



SOUTH AFRICAN RESERVE BANK
Prudential Authority

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

Prudential Standard ARL - Audit Requirements for Lloyd's

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 ARL - Audit requirements for Lloyd's, as per the Schedule below.

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



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

Prudential Standard ARL - Audit Requirements for Lloyd's

Objectives and Key Requirements of this Prudential Standard ARL

This Standard sets out the information for supervisory purposes that Lloyd's 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 Lloyd's.

The period within which Lloyd's must submit their audited information of 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 Lloyd's and its representative in South Africa to ensure that Lloyd's 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 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 Lloyd's in respect of insurance business conducted by Lloyd's underwriters in South Africa¹ with financial years ending on or after the commencement date set out in paragraph 1.1 above and their appointed auditor.

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.

'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 ARL' 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. Lloyd's and its representatives in South Africa are ultimately responsible for ensuring that Lloyd's complies with the principles and requirements of this Standard to the extent that the principles and requirements relate directly to Lloyd's. 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. The representative of Lloyd's must ensure that, where approvals are required from the Prudential Authority, those approvals have been timeously obtained.
- 5.3. Lloyd'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 Lloyd's, the representative and its control functions are described in more detail in the Prudential Standard - Governance and Operational Standards for Lloyd's (GOL).

¹ "insurance business conducted by Lloyd's underwriters in South Africa" means:

- All risks of South African policyholders underwritten by Lloyd's underwriters irrespective of where the risks are located (includes direct placements or placements through a South African binder holder); and
- All South African risks underwritten by Lloyd's underwriters irrespective of who the policyholder is.

6. Audit objectives and requirements

- 6.1. An audit enhances the degree of confidence of Lloyd's, Prudential Authority, policyholders and other stakeholders of Lloyd's in the information provide by Lloyd's.
- 6.2. One of the objectives of an audit in terms of 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 audited information.
- 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) of the Act and 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) of the Act, the following information of Lloyd's 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;
 - (b) eligible trust assets on an aggregated summary per type; and
 - (c) 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)) of the Act, the Prudential Authority will annually require a report in terms of 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.
- 6.7. 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, 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 Lloyd's can demonstrate adherence to these requirements.
- 6.9. The auditor's reports² relating to the annual QRT must be submitted to the Prudential Authority with the submission of Lloyd's annual QRT or within a time frame agreed with the Prudential Authority.

² 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 auditor of Lloyd's.

SCHEDULE

- 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 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 security held in trust

- 7.1. In accordance with section 47(3) of the Act, Lloyd's 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.