

## UPDATED IN MAY 2023

**Effective date:** Effective for financial years ending on or after 30 June 2023.

Note that this illustrative report is a template and changes may be made to it to the extent required, provided they are consistent with the relevant IRBA pronouncements and terms of the engagement. Where substantive changes are made to the illustrative report, firms should consider their own internal policies and procedures, to ensure compliance with reporting requirements.

Note that the illustrative reports were updated for the following:

1. As it relates to the Parts A, B, C and D reports:
  - The removal of the reporting line references from the reports into a separate document issued by the Prudential Authority (PA);
  - As it relates to the Other information sections:
    - Identification of the Other information with reference to the document issued by the PA;
    - Ensuring the wording of the Other information section for the Parts B, C and D reports align with the requirements of ISRE 2410 and ISAE 3000 (Revised);
  - Updates to the Other matter paragraphs.
2. Inclusion of a Part G report to address the reporting requirements of Regulation 6(3).
3. Conforming and consequential amendments to the IAASB's International Standards arising from the IAASB's Quality Management Standards.
  - **Effective date:**
    - Audits and reviews of financial statements for periods beginning on or after 15 December 2022; and
    - Other assurance and related services engagements beginning on or after 15 December 2022.

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

Dear [Sir/Madam]

**REPORT OF THE INDEPENDENT AUDITOR TO THE PRUDENTIAL AUTHORITY (THE “PA”) ON THE STATUTORY RETURNS OF XYZ MUTUAL BANK (THE “BANK”) IN TERMS OF THE MUTUAL BANKS ACT, 1993 (THE “ACT”), AND THE REGULATIONS RELATING TO MUTUAL BANKS (THE “REGULATIONS”)**

The respective Parts A to F reports, attached to this report, are made for the purpose of our compliance with the reporting requirements of Regulations 6(1), 6(2)(a), 6(2)(b) and 6(6) of the Regulations in relation to the statutory returns (the “returns”) submitted to the PA by the Bank during the year ended *[insert the year-end date]*.

**Directors’ Responsibility for the Returns**

The directors are responsible for ensuring the Bank’s 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 the year-end date]*; and for such internal control as the directors determine is necessary to enable the preparation of the returns that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to issue our reports under Regulations 6(1), 6(2)(a), 6(2)(b) and 6(6) of the Regulations, in respect of the returns submitted to the PA by the Bank which are set out in Parts A to F, attached to this report, that express our audit opinion, review conclusion, limited assurance conclusions and to perform certain agreed-upon procedures 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 (“ISREs”), International Standards on Assurance Engagements (“ISAEs”) and International Standards on Related Services (“ISRSs”), as applicable; and to report on such additional matters as required by the PA and as set out in the respective Parts A to F reports.

We completed our audit of the statutory financial statements of the Bank for the financial year ended *[insert the year-end date]*, on which we issued an unmodified opinion *[adjust as applicable]* on *[insert the date the auditor’s report was signed]*. Our audit of the financial statements was performed in accordance with the ISAs.

In forming our audit opinion, review conclusion, limited assurance conclusions and reporting our findings, contained in the respective Parts A to F reports, we have, where appropriate, drawn on

evidence obtained in the course of our audit of the financial statements and performed such additional procedures we considered necessary to complete our examination of the returns of the Bank submitted to the PA during the year ended on *[insert the year-end date]*.

### **Opinion, Conclusions and Findings**

Our respective audit opinion, review conclusion, limited assurance conclusions and findings from our agreed-upon procedures are expressed in the individual Parts A to F 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 of the Bank on the basis indicated in the respective Parts A to F reports, for the purpose of the Bank's 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 of the Bank.

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

Yours faithfully,

*[Auditor's signature]*

*[Name of the individual registered auditor]*

*[Capacity, if not a sole practitioner,*

*e.g. Director/Partner]*

Registered Auditor

*[Date of the auditor's report]*

*[Auditor's address]*

## PART A: INDEPENDENT AUDITOR'S REPORT ON THE YEAR-END RETURNS

### Opinion

We have audited the year-end returns, as specified by the PA in Directive XX of YYYY<sup>1</sup>, as the Part A Returns of the Bank submitted to the PA for *[insert the year-end date]* (the "Part A Returns"), for the purpose of complying with Regulations 6(1) and 6(2)(a).

In our opinion, the Part A Returns of the Bank for *[insert the year-end date]* are prepared, in all material respects, in accordance with the provisions specified in Regulation 6(2)(a).

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

#### Qualified Opinion

We have audited the year-end returns, as specified by the PA in Directive XX of YYYY<sup>2</sup>, as the Part A Returns of the Bank submitted to the PA for *[insert the year-end date]* (the "Part A Returns"), for the purpose of complying with Regulations 6(1) and 6(2)(a).

In our opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion section below, the Part A Returns of the Bank for *[insert the year-end date]* are prepared, in all material respects, in accordance with the provisions specified in Regulation 6(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>3</sup>, attached to this report, as item XX relating to *[state the relevant DI 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 Responsibilities for the Audit of the Part A Returns* section of our report. We are independent of the Bank, 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 year-end 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 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*

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<sup>1</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

<sup>2</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

<sup>3</sup> "Appendix A" is usually attached to the reports and it documents all matters noted by the auditor, 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.

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>4</sup> opinion.

