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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 specified 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 to the Regulations brought about as a result of the post-crisis reforms issued by the Basel Committee on Banking Supervision for implementation by member jurisdictions, including the large exposures framework, the total loss absorbing capacity (TLAC) holdings standard as well as the revised framework for interest rate risk in the banking book.**

**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 IRBA<sup>1</sup> 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

## **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 31 December 2022 (other than the BA 330 which becomes effective for financial years ended on or after 31 January 2023), 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.

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

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 All interested persons are hereby invited to submit their comments on the proposed Directive to: SARB-PA@resbank.co.za, for the attention of Ms I Peter, by no later than 12 April 2023.

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*

Fundi Tshazibana  
**Chief Executive Officer**

Date: 26/03/23

Encl. 1