

The Registrar of Banks
South African Reserve Bank
PO Box 8432
Pretoria
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Dear Sir,

REPORT OF THE APPOINTED [AUDITOR'S/AUDITORS' – use the plural form when more than one firm is appointed as auditor, for example in joint audit situations. Apply consistently throughout report] other than an assurance report

REPORT TO THE REGISTRAR OF BANKS (THE “REGISTRAR”) 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] Delete what is not applicable] 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 I to J 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 Relating to Banks (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 I to J 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 (“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), 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 I to J reports attached to this report are provided solely for the purpose of meeting our responsibility to report to the Registrar 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 Registrar and the [Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting] of the [Bank/Entities, delete as appropriate].

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

Yours faithfully

[PARTNER NAME]

Partner / Director

Registered Auditor

[Date]

[PARTNER NAME]

Partner / Director

Registered Auditor

[Date]

[FIRM]

[Address]

[FIRM]

[Address]

PART I: 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, other than an assurance report, in respect of significant weaknesses in the system of internal controls

This report is made to the Registrar of Banks (the "Registrar") 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, delete as appropriate*], in our capacity as the appointed auditor of the [*Bank/Entities, delete as appropriate*]:

Regulation 46(3):

...annually report to the Registrar 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 Registrar required under Regulation 46(2) of the Regulations.

Regulation 46(4):

... annually ... report to the Registrar 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', 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, delete as appropriate*] and its / their environment(s), including its / their internal controls, for the purpose of identifying and assessing the risk of material misstatement of the statutory financial statements and the BA returns.

In the course of performing our audit of the statutory financial statements, we complied with International Standard on Auditing (ISA) 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, which requires the auditor to communicate appropriately to those charged with governance and management any significant deficiencies in internal control that the auditor identified during the audit of the 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’s 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 Registrar’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 Audit Committee and/or Directors and/or management*] of the [*Bank/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 Registrar 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 Registrar and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the [*Bank/Entities, 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 or equivalent management committee (in the case of foreign branches). This appendix can be an extract from the audit committee document 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 J: REPORTS UNDER THE REGULATIONS RELATING TO BANKS (THE REGULATIONS) IN RESPECT OF CORPORATE GOVERNANCE, INTERNAL CONTROLS AND GOING CONCERN

Part J (1): Report of the appointed auditor, 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 Registrar of Banks (the “Registrar”) 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/Entities, delete as appropriate]*, in our capacity as the appointed auditor of the *[Bank/Entities, delete as appropriate]*.

Regulation 39(19) requires the auditor to “*annually review the process followed by the Directors of the [Bank/Entities, delete as appropriate] in assessing the corporate governance arrangements including the management of risk and capital and their assessment of capital adequacy, and report to the Registrar whether any matters have come to their [the auditor’s] attention to suggest that they do not concur with the findings reported by the board of directors ...*” in the board of directors’ documented assessment required under Regulation 39(18) (“the findings documented by the Board(s)”). If we do not concur with the findings documented by the Board(s), 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’ responsibility relating to corporate governance processes

Regulation 39(1) provides that the Board(s) of Directors (the “Board(s)”) of the *[Bank/Entities, 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/Entities, delete as appropriate]*’s on-balance sheet and off-balance sheet activities; and
- that responds to changes in the *[Bank/Entities, delete as appropriate]*’s environment and conditions.

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

Under Regulation 39(18)(a), the Board(s) 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/Entities, delete as appropriate]* successfully achieve the objectives specified by the Board(s).

Appendix A to this report contains a description of the *[Bank’s/Entities’, delete as appropriate]* corporate governance arrangements, including the management of risk and capital, extracted from the *[identify the document that contained the Directors’ 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 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). Furthermore, projections of the Board(s)’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) 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 Registrar 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]*.

Restriction on use and distribution

This report is provided solely for the purpose of meeting our responsibility to report to the Registrar 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 Registrar and the *[Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting]* of the *[Bank/Entities, delete as appropriate]*.

