



SOUTH AFRICAN RESERVE BANK

Prudential Authority

Ref: 15/3/1

Consultation report: Audit Requirements Standard

July 2021

Introduction

In terms of section 47 of the Insurance Act, 2017 (Act No. 18 of 2017) (“the Act”), the Prudential Authority (PA) may prescribe the regulatory information to be audited. The PA prescribes such regulatory information through the issuance of Prudential Standards on Audit Requirements. The regulatory information, including the solvency information determined in accordance with the Act as well as the Financial Soundness Standards, is submitted by means of the Qualitative Reporting Template (QRT). Consequently the Prudential Standards are related to the audit of the annual QRTs.

The PA established an industry task group to determine the regulatory information that must be audited and the level of assurance that will be required for each item of information. The industry task group formed a sub-working group to work on the wording of the illustrative audit reports to be issued by the audit firms in relation to the audit of the regulatory information. The illustrative reports, excluding the Lloyd’s report, will be approved by the Committee for Auditing Standards (CFAS) of the Independent Regulatory Board for Auditors (IRBA).

On 15 May 2020, the PA published the following five Standards for the first formal consultation, in terms of section 98 of the Financial Sector Regulation Act, 2017 (Act No. 09 of 2017):-

- Prudential Standard – Audit requirements for insurers (ARI);
- Prudential Standard – Audit requirements for groups (ARG);
- Prudential Standard – Audit requirements for Lloyds (ARL);
- Prudential Standard – Audit requirements for microinsurers (ARM); and
- Prudential Standard – Audit requirements for branches for foreign reinsurers (ARB).

The abovementioned Standards were accompanied by the Draft Guidance Notice 1 of 2020 – Audit requirements for entities registered under the Act as well as the Statement of need and expected impact. The due date for comments was 10 July 2020. Over 230 comments were received from 11 organisations on all documents – Standards, Draft Guidance Notice and the Statement of need and expected impact.

The high level comments from the first formal consultation are summarised in the table below:-

Standard	High level comments (PA's responses are italicised)
Prudential Standard – ARI	<ul style="list-style-type: none"> • No material objections • Proposal to clarify that the Standard applies to financial year ending on or after 1 September 2020 – <i>Application of the Standard is aligned with provisions of section 47(2) of the Act however the wording has been amended to read "...with financial year ends..."</i> • Proposal to include specific references to the definitions i.e. FSI referencing to the actual long/short title of the relevant Standard (QR and QRR referring to the relevant QRT and QRR – <i>clarification has been provided in the Standard</i> • It was suggested 'QRR' should be removed from the definitions as it does not appear in the rest of the Standard • Proposal to codify the powers of the PA in the Standard – <i>the suggestion deviates from the wording of other Standards.</i> • It was proposed that an additional paragraph should be added, which explicitly states that the auditor has the responsibility to submit the report or results of the audit directly to the PA when requested to do so – <i>The PA does not foresee a significant risk if the insurer submits the report to the PA, furthermore in terms of the Act, the auditors are required to report to the PA.</i>
Prudential Standard – ARG	<ul style="list-style-type: none"> • No material objections • Proposal to align the overall objective of an audit as referenced in paragraph 11(a) of the International Standards on Auditing (ISA) 200 – <i>paragraph amended to align with the ISA</i> • There were suggestions that the wording of paragraph 6.3 should be in line with the wording of the directors' responsibilities section in the illustrative auditor's report – <i>paragraph was slightly rephrased to make the intention clearer</i>

<p>Prudential Standard – ARM</p>	<ul style="list-style-type: none"> • No material objections to the Standard • It was suggested that the requirements from GOI2 be replicated in the Standard for the fulfilment of its oversight responsibilities – <i>GOI2 is sufficient as it covers delegation of duties to other committees</i> • There was a proposal that “reliability” , e.g. in the audited information establishes or enhances credibility and reliability of microinsurers’ information with the PA – <i>The paragraph has been amended accordingly</i> • The directors are responsible for ensuring the insurer’s compliance with the provisions of the Act and the PA requirements and as such the wording of this paragraph must be aligned with the wording of the directors’ responsibility sections of the illustrative auditor’s report.
<p>Prudential Standard – ARB</p>	<ul style="list-style-type: none"> • No material objections to the Standard • It was highlighted that paragraph 6.2 is informative in nature and does not impose any legal requirements. It was subsequently recommended that the paragraph should be amended to align with the overall objective of an audit as set out in paragraph 11(a) of the ISA 200 – <i>amended as recommended.</i> • It was suggested that paragraph 6.3 should be amended to avoid any misunderstandings about the nature of an audit and the auditor’s responsibilities – <i>the intention of the paragraph was to highlight the benefits of an audit for an insurer, however the paragraph has be slightly reworded to make the intention clearer.</i>
<p>Prudential Standard - ARL</p>	<ul style="list-style-type: none"> • No material objections to the Standards • There were clarifying questions on the types of assurance needed, needed as well as on what areas the audit must be conducted. • Also clarifying comments on the need for separate financial statements for the trust in South Africa.

General comments	<ul style="list-style-type: none"> Suggested that auditors must communicate disclosure deficiencies and inaccurate information that is not material or areas of judgement – <i>this information should be discussed with the supervisors in terms of prudential meetings held with auditors.</i> The ISA requires the auditor to consider who the user of the audit report is when determining materiality used in the audit. The primary user of the QRTs audit report is the PA, therefore it was asked if the Prudential Standards should not include qualitative and quantitative criteria for what the PA regards as material for the QRTs? – <i>the QRTs are also used by the board, senior management, policy holders and investors and thus some aspects of the QRTs will be required to be publicly disclosed. The PA will consider whether any further guidance is required in terms of materiality.</i>
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SECTION B - COMMENTS ON DRAFT PRUDENTIAL STANDARDS

	SOURCE	STANDARD REF	COMMENT ON STANDARD	PA COMMENT
ARI - Audit requirements for Insurers				
1.	SAIA	1. Commencement	No Comment	Noted.
2.	ASISA	1.1	No comment	Noted
3.	PWC	1.1	We propose that the sentence in 3.1 dealing with financial year ends to which the standard relates be incorporated into this paragraph.	It is the view of the PA that the clarification with regard to financial years is best placed under the application section of the standard.
4.	IRBA	1.1	The Commencement date of the Prudential Standard (the Standard) should be updated accordingly, if it changes	Noted. The Standard will be updated accordingly
5.	SAIA	2.1 Legislative Authority	No comment	Noted.
6.	ASISA	2.1	No comment	Noted.
7.	PWC	2.1	<p>We propose the following wording change to this paragraph to emphasize that the Standard has been prepared pursuant to the requirements of section 47(5) of the Insurance Act, 2017 (Act No. 18 of 2017) (the “Act”).</p> <p><i>“This Standard is prepared in accordance with the requirements of made under section 47(5) read with section 63(1)(a) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act).”</i></p>	The Standards are drafted in terms of the Insurance Act read with the Financial Sector Regulation Act. In terms of these Acts standards are “made” and are not “prepared”.

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8.	SAIA	3.1 Application	No comment	Noted.
9.	ASISA	3.1	No comment	Noted.
10.	PWC	3.1	We propose the following wording change to this paragraph to clarify that the Standard applies to financial year ends ending on or after 1 September 2020: <i>“This Standard applies to all insurers licensed under the Act other than microinsurers, Lloyd’s and branches of foreign reinsurers, with financial years ending on or after the commencement date set out in paragraph 1.1 above.”</i>	The application of the standard aligns with the provisions of section 47(2) of the Insurance Act. The sentence has however been amended to read “..., with financial year-ends ...”
11.	PWC	4. Definition and interpretations	No comment	Noted.
12.	SAIA	4.5	The definition section of the Standard includes a definition of “QRR (Qualitative Regulatory Return)”, but there are no requirements relating to QRRs in the remainder of the Standard. Accordingly, the Regulator is requested to provide a reason for the reference to QRRs.	Noted, the definition of QRR has been removed.
13.	ASISA	4.5	Editing comment- Please clarify why QRR (qualitative regulatory return) is mentioned in the definitions section, but no requirements relating to QRR’s are articulated in the remainder of the standard?	Noted, the definition of QPR has been removed.
14.	ASISA	5. Roles and Responsibilities	No comment.	Noted.
15.	SAIA	5.2	One member requested the PA to reconsider the role and responsibility of the board as by interpretation, it can be deduced that the board must be involved in the audit process to fulfil its obligation. This obligation could infringe upon the auditor’s independence. Accordingly, it is suggested that the board be required to ensure that the relevant documents that the listed documents are audited.	Paragraph 5.2 refers to approvals that an insurer should get to appropriately present its financial soundness to the Prudential Authority, which is correctly allocated to the insurer’s board of directors. The board is responsible to make sure that the audit of its submission does happen without implying that it infringes on the auditor’s work. We have however, interpreted this comment to refer to paragraph 5.1 of the standard and in this regard, the standard has been amended to clarify that with regard to requirements placed directly on an auditor, the ultimate responsibility for compliance rests with the auditor.
16.	PWC	5.3	Given that the Standard is drafted to specify the audit requirements for insurers, with the audit requirements set out in section 6 of the Standard, compliance with the Standard will take the form of an audit and review report issued by the insurer’s auditor. In addition the	This requirement reiterates the power of the regulator to request the auditor to provide confirmation of compliance with the standard in its entirety and is not limited to the issuance of an audit report.

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			<p>auditor’s responsibilities in terms of the applicable auditing standards are set out in the proposed audit and review reports.</p> <p>Evidence of compliance will therefore be demonstrated by the issuance of the relevant audit and review reports. And as such no additional confirmation would be applicable. Therefore, we propose that paragraph 5.3 be removed</p>	
17.	IRBA	5.4	<p>Section 4(1) of the Auditing Profession Act states that:</p> <p><i>“The Regulatory Board must, in addition to its other functions provided for in this Act -</i></p> <p><i>(c) prescribe standards of professional competence, ethics and conduct of registered auditors”.</i></p> <p>The IRBA is both the audit regulator and national auditing standard setter in South Africa.</p> <p>The IRBA has a mandate to regulate registered auditors and prescribe auditing standards and ethical requirements for registered auditors. Auditing standards for auditors can only be issued by the IRBA; thus reference to any <i>other auditing pronouncements that may be applicable in South Africa</i> should be removed.</p>	<p>Noted. The sentence has been amended to remove the word ‘other’ and insert the words ‘standards and’ before the word ‘pronouncements’.</p>
18.	PWC	5.5	<p>Section 30 and 31 of the Act also deals with roles and responsibilities of the board of directors.</p> <p>We therefore propose that this paragraph includes reference to the relevant sections of the Act in addition to the Prudential Standard - Governance and Operational Standards for Insurers.</p> <p>In addition, the words “...described in more detail...” create the impression that this Standard contains information about the roles and responsibilities of the board of directors, which is not the case. As such we propose the following edit:</p> <p><i>“The roles and responsibilities of the board of directors are described in more detail in the Prudential Standard - Governance and Operational Standards for Insurers (GOI 3).”</i></p>	<p>This is a standard paragraph in all the FS Standards, considered helpful enough to draw reader’s attention to the GOI. No change necessary.</p>
19.	IRBA	6. Audit requirements	<p>In term of paragraph 10 of ISA 200, the purpose of an audit is to enhance the intended users’ degree of confidence in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</p>	<p>Noted. Wording changed to be more in line with paragraph 10 of ISA 200:</p> <p>An audit enhances the degree of confidence of the Prudential Authority, policyholders and stakeholders of insurers in the insurer’s information provided.</p>

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			<p>Audited information does not establish or enhance the credibility of the insurer's information.</p> <p>As such, we suggest that the paragraph be amended to align with the wording of paragraph 10 of ISA 200</p>	
20.	SAICA	6.1	<p>1. The directors are responsible for the preparation of the subject matter information, which includes the relevant statements derived from the financial statements and information contained in the underlying accounting records of the Insurer in accordance with the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements, and for such internal control as the directors determine is necessary to enable the preparation of the relevant statements that are free from material misstatement, whether due to fraud or error.</p> <p>The directors have primary responsibility in terms of establishing credibility, with the audit enhancing this. The audit of the financial statements does not relieve directors or those charged with governance of their responsibilities.</p> <p>SAICA therefore suggests that reference to the <i>audited information establishes credibility</i> be removed; that the wording be aligned the International Standards on Auditing (ISAs); and that the reference to <i>enhancing the degree of confidence of the users</i> be added.</p> <p>2. It is not the <i>audited information</i> that enhances credibility of the information; it is the audit itself.</p> <p>3. The audit does not enhance the creditability of <i>all</i> the information of the insurer, as is currently implied in the Prudential Standard. It only enhances the credibility of the information that is subject to the audit.</p> <p>To address these comments raised above, SAICA suggests revising the wording as follow:</p> <p><u>Audited information <i>An audit</i> establishes or enhances the degree of confidence of the intended users and credibility of the insurers' information contained in the [subject matter information subject to the audit] with the Prudential Authority, policyholders and stakeholders of insurers. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</u></p>	<p>The paragraph has been rephrased using some of the suggestions as per the comment.</p> <p>1: Amended “establishes or enhances credibility” to “enhances the degree of confidence”</p> <p>2: Amended “Audited information” to “The audit of information”</p> <p>3: Disagree as the qualifier “audited” is clear.</p>
21.	PWC	6.2	<p>We propose that the current paragraph be replaced with the recommendation below, which aligns to the overall objective of an audit as set out in paragraph 11(a) of the International Standard on Auditing</p>	<p>Noted, the paragraph has been amended to align with International Standards on Auditing.</p>

