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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 mutual banks and auditors of mutual banks

Proposed Directive issued in terms of section 4(6) of the Mutual Banks Act 124 of 1993

Reporting requirements in terms of regulation 6 of the Regulations relating to Mutual Banks

Executive summary

Regulation 6 of the Regulations relating to Mutual Banks imposes certain reporting duties on the auditors of mutual banks.

The purpose of this directive is to specify the detailed scope of the regulatory returns that must be audited, reviewed, or concluded upon under a limited assurance framework by auditors of mutual banks as required by regulation 6 of the Regulation relating to Mutual Banks

1. Introduction

- 1.1 Regulation 6(1) of the Regulations relating to Mutual Banks (Regulations) requires the auditor of a mutual bank to annually report on the mutual bank's financial position and the results of its operations as reflected in all the returns, submitted in terms of section 53 of the Mutual Banks Act, 1993 (Act No. 124 of 1993) as at the financial year-end of the reporting mutual bank.
- 1.2 The auditors of mutual banks are also required to report on the qualitative aspects of the mutual bank and its operations including the mutual bank's system of internal controls.
- 1.3 Regulation 6(5) of the Regulations further states that the audit report shall be rendered in accordance with wording and practices recommended from time to time by the South African Institute of Chartered Accountants.
- 1.4 The Committee for Auditing Standards of the Independent Regulatory Board for Auditors is mandated with the review and approval of the illustrative regulatory reports referred to in regulation 6(5) 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 directive.

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

1.5 The illustrative regulatory reports referenced above comprise Parts A to F, with Parts A to D addressing the reports required in terms of regulation 6(5) 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 DI returns.
- Part B – Review report on the year-end DI 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.

1.6 The detailed breakdown of the sections of the above-mentioned regulatory returns listed in regulation 6(5) of the Regulations which directs auditors of mutual banks on when to audit, review, or provide limited assurance on the regulatory returns are currently included in the Illustrative Mutual Banks Acts Reports. In order to limit the frequency of changes to these reports going forward, the detailed references to the regulatory returns will be removed from Parts A to D of the illustrative regulatory reports.

1.7 Auditors of mutual banks will be directed by this directive and/or any subsequent directive that replaces this directive on the scope of any audit, review, or limited assurance engagement in line with regulation 6(5) and Parts A to D of the illustrative reports.

2. Directive

2.1 Based on the aforesaid and in accordance with the provisions of section 4(6) of the Mutual Banks Act, 1993 auditors of mutual banks are hereby directed as follows:

2.1.1 To perform an audit, review or limited assurance engagement on the respective regulatory returns specified in regulation 6(5) of the Regulations in accordance with the detailed audit matrix provided in Annexure 1 of this Directive for reports submitted to the PA in relation to engagements for financial years ended on or after 30 June 2023 for the purposes of reporting in terms of Parts A to D.

2.1.2 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.

2.1.3 Parts A to D of the respective reports submitted to the PA shall refer to this Directive insofar as the detail of audit, review or limited assurance work performed is concerned.

3. Invitation for comment

3.1 All interested persons are hereby invited to submit their comments on this proposed directive to: SARB-PA@resbank.co.za, for the attention of Ms Amanda Madikizela, by no later than **28 July 2023**.

3.2 All comments received from mutual 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.