Appendix A to Report J (1):

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

Appendix B to Report J (1):

The following procedures were performed:

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

Part J (2): Report of the appointed auditor, other than an assurance report, in respect of Internal Controls and Going Concern

This report is made to the Registrar of Banks (the “Registrar”) under the requirements of Regulation 40(4)(d) of the Regulations Relating to Banks (the “Regulations”) in respect of the following matters in relation to the *[Bank/Entities, delete as appropriate]*, in our capacity as the appointed auditor of the *[Bank/Entities, delete as appropriate]*.

This Regulation requires the external auditor of a bank to report annually to the Registrar in accordance with the requirements specified in Regulation 40(4)(d), whether or not the auditor concurs with the annual reports made by the Directors to the Registrar in accordance with Regulation 40(4)(a) and (b) (“the annual reports made by the Directors”), 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 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 on which we are required to report under Regulation 40(4)(d).

Internal controls

Directors’ responsibility for internal controls

Under Regulation 40(4)(a) of the Regulations, the Directors are responsible for reporting annually to the Registrar of Banks on the *[Bank/Entities, delete as appropriate]*’s internal controls, on its maintenance of high ethical standards by *[Bank/Entities, 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, and submitted to the Registrar) 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 *[Bank’s/Entities’, delete as appropriate]* statutory financial statements, 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/Entities, delete as appropriate]* and its/their environment(s), including its/their internal controls, for the purpose of identifying and assessing the risk of material misstatement of the statutory financial statements and the BA returns. For the Registrar’s information we have set out in the Part I report and the appendix thereto an extract of significant deficiencies in internal control identified during our specified engagements and communicated to *[the Audit Committee and/or Directors and/or management]* of the *[Bank/Entities, delete as appropriate]* on *[date]*.

We have read the annual report made by the Directors under Regulation 40(4)(a) and we have exercised our professional judgement in the context of our understanding of the *[Bank/Entities, delete as appropriate]* and its/their environment, including its/their internal controls, obtained in our specified engagements described above, for the purpose of reporting to the Registrar 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/Entities, delete as appropriate*] maintained high ethical standards, thereby ensuring that the bank's/Entities' 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*]

Going concern

Directors' responsibility for going concern

Under Regulation 40(4)(b) of the Regulations the Directors are required to annually report to the Registrar that there is no reason to believe that the [*Bank/Entities, delete as appropriate*] will not be a going concern 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

Our audit of [*Bank's/Entities', delete as appropriate*] statutory financial statements for the year ended [*date*] was completed on [*date*] and our [*unqualified/modified*] audit opinion on those statutory financial statements was reported on [*date*]. We have not performed any procedures to assess whether or not [*Bank is a/Entities are, delete as appropriate*] going concern(s) after the date of our auditors' report on those statutory financial statements.

For the purpose of our audit of those statutory financial statements we considered the appropriateness of the Directors' 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/Entities', delete as appropriate*] ability to continue as (a) going concern(s) in the year ahead. The auditor cannot predict future events or conditions that may cause the [*Bank/Entities, delete as appropriate*] to cease to continue as (a) going concern(s). Accordingly the absence of any reference in the audited statutory financial statements and in our auditor's report on those statutory financial statements to a material uncertainty in relation to going concern is not a guarantee as to the Banks'/Entities' ability to continue as a going concern in the year ahead.

We have read the annual report made by the Directors 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/Entities', delete as appropriate*] statutory financial statements described above, for the purpose of reporting to the Registrar 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*]

Restriction on use and distribution

This report is provided solely for the purpose of meeting our responsibility to report to the Registrar 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 Registrar and the [*Directors, Board, Sub-Committee Chairpersons, Management, Regulatory Reporting*] of the [*Bank/Entities, delete as appropriate*].

Appendix A to Report J (2):

Relevant extracts from the annual reports made by the Directors to the Registrar in accordance with Regulation 40(4) (a) and (b).