

[Insert date]

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

Dear Sir/Madam,

**AGREED-UPON PROCEDURES REPORT WITH REGARD TO THE CONTROLS IDENTIFIED BY THE CHIEF REPRESENTATIVE OFFICER (“CRO”) OF [INSERT NAME OF REPRESENTATIVE OFFICE] (“THE REPRESENTATIVE OFFICE”) IN ACCORDANCE WITH DIRECTIVE 2 OF 2022 (THE “DIRECTIVE”)**

**Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution**

Our report on the controls identified by the CRO as set out in Appendix 1 is provided in accordance with section 2.1.3 of the Directive, solely for the purpose of assisting the Prudential Authority (the “PA”) in evaluating whether the internal control objectives set out in section 2.1.2 of the Directive have been met by the Representative Office as set out in the internal control report submitted to the PA and may not be suitable for another purpose. This report is intended solely for the directors of [Insert name of Bank] and the PA and should not be used by, or distributed to, any other parties.

**Responsibilities of the directors of the Bank, the CRO and the PA**

The directors of *[Insert name of Bank]* and the PA have acknowledged that the agreed-upon procedures are appropriate for the purposes of the engagement.

The CRO of the Representative Office are responsible for the subject matter on which the agreed-upon procedures are performed.

**Auditor’s responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the directors of the Company, and reporting the

findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

**[For engagements beginning before 15 December 2022]** [Delete block if not applicable]

**Professional ethics and quality control**

**When there are no independence requirements, include the following paragraphs:**

We have complied with the ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code). The IRBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour; and it 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)*. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

The [firm applies/firms applied] 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 a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

**When there are independence requirements, include the following paragraphs:**

We have complied with the ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), and the independence requirements in Part 4A of the IRBA Code. The IRBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour; and it 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 applied] 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 a comprehensive system of quality control, including documented policies and procedures regarding compliance with

ethical requirements, professional standards, and applicable legal and regulatory requirements.

**[For engagements beginning on or after 15 December 2022]** [Delete block if not applicable]  
**Professional ethics and quality management**

**When there are no independence requirements, include the following paragraphs:**

We have complied with the ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code). The IRBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour; and it 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)*. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

The firm applies the International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

**When there are independence requirements, include the following paragraphs:**

We have complied with the ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), and the independence requirements in Part 4A of the IRBA Code. The IRBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour; and it 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 the International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

## Procedures and Findings

We have performed the procedures described in the table below, which were agreed upon with the directors of [Insert name of Bank] in respect of the controls identified by the CRO as set out in Appendix 1.

Our procedures do not extend to the following internal control objectives as set in the Directive which accordingly do not form part of the scope of our agreed-upon procedures engagement:

- The implementation of the established policies and procedures by trained, skilled personnel, whose duties have been segregated appropriately;
- Evaluating whether all Representative Office employees have maintained high ethical standards in the execution of their duties, thereby ensuring that the Representative Office's business practices are conducted in a manner that is above reproach; and
- The appropriateness of supporting documentation as it relates to disbursements.

Yours faithfully <sup>1</sup>

[Insert firm name]

[Insert firm name] <sup>2</sup>

\_\_\_\_\_  
Per [Insert name]

\_\_\_\_\_  
Per [Insert name]

<sup>1</sup> Each firm to include their own signing conventions. For local registered banks in SA, the signing will be done by the PA approved BA 006 auditor.

<sup>2</sup> In case of joint auditors appointed to a Bank or Controlling Company, joint sign-off will be required for the Rep Offices of local registered Banks (registered with the PA) operating in foreign jurisdictions.