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			<p>(ISA) 200 – “Overall objectives of the independent auditor in accordance with International Standards on Auditing”:</p> <p><i>“One of the objectives of an audit in terms of International Standards on Auditing is for the auditor to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial information is prepared, in all material respects, in accordance with the applicable financial reporting framework.”</i></p>	
22.	IRBA	6.2	<p>The objective of an audit is to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error.</p> <p>An audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>As such, we suggest that the wording be amended to read as follows:</p> <p>“As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor’s opinion being persuasive rather than conclusive.”</p>	The paragraph has been rephrased. See response to comment 21
23.	SAICA	6.2	<p>As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Furthermore, an audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>To address the comment raised above, SAICA suggests replacing the paragraph with the following:</p> <p><u>As the basis for the auditor’s opinion, the International Standards on Auditing require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.</u></p>	The paragraph has been rephrased. See response to comment 21
24.	PWC	6.3	<p>The objective and a benefit of the audit are described in paragraphs 6.1 and 6.2.</p>	The intention of the paragraph was to highlight the benefit of an audit for the insurer. Therefore we do not agree that the paragraph should be changed as proposed, as this would

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			<p>We propose the following amendment to the paragraph in 6.3 to avoid any misunderstandings about the nature of the audit and the auditor’s responsibilities:</p> <p><i>“As part of the audit of the insurer’s information, the auditor also considers, within the context of audit materiality, whether the financial information subject to audit is complete, comparable, relevant, reliable and understandable.”</i></p>	<p>potentially remove this message. The paragraph was slightly rephrased to make the intention clearer.</p>
25.	IRBA	6.3	<p>The auditor is not responsible for the preparation of the information.</p> <p>The directors are responsible for ensuring the Insurer’s compliance with the provisions of the Act and PA requirements, including the preparation and submission of the relevant statutory financial statements and the returns to the PA and for such internal control as the directors determine is necessary to enable the preparation of the returns that are free from material misstatement, whether due to fraud or error.</p> <p>As such, we suggest that the wording of this paragraph be aligned with the wording of the directors responsibility section of the illustrative auditor’s report.</p> <p>Additionally, we would also suggest that this paragraph is aligned with the qualitative characteristics in the <i>Conceptual Framework of Financial Reporting</i> issued by the International Accounting Standards Board (IASB). In particular, the <i>Conceptual Framework of Financial Reporting</i> does not include ‘complete’ as one of the qualitative characteristics</p>	<p>See response to comment 24 above.</p>
26.	SAICA	6.3	<p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>Furthermore, the directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</p> <p>The information contained in paragraph 6.3 may create the impression that the auditor is responsible for the preparation of the information, which is not the case.</p>	<p>See response to comment 24 above.</p>

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			<p>The importance and benefits of the audit are already outlined in paragraphs 6.1 and 6.2 of the Prudential Standards.</p> <p>SAICA therefore suggests that paragraph 6.3 of the Prudential Standards rather be aligned to the director’s responsibility statement as contained in the auditor’s report by replacing paragraph 6.3 with the following:</p> <p><u>The directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</u></p>	
27.	PWC	6.5	<p>We propose the following wording changes to this paragraph to clarify that section 47(1) of the Act does not provide for the information to be audited:</p> <p>“In terms of “Pursuant to the requirements of section 47(1)(a) of the Act, the following information of an insurer must be audited annually in accordance with relevant International Standards on Auditing.”³²</p>	Noted, the paragraph has been amended accordingly.
28.	ASISA	6.5e	<p>The analyses of movements in basic own funds and in IFRS excess assets' primary function is to explain the year's movements in own funds and excess assets. This helps determine the reasonability of the final solvency position of a life insurance company, but does not impact the final solvency numbers. In addition different methodologies and judgements need to be made when doing this analysis, making it complex and expensive to audit. It is therefore requested that the PA consider changing the requirement to audit these movements to reviews of these movements.</p>	<p>Noted, however, this information is critical to assess the performance of life insurance companies. It is felt than a review might not add the required level of assurance on the various line items.</p> <p>The correct understanding of the movements in own funds and excess assets makes for better decision making by the insurer and for better supervision by the Prudential Authority.</p>
29.	ASISA	6.5f	<p>Details of the look-through approach used for investment funds: As for section 6.5e a review of this may be more reasonable as an approach. There is no other audit of asset schedules proposed except for this audit of the look through of investment funds. It is a significant amount of data and an audit would be costly and time consuming.</p>	The look-through approach is required to be audited not the look-through itself, for which the Prudential Authority deems to reasonable assurance to be appropriate.
30.	IRBA	6.6	<p>The name of the ISRE 2410 “<i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>” should be in italics.</p>	<p>Noted, the name has been italicised.</p> <p>Noted. The paragraph has been amended in line with comment.</p>

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31.	SAICA	6.6	<p>Below, find suggested wording change to clarify that the auditor undertakes an independent review and not audit and therefore an independent review conclusion is expressed and not an audit opinion.</p> <p>In addition to the information set out in paragraph 6.5 above, in terms of section 62(1) of the Act, the Prudential Authority will annually require a report <u>from the auditor, where the auditor expresses a conclusion on whether, on the basis of the review performed in accordance with</u> in terms of International Standard on Review Engagements (“ISRE”) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, <u>anything has come to the auditor’s attention that causes the auditor to believe that with regard to the following information is not prepared, in all material respects, in accordance with the applicable financial reporting framework:</u></p> <p>a. Investments, derivatives and participations on an aggregated summary per type;</p> <p>b. Non-life technical provisions of foreign business; and</p> <p>c. Detail of the reinsurance providers for life and non-life insurance obligations.</p>	<p>Noted. The paragraph has been amended in line with comment.</p>
32.	KMPG	6.6	<p>Paragraph 6.6 of the Prudential Standards provides information on the QRTs subject to review in terms ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor. These include for example QRTs relating to investments, derivatives and participations. We note that the information underlying these QRTs would have to be audited and is currently audited (not reviewed) because it provides base information over which, for example, the standard formula is applied in order to derived the SCR. The SCR related QRT is subject audit, as provided by paragraph 6.5. of the Prudential Standards.</p> <p>Examples of base information that is included in QRTs subject to review in terms ISRE 2410, but which needs to be audited as a result of the audit requirements over the SCR:</p> <ul style="list-style-type: none"> • Whether investments are held in terms of ‘Linked’ or ‘Non-Linked and Other’ policies • The investments of an asset holding intermediary attracting capital on a look-through basis • The type (nature) of a participation determines how much capital it attracts 	<p>Noted and agreed.</p> <p>The PA will periodically review this standard and guidance notice to ascertain whether the requirements remain appropriate.</p>

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			The base information is key to the calculation of the SCR and therefore we draw attention to this matter in order for the PA to include in its deliberations, what information needs to be audited and what information needs to be reviewed.	
33.	SAIA	6.6	The PA is requested to provide further information regarding the International Standard on Review Engagements (“ISRE”) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.	Noted, The paragraph has been rephrased. See response to comment 32. Please refer to the standard at the following link https://www.ifac.org/system/files/downloads/b011-2010-iaasb-handbook-isre-2410.pdf
34.	ASISA	6.6	Does this mean that information mentioned in point 6.6.(similar to what is submitted with the insurer’s annual return) will have to be prepared, reviewed by the auditor and submitted half yearly (interim reporting)? If so will a separate template be made available? Point 6.7. makes reference to the annual return but point 6.6. refers to Interim Financial Information.	No, that is not the intention.
35.	SAICA	6.7	No specific comments. One editorial noted in that the first sentence should refer to paragraphs.	Noted. The paragraph has been amended accordingly.
36.	ASISA	6.7	This point makes reference to the fact that 6.5 and 6.6 are included in insurer’s annual QRT. Why does point 6.6. make reference to interim financial information? Clarity is required as to whether additional half year reporting will be required or whether certain sections mentioned in point 6.6. of the annual reporting merely has to be reviewed by the auditor in terms of ISRE 2410	See comment 34 and the response to comment 34.
37.	PWC	6.8	The footnote creates the impression that the IRBA needs to issue the audit report. We propose that this footnote read as follows: <i>“The auditor’s reports must be in the format prescribed issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA).”</i>	Noted. The footnote was amended to clarify this issue. The wording used to be more aligned to the requirements for banks in Regulation 46 of the Regulations relating to Banks. <i>The auditor’s reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors.</i>
38.	PWC	6.8	The paragraph should specify the time interval as the PA requirement for the annual QRT.	Noted. The PA issued a Notice in 2018 that determines the timing of the quarterly, bi-annual and annual information required for supervisory purposes. The notice can be accessed using the following link:

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				https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-post-insurance/act/2018/8685
39.	IRBA	6.8	We suggest that the reference to audit or review be amended to read as “ <u>audit and/or review</u> ”, in order to align the wording with the requirements of paragraphs 6.5 and 6.6	Noted. The paragraph was reworded to reflect audit or review.
40.	SAICA	6.8	<p>SAICA suggests that reference to an <i>independently</i> reviewed be made, as follows:</p> <p>The Prudential Authority will not accept an insurer’s annual QRT submission if the relevant sections have not been audited or <u>independently</u> reviewed, as applicable, and without the auditor’s reports included with the insurer’s annual QRT submission. These auditor’s reports must be submitted to the Prudential Authority within the same time interval as the Prudential Authority requirement for the annual QRT</p> <p>Paragraph 6.8 includes reference to footnote 1, which states <i>The auditor’s reports must be issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA)</i>.</p> <p>This may create confusing in that the auditor issues the reports, not the Independent Regulatory Board for Auditors. SAICA suggests that the wording of this footnote be amended as follows:</p> <p>The <u>auditor is required to use the illustrative</u> auditor’s reports must be as agreed between issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA) <u>and the Prudential Authority</u>.</p>	The paragraph amended and this comment does not apply anymore. . The footnote has been amended – see response to comment 37.
41.	IRBA	6.8 (Footnote 1)	We suggest that the wording of the footnote be amended to read as follows: “The illustrative auditor’s reports developed and issued by the Independent Regulatory Board for Auditors (IRBA).”	Noted. The footnote was amended. <i>The auditor’s reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors.</i>

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42.	PWC	6.9	<p>Our understanding from reading this section is that this paragraph could place an additional reporting responsibility on the auditor.</p> <p>From reading this Standard the requirements are already met through the audit requirements set out in paragraph 6.5. We therefore propose that this paragraph be removed.</p>	<p>Noted. The intention was not to create any additional reporting responsibilities for the auditor. The paragraph has been reworded to make it clearer. However, the PA feels it is important to emphasise these expectations, which are also contained in the Regulations relating to Banks.</p>
43.	SAICA	6.9	<p>The auditor is required to express an audit opinion on whether the subject matter information is prepared, in all material respects in accordance with the applicable financial reporting framework.</p> <p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>The assertions listed in the ISAs for the auditor to use during the performance of the audit are:</p> <ul style="list-style-type: none"> • Occurrence • Completeness • Accuracy • Cut-off • Classification • Presentation • Existence • Valuation <p>SAICA's view is that it is not necessary to include details of what the auditor needs to report on because the ISAs are clear in this regard. Additional information in this regard inserted into legislation often results in unnecessary confusion. SAICA therefore suggests that this paragraph be removed from the Prudential Standards</p>	<p>See response to comment 42</p>
44.	KMPG	6.9	<p>Paragraph 6.9 of the Prudential Standards provides for the following: <i>"Notwithstanding the requirements of paragraphs 6.5 and 6.6 above, the</i></p>	<p>Noted. Paragraph 6.9 has been reworded to address the potential for confusion. See comment 58. The split between</p>

		<p><i>auditor shall also report whether, in the auditor’s opinion, the information contained in the annual QRT, in all material respects:</i></p> <ul style="list-style-type: none"> <i>a. Reasonably reflects the information of the management accounts and the annual financial statements;</i> <i>b. Is complete in so far as all relevant information contained in the accounting and other records at the reporting date has been extracted therefrom and recorded in the annual QRT;</i> <i>c. Is accurate in so far as it correctly reflects the information contained in, and extracted from the accounting and other records at the reporting date; and</i> <i>d. Is prepared using the same accounting policies or regulatory framework as those applied in the management and statutory accounts, where applicable”.</i> <p>By including the words “...the auditor shall also report....” this paragraph seems to suggest that all of the information, not already covered by the audit or review requirements as provided for in paragraphs 6.5 and 6.6, must also be audited since procedures (a) to (d) above read like audit procedures. Hitherto, this unaudited information has been referred to as “other information”. The unaudited information (other than the defined ‘specified QRTs’) is currently covered by the following paragraph in our existing audit opinions.</p> <p><i>“Other Information</i></p> <p><i>The directors are responsible for the other information. The other information comprises all disclosures included in the QRT’s excluding the information in the specified QRT’s as listed in the first paragraph. The other information does not include the specified QRT’s listed above and our auditor’s report thereon.</i></p> <p><i>Our opinion on the specified QRT’s does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.</i></p> <p><i>In connection with our audit of the specified QRT’s, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the specified QRT’s or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact”.</i></p>	<p>reasonable and limited assurance was done to reduce the burden on industry to the extent possible.</p>
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			<p>Since the other information is not audited for the purposes of the financial statements or the QRT, the consequences of requiring assurance over the other information may be significant. The auditor may be required to conduct significantly more detailed audit procedures and involve information and technology specialists in this regard. In our view, the relative importance of having assurance that this other information is entirely correct should be compared to what the information is used for.</p> <p>The split of specified QRTs subject to an IAS audit and an ISRE review can create confusion, in particular for stakeholders who do not know what the different levels of assurance represent.</p>	
45.	ASISA	6.9a	<p>It is implied that the management accounts and the annual financial statements are the same. Management accounts are usually prepared earlier than annual financial statements. Adjustments made for annual financial statement reporting purposes are not always included in management accounts</p>	<p>Now 6.10</p> <p>The requirement states 'reasonably reflects the information in the management accounts and the annual financial statements' and does not state or imply that both have to be the same.</p>
46.	IRBA	6.10	<p>We suggest that the references to the sections of the annual QRT that should be audited or reviewed be amended to read as "references to the sections of the annual QRT that should be audited <u>and/or</u> reviewed" in order to align the wording with the requirements of paragraphs 6.5 and 6.6.54</p>	<p>Noted. The PA is of the view that it is not necessary to change "or" to "and" in this case as the paragraph states that the information should be audited or reviewed, <u>as applicable</u>.</p>
47.	SAICA	6.10	<p>The Guidance Note on Audit Requirements (AR GN) provides references to the sections of the annual QRT that should be audited or reviewed, as applicable, so that insurers can demonstrate adherence to these requirements.</p>	<p>Noted and agreed.</p>
48.	SAIA	7.2 Submission and availability of Audited Financial Statements/Other heading	<p>We note that public disclosure requirements apply only for the audited annual financial statements (AFS). Will there be requirements for disclosures in respect of solvency?</p>	<p>The public disclosure requirements are currently being considered and a standard will be issued to provide clarity in this regard.</p>
49.	ASISA	7.2	<p>Can more guidance be provided regarding acceptable methods of submission of the annual financial statements to the Prudential Authority? Soft copy via the submission portal or hard copy via post?</p>	<p>Noted. The comment relates more to process and this will be determined in accordance with the systems that have been developed by the PA for the submission of returns. The Standard is not the correct instrument to prescribe administrative process.</p>

