



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Consultation Paper | CP23/16

# Solvency II: external audit of the public disclosure requirement

July 2016

Prudential Regulation Authority  
20 Moorgate  
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.  
Registered in England and Wales No: 07854923



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Responses are requested by Thursday 4 August 2016.

**Please address any comments or enquiries to:**

Ellie Goodsall  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH

Email: [CP23\\_16@bankofengland.co.uk](mailto:CP23_16@bankofengland.co.uk)



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## 1 Overview

1.1 The PRA consulted on its proposal for external audit of the Solvency II public disclosure in CP43/15.<sup>1</sup> Following feedback, the PRA has made some minor amendments to the rules, though the broad policy approach has not changed. The draft rules and supervisory statement set out in Appendices 1 and 2 include those minor amendments and the PRA's responses to consultation feedback have been included in Chapter 3. In addition to those minor amendments the PRA proposes a clarification of the duty of care of auditors to the PRA in the proposed rules. While there is no substantive change in the PRA's policy, and the amendment does not change the substance of what an auditor or actuary must do to comply with the PRA's rules, the rule has been amended to provide clarity. This consultation paper (CP) seeks views on this proposed clarification.

1.2 This CP is relevant to firms in scope of Solvency II including the Society of Lloyd's (insurers), auditors and those individuals or firms who are likely to use the Solvency and Financial Condition Report (SFCR).

### Summary of proposals

1.3 In CP43/15, the PRA set out its proposal for a policy to require the external audit of elements of the disclosure requirement under Solvency II and sought feedback on the proposal. Firms in scope of Solvency II are required to disclose publicly an SFCR. The PRA proposed to require external audit of quantitative and qualitative information included in the 'Valuation for solvency purposes' and 'Capital management' sections of the SFCR (relevant elements of the SFCR) of insurers prepared at the solo, group and sub group level subject to two exemptions. First, the Solvency Capital Requirement (SCR) would be exempt if calculated using an approved full or partial internal model. Secondly, where Solvency II requires information in the SFCR to be produced using sectoral rules, that information would not be subject to external audit.

1.4 Subject to the changes and clarifications described in Chapter 3, the rules proposed in this CP continue to reflect the proposals in CP43/15. The proposals clarifying the duties of auditors are discussed in Chapter 2.

### The PRA's statutory obligations

1.5 The proposal is compatible with the PRA's statutory objectives under the Financial Services and Markets Act 2000 (FSMA): to promote the safety and soundness of PRA-authorized firms;<sup>2</sup> and in the context of insurance, to contribute to policyholder protection.<sup>3</sup> This proposal is intended to give users of the SFCR, including market participants, policyholders and the PRA, greater confidence in the quality of the disclosure. Market participants may need this information to make informed decisions, which should contribute to market discipline and the PRA's objectives of promoting the safety and soundness of firms and securing an appropriate degree of protection for policyholders.

### Cost benefit analysis

1.6 The PRA is required to perform a cost benefit analysis (CBA) of the impact in respect of proposed rules. This analysis can be found in Chapter 4.

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<sup>1</sup> 'Solvency II: external audit of the public disclosure requirement', November 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp4315.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp4315.aspx).

<sup>2</sup> Section 2B (1) and Section 2B (2) FSMA.

<sup>3</sup> Section 2C FSMA.

## Impact on competition

1.7 When discharging its general rule-making function, the PRA is legally required, so far as is reasonably possible, to facilitate effective competition in the markets for services provided by PRA-authorized persons in carrying on regulated activities.<sup>1</sup> The PRA has assessed whether the proposal in this CP facilitates effective competition. The proposal in this CP is expected to contribute to market discipline, a key driver of effective competition.

## Regulatory principles

1.8 In making its rules and establishing its practices and procedures, the PRA must have regard to the regulatory principles as set out in FSMA.<sup>2</sup> The regulatory principles of particular relevance are the same as in CP43/15 as the policy is substantially the same:

- The PRA indicated in CP43/15 the key areas of its judgements in relation to the proportionality principle in Section C from paragraph 2.13. The PRA's approach of only proposing the external audit requirement for elements where it is believed to be beneficial is consistent with taking a proportionate approach.
- This CP sets out proposed amendments to the rules proposed in CP43/15. In the interests of transparency, the PRA has included an explanation of responses to CP43/15, a draft rule and supervisory statement updated in response to comments received. In CP43/15, the PRA sets out the key information relevant to its proposal, and gave respondents the opportunity to comment. In particular the PRA welcomed views from external stakeholders on the type, if any, of assurance work on the SCR that they might find valuable in a public audit report, whether calculated using either the standard formula, full or partial internal model.
- The PRA recognises that there will be a range of group structures and has taken this into consideration when developing its proposal, for example in relation to the application of requirements for information produced using sectoral rules.

