

Prudential Communication 17 of 2025

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

Approval of appointment of auditors

Objective of this Prudential Communication

This Prudential Communication aims to inform licensed insurers of the Prudential Authority's (PA) updates to the form IF 006 (Application for Notification or Approval of the Appointment of Key Persons), specifically for auditor applications, in terms of section 14(1) of the Insurance Act, 2017 (Act No. 18 of 2017), and other relevant information pertaining to the PA's auditor approval process.

1. Application

- 1.1 This Prudential Communication is applicable to all licensed insurers.

2. Purpose

- 2.1 The purpose of this Prudential Communication is to inform insurers of updates to the form IF 006, with specific reference to applications for approval to appoint auditor(s), and other relevant information pertaining to the PA's auditor approval process.

3. Introduction

- 3.1 Section 14(1)(a) of the Insurance Act, 2017 (Act No. 18 of 2017) (Insurance Act) prescribes that the appointment of an auditor as a key person must be approved by the PA.
- 3.2 The PA has prescribed form IF 006, in terms of section 62(1)(c) of the Insurance Act, for the application and notification for approval of the appointment of key persons.

4. PA approval process

- 4.1 The PA's auditor approval process assesses the following key areas regarding the proposed audit firm and proposed engagement partner:
- the competence, experience and resourcing of the audit firm;
 - the audit quality review outcomes of the audit firm;

- the competence, integrity and experience of the engagement partner;
- the capacity of the engagement partner to take on an additional engagement;
- the audit quality review outcomes of the engagement partner; and
- the independence of the audit firm and the engagement partner.

4.2 The previous version of form IF 006 did not list the following as compulsory attachments:

- a list of engagements that are allocated to the proposed engagement partner at the time of submission, including the name of the entity, the financial year-end of the entity and the position held by the proposed engagement partner;
- the latest Independent Regulatory Board for Auditors (IRBA) inspection report of the proposed audit firm(s), where applicable;
- the latest IRBA inspection report of the proposed engagement partner(s), where applicable, which must not be older than five years;
- the outcome of the proposed engagement partner's latest internal quality review, where applicable, which must not be older than four years;
- a root-cause analysis and remedial action plan that addresses the deficiencies identified if the outcomes of the IRBA inspection(s) or the internal quality review(s) above is/are unsatisfactory/non-compliant or signifies that some or significant improvement is required;
- any additional documents or information that may be necessary for the PA's auditor assessment process; and
- any amendments/updates to the information submitted, before the insurer receives formal feedback from the PA, which must be communicated to the PA by no later than 5 business days of becoming aware of the amendment/update.

4.3 Therefore, to assess the suitability of insurers' proposed auditors, the PA has had to specifically request the documentation listed in paragraph 4.2 for every application. The process of requesting additional documentation for both the proposed audit firm and the proposed engagement partner often causes delays to the auditor application process. To improve efficiencies in the auditor appointment process, the PA has updated form IF 006 to list the above-mentioned documentation as compulsory attachments to the form.

4.4 Insurers will be required to submit their auditor applications in accordance with the updated form IF 006 that is published on the PA website.

4.5 Upon request, both proposed and approved auditors are required to grant permission to IRBA and the South African Institute of Chartered Accountants to disclose any information to the PA that may be relevant for assessing the suitability of insurers' proposed auditor(s) during the PA's auditor assessment process and throughout the approved auditor's tenure. The auditor(s) will be required to grant permission for the disclosure of this information in a form and manner that will be determined by the PA.

- 4.6 The PA may grant an approval with conditions, which will be stipulated in the approval letter of the proposed engagement partner. An engagement partner who has been granted an approval with conditions will not be considered for any other auditor application until the stipulated approval conditions are met.
- 4.7 To ensure compliance with section 32(1)(a) of the Insurance Act, insurers are required to ensure that their applications for auditor appointments are submitted within 30 days after the internal appointment of the insurer's auditor(s).

5. Enquiries

- 5.1 Any enquiries regarding this Prudential Communication must be directed to [PA- ITS-Accounting and Auditing@resbank.co.za](mailto:PA-ITS-Accounting_and_Auditing@resbank.co.za).

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Date: