

## Chartered Accountants Ireland or CCAB-I material

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### Technical Releases

**TR 01/2015 - “Section 27BA of the Central Bank Act 1997 – Guidance for Auditors” (Reviewed 2022)**

***Reviewed in 2022***

***This document was reviewed in 2022. The content remains the same as issued in 2015 and does not require updating in 2022.***

### Representation and Technical Policy

**May 2015**

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#### **Purpose of the Technical Release**

1. The purpose of this Technical Release<sup>1</sup> is to provide assistance to auditors who are engaged by a financial institution, following a request from the Central Bank of Ireland, (“the Central Bank”) to carry out an engagement pursuant to Section 27BA of the Central Bank Act 1997 (“the 1997 Act”). This guidance has been prepared in consultation with the Central Bank.

2. This Technical Release should be read in conjunction with each written notice (“the notice”) to the auditor in relation to a request to perform an examination under section 27BA of the 1997 Act as well as International Standard on Assurance Engagements 3000 (Revised) “Assurance engagements other than audits or reviews of historical financial information” (ISAE 3000). The notice will include the specific provisions which will form the basis of the particular examination in any given year.

3. Section 27BA of the 1997 Act specifies that the auditor of the specified regulated financial service provider (“RFSP”) will be requested to carry out an examination pursuant to that Act. This examination is separate from the statutory audit of the accounts of the RFSP and does not in any way form part of the statutory audit.

4. This guidance describes the format of reporting appropriate to an examination under section 27BA of the 1997 Act which has as its subject matter the following provisions of financial services legislation relevant to credit institutions and insurance undertakings:

- Regulation 10(3) of the European Communities (Non-Life Insurance) Framework Regulations 1994 (S.I. No. 359 of 1994)
- Regulation 10(3) of the European Communities (Life Assurance) Framework Regulations 1994 (S.I. No. 360 of 1994)
- Regulations 61(1) and (3) and 64 to 83 of the European Communities (Capital Requirements) Regulations 2014 (S.I. No. 158 of 2014)

Where the notice from the Central Bank identifies other legislative provisions to form the basis of an examination under Section 27BA of the 1997 Act the appropriate form of reporting will be agreed, in advance, in consultation between the Central Bank and Chartered Accountants Ireland.

#### **Background and legal requirements**

5. Part 4 of the Central Bank (Supervision and Enforcement) Act, 2013, which was commenced on 1 August 2013, amended the 1997 Act by inserting a provision for an examination at section 27BA of the 1997 Act. This section enables the Central Bank to require the statutory auditor of a specified RFSP to conduct an examination with regard to obligations imposed by certain provisions of financial services legislation as identified by the Central Bank. Section 27BA is reproduced here:

#### ***Section 27BA of the Central Bank Act 1997***

(1) Where the Bank considers it necessary owing to the nature, scale or complexity of the activities of a regulated financial service provider, it may, by notice in writing to the auditor of the regulated financial service provider, require the auditor to conduct an examination for the purpose of providing to the Bank a statement as to the extent to which the regulated financial service provider has complied with obligations imposed by or under such provisions of financial services legislation as are specified in the notice.

(2) The notice—

(a) shall be given not less than 3 months before the date on which the auditor's report on the regulated financial service provider's accounts is due to be submitted to the Bank, and

(b) shall specify the standards in accordance with which the examination is to be conducted.

(3) The auditor shall conduct an examination in accordance with the notice and during the examination shall undertake such testing procedures and obtain such information as the auditor thinks appropriate.

(4) The auditor shall, not more than 2 months after the date on which the auditor's report on the regulated financial service provider's accounts is due to be submitted to the Bank, provide to the Bank a statement outlining the findings of the examination (including, in particular, the outcome of the testing procedures undertaken, and the information obtained, by the auditor during the examination).

(5) If the auditor is not satisfied that the regulated financial service provider has complied with an obligation imposed by or under the provisions of financial services legislation specified in the notