

Updated in March 2021

Effective Date: Engagements with periods ending on or after 1 January 2021.

Note that this is a template and changes made thereto are allowed to the extent required. Where substantive changes are made, firms should consider their own internal processes to ensure compliance with reporting requirements.

The Chief Executive Officer  
Prudential Authority  
South African Reserve Bank  
PO Box 8432  
Pretoria  
0001

Dear Sir,

**INDEPENDENT [AUDITOR'S/AUDITORS', DELETE AS APPROPRIATE]<sup>1</sup> REPORT TO THE PRUDENTIAL AUTHORITY (THE "PA") ON THE STATUTORY RETURNS OF [NAME OF BANK CONTROLLING COMPANY] AND ITS SUBSIDIARIES ("GROUP"), [NAME OF BANK] AND ITS SUBSIDIARIES ("BANK CONSOLIDATED"), [NAME OF BANK] ("BANK") AND [NAME OF BANK], EXCLUDING ITS FOREIGN BRANCHES ("BANK SOLO") [(COLLECTIVELY THE "ENTITIES")] OR [NAME OF BANK – APPLICABLE TO STAND ALONE BANK] ("BANK") OR [NAME OF SOUTH AFRICAN BRANCH OF A FOREIGN BANK] ("BRANCH") IN TERMS OF THE BANKS ACT NO. 94 OF 1990 (THE "ACT") AND THE REGULATIONS RELATING TO BANKS (THE "REGULATIONS")**

The respective Parts A to G reports, attached to this report, are made for the purpose of our compliance with the reporting requirements of Regulations 46(1), 46(2)(a), 46(2)(b), 46(6), 46(7) and 46(8) of the Regulations in relation to the relevant statutory returns (the "returns") submitted to the PA by the [Entity/Entities/Bank/Branch, delete as appropriate] during the year ended [insert year-end date].

**[Directors'/Branch executive management's, delete as appropriate]<sup>2</sup> responsibility for the returns**

The [directors/branch executive management, delete as appropriate] are responsible for ensuring the [Entity's/Entities'/Bank's/Branch's, delete as appropriate] compliance with the provisions of the Act and the Regulations, including the preparation and submission of the relevant statutory financial statements and the returns to the PA, during the year ended [insert year-end date], and for such internal control as the [directors/branch executive management, delete as appropriate] determine is necessary to enable the preparation of the returns that are free from material misstatement, whether due to fraud or error.

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<sup>1</sup> Use the plural form when more than one firm is appointed as auditor, for example in joint audit situations. Apply consistently throughout the report.  
<sup>2</sup> Use "directors" or "branch executive management" consistently throughout the report.

***[Auditor's/Auditors', delete as appropriate] responsibility***

Our responsibility is to issue our reports under Regulations 46(1), 46(2)(a), 46(2)(b), 46(6), 46(7) and 46(8) of the Regulations in respect of the returns submitted to the PA by the *[Entity/Entities/Bank/Branch, delete as appropriate]*, which are set out in Parts A to G attached to this report that express our audit opinion, review conclusion, limited assurance conclusions and to state our factual findings on the respective returns, based on our audit, review, limited assurance and agreed-upon procedures engagements, performed in accordance with International Standards on Auditing (“ISAs”), International Standards on Review Engagements, International Standards on Assurance Engagements, and International Standards on Related Services, as applicable, and to report on such additional matters as required by the PA and as set out in the respective Parts A to G reports.

We completed our audit of the *[[Group statutory financial statements and Bank statutory financial statements] OR [Bank statutory financial statements]]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for the financial year ended *[insert year-end date]*, on which we issued an unmodified opinion *[adjust as applicable]* on *[insert date auditor's/auditors' report was signed]* *[(collectively the “financial statements”)]*.<sup>3</sup> Our audit of the financial statements was performed in accordance with ISAs.

In forming our audit opinion, review conclusion, limited assurance conclusions and factual findings contained in the respective Parts A to G reports we have, where appropriate, drawn on evidence obtained in the course of our audit of the financial statements and performed such additional year-end procedures we considered necessary to complete our examination of the returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* submitted to the PA during the year ended on *[insert year-end date]*.

**Opinion, conclusions and factual findings**

Our respective audit opinion, review conclusion, limited assurance conclusions and factual findings are expressed in the individual Parts A to G of our reports as attached. We have *[initialled/stamped]* the relevant returns referred to in our reports for identification purposes.

**Basis of preparation of the returns and restriction on use and distribution**

The returns were prepared by the *[directors/branch executive management, delete as appropriate]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]* on the basis indicated in the respective Parts A to G reports for the purpose of the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* compliance with the relevant requirements of the Act and the Regulations, and reporting thereon to the PA. As a result, these returns may not be suitable for another purpose.

Our report is intended solely for the purpose of our compliance with the Regulations and for no other purpose. It should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]*.

Should you wish to discuss the contents of the respective Parts A to G reports in any further detail, please contact *[Partner/s Name/s and telephone number/s]*.

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<sup>3</sup> Tailor as applicable depending on the financial statements issued per the Companies Act by the reporting entity/ies. The statutory financial statements should be appropriately identified based on the manner in which the entities report.

Yours faithfully

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*[Auditor's Signature]*  
*[Name of individual registered auditor]*  
*[Capacity if not a sole practitioner: e.g.  
Director or Partner]*  
*Registered Auditor*  
*[Date of auditor's report]*  
*[Auditor's address]*

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*[Auditor's Signature]*  
*[Name of individual registered auditor]*  
*[Capacity if not a sole practitioner: e.g.  
Director or Partner]*  
*Registered Auditor*  
*[Date of auditor's report]*  
*[Auditor's address]*

## **PART A: INDEPENDENT [AUDITOR'S/AUDITORS', DELETE AS APPROPRIATE] REPORT ON THE YEAR-END BA RETURNS**

### **Opinion**

We have audited the year-end BA returns as specified by the Prudential Authority in Directive XX of YYYY<sup>4</sup> as the Part A BA Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* submitted to the PA for *[insert year-end date]* (the "Part A Returns") for the purpose of complying with Regulations 46(1) and 46(2)(a).

In our opinion, the Part A Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for *[insert year-end date]* are prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

### **IF A QUALIFIED OPINION IS EXPRESSED REPLACE ABOVE TWO PARAGRAPHS WITH THE FOLLOWING:**

#### **Qualified Opinion**

We have audited the year-end BA returns as specified by the Prudential Authority in Directive XX of YYYY<sup>5</sup> as the Part A Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* submitted to the PA for *[insert year-end date]* (the "Part A Returns") for the purpose of complying with Regulations 46(1) and 46(2)(a).

In our opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph below, the Part A Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for *[insert year-end date]* are prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

### **IF A QUALIFIED OPINION IS EXPRESSED, ALSO ADD THE FOLLOWING:**

#### **Basis for Qualified Opinion**

Our basis for qualification has been noted in Appendix A<sup>6</sup> attached to this report, as item XX relating to *[state the relevant BA returns]*.

Then continue with "We conducted our audit ..." as noted below.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *[Auditor's/Auditors', delete as appropriate] Responsibilities for the Audit of the Part A Returns* section of our report. We are independent of the *[Entity/Entities/Bank/Branch, delete as appropriate]* in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* ("IRBA Code") and other independence requirements applicable to performing audits of the BA returns in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing

<sup>4</sup> The auditor should update this reference based on the Directive in force and applicable to the reporting engagement.

<sup>5</sup> The auditor should update this reference based on the Directive in force and applicable to the reporting engagement.

<sup>6</sup> "Appendix A" is usually attached to the reports and it documents all matters noted by the auditor(s), including the qualification matters. Refer to the requirements of ISA 705 (*Revised*) - *Modifications to the opinion in the independent auditor's report* to ensure that the documentation of the qualification matters complies with that standard.

audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [qualified]<sup>7</sup> opinion.

**IF THERE ARE OTHER MATTER ITEMS, THEN ADD THE FOLLOWING WHERE APPLICABLE:**

**Other matter – matter(s) exceeding PA reporting threshold**

The terms of the engagement for our audit of the Part A Returns address, among others, the application of materiality. In this regard, we draw your attention to the matter(s) exceeding the PA reporting threshold noted as item(s) XXX of the attached Appendix A that affects the Part A Returns but which do(es) not have a material effect on the preparation of the Part A Returns in accordance with Regulation 46(2)(a). Our conclusion is not [further]<sup>8</sup> modified in respect of [this/these matter(s)].

**Other matter – interpretive matter(s)**

We draw your attention to the interpretive matter(s) noted as item(s) XXX of the attached Appendix A that affect(s) the Part A Returns in accordance with Regulation 46(2)(a). Our conclusion is not [further]<sup>9</sup> modified in respect of [this/these matter(s)].

**Emphasis of matter<sup>10</sup> – Basis of preparation of the Part A Returns and restriction on use and distribution**

The Part A Returns of the [Entity/Entities/Bank/Branch, delete as appropriate] were prepared for the purpose of the [Entity's/Entities'/Bank's/Branch's, delete as appropriate] compliance with the relevant requirements of the Act and the Regulations, and reporting thereon to the PA. As a result, the Part A Returns may not be suitable for another purpose. Our opinion is not [further]<sup>11</sup> modified in respect of this matter.

Our report is intended solely for the purpose of our compliance with the Regulations and for no other purpose. It should not be distributed to or used by any other parties other than the PA and the [directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate] of the [Entity/Entities/Bank/Branch, delete as appropriate].

**Other information**

The [directors/branch executive management, delete as appropriate] are responsible for the other information. The other information comprises all lines and columns in the returns not referred to in our opinion paragraph above as well as the information covered by Parts B to I reports, and does not include the Part A Returns and our [auditor's/auditors', delete as appropriate] report thereon.

Our opinion on the Part A Returns does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Part A Returns, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Part A Returns or our knowledge obtained in the audit, or

<sup>7</sup> To be included in the case of a qualified opinion.

<sup>8</sup> To be included in the case of a qualified opinion.

<sup>9</sup> To be included in the case of a qualified opinion.

