



SOUTH AFRICAN RESERVE BANK  
Prudential Authority

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

**Prudential Standard ARG - Audit Requirements for Insurance Groups**

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 ARG - Audit Requirements for Insurance Groups, as per the Schedule below.

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**Deputy Governor and CEO: Prudential Authority**

**Date: 2021-12-08**



SOUTH AFRICAN RESERVE BANK  
Prudential Authority

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

### Prudential Standard ARG - Audit Requirements for Insurance Groups

#### **Objectives and Key Requirements of Prudential Standard ARG**

*This Standard sets out the information for supervisory purposes that the controlling companies of insurance groups 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 insurance groups.*

*The period within which controlling companies must submit their audited annual financial statements to the Prudential Authority and disclose it to the public, is also set out in this Standard.*

*It is the responsibility of the board of directors of the controlling company of an insurance group to ensure that the insurance group 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

**2. Legislative authority**

- 2.1. This Standard is made in terms of section 63(1)(a) read with section 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 insurance groups that have been designated by the Prudential Authority as such under section 10 of the Act and their appointed auditors, where the controlling company has a financial year-end on or after the commencement date set out in paragraph 1.1 above.

**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.

‘IFRS’ means the International Financial Reporting Standards issued by the International Accounting Standards Board.

‘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 ARG’ 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 board of directors (board) of the controlling company of an insurance group is ultimately responsible for ensuring that the insurance group complies with the principles and requirements of this Standard, to the extent that the principles and requirements relate directly to the group. Where the Standard creates obligations for the auditor, the ultimate responsibility for compliance with the principles and requirements of this Standard rests with the auditor.
- 5.2. A controlling company’s board must ensure that, where approvals are required from the Prudential Authority, those approvals have been timeously obtained.
- 5.3. A controlling company’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 board of directors are described in more detail in the Prudential Standard - Governance and Operational Standards for Insurance Groups (GOG).

**6. Audit requirements**

- 6.1. An audit enhances the degree of confidence of the insurance group, the Prudential Authority, policyholders and other stakeholders of insurance groups in the information provided by the insurance group.

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- 6.2. One of the objectives of an audit in terms of International Standards on Auditing, issued by 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 also enhances the accuracy, comparability, relevance, reliability and understandability of audited information.
- 6.4. 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.
- 6.5. Pursuant to the requirements of section 47(1)(a) of the Act, the following information of a controlling company must be audited annually in accordance with relevant International Standards on Auditing:
  - (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
  - (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.
- 6.6. In addition to the information set out in paragraph 6.5 above, in terms of sections 44(1) and section 62(1)(c) 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) confirmation on whether all the required entities are included in group scope;
  - (b) the assets and liabilities on an IFRS basis per entity;
  - (c) basic own funds and own funds per entity included in the group scope;
  - (d) intragroup adjustments on own funds per entity on the basis required in terms of the relevant prudential standards issued under the Act;
  - (e) fungibility / transferability adjustments on own funds per entity on the basis required in terms of the relevant prudential standards issued under the Act;
  - (f) eligible own funds per entity included in the group scope;
  - (g) solvency capital requirement before adjustments per entity included in the group scope;
  - (h) intragroup adjustments on the solvency capital requirement per entity on the basis required in terms of the relevant prudential standards issued under the Act; and
  - (i) solvency capital requirement after adjustments per entity included in the group scope.
- 6.7. 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

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Authority as provided for in section 44(1) of the Act, 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 insurance groups can demonstrate adherence to these requirements.
- 6.9. The auditor's reports<sup>1</sup> relating to the annual QRT must be submitted to the Prudential Authority with the submission of the insurance group's annual QRT or within a time frame agreed with the Prudential Authority.
- 6.10. As part of the work performed by the auditor 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 and the annual financial statements;
  - (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;
  - (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 audited financial statements**

- 7.1. In accordance with section 47(1)(b) of the Act, a controlling company is required to have the annual financial statements referred to in section 46 audited and reported on by its auditor.
- 7.2. In accordance with section 47(2)(a) of the Act, the audited annual financial statements of the controlling company must be submitted to the Prudential Authority and made available to the public within 4 months after its financial year-end.

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<sup>1</sup> 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.