## Impact on mutuals

1.9 FSMA requires that the PRA assesses whether, in its opinion, the impact of the proposed rules on mutuals would be significantly different from the impact on other insurers.<sup>3</sup> The PRA does not expect the impact on mutual insurers to be materially different from other insurers. Mutuals have members, policyholders and beneficiaries who may equally want access to the disclosure. Independent financial advisors might consider this information before recommending one of their products. Therefore the PRA believes that benefits of external audit also apply to mutual insurers and it is therefore appropriate for the requirements to apply to mutuals.

## Equality and diversity

1.10 The PRA may not act in an unlawfully discriminatory manner. It is required, under the Equalities Act 2010, to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.<sup>4</sup> To meet this requirement, the PRA has performed an assessment of the policy proposal and does not consider that the proposal gives rise to equality and diversity implications.

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<sup>1</sup> Section 2H FSMA.

<sup>2</sup> Section 2H and 3B FSMA.

<sup>3</sup> Section 138K FSMA.

<sup>4</sup> Section 149 (1) Equalities Act 2010.



## Responses and next steps

1.11 This consultation closes on Thursday 4 August 2016. The consultation period has been reduced to one month because the PRA has already consulted on the proposed policy for external audit of the public disclosure requirement, and other than the changes proposed in Chapter 2, is proposing amendments and clarifications in response to comments received on CP43/15. The PRA invites feedback on the proposal as described in Chapter 2. Please address any comments or enquiries to CP23\_16@bankofengland.co.uk.

## 2 Duty imposed on the auditor by rules made by the PRA

2.1 The PRA's policy, as set out in CP43/15, is intended to ensure that auditors provide a reasonable assurance opinion and that auditors' work is carried out in accordance with International Standards on Auditing (ISAs) and practical guidance produced by the Financial Reporting Council (FRC).

2.2 The PRA considers that the rules could more clearly set out the requirements being placed on the auditor. Clarity is important for all parties subject to PRA rules, not least because auditors may be subject to the disciplinary powers related to duties imposed upon them under s345B of the Financial Services and Markets Act 2000 and the PRA relies on the report to be of sufficient quality to support its judgment-based supervision.

2.3 The PRA is proposing to make the following changes to the draft rule (see Appendix 1) and supervisory statement (see Appendix 2). The PRA proposes to include:

- A specific duty on auditors that their reasonable assurance report must be 'prepared with due skill, care and diligence' (consistent with Auditors 8.4(3) in the PRA Rulebook on written auditor reporting for large UK banks and building societies).
- In the supervisory statement a clear statement as to the auditing standards and guidance that the PRA expect auditors to use in order to meet the requirements of the PRA rule.

## 3 PRA response to address the points raised by CP43/15 respondents

### Responses in relation to the draft PRA rules

#### Duties on the auditor – addressee of the report

3.1 Some respondents questioned including the PRA as an addressee to the audit report, noting that this is different to existing practice and that it may require the PRA to enter into contracts with auditors. The policy intention was to achieve transparency for auditors and users that the PRA will be a primary user of the SFCR. The PRA is comfortable that insurers, auditors and users are clear that the PRA is a primary user of the SFCR and audit report without being included as an addressee and has decided to retain existing practice and not be an addressee to the auditor's report.

#### Duties on the auditors - clarifications

3.2 Some respondents noted that terminology could be better conformed to that used in auditing standards. As a result the opinion will be on whether the relevant elements have been prepared 'in all material respects' in accordance with the PRA rules and Solvency II regulations rather than 'meets the requirements' of the PRA rules. The auditor should identify whether the other elements of the SFCR are materially inconsistent with information that they have access to in the course of the external audit of the SFCR and (where applicable) with the audit of the financial statements, rather than with any information that the auditor may have access to.