<sup>10</sup> The BA returns relating to this Part A Returns should include a disclosure/explanation on the basis of preparation.

<sup>11</sup> To be included in the case of a qualified opinion.

otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. *[We have nothing to report in this regard. OR where there are inconsistencies that are reported in Parts B to I<sup>2</sup>, cross reference should be made to where those are reported, (amend as appropriate)]*

**Responsibilities of the *[directors/branch executive management, delete as appropriate]* for the Part A Returns**

The *[directors/branch executive management, delete as appropriate]* are responsible for ensuring the *[Entity/Entities'/Bank's/Branch's, delete as appropriate]* compliance with the provisions of the Act and the Regulations, which includes the preparation and submission of the Part A Returns to the PA, for *[insert year-end date]*, in accordance with the provisions set out in Regulation 46(2)(a), and for such internal control as the *[directors/branch executive management, delete as appropriate]* determine is necessary to enable the preparation of the Part A Returns that are free from material misstatement, whether due to fraud or error.

In preparing the Part A Returns, the *[directors/branch executive management, delete as appropriate]* are responsible for assessing the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* ability to continue as *[a going concern/going concerns, delete as appropriate]*, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the *[directors/branch executive management, delete as appropriate]* either intend to liquidate the *[Entity/Entities'/Bank/Branch, delete as appropriate]* or cease operations, or have no realistic alternative but to do so.

***[Auditor's/Auditors', delete as appropriate]* responsibilities for the audit of the Part A Returns**

Our objectives, in accordance with Regulation 46(1), are to obtain reasonable assurance about whether the Part A Returns as a whole are free from material misstatement, whether due to fraud or error, and to issue an *[auditor's/auditors', delete as appropriate]* report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these Part A Returns.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Part A Returns, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

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<sup>12</sup> This paragraph must remain in for the Part A Returns, however, can be removed from the Part C, D or E reports where deemed appropriate to do so by the auditor/auditors.

of expressing an opinion on the effectiveness of the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* internal control.

- Conclude on the appropriateness of the *[directors/branch executive management's, delete as appropriate]* use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* ability to continue as *[a going concern/going concerns, delete as appropriate]*. If we conclude that a material uncertainty exists, we are required to draw attention in our *[auditor's/auditors', delete as appropriate]* report to the related disclosures in the Part A Returns or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our *[auditor's/auditors', delete as appropriate]* report. However, future events or conditions may cause the *[Entity/Entities/Bank/Branch, delete as appropriate]* to cease to continue as *[a going concern/going concerns, delete as appropriate]*.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the *[directors/branch executive management, delete as appropriate]*.
- [Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the *[Entity/Entities/Bank/Branch, delete as appropriate]* to express an opinion on the Part A Returns. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion<sup>13</sup>].

We communicate with the *[directors/branch executive management, delete as appropriate]* regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[We also provide the *[directors/branch executive management, delete as appropriate]* with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all the relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.<sup>14</sup>]

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<sup>13</sup> This bullet point remains for a Bank or Bank solo, including the term "group audit", if there is an aggregation or consolidation process in arriving at the Bank or Bank Solo Part A Returns or if ISA 600 is followed. Where there is no such aggregation or consolidation process, this bullet point should be removed.

<sup>14</sup> This paragraph is to be included when an entity within the Group being reported on is a listed entity, irrespective of the exchange it is listed on.

## **PART B: INDEPENDENT [AUDITOR'S/AUDITORS', DELETE AS APPROPRIATE] REVIEW REPORT ON THE YEAR-END BA RETURNS**

We have reviewed the year-end BA returns as specified by the Prudential Authority in Directive XX of YYYY<sup>15</sup> as the Part B returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* submitted to the PA for *[insert year-end date]* (the "Part B Returns") for the purpose of complying with Regulations 46(1) and 46(2)(a).

### ***[Directors'/Branch executive management's, delete as appropriate] responsibility for the Part B Returns***

The *[directors/branch executive management, delete as appropriate]* are responsible for ensuring the *[Entity/Entities'/Bank's/Branch's, delete as appropriate]* compliance with the provisions of the Act and the Regulations, which includes the preparation and submission of the Part B Returns to the PA for *[insert year-end date]*, in accordance with the provisions set out in Regulation 46(2)(a), and for such internal control as the *[directors/branch executive management, delete as appropriate]* determine is necessary to enable the preparation of the Part B Returns that are free from material misstatement, whether due to fraud or error.

### ***[Auditor's/Auditors', delete as appropriate] responsibility***

Our responsibility is to report on the Part B Returns in accordance with Regulation 46(1) and to express a conclusion on those returns based on our review. We conducted our review in accordance with the International Standard on Review Engagements ("ISRE") 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, which applies to a review of historical financial information performed by the independent *[auditor/auditors, delete as appropriate]* of the entity.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Part B Returns are not prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a). That standard also requires us to comply with relevant ethical requirements.

A review of the Part B Returns in accordance with ISRE 2410 is a limited assurance engagement. A review includes performing procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these Part B Returns.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Part B Returns of the *[Entities/Bank/Branch, delete as appropriate]* for *[insert year-end date]* are not prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

**IF A QUALIFIED CONCLUSION IS EXPRESSED REPLACE THE ABOVE CONCLUSION WITH THE FOLLOWING:**

**Basis for Qualified Conclusion**

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<sup>15</sup> The auditor should update this reference based on the Directive in force and applicable to the reporting engagement.



Our basis for qualification has been noted in Appendix A<sup>16</sup> attached to this report, as item(s) XX relating to *[state the relevant BA returns]*.

### **Qualified Conclusion**

Based on our review, except for the effect(s) of the matter(s) described in the Basis for Qualified Conclusion paragraph above, nothing has come to our attention that causes us to believe that the Part B Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for *[insert year-end date]* are not prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

### **IF THERE ARE OTHER MATTER ITEMS, THEN ADD THE FOLLOWING WHERE APPLICABLE:**

#### **Other matter – matter(s) exceeding PA reporting threshold**

The terms of the engagement for our review of the Part B Returns address, among others, the application of materiality. In this regard, we draw your attention to the matter(s) exceeding the PA reporting threshold noted as item(s) XXX of the attached Appendix A that affects the Part B Returns but which do(es) not have a material effect on the preparation of the Part B Returns in accordance with Regulation 46(2)(a). Our conclusion is not *[further]*<sup>17</sup> modified in respect of *[this/these matter(s)]*.

#### **Other matter – interpretive matter(s)**

We draw your attention to the interpretive matter(s) noted as item(s) XXX of the attached Appendix A that affect(s) the Part B Returns in accordance with Regulation 46(2)(a). Our conclusion is not *[further]*<sup>18</sup> modified in respect of *[this/these matter(s)]*.

### **Other information**

The *[directors/branch executive management, delete as appropriate]* are responsible for the other information. The other information comprises all lines and columns in the returns not referred to in our limited assurance conclusion paragraph above as well as the information covered by Parts A and C to I reports, and does not include the Part B Returns and our conclusion thereon.

Our conclusion on the Part B Returns does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our limited assurance engagement of the Part B Returns, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Part B Returns or our knowledge obtained in the limited assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. *[We have nothing to report in this regard. OR where there are inconsistencies that are reported in Parts A and C to I cross reference should be made to where those are reported, (amend as appropriate)].*

<sup>16</sup> "Appendix A" is usually attached to the reports and it documents all matters noted by the auditor(s), including the qualification matters. Refer to the requirements of ISA 705 (*Revised*) - *Modifications to the opinion in the independent auditor's report* to ensure that the documentation of the qualification matters complies with that standard.

<sup>17</sup> To be included in the case of a qualified conclusion.

<sup>18</sup> To be included in the case of a qualified conclusion.

**Basis of preparation of the Part B Returns and restriction on use and distribution<sup>19</sup>**

Without *[further]*<sup>20</sup> modifying our conclusion, we emphasise that the Part B Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* were prepared for the purpose of reporting to the PA. As a result, the Part B Returns may not be suitable for another purpose.

Our report is intended solely for the purpose of our compliance with the Regulations and for no other purpose. It should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]*.

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<sup>19</sup> Note: Contrary to the Part A report, there is no requirement to include “Emphasis of matter” before the title of this paragraph.

<sup>20</sup> To be included in the case of a qualified conclusion.

## **PART C: INDEPENDENT [AUDITOR'S/AUDITORS', DELETE AS APPROPRIATE] LIMITED ASSURANCE REPORT ON RISK RETURNS AT YEAR-END**

We have undertaken a limited assurance engagement on the non-modelled information contained in the year-end BA returns as specified by the Prudential Authority in Directive XX of YYYY<sup>21</sup> as the Part C returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, based on the Standardised, Internal Ratings or other regulatory model-based approaches, as approved or accepted by the PA and submitted to the PA for *[insert year-end date]* (the "Part C Returns") for the purpose of complying with Regulations 46(1) and 46(2)(a).

### ***[Directors'/Branch executive management's, delete as appropriate] responsibility for the Part C Returns***

The *[directors/branch executive management, delete as appropriate]* are responsible for ensuring the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* compliance with the provisions of the Act and the Regulations, which includes the preparation and submission of the Part C Returns to the PA, for *[insert year-end date]*, in accordance with the provisions set out in Regulation 46(2)(a), and for such internal control as the *[directors/branch executive management, delete as appropriate]* determine is necessary to enable the preparation of the Part C Returns that are free from material misstatement, whether due to fraud or error.

### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors ("IRBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The *[firm applies/firms apply]* International Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and, accordingly, *[maintains/maintain]* a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***[Auditor's/Auditors', delete as appropriate] responsibility***

Our responsibility is to report on the Part C Returns in accordance with Regulation 46(1) and to express a limited assurance conclusion on those returns based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* ("ISAE 3000 (Revised)"). That standard requires that we plan and perform our engagement to obtain limited assurance about whether anything has come to our attention that would cause us to believe that the information contained in the Part C Returns are not prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

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<sup>21</sup> The auditor should update this reference based on the Directive in force and applicable to the reporting engagement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* use of the provisions set out in Regulation 46(2)(a) as the basis for the preparation of the Part C Returns, assessing the risks of material misstatement of the Part C Returns, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Part C Returns. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling the Part C Returns with underlying records.

### **Summary of work performed**

Our work performed included:

- Making inquiries primarily of persons responsible for financial and accounting matters, risk management and regulatory returns and applying analytical procedures;
- Inspecting evidence to support the completeness and accuracy of information extracted from the management and other information systems of the *[Entity/Entities/Bank/Branch, delete as appropriate]* to the returns; and
- Re-performing calculations of information contained in the Part C Returns based on risk weightings or other requirements of non-modelled approaches, and extracted from management systems, and where the information differed from the accounting policies applied in the management accounts and the statutory financial statements of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, ascertaining that the amounts contained in the Part C Returns had been classified or calculated on the basis required by the relevant Regulations.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion on whether the information contained in the Part C Returns has been prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

### **Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the non-modelled information contained in the Part C Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for *[insert year-end date]*, based on the Standardised, Internal Ratings or other regulatory model-based approaches specified, is not prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

**IF A QUALIFIED LIMITED ASSURANCE CONCLUSION IS EXPRESSED THEN REPLACE THE ABOVE PARAGRAPH WITH THE FOLLOWING TWO:**

**Basis for Qualified Limited Assurance Conclusion**

Our basis for qualification has been noted in Appendix A<sup>22</sup> attached to this report, as item(s) XX relating to *[state the relevant BA returns]*.

**Qualified Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, except for the effect(s) of the matter(s) described in the Basis for Qualified Limited Assurance Conclusion paragraph in the Part C report above, nothing has come to our attention that causes us to believe that the non-modelled information contained in the Part C Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for *[insert year-end date]*, based on the Standardised, Internal Ratings or other regulatory model-based approaches specified, is not prepared, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

**IF THERE ARE OTHER MATTER ITEMS, THEN ADD THE FOLLOWING WHERE APPLICABLE:**

**Other matter – matter(s) exceeding PA reporting threshold**

The terms of our limited assurance engagement of the Part C Returns address, among others, the application of materiality. In this regard, we draw your attention to the matter(s) exceeding the PA reporting threshold noted as item(s) XXX of the attached Appendix A that affects the Part C Returns but which do(es) not have a material effect on the preparation of the Part C Returns in accordance with Regulation 46(2)(a). Our limited assurance conclusion is not *[further]*<sup>23</sup> modified in respect of *[this/these matter(s)]*.

**Other matter – interpretive matter(s)**

We draw your attention to the interpretive matter(s) noted as item(s) XXX of the attached Appendix A that affect(s) the Part C Returns in accordance with Regulation 46(2)(a). Our limited assurance conclusion is not *[further]*<sup>24</sup> modified in respect of *[this/these matter(s)]*.

**Other information**<sup>25</sup>

The *[directors/branch executive management, delete as appropriate]* are responsible for the other information. The other information comprises all lines and columns in the returns not referred to in our limited assurance conclusion paragraph above as well as the information covered by Parts A to B and D to I reports, and does not include the Part C Returns and our limited assurance conclusion thereon.

<sup>22</sup> “Appendix A” is usually attached to the reports and it documents all matters noted by the auditor(s), including the qualification matters. Refer to the requirements of ISA 705 (*Revised*) - *Modifications to the opinion in the independent auditor's report* and to the requirements in paragraphs 72 to 77 of ISAE 3000 (*Revised*) to ensure that the documentation of the qualification matters complies with these standards.

<sup>23</sup> To be included in the case of a qualified limited assurance conclusion.

<sup>24</sup> To be included in the case of a qualified limited assurance conclusion.

<sup>25</sup> The inclusion of the other information paragraph is one of the options catered for within ISAE 3000 (*Revised*). The auditor(s) should use his/her/their professional judgment as to whether this paragraph is necessary for inclusion depending on how the auditor address the requirements of this standard under paragraph 62 and A143.

Our limited assurance conclusion on the Part C Returns does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our limited assurance engagement of the Part C Returns, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Part C Returns or our knowledge obtained in the limited assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. *[We have nothing to report in this regard. OR where there are inconsistencies that are reported in Parts A to B and D to I, cross reference should be made to where those are reported, (amend as appropriate)].*

**Basis of preparation of the Part C Returns and restriction on use and distribution<sup>26</sup>**

Without *[further]<sup>27</sup>* modifying our limited assurance conclusion, we emphasise that the Part C Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* were prepared on the Standardised, Internal Ratings or other regulatory model-based approaches specified for the purpose of reporting to the PA. As a result, the Part C Returns may not be suitable for another purpose.

Our report is intended solely for the purpose of our compliance with the Regulations and for no other purpose. It should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]*.

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<sup>26</sup> Note: Contrary to the Part A Returns, there is no requirement to include “Emphasis of matter” before the title of this paragraph.

<sup>27</sup> To be included in the case of a qualified limited assurance conclusion.

## **PART D: INDEPENDENT [AUDITOR'S/AUDITORS', DELETE AS APPROPRIATE] LIMITED ASSURANCE REPORT ON RISK RETURNS AT YEAR-END DERIVED FROM INTERNAL MODELS**

We have undertaken a limited assurance engagement on the model-derived information from internal models and risk information sources used by management and contained in the year-end BA returns as specified by the Prudential Authority in Directive XX of YYYY<sup>28</sup> as the Part D returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, based on the Standardised, Internal Ratings or other regulatory model-based approaches specified, as approved or accepted by the PA, that has been extracted from the financial and other information in the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* general ledger, management accounts and management risk information (the "underlying records") and submitted to the PA for *[insert year-end date]* (the "Part D Returns") for the purpose of complying with Regulations 46(1) and 46(2)(a).

### ***[Directors'/Branch executive management's, delete as appropriate]* responsibility for the Part D Returns**

The *[directors/branch executive management, delete as appropriate]* are responsible for ensuring the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* compliance with the provisions of the Act and the Regulations, which includes the preparation and submission of the Part D Returns to the PA, for *[insert year-end date]*, in accordance with the provisions set out in Regulation 46(2)(a), and for such internal control as the *[directors/branch executive management, delete as appropriate]* determine is necessary to enable the preparation of the Part D Returns that are free from material misstatement, whether due to fraud or error.

### **Inherent limitations**

The information in the returns referred to in the Part D Returns above is predominantly derived from internal risk models implemented by the *[Entity/Entities/Bank/Branch, delete as appropriate]* based on the advanced approaches specified to meet criteria established by the Regulations and those specified by management. The models are complex and significant elements are based on source data input into the models which is unaudited. In addition, the model outputs are based on methodologies and underlying assumptions which may be subjective. We have not assessed the mathematical accuracy or appropriateness of these methodologies or reasonableness of the underlying assumptions.

Our work performed did not extend to obtaining evidence to validate the methodologies within the models or the integrity of the underlying source data from which the information in the Part D Returns has been calculated. Accordingly, we are unable to conclude on the completeness, validity or accuracy of the risk information included in these returns, beyond the fact that it is prepared from risk information and models used by management. In these circumstances we are unable to conclude on the preparation of the information contained in the Part D Returns, beyond whether the information has been properly extracted from the underlying records, in all material respects, in accordance with the Act and the provisions specified in Regulation 46(2)(a).

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<sup>28</sup> The auditor should update this reference based on the Directive in force and applicable to the reporting engagement.

## **Our independence and quality control**

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (“IRBA Code”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards).

The [firm applies/firms apply] International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and, accordingly, [maintains/maintain] a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***[Auditor’s/Auditors’, delete as appropriate] responsibility***

Our responsibility is to report on the Part D Returns in accordance with Regulation 46(1) and to express a limited assurance conclusion on those returns based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (“ISAE”) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (“ISAE 3000 (Revised)”). That standard requires that we plan and perform our engagement to obtain limited assurance about whether anything has come to our attention that would cause us to believe that the information contained in the Part D Returns is not properly extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the *[Entity’s/Entities’/Bank’s/Branch’s, delete as appropriate]* use of the provisions set out in Regulation 46(2)(a) as the basis for the preparation of the Part D Returns, assessing the risks of material misstatement of the Part D Returns whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Part D Returns. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and/or reporting policies, and agreeing or reconciling the Part D Returns with underlying records.

### **Summary of work performed**

Our work performed included:

- Making inquiries primarily of persons responsible for financial and accounting matters, risk management and regulatory returns, to ascertain which internal models have been implemented by the *[Entity/Entities/Bank/Branch, delete as appropriate]* for the above risk areas and inter alia, considering the:
  - design and implementation of general and application computer controls over data flows from the underlying source systems to the risk systems;



- design and implementation of general and application computer controls over data flows to/from the risk systems and the internal models;
- mapping of data flows from the underlying source systems to the risk systems to ensure the validity, accuracy and completeness of data flow to the risk systems;
- reconciliation of risk systems information to financial reporting systems that ensure the validity, accuracy and completeness of the data maintained in the risk systems and the information contained in the management accounts and accounting records; and
- reconciliation of data flows to/from the risk systems and the internal models;
- Comparing and agreeing risk information from the risk systems to the information disclosed in the BA returns;
- Re-performing out-of-model calculations, substantive analytical procedures and inspecting supporting documents considered necessary to evaluate compliance with the Regulations in the preparation of the returns. This included, inter alia, evaluating the out-of-model assumptions applied and interpretations of management to ensure definitions and classifications are in accordance with the Regulations applicable to the Part D Returns; and
- Considering material matters that have come to our attention with regard to financial regulatory reporting and compliance reported in accordance with the provisions specified in Regulation 46(3) that might materially affect the preparation of risk information in the BA returns.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion on whether the information contained in the Part D Returns has been properly extracted from the underlying records of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

#### **Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined above, nothing has come to our attention that causes us to believe that the model-derived information contained in the Part D Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for *[insert year-end date]*, based on the Standardised, Internal Ratings or other regulatory model-based approaches and derived from internal models implemented by the *[Entity/Entities/Bank/Branch, delete as appropriate]* and risk information sources used by management, for *[insert year-end date]* is not properly extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

**IF A QUALIFIED LIMITED ASSURANCE CONCLUSION IS EXPRESSED THEN REPLACE THE ABOVE PARAGRAPH WITH THE FOLLOWING TWO:**

**Basis for Qualified Limited Assurance Conclusion**

Our basis for qualification has been noted in Appendix A<sup>29</sup> attached to this report, as item(s) XX relating to [*state the relevant BA returns*].