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

**Other Matter – Matter(s) below the PA Reporting Threshold**

The terms of 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) below the PA reporting threshold – noted as item(s) XXX in the attached Appendix A that affects/affect the Part A Returns, but which does/do not have a material effect on the preparation of the Part A Returns, in accordance with Regulation 6(2)(a). Our opinion is not [further]<sup>5</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) XX in the attached Appendix A that affects/affect the Part A Returns, in accordance with Regulation 6(2)(a). Our opinion is not [further]<sup>6</sup> modified in respect of [this/these matter(s)].

**Emphasis of Matter<sup>7</sup> – Basis of Preparation of the Part A Returns and Restriction on Use and Distribution**

The Part A Returns of the Bank were prepared for the purpose of the Bank’s 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>8</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 of the Bank.

**Other Information**

The directors are responsible for the other information. The other information comprises the year-end returns as specified by the PA in Directive XX of YYYY<sup>9</sup> but does not include the Part A Returns and our auditor’s 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 otherwise appears to be materially misstated. If,

<sup>4</sup> To be included in the case of a qualified opinion.

<sup>5</sup> To be included in the case of a qualified opinion.

<sup>6</sup> To be included in the case of a qualified opinion.

<sup>7</sup> The year-end returns relating to the Part A report should include a disclosure/explanation on the basis of preparation.

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

<sup>9</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

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 F<sup>10</sup>, a cross-reference should be made to where those are reported (amend as appropriate)].*

### **Responsibilities of the Directors for the Part A Returns**

The directors are responsible for ensuring the Bank's 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 the year-end date]*, in accordance with the provisions set out in Regulation 6(2)(a); and for such internal control as the directors 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 are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the directors either intend to liquidate the Bank or cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Part A Returns**

Our objectives, in accordance with Regulation 6(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 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 of expressing an opinion on the effectiveness of the Bank's internal control.
- Conclude on the appropriateness of the directors' 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Part A Returns or, if such

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<sup>10</sup> This paragraph must remain in the Part A report; however, it can be removed from the Part C, D or E report, where deemed appropriate to do so by the auditor.

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the directors.
- [Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the Part A Returns. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion<sup>11</sup>.]

We communicate with the directors 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 with a statement that we have complied with relevant ethical requirements regarding independence; and communicated 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>12</sup>.]

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<sup>11</sup> This bullet point remains for a Bank, if there is an aggregation process in arriving at the Bank Part A returns or if ISA 600 is followed. Where there is no such aggregation or consolidation process, it should be removed.

<sup>12</sup> This paragraph is to be included when the entity being reported on is a listed entity.

## **PART B: INDEPENDENT AUDITOR'S REVIEW REPORT ON THE YEAR-END RETURNS**

We have reviewed the year-end returns, as specified by the PA in Directive XX of YYYY<sup>13</sup>, as the Part B returns of the Bank submitted to the PA for *[insert the year-end date]* (the "Part B Returns"), for the purpose of complying with Regulation 6(2)(a).

### **Directors' Responsibility for the Part B Returns**

The directors are responsible for ensuring the Bank's 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 the year-end date]*, in accordance with the provisions set out in Regulation 6(2)(a); and for such internal control as the directors 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 Responsibility**

Our responsibility is to report on the Part B Returns in accordance with Regulation 6(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 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 6(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, 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 Bank for *[insert the year-end date]* are not prepared, in all material respects, in accordance with the provisions specified in Regulation 6(2)(a).

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<sup>13</sup> The auditor should update this reference based on the Directive in force and applicable to the reporting engagement.



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

**Basis for Qualified Conclusion**

Our basis for qualification has been noted in Appendix A<sup>14</sup>, attached to this report, as item(s) XX relating to *[state the relevant DI returns]*.

**Qualified Conclusion**

Based on our review, except for the effect(s) of the matter(s) described in the Basis for Qualified Conclusion section above, nothing has come to our attention that causes us to believe that the Part B Returns of the Bank for *[insert the year-end date]* are not prepared, in all material respects, in accordance with the provisions specified in Regulation 6(2)(a).

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

**Other Matter(s) – Matter(s) below the PA Reporting Thresholds**

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) below the PA reporting threshold – noted as item(s) XXX in the attached Appendix A that affects/affect the Part B Returns, but which does/do not have a material effect on the preparation of the Part B Returns in accordance with Regulation 6(2)(a). Our conclusion is not *[further]*<sup>15</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 in the attached Appendix A that affects/affect the Part B Returns in accordance with Regulation 6(2)(a). Our conclusion is not *[further]*<sup>16</sup> modified in respect of *[this/these matter(s)]*.

**Other Information**

The directors are responsible for the other information. The other information comprises the year-end returns as specified by the PA in Directive XX of YYYY<sup>17</sup> but does not include the Part B Returns and review report thereon.

Our conclusion on the Part B Returns does not cover the other information and we do not express 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 otherwise appears to be materially misstated. Based on the work we have performed, *[we have nothing to report in this regard OR Where there are*

<sup>14</sup> “Appendix A” is usually attached to the reports and it documents all matters noted by the auditor, including the qualification matters. Refer to the requirements of ISA 705 (Revised), Modifications to the opinion in the independent *auditor’s report*, for guidance regarding the documentation of the qualification matters.

<sup>15</sup> To be included in the case of a qualified opinion.