## Relevant elements of the SFCR – full and partial internal models

3.3 The exclusion of any information that ‘relates to’ the SCR calculated using a full or partial internal model has been modified to information that ‘is, or derives from’ the SCR calculated using a full or partial internal model at the solo and group level. In making this change the PRA has responded to comments noting that the exclusion as originally worded was not clear.

3.4 The PRA acknowledged the difference in the proposal between standard formula and full or partial internal model firms in CP43/15 and specifically asked for views from stakeholders on the type, if any, of assurance work on the SCR that they might find valuable in a public audit report, whether calculated using either the standard formula, full or partial internal model. No viable alternatives were put forward and no demand from other users was requested in the comment letters received. One respondent further noted that the standard formula elements of a partial internal model are excluded from scope. The PRA acknowledge that this is a feature of the differentiated proposal. Based on all feedback received, the PRA considers that the proposals made in CP43/15 continue to be the most appropriate. The PRA considers that more risk-focused tools such as s166 FSMA may be more cost effective for their purposes at this time for situations such as the use of full and partial internal models.

## Responses in relation to the draft supervisory statement

### Governing body responsibility

3.5 The PRA has considered the request from some respondents that the PRA require the governing body to include a statement in the SFCR acknowledging its responsibility for the preparation of the SFCR. It is consistent with past practice for the governing body to evidence their responsibility by acknowledging in writing and signing the public disclosure. The PRA agrees that clarity of responsibilities is both beneficial to users and practical for auditors and have emphasised the expectation in the draft supervisory statement.

### Level of assurance and scope

3.6 The PRA has considered the detailed comments in relation to the elements of the SFCR that should be included in scope of external audit. The PRA considers that, except where specifically excluded, the information in the ‘Valuation for solvency purposes’ and ‘Capital management’ sections of the SFCR should be in scope of the requirement.

### Approvals, waivers and supervisory determinations

3.7 To provide greater clarity of scope the PRA has added waivers and supervisory determinations to paragraph 3.4 of the draft supervisory statement. The auditor is not expected to express an opinion on the validity of an approval, waiver or other supervisory determination. Instead approvals, waivers and supervisory determinations provided by the competent authority should be considered as part of the framework against which the audit opinion is being given.

### Audit guidance

3.8 Some respondents were concerned that guidance for auditors would not be available in time for the first disclosure. The PRA has assessed these concerns and has decided that the requirement for external audit of the public disclosure should be deferred and apply to firms with years ending on or after 15 November 2016. The PRA notes that the FRC, following publication of this CP confirming the PRA’s intentions will work to develop and consult on appropriate guidance. The PRA encourages insurers with years ending before 15 November 2016 to procure assurance over their public disclosure where it is practicable. The PRA views existing material, ISAs as issued by the International Auditing and Assurance Standards Board (IAASB), as appropriate guidance for auditors until the FRC issues further standards and

guidance. See the Audit guidance chapter of Appendix 2 for the reference material that should be used for such engagements.

## **4 Cost benefit analysis**

4.1 No new material cost information was provided in response to CP43/15. The CBA in CP43/15 compared, for the insurers in scope for Solvency II, the differences between the position if the proposed rules are made and if there was no requirement for external audit of the SFCR. This CBA compares the cost of external audit in CP43/15 to the cost of external audit in the policy proposed in this CP.

4.2 The proposed rules and draft supervisory statement would apply to all those in scope of Solvency II, which sets prudential requirements for around 400 insurers in the United Kingdom. It does not include insurers below the threshold defined in Article 4 of Solvency II. As a result the smallest insurers would not be in scope of this requirement. There is no expected increase in the cost of external audit as a result of the amendment described in Chapter 2 of this CP.

## Appendices

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- 1 Draft rules – PRA RULEBOOK: SOLVENCY II FIRMS: NON AUTHORISED PERSONS: EXTERNAL AUDIT INSTRUMENT 2016**

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  - 2 Draft supervisory statement – Solvency II: external audit of the public disclosure requirement**

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  - 3 Solvency II public disclosure – narrative sections and templates**

## Appendix 1 Draft rules

### **PRA RULEBOOK: SOLVENCY II FIRMS: 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).
- 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: 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 [DATE].

#### **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**  
[DATE]

## **Annex A**

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

**Part**

# **EXTERNAL AUDIT**

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**Chapter content**

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

## APPLICATION AND DEFINITIONS

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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 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 standard 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

## EXTERNAL AUDIT OF RELEVANT ELEMENTS OF THE SFCR

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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) 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(1) 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*.

#### **APPOINTMENT OF AUDITORS**

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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*.

#### **DUTIES ON THE EXTERNAL AUDITOR**

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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) assess 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 acquired 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 members of 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 Solvency II, Group Supervision Part as follows in the appropriate alphabetical positions. Underlining indicates new text and deleted text is struck through.]

### 20 THIRD COUNTRIES

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- 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*]**

## **Appendix 2 – Draft supervisory statement ‘Solvency II: external audit of the public disclosure requirement’**

### **Contents**

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## 1 Introduction

1.1 This draft supervisory statement is relevant to firms in scope of Solvency II including the Society of Lloyd's (insurers) and auditors. It reminds the governing body of its responsibilities in respect of the ongoing appropriateness of the information disclosed, and that it must approve the Solvency and Financial Condition Report (SFCR). It also sets out the level of assurance expected with respect to the external audit requirement on the SFCR and the audit guidance that the Prudential Regulation Authority (PRA) expects auditors to follow in auditing a firms' SFCR. It should be read alongside the Auditors Part of the PRA Rulebook.

1.2 This draft supervisory statement expands on the Auditors Part of the PRA Rulebook. By clearly and consistently explaining its expectations of insurers and audit firms in relation to the particular areas addressed, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributing to securing an appropriate degree of protection for policyholders. The PRA is legally required, so far as is reasonably possible, to facilitate effective competition in the markets for services provided by PRA authorised persons in carrying on regulated activities. The PRA has considered matters to which it is required to have regard, and it considers that this draft supervisory statement is compatible with the Regulatory Principles and relevant provisions of the Legislative and Regulatory Reform Act 2006. This draft supervisory statement is not expected to have any direct or indirect discriminatory impact under existing UK law.

## 2 Governing body's responsibility for the SFCR

2.1 The PRA Rulebook sets out that an insurer must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that an insurer must ensure that its SFCR is subject to approval by its governing body.<sup>1</sup> Therefore the PRA expects the governing body to take responsibility for ensuring that the SFCR has been properly prepared in all material respects in accordance with the PRA rules and Solvency II regulations.

2.2 As well as having a written policy in place to ensure the ongoing appropriateness of any information disclosed, the PRA expects that the governing body should be satisfied that:

- (a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as applicable to the insurer; and
- (b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

2.3 The PRA expect the governing body to acknowledge and evidence in writing their responsibility for the SFCR and make this available to potential readers of the SFCR by signing the SFCR and attaching the written acknowledgment to the SFCR.

## 3 Level of assurance and scope

3.1 Unless otherwise stated, external audit of the SFCR refers to an independent auditor gathering sufficient appropriate evidence to provide an overall reasonable assurance opinion that the public disclosure in scope complies in all material respects with PRA rules and

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<sup>1</sup> Reporting Part, Rule 6.1(2) Reporting Part, Rule 6.2(1)

Solvency II regulations. Reasonable assurance is a high level of assurance described in relevant auditing regulations.<sup>1</sup> It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is the risk that the auditor expresses an inappropriate opinion when the SFCR is materially misstated) to an acceptably low level. PRA Rule 2.2 describes the relevant elements of the public disclosure in scope in the 'Valuation for solvency purposes' and 'Capital management' sections of the SFCR, subject to the exemptions noted in PRA Rule 2.3 and 2.4.

### **Information in the group SFCR from EEA and non-EEA undertakings**

3.2 PRA rules apply whenever a SFCR is disclosed, whether at the solo or, where relevant, at the group and sub group level. Information from EEA and non-EEA undertakings included in the SFCR will therefore be within scope for external audit.

### **Information in the group SFCR compiled in accordance with sectoral rules**

3.3 Where information for the group SFCR is compiled in accordance with sectoral rules (as required under Solvency II), the group auditor should undertake an assessment of whether that information has been properly extracted in accordance with the relevant sectoral rules, from information provided to the insurer by other undertakings of the insurance group and from the insurer's own records. An external audit of such information is not required.

### **Approvals, waivers and supervisory determinations**

3.4 The auditor is not expected to express an opinion on the validity of an approval, waiver or other supervisory determination. Instead approvals, waivers and supervisory determinations provided by the competent authority should be considered as part of the framework against which the audit opinion is being given.