**Qualified limited assurance conclusion**

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined above, except for the effect(s) of the matter(s) described in the Basis for Qualified Limited Assurance Conclusion paragraph in the Part D report above, nothing has come to our attention that causes us to believe that the model-derived information contained in the Part D Returns of the [*Entity/Entities/Bank/Branch, delete as appropriate*] for [*insert year-end date*], based on the Standardised, Internal Ratings or other regulatory model-based approaches specified and derived from internal models implemented by the [*Entity/Entities/Bank/Branch, delete as appropriate*] and risk information sources used by management, is not properly extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(a).

**IF THERE ARE OTHER MATTER ITEMS, THEN ADD THE FOLLOWING WHERE APPLICABLE:**

**Other matter – matter(s) exceeding PA reporting threshold**

The terms of our limited assurance engagement of the Part D Returns address, among others, the application of materiality. In this regard, we draw your attention to the matter(s) exceeding the PA reporting threshold noted as item(s) XXX of the attached Appendix A that affects the return(s) but which do(es) not have a material effect on the preparation of the returns in accordance with Regulation 46(2)(a). Our limited assurance conclusion is not [*further*]<sup>30</sup> modified in respect of [*this/these matter(s)*].

**Other matter – interpretive matter(s)**

We draw your attention to the interpretive matter(s) noted as item(s) XXX of the attached Appendix A that affect(s) the Part D Returns in accordance with Regulation 46(2)(a). Our limited assurance conclusion is not [*further*]<sup>31</sup> modified in respect of [*this/these matter(s)*].

**Other information<sup>32</sup>**

The [*directors/branch executive management, delete as appropriate*] are responsible for the other information. The other information comprises all lines and columns in the returns not referred to in our limited assurance conclusion paragraph

<sup>29</sup> “Appendix A” is usually attached to the reports and it documents all matters noted by the auditor(s), including the qualification matters. Refer to the requirements of ISA 705 (*Revised*) - *Modifications to the opinion in the independent auditor’s report* and to the requirements in paragraphs 72 to 77 of ISAE 3000 (*Revised*) to ensure that the documentation of the qualification matters complies with these standards.

<sup>30</sup> To be included in the case of a qualified limited assurance conclusion.

<sup>31</sup> To be included in the case of a qualified limited assurance conclusion.

<sup>32</sup> The inclusion of the other information paragraph is one of the options catered for within ISAE 3000 (*Revised*). The auditor should use his/her professional judgment as to whether this paragraph is necessary for inclusion depending on how the auditor address the requirements of this standard under paragraph 62 and A143.

above as well as the information covered by Parts A to C and E to I reports, and does not include the Part D Returns and our limited assurance conclusion thereon.

Our limited assurance conclusion on the Part D Returns does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our limited assurance engagement of the Part D Returns, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Part D Returns or our knowledge obtained in the limited assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. *[We have nothing to report in this regard. OR where there are inconsistencies that are reported in Parts A to C and E to I cross reference should be made to where those are reported, (amend as appropriate)].*

### **Basis of preparation of the Part D Returns and restriction on use and distribution<sup>33</sup>**

Without *[further]*<sup>34</sup> modifying our limited assurance conclusion, we emphasise that the Part D Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* were prepared based on the Standardised, Internal Ratings or other regulatory model-based approaches specified for the purpose of reporting to the PA. As a result, the Part D Returns may not be suitable for another purpose.

Our report is intended solely for the purpose of our compliance with the Regulations and for no other purpose. It should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]*.

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<sup>33</sup> Note: Contrary to the Part A Returns, there is no requirement to include “Emphasis of matter” before the title of this paragraph.

<sup>34</sup> To be included in the case of a qualified limited assurance conclusion.

## **PART E: INDEPENDENT [AUDITOR'S/AUDITORS', DELETE AS APPROPRIATE] LIMITED ASSURANCE REPORT ON BA 325 DAILY MARKET RISK RETURNS**

We have undertaken a limited assurance engagement on the information contained in the selected daily BA 325 returns as specified by the Prudential Authority in Directive XX of YYYY<sup>35</sup> as the Part E returns of *[Entity/Entities/Bank/Branch, delete as appropriate]*, based on the Standardised, Internal Ratings or other regulatory model-based approaches specified, as approved or accepted by the PA, that has been extracted from the unaudited financial and other information in the *[Entity/Entities/Bank/Branch, delete as appropriate]*, general ledger, management accounts and management risk information (the "underlying records") (the "Part E Returns") for the purpose of complying with Regulations 46(1) and 46(2)(b).

### **Scope of limited assurance engagement**

Our engagement was undertaken in order to evaluate whether, on the basis of our work performed, the information in the Part E Returns selected has been properly extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(b).

As our engagement in respect of the Part E Returns selected does not coincide with our audit of the *[Entity's/Bank's/Branch's, delete as appropriate]* statutory financial statements, our work performed for this engagement is performed without reference to our audit of those financial statements. Consequently, we are unable to draw on evidence obtained in the course of our statutory audit to the same extent as we might have done for purposes of reporting on the Part E Returns for the year-end included in our reports in Parts C and/or D. In addition, we are unable to, and are not required to perform procedures to enable us to report on whether the returns are prepared using the same accounting policies as those applied in the *[Entity's/Bank's/Branch's, delete as appropriate]* statutory financial statements.

In respect of the risk information that forms part of the underlying records that is predominantly derived from internal risk models implemented by the *[Entity/Bank/Branch, delete as appropriate]* based on the advanced approaches, we have not, and were not, required to perform any additional procedures regarding that information.

In these circumstances, our procedures performed were to compare the information, contained in the daily BA 325 returns selected, to the underlying records and, to the extent considered appropriate, we have made inquiries of persons responsible for financial and accounting matters and the returns, and applied analytical and other review procedures with respect to the preparation of the selected returns to obtain limited assurance about whether the information contained in the Part E Returns has been properly extracted from the unaudited, historical financial and other information in the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(b).

### ***[Directors'/Branch executive management's, delete as appropriate]* responsibility for the Part E Returns**

The *[directors/branch executive management, delete as appropriate]* are responsible for ensuring the *[Entity/Entities/Bank/Branch, delete as appropriate]* compliance with the provisions of the Act and the Regulations, which includes the preparation and submission of the Part E Returns to the PA, throughout the financial year ending *[insert year-end date]* in accordance with the provisions set out in Regulation 46(2)(b), and

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<sup>35</sup> The auditor should update this reference based on the Directive in force and applicable to the reporting engagement.

for such internal control as the *[directors/branch executive management, delete as appropriate]* determine is necessary to enable the preparation of the Part E Returns that are free from material misstatement, whether due to fraud or error.

### **Inherent limitations**

Information in the Part E Returns is predominantly derived from internal risk models implemented by the *[Entity/Entities/Bank/Branch, delete as appropriate]* based on the advanced approaches specified to meet criteria established by the Regulations and those specified by management. The models are complex and significant elements are based on source data input into the models which is unaudited. In addition, the model outputs are based on methodologies and underlying assumptions which may be subjective. We have not assessed the mathematical accuracy or appropriateness of these methodologies or reasonableness of the underlying assumptions.

Our work performed did not extend to obtaining evidence to validate the methodologies within the models or the integrity of the underlying source data from which the information in the Part E Returns has been calculated. Accordingly, we are unable to conclude on the completeness, validity or accuracy of the risk information included in these returns, beyond the fact that it is prepared from risk information and models used by management. In these circumstances we are unable to conclude on the preparation of the information contained in the Part E Returns beyond whether the information has been properly extracted from the underlying records, in all material respects, in accordance with the Act and the provisions specified in Regulation 46(2)(b).

### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (“IRBA Code”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The *[firm applies/firms apply]* International Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and, accordingly, *[maintains/maintain]* a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***[Auditor’s/Auditors’, delete as appropriate]* responsibility**

Our responsibility is to report on the Part E Returns in accordance with Regulation 46(1) and to express a limited assurance conclusion on those returns based on the procedures we have performed and the evidence we have obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (“ISAE 3000 (Revised)”). That standard requires that we plan and perform our engagement to obtain limited assurance about whether anything has come to our attention that would cause us to believe that the information contained in the Part E Returns is not properly extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(b).

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* use of the provisions set out in Regulation 46(2)(b) as the basis for the preparation of the Part E Returns, assessing the risks of material misstatement of the Part E Returns whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Part E Returns. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling the Part E Returns with underlying records.

### **Summary of work performed**

Our work performed included:

- Haphazardly selecting a sample of daily BA 325 returns from each month of the financial year for the following days: *[insert specific days for which returns were selected, or selected returns attached]*
- Making inquiries primarily of persons responsible for financial and accounting matters and the regulatory returns and applying analytical and other review procedures to the extent considered appropriate with respect to the information incorporated in the Part E Returns that has been extracted from the underlying records to assess the extent of compliance with the requirements of Regulation 46(2)(b), including ascertaining whether:
  - there has been any change in internal models implemented by the *[Entity's/Entities'/Bank's/Branch's, delete as appropriate]* affecting the Part E Returns;
  - there have been any changes in general or application controls over the data flows to/from the underlying source systems to the risk systems and reconciliations of data flows; and
  - reconciliations of data flows to/from the risk systems and internal models and from risk systems information to financial reporting systems that ensure the validity, accuracy and completeness of the data maintained in the risk systems and the information contained in the management accounts and accounting records are performed regularly;
- Inspecting evidence to support the completeness and accuracy of information incorporated in the Part E Returns selected that has been extracted from the underlying records and where these appeared to differ from the accounting policies applied in the management accounts and statutory financial statements of the *[Entity/Bank/Branch, delete as appropriate]*, inquiring whether the amounts contained in the returns had been calculated on the basis required by Regulation 46(2)(b) and that applied to the Part E Returns at year-end;
- Re-performing calculations of information incorporated in the Part E Returns selected, based on risk weightings, or derived from models and that has been extracted from the underlying product information systems, to determine whether the returns are prepared on the same basis as that applied at year-end and to assess the extent of compliance with Regulation 46(2)(b); and

- Considering material matters that have come to our attention with regard to financial regulatory reporting and compliance in our Part C and D reports, as well as reported in accordance with Regulation 46(3), that might materially affect the preparation of risk information in the Part E Returns.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion on whether the information in the Part E Returns has been properly extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(b).