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50.	IRBA	<i>Objectives and Key requirements of Prudential Standard ARI</i>	<p>We suggest that the objective of the Standard also include information that is required to be reviewed, as mentioned in paragraph 6.6. Suggested rewording:</p> <p>“This Standard sets out the information for supervisory purposes that insurers must have audited <u>and reviewed</u> and reported on by their auditors to promote credibility of the information with the Prudential Authority, policyholders and stakeholders of insurers.”</p>	Noted. The standard has been amended to include the word reviewed.
51.	SAICA		<p>Materiality: International Standards on Auditing (ISA) asks the auditor to consider who the user is of the audit report in determining materiality used in the audit. The primary user of the QRTs audit report is the Prudential Authority. Should the Prudential Standards not include qualitative or quantitative criteria for what the Prudential Authority regards as material for the QRTs?</p>	Noted. The QRTs are also used by the board, senior management, policy holders and investors and thus some aspects of the QRTs will be required to be publicly disclosed. The PA will consider whether any further guidance is required in terms of materiality.
52.	SAICA		<p>Disclosure deficiencies or highlight matters of judgement: Should there not be mechanism where the auditor communicates disclosure deficiencies, inaccurate information that is not material or areas of judgement? Currently all that the auditor submits to the Prudential Authority is his/her audit report that contains no granularity on the audit results other than the opinion.</p>	This information should be discussed /provided to supervisors in terms of prudential meeting held with the auditors.
53.	SAICA		<p>OF 4.2 and OF 4.3 (Life): Could the Prudential Authority provide guidance on what it regards as an acceptable quantum for movements that are disclosed as “unexplained” in these statements? Is the Prudential Authority’s expectation that the auditor qualify his/her audit report if the “unexplained” balance exceeds the auditor’s materiality amount?</p>	Noted. The need for further clarity and guidance will be considered by the PA and provided in a guidance notice if necessary.
54.	KPMG		<p>Paragraph 8.2. of the accompanying document to the draft prudential standards, ‘8 - Statement of need for intended operation and expected impact- Prudential Standard for Audit Requirements - Final Draft’, states:</p> <p><i>“Insurers and controlling companies whose financial year-end is after the commencement date of the proposed Standards will be required to comply with the Standards and will be required to submit certain audited quantitative information to the PA within a period of four months after their financial year-end”.</i></p> <p>We understand that the proposed requirements for the submission of the QRTs to the PA by insurers is not aligned with the process the PA requires for South African banks (banks). It is our understanding that it is a requirement for banks to submit unaudited year-end returns to the PA before the returns are provided to the auditor for the assurance work.</p>	Noted.

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			<p>Prior to the assurance procedures, the auditor will notify the PA to 'lock' the return, after which no changes can be made.</p> <p>The auditor will audit the first submission and report their findings. Depending on the nature of the findings, the bank may choose to resubmit the return or be required to do so in order to address the audit findings. The auditor are required to submit their reports within four months of year-end.</p> <p>We believe quality of regulatory reporting will improve by following a similar approach to that of the banks. The improvement will be noticeable in terms of quality and timeliness of reporting.</p>	
55.	KPMG		<p>The draft standards and accompanying documentation do not refer to the auditors responsibilities in respect of the Qualitative Reporting Return (QRR) and whether this would form part of the other information as defined in our existing opinions</p>	<p>Reference to the QRR as other information is contained in the illustrative audit reports.</p> <p>The audit reports mention the QRR with respect to other information.</p>
56.	KPMG		<p>The proposed audit requirements provided for in the Prudential Standards pertaining to branches, controlling companies and microinsurers are new to the industry as there have been no audit requirements for QRTs in respect of these since the enactment of the Insurance Act. Therefore, we believe more meaningful commentary regarding the audit requirements will be achieved once the audits and reviews have taken place and practical experience has been gathered.</p>	<p>Noted, the PA will review the audit requirements periodically to ascertain if they are appropriate considering the type of insurer.</p>
57.	SAIA		<p>No comment.</p>	<p>Noted.</p>
58.	ASISA		<p>No comment.</p>	<p>Noted.</p>
59.	SAIA		<p>No comment</p>	<p>Noted.</p>
60.	ASISA		<p>In the table in Chapter 1, "Paragraph 6.5 reference" section requirements e.i, e.ii, e.iii and f. should be moved from the "audit" to the "review" section of the auditor's report. Refer to comment above on paragraph 6.5(e) of the standard.</p>	<p>The PA requires reasonable assurance for these items. Please refer to the response to comment 41.</p> <p>The AoS sheets are important information the PA needs to consider in analysing the profitability of life insurers and thus such information should be audited instead of reviewed.</p>

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61.	ASISA		In the table in Chapter 1, "Paragraph 6.6 reference" audit requirements for R1 (Reinsurance providers) are extremely detailed, which appears out of line with the level of detail for other schedules requiring audit or review. It is suggested that the review is limited to column Q (Best estimate of reinsurance recoverables) as this appears to be the key column for a solvency assessment focused audit.	Noted, the PA is of the view that the level of detail is appropriate and the PA will periodically review whether the level of detail remain appropriate.
ARG – Auditing requirements for Groups				
62.	SAIA	1. Commencement	No comment.	Noted.
63.	ASISA	1.	No comment	Noted.
64.	PWC	1.1	We propose that the sentence in 3.1 dealing with financial year ends to which the standard relates be incorporated into this paragraph.	It is the view of the PA that the clarification with regard to financial years is best placed under the application section of the standard.
65.	IRBA	1.1	The Commencement date of the Prudential Standard (Standard) should be updated accordingly, if it changes.	Noted. The Standard will be updated accordingly.
66.	SAIA	2. Legislative Authority	No comment	Noted.
67.	ASISA	2.	No comment	Noted.
68.	PWC	2.1	We propose the following wording change to this paragraph to emphasize that the Standard has been prepared pursuant to the requirements of section 47(5) of the Insurance Act, 2017 (Act No. 18 of 2017) (the "Act"). <i>"This Standard is prepared in accordance with the requirements of made under section 47(5) read with section 63(1)(a) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act)."</i>	The Standards are drafted in terms of the Insurance Act read with the Financial Sector Regulation Act. In terms of these Acts standards are "made" and are not "prepared".
69.	SAIA	3. Application	No comment.	Noted.
70.	ASISA	3.	No comment.	Noted.
71.	PWC	3.1	We propose the following wording change to this paragraph to clarify that the Standard applies to financial year ends ending on or after 1 September 2020: <i>"This Standard applies to all insurance groups that have been designated as an insurance group under section 10 of the Act by the Prudential Authority, where the controlling company has a financial</i>	The application of the standard aligns with the provisions of section 47(2) of the Insurance Act. The sentence has however been amended to read "..., with financial year-ends ..."

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			<i>year-end ending on or after the commencement date set out in paragraph 1.1 above.”</i>	
72.	PWC	4. Definitions and interpretations	We have no comments in relation to this section of the Standard.	Noted.
73.	SAIA	4.5	The definition section of the Standard includes a definition of “QRR (Qualitative Regulatory Return)”, but there are no requirements relating to QRRs in the remainder of the Standard. Accordingly, the Regulator is requested to provide a reason for the reference to QRRs	Noted, the definition of QRR has been removed.
74.	ASISA	4.5	Editing comment- Please clarify why QRR (qualitative regulatory return) is mentioned in the definitions section, but no requirements relating to QRR’s are articulated in the remainder of the standard?	Noted, the definition of QRR has been removed.
75.	SAIA	5. Roles and responsibilities	No comment.	Noted.
76.	PWC	5.2	We propose the following edit to correct the typo in this paragraph <i>“A controlling company’s board s must ensure that, where approvals are required from the Prudential Authority, those approvals have been timeously obtained.”</i>	Noted, the Standard has been amended accordingly.
77.	ASISA	5.2	Editing comment -Remove the letter “s” in the middle of the sentence – Currently reads: “A controlling company’s board s must ensure that”. Alternatively change to similar wording as the wording in Requirements for Insurers point 5.1. – ‘board of directors (board)’	Noted, the Standard has been amended accordingly.
78.	PWC	5.3	Given that the Standard is drafted to specify the audit requirements for insurance groups, with the audit requirements set out in section 6 of the Standard, compliance with the Standard will take the form of an audit and review report issued by the insurer’s auditor. In addition the auditor’s responsibilities in terms of the applicable auditing standards are set out in the proposed audit and review reports Evidence of compliance will therefore be demonstrated by the issuance of the relevant audit and review reports. And as such no additional confirmation would be applicable. Therefore, we propose that paragraph 5.3 be removed	This requirement reiterates the power of the regulator to request the auditor to provide confirmation of compliance with the standard in its entirety and is not limited to the issuance of an audit report.
79.	IRBA	5.4	Section 4(1) of the Auditing Profession Act states that: <i>“The Regulatory Board must, in addition to its other functions provided for in this Act - (c) prescribe standards of professional competence, ethics and conduct of registered auditors”.</i>	Noted. The sentence has been amended to remove the word ‘other’ and insert the words ‘standards and’ before the word ‘pronouncements’.

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			<p>The IRBA is both the audit regulator and national auditing standard setter in South Africa.</p> <p>The IRBA has a mandate to regulate registered auditors and prescribe auditing standards and ethical requirements for registered auditors. Auditing standards for auditors can only be issued by the IRBA; thus reference to any <i>other auditing pronouncements that may be applicable in South Africa</i> should be removed</p>	
80.	PWC	5.5	<p>Section 30 and 31 of the Act also deals with roles and responsibilities of the board of directors.</p> <p>We therefore propose that this paragraph includes reference to the relevant sections of the Act in addition to the Prudential Standard - Governance and Operational Standards for Insurance Groups.</p> <p>In addition, the words “...described in more detail...” create the impression that this Standard contains information about the roles and responsibilities of the board of directors, which is not the case. As such we propose the following edit:</p> <p><i>“The roles and responsibilities of the board of directors are described in more detail in the Prudential Standard - Governance and Operational Standards for Insurance Groups (GOG).”</i></p>	<p>This is a standard paragraph in all the FS Standards, considered helpful enough to draw reader’s attention to the GOI. No change necessary.</p>
81.	IRBA	6.1 Audit requirements	<p>In term of paragraph 10 of ISA 200, the purpose of an audit is to enhance the intended users’ degree of confidence in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.¹</p> <p>Audited information does not establish or enhance the credibility of the insurance groups information.</p> <p>As such, we suggest that the paragraph be amended to align with the wording of paragraph 10 of ISA 200.</p>	<p>Noted. Wording changed to be more in line with paragraph 10 of ISA 200:</p> <p>An audit enhances the degree of confidence of the Prudential Authority, policyholders and stakeholders of insurers in the insurer’s information provided.</p>
82.	SAICA	6.1	<p>1. The directors are responsible for the preparation of the subject matter information, which includes the relevant statements derived from the financial statements and information contained in the underlying accounting records of the Insurer in accordance with the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements, and for such internal control as the directors determine is</p>	<p>The paragraph has been rephrased using some of the suggestions as per the comment.</p> <p>1: Amended “establishes or enhances credibility” to “enhances the degree of confidence”</p>

¹ ISA 200, Overall Objective of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing (ISA 200).

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			<p>necessary to enable the preparation of the relevant statements that are free from material misstatement, whether due to fraud or error.</p> <p>The directors have primary responsibility in terms of establishing credibility, with the audit enhancing this. The audit of the financial statements does not relieve directors or those charged with governance of their responsibilities.</p> <p>SAICA therefore suggests that reference to the audited information establishes credibility be removed; that the wording be aligned the International Standards on Auditing (ISAs); and that the reference to enhancing the degree of confidence of the users be added.</p> <p>2. It is not the audited information that enhances credibility of the information; it is the audit itself.</p> <p>3. The audit does not enhance the creditability of all the information of the insurer, as is currently implied in the Prudential Standard. It only enhances the credibility of the information that is subject to the audit.</p> <p>To address these comments raised above, SAICA suggests revising the wording as follow:</p> <p>Audited information An audit establishes or enhances the degree of confidence of the intended users and credibility of the insurance group's information contained in the [subject matter information subject to the audit] with the Prudential Authority, policyholders and stakeholders of insurance groups. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.⁸⁵</p>	<p>2: Amended "Audited information" to "The audit of information"</p> <p>3: Disagree as the qualifier "audited" is clear</p>
83.	PWC	6.2	<p>We propose that the current paragraph be replaced with the recommendation below, which aligns to the overall objectives of an audit as set out in paragraph 11(a) of the International Standard on Auditing (ISA) 200 – "Overall objectives of the independent auditor in accordance with International Standards on Auditing":</p> <p><i>"One of the objectives of an audit in terms of International Standards on Auditing is for the auditor to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial information is prepared, in all material respects, in accordance with the applicable financial reporting framework."</i></p>	<p>Noted, the paragraph has been amended to align with International Standards on Auditing.</p>

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84.	IRBA	6.2	<p>The objective of an audit is to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error.</p> <p>An audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>As such, we suggest that the wording be amended to read as follows:</p> <p>“As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor’s opinion being persuasive rather than conclusive.”²</p>	The paragraph has been rephrased. See response to comment 21.
85.	SAICA	6.2	<p>As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Furthermore, an audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>To address the comment raised above, SAICA suggests replacing the paragraph with the following:</p> <p><u>As the basis for the auditor’s opinion, the International Standards on Auditing require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.</u></p>	This paragraph has been rephrased. See response to comment 21
86.	PWC	6.3	<p>The objective and a benefit of the audit are described in paragraphs 6.1 and 6.2.</p> <p>We propose the following amendment to the paragraph in 6.3 to avoid any misunderstandings about the nature of the audit and the auditor’s responsibilities:</p>	The intention of the paragraph was to highlight the benefit of an audit for the insurer. Therefore we do not agree that the paragraph should be changed as proposed, as this would potentially remove this message. The paragraph was slightly rephrased to make the intention clearer.

