


 P O Box 427 Pretoria 0001 South Africa

 370 Helen Joseph Street Pretoria 0002

 +27 12 313 3911 / 0861 12 7272

 www.resbank.co.za



SOUTH AFRICAN RESERVE BANK

Prudential Authority

Ref.: 15/8/1/3

To: All banks, branches of foreign institutions, controlling companies, eligible institutions and auditors of banks or controlling companies

Proposed Directive issued in terms of section 6(6) of the Banks Act 94 of 1990

Reporting requirements in terms of regulation 46 of the Regulations relating to Banks

Executive summary

Regulation 46 of the Regulations relating to Banks (Regulations) imposes certain reporting duties on the auditors of banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as ‘banks’).

The purpose of this proposed Directive is to specify detailed references to the regulatory returns that have to be audited, reviewed or concluded upon under a limited assurance framework in part fulfilment of the auditors’ respective reporting requirements in relation to regulation 46 of the Regulations. This proposed Directive incorporates the changes brought about as a result of the finalisation of the large exposures framework and the total loss absorbing capacity (TLAC) holdings standard’s requirements.

This proposed Directive replaces D3/2021 dated 12 March 2021.

1. Introduction

- 1.1 Regulation 46(1) of the Regulations requires the auditor of a bank to report annually, within 120 days of the financial year end, on the bank’s financial position and the results of its operations, as reflected in the regulatory returns specified in regulation 46(6) of the Regulations.
- 1.2 In addition to reporting on the quantitative aspects, the auditor is also required to report on qualitative aspects of the bank and its operations, including, but not limited to the bank’s system of internal controls.
- 1.3 Regulation 46(6) of the Regulations further requires that the auditor’s reports contemplated in the same regulation be rendered in accordance with the wording and practices agreed from time to time between the Prudential Authority (PA), the South African Institute of Chartered Accountants and the Independent Regulatory Board for Auditors (IRBA).
- 1.4 The Committee for Auditing Standards of the IRBA is mandated with the review and approval of the illustrative regulatory reports referred to in regulation 46(6) of the Regulations, in line with required due process. The latest approved versions

of these illustrative regulatory reports are published on the website of the IRBA¹ for use by auditors in fulfilment of the reporting requirements stipulated in this regulation.

1.5 In respect of regulatory reports pertaining to South African operations, the illustrative regulatory reports referenced above comprise Parts A to I, with Parts A to E addressing the reports required in terms of regulation 46(6) of the Regulations and structured in accordance with the type of audit, review or limited assurance engagement conducted, including the associated levels of assurance. These are:

- Part A – Audit report on the year-end BA returns
- Part B – Review report on the year-end BA returns
- Part C – Limited assurance report on risk returns at year-end
- Part D – Limited assurance report on risk returns at year-end derived from internal models
- Part E – Limited assurance report on BA 325 daily market risk returns

1.6 In respect of regulatory reports pertaining to foreign operations, the illustrative regulatory reports referenced above comprise Parts A to H, with Parts A to D addressing the reports required in terms of regulation 46(6) of the Regulations and structured in accordance with the type of audit, review or limited assurance engagement conducted, including the associated levels of assurance. These are:

- Part A – Audit report on the year-end BA 610 return
- Part B – Review report on the year-end BA 610 return
- Part C – Limited assurance report on risk lines of the BA 610 return at year-end
- Part D – Limited assurance report on risk lines of the BA 610 return at year-end derived from internal models

1.7 To date, the aforementioned parts of the illustrative regulatory reports contained the detailed breakdown of the sections of the various regulatory returns listed in regulation 46(6) of the Regulations that were audited, reviewed or concluded upon under a limited assurance framework as part of the engagement. However, in light of the ongoing regulatory changes to align the Regulations with Basel III post-crisis reforms as well as changes required as part of ongoing regulatory reviews, the detailed references to the regulatory returns from Parts A to E and Parts A to D of the illustrative regulatory reports referred to in paragraphs 1.5 and 1.6 above have been removed in order to limit the frequency of changes to these reports.

1.8 This proposed Directive and/or subsequent directives that replace this proposed Directive will specify the detailed scope of audit, review or limited assurance engagement to be conducted by the auditors of banks, in line with the respective requirements specified in regulation 46(6) of the Regulations, and Parts A to E and Parts A to D respectively of subsequent illustrative regulatory reports will be updated to make reference to the prevailing Directive.

¹ <https://www.irba.co.za/industry-specific-guides-and-regulatory-reports-pages/reports-to-the-prudential-authority-and-the-exchange-control-department>

2. Proposed Directive

- 2.1 Auditors of banks are hereby directed to perform an audit, review or limited assurance engagement on the respective regulatory returns specified in regulation 46(6) of the Regulations, in accordance with the detailed audit matrix provided in Annexure 1 for reports submitted to the PA in relation to engagements for financial years ended on or after 1 April 2022, for the purposes of reporting in terms of Parts A to E or Parts A to D of the illustrative regulatory reports in relation to South African and foreign operations respectively.
- 2.2 The reports submitted to the PA, in relation to the above, shall be rendered in accordance with the illustrative regulatory reports published by the IRBA from time to time.
- 2.3 Parts A to E and Parts A to D of the respective reports submitted to the PA shall make reference to this proposed Directive insofar as the detail of audit, review or limited assurance work performed is concerned.

3. Invitation for comment

- 3.1 Banks and other interested persons are hereby invited to submit their comments with respect to the proposed Directive directly to SARB-PA@resbank.co.za and Irene.Peter@resbank.co.za for the attention of Ms Irene Peter by no later than 4 July 2022.
- 3.2 All comments received from banks and other interested persons may be published on the website of the PA unless the respondent specifically requests confidential treatment.

Fundi Tshazibana
Chief Executive Officer

Date:

Encl. 1