Executive will ensure member-focused delivery of information through the SQAR events and through regular communication
 - III. If the pilot of the Executive making straightforward decisions is adopted (see section 22), there will be improved turnaround of Annual Returns/Lifecycle documentation.
 - IV. The SQAR online content will be delivered by the IFoA's new CRM system and will result in a "members area" for SQARs where they can access exclusive content again emphasising the unique benefits of QAS accreditation

Rejected options

19. Continue with Business As Usual (BAU)

Given the feedback, this does not seem a viable option. We believe that if no changes were made to the QAS, current accredited organisations will find that the value of the QAS decreases over time.

The QAS is a well-regarded scheme with significant value to the accredited organisations (see **Appendix 3**) however it is important that it remains up to date in terms of both the IFoA's strategic objectives and in terms of the current business climate. There is reputational risk to the IFoA should the scheme not be brought more in line with its overall strategy or should it not be effectively integrated with other IFoA initiatives.

20. Move all visits in-house

This has been carefully considered but does not seem to be a realistic practical option at the moment. The main concern would be that the experience of the in-house team would be limited only to QAS assessments and that there would not, with the current levels of participation, be sufficient breadth and depth of experience.

21. Addition of Climate Change, Sustainability and/or ESG as an outcome

There was interest from some SQARs in relation to this, however some of the feedback was that Sustainability could mean what the accredited organisation does in terms of carbon neutral objectives, travel arrangements, Corporate Social Responsibility and other environmental matters, whereas others saw the outcome as relating to whether or not investments are made with Sustainability in mind, for example.

There may also be issues around duplicating ESG requirements imposed upon organisations by other regulatory requirements.

It is noted that the most common response from SQARs is that the current outcomes focus on the right areas (**Appendix 3** question 5).

It has therefore been concluded that these are not appropriate for inclusion as an Outcome as a result of this review, however it is intended that this could be revisited in the future.

Changes to processes

22. The following updates/changes to processes are required to underpin the proposed changes set out above:
- I. Simplified Annual Return form, for SQARs to complete each year to demonstrate continued compliance with outcomes
 - II. Updated Handbook, including clarification of the role of SQAR in the Handbook (essentially setting out the requirement that the SQAR takes a leadership and liaison role in relation to the QAS)
 - III. An annual update on SQAR activities added to the Annual Return
 - IV. Move to a KAM model where the Executive fosters a stronger working relationship with accredited organisations to ensure continued support for and buy in to the QAS
 - V. Straightforward decisions (within set parameters) completed by the Executive – this is a trial at present whereby straightforward Annual Returns and the addition/removal of a SQAR can be reviewed by the Executive. Appointment of Lead SQARs and the review of complex/borderline Annual Returns are reviewed by the Committee, along with a quality assurance check of reviews undertaken by the Executive. No material concerns have been raised by the Committee in relation to the Executive reviews

Role of QAS Sub-Committee

23. Some amendments to the Terms of Reference (ToRs) for the QAS Committee are also proposed, with the revised ToRs set out in **Appendix 6**.

The proposed changes are:

- I. Reduction in number of Committee members from 15 to up to 10 – this is because it was initially thought that the Committee would form panels to review Annual Returns and other documentation but this has not been brought in to effect
- II. Change the quorum from 1/3 of members to four members – this is because of the proposed reduction in the size of the Committee
- III. Removal of the specific requirement that there is a Committee member with international experience forming part of the quorum – this is again because of the reduction of the size of the Committee. It should be noted that one of the current eight members of the Committee lives and works overseas
- IV. The addition of the italicised text in section 14 “Makes recommendations to the IFoA Executive and Chair of the Committee as to the suitable skill sets required within the Committee so that it can *have regard to diversity, equity and inclusion* and meet its key responsibilities.” – to tie in with the IFoA’s Strategy and the addition of DEI as a QAS Sub-outcome

D: Conclusions and Recommendations

24. The Board is asked to approve:
- a. Revised APS QA1 including refreshed outcomes, subject to further minor drafting changes by the Executive
 - b. Addition of DEI as a Sub-outcome and DEI update added to Handbook
 - c. Remote assessments

- d. The proposed process for re-accreditation, including specialist review instead of initial/monitoring visits
- e. Revised Terms of Reference for the QAS Committee

E: Appendices

Appendix No.	Content
1	Benefits of QAS Accreditation
2	Measures of Success
3	SQAR 1-1 Analysis
4	Draft revised APS QA1
5	Draft Diversity, Equity and Inclusion addendum to QAS Handbook
6	Draft QAS Committee Terms of Reference