

## Financial Sector Regulation Act, 2017 (Act No.9 of 2017)

### Guidance Notice 5 of 2021

#### Guidance Notice - AR GN - Audit Requirements

##### **Objective of this Guidance Notice**

*This Guidance Notice aims to assist insurers and controlling companies of insurance groups in complying with the requirements outlined in the Prudential Standards - Audit Requirements for Insurers, Audit requirements for Insurance Groups, Audit Requirements for Microinsurers, Audit Requirements for Lloyd's and Audit Requirements for Branches of Foreign Reinsurers, as applicable.*

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#### **1. Legislative authority**

This Guidance Notice is issued under section 141 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

#### **2. Definitions and interpretation**

The terms used in this Guidance Notice, unless indicated otherwise, are defined in the Insurance Act, 2017 (Act No. 18 of 2017) and the Prudential Standards made in terms of the Act and have the same meaning in this Guidance Notice.

#### **3. Application**

The Guidance Notice applies to insurers, microinsurers, branches of foreign reinsurers, insurance groups and Lloyd's and their appointed auditors.

## Chapter 1: Audit Requirements for Insurers

Paragraph 6 of *Prudential Standard - Audit requirements for insurers (Prudential Standard ARI)* requires insurers to audit certain quantitative information before submitting the information to the Prudential Authority.

With reference to paragraph 6.5 of the Prudential Standard ARI, the following table sets out which sections of the QRT should be audited in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARI.

Paragraph 6.5 reference	Sheet	Description	Column	Cell	B,L,NL <sup>1</sup>
(a)	OF1	Statement of Solvency Position	E	N/A	Both
(b)	OF2	Statement of Assets, Liabilities and Basic Own Funds (BOF)	G,H	N/A	Both
(c)	OF3	Tiering of Own Funds	Rows 94 & 96, Columns K,M,O	N/A	Both
(d)	OF4	Excess of Income over Outgo (Life)	G	N/A	Life
(d)	OF4.1S	Gross Underwriting Results: Non-Life	G	N/A	Non-Life
(e)i	OF4.2	Analysis of Movement in SAM Basic Own Funds (Life)	E	N/A	Life
(e)ii	OF4.3	Analysis of Movement in IFRS Excess Assets (Life)	E	N/A	Life
(e)iii	OF4.4	Build-up of Basic Own Funds with change in IFRS Excess Assets	E	N/A	Life
(f)	A5	Investment Funds (Look-Through Approach)	J,K	N/A	Both
(g)	TP1S	Non-Life Technical Provisions	R,V,AA,AE,AJ	N/A	Non-Life
(g)	TP1	Life Technical Provisions	E,I,N,R	N/A	Life
(h)	SCR	Solvency Capital Requirement (SCR) Summary	N/A	G77 – G95	Both
(h)	MCR	Minimum Capital Requirement (MCR)	N/A	K19 – K34	Both
(i)	Cells	Cells summary	D,E,F,H,J	N/A	Both

The following table sets out with reference to paragraph 6.6 of Prudential Standard ARI, which sections of the QRT should be reviewed in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARI.

<sup>1</sup> B,L,NL - Both, Life, Non-Life

Paragraph 6.6 reference	Sheet	Description	Column	Cell	B,L,NL <sup>2</sup>
(a)	A1	Investments	K	N/A	Both
(a)	A2	Derivatives	K	N/A	Both
(a)	A3	Participations	Rows 13 to 18, F	N/A	Both
(b)	TP1S_F	Non-Life Technical Provisions (Foreign Only)	R, V, AA, AE	N/A	Non-Life
(c)	R1S	Reinsurance providers (Non-Life)	C to AC	N/A	Non-Life
(c)	R 1	Reinsurance providers (Life)	C to V	N/A	Life

## Chapter 2: Audit Requirements for Insurance Groups

Paragraph 6 of *Prudential Standard - Audit Requirements for Insurance Groups (Prudential Standard ARG)* requires controlling companies to cause to be audited certain quantitative information before submitting the information to the Prudential Authority.

The following table sets out with reference to paragraph 6.5 of Prudential Standard ARG, which sections of the QRT should be audited in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARG.

Paragraph 6.5 reference	Sheet	Description	Column	Cell
(a)	G1	Group Summary	D	Rows 13 to 22
(b)	G2.2	Group Information	C, D	N/A

The following table sets out with reference to paragraph 6.5 of Prudential Standard ARG, which sections of the QRT should be reviewed in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARG.