### **Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined above, nothing has come to our attention that causes us to believe that the information contained in the Part E Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, for the dates specified above, based on the Standardised, Internal Ratings or other regulatory model-based approaches specified, is not properly extracted from the unaudited, historical financial and other information in the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(b).

**IF A QUALIFIED LIMITED ASSURANCE CONCLUSION IS EXPRESSED THEN REPLACE THE ABOVE PARAGRAPH WITH THE FOLLOWING TWO:**

**Basis for Qualified Limited Assurance Conclusion**

Our basis for qualification has been noted in Appendix A<sup>36</sup> attached to this report, as item(s) XX relating to *[state the relevant BA returns]*.

**Qualified Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined above, except for the effect(s) of the matter(s) described in the Basis for Qualified Limited Assurance Conclusion paragraph in the Part E report above, nothing has come to our attention that causes us to believe that the information contained in the Part E Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, for the dates specified above, based on the Standardised, Internal Ratings or other regulatory model-based approaches specified, is not properly extracted from the unaudited, historical financial and other information in the underlying records, in all material respects, in accordance with the provisions specified in Regulation 46(2)(b).

**IF THERE ARE OTHER MATTER ITEMS, THEN ADD THE FOLLOWING WHERE APPLICABLE:**

**Other matter – matter(s) exceeding PA reporting threshold**

The terms of our limited assurance engagement of the Part E Returns address, among others, the application of materiality. In this regard, we draw your attention to the matter(s) exceeding the PA reporting threshold noted as item(s) XXX of the attached

<sup>36</sup> “Appendix A” is usually attached to the reports and it documents all matters noted by the auditor(s), including the qualification matters. Refer to the requirements of ISA 705 (*Revised*) - *Modifications to the opinion in the independent auditor's report* and to the requirements in paragraphs 72 to 77 of ISAE 3000 to ensure that the documentation of the qualification matters complies with these standards.

Appendix A that affects the Part E Returns but which do(es) not have a material effect on the preparation of the returns in accordance with Regulation 46(2)(b). Our limited assurance conclusion is not *[further]*<sup>37</sup> modified in respect of [this/these matter(s)].

**Other matter – interpretive matter(s)**

We draw your attention to the interpretive matter(s) noted as item(s) XXX of the attached Appendix A that affect(s) the Part E Returns in accordance with Regulation 46(2)(a). Our limited assurance conclusion is not *[further]*<sup>38</sup> modified in respect of [this/these matter(s)].

**Other information**<sup>39</sup>

The *[directors/branch executive management, delete as appropriate]* are responsible for the other information. The other information comprises all lines in the returns not referred to in our limited assurance conclusion paragraph above as well as the information covered by the Parts H and I reports, and does not include the Part E Returns and our *[auditor’s/auditors’, delete as appropriate]* report thereon.

Our limited assurance conclusion on the Part E Returns does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our limited assurance engagement of the Part E Returns, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Part E Returns or our knowledge obtained in the limited assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. *[We have nothing to report in this regard. OR where there are inconsistencies that are reported in Parts H to I, cross reference should be made to where those are reported, (amend as appropriate)].*

**Basis of preparation of the Part E Returns and restriction on use and distribution**<sup>40</sup>

Without *[further]*<sup>41</sup> modifying our limited assurance conclusion, we emphasise that the Part E Returns of the *[Entity/Entities/Bank/Branch, delete as appropriate]* were prepared based on the Standardised, Internal Ratings or other regulatory model-based approaches specified for the purpose of reporting to the PA. As a result, the Part E Returns may not be suitable for another purpose.

Our report is provided solely for the purpose of our compliance with the Regulations and for no other purpose. It should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]*.

<sup>37</sup> To be included in the case of a qualified limited assurance conclusion.

<sup>38</sup> To be included in the case of a qualified limited assurance conclusion.

<sup>39</sup> The inclusion of the other information paragraph is one of the options catered for within ISAE 3000 (Revised). The auditor should use his/her professional judgment as to whether this paragraph is necessary for inclusion depending on how the auditor address the requirements of this standard under paragraph 62 and A143.

<sup>40</sup> Note: Contrary to the Part A Returns, there is no requirement to include “Emphasis of matter” before the title of this paragraph.

<sup>41</sup> To be included in the case of a qualified limited assurance conclusion.



**PART F: RETURNS RELATING TO THE MONTHS OTHER THAN YEAR-END:  
ENGAGEMENT TO PERFORM AGREED UPON PROCEDURES**

**Report of factual findings of the independent [auditor/auditors, delete as appropriate] on returns completed for months other than year-end**

We have performed the procedures agreed with the [directors/branch executive management, delete as appropriate] of the [Bank/Branch/Entity/Entities, delete as appropriate] and the PA, and enumerated below with respect to the BA returns specified below, for the months other than that ended [insert date], prepared and submitted to the PA in compliance with the provisions of Regulation 46(2)(b). Our engagement was undertaken in accordance with the International Standard on Related Services (“ISRS”) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The procedures were performed solely to assist the PA in evaluating whether any instances of non-compliance with the provisions of Regulation 46(2)(b) were identified. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the [directors/branch executive management, delete as appropriate] of the [Entity/Entities/Bank/Branch, delete as appropriate] and the PA. Our responsibility is to report our findings based on the agreed-upon procedures performed. Our findings in relation to our procedures exclude explanations by management. We are not required to and have not performed any additional procedures to corroborate explanations by management.

**Agreed-upon procedures in respect of BA returns for months other than year-end**

No	Procedures	Factual Findings
1.	<p>Obtain the reconciliations of the BA 100, BA 110, BA 120, BA 200 and BA 700 to the management accounts for the bank for all months other than year-end.</p> <p>Enquire of management and document its reasons for any reconciling differences.</p>	
2.	<p>Obtain all resubmitted return(s) made during the year for the other months after the date of the preceding year-end, excluding the current year-end, from management and perform the following procedures:</p> <p>a) Enquire of management and document its reasons for the resubmission.</p> <p>b) Re-perform the calculation of all limits on the resubmitted BA 130, BA 310, BA 600 and BA 700 and compare the reported limit to the required regulatory limit. Document any non-compliance issues identified.</p> <p>c) Where the resubmitted return validates (i.e. cross-references) to other returns in accordance with the PA validation</p>	

No	Procedures	Factual Findings
	rules, re-perform the validation check to confirm that it continues to reconcile with the other returns.	
3.	Enquire of management whether any changes to the regulatory reporting system were implemented during the year and the reasons therefore, including the introduction of new models, recalibrations etc. and record management's responses.	
4.	<p>Inspect the preceding year's BA returns management letter/findings from the external <i>[auditor/auditors, delete as appropriate]</i>, setting out any qualification, other matters and housekeeping matters reported.</p> <p>Through inspection of the year-end return and/or enquiry of management, document which of the above matters are not resolved at the end of the current year.</p>	
5.	<p>Inspect the current year's management letter from the external <i>[auditor/auditors, delete as appropriate]</i> setting out any qualification, other matters and housekeeping matters.</p> <p>Enquire of management to confirm whether, or not, other months are affected by the same errors.</p>	
6.	<p>a) Enquire of management whether any information contained in the BA returns, excluding the BA 900 return, are generated using spreadsheets.</p> <p>b) Enquire of management how the risks normally associated with the use of spreadsheets such as version control, change controls, data recovery etc. are mitigated and record management's responses.</p>	
7.	Obtain from the PA (e.g. in the bilateral meeting) copies of specified correspondence between the <i>[Entity/Entities/Bank/Branch, delete as appropriate]</i> and the PA, about BA reporting interpretations and errors to identify matters on which to perform procedures. From	

No	Procedures	Factual Findings
	<p>inquiry and inspection of supporting documents and recalculation of amounts (where necessary), test the matters inquired about.</p> <p><i>[We list the matters identified and include the detail of procedures performed and the results thereof]</i></p>	

Because the above procedures do not constitute either an audit or a review or other assurance engagement made in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, we do not express any assurance on the compliance of the BA returns for the months other than at year-end with the provisions of Regulation 46(2)(b).

Had we performed additional procedures or had we performed an audit or review, or other assurance engagement on the BA returns for the months other than at year-end in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.

**Restriction on use and distribution**

Our Part F report is provided solely for the purpose set out in the first paragraph of this Part F report and is restricted to those parties that have agreed to the procedures being performed. This Part F report relates only to the items specified above and does not extend to any financial statements of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, taken as a whole. As a result, our Part F report is not suitable for another purpose and the returns may also not be suitable for another purpose. Our Part F report should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]*.

**PART G: ENGAGEMENT TO PERFORM AGREED UPON PROCEDURES**

**1. Report of factual findings of the independent [auditor/auditors, delete as appropriate] on the reconciliation of the BA 900 (Economic returns) to the BA 100 (Balance Sheet) returns**

We have performed the procedure agreed with the [directors/branch executive management, delete as appropriate] of the [Bank/Branch/Entity/Entities, delete as appropriate] and the PA, and enumerated below with respect to the reconciliations of the BA 900 returns to the BA 100 returns specified below in compliance with Regulation 46(7). Our engagement was undertaken in accordance with the International Standard on Related Services (“ISRS”) 4400, *Engagements to perform Agreed-Upon Procedures Regarding Financial Information*. The procedure was performed solely to assist the PA in evaluating whether or not all forms BA 100 and BA 900 submitted by the [Bank/Branch/Entity/Entities, delete as appropriate] during the financial year-ended [insert financial year-end date] were in fact reconcilable with each other. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the [directors/branch executive management, delete as appropriate] of the [Bank/Entity/Entities/Branch, delete as appropriate] and the PA. Our responsibility is to report our findings based on the agreed-upon procedures performed.

