



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Insurance Act, 2017 (Act No. 18 of 2017)

Prudential Standard ARB - Audit Requirements for Branches of Foreign Reinsurers

The Prudential Authority (PA), under section 63(1)(a) read with sections 47(1), 47(2)(a), 47(5) of the Insurance Act, 2017 (Act No. 18 of 2017) and section 42(b)(vi) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) hereby makes Prudential Standard ARB - Audit Requirements for Branches of Foreign Reinsurers, as per the Schedule below.

A handwritten signature in black ink, appearing to read 'Kuben Naidoo'.

Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date: 2021-12-08

SCHEDULE



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Insurance Act, 2017 (Act No.18 of 2017)

Prudential Standard ARB - Audit Requirements for Branches of Foreign Reinsurers

Objectives and Key Requirements of this Prudential Standard ARB

This Standard sets out the information for supervisory purposes that branches of foreign reinsurers in South Africa must have audited, reviewed and reported on by their auditors to promote the credibility of the information with the Prudential Authority, policyholders and stakeholders of branches of foreign reinsurers.

The period within which branches must submit their audited information of the security held in trust to the Prudential Authority and disclose it to the public, is also set out in this Standard.

It is the responsibility of the foreign reinsurer and the representative of the South African branch to ensure that the branch meets the requirements set out in this Standard on a continuous basis.

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1. Commencement

1.1. This Standard commences on 1 January 2022.

Version number	Commencement date
1	1 January 2022

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2. Legislative authority

- 2.1. This Standard is made under section 63(1)(a) read with sections 47(1), 47(2)(a) and 47(5) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act).

3. Application

- 3.1. This Standard applies to all branches of foreign reinsurers licensed under the Act, with financial years ending on or after the commencement date set out in paragraph 1.1 above, and their appointed auditors.

4. Definitions and interpretation

- 4.1. The terms used in this Standard, unless indicated otherwise, are defined in the Act and the Prudential Standards made in terms of the Act and have the same meaning in this Standard.

'branch' means the branch of a foreign reinsurer registered in terms of the Act.

'QRT' means a quantitative reporting template as determined from time to time by the Prudential Authority.

- 4.2. The 'Objectives and Key Requirements of Prudential Standard ARB' in the preamble of this Standard must not be used in the interpretation of any section of this Standard.

5. Roles and responsibilities

- 5.1. The foreign reinsurer and the representative of the branch in South Africa are ultimately responsible for ensuring that the branch complies with the principles and requirements of this Standard, to the extent that the principles and requirements relate directly to the foreign reinsurer and the representative branch. Where the Standard creates obligations for the auditor, the ultimate responsibility for compliance with the principles and requirements of the Standard rests with the auditor.
- 5.2. The representative of the branch in South Africa must ensure that, where approvals are required from the Prudential Authority, those approvals have been timeously obtained.
- 5.3. A branch's auditor must, in fulfilling the requirements of this Standard, comply with the Auditing Profession Act, 2005 (Act No. 26 of 2005) and any auditing standards and pronouncements that may be applicable in South Africa.
- 5.4. 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).

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6. Audit objectives and requirements

- 6.1. An audit enhances the degree of confidence of the branch, the Prudential Authority, policyholders and other stakeholders of branches in the information provided by the branch.
- 6.2. One of the objectives of an audit in terms of the International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB), is for the auditor to obtain reasonable assurance on whether the financial information, as a whole, is 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.
- 6.3. An audit enhances the accuracy comparability, relevance, reliability and understandability of audited information.
- 6.4. In accordance with section 47(3) of the Act, a branch must annually cause to be audited, and reported on by its auditor, the security held in trust referred to in section 41 (Trust and trustees) of the Act and such of the information referred to in section 44 (Information for supervisory purposes) of the Act as prescribed by the Prudential Authority.
- 6.5. Pursuant to the requirements 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:
 - (a) Financial soundness expressed as the amount of eligible trust assets minus technical provisions and premium debtors; and
 - (b) Technical provisions on a sub-component level on an aggregated summary per type and (sub-) line of business, as relevant.
- 6.6. In addition to the information set out in paragraph 6.5 above, in terms of sections 44(1) and 62(1) of the Act, the Prudential Authority will annually require a report in terms of the International Standard on Review Engagements (“ISRE”) 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, with regard to the following information:
 - (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.
- 6.7. The information set out in paragraphs 6.5 and 6.6 above must be 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, and in accordance with the timelines determined by the Prudential Authority.
- 6.8. The Guidance Notice 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.

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- 6.9. The auditor's reports¹ relating to the annual QRT must be submitted to the Prudential Authority with the submission of the annual QRT or within a time frame agreed with the Prudential Authority.
- 6.10. As part of the work performed by the auditors in meeting the requirements of paragraphs 6.5 and 6.6 above, the auditor must ensure that the information contained in the annual QRT:
- (a) reasonably reflects the information of the management accounts;
 - (b) is complete in so far as all relevant information contained in the accounting and other records at the reporting date has been extracted there from and recorded in the annual QRT;
 - (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
 - (d) is prepared using the same accounting policies or regulatory framework as those applied in the management and statutory accounts, where applicable.

7. Submission and availability of security held in trust

- 7.1. In accordance with section 47(3) of the Act, a branch is required to have the security held in trust referred to in section 41, audited and reported on by its auditor.
- 7.2. In accordance with section 47(4) of the Act, the audit of the security held in trust must be submitted to the Prudential Authority and made available to the public within 5 business days after conclusion of the audit.

¹ The auditor's reports must be rendered in accordance with the wording and practices agreed from time to time between the Prudential Authority and the Independent Regulatory Board for Auditors.