<sup>16</sup> To be included in the case of a qualified opinion.

<sup>17</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

*inconsistencies that are reported in Parts A and C to F, a cross-reference should be made to where those are reported (amend as appropriate).]*

### **Basis of Preparation of the Part B Returns and Restriction on Use and Distribution<sup>18</sup>**

Without *[further]*<sup>19</sup> modifying our conclusion, we emphasise that the Part B Returns of the Bank 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 of the Bank.

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<sup>18</sup> Note: Contrary to the Part A report, there is no requirement to include “Emphasis of matter” before the title of this paragraph.

<sup>19</sup> To be included in the case of a qualified conclusion.

## **PART C: INDEPENDENT AUDITOR'S 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 returns of the Bank, as specified by the PA in Directive XX of YYYY<sup>20</sup>, as the Part C returns of the Bank submitted to the PA for *[insert the year-end date]* (the "Part C Returns"), for the purpose of complying with Regulations 6(1) and 6(2)(a).

### **Directors' Responsibility for the Part C Returns**

The directors are responsible for ensuring the Bank's 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 the year-end date]*, in accordance with the provisions set out in Regulation 6(2)(a); and for such internal control as the directors 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 Management**

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 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.

### **Auditor's Responsibility**

Our responsibility is to report on the Part C Returns in accordance with Regulation 6(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 6(2)(a).

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the Bank's use of the provisions set out in Regulation 6(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

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<sup>20</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

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 judgement and included inquiries; observation of the 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 Bank 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 Bank, 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 6(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 Bank for *[insert the year-end date]*, based on the Standardised regulatory model-based approach, is not prepared, in all material respects, in accordance with the provisions specified in Regulation 6(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>21</sup>, attached to this report, as item(s) XX relating to *[state the relevant DI 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 section 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 Bank for *[insert the year-end date]* is not prepared, in all material respects, in accordance with the provisions specified in Regulation 6(2)(a).

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

**Other Matter(s) – Matter(s) below the PA Reporting Thresholds**

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) below the PA reporting threshold – noted as item(s) XXX in the attached Appendix A that affects/affect the Part C Return(s), but which does/do not have a material effect on the preparation of the Part C Returns in accordance with Regulation 6(2)(a). Our limited assurance conclusion is not *[further]*<sup>22</sup> modified in respect of this/these matter/matters.

**Other Matter – Interpretive Matter(s)**

We draw your attention to the interpretive matter(s) noted as item(s) XXX in the attached Appendix A that affects/affect the Part C Returns in accordance with Regulation 6(2)(a). Our limited assurance conclusion is not *[further]*<sup>23</sup> modified in respect of *[this/these matter(s)]*.

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<sup>21</sup> “Appendix A” is usually attached to the reports and it documents all matters noted by the auditor, including the qualification matters. Refer to the requirements of ISA 705 (Revised), *Modifications to the opinion in the independent auditor’s report*, for guidance regarding the documentation of the qualification matters.

<sup>22</sup> To be included in the case of a qualified limited assurance conclusion.

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

### **Other Information<sup>24</sup>**

The directors are responsible for the other information. The other information comprises the year-end returns as specified by the PA in Directive XX of YYYY<sup>25</sup> but does not include the Part C Returns and our limited assurance report thereon.

Our limited assurance conclusion on the Part C Returns does not cover the other information and we do not express 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 otherwise appears to be materially misstated. Based on the work we have performed, *[we have nothing to report in this regard OR Where there are inconsistencies that are reported in Parts A to B and D to F, a 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>Error! Bookmark not defined.</sup> modifying our limited assurance conclusion, we emphasise that the Part C Returns of the Bank were prepared on the Standardised regulatory model-based approach 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 of the Bank.

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<sup>24</sup> The inclusion of the other information paragraph is one of the options catered for in ISAE 3000 (Revised). The auditor should use their professional judgement as to whether this paragraph is necessary for inclusion, depending on how they address the requirements of this standard under paragraphs 62 and A143.

<sup>25</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

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

## **PART D: INDEPENDENT AUDITOR'S 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, as specified by the PA in Directive XX of YYYY<sup>27</sup>, as the Part D returns of the Bank, based on the Standardised, Internal Ratings or other regulatory model-based approaches specified, as approved or accepted by the PA, that have been extracted from the financial and other information in the Bank's general ledger, management accounts and management risk information (the "underlying records") and submitted to the PA for *[insert the year-end date]* (the "Part D Returns"), for the purpose of complying with Regulations 6(1) and 6(2)(a).

### **Directors' Responsibility for the Part D Returns**

The directors are responsible for ensuring the Bank's 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 the year-end date]*, in accordance with the provisions set out in Regulation 6(2)(a); and for such internal control as the directors 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 Bank, 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 are 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 the 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 completely and accurately extracted from the underlying records, in all material respects, in accordance with the Act and the provisions specified in Regulation 6(2)(a).

### **Our Independence and Quality Management**

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).

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<sup>27</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

The firm applies 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.

### **Auditor's Responsibility**

Our responsibility is to report on the Part D Returns, in accordance with Regulation 6(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 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 was not completely and accurately extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 6(2)(a).

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of the Bank's use of the provisions set out in Regulation 6(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 judgement 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 Bank 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 DI 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.