**Agreed-upon procedure and finding in respect of the reconciliation of the BA 900 return to the BA 100 return**

No	Procedures	Factual Findings
1.	Inspect the reconciliations prepared by the [Bank/Bank Solo/Branch, delete as appropriate] between the BA 900 returns and the BA 100 returns for each month during the financial year-ended [insert date].  Document any reconciling items identified.	<b>POSSIBLE FINDINGS:</b> We inspected the reconciliations prepared by the [Entity/Entities/Bank/Branch, delete as appropriate], and the financial information included on the BA 900 returns for the financial year-ended [insert date] was reconciled with that on the BA 100 return for each month during the financial year-ended. The reconciling items reflected in the reconciliation for the month of [insert month and year] are set out in the attached schedule which we have [initialled/stamped] for identification purposes.

**2. Report of factual findings of the independent [auditor/auditors, delete as appropriate] on any instances of non-compliance with Regulations 27(6) in respect of BA 310 (Minimum Reserve Balance and Liquid Assets – pledged or otherwise encumbered), and non-compliance with Regulations 42(1)(a) and 42(1)(b) - BA 020 (Appointments of [directors/branch executive management, delete as appropriate] or executive officers), in accordance with Regulation 46(8)**

We have performed the procedures agreed with the [directors/branch executive management, delete as appropriate] of the [Bank/Branch/Entity/Entities, delete as appropriate] and the PA, and enumerated below with respect to the year-end BA 310 and BA 020 returns specified below in compliance with Regulation 46(8). Our engagement was undertaken in accordance with the International Standard on Related Services (“ISRS”) 4400, *Engagements to perform Agreed-Upon Procedures Regarding Financial Information*. The procedures were performed solely to assist the PA in evaluating whether any instances of non-compliance with the provisions of Regulations 27(6) (BA 310), 42(1)(a) and 42(1)(b) (BA 020) of the Regulations were identified. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that

of the *[directors/branch executive management, delete as appropriate]* of the *[Bank/Branch/Entity/Entities, delete as appropriate]* and the PA. Our responsibility is to report our findings based on the agreed-upon procedures performed.

**Agreed-upon procedures and findings in respect of the year-end BA 310 and BA 020 returns**

No	Procedures	Factual Findings
1.	For all financial instruments, comprising the liquid asset holdings contained in the year-end BA 310 return for the month of <i>[insert month and year]</i> and for the selected items, inspect documents of title in the name of the <i>[Bank/Bank Solo/Branch – delete as appropriate]</i> for assets in possession of the <i>[Bank/Bank Solo/Branch – delete as appropriate]</i> , for prima facie evidence that says assets were neither pledged nor otherwise encumbered in contravention of Regulation 27(6)(a).	<i>POSSIBLE FINDINGS:</i> None of the liquid assets included in our sample selected were found to be encumbered or in contravention of Regulation 27(6)(a).
2.	Obtain confirmation from the South African Reserve Bank (the “SARB”) regarding assets pledged by the <i>[Bank/Bank Solo/Branch – delete as appropriate]</i> to secure facilities, and the amount of the facilities actually utilised at close of business at year-end, and compare the amounts in the confirmation with the amount reflected as liquid assets in respect of assets pledged to the SARB in excess of the amount of the facilities actually utilised at close of business at year-end, and was not in contravention of Regulation 27(6)(b).	<i>POSSIBLE FINDING:</i> The confirmation from the SARB did not reveal any contravention of Regulation 27(6)(b).
3.	Obtain specific written representation from <i>[Bank/Bank Solo/Branch – delete as appropriate]</i> <i>[directors/branch management, delete as appropriate]</i> that the liquid assets contained in the year-end BA 310 return for the month of <i>[insert month and year]</i> were not pledged or encumbered in contravention of Regulation 27(6)(a) and 27(6)(b)	<i>POSSIBLE FINDING:</i> The written representation obtained from <i>[Bank/Branch – delete as appropriate]</i> <i>[directors/branch management, delete as appropriate]</i> indicated that the liquid assets contained in the BA 310 return for the month of <i>[insert month and year]</i> were unencumbered and in compliance with Regulation 27(6).

No	Procedures	Factual Findings
	during the period specified in Regulation 27(5).	
4.	Obtain from the Company Secretary a list of <i>[directors/branch executive management, delete as appropriate]</i> and executive officers appointed or reappointed during the financial year-ended <i>[insert date]</i> and inspect copies of the BA 020 return prepared in respect of each appointee for evidence of compliance with Regulations 42(1)(a) and 42(1)(b) respectively.	<i>POSSIBLE FINDING:</i> BA 020 return had been completed and submitted for all <i>[director/branch executive management, delete as appropriate]</i> and executive officer appointments during the year-ended <i>[insert date]</i> in compliance with Regulations 42(1)(a) and 42(1)(b) respectively.

**3. Report of factual findings of the independent [auditor/auditors, delete as appropriate] on the BA 125 (Return Regarding Shareholders) under the provisions specified in Regulations 46(1), 46(6) and 21<sup>42</sup>**

We have performed the procedures agreed with the directors of the *[Bank/Entity/Entities, delete as appropriate]* and the PA, and enumerated below with respect to the year-end BA 125 return specified below in compliance with Regulations 46(1), 46(6) and 21 of the Regulations of the Banks Act, 1990. Our engagement was undertaken in accordance with the International Standard on Related Services (“ISRS”) 4400, *Engagements to perform Agreed-Upon Procedures Regarding Financial Information*. The procedures were performed solely to assist the PA in identifying significant domestic or foreign shareholders holding more than 1% of the issued shares that control or may potentially control the Bank or Controlling Company based on the aggregate voting rights attaching to the total number and nominal value of individual classes of shares, convertible debentures and other instruments, issued by the *[Entity/Entities/Bank, delete as appropriate]*, with and without voting rights, as contained in the *[[Group statutory financial statements and Bank statutory financial statements] OR [Bank statutory financial statements]]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, recorded in the share register and reported in BA 125 as at the financial year-end. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors of the *[Bank/Entity/Entities – delete as appropriate]* and the PA. Our responsibility is to report our findings based on the agreed-upon procedures performed.

**Agreed-upon procedures and findings in respect of the BA 125 (Return Regarding Shareholders)**

No	Procedures	Factual Findings
1.	Agree the total number and nominal value of issued shares (columns 8 and 12), by class of share, with and without voting rights, to the <i>[[Group statutory financial statements and Bank statutory financial statements] OR [Bank statutory financial statements]]</i> of the	<i>POSSIBLE FINDING:</i> The total number and nominal value of issued shares (column 8 and 12), by class of share with and without voting rights agrees with the <i>[[Group statutory financial statements and Bank statutory financial statements] OR</i>

<sup>42</sup> Not applicable in respect of Branches, as the BA 125 is not required for these entities per the Branch Regulations.

No	Procedures	Factual Findings
	<i>[Entity/Entities/Bank/Branch, delete as appropriate].</i>	<i>[Bank statutory financial statements]] of the [Entity/Entities/Bank/Branch, delete as appropriate].</i>
2.	Cast and cross cast the return for accuracy.	<i>POSSIBLE FINDING:</i> The return casts and cross-casts.
3.	Inspect the analysis of shareholders obtained from the share register and agree this to amounts disclosed in the return by number of shareholders, number of shares and nominal value of shares (columns 1 to 3, 5 to 7 and 9 to 11).	<i>POSSIBLE FINDING:</i> The analysis of shareholders obtained from the respective share registers agrees with the amounts disclosed in the return by number of shareholders, number of shares (to nearest '000) and nominal value of shares (to nearest '000) (columns 1 to 3, 5 to 7 and 9 to 11).

Because the above procedures in Part 1, 2 and 3 of Part G do not constitute either an audit or a review or other assurance engagement made in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, we do not express any assurance on the reconciliations of BA 900 with the BA 100 returns or on the BA 310, BA 020 and BA 125 returns respectively.

Had we performed additional procedures or had we performed an audit or review, or other assurance engagement on the abovementioned BA returns in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.

**Restriction on use and distribution**

Our report in Parts 1, 2 and 3 of Part G report on the reconciliation of BA 900 returns with the BA 100 returns, and on the BA 310, BA 020 and BA 125 returns respectively is provided solely for the purpose set out in the first paragraph of each part of this Part G report and is restricted to those parties that have agreed to the procedures being performed. This Part G report relates only to the items specified above and does not extend to any financial statements of the *[Entity/Entities/Bank/Branch, delete as appropriate]*, taken as a whole. As a result, our Part G report is not suitable for another purpose and the returns may also not be suitable for another purpose. Our Part G report should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Entity/Bank Solo/Entities/Bank/Branch, delete as appropriate]*.

The Chief Executive Officer  
The Prudential Authority  
South African Reserve Bank  
PO Box 8432  
Pretoria  
0001

Dear Sir,

**REPORT OF THE APPOINTED [AUDITOR/AUDITORS, DELETE AS APPROPRIATE] TO THE PRUDENTIAL AUTHORITY (THE "PA") ON THE SIGNIFICANT WEAKNESSES IN THE SYSTEM OF INTERNAL CONTROLS, IN RESPECT OF CORPORATE GOVERNANCE, INTERNAL CONTROLS AND GOING CONCERN AND [INSERT BILATERAL ENGAGEMENT UNDERTAKEN] OF [NAME OF BANK CONTROLLING COMPANY AND [NAME OF BANK] (COLLECTIVELY THE "ENTITIES")] OR [NAME OF BANK – APPLICABLE TO STAND ALONE BANK OR FOREIGN BRANCHES] (THE "BANK") IN TERMS OF THE BANKS ACT NO. 94 OF 1990 (THE "ACT") AND THE REGULATIONS RELATING TO BANKS (THE "REGULATIONS")**

The respective Parts H to I reports attached to this report are made for the purpose of our compliance with the requirements of Regulation 46(3) and 46(4) of the Regulations on the significant weaknesses in the system of internal control, Regulations 39(19) and Regulations 40(4)(d) of the Regulations in respect of corporate governance, internal controls and going concern (and Regulations [xx] of the Regulations on [insert bilateral engagement undertaken]).