² ISA 200, Overall Objective of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing (ISA 200).

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			<p><i>“As part of the audit of the insurance group, the auditor also considers, within the context of audit materiality, whether the financial information subject to audit is complete, comparable, relevant, reliable and understandable.”</i></p>	
87.	IRBA	6.3	<p>The auditor is not responsible for the preparation of the information.</p> <p>The directors are responsible for ensuring the Insurer’s compliance with the provisions of the Act and PA requirements, including the preparation and submission of the relevant statutory financial statements and the returns to the PA and for such internal control as the directors determine is necessary to enable the preparation of the returns that are free from material misstatement, whether due to fraud or error.</p> <p>As such, we suggest that the wording of this paragraph be aligned with the wording of the directors responsibility section of the illustrative auditor’s report.</p> <p>Additionally, we would also suggest that this paragraph is aligned with the qualitative characteristics in the <i>Conceptual Framework of Financial Reporting</i> issued by the International Accounting Standards Board (IASB). In particular, the <i>Conceptual Framework of Financial Reporting</i> does not include ‘complete’ as one of the qualitative characteristics</p>	See response to comment 89.
88.	SAICA	6.3	<p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>Furthermore, the directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</p> <p>The information contained in paragraph 6.3 may create the impression that the auditor is responsible for the preparation of the information, which is not the case.</p> <p>The importance and benefits of the audit are already outlined in paragraphs 6.1 and 6.2 of the Prudential Standards.</p> <p>SAICA therefore suggests that paragraph 6.3 of the Prudential Standards rather be aligned to the director’s responsibility statement as</p>	Please see comment 89 above.

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			<p>contained in the auditor’s report by replacing paragraph 6.3 with the following:</p> <p><u>The directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</u></p>	
89.	SAICA	6.4	<p>In accordance with section 47(1)(a) of the Act, a controlling company must annually cause to be audited and reported on by its auditor such of the information referred to in section 44 (Information for supervisory purposes) of the Act as prescribed by the Prudential Authority.</p>	Agreed.
90.	PWC	6.5	<p>We propose the following wording changes to this paragraph to clarify that section 47(1) of the Act does not provide for the information to be audited:</p> <p><i>“In terms of Pursuant to the requirements of section 47(1)(a) of the Act, the following information of an insurance group must be audited annually in accordance with relevant International Standards on Auditing</i></p>	Noted, the paragraph has been amended accordingly.
91.	SAICA	6.5	<p>In terms of section 47(1)(a) of the Act, that the following information of a controlling company must be audited annually in accordance with relevant International Standards on Auditing:</p> <p>a. Solvency position of the insurance group expressed as the ratio of group eligible own funds available to meet the group’s solvency capital requirement, including the eligibility adjustment; and</p> <p>b. List of entities included in the group scope as well as the percentage held by the controlling company for the purpose of calculating the insurance group’s solvency position</p>	Agreed.
92.	ASISA	6.5	<p>Editing comment- the word that (as highlighted) should be removed:In terms of section 47(1)(a) of the Act, that the following information of a controlling company must be audited annually in accordance with relevant International Standards on Auditing.</p>	Noted. The paragraph has been amended accordingly.
93.	IRBA	6.6	<p>The name of the ISRE 2410 “<i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>” should be in italics.</p>	Noted. The name has been italicised.

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<p>94.</p>	<p>SAICA</p>	<p>6.6</p>	<p>Below, find suggested wording change to clarify that the auditor undertakes an independent review and not an audit and therefore an independent review conclusion is expressed and not an audit opinion.</p> <p>In addition to the information set out in paragraph 6.5 above, in terms of section 62(1) of the Act, the Prudential Authority will annually require a report from the auditor, where the auditor expresses a conclusion on whether, on the basis of the review performed in accordance with in terms of International Standard on Review Engagements (“ISRE”) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, anything has come to the auditor’s attention that causes the auditor to believe that with regard to the following information:</p> <p>a. Whether the entities are included in group scope as well as the assets and liabilities on an IFRS basis per entity included in the group scope;</p> <p>b. Basic own funds and own funds per entity included in the group scope;</p> <p>c. Intragroup adjustments on own funds per entity on a SAM basis;</p> <p>d. Fungibility/ transferability adjustments on own funds per entity on a SAM basis;</p> <p>e. Eligible own funds per entity included in the group scope;</p> <p>f. Solvency capital requirement before adjustments per entity included in the group scope;</p> <p>g. Intragroup adjustments on the solvency capital requirement per entity on a SAM basis; and</p> <p>h. Solvency capital requirement after adjustments per entity included in the group scope.</p>	<p>Noted. The paragraph has been amended in line with comment.</p>
<p>95.</p>	<p>ASISA</p>	<p>6.6</p>	<p>Does this mean that information mentioned in point 6.6.(currently submitted annually – Group’s annual QRT) will have to be prepared, reviewed by the auditor and submitted half yearly (interim reporting)? Point 6.7. makes reference to the annual return but point 6.6. refers to Interim Financial Information.</p> <p>The scope for the ISRE 2410 report appears to be very onerous at a per entity level. More specifically sub-sections c, d, f and g are not material across all entities. Our opinion is that the ISRE 2410 review should largely focus on own funds and SCR (after adjustments) rather than</p>	<p>No, that is not the intention. : Only the annual submission of the Group QRT will need to be audited.</p>

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			<p>items that are not material. We propose removing the review requirement for the following:</p> <p>c. Intragroup adjustments on own funds per entity on a SAM basis</p> <p>d. Fungibility/ transferability adjustments on own funds per entity on a SAM basis</p> <p>f. Solvency capital requirement before adjustments per entity included in the group scope</p> <p>g. Intragroup adjustments on solvency capital requirement per entity on a SAM basis</p> <p>Alternatively, guidance should be included on how materiality can be applied to the above adjustments.</p>	
96.	ASISA	6.6a	<p>The words "Whether the entities are included in group scope as well as the assets and liabilities on an IFRS basis per entity included in the group scope;" should possibly be replaced with ""The entities included in group scope as well as the assets and liabilities on an IFRS basis per entity;". Alternatively, the point needs rewording so that it is clear what is intended.</p> <p>With reference to this review requirement, is the expectation for insurance groups to continue disclosing qualitative and quantitative information for entities excluded from scope?</p>	This has been amended to make the intention clearer.
97.	SAICA	6.7	<p>The information set out in paragraphs 6.5 and 6.6 above is included in an insurance group's annual QRT that must be submitted to the Prudential Authority as provided for in section 44(1) of the Act.</p>	The Standard has been amended to state... in accordance with the timelines determined by the PA.
98.	ASISA	6.7	<p>This point makes reference to the fact that 6.5 and 6.6 are included in Group's annual QRT. Why does point 6.6. make reference to interim financial information? Clarity to be provided on whether additional half year reporting will be required or whether certain sections mentioned in point 6.6. of the annual reporting merely has to be reviewed by the auditor in terms of ISRE 2410.</p>	See response to comment 97.
99.	PWC	6.8	<p>The footnote creates the impression that the IRBA needs to issue the audit report. We propose that this footnote read as follows:</p> <p><i>"The auditor's reports must be in the format prescribed issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA)."</i></p>	<p>Noted. The footnote was amended to clarify this issue. The wording used to be more aligned to the requirements for banks in Regulation 46 of the Regulations relating to Banks.</p> <p>The auditor's reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors.</p>

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100.	PWC	6.8	The paragraph should specify the time interval as the PA requirement for the annual QRT.	Noted. The PA issued a Notice in 2018 that determines the timing of the quarterly, bi-annual and annual information required for supervisory purposes. The notice can be accessed at the following link: https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-post-insurance/act/2018/8685
101.	IRBA	6.8	We suggest that the reference to audit or review be amended to read as “ <u>audit and/or review</u> ”, in order to align the wording with the requirements of paragraphs 6.5 and 6.6.	Noted. The paragraph was reworded to reflect audit or review.
102.	SAICA	6.6	<p>SAICA suggests that reference to an <i>independently</i> reviewed be made, as follows:</p> <p>The Prudential Authority will not accept an insurance group’s annual QRT submission if the relevant sections have not been audited or <i>independently</i> reviewed, as applicable, and without the auditor’s reports included with the insurance group’s annual QRT submission. These auditor’s reports must be submitted to the Prudential Authority within the same time interval as the Prudential Authority requirement for the annual QRT.</p> <p>Paragraph 6.8 includes reference to footnote 1, which states <i>The auditor’s reports must be issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA)</i>.</p> <p>This may create confusing in that the auditor issues the reports, not the Independent Regulatory Board for Auditors. SAICA suggests that the wording of this footnote be amended as follows:</p> <p>The <u>auditor is required to use the illustrative</u> auditor’s reports must be as agreed between issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA) <u>and the Prudential Authority</u>.</p>	<p>The paragraph has been amended and this comment does not apply anymore.</p> <p>The footnote has also been amended.</p>
103.	SAIA	6.8	The standard does not mention Annual Group QRT (Quantitative Return Template) due dates, and no Annual Group QRT templates are available at this point. Group returns are currently due three months after year-end, which is one month earlier than the audited Annual Solo QRTs. When the deduction and aggregation method is used for group reporting, then Annual Group QRTs should ideally be due one month	This has been addressed.

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			after Solo QRTs, so that the group audit can leverage off audit work performed during Solo QRTs	
104.	IRBA	6.8 (Footnote 1)	We suggest that the wording of the footnote be amended to read as follows: “The illustrative auditor’s reports developed and issued by the Independent Regulatory Board for Auditors (IRBA).”	Noted. The footnote was amended. <i>The auditor’s reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors.</i>
105.	PWC	6.9	Our understanding from reading this section is that this paragraph could place an additional reporting responsibility on the auditor. From reading the Standard the requirements are already met through the audit requirements set out in paragraph 6.5. We therefore propose that this paragraph be removed.	Noted. The intention was not to create any additional reporting responsibilities for the auditor. The paragraph has been reworded to make it clearer. However, the PA feels it is important to emphasise these expectations, which are also contained in the Regulations relating to Banks.
106.	SAICA	6.9	The auditor is required to express an audit opinion on whether the subject matter information is prepared, in all material respects in accordance with the applicable financial reporting framework. In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures. The assertions listed in the ISAs for the auditor to use during the performance of the audit are: <ul style="list-style-type: none"> • Occurrence • Completeness • Accuracy • Cut-off • Classification • Presentation • Existence • Valuation 	Please see response to comment 107.

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			SAICA's view is that it is not necessary to include details of what the auditor needs to report on because the ISAs are clear in this regard. Additional information in this regard inserted into legislation often results in unnecessary confusion. SAICA therefore suggests that this paragraph be removed from the Prudential Standards.	
107.	ASISA	6.9(a)	It is implied that the management accounts and the annual financial statements are the same. Management accounts are usually prepared earlier than annual financial statements. Adjustments made for annual financial statement reporting purposes are not always included in management accounts.	The standard does not imply that the management accounts and the annual financial statements are the same. It states that it must reasonably reflect the information.
108.	IRBA	6.10	We suggest that the references to the sections of the annual QRT that should be audited or reviewed be amended to read as "references to the sections of the annual QRT that should be audited <u>and</u> /or reviewed" in order to align the wording with the requirements of paragraphs 6.5 and 6.6.	Noted. The PA is of the view that it is not necessary to change "or" to "and" in this case as the paragraph states that the information should be audited or reviewed, <u>as applicable</u> .
109.	SAICA	6.10	The Guidance Note on Audit Requirements (AR GN) provides references to the sections of the annual QRT that should be audited or reviewed, as applicable, so that insurance groups can demonstrate adherence to these requirements.	Noted and agreed.
110.	Unknown	7.2 Submission and availability of Audited Financial Statements/Other heading	<p>Paragraph 7.2 references section 47(2)(a) of the Insurance Act, but states that section 47(2)(a) requires the audited annual financial statements of the controlling company to be "...made available to the public within 4 months after its financial year-end".</p> <p>However Section 47(2)(a) only requires that the audited financial statements of an insurer must, in addition to being submitted to the PA, be made available to the public within the prescribed period. Section 47(2)(b) deals with the audited annual financial statements of the controlling company to be submitted to the PA within the prescribed period, but does not require those to be made available to the public at any time. In this regard, we refer to the consultations that took place on the Insurance Act when it was still a Bill, one of the results of which was the important distinction in section 47(2) when it comes to public disclosure of audited annual financial statements. As such, we believe that paragraph 7.2 must be amended to remove the latter part thereof i.e. to delete "and made available to the public within 4 months after its financial year-end". Without that change, we believe paragraph 7.2 will, at the very least, be ultra vires the provisions of the Insurance Act.</p>	The public disclosure standards are being drafted by the PA and will provide the clarity needed in this regard.

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			Can more guidance be provided regarding acceptable methods of submission of the annual financial statements to the Prudential Authority? Soft copy via the submission portal or hard copy via post?	
111.	IRBA	8. General comments <i>Objectives and Key requirements of Prudential Standard ARG</i>	We suggest that the objective of the Standard also include information that is required to be reviewed, as mentioned in paragraph 6.6. Suggested rewording: “This Standard sets out the information for supervisory purposes that the controlling companies of insurance groups must have audited and <u>reviewed</u> and reported on by their auditors to promote credibility of the information with the Prudential Authority, policyholders and stakeholders of insurance groups.”	Noted. The Standard has been amended to include the word reviewed.
112.	SAICA		Group Audits: The auditor did not audit the Group SAM return in prior years. Should the Prudential Standards specify expectations of the auditor for the opening balances in the first year of the audit? Alternatively, is the auditor able to modify his/her audit report to make it clear that the audit did not extend to the opening balances?	The auditor must act in the manner that is done when auditing a client for the first time. However if there is great reliance on the work of the previous auditor then this must be indicated on the report.
113.	SAIA	<i>Statement of Need – paragraph 5.2</i>	It is recommended that it should be the auditor’s responsibility to obtain audit report approval from the Independent Regulatory Board for Auditors (IRBA) and that auditors should have a standard template that is approved by the IRBA so that no additional time is spent during audits to obtain approval, as this can potentially create bottlenecks at IRBA if the IRBA need to approve each insurer’s report.	The intention is that the IRBA does not have to approve each report. The format of the report must be that which has been approved by IRBA and the PA.
114.	ASISA	<i>8.2 Statement of Need</i>	Per Section 8.2 of the “Statement* of the need for, intended operation and expected impact of the proposed prudential standards on audit requirements for insurers and controlling companies”, controlling companies whose financial year-end is after the commencement date of the proposed Standards will be required to submit certain audited quantitative information to the PA within a period of four months after their financial year-end. Does this mean that if the controlling company has a December year-end, the audited and reviewed Group return can now be submitted on or before 30 April and no longer 31 March? Would the deadline for the 30 June Group return still be within three months of the period end, i.e. 30 September? No comment on Guidance Notice.	Please refer to the Notice issued in 2018. https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-post-insurance/act/2018/8685
ARM- Audit requirements for Microinsurers				

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115.	PWC	1. Commencement	We propose that the sentence in 3.1 dealing with financial year ends to which the standard relates be incorporated into this paragraph.	It is the view of the PA that the clarification with regard to financial years is best placed under the application section of the standard.
116.	IRBA	1.1	The Commencement date of the Prudential Standard (the Standard) should be updated accordingly, if it changes	Noted. The Standard will be updated accordingly. 1
117.	PWC	2.1 Legislative Authority	We propose the following wording change to this paragraph to emphasize that the Standard has been prepared pursuant to the requirements of section 47(5) of the Insurance Act, 2017 (Act No. 18 of 2017) (the “Act”). <i>“This Standard is prepared in accordance with the requirements of made under section 47(5) read with section 63(1)(a) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act).”</i>	The Standards are drafted in terms of the Insurance Act read with the Financial Sector Regulation Act. In terms of these Acts standards are “made” and are not “prepared”.
118.	PWC	3.1 Application	We propose the following wording change to this paragraph to clarify that the Standard applies to financial year ends ending on or after 1 September 2020: <i>“This Standard applies to all microinsurers licensed under the Act, with financial year-ends ending on or after the commencement date set out in paragraph 1.1 above.”</i>	It is the view of the PA that the clarification with regard to financial years is best placed under the application section of the standard.
119.	PWC	4. Definitions and interpretations	No comment	Noted.
120.	PWC	5.3	Given that the Standard is drafted to specify the audit requirements for microinsurers, with the audit requirements set out in section 6 of the Standard, compliance with the Standard will take the form of the audit and review report issued by the insurer's auditor. In addition the auditor's responsibilities in terms of the applicable auditing standards are set out in the proposed audit and review reports. Evidence of compliance will therefore be demonstrated by the issuance of the relevant audit and review reports. And as such no additional confirmation would be applicable. Therefore, we propose that paragraph 5.3 be removed.	Disagree, the Standard is being clear on the requirements placed on Auditors.
121.	IRBA	5.4	Section 4(1) of the Auditing Profession Act states that: <i>“The Regulatory Board must, in addition to its other functions provided for in this Act - (c) prescribe standards of professional competence, ethics and conduct of registered auditors”.</i>	Noted. The sentence has been amended to remove the word ‘other’ and insert the words ‘standards and’ before the word ‘pronouncements’.

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			<p>The IRBA is both the audit regulator and national auditing standard setter in South Africa.</p> <p>The IRBA has a mandate to regulate registered auditors and prescribe auditing standards and ethical requirements for registered auditors. Auditing standards for auditors can only be issued by the IRBA; thus reference to any <i>other auditing pronouncements that may be applicable in South Africa</i> should be removed.</p>	
122.	PWC	5.5	<p>Section 30 and 31 of the Act also deals with roles and responsibilities of the board of directors.</p> <p>We therefore propose that this paragraph includes reference to the relevant sections of the Act in addition to the Prudential Standard - Governance and Operational Standards for Microinsurers.</p> <p>In addition, the words “...described in more detail...” create the impression that this Standard contains information about the roles and responsibilities of the board of directors, which is not the case. As such we propose the following edit:</p> <p><i>“The roles and responsibilities of the board of directors are described in more detail in the Prudential Standard - Governance and Operational Standards for Microinsurers (GOM).”</i></p>	<p>This is a standard paragraph in all the FS Standards, considered helpful enough to draw reader’s attention to the GOI. No change necessary.</p>
123.	IRBA	6.1 Audit Requirements	<p>In term of paragraph 10 of ISA 200, the purpose of an audit is to enhance the intended users’ degree of confidence in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</p> <p>Audited information does not establish or enhance the credibility of the microinsurer’s information.</p> <p>As such, we suggest that the paragraph be amended to align with the wording of paragraph 10 of ISA 200.</p>	<p>Noted. Wording changed to be more in line with paragraph 10 of ISA 200:</p> <p>An audit enhances the degree of confidence of the Prudential Authority, policyholders and stakeholders of insurers in the insurer’s information provided.</p>
124.	SAICA	6.1	<p>1. The directors are responsible for the preparation of the subject matter information, which includes the relevant statements derived from the financial statements and information contained in the underlying accounting records of the Insurer in accordance with the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements, and for such internal control as the directors determine is necessary to enable the preparation</p>	<p>The paragraph has been rephrased using some of the suggestions as per the comment.</p> <p>1: Amended “establishes or enhances credibility” to “enhances the degree of confidence”</p> <p>2: Amended “Audited information” to “The audit of information”</p>

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			<p>of the relevant statements that are free from material misstatement, whether due to fraud or error.</p> <p>The directors have primary responsibility in terms of establishing credibility, with the audit enhancing this. The audit of the financial statements does not relieve directors or those charged with governance of their responsibilities.</p> <p>SAICA therefore suggests that reference to the <i>audited information establishes credibility</i> be removed; that the wording be aligned the International Standards on Auditing (ISAs); and that the reference <i>to enhancing the degree of confidence of the users</i> be added.</p> <p>2. It is not the <i>audited information</i> that enhances credibility of the information; it is the audit itself.</p> <p>3. The audit does not enhance the creditability of <i>all</i> the information of the insurer, as is currently implied in the Prudential Standard. It only enhances the credibility of the information that is subject to the audit.</p> <p>To address these comments raised above, SAICA suggests revising the wording as follow:</p> <p>Audited information <u>An audit establishes or enhances the degree of confidence of the intended users and credibility of the microinsurers' information contained in the [subject matter information subject to the audit] with the Prudential Authority, policyholders and stakeholders of microinsurers. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</u></p>	<p>3: Disagree as the qualifier “audited” is clear</p>
<p>125.</p>	<p>PWC</p>	<p>6.2</p>	<p>We propose that the current paragraph be replaced with the recommendation below, which aligns to the overall objectives of an audit as set out in paragraph 11(a) of the International Standard on Auditing (ISA) 200 – “Overall objectives of the independent auditor in accordance with International Standards on Auditing”:</p> <p><i>“One of the objectives of an audit in terms of International Standards on Auditing is for the auditor to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the</i></p>	<p>Noted, the paragraph has been amended to align with International Standards on Auditing.</p>

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			<i>financial information is prepared, in all material respects, in accordance with the applicable financial reporting framework.”</i>	
126.	PWC	6.2	'Microinsurers' in this paragraph should be 'microinsurer'.	Noted. The standard has been amended accordingly.
127.	IRBA	6.2	<p>The objective of an audit is to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error.</p> <p>An audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>As such, we suggest that the wording be amended to read as follows:</p> <p>“As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the information as a whole is free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor’s opinion being persuasive rather than conclusive.”</p>	The paragraph has been rephrased. See response to comment 21
128.	SAICA	6.2	<p>As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Furthermore, an audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>To address the comment raised above, SAICA suggests replacing the paragraph with the following:</p> <p><u>As the basis for the auditor’s opinion, the International Standards on Auditing require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.</u></p>	This paragraph has been rephrased. See response to comment 21

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129.	PWC	6.3	<p>The objective and a benefit of the audit are described in paragraphs 6.1 and 6.2.</p> <p>We propose the following amendment to the paragraph in 6.3 to avoid any misunderstandings about the nature of the audit and the auditor's responsibilities:</p> <p><i>"As part of the audit of the microinsurer's information, the auditor also considers, within the context of audit materiality, whether the financial information subject to audit is complete, comparable, relevant, reliable and understandable."</i></p>	<p>The intention of the paragraph was to highlight the benefit of an audit for the insurer. Therefore we do not agree that the paragraph should be changed as proposed, as this would potentially remove this message. The paragraph was slightly rephrased to make the intention clearer</p>
130.	IRBA	6.3	<p>The auditor is not responsible for the preparation of the information.</p> <p>The directors are responsible for ensuring the Insurer's compliance with the provisions of the Act and PA requirements, including the preparation and submission of the relevant statutory financial statements and the returns to the PA and for such internal control as the directors determine is necessary to enable the preparation of the returns that are free from material misstatement, whether due to fraud or error.</p> <p>As such, we suggest that the wording of this paragraph be aligned with the wording of the directors responsibility section of the illustrative auditor's report.</p> <p>Additionally, we would also suggest that this paragraph is aligned with the qualitative characteristics in the <i>Conceptual Framework of Financial Reporting</i> issued by the International Accounting Standards Board (IASB). In particular, the <i>Conceptual Framework of Financial Reporting</i> does not include 'complete' as one of the qualitative characteristics.</p>	<p>See response to comment 131 above</p>
131.	SAICA	6.3	<p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>Furthermore, the directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</p>	<p>See response to comment 131 above</p>

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			<p>The information contained in paragraph 6.3 may create the impression that the auditor is responsible for the preparation of the information, which is not the case.</p> <p>The importance and benefits of the audit are already outlined in paragraphs 6.1 and 6.2 of the Prudential Standards.</p> <p>SAICA therefore suggests that paragraph 6.3 of the Prudential Standards rather be aligned to the director's responsibility statement as contained in the auditor's report by replacing paragraph 6.3 with the following:</p> <p><u>The directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</u></p>	
132.	SAICA	6.4	<p>In accordance with section 47(1)(a) of the Act, a microinsurer must annually cause to be audited and reported on by its auditor such of the information referred to in section 44 (Information for supervisory purposes) of the Act as prescribed by the Prudential Authority.</p>	Yes – agree.
133.	PWC	6.5	<p>We propose the following wording changes to this paragraph to clarify that section 47(1)(a) of the Act does not provide for the information to be audited:</p> <p><i>In terms of "Pursuant to the requirements of section 47(1)(a) of the Act, the following information of a microinsurer must be audited annually in accordance with relevant International Standards on Auditing":</i></p>	Noted the paragraph has been amended accordingly.
134.	SAICA	6.5	<p>In terms of section 47(1)(a) of the Act, the following information of a microinsurer must be audited annually in accordance with relevant International Standards on Auditing:</p> <ol style="list-style-type: none"> a. Statement of solvency position expressed as the ratio of eligible own funds available to meet the minimum capital requirement; b. Statement of assets, liabilities and basic own funds presented as the balance sheet on a SAM and an IFRS basis; c. On the SAM basis, excess of income over outgo; d. Minimum capital requirement; e. Information regarding asset spreading; 	Yes – agree

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			<p>f. Technical provisions on a sub-component level on an aggregated summary per type and (sub-)line of business, as relevant; and</p> <p>g. Summary and details of the assets, liabilities, basic own funds, minimum capital requirements and own funds for cell structures.</p>	
135.	IRBA	6.6	The name of the ISRE 2410 “ <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i> ” should be in italics.	Noted, the name has been italicised.
136.	SAICA	6.6	<p>Below, find suggested wording change to clarify that the auditor undertakes an independent review and not an audit and therefore an independent review conclusion is expressed and not an audit opinion.</p> <p>In addition to the information set out in paragraph 6.5 above, in terms of section 62(1) of the Act, the Prudential Authority will annually require a report from the auditor, where the auditor expresses a conclusion on <u>whether, on the basis of the review performed in accordance with in terms of</u> International Standard on Review Engagements (“ISRE”) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, <u>anything has come to the auditor’s attention that causes the auditor to believe that with regard to</u> the following information:</p> <p>a. Investments on an aggregated summary per type; and</p> <p>b. Detail of the reinsurance providers for life and non-life insurance obligations.</p>	Noted. The paragraph has been amended in line with comment.
137.	SAICA	6.7	The information set out in paragraphs 6.5 and 6.6 above is included in a microinsurer’s annual QRT that must be submitted to the Prudential Authority as provide for in section 44(1) of the Act.	This paragraph has been amended to provide for timelines determined by the PA.
138.	PWC	6.8	<p>The footnote creates the impression that the IRBA needs to issue the audit report. We propose that this footnote read as follows:</p> <p><i>“The auditor’s reports must be in the format prescribed issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA).”</i></p>	<p>Noted. The footnote was amended to clarify this issue. The wording used to be more aligned to the requirements for banks in Regulation 46 of the Regulations relating to Banks.</p> <p><i>The auditor’s reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors.</i></p>
139.	PWC	6.8	The paragraph should specify the time interval as the PA requirement for the annual QRT.	Noted. The PA issued a Notice in 2018 that determines the timing of the quarterly, bi-annual and annual information required for supervisory purposes. The notice can be accessed at the following link:

