

PRA RULEBOOK: SOLVENCY II FIRMS AND NON-AUTHORISED PERSONS: EXTERNAL AUDIT INSTRUMENT 2016

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 340 (rules regarding appointment of and duties on Actuaries and Auditors).
- B. The rule-making powers referred to above are specified for the purpose of section 138G (2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Solvency II Firms and Non-Authorised Persons: External Audit Instrument 2016

- D. The PRA makes the rules in Annex A and B to this instrument.

Commencement

- E. This instrument comes into force on 10 September 2016.

Citation

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms and Non-Authorised Persons: External Audit Instrument 2016.

By order of the Board of the Prudential Regulation Authority
2 September 2016

Annex A

In this Annex, the text is all new and is not underlined.

Part

EXTERNAL AUDIT

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. EXTERNAL AUDIT OF RELEVANT ELEMENTS OF THE SFCR**
- 3. APPOINTMENT OF AUDITORS**
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1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies:

- (1) to a *UK Solvency II firm*;
- (2) to the *Society* in accordance with General Application 3; and
- (3) at the level of a *group*, to which Group Supervision 2.1(1) or 2.1(2) applies and where the *PRA* is the *group supervisor*, to a *relevant insurance group undertaking*; and
- (4) to an external auditor of such a *firm* or *group*.

1.2 This Part applies to a *firm* or a *relevant insurance group undertaking*, as the case may be, in respect of financial years ending on or after 15 November 2016.

1.3 In this Part, the following definitions shall apply:

delegated act

means Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

relevant elements of the SFCR

means the templates and information in 2.2

SFCR Implementing Technical Standard

means Commission Implementing Regulation (EU) No. of 2015/2452 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report according to Directive 2009/138/EC of the European Parliament of the Council

2 EXTERNAL AUDIT OF RELEVANT ELEMENTS OF THE SFCR

2.1 A *firm* or a *relevant insurance group undertaking* must ensure that the external auditor provides a report which includes an opinion about the *relevant elements of the SFCR* in accordance with 4.

2.2 The *relevant elements of the SFCR* are:

- (1) Subject to (3), (4) and 4.2, the information that a *firm* and a *group* discloses pursuant to Article 296, 297, and 359(d) and (e) of the *delegated act*;
- (2) Subject to (3), (4) and 4.2 and where appropriate, the following templates that are provided in the *SFCR Implementing Technical Standard*;
 - (a) S.02.01.02
 - (b) S.12.01.02
 - (c) S.17.01.02
 - (d) S.22.01.21
 - (e) S.22.01.22
 - (f) S.23.01.01
 - (g) S.23.01.22
 - (h) S.25.01.21
 - (i) S.25.01.22

- (j) S.28.01.01
- (k) S.28.02.01
- (l) S.32.01.22

- (3) Where the information in 2.2(1) and 2.2(2) is, or derives from, the *SCR* that information shall only be subject to external audit for *firms* calculating their *SCR* using the *standard formula*.
- (4) Where the information in 2.2(1) and 2.2(2) is, or derives from, the *group SCR* that information shall only be subject to external audit for *relevant insurance group undertakings* calculating their *group SCR* using the *standard formula*.

3 APPOINTMENT OF AUDITORS

3.1 A *firm* or a *relevant insurance group undertaking* must:

- (1) appoint an external auditor in accordance with Auditors 2, 3 and 4 to perform the functions in 2; and
- (2) submit the report to the *PRA* and disclose it publicly with the *firm's SFCR*.

4 DUTIES ON THE EXTERNAL AUDITOR

4.1 Subject to 4.2, an external auditor appointed by a *firm* or *relevant insurance group undertaking* pursuant to 3 must:

- (1) undertake a reasonable assurance engagement on *relevant elements of the SFCR*;
- (2) produce a report that includes an opinion addressed to the *governing body* confirming that the *relevant elements of the SFCR* are prepared in all material respects in accordance with the *PRA* rules and *Solvency II Regulations* on which it is based;
- (3) read and consider all information disclosed by the *firm* in its *SFCR* that is not a *relevant element of the SFCR* to identify material inconsistencies with the *relevant elements of the SFCR* and any knowledge obtained and other information to which the auditor has had access during the course of the audit of the *SFCR* engagement and (where applicable) audit of the financial statements.

4.2 Where the *relevant elements of the SFCR* in a *group SFCR* that

- (1) pertains to an *undertaking* that is not a *Solvency II undertaking*; and
- (2) information has been prepared in accordance with:
 - (a) *PRA* rules other than those implementing the *Solvency II Directive*; or
 - (b) an *EU instrument* other than the *Solvency II Regulations*,

the external auditor shall state in the report under 4.1.(2) that the information has been properly compiled in accordance with the relevant *PRA* rules and *EU instruments* relating to that *undertaking* from information provided by *undertakings* in the *group* and the *relevant insurance group undertaking*.

4.3 The Report in 4 must be prepared with due, skill, care and diligence.

Annex B

Note: This annex amends the Group Supervision Part in the Solvency II Sector as follows in the appropriate alphabetical positions. Underlining indicates new text and deleted text is struck through.

20 THIRD COUNTRIES

20.1 When 2.1(3) applies, 4 to 14~~1~~, and 16 to 19 and External Audit 2 to 4 apply with any necessary changes at the level of the *insurance holding company* or *mixed financial holding company* which does not have its head office in an *EEA State*, *third country insurance undertaking* or *third country reinsurance undertaking* unless:

- (1) subject to 20.2, the third country in which that *undertaking* has its head office is assessed to be equivalent under Article 260 of the *Solvency II Directive*; or
- (2) in the absence of equivalent group supervision referred to in Article 260 of the *Solvency II Directive*, the *PRA* has specified other methods in accordance with Article 262 of the *Solvency II Directive*.

[Note: Art. 262 of the *Solvency II Directive*]