**APPENDIX 1**

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
<b>Monthly budgetary statement</b>				
<ul style="list-style-type: none"> <li>• Budgetary statements are approved and authorised.</li> <li>• Segregation of duties exists over the preparation and authorisation of the budgetary statements.</li> </ul>		<ol style="list-style-type: none"> <li>1. Obtain from [<i>State the name and designation e.g., the Chief Representative Officer</i>] the monthly budgetary statements for the financial period referred to in the Internal Controls report and perform the following procedures:               <ol style="list-style-type: none"> <li>a. Inspect the monthly budgetary statement and document whether a signature/stamp/system approval indicate that it is authorised. Obtain and document explanations for any exceptions identified from [<i>state name and designation of individual</i>]; and</li> <li>b. Document the name of the preparer and the name of the</li> </ol> </li> </ol>		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		authoriser of the budgetary statement[s].		
<b>Disbursements</b>				
<ul style="list-style-type: none"> <li>Disbursements are valid, and supported by appropriate documentation.</li> <li>Disbursements are authorised.</li> <li>Segregation of duties exists over the initiation and authorisation of the disbursements.</li> </ul>		<p>2. Obtain from <i>[State the name and designation e.g., the Chief Representative Officer]</i> all bank statements covering the financial period referred to in the internal controls report and perform the following procedures:</p> <p>2.1 Using the bank statements select <i>[the largest disbursement relating to the last week of each month of the year / a random sample of 12 disbursements for the year by using [insert name of sampling tool]]</i> and obtain from <i>[state name and designation]</i> supporting documentation and perform the following:</p> <p>a. Inspect the supporting</p>		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		<p>documentation obtained in 2.1 above and note whether the supporting documents are in the name of the Representative Office or the Bank. Obtain and document explanations for any exceptions identified from [state name and designation of individual];</p> <p>b. Agree the amount of the disbursement recorded per the bank statement to the amount as per the supporting documentation. Obtain and document explanations for any exceptions identified from [state name and designation of individual];</p> <p>c. Inspect the supporting documentation provided in 2.1 above for a [signature/stamp/system approvals / specify other</p>		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		<p><i>manner if required]</i> that demonstrates that the disbursement was authorised;</p> <p>d. Inspect the supporting documentation provided in 2.1 above and note whether it is marked as paid/cancelled/ [<i>specify manner applied by management to prevent duplicate payment</i>]; and</p> <p>e. Document the name of the person who executed the payment and the name of the person who [<i>prepared/authorised</i>] the [<i>invoice/payment</i>].</p>		
<b>Bank and cash reconciliations</b>				
<ul style="list-style-type: none"> <li>Bank and cash reconciliations are prepared and reviewed monthly.</li> <li>Segregation of duties exists</li> </ul>		3. Obtain from [state name and designation] all monthly bank and cash reconciliations for all bank accounts covering the financial period referred to in the internal		



Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
over the preparation and review of the bank reconciliation.		<p>controls report and perform the following procedures:</p> <p>3.1. Inspect all monthly bank and cash reconciliations obtained in procedure 3 above for a stamp or signature that demonstrates that the reconciliation was reviewed.</p> <p>3.2 Document the name of the person/s who prepared and reviewed each reconciliation.</p>		
<b>Manual journal entries</b>				
<ul style="list-style-type: none"> <li>Manual journal entries are authorised.</li> <li>Segregation of duties exists over the preparation and authorisation of the all journal entries.</li> </ul>		<p>4. Obtain from [state name and designation] the listing of manual journals processed for the period covered by the Internal Controls report and select <i>[a sample of manual journal entries that includes the largest entry processed for each month of the financial period referred to in the Internal Controls report / a random sample of 12 manual</i></p>		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		<p><i>journal entries for the year by using [insert name of sampling tool]. Perform the following procedures:</i></p> <p>4.1. For each journal entry selected above obtain from [<i>state name and designation</i>] supporting documentation that demonstrates that the journal entry was authorised and that reflects the name of the preparer and approver.</p> <p>4.2 For each journal entry selected above inspect the supporting documentation obtained in 4.1 above for a [<i>signature / stamp / system approval / specify other manner as required of the journal entry/ other supporting documentation as applicable</i>] that demonstrates that the journal entry has been authorised.</p>		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		<p>4.2 For each journal entry selected above inspect the supporting documentation obtained in 4.1 above and document the name of the preparer and the name of the authoriser.</p> <p>Obtain and document explanations for any exceptions identified from [state name and designation of individual]</p>		
<b>Policies and procedures</b>				
All internal controls relating to the integrity and reliability of the representative office's monthly budgetary statements and safeguard, verify and maintain accountability of the representative office's assets and activities and are based on established policies and procedures.		<p>a. Inquire from [state name and designation] as to whether there are established policies and procedures for the internal controls covering:</p> <ul style="list-style-type: none"> <li>• Budgetary statements</li> <li>• Bank reconciliations</li> <li>• Manual journal entries</li> </ul> <p>b. For those internal controls</p>		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		identified in a above for which there are established policies and procedures, obtain the policies and procedures from [state name and designation]. Append the documents received to the report.		
<b>Monitoring of internal controls</b>				
Internal controls are monitored by an independent function.		5. Perform the following: a. Inquire from <i>[insert name and designation of individual]</i> whether an independent function monitors the Representative Office's internal controls. If so, inquire about the name of the function who performs the monitoring of the internal controls and the date of the independent function's last report issued on the Representative Offices internal		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		<p>controls. Document their responses.</p> <p>b. Obtain the [<i>specify document inspected, such as internal audit report, compliance report or an alternative document evidencing the monitoring of internal controls</i>], being the report identified by [<i>specify name and designation</i>] that demonstrates that an independent function monitors the Representative Office's internal controls, and document the date of the document. Append the document obtained to the report.</p>		
<b>Internal control effectiveness</b>				
Internal controls operated effectively throughout the year under review.		6. Inspect the [ <i>Representative Office internal control report submitted to the PA</i> ] for CRO's		

Control objectives of the Directive	Controls identified by the CRO	Procedures performed by the independent auditor	Findings	
			Auditor's findings	Explanations obtained from management in respect of exceptions found by the auditor
		conclusion as to whether the system of internal control has functioned effectively throughout the preceding twelve month period. Document their conclusion.		