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 completely and accurately extracted from the underlying records of the Bank, in all material respects, in accordance with the provisions specified in Regulation 6(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 Bank for *[insert the year-end date]*, based on the Standardised, Internal Ratings or other regulatory model-based approaches and derived from internal models implemented by the Bank and risk information sources used by management for *[insert the year-end date]*, was not completely and accurately extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 6(2)(a).

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

**Basis for Qualified Limited Assurance Conclusion**

Our basis for qualification has been noted in Appendix A<sup>28</sup>, attached to this report, as item(s) XX relating to [state the relevant DI 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 Bank for [insert the year-end date], based on the Standardised, Internal Ratings or other regulatory model-based approaches specified and derived from internal models implemented by the Bank and risk information sources used by management, was not completely and accurately extracted from the underlying records, in all material respects, in accordance with the provisions specified in Regulation 6(2)(a).

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

**Other Matter(s) – Matter(s) below the PA Reporting Thresholds**

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) below the PA reporting threshold – noted as item(s) XXX in the attached Appendix A that affects/affect the Part D Return(s), but which does/do not have a material effect on the preparation of the Part D Returns in accordance with Regulation 6(2)(a). Our limited assurance conclusion is not [further]<sup>29</sup> modified in respect of this/these matter/matters.

**Other Matter – Interpretive Matter(s)**

We draw your attention to the interpretive matter(s) noted as item(s) XXX in the attached Appendix A that affects/affect the Part D Returns in accordance with Regulation 6(2)(a). Our limited assurance conclusion is not [further]<sup>30</sup> modified in respect of [this/these matter(s)].

<sup>28</sup> “Appendix A” is usually attached to the reports and it documents all matters noted by the auditor, including the qualification matters. Refer to the requirements of ISA 705 (Revised), *Modifications to the opinion in the independent auditor’s report*, for guidance regarding the documentation of the qualification matters.

<sup>29</sup> To be included in the case of a qualified limited assurance conclusion.

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

### **Other Information<sup>31</sup>**

The directors are responsible for the other information. The other information comprises the year-end returns as specified by the PA in Directive XX of YYYY<sup>32</sup> but does not include the Part D Returns and our limited assurance report thereon.

Our limited assurance conclusion on the Part D Returns does not cover the other information and we do not express 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 otherwise appears to be materially misstated. Based on the work we have performed, *[we have nothing to report in this regard OR Where there are inconsistencies that are reported in Parts A to C and E to F, a 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 Bank 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 of the Bank.

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<sup>31</sup> The inclusion of the other information paragraph is one of the options catered for in ISAE 3000 (Revised). The auditor should use their professional judgement as to whether this paragraph is necessary for inclusion, depending on how they address the requirements of this standard under paragraphs 62 and A143.

<sup>32</sup> The auditor should update this reference, based on the Directive in force and applicable to the reporting engagement.

<sup>33</sup> Note: Contrary to the Part A report, 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: RETURNS RELATING TO THE MONTHS OTHER THAN AT YEAR-END: AGREED UPON PROCEDURES ENGAGEMENT

### Agreed-Upon Procedures Report on Returns for the Months Other than at Year-end

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

Our Part E report on the returns for the months other than at year-end [*insert the date*] is provided in accordance with Regulation 6(2)(b) solely for the purpose of, and may not be suitable for another purpose, assisting the PA in evaluating whether or not:

- The returns for the months other than at year-end are consistent with the information contained in the Bank's management accounts;
- The reported prudential limits/ratios<sup>35</sup> on any resubmitted returns result in any non-compliance with the required regulatory limit, and that the resubmitted returns validate to other returns in accordance with the PA validation rules;
- There were any changes to the regulatory reporting system and what the reasons for such changes were;
- Any qualification, other matter and housekeeping matters in the preceding year's DI returns Appendix A findings were resolved at the end of the current year;
- The months other than at year-end are affected by any qualification, other matter and housekeeping matters included in the current year's DI return Appendix A findings;
- In instances where any information in the returns for months other than at year-end excluding the DI 900 return is generated using spreadsheets, the risks normally associated with the use of spreadsheets, such as version control, change controls and data recovery have been mitigated; and
- The Bank has implemented any guidance and interpretations in the preparation of the returns for months other than at year-end.

This report is intended solely for the directors of the Bank and the PA and should not be used by, or distributed to, any other parties.

#### Responsibilities of the Directors of the Bank and the PA

The directors of the Bank and the PA have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The directors of the Bank 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

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<sup>35</sup> Prudential limits and ratios, such as capital ratio, minimum reserve requirement, liquid asset requirement, limits relating to negotiable instruments, restrictions on investments in immovable property and shares, restrictions on investments in loans and advances to certain associates, net open foreign currency position limit.

agreed-upon procedures engagement involves us performing the procedures that have been agreed with the directors of the Bank 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.

The 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.

### Professional Ethics and Quality Management

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.

### Procedures and Findings

We have performed the procedures described in the table below, which were agreed upon with the directors of the Bank, in respect of the returns for the months other than at year-end *[insert the date]*.

