

**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**

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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 ON THE EXTERNAL AUDITOR**

## 1 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 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

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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) 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

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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*.

### 4 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) 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**

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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*]**