Paragraph 6.6 reference	Sheet	Description	Column	Cell
(a)	G2.2	Group Information	M, O, P	N/A
(b) to (i)	G3	Summary per Group Entity	F, G, I to R	N/A

## Chapter 3: Audit Requirements for Microinsurers

Paragraph 6 of *Prudential Standard - Audit Requirements for Microinsurers (Prudential Standard ARM)* requires microinsurers to cause to be audited certain quantitative information before submitting the information to the Prudential Authority.

The following table sets out with reference to paragraph 6.5 of Prudential Standard ARM, which sections of the QRT should be audited in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARM.

<sup>2</sup> B,L,NL - Both, Life, Non-Life

<b>Paragraph 6.5 reference</b>	<b>Sheet</b>	<b>Description</b>	<b>Column</b>	<b>Cell</b>
(a)	OF1	Statement of Solvency Position	E	N/A
(b)	OF2	Statement of Assets, Liabilities and Basic Own Funds (BOF)	G,H	N/A
(c)	OF4	Excess of Income over Outgo	G	N/A
(d)	MCR	Minimum Capital Requirement	F,G,J	N/A
(e)	A9	Asset spreading	D,F	N/A
(f)	TP1S	Non-Life Technical Provisions	F to O	N/A
(f)	TP1	Life Technical Provisions	F to O	N/A
(g)	Cells	Cells Summary	D,E, F, H, J	N/A

The following table sets out with reference to paragraph section 6.6 of Prudential Standard ARM, which sections of the QRT should be reviewed in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARM.

<b>Paragraph 6.6 reference</b>	<b>Sheet</b>	<b>Description</b>	<b>Column</b>	<b>Cell</b>
(a)	A1	Investments	E	N/A
(b)	R1S	Reinsurance providers (Non-Life)	C to AC	N/A
(b)	R1	Reinsurance providers (Life)	C to V	N/A

#### **Chapter 4: Audit Requirements for Lloyd's**

Paragraph 6 of *Prudential Standard - Audit Requirements for Lloyd's (Prudential Standard ARL)* requires Lloyd's to cause to be audited certain quantitative information before submitting the information to the Prudential Authority.

The following table sets out with reference to paragraph 6.5 of Prudential Standard ARL, which sections of the QRT should be audited in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARL.

<b>Paragraph 6.5 reference</b>	<b>Sheet</b>	<b>Description</b>	<b>Column</b>	<b>Cell</b>
(a)	OF1	Summary	E	N/A
(b)	A1	Investments	F	N/A
(c)	TP1S	Non-Life Technical Provisions	J to S	N/A

The following table sets out with reference to paragraph 6.6 of Prudential Standard ARL, which sections of the QRT should be reviewed in order to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARL.

Paragraph 6.6 reference	Sheet	Description	Column	Cell
(a)	A1	Investments	E	N/A

## Chapter 5: Audit Requirements for Branches of Foreign Reinsurers

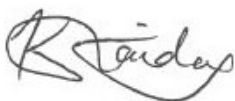
Paragraph 6 of *Prudential Standard - Audit Requirements for Branches of Foreign Reinsurers (Prudential Standard ARB)* requires branches of foreign reinsurers to cause to be audited certain quantitative information before submitting the information to the Prudential Authority.

The following table sets out with reference to paragraph 6.5 of Prudential Standard ARB, which sections of the QRT should be audited to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARB.

Paragraph 6.5 reference	Sheet	Description	Column	Cell	B,L,NL <sup>3</sup>
(a)	OF1	Summary	E	N/A	Both
(b)	TP1S	Non-Life Technical Provisions	R,V,AA,AE,AJ	N/A	Non-Life
(b)	TP1	Life Technical Provisions	E,I,N,R	N/A	Life

The following table sets out with reference to paragraph 6.6 of Prudential Standard ARB, which sections of the QRT should be reviewed to demonstrate compliance with the requirements of paragraph 6 of Prudential Standard ARB.

Paragraph 6.6 reference	Sheet	Description	Column	Cell	B,L,NL
(a)	A1	Investments	E, F	N/A	Both
(b)	TP1S_F	Non-Life Technical Provisions (Foreign business Only)	R,V,AA,AE	N/A	Non-Life
(c)	R1S	Reinsurance providers (Non-Life)	C to AC	N/A	Non-Life
(c)	R 1	Reinsurance providers (Life)	C to V	N/A	Life



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<sup>3</sup> B,L,NL - Both, Life, Non-Life