No.	Procedures	Findings
1.	Obtain from <i>[state the name and designation of the individual]</i> the monthly reconciliations of the DI 100, DI 110 and DI 200 to the management accounts of the Bank for all months other than at year-end and perform the following procedures:	<i>POSSIBLE FINDING:</i> We obtained from <i>[state the name and designation of the individual]</i> the monthly reconciliations of the DI 100, DI 110 and DI 200 to the management accounts for all months other than at year-end and performed the following procedures:
1.1	Inspect the monthly reconciliations for any reconciling items noted between the DI 100, DI 110 and DI 200 and the management accounts for all months other than at year-end; and	<i>POSSIBLE FINDING:</i> We inspected the monthly reconciliations. [No reconciling items / Reconciling items] were noted between the DI 100, DI 110 and DI 200 and the management accounts for all months other than at year-end.
1.2	Where reconciling items were noted in procedure 1.1, inquire of <i>[state the name and designation of the individual]</i> as to the	<i>POSSIBLE FINDING:</i>

No.	Procedures	Findings
	reasons for the reconciling items and document their reasons.	<p>We inquired from <i>[state the name and designation of the individual]</i>, who indicated the following reason(s) for the reconciling items: <i>[Insert management’s explanation for the reconciling items]</i>.</p> <p style="text-align: center;"><i>OR</i></p> <p>Not applicable, as no reconciling items were noted.</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 and the DI 900 series returns, from management and perform the following procedures:</p> <p>a) Inquire from <i>[state the name and designation of the individual]</i> and document their reasons for the resubmission.</p> <p>b) Inspect the reported prudential limits/ratios<sup>36</sup> on the resubmitted DI 310, DI 400 and DI 700 returns and compare the reported prudential limit/ratio to the required regulatory limit. Document any non-compliance issues identified.</p>	<p><i>POSSIBLE FINDING:</i></p> <p>We obtained 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 and DI 900 series returns, from management and performed the following procedures:</p> <p>a) We inquired from management and the reason(s) for the resubmission(s) [is/are] <i>[insert management’s reasons for the resubmission]</i>.</p> <p>b) We inspected the reported prudential limits/ratios on the resubmitted DI 310, DI 400 and DI 700 returns and compared the reported prudential limit/ratio to the required regulatory limit. [No non-compliance issues were identified / The following non-compliance issues were identified:]</p> <p style="text-align: center;"><i>[Insert the details of non-compliance]</i></p>
3.	Inquire from <i>[state the name and designation of the individual]</i> whether any changes to the regulatory reporting system were implemented during the year. If such changes were implemented, inquire from management what these changes related to and what the reasons for the changes were. Document management’s responses.	<p><i>POSSIBLE FINDING:</i></p> <p>We inquired from <i>[state the name and designation of the individual]</i>, who indicated that no changes to the regulatory reporting system were implemented during the year.</p> <p style="text-align: center;"><i>OR</i></p> <p>We inquired from <i>[state the name and designation of the individual]</i>, who indicated the following:</p> <ul style="list-style-type: none"> <li>• Changes were implemented to the regulatory reporting system during the year.</li> </ul>

<sup>36</sup> Prudential limits and ratios such as the capital ratio; minimum reserve requirement; liquid asset requirement; limits relating to negotiable instruments; restrictions on investments in immovable property and shares; restrictions on investments in loans and advances to certain associates; and the net open foreign currency position limit.

No.	Procedures	Findings
		<ul style="list-style-type: none"> <li>The changes related to: <i>[Insert management's response]</i>.</li> <li>The reason(s) for the changes were <i>[insert management's response]</i>.</li> </ul>
4.	<p>Inspect the preceding year's DI returns Appendix A findings from the external auditor, and note whether the findings included any qualification, other matters and housekeeping matters.</p> <p>Inquire from <i>[state the name and designation of the individual]</i> whether or not any of these findings were not resolved at the end of the current year.</p>	<p><i>POSSIBLE FINDING</i></p> <p>We inspected the preceding year's DI returns Appendix A findings from the external <i>[auditor/auditors, delete as appropriate]</i> and noted [no qualifications, other matters and housekeeping matters] / [qualifications, other matters and housekeeping matters].</p> <p>We inquired from <i>[state the name and designation of the individual]</i>, who indicated that [all findings have been resolved] / [not all findings have been resolved].</p>
5.	<p>Inspect the current year's DI returns Appendix A findings from the external auditor, and note whether the findings include any qualification, other matters and housekeeping matters.</p> <p>Inquire from <i>[state the name and designation of the individual]</i> whether or not the months other than at year-end are affected by these qualifications, other matters and housekeeping matters.</p>	<p><i>POSSIBLE FINDING:</i></p> <p>We inspected the current year's DI returns Appendix A findings from the external auditor and noted [no qualifications, other matters and housekeeping matters] / [qualifications, other matters and housekeeping matters].</p> <p>We inquired from <i>[state the name and designation of the individual]</i>, who indicated that the months other than at year-end [are/are not] affected by the qualifications, other matters and housekeeping matters.</p>
6.	<p>a) Inquire from <i>[state the name and designation of the individual]</i> whether any information contained in the DI returns, excluding the DI 900 return, is generated using spreadsheets.</p> <p>b) Inquire from <i>[state the name and designation of the individual]</i> how the risks normally associated with the use of spreadsheets are mitigated, and record management's responses.</p>	<p><i>POSSIBLE FINDING:</i></p> <p>[a] We inquired from <i>[state the name and designation of the individual]</i>, who indicated that [information reflected in the DI returns, excluding the DI 900 return, is generated using spreadsheets] / [information reflected in the DI returns, excluding the DI 900 return, is not generated using spreadsheets].</p> <p>[b] We inquired from <i>[state the name and designation of the individual]</i> and note their response as follows:</p> <p><i>[Insert management's responses]</i></p>
7.	<p>Obtain from <i>[state the name and designation of the individual]</i> copies of correspondence between the Bank and the</p>	<p><i>POSSIBLE FINDING:</i></p> <p>We obtained from <i>[state the name and designation of the individual]</i> copies of</p>