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				https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-post-insurance/act/2018/8685
140.	IRBA	6.8	We suggest that the reference to audit or review be amended to read as “ <u>audit and/or review</u> ”, in order to align the wording with the requirements of paragraphs 6.5 and 6.6.	Noted. The paragraph was reworded to reflect audit or review.
141.	SAICA	6.8	<p>SAICA suggests that reference to an <i>independently</i> reviewed be made, as follows:</p> <p>The Prudential Authority will not accept a microinsurer’s annual QRT submission if the relevant sections have not been audited or <i>independently</i> reviewed, as applicable, and without the auditor’s reports included with the microinsurer’s annual QRT submission. These auditor’s reports must be submitted to the Prudential Authority within the same time interval as the Prudential Authority requirement for the annual QRT.</p> <p>Paragraph 6.8 includes reference to footnote 1, which states <i>The auditor’s reports must be issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA)</i>.</p> <p>This may create confusing in that the auditor issues the reports, not the Independent Regulatory Board for Auditors. SAICA suggests that the wording of this footnote be amended as follows:</p> <p>The <u>auditor is required to use the illustrative</u> auditor’s reports must be as agreed between issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA) <u>and the Prudential Authority</u>.</p>	The paragraph amended and this comment does not apply anymore. . The footnote has been amended.
142.	IRBA	6.8 (Footnote 1)	We suggest that the wording of the footnote be amended to read as follows: “The illustrative auditor’s reports developed and issued by the Independent Regulatory Board for Auditors (IRBA).”	Noted. The footnote was amended.
143.	PWC	6.9	<p>Our understanding from reading this section is that this paragraph could place an additional reporting responsibility on the auditor.</p> <p>From reading this Standard the requirements are already met through the audit requirements set out in paragraph 6.5. We therefore propose that this paragraph be removed.</p>	Noted. The intention was not to create any additional reporting responsibilities for the auditor. The paragraph has been reworded to make it clearer. However, the PA feels it is important to emphasise these expectations, which are also contained in the Regulations relating to Banks.
144.	SAICA	6.9	The auditor is required to express an audit opinion on whether the subject matter information is prepared, in all material respects in accordance with the applicable financial reporting framework.	Please see response to comment 145.

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			<p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>The assertions listed in the ISAs³ for the auditor to use during the performance of the audit are:</p> <ul style="list-style-type: none"> • Occurrence • Completeness • Accuracy • Cut-off • Classification • Presentation • Existence • Valuation <p>SAICA's view is that it is not necessary to include details of what the auditor needs to report on because the ISAs are clear in this regard. Additional information in this regard inserted into legislation often results in unnecessary confusion. SAICA therefore suggests that this paragraph be removed from the Prudential Standards.</p>	
145.	IRBA	6.10	<p>We suggest that the references to the sections of the annual QRT that should be audited or reviewed be amended to read as “references to the sections of the annual QRT that should be audited <u>and/or</u> reviewed” in order to align the wording with the requirements of paragraphs 6.5 and 6.6.</p>	This paragraph has been amended.
146.	SAICA	6.10	<p>The Guidance Note on Audit Requirements (AR GN) provides references to the sections of the annual QRT that should be audited or reviewed, as applicable, so that microinsurers can demonstrate adherence to these requirements.</p>	Noted and agreed.
147.	IRBA	7. General Comments <i>Objectives and Key Requirements of Prudential Standard ARM</i>	<p>We suggest that the objective of the Standard also include information that is required to be reviewed, as mentioned in paragraph 6.6. Suggested rewording: “This Standard sets out the information for supervisory purposes that insurers must have audited <u>and reviewed</u> and reported on by their</p>	Noted. The standard has been amended to include the word reviewed.

³ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment* (ISA 315 (Revised)).A129

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			auditors to promote credibility of the information with the Prudential Authority, policyholders and stakeholders of microinsurers.”	
ARB – Auditor requirements for Branches				
148.	PWC	1.1 Commencement	We propose that the sentence in 3.1 dealing with financial year ends to which the standard relates be incorporated into this paragraph.	It is the view of the PA that the clarification with regard to financial years is best placed under the application section of the standard.
149.	IRBA	1.1	The Commencement date of the Prudential Standard (the Standard) should be updated accordingly, if it changes.	Noted. The Standard will be updated accordingly
150.	PWC	2.1 Legislative Authority	We propose the following wording change to this paragraph to emphasize that the Standard has been prepared pursuant to the requirements of section 47(5) of the Insurance Act, 2017 (Act No. 18 of 2017) (the “Act”). <i>“This Standard is prepared in accordance with the requirements of made under section 47(5) read with section 63(1)(a) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act).”</i>	The Standards are drafted in terms of the Insurance Act read with the Financial Sector Regulation Act. In terms of these Acts standards are “made” and are not “prepared”
151.	PWC	3.1 Application	We propose the following wording change to this paragraph to clarify that the Standard applies to financial year ends ending on or after 1 September 2020: <i>“This Standard applies to all branches of foreign reinsurers licensed under the Act, with financial year-ends ending on or after the commencement date set out in paragraph 1.1 above.”</i>	The application of the standard aligns with the provisions of section 47(2) of the Insurance Act. The sentence has however been amended to read “..., with financial year-ends ...”
152.	PWC	4. Definitions and interpretations	We have no comments in relation to this section of the Standard.	Noted.
153.	PWC	5.3 Roles and responsibilities	Given that the Standard is drafted to specify the audit requirements for branches, with the audit requirements set out in section 6 of the Standard, compliance with the Standard will take the form of the audit and review report issued by the insurer’s auditor. In addition the auditor’s responsibilities in terms of the applicable auditing standards are set out in the proposed audit and review reports. Evidence of compliance will therefore be demonstrated by the issuance of the relevant audit and review reports. And as such no additional	Disagree, this requirements goes beyond the audit report.

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			confirmation would be applicable. Therefore, we propose that paragraph 5.3 be removed.	
154.	PWC	5.5	<p>Section 30 and 31 of the Act also deals with roles and responsibilities of the representative of a branch.</p> <p>We therefore propose that this paragraph includes reference to the relevant sections of the Act in addition to the Prudential Standard - Governance and Operational Standards for Branches.</p> <p>In addition, the words “...described in more detail...” create the impression that this Standard contains information about the roles and responsibilities of the board of directors, which is not the case. As such we propose the following edit:</p> <p><i>“The roles and responsibilities of the representative of a branch are described in more detail in the Prudential Standard - Governance and Operational Standards for Branches (GOB).”</i></p>	This is a standard paragraph in all the FS Standards, considered helpful enough to draw reader’s attention to the GOI. No change necessary.
155.	IRBA	5.4	<p>Section 4(1) of the Auditing Profession Act states that:</p> <p><i>“The Regulatory Board must, in addition to its other functions provided for in this Act -</i></p> <p><i>(c) prescribe standards of professional competence, ethics and conduct of registered auditors”.</i></p> <p>The IRBA is both the audit regulator and national auditing standard setter in South Africa.</p> <p>The IRBA has a mandate to regulate registered auditors, and prescribe auditing standards and ethical requirements for registered auditors. Auditing standards for auditors can only be issued by the IRBA; thus reference to any <i>other auditing pronouncements that may be applicable in South Africa</i> should be removed.</p>	Noted. The sentence has been amended to remove the word ‘other’ and insert the words ‘standards and’ before the word ‘pronouncements’.
156.	IRBA	6.1 Audit Requirements	<p>In term of paragraph 10 of ISA 200, the purpose of an audit is to enhance the intended users’ degree of confidence in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</p> <p>Audited information does not establish or enhance the credibility of the branch’s information.</p>	<p>Noted. Wording changed to be more in line with paragraph 10 of ISA 200:</p> <p>An audit enhances the degree of confidence of the Prudential Authority, policyholders and stakeholders of insurers in the insurer’s information provided.</p>

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			As such, we suggest that the paragraph be amended to align with the wording of paragraph 10 of ISA 200.	
157.	SAICA	6.1	<p>1. The directors are responsible for the preparation of the subject matter information, which includes the relevant statements derived from the financial statements and information contained in the underlying accounting records of the Insurer in accordance with the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements, and for such internal control as the directors determine is necessary to enable the preparation of the relevant statements that are free from material misstatement, whether due to fraud or error.</p> <p>The directors have primary responsibility in terms of establishing credibility, with the audit enhancing this. The audit of the financial statements does not relieve directors or those charged with governance of their responsibilities.</p> <p>SAICA therefore suggests that reference to the <i>audited information establishes credibility</i> be removed; that the wording be aligned the International Standards on Auditing (ISAs); and that the reference to <i>enhancing the degree of confidence of the users</i> be added.</p> <p>2. It is not the <i>audited information</i> that enhances credibility of the information; it is the audit itself.</p> <p>3. The audit does not enhance the creditability of <i>all</i> the information of the insurer, as is currently implied in the Prudential Standard. It only enhances the credibility of the information that is subject to the audit.</p> <p>To address these comments raised above, SAICA suggests revising the wording as follow:</p> <p><u>Audited information An audit establishes or enhances the degree of confidence of the intended users and credibility of the branch's information contained in the [subject matter information subject to the audit] with the Prudential Authority, policyholders and stakeholders of the branch. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</u></p>	<p>The paragraph has been rephrased using some of the suggestions as per the comment.</p> <p>1: Amended “establishes or enhances credibility” to “enhances the degree of confidence”</p> <p>2: Amended “Audited information” to “The audit of information”</p> <p>3: Disagree as the qualifier “audited” is clear</p>
158.	PWC	6.2	We propose that the current paragraph be replaced with the recommendation below, which aligns to the overall objectives of an audit as set out in paragraph 11(a) of the International Standard on	The purpose of these paragraphs is to set the scene and provide context around the requirements in the standard. Paragraph 6.4 creates the link to the Insurance Act from which this standard

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			<p>Auditing (ISA) 200 – “Overall objectives of the independent auditor in accordance with International Standards on Auditing”:</p> <p><i>“One of the objectives of an audit in terms of International Standards on Auditing is for the auditor to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial information is prepared, in all material respects, in accordance with the applicable financial reporting framework.”</i></p>	then continues with the details. The heading of the paragraph has been changed to include objective and requirements.
159.	IRBA	6.2	<p>The objective of an audit is to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error.</p> <p>An audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>As such, we suggest that the wording be amended to read as follows:</p> <p>“As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor’s opinion being persuasive rather than conclusive.”</p>	The paragraph has been rephrased.
160.	SAICA	6.2	<p>As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Furthermore, an audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>To address the comment raised above, SAICA suggests replacing the paragraph with the following:</p> <p><u>As the basis for the auditor’s opinion, the International Standards on Auditing require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.</u></p>	This paragraph has been rephrased. See response to comment 160
161.	PWC	6.3	<p>The objective and a benefit of the audit are described in paragraphs 6.1 and 6.2.</p>	The intention of the paragraph was to highlight the benefit of an audit for the insurer. Therefore we do not agree that the

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			<p>We propose the following amendment to the paragraph in 6.3 to avoid any misunderstandings about the nature of the audit and the auditor’s responsibilities:</p> <p><i>“As part of the audit of the branch’s information, the auditor also considers, within the context of audit materiality, whether the financial information subject to audit is complete, comparable, relevant, reliable and understandable.”</i></p>	<p>paragraph should be changed as proposed, as this would potentially remove this message. The paragraph was slightly rephrased to make the intention clearer.</p>
162.	IRBA	6.3	<p>The auditor is not responsible for the preparation of the information.</p> <p>The directors are responsible for ensuring the Insurer’s compliance with the provisions of the Act and PA requirements, including the preparation and submission of the relevant statutory financial statements and the returns to the PA and for such internal control as the directors determine is necessary to enable the preparation of the returns that are free from material misstatement, whether due to fraud or error.</p> <p>As such, we suggest that the wording of this paragraph be aligned with the wording of the directors responsibility section of the illustrative auditor’s report.</p> <p>Additionally, we would also suggest that this paragraph is aligned with the qualitative characteristics in the <i>Conceptual Framework of Financial Reporting</i> issued by the International Accounting Standards Board (IASB). In particular, the <i>Conceptual Framework of Financial Reporting</i> does not include ‘complete’ as one of the qualitative characteristics</p>	<p>See response to comment 163 above.</p>
163.	SAICA	6.3	<p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>Furthermore, the directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</p> <p>The information contained in paragraph 6.3 may create the impression that the auditor is responsible for the preparation of the information, which is not the case.</p>	<p>See response to comment 162 above.</p>

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			<p>The importance and benefits of the audit are already outlined in paragraphs 6.1 and 6.2 of the Prudential Standards.</p> <p>SAICA therefore suggests that paragraph 6.3 of the Prudential Standards rather be aligned to the director’s responsibility statement as contained in the auditor’s report by replacing paragraph 6.3 with the following:</p> <p><u>The directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</u></p>	
164.	SAICA	6.4	<p>In accordance with section 47(3) of the Act, a branch must annually cause to be audited and reported on by its auditor such of the information referred to in section 41 (Trust and trustees) and section 44 (Information for supervisory purposes) of the Act as prescribed by the Prudential Authority.</p>	The paragraph has been amended to provide for timelines determined by the PA.
165.	PWC	6.5	<p>We propose the following wording changes to this paragraph to clarify that section 47(3) of the Act does not provide for the information to be audited:</p> <p>“In terms of- Pursuant to the requirements of section 47(3) of the Act, the following information of a branches must be audited annually in accordance with relevant International Standards on Auditing”:</p>	Noted the paragraph has been amended accordingly.
166.	SAICA	6.5	<p>In terms of section 47(3)(a) of the Act, the following information of branches must be audited annually in accordance with relevant International Standards on Auditing:</p> <p>a. Financial soundness expressed as the amount of eligible trust assets minus technical provisions and premium debtors; and</p> <p>b. Technical provisions on a sub-component level on an aggregated summary per type and (sub-) line of business, as relevant.</p>	Yes, agree.
167.	IRBA	6.6	<p>The name of the ISRE 2410 “<i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>” should be in italics.</p>	Noted, the name has been italicised.
168.	SAICA	6.6	<p>Below, find suggested wording change to clarify that the auditor undertakes an independent review and not an audit and therefore an independent review conclusion is expressed and not an audit opinion.</p>	Noted. The paragraph has been amended in line with comment.