The respective Parts H to I reports attached to this report are not made in respect of an assurance engagement within the scope of the International Framework for Assurance Engagements. We have not followed any pronouncement as issued by the International Auditing and Assurance Standards Board for the completion of this assignment and as a result our report does not contain any assurance opinion or conclusion in relation to any of the matters specified in Regulations 46(3) and 46(4), 39(19), 40(4)(d) and [insert regulation for bilateral engagement undertaken] on which we are required to report under these Regulations.

**Restriction on use and distribution**

The respective Parts H to I reports attached to this report are provided solely for the purpose of meeting our responsibility to report to the PA as indicated above. Our reports are not suitable for another purpose and should not be distributed to or used by any other parties other than the PA and the [*directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate*] of the [*Bank/Entities, delete as appropriate*].

Should you wish to discuss the contents of the respective Parts H to I reports attached to this report in any further detail, please contact [*Partner/s Name/s and telephone number/s*].



Yours faithfully

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*[Partner's Signature]*  
*[Name of individual registered auditor]*  
*[Capacity if not a sole practitioner: e.g. Director or Partner]*  
*[Date of partner's report]*  
*[Partner's work address]*<sup>43</sup>

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*[Partner's Signature]*  
*[Name of individual registered auditor]*  
*[Capacity if not a sole practitioner: e.g. Director or Partner]*  
*[Date of partner's report]*  
*[Partner's work address]*

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<sup>43</sup> Each firm to determine the appropriate sign-off, although as these Parts are outside of the pronouncements of the International Auditing and Assurance Standards Board, it would generally be in the partner's personal capacity.

## **PART H: REPORT UNDER REGULATION 46(3) AND (4) OF THE REGULATIONS RELATING TO BANKS: SIGNIFICANT WEAKNESSES IN THE SYSTEM OF INTERNAL CONTROLS**

### **Report of the appointed [auditor/auditors, delete as appropriate], other than an assurance report, in respect of significant weaknesses in the system of internal controls**

This report is made to the Prudential Authority (the “PA”) under the requirements of Regulation 46(3) and 46(4) of the Regulations Relating to Banks (the “Regulations”) in respect of the following matters in relation to the [Bank/Entities/Entity/Branch, delete as appropriate], in our capacity as the appointed [auditor/auditors, delete as appropriate] of the [Bank/Entities/Entity/Branch, delete as appropriate]:

Regulation 46(3):

*...annually report to the PA on any significant weaknesses in the system of internal controls relating to (a) financial regulatory reporting and (b) compliance with the Act and the Regulations, that came to the auditor’s attention while performing the necessary auditing procedures to enable us to furnish our report to the PA required under Regulation 46(2) of the Regulations.*

Regulation 46(4):

*... annually ... report to the PA on any significant weaknesses in the system of internal controls that came to the auditor’s attention while performing the necessary auditing procedures as regards the policies, practices and procedures of the bank relating to (a) the granting of loans (b) the making of investments, (c) the ongoing management of the loan and investment portfolios and (d) the relevant credit impairments or loan loss provisions and reserves.*

This report is not made in respect of an assurance engagement within the scope of the *International Framework for Assurance Engagements*. We have not followed any pronouncement as issued by the International Auditing and Assurance Standards Board (“IAASB”) for the completion of this assignment and as a result our report does not contain any assurance opinion or conclusion in relation to any of the matters specified in Regulations 46(3) and 46(4) on which we are required to report under these Regulations.

### **Background information**

The Banks Act No. 94 of 1990 and the Regulations do not define the term “*significant weakness*”. As part of our audit of the [Bank’s/Entities’/Entity’s/Branch’s, delete as appropriate] statutory financial statements performed in accordance with the International Standards on Auditing and our audit, review and other assurance engagements performed in accordance with the relevant International Engagement Standards issued by the IAASB in respect of the BA returns in accordance with Regulation 46(1) and the requirements specified in Regulation 46(2) (“our specified engagements”), we obtained an understanding of the [Bank/Entities/Entity/Branch, delete as appropriate] and [its/their environment/environments], including [its/their] internal controls, for the purpose of identifying and assessing the risk of material misstatement of those statutory financial statements and the BA returns.

In the course of performing our audit of the [Bank’s/Entities’/Entity’s/Branch’s, delete as appropriate] statutory financial statements, we complied with the International Standard on Auditing (ISA) 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, which requires the [auditor/auditors, delete as appropriate] to communicate appropriately to those charged with governance and management any significant deficiencies in internal control that the [auditor/auditors, delete as appropriate] identified during the audit of the [Bank’s/Entities’/Entity’s/Branch’s, delete as appropriate] statutory financial statements.

The ISA 265 defines “*deficiencies in internal control*” as:

1. Deficiency in internal control – This exists when:

- A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the statutory financial statements on a timely basis; or
- A control necessary to prevent, or detect and correct, misstatements in the statutory financial statements on a timely basis is missing.

2. Significant deficiency in internal control – A deficiency or combination of deficiencies in internal control that, in the *[auditor/auditors, delete as appropriate]* professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Our work performed for the purpose of completing our specified engagements was not designed to express an opinion or conclusion on the design and/or operating effectiveness of the internal controls.

*[[For the PA's information, we set out in Appendix XXX to this report an extract of those significant deficiencies in internal control that we identified during our specified engagements and communicated to the [directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management, delete as appropriate] of the [Bank/Branch, delete as appropriate] on [date]].*

OR

*[For the PA's information, we set out in Appendix XXX to this report the statutory audit report(s) to the audit committee(s), which includes the significant findings identified during the specific engagement and communicated to the audit committee(s) of the [Bank/Branch/Entity/Entities, delete as appropriate] on [date]].]*

#### **Restriction on use and distribution**

This report is provided solely for the purpose of meeting our responsibility to report to the PA as indicated above. Our report is not suitable for another purpose and should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management, delete as appropriate]* of the *[Bank/Entities/Entity/Branch, delete as appropriate]*.

**Guidance (To be removed from report before issue):** *The matters to be included in Appendix XXX above relate only to those significant items that are reported to the audit committee(s) or equivalent management committee (in the case of foreign branches). This appendix can be*

- *an extract from the audit committee document*
- *or be attached as a separate document to accompany this report*
- *or those significant control matters included in the Report to Management or equivalent report, where no audit committee document was prepared.*

*It is not expected that matters of a housekeeping nature be reported.*

## **PART I: REPORTS UNDER THE REGULATIONS RELATING TO BANKS IN RESPECT OF CORPORATE GOVERNANCE, INTERNAL CONTROLS AND GOING CONCERN**

### **Part I(1): Report of the appointed [auditor/auditors delete as appropriate], other than an assurance report, in respect of Corporate Governance in accordance with the requirements specified in Regulation 39(18)**

This report is made to the Prudential Authority (the “PA”) under the requirements of Regulation 39(19) of the Regulations Relating to Banks (the “Regulations”) in respect of the following matters in relation to the [Bank/Entity/Entities/Branch, delete as appropriate], in our capacity as the appointed [auditor/auditors, delete as appropriate] of the [Bank/Entity/Entities/Branch, delete as appropriate].

Regulation 39(19) requires the [auditor/auditors, delete as appropriate] to “annually review the process followed by the board of directors in assessing the corporate governance arrangements, including the management of risk and capital and their assessment of capital adequacy, and report to the PA whether any matters have come to their attention to suggest that they do not concur with the findings reported by the board of directors ...” in the [board of directors’/branch executive management’s, delete as appropriate] documented assessment required under Regulation 39(18) (“the findings documented by [the Board(s)/executive management]”). If we do not concur with the findings documented by [the Board(s) executive management], we are required to provide our reasons therefore.

This report is not made in respect of an assurance engagement within the scope of the *International Framework for Assurance Engagements*. We have not followed any pronouncement as issued by the International Auditing and Assurance Standards Board (“IAASB”) for the completion of this assignment and as a result our report does not contain any assurance opinion or conclusion in relation to any of the matters specified in Regulation 39(19) on which we are required to report.

#### **[Directors’/Branch executive management’s, delete as appropriate] responsibility relating to corporate governance processes**

Regulation 39(1) provides that the [Board(s) of directors/branch executive management, delete as appropriate] ([the “Board(s)/executive management”]) of the [Bank/Entity/Entities/Branch, delete as appropriate] is/are ultimately responsible for ensuring that an adequate and effective process of corporate governance is established and maintained under Regulation 39:

- which is consistent with the nature, complexity and risk inherent in the [Bank’s/Entity’s/Entities’/Branch’s, delete as appropriate] on-balance sheet and off-balance sheet activities; and
- that responds to changes in the [Bank’s/Entity’s/Entities’/Branch’s, delete as appropriate] environment and conditions.

Under Regulation 39(2) this process includes the maintenance of effective risk management and capital management by the [Bank/Entity/Entities/Branch, delete as appropriate].

Under Regulation 39(18)(a), [the Board(s)/executive management] is/are also required to assess and document, at least annually, whether the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy implemented by the [Bank/Entity/Entities/Branch, delete as appropriate] successfully achieve the objectives specified by [the Board(s)/executive management].

Appendix A to this report contains a description of the [Bank’s/Entity’s/Entities’/Branch’s, delete as appropriate] corporate governance arrangements, including the management of risk and capital, extracted from the [identify the document that contained the [directors’/branch executive management] documented assessment under Regulation 39(18)(a), for example the *Integrated Risk Report*].