No.	Procedures	Findings
	PA about DI reporting interpretations and errors, and perform the following procedure:	correspondence between the Bank and the PA about DI reporting interpretations and errors, and performed the following procedures:  <i>OR</i>  There was no correspondence between the <i>Bank</i> and the PA about DI reporting interpretations and errors.
7.1	Inquire from <i>[state the name and designation of the individual]</i> whether they have implemented the PA interpretations and errors referred to in procedure 7 above in the preparation of the DI returns for the months other than at year-end and document their response.	<i>POSSIBLE FINDING:</i>  We inquired from <i>[state the name and designation of the individual]</i> and [they have implemented the PA interpretations and errors referred to in procedure 7 above in the preparation of the DI returns for the months other than at year-end] / [they have not implemented the PA interpretations and errors referred to in procedure 7 above in the preparation of the DI returns for the months other than at year-end].



## **PART F: AGREED-UPON PROCEDURES ENGAGEMENTS**

### **1. Agreed-Upon Procedures Report on the Reconciliation of the DI 900 (Economic) Returns to the DI 100 (Balance Sheet) Returns**

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

Our Part F report on the reconciliation of the DI 900 to the DI 100 is provided in accordance with Regulation 6(6) solely for the purpose of assisting the PA in evaluating whether or not the DI 900 and DI 100 Returns submitted by the Bank during the financial year ended *[insert the financial year-end date]* were in fact reconcilable with each other and may not be suitable for another purpose. This report is intended solely for the directors of the Bank and the PA and should not be used by, or distributed to, any other parties.

#### **Responsibilities of the Directors of the Bank and the PA**

The directors of the Bank and the PA have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The directors of the Bank are responsible for the subject matter on which the agreed-upon procedures are performed.

#### **Auditor's Responsibility**

We have conducted the agreed-upon procedures engagement in accordance with 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 Bank 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.

The 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.

#### **Professional Ethics and Quality Management**

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.

**Procedures and Findings**

We have performed the procedures described in the table below, which were agreed upon with the directors of the Bank, on the reconciliation between the DI 900 and DI 100 returns.

No.	Procedure	Findings
1.	<p>Inspect the reconciliations prepared by the Bank between the DI 900 returns and the DI 100 returns for each month during the financial year ended <i>[insert the year-end date]</i> and note whether there are any reconciling items between the DI 900 and DI 100 returns.</p> <p>Where reconciling items were noted, include the details of the reconciling items as a schedule to the report and <i>[initial/stamp]</i> the schedule for identification purposes.</p>	<p><i>POSSIBLE FINDINGS:</i></p> <p>We inspected the reconciliations prepared by the Bank between the DI 900 and DI 100 returns for each month during the financial year ended <i>[insert the year-end date]</i> and noted no reconciling items between the DI 900 and DI 100 returns.</p> <p style="text-align: center;"><i>OR</i></p> <p>We inspected the reconciliations prepared by the Bank between the DI 900 and DI 100 returns for each month during the financial year ended <i>[insert the year-end date]</i> and noted reconciling items between the DI 900 and DI 100 returns. Details of the reconciling items are set out in the attached schedule, which we have <i>[initialed/stamped]</i> for identification purposes.</p>

**2. Agreed-Upon Procedures Report on the DI 310 (Minimum Reserve Balance and Liquid Assets – Pledged or Otherwise Encumbered) and the DI 020 (Appointments of Directors or Executive Officers)**

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

Our Part F report on the year-end DI 310 and DI 020 returns is provided in accordance with Regulation 6(6) solely for the purpose of assisting the PA in evaluating whether there are instances of non-compliance with the provisions of Regulation 22(4) as it relates to the DI 310 return and Regulations 33 and 39, as it relates to the DI 020 return, and may not be suitable for another purpose. This report is intended solely for the directors of the Bank and the PA and should not be used by, or distributed to, any other parties.

**Responsibilities of the Directors of the Bank and the PA**

The directors of the Bank and the PA have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The directors of the Bank are responsible for the subject matter on which the agreed-upon procedures are performed.

**Auditor’s Responsibility**

We have conducted the agreed-upon procedures engagement in accordance with 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 Bank 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.

The 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.

**Professional Ethics and Quality Management**

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.

**Procedures and Findings**

We have performed the procedures described in the table below, which were agreed upon with the directors of the Bank, in respect of DI 310 and DI 020.