### **Other information in the SFCR public disclosure**

3.5 Auditors 4.1 (3) in the PRA Rulebook requires that those elements of the SFCR not subject to the reasonable assurance opinion should be assessed by the auditor for consistency with the relevant elements of the SFCR and any other information to which the auditor has had access during the course of the external audit of the relevant elements of the SFCR engagement and, where applicable, the external audit of the financial statements. When complying with this rule, the PRA expects the auditor to follow International Standard on Auditing (UK and Ireland) 720 (Revised October 2012); Section A - The auditor's responsibilities relating to other information in documents containing audited financial statements.

## **4 Audit guidance**

### **General**

4.1 The PRA notes that standards and guidance have been (or are to be) issued by audit standard setting organisations which apply to non-statutory audit engagements of the type envisaged by the PRA's rules. The PRA would normally expect auditors to comply with relevant standards in such engagements. It therefore regards compliance with the standards and guidance set out in the table below as the primary means by which auditors will be able to demonstrate that they have complied with the Auditors Part of the Rulebook.

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<sup>1</sup> International Standard on Auditing (ISA) 200, ISA 200(UK & Ireland), ISA (UK) 200, paragraph 5.

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**Guidance and standards effective for:**

Firms with years ending before 14 November 2016

**Guidance and standards to use**

ISA 800 Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks (as issued by the IAASB January 2016) and ISA 805 Special Considerations - Audits of single financial statements and specific elements, accounts or items of a financial statement (as issued by the IAASB January 2016)  
And other ISAs relevant to an audit performed under ISA 800 and ISA 805.

Firms with years ending on or after 15 November 2016

[To be updated on issue of the PRA policy statement with the applicable UK standards and guidance]

4.2 The PRA notes that auditing standards and guidance will be updated by the FRC from time to time. The PRA may update this supervisory statement accordingly as appropriate.

**Use of actuaries**

4.3 ISAs specify that the auditor shall determine whether, to obtain sufficient appropriate audit evidence, he or she should use the work of an auditor's expert, and should evaluate the expert's competence, capabilities and objectivity. As a minimum, for firms that write life business, the PRA expects that auditors, in undertaking the external audit, will obtain and pay due regard to the work of a suitably qualified actuary who is independent of the firm.

## Appendix 3 – Solvency II public disclosure – narrative sections and templates

The table below lists the elements of the SFCR and highlights which are included in the reasonable assurance opinion. Auditors should assess 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 acquired and other information to which the auditor has had access during the course of the external audit of the SFCR engagement and (where applicable) external audit of the financial statements.

Article	Title	Reasonable Assurance
293	Business and performance	No
294	System of governance	No
295	Risk profile	No
296	Valuation for solvency purposes	Yes*
297	Capital management	Yes*
359	Group solvency and financial condition report	Yes* of valuation and capital management sections

### Templates

S.02.01.02	Balance Sheet	Yes*
S.05.01.02	Premiums, claims and expenses by line of business	No
S.05.02.01	Premiums, claims and expenses by country	No
S.12.01.01	Life and Health SLT Technical Provisions	Yes*
S.17.01.02	Non-Life Technical Provisions	Yes*
S.19.01.21	Non-life insurance claims	No
S.22.01.21	Impact of long term guarantees and transitional measures (MCR)	Yes*
S.22.01.22	Impact of long term guarantees and transitional measures (SCR)	Yes*
S.23.01.01	Own funds	Yes*
S.23.01.22	Own funds	Yes*
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula	Yes
S.25.01.22	Solvency Capital Requirement - for groups on Standard Formula	Yes
S.25.02.21	Solvency Capital Requirement - for undertakings using the standard formula and partial internal model	No
S.25.02.22	Solvency Capital Requirement - for groups using the standard formula and partial internal model	No
S.25.03.21	Solvency Capital Requirement - for undertakings on Full Internal Models	No
S.25.03.22	Solvency Capital Requirement - for groups on Full Internal Models	No
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	Yes*
S.28.02.01	Minimum Capital Requirement - Both life and non-life insurance activity	Yes*
S.32.01.22	Undertakings in the scope of the group	Yes

\* SCR calculated using an internal model is out of scope