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			<p>In addition to the information set out in paragraph 6.5 above, in terms of section 62(1) of the Act, the Prudential Authority will annually require a report <u>from the auditor, where the auditor expresses a conclusion on whether, on the basis of the review performed in accordance with the terms of International Standard on Review Engagements (“ISRE”) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, anything has come to the auditor’s attention that causes the auditor to believe that</u> with regard to the following information:</p> <ul style="list-style-type: none"> a. Investments on an aggregated summary per type; b. Non-life technical provisions of foreign business; and c. Detail of the reinsurance providers for life and non-life insurance obligations. 	
169.	SAICA	6.7	The information set out in paragraphs 6.5 and 6.6 above is included in a branch’s annual QRT that must be submitted to the Prudential Authority as provided for in section 44(1) of the Act.	Noted. The paragraph has been updated to include the link to timelines.
170.	PWC	6.8	<p>The footnote creates the impression that the IRBA needs to issue the audit report. We propose that this footnote read as follows:</p> <p><i>“The auditor’s reports must be in the format prescribed issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA).”</i></p>	<p>Noted. The footnote was amended to clarify this issue. The wording used to be more aligned to the requirements for banks in Regulation 46 of the Regulations relating to Banks.</p> <p>The auditor’s reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors</p>
171.	PWC	6.8	The paragraph should specify the time interval as the PA requirement for the annual QRT.	<p>Noted. The PA issued a Notice in 2018 that determines the timing of the quarterly, bi-annual and annual information required for supervisory purposes.</p> <p>The notice can be accessed at the following link: https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-post-insurance/act/2018/8685</p>
172.	IRBA	6.8	We suggest that the reference to audit or review be amended to read as <u>“audit and/or review”</u> , in order to align the wording with the requirements of paragraphs 6.5 and 6.6.	Noted. The paragraph was reworded to reflect audit or review.
173.	SAICA	6.8	SAICA suggests that reference to an <u>independently</u> reviewed be made, as follows:	The paragraph amended and this comment does not apply anymore. . The footnote has also been amended.

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			<p>The Prudential Authority will not accept a branch’s annual QRT submission if the relevant sections have not been audited or <u>independently</u> reviewed, as applicable, and without the auditor’s reports included with the branch’s annual QRT submission. These auditor’s reports must be submitted to the Prudential Authority within the same time interval as the Prudential Authority requirement for the annual QRT.</p> <p>Paragraph 6.8 includes reference to footnote 1, which states <i>The auditor’s reports must be issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA).</i>²⁰²</p> <p>This may create confusing in that the auditor issues the reports, not the Independent Regulatory Board for Auditors. SAICA suggests that the wording of this footnote be amended as follows:</p> <p>The <u>auditor is required to use the illustrative</u> auditor’s reports must be as agreed between issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA) <u>and the Prudential Authority.</u></p>	
174.	IRBA	6.8 (Footnote 1)	<p>We suggest that the wording of the footnote be amended to read as follows:</p> <p>“The illustrative auditor’s reports developed and issued by the Independent Regulatory Board for Auditors (IRBA).”</p>	<p>Noted. The footnote was amended. <i>The auditor’s reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors.</i></p>
175.	PWC	6.9	<p>Our understanding from reading this section is that this paragraph could place an additional reporting responsibility on the auditor.</p> <p>From reading this Standard the requirements are already met through the audit requirements set out in paragraph 6.5. We therefore propose that this paragraph be removed.</p>	<p>Noted. The intention was not to create any additional reporting responsibilities for the auditor. The paragraph has been reworded to make it clearer. However, the PA feels it is important to emphasise these expectations, which are also contained in the Regulations relating to Banks.</p>
176.	SAICA	6.9	<p>The auditor is required to express an audit opinion on whether the subject matter information is prepared, in all material respects in accordance with the applicable financial reporting framework. In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>The assertions listed in the ISAs for the auditor to use during the performance of the audit are:</p> <ul style="list-style-type: none"> • Occurrence 	<p>Please see response to comment 177.</p>

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			<ul style="list-style-type: none"> • Completeness • Accuracy • Cut-off • Classification • Presentation • Existence • Valuation <p>SAICA's view is that it is not necessary to include details of what the auditor needs to report on because the ISAs are clear in this regard. Additional information in this regard inserted into legislation often results in unnecessary confusion. SAICA therefore suggests that this paragraph be removed from the Prudential Standards</p>	
177.	IRBA	6.10	We suggest that the references to the sections of the annual QRT that should be audited or reviewed be amended to read as "references to the sections of the annual QRT that should be audited and/or reviewed" in order to align the wording with the requirements of paragraphs 6.5 and 6.6.	Noted. The PA is of the view that it is not necessary to change "or" to "and" in this case as the paragraph states that the information should be audited or reviewed, <u>as applicable</u> .
178.	SAICA	6.10	The Guidance Note on Audit Requirements (AR GN) provides references to the sections of the annual QRT that should be audited or reviewed, as applicable, so that branches can demonstrate adherence to these requirements.	Noted and agreed.
179.	IRBA	7. General comments Objectives and Key Requirements of Prudential Standard – ARB	We suggest that the objective of the Standard also include information that is required to be reviewed, as mentioned in paragraph 6.6. Suggested rewording: "This Standard sets out the information for supervisory purposes that insurers must have audited <u>and reviewed</u> and reported on by their auditors to promote credibility of the information with the Prudential Authority, policyholders and stakeholders of branches."	Noted. This amendment has been made to the Standard.
ARL – Auditing requirements for Lloyd's				
180.	IRBA	1.1	The Commencement date of the Prudential Standard (the Standard) should be updated accordingly, if it changes.	Noted.
181.	LLOYDS	1.1	We propose that the sentence in 3.1 dealing with financial year ends to which the Standard relates, be incorporated into this paragraph.	It is the view of the PA that the clarification with regard to financial years is best placed under the application section of the standard.
182.	LLOYDS	2.1	We propose the following wording change to this paragraph to emphasise that the Standard has been prepared pursuant to the requirements of section 47(5) of the Insurance Act, 2017 (Act No. 18 of 2017) (the "Act").	The Standards are drafted in terms of the Insurance Act read with the Financial Sector Regulation Act. In terms of these Acts standards are "made" and are not "prepared".

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			“This Standard is prepared in accordance with the requirements made under section 47(5) read with section 63(1)(a) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act).”	
183.	LLOYDS		We propose that the use of the references to Lloyd’s and Lloyd’s underwriters be aligned with the Insurance Act and Prudential Standards. We therefore request that the reference to “Lloyd’s of London” in paragraph 5.5 and under Objectives and Key Requirements of this Prudential Standard ARL be replaced by “Lloyd’s”.	Noted. The standards has been amended accordingly.
184.	?		Section 30 (3)(d), and 31 (1) and 34 of the Act also deals with roles and responsibilities of Lloyd’s Underwriters and Lloyd’s, the representative and its control functions. We therefore propose that this paragraph includes reference to the relevant sections of the Act in addition to the Prudential Standard - Governance and Operational Standards for Lloyd’s. Please note our comments under “Definition and interpretation” above in respect of the reference to “Lloyd’s of London”.	This is a standard paragraph in all the FS Standards, considered helpful enough to draw reader’s attention to the GOI. No change necessary.
185.	?	5.3	The phrase “must confirm to the insurer and the Prudential Authority...” implies absolute assurance. This cannot be provided as compliance with this Standard will take the form of an audit and review report issued by Lloyd’s independent auditor. As you are aware, there are inherent limits to what an audit can provide therefore “absolute assurance is not possible. We therefore propose that paragraph 5.3 be removed.	Noted. The paragraph was removed.
186.	IRBA	5.4	Section 4(1) of the Auditing Profession Act states that: <i>“The Regulatory Board must, in addition to its other functions provided for in this Act - (c) prescribe standards of professional competence, ethics and conduct of registered auditors”.</i> The IRBA is both the audit regulator and national auditing standard setter in South Africa. The IRBA has a mandate to regulate registered auditors and prescribe auditing standards and ethical requirements for registered auditors. Auditing standards for auditors can only be issued by the IRBA; thus reference to any <i>other auditing pronouncements that may be applicable in South Africa</i> should be removed.	Noted. The sentence has been amended to remove the word ‘other’ and insert the words ‘standards and’ before the word ‘pronouncements’.

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187.	IRBA	6.1	<p>In term of paragraph 10 of ISA 200, the purpose of an audit is to enhance the intended users' degree of confidence in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</p> <p>Audited information does not establish or enhance the credibility of the Lloyd's information.</p> <p>As such, we suggest that the paragraph be amended to align with the wording of paragraph 10 of ISA 200.</p>	<p>Noted. Wording changed to be more in line with paragraph 10 of ISA 200:</p> <p>An audit enhances the degree of confidence of the Prudential Authority, policyholders and stakeholders of insurers in the insurer's information provided.</p>
188.	SAICA	6.1	<p>1. The directors are responsible for the preparation of the subject matter information, which includes the relevant statements derived from the financial statements and information contained in the underlying accounting records of the Insurer in accordance with the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements, and for such internal control as the directors determine is necessary to enable the preparation of the relevant statements that are free from material misstatement, whether due to fraud or error.</p> <p>The directors have primary responsibility in terms of establishing credibility, with the audit enhancing this. The audit of the financial statements does not relieve directors or those charged with governance of their responsibilities.</p> <p>SAICA therefore suggests that reference to the <i>audited information establishes credibility</i> be removed; that the wording be aligned the International Standards on Auditing (ISAs); and that the reference to <i>enhancing the degree of confidence of the users</i> be added.</p> <p>2. It is not the <i>audited information</i> that enhances credibility of the information; it is the audit itself.</p> <p>3. The audit does not enhance the creditability of <i>all</i> the information of the insurer, as is currently implied in the Prudential Standard. It only enhances the credibility of the information that is subject to the audit.</p> <p>To address these comments raised above, SAICA suggests revising the wording as follow:</p> <p>Audited information <u>An audit establishes or enhances the degree of confidence of the intended users and credibility of information provided</u></p>	<p>The paragraph has been rephrased using some of the suggestions as per the comment.</p> <p>1: Amended “establishes or enhances credibility” to “enhances the degree of confidence”</p> <p>2: Amended “Audited information” to “The audit of information”</p> <p>3: Disagree as the qualifier “audited” is clear</p>

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			by Lloyd’s <u>contained in the [subject matter information subject to the audit] with the Prudential Authority, policyholders and stakeholders of Lloyd’s. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</u>	
189.	IRBA	6.2	<p>The objective of an audit is to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error.</p> <p>An audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>As such, we suggest that the wording be amended to read as follows:</p> <p>“As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the subject matter information as a whole is free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor’s opinion being persuasive rather than conclusive.”</p>	The paragraph has been rephrased.
190.	SAICA	6.2	<p>As the basis for the auditor’s opinion, the ISAs require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Furthermore, an audit does not assure that the audited information can be relied upon to present a true and fair view of the business.</p> <p>To address the comment raised above, SAICA suggests replacing the paragraph with the following:</p> <p><u>As the basis for the auditor’s opinion, the International Standards on Auditing require the auditor to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.</u></p>	This paragraph has been rephrased.
191.	LLOYDS	6.2	<p>Lloyd’s proposes an amendment to the following point:</p> <p>“Audited information gives reasonable assurance that the information is free from material misstatement and can be relied upon to present a true and fair view of the business conducted by Lloyd’s underwriters in South Africa.”</p>	This paragraph has been rephrased to make the intention clear.