No.	Procedures	Findings
1.	Obtain from <i>[state the name and designation of the individual]</i> the year-end DI 310 return for the month <i>[insert the month and year]</i> and perform the following procedure:	We obtained from <i>[state the name and designation of the individual]</i> the year-end DI 310 return for the month <i>[insert the month and year]</i> and performed the following procedure:
1.1	For all financial instruments reflected in the underlying calculation for the year ended <i>[insert the year-end date]</i> lines 14-19, column 1, of the DI 310 return, obtain the documents of title or third-party confirmation, inspect the title documents or third-party confirmation and note whether the financial instruments are in the name of the Bank.	<i>POSSIBLE FINDING:</i> For all financial instruments reflected in the underlying calculation for the year ended <i>[insert the year-end date]</i> of lines 14-19, column 1, of the DI 310 return, we obtained and inspected the documents of title or third-party confirmations and noted that the financial instruments are in the Bank’s name.
2.	Obtain a confirmation directly from the <i>[insert the department]</i> at the South African Reserve Bank (the “SARB”) of the:	We obtained a confirmation directly from the <i>[insert the department]</i> at the SARB of the assets pledged by the Bank to secure facilities, and the amount of the facilities utilised at close of

No.	Procedures	Findings
	<ul style="list-style-type: none"> <li>• assets pledged by the Bank to secure facilities; and</li> <li>• the amount of the facilities utilised at close of business on [insert the date] in respect of which the assets were pledged;</li> </ul> and perform the following procedure:	business on [insert the date] and performed the following procedure:
2.1	Compare the amount of the facilities utilised at [insert the date], as per the confirmation obtained in procedure 2, and inspect that these were deducted from the assets assessed in procedure 1.1 in the calculation of lines 14-19, column 1, of the DI 310 return and note any exceptions.	<p><i>POSSIBLE FINDING:</i></p> <p>We compared the amount of the facilities utilised at [insert the date], as per the confirmation obtained in procedure 2, and inspected that these were deducted from the assets assessed in procedure 1.1 in the calculation of lines 14-19, column 1, of the DI 310 return and noted no exceptions.</p> <p style="text-align: center;"><i>OR</i></p> <p>There were no pledged assets or utilised facilities, as per the SARB confirmation at [insert the date].</p>
3.	Obtain from <i>[state the name and designation of the individual]</i> a written representation acknowledging that the liquid assets reflected in lines 14-19, column 1, of the DI return obtained in procedure 1 were not pledged or encumbered, in contravention of Regulation 22(4).	<p><i>POSSIBLE FINDING:</i></p> <p>We obtained from <i>[state the name and designation of the individual]</i> a written representation acknowledging that the liquid assets reflected in lines 14-19, column 1, of the DI return obtained in procedure 1 were not pledged or encumbered, in contravention of Regulation 22(4).</p>
4.	Obtain from the Company Secretary the DI 020 return(s) that was/were submitted to the PA during the year under review from <i>[state the name and designation of the individual]</i> .	<p><i>POSSIBLE FINDING:</i></p> <p>We obtained from the Company Secretary the DI 020 return(s) that was/were submitted to the PA during the year under review from <i>[state the name and designation of the individual]</i>.</p>
5.	Obtain from <i>[state the name and designation of the individual]</i> a list of all directors and executive officers that indicates who the chairman of the board is, as well as the appointment dates of all directors and executive officers.	<p><i>POSSIBLE FINDING:</i></p> <p>We obtained from <i>[state the name and designation of the individual]</i> a list of all directors and executive officers that indicates who the chairman of the board is, as well as the appointment dates of all directors and executive officers.</p>
6.	For an existing bank, perform the following procedures:	

No.	Procedures	Findings
6.1.	Inspect the declaration made in the DI 020 return(s) and document whether the declaration was made by <i>[insert the name]</i> , the chairman of the board; and	<p><i>POSSIBLE FINDING:</i></p> <p>We inspected the declaration made in the DI 020 return(s) and the declaration [was/was not] made by <i>[insert the name]</i>, the chairman of the board.</p> <p style="text-align: center;"><i>OR</i></p> <p>Not applicable, as the DI 020 return(s) is/are in respect of a new bank.</p>
6.2	Where the declaration was not made by the chairman of the board, inquire from <i>[state the name and designation of the individual]</i> if the declaration was made by the chairman's duly appointed representative. Obtain documentation from <i>[state the name and designation of the individual]</i> which authorises the individual to sign the declaration, and document the information so presented by <i>[state the name and designation of the individual]</i> .	<p><i>POSSIBLE FINDING:</i></p> <p>We inquired from <i>[state the name and designation of the individual]</i>, who indicated that the declaration [was made / was not made] by the chairman's duly appointed representative. <i>[State the name and designation of the individual]</i> presented [specify the documentation] to us as authorising the individual to sign the declaration.</p> <p style="text-align: center;"><i>OR</i></p> <p>Not applicable. The declaration was signed by the chairman of the board.</p>
7.	For a new bank, inspect the declaration made in the form DI 020 return(s) and document the name of the party that made the declaration.	<p><i>POSSIBLE FINDING:</i></p> <p>We inspected the declaration made in the form DI 020 return(s). It was signed by <i>[insert the name of the party that made the declaration]</i>.</p> <p style="text-align: center;"><i>OR</i></p> <p>Not applicable, as the DI 020 return(s) is/are in respect of an existing bank.</p>
8.	For directors and executive officers appointed during the year, as indicated on the list obtained from the Company Secretary, inspect the date of the declaration contained in the form DI 020 return(s) and document, if it was made at least 30 days prior to the date of the director or executive officer being appointed.	<p><i>POSSIBLE FINDING:</i></p> <p>We inspected the date of the declaration contained in the form DI 020 return(s) and noted that it [was/was not, <i>delete as appropriate</i>] made at least 30 days prior to the appointment date of the director or executive officer, as indicated on the list of directors and executive officers obtained from the Company Secretary.</p>
9.	For DI returns submitted that do not relate to new appointments, inquire of management as to whether the submission was in respect of a request from the PA.	<p><i>POSSIBLE FINDING:</i></p> <p>For DI returns submitted that do not relate to new appointments, we inquired of management and the submission was in respect of a request from the PA.</p>

