



**SOUTH AFRICAN RESERVE BANK**  
Prudential Authority

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

**Prudential Standard ARI - Audit Requirements for Insurers**

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 ARI - Audit Requirements for Insurers, as per the Schedule below.

A handwritten signature in black ink, appearing to read 'Kuben Naidoo'. The signature is fluid and cursive, with the first letter 'K' being particularly large and stylized.

**Kuben Naidoo**  
**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 ARI - Audit Requirements for Insurers**

***Objectives and Key Requirements of Prudential Standard ARI***

*This Standard sets out the information for supervisory purposes that insurers 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 insurers.*

*The period within which insurers 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 an insurer to ensure that the insurer 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 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 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 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.

'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 ARI' 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. An insurer's board of directors (board) is ultimately responsible for ensuring that the insurer complies with the principles and requirements of this Standard, to the extent that the principles and requirements relate directly to the insurer. 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. An insurer's board must ensure that where approvals are required from the Prudential Authority, those approvals have been timeously obtained.

- 5.3. An insurer'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 Insurers (GOI 3).

**6. Audit objectives and requirements**

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

## SCHEDULE

- 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 also enhances the accuracy, comparability, relevance, reliability and understandability of information.
- 6.4. In accordance with section 47(1)(a) of the Act, an insurer 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 an insurer must be audited annually in accordance with relevant International Standards on Auditing:
- (a) statement of solvency position expressed as the ratios of eligible own funds available to meet the solvency capital requirement and minimum capital requirement;
  - (b) statement of assets, liabilities and basic own funds presented as the statement of financial position in terms of the requirements of the Act and related prudential standards issued under the Act, as well as on an IFRS basis;
  - (c) tiering of own funds according to the eligibility criteria set out in the relevant prudential standard issued under the Act;
  - (d) excess of income over outgo for life insurance obligations and gross underwriting result for non-life insurance obligations, determined in accordance with relevant prudential standards issued under the Act;
  - (e) for life insurance obligations only, the financial year's aggregate summary of:
    - (i) analysis of movement in basic own funds from the previous reporting year to this reporting year using analysis of surplus principles;
    - (ii) analysis of movement in IFRS excess assets from the previous reporting year to this reporting year; and
    - (iii) build-up of basic own funds using changes in IFRS excess assets and movements in other items;
  - (f) details of the look-through approach used for investment funds;
  - (g) technical provisions on a sub-component level on an aggregated summary per type and (sub-)line of business, as relevant;
  - (h) solvency capital requirement and minimum capital requirement including the sub-components of each; and
  - (i) summary and details of the assets, liabilities, basic own funds, ancillary own funds, solvency capital requirements, own funds and SCR adjustment for cell structures.
- 6.6. In addition to the information set out in paragraph 6.5 above, in terms of sections 44(1) and 62(1)(c) of the Act, the Prudential Authority will annually require a report in terms of the International Standard on Review Engagements

## SCHEDULE

("ISRE") 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, with regard to the following information:

- (a) investments, derivatives and participations 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 paragraph 6.5 and 6.6 above must be included in an insurer's annual QRT that must be submitted to the Prudential 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, in order for insurers to 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 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 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, an insurer is required to have the annual financial statements referred to in section 46 of the Act 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 insurer 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.