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			<p>Lloyd’s would like to continue providing a reasonable assurance report under International Standard on Assurance Engagements (ISAE) 3000, and therefore proposes that the wording be as follows:</p> <p>“Audited information provides reasonable assurance to the users that the information subject to assurance is in all material respects in compliance with regulatory requirements and can be relied upon to fairly present the insurance business conducted by Lloyd’s underwriters in South Africa.”</p>	
192.	IRBA	6.3	<p>The auditor is not responsible for the preparation of the information.</p> <p>The directors are responsible for ensuring the Insurer’s compliance with the provisions of the Act and PA requirements, including the preparation and submission of the relevant statutory financial statements and the returns to the PA and for such internal control as the directors determine is necessary to enable the preparation of the returns that are free from material misstatement, whether due to fraud or error.</p> <p>As such, we suggest that the wording of this paragraph be aligned with the wording of the directors responsibility section of the illustrative auditor’s report.</p> <p>Additionally, we would also suggest that this paragraph is aligned with the qualitative characteristics in the <i>Conceptual Framework of Financial Reporting</i> issued by the International Accounting Standards Board (IASB). In particular, the <i>Conceptual Framework of Financial Reporting</i> does not include ‘complete’ as one of the qualitative characteristics.</p>	<p>The intention of the paragraph was to highlight the benefit of an audit for the insurer. Therefore we do not agree that the paragraph should be changed as proposed, as this would potentially remove this message. The paragraph was slightly rephrased to make the intention clearer.</p>
193.	SAICA	6.3	<p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>Furthermore, the directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</p> <p>The information contained in paragraph 6.3 may create the impression that the auditor is responsible for the preparation of the information, which is not the case.</p>	<p>See response to comment above.</p>

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			<p>The importance and benefits of the audit are already outlined in paragraphs 6.1 and 6.2 of the Prudential Standards.</p> <p>SAICA therefore suggests that paragraph 6.3 of the Prudential Standards rather be aligned to the director’s responsibility statement as contained in the auditor’s report by replacing paragraph 6.3 with the following:</p> <p><u>The directors are responsible for preparation of the information in accordance with the applicable financial reporting framework, as well as the provisions of the Insurance Act, No. 18 of 2017 and Prudential Authority requirements and for such internal control as the directors determine is necessary to enable the preparation of the specified information that are free from material misstatement, whether due to fraud or error.</u></p>	
194.	LLOYDS	6.3	Lloyd’s proposes removing this paragraph on the basis that the language used is not in line with ISAE 3000 reasonable assurance report.	Disagree. However, the PA has amended the paragraph to communicate the objective.
195.	SAICA	6.4	In accordance with section 47(3) of the Act, Lloyd’s must annually cause to be audited and reported on by its auditor such of the information referred to in section 41 (Trust and Trustees) and section 44 (Information for supervisory purposes) of the Act as prescribed by the Prudential Authority.	Noted.
196.	LLOYDS	6.4	<p>Lloyd’s requests the Prudential Authority (PA) to clarify whether the requirement to audit the information referred to in Section 41 of the Insurance Act relates to the auditors’ procedures performed on the trust assets as reported in the relevant pages of the Quantitative Return Template (QRT).</p> <p>To the extent that this section requires a separate assurance engagement on the Lloyd’s South Africa Trust Fund assets, Lloyd’s requests the PA’s authority to remove such requirement on the basis that it would significantly increase the compliance burden and associated costs of compliance.</p> <p>Added by Lloyd’s for clarity in April 2021:</p> <p>Lloyd’s South African Trust Fund (LSATF) assets are reported in Statement A1 of the QRT. Annually, as part of the QRT audit, our auditors evaluate evidence to support the existence and valuation of these assets. Our concern in relation to a separate audit requirement of the Trust is that this work would introduce a duplication of effort in respect of the audit of the LSATF assets and involve an additional cost</p>	<p>Section 47(3)(b) is the statutory audit of the assets held in Trust and section 47(3)(a) is the additional information the PA requires to be audited (regulatory audit)</p> <p>The standard has been amended to make it clear that a separate regulatory audit is not required in terms of the provisions of paragraph 6.4.</p> <p>However, Lloyd’s must note that a statutory audit must also be done.</p>

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			<p>of a separate audit engagement. Additionally, Section 41 of the Insurance Act has a number of provisions, including those related to the Trust Deed, Trustee and Representative responsibilities, as well as Lloyd's access to Trust assets. It is not apparent from the wording of the draft Lloyd's auditing standard's section 6.4 which of these provisions the audit would apply to, and hence what procedures would be required.</p> <p>If the requirements of section 6.4 of the draft Lloyd's auditing standard are primarily aimed at providing the PA with assurance over the existence and valuation of the LSATF's assets as reported in the QRT, could this objective be met in the context of the QRT audit report, without a separate requirement to audit the Trust?</p>	
197.	SAICA	6.5	<p>In terms of section 47(3) of the Act, that the following information of Lloyd's must be audited annually in accordance with relevant International Standards on Auditing:</p> <p>a. Financial soundness expressed as the amount of eligible trust assets minus technical provisions and premium debtors;</p> <p>b. Eligible trust assets on an aggregated summary per type; and</p> <p>c. Technical provisions on a sub-component level on an aggregated summary per type and (sub-) line of business, as relevant.</p>	This paragraph has been reworded to make the requirements clear.
198.	LLOYDS	6.5	<p>Lloyd's requests the PA to clarify that the "International Standards on Auditing" referred to in this paragraph includes the ISAE 3000. This could be achieved by including a definition in Section 4 "Definitions and Interpretation" for International Standards on Auditing and stating that it is also refers to the standards on other assurance engagements, such as ISAE 3000.</p> <p>Lloyd's proposes that the PA adds item (d) in the itemised list of information, being "Investments on an aggregated summary per type". Please also refer to our comment under paragraph 6.6 of the Standard.</p>	<p>The ISAE is part of ISAs and it is not necessary to specifically make reference to ISAE.</p> <p>The PA has amended sub-paragraph b) to include investments.</p>
199.	IRBA	6.6	<p>The name of the ISRE 2410 "<i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>" should be in italics.</p>	Noted. The paragraph has been amended accordingly.
200.	SAICA	6.6	<p>Below, find suggested wording change to clarify that the auditor undertakes an independent review and not an audit and therefore an independent review conclusion is expressed and not an audit opinion.</p>	Noted. The paragraph has been amended in line with comment.

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			<p>In addition to the information set out in paragraph 6.5 above, in terms of section 62(1) of the Act, the Prudential Authority will annually require a report <u>from the auditor, where the auditor expresses a conclusion on whether, on the basis of the review performed in accordance with in terms of</u> International Standard on Review Engagements (“ISRE”) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, <u>anything has come to the auditor’s attention that causes the auditor to believe that</u> with regard to the following information:</p> <p>a. Investments on an aggregated summary per type.</p>	
201.	LLOYDS	6.6	<p>Given that procedures performed under ISAE 3000 provides reasonable assurance, compared to limited assurance under ISRE 2410, Lloyd’s believes that the objective of the PA stated in Paragraph 6.6. could be met and enhanced by including all trust assets in the listing of information provided in Paragraph 6.5 as suggested in comment (4) above. Paragraph 6.6. could then be removed.</p>	<p>The standard and the guidance note provide clarity on this. There are different classification levels for investments.</p>
202.	SAICA	6.7	<p>The information set out in paragraphs 6.5 and 6.6 above is included in Lloyd’s annual QRT that must be submitted to the Prudential Authority as provided for in section 44 of the Act.</p>	<p>The paragraph has been amended to include timelines.</p>
203.	IRBA	6.8	<p>We suggest that the reference to audit or review be amended to read as “<u>audit and/or review</u>”, in order to align the wording with the requirements of paragraphs 6.5 and 6.6.</p>	<p>Noted. The paragraph was reworded to reflect audit or review</p>
204.	SAICA	6.8	<p>SAICA suggests that reference to an <i>independently</i> reviewed be made, as follows:</p> <p>The Prudential Authority will not accept Lloyd’s annual QRT submission if the relevant sections have not been audited or <i>independently</i> or reviewed, as applicable, and without the auditor’s reports included with Lloyd’s annual QRT submission. These auditor’s reports must be submitted to the Prudential Authority within the same time interval as the Prudential Authority requirement for the annual QRT.</p> <p>Paragraph 6.8 includes reference to footnote 1, which states <i>The auditor’s reports must be issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA)</i>.</p> <p>This may create confusing in that the auditor issues the reports, not the Independent Regulatory Board for Auditors. SAICA suggests that the wording of this footnote be amended as follows:</p>	<p>The paragraph amended and this comment does not apply anymore. The footnote has been amended - – see response to comment 35.</p>

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			The <u>auditor is required to use the illustrative</u> auditor's reports must be as agreed between issued by the Independent Regulatory Board for Auditors (South Africa) (IRBA) <u>and the Prudential Authority.</u>	
205.	LLOYDS	6.8	This paragraph could be clarified to specify the time interval as the PA requirement for the annual QRT.	The PA has determined the timelines on the website. The standard has been amended to provide clarity that the Act requires the PA to determine (publish notice on website) the timelines for submission. https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-post-insurance/act/2018/8685
206.	IRBA	6.8 (Footnote 1)	We suggest that the wording of the footnote be amended to read as follows: "The illustrative auditor's reports developed and issued by the Independent Regulatory Board for Auditors (IRBA)."	Noted. The footnote was amended. <i>The auditor's reports must be rendered in accordance with the wording and practices agreed from time to time between the PA and the Independent Regulatory Board for Auditors.</i>
207.	SAICA	6.9	<p>The auditor is required to express an audit opinion on whether the subject matter information is prepared, in all material respects in accordance with the applicable financial reporting framework.</p> <p>In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding recognition, measurement and presentation of classes of transactions and events, account balances and disclosures.</p> <p>The assertions listed in the ISAs for the auditor to use during the performance of the audit are:</p> <ul style="list-style-type: none"> • Occurrence • Completeness • Accuracy • Cut-off • Classification • Presentation • Existence • Valuation <p>SAICA's view is that it is not necessary to include details of what the auditor needs to report on because the ISAs are clear in this regard. Additional information in this regard inserted into legislation often results</p>	Noted. The intention was not to create any additional reporting responsibilities for the auditor. The paragraph has been reworded to make it clearer. However, the PA feels it is important to emphasise these expectations, which are also contained in the Regulations relating to Banks.

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			in unnecessary confusion. SAICA therefore suggests that this paragraph be removed from the Prudential Standards.	
208.	LLOYDS	6.9	Our understanding from reading this section is that this paragraph could place an additional reporting responsibility on the auditor. From reading this ARL the requirements are already met through the audit requirements set out in paragraph 6.5. We therefore propose that this paragraph be removed.	Noted. See response to comment above.
209.	IRBA	6.10	We suggest that the references to the sections of the annual QRT that should be audited or reviewed be amended to read as “references to the sections of the annual QRT that should be audited and/or reviewed” in order to align the wording with the requirements of paragraphs 6.5 and 6.6.	Noted. The PA is of the view that it is not necessary to change “or” to “and” in this case as the paragraph states that the information should be audited or reviewed, as applicable.
210.	SAICA	6.10	The Guidance Note on Audit Requirements (AR GN) provides references to the sections of the annual QRT that should be audited or reviewed, as applicable, so that Lloyd’s can demonstrate adherence to these requirements.	Noted and agreed.
211.	LLOYDS	7.2	Lloyd’s requests the PA to clarify the meaning of the audited annual financial statements in the context of Lloyd’s, given the Syndicate structure and the Trust Fund arrangement used by Lloyd’s for underwriters to write business in South Africa. Lloyd’s representative office in South Africa does not write insurance business in its own right, and the South African regulated insurance business is held within the Lloyd’s UK Premium Trust Funds. No separate financial statements are prepared for the South African segment of the insurance business. Lloyd’s Aggregate Accounts, which report the financial position and the annual result of the Lloyds’ global business, which includes the South African element, are audited and available publicly from Lloyd’s website https://s3.eu-west-2.amazonaws.com/uploads-7e3kk3/31276/lloyds_aggregate_accounts_2019.47350e4d846b.pdf Lloyd’s would be pleased to send these accounts to the PA upon request.	The standard has been amended to make this clear. The PA will request as part of the supervisory process the AFS of the Lloyd’s Group and the management accounts, if necessary.
212.	LLOYDS	7.3	Lloyd’s requests the PA to clarify whether meeting the requirements of Paragraph 6.5 (including the proposed amendment) would meet the requirements of paragraph 7.3. If affirmative, Lloyd’s proposes removing paragraph 7.3.	This section is merely prescribing the period of submission.

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213.	IRBA	<i>Objectives and Key Requirements of Prudential Standard ARL</i>	<p>We suggest that the objective of the Standard also include information that is required to be reviewed, as mentioned in paragraph 6.6. Suggested rewording:</p> <p>“This Standard sets out the information for supervisory purposes that insurers must have audited <u>and reviewed</u> and reported on by their auditors to promote credibility of the information with the Prudential Authority, policyholders and stakeholders of Lloyd’s.”</p>	Noted. The standard has been amended to include the word reviewed.
214.	LLOYDS		<p>Dear Ms. Naidoo</p> <p>Thank you for publishing the Draft Prudential Standards on audit requirements for entities registered in terms of the Insurance Act, 2017 (Act No. 18 of 2017), in particular the Audit Requirements for Lloyd’s. Lloyd’s always welcomes the opportunity to work with regulators on legislation that can provide a beneficial outcome for both parties.</p> <p>Lloyd’s has reviewed the legislation closely and we are of the view that some amendments to the standards are necessary, as detailed above.</p> <p>In 2018, it was agreed between the PA and Lloyd’s that the audit requirement would be for Lloyd’s to provide an ISAE 3000 audit opinion, which would provide assurance that the preparation of the regulatory return complies with the regulatory requirements, and not that the return gives a “true and fair view”.</p> <p>We are grateful for this opportunity to provide our input and would appreciate your consideration of our proposed amendments. Please let us know if you require any further information or would like to discuss any point in more detail.</p> <p>Yours faithfully, Easvarie Naidoo Lloyd’s Representative and Head of Compliance South Africa</p>	The standard has been amended to address this issue.
215.		Statement of Need: 2.1(Background)	Refers to ICP 9 that requires the submission of qualitative and quantitative and external audit opinion. For convenience of the general reader, perhaps the reference should specifically refer to ICP 9.4	Noted.
216.	LLOYDS		The over-arching comment is with regards to the language used throughout the Guidance Notice, which refers to an audit of financial information. Lloyd’s would like to continue providing a reasonable assurance report under ISAE 3000, and therefore in our view, the	The PA requires the different levels of assurance as stipulated in the standard.

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			language that refers to a reasonable assurance engagement would be more appropriate to Lloyd's.	
217.	LLOYDS	Chapter 4	Considering our comments above with regards to paragraphs 6.5 and 6.6. of the ARL, Lloyd's proposes that the column reference in respect of Paragraph 6.5 of the ARL be added as follows: d. A1 – Column E Lloyd's proposes the removal of the requirements and references in the Guidance Notice that relate to paragraph 6.6. of the ARL.	Disagree. The PA requires the different levels of assurance.