The Chief Executive Officer  
The Prudential Authority  
South African Reserve Bank  
PO Box 8432  
Pretoria  
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Dear [Sir/Madam]

**REPORT OF THE APPOINTED AUDITOR TO THE PRUDENTIAL AUTHORITY (THE “PA”) ON THE EXTENT OF RELIANCE PLACED ON INTERNAL CONTROLS OF XYZ MUTUAL BANK (THE “BANK”), AS ESTABLISHED AND MAINTAINED BY THE DIRECTORS, RELATING TO FINANCIAL AND REGULATORY REPORTING, AND COMPLIANCE WITH THE MUTUAL BANKS ACT, 1993 (THE “ACT”), AND REGULATIONS RELATING TO MUTUAL BANKS (THE “REGULATIONS”)**

The Part G report attached to this report is made for the purpose of our compliance with the requirements of Regulation 6(3) of the Regulations relating to the extent of reliance placed on internal controls of the bank as established and maintained by the directors relating to financial and regulatory reporting, and compliance with the Act and Regulations.

The Part G report attached to 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, 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 6(3) on which we are required to report under these Regulations.

**Restriction on Use and Distribution**

The Part G report attached to this report is 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, subcommittee chairpersons, management, regulatory reporting management, delete as appropriate]* of the Bank.

Should you wish to discuss the contents of the Part G report attached to this report in any further detail, please contact *[Name of the Regulatory Partner and telephone number]*.

Yours faithfully,

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*[Partner's Signature]*

*[Name of the individual registered auditor]*

*[Capacity, if not a sole practitioner: e.g.  
Director or Partner]*

*[Date of the partner's report]*

*[Partner's work address]*<sup>37</sup>

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<sup>37</sup> Each firm to determine the appropriate sign-off. However, 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 G: REPORT UNDER REGULATION 6(3) OF THE REGULATIONS RELATING TO THE EXTENT OF RELIANCE PLACED ON INTERNAL CONTROLS OF THE BANK AS ESTABLISHED AND MAINTAINED BY THE DIRECTORS RELATING TO FINANCIAL AND REGULATORY REPORTING, AND COMPLIANCE WITH THE ACT AND REGULATIONS**

**Report of the Appointed Auditor, Other than an Assurance Report, in respect of the Extent of Reliance Placed on Internal Controls of the Bank, as Established by the Directors relating to Financial and Regulatory Reporting, and Compliance with the Act and Regulations**

This report is made to the PA under the requirements of Regulation 6(3) of the Regulations, in respect of the following matters in relation to the Bank, in our capacity as the appointed auditor of the Bank.

Regulation 6(3) requires that in issuing our reports, under Regulations 6(2)(a) and 6(2)(b), we should annually report to the PA on the extent of reliance placed on internal controls of the Bank as established by the directors relating to financial and regulatory reporting, and compliance with the Act and Regulations.

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. Accordingly, we do not express any opinion or conclusion on internal controls as it relates to financial and regulatory reporting, and compliance with the Act and Regulations.

As part of our audit of the Bank’s statutory financial statements performed in accordance with International Standards on Auditing, and our audit, review and other assurance engagements performed in accordance with the relevant pronouncements issued by the IAASB, in respect of the DI returns in accordance with Regulation 6(1) and the requirements specified in Regulation 6(2)(a) (“our specified engagements”), we obtained an understanding of the Bank and its environment, including its internal controls, for the purpose of identifying and assessing the risk of material misstatement of those statutory financial statements and the DI returns.

*Insert the following paragraph where no reliance was placed on controls for the purposes of the regulatory engagement, and reliance was placed on controls for the purposes of the statutory financial statement audit.*

In accordance with our responsibilities in terms of Regulation 6(3) of the Regulations, we report that in arriving at the opinion and conclusions in the Parts A to D reports, no further reliance has been placed on internal controls, other than the reliance placed on internal controls for the purposes of our audit of the financial statements of the Bank.

*Insert the following paragraph where reliance was placed on controls for the purposes of the regulatory engagement and the statutory financial statement audit.*

In accordance with our responsibilities in terms of Regulation 6(3) of the Regulations, we report that in arriving at the opinion and conclusions in the Parts A to D reports, we have relied on internal controls, in addition to the reliance placed on internal controls for the purposes of our audit of the financial statements of the Bank.



*Insert the following paragraph where no reliance was placed on controls for the purposes of the regulatory engagement and statutory financial statement audit.*

In accordance with our responsibilities in terms of Regulation 6(3) of the Regulations, we report that in arriving at the opinion and conclusions in the Parts A to D reports, we have not relied on internal controls, including for the purposes of our audit of the financial statements of the Bank.

### **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/board, subcommittee chairpersons, management, regulatory reporting management, delete as appropriate]* of the Bank.