## **Inherent Limitations**

Because of the inherent limitations of any process of corporate governance, errors or fraud may not be prevented or detected, and due to the complexity and risk inherent in a *[bank's/entity's/entities'/branch's, delete as appropriate]* activities, the process of internal controls, risk management, capital management and capital adequacy assessment implemented may not successfully achieve the objectives determined by *[the Board(s)/executive management]*. Furthermore, projections of *[the Board(s)/executive management]*'s findings from its annual assessment of the corporate governance, internal controls, risk management, capital management and capital adequacy, to future periods are subject to the risk that the overall effectiveness may become inadequate, because of changes in circumstances or that the degree of compliance with the laid down corporate governance, internal controls, risk management, capital management and capital adequacy processes may deteriorate.

## **Our responsibility and summary of our work**

We have read the findings documented by the *[Board(s)/executive management]* and we have exercised our professional judgement in assessing those findings and in performing the procedures set out in Appendix B to this report, for the purpose of reporting to the PA under Regulation 39(19).

*[In line with the scope of our work described above and pursuant to Regulation 39(19), we have no matters to report.*

OR

*In line with the scope of our work described above and pursuant to Regulation 39(19), we report that a matter has/matters have come to our attention, as set out in Appendix B to our Report together with our reasons for not concurring with those findings – refer to *[include item references]*.*

OR

*In line with the scope of our work described above and pursuant to Regulation 39(19), we include Appendix XXX, being the statutory audit report presented to the Audit Committee of the *[Bank/Entity/Entities/Branch, delete as appropriate]* on the *[insert date]* and refer you to our Appendix A report that a matter has/matters have come to our attention, which highlights *[include item references or further detail]* which may affect the *[Board/executive management]* in meeting its objectives.]*

## **Restriction on use and distribution**

This report is provided solely for the purpose of meeting our responsibility to report to the PA as indicated above. Our report is not suitable for another purpose and should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Bank/Entity/Entities/Branch, delete as appropriate]*.

## **Appendix A to Report I(1):**

Set out below is the *[Board's/executive management's]* documented assessment of the *[Bank's/Entity's/Entities/Branch's, delete as appropriate]* processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy implemented by the *[Bank/Entity/Entities/Branch, delete as appropriate]*, and of whether these processes successfully achieve the objectives specified by *[the Board/executive management]*, as required under Regulation 39(18) of the Regulations. This information has been extracted from the *[identify the document that contains the directors'/branch executive management's description, for example the Integrated Risk Report]*.

**Appendix B to Report I(1):**

The following procedures were performed:

No	Procedures	Results of procedures performed	Management comment
1.			
2.			
3.			
4.			
5.			
6.			

**Part I(2): Report of the appointed [auditor/auditors, delete as appropriate], other than an assurance report, in respect of Internal Controls and Going Concern**

This report is made to the PA under the requirements of Regulation 40(4)(d) of the Regulations in respect of the following matters in relation to the [Bank/Entity/Entities/Branch, delete as appropriate], in our capacity as the appointed [auditor/auditors, delete as appropriate] of the [Bank/Entity/Entities/Branch, delete as appropriate].

This Regulation requires the external [auditor/auditors, delete as appropriate] of a bank to report annually to the PA in accordance with the requirements specified in Regulation 40(4)(d), whether or not the [auditor/auditors, delete as appropriate] concurs with the annual reports made by the [directors/branch executive management, delete as appropriate] to the PA in accordance with Regulation 40(4)(a) and (b) (“the annual reports made by the [directors/branch executive management, delete as appropriate]”), included as Appendix A to this report, and if not to provide reasons therefore.

This report is not made in respect of an assurance engagement within the scope of the *International Framework for Assurance Engagements*. We have not followed any pronouncement as issued by the IAASB for the completion of this assignment and as a result our report does not contain any assurance opinion or conclusion in relation to any of the matters on which we are required to report under Regulation 40(4)(d).

**Internal controls**

*[Directors/Branch executive management’s, delete as appropriate] responsibility for internal controls*

Under Regulation 40(4)(a) of the Regulations, the [directors/branch executive management, delete as appropriate] are responsible for reporting annually to the Prudential Authority on the [Bank’s/Entity’s/Entities/Branch’s, delete as appropriate] internal controls, on its maintenance of high ethical standards by [Bank/Entity/Entities/Branch, delete as appropriate] employees, on its implementation of the required compensation policies under Regulation 39(16)(a), and on whether any material malfunction (as defined and documented by the [Board of directors/branch executive management, delete as appropriate], and submitted to the PA) has occurred in the functioning of the aforementioned controls, procedures and systems during the period under review in accordance with Regulation 40(4)(a)(vi).

*Our responsibility and summary of our work*

For the purposes of completing our audit of the [[Group statutory financial statements and Bank statutory financial statements] OR [Bank statutory financial statements] of the [Entity/Entities/Bank/Branch, delete as appropriate]], and our audit, review and other assurance engagements work performed in respect of the BA returns in accordance with Regulation 46(1) and the requirements specified in Regulation 46(2), (“our specified engagements”) we obtained an understanding of the [Bank/Entity/Entities/Branch, delete as appropriate] and [its/their environment/environments], including [its/their] internal controls, for the purpose of identifying and assessing the risk of material misstatement of the [[Group statutory financial statements and Bank statutory financial statements] OR [Bank statutory financial statements]] of the [Entity/Entities/Bank/Branch, delete as appropriate] and the BA returns. For the PA’s information we have set out in the Part H report and the appendix thereto an extract of significant deficiencies in internal control identified during our specified engagements and communicated to the [directors/branch executive management, Board, Sub-Committee Chairpersons, Management,



*Regulatory Reporting management delete as appropriate] of the [Bank/Entity/Entities/Branch, delete as appropriate] on [date].*

We have read the *[annual report/annual reports, delete as appropriate]* made by the *[directors/branch executive management, delete as appropriate]* under Regulation 40(4)(a) and we have exercised our professional judgement in the context of our understanding of the *[Bank/Entity/Entities/Branch, delete as appropriate]* and *[its/their environment/envirionments]*, including *[its/their]* internal controls, obtained in our specified engagements described above, for the purpose of reporting to the PA under Regulation 40(4)(d).

We emphasise that our procedures performed for purposes of completing our specified engagements were not designed to express an opinion or conclusion on the operating effectiveness of those internal controls, or whether internal controls based on established policies and procedures are implemented by trained skilled personnel in accordance with Regulation 40(4)(a)(ii), nor to assess whether the bank implemented and continuously maintained compensation policies, processes and practices that, as a minimum, comply with the requirements specified in Regulation 39(16)(a), and nor to assess whether all the employees of *[Bank/Entity/Entities/Branch, delete as appropriate]* maintained high ethical standards, thereby ensuring that the *[Bank's/Entity's/Entities/Branch's, delete as appropriate]* business practices were conducted in a manner that was above reproach, in accordance with Regulation 40(4)(a)(iv).

*[In line with the scope of our work described above and pursuant to Regulation 40(4)(d), we have no matters to report.*

OR

*In line with the scope of our work described above and pursuant to Regulation 40(4)(d), we report that the following matter has/matters have come to our attention:*

- *[insert matters or reference to matters], delete and amend as appropriate]*

### **Going concern**

*[Directors/Branch Executive management's, delete as appropriate] responsibility for going concern*

Under Regulation 40(4)(b) of the Regulations the *[directors/branch executive management, delete as appropriate]* are required to annually report to the PA that there is no reason to believe that the *[Bank/Entity/Entities/Branch, delete as appropriate]* will not be *[a going concern/going concerns, delete as appropriate]* in the year ahead and, if that is not so, to disclose and explain reasons for so reporting

*Our responsibility and summary of our work*

We completed our audit of the *[[Group statutory financial statements and Bank statutory financial statements] OR [Bank statutory financial statements]]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]* for the financial year ended *[insert year-end date]*, on which we issued an unmodified opinion *[adjust as applicable]* on *[insert date auditor's/auditors' report was signed]*.

For the purpose of our audit of those statutory financial statements and for the purposes of our Part A report, we considered the appropriateness of the *[directors/branch executive management's]* use of the going concern assumption for preparation of those statutory financial statements, and whether there were identified events or conditions and related business risks that gave rise to a material uncertainty that may cast significant doubt on the *[Bank's/Entity's/Entities/Branch's, delete as appropriate]* ability to continue as *[a going concern/going concerns, delete as*

*appropriate*] in the year ahead. The *[auditor/auditors, delete as appropriate]* cannot predict future events or conditions that may cause the *[Bank/Entity/Entities/Branch, delete as appropriate]* to cease to continue as *[a going concern/going concerns, delete as appropriate]*. Accordingly, the absence of any reference in the audited *[[Group statutory financial statements and Bank statutory financial statements] OR [Bank statutory financial statements]]* of the *[Entity/Entities/Bank/Branch, delete as appropriate]* and in our *[auditor's/auditors', delete as appropriate] [report/reports, delete as appropriate]* on those statutory financial statements to a material uncertainty in relation to going concern is not a guarantee as to the *[Bank's/Entity's/Entities'/Branch's, delete as appropriate]* ability to continue as a *[a going concern/going concerns, delete as appropriate]* in the year ahead.

We have read the annual *[report/reports, delete as appropriate]* made by the *[directors/branch executive management, delete as appropriate]* under Regulation 40(4)(b) and we have exercised our professional judgement in the context of our work performed for the purpose of completing our audit(s) of the *[Bank's/Entity's/Entities'/Branch's, delete as appropriate]* statutory financial statements described above, for the purpose of reporting to the PA under Regulation 40(4)(d).

*[In line with the scope of our work described above and pursuant to Regulation 40(4)(d), we have no matters to report.*

OR

*In line with the scope of our work described above and pursuant to Regulation 40(4)(d), we report that the following matter has/matters have come to our attention:*

- *[insert matters or reference to matters], delete and amend as appropriate]*

#### **Restriction on use and distribution**

This report is provided solely for the purpose of meeting our responsibility to report to the PA as indicated above. Our report is not suitable for another purpose and should not be distributed to or used by any other parties other than the PA and the *[directors/branch executive management, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting management delete as appropriate]* of the *[Bank/Entity/Entities/Branch, delete as appropriate]*.

**Appendix A to Report I(2):**

*Relevant extracts from the annual reports made by the [directors/branch executive management, delete as appropriate] to the PA in accordance with Regulation 40(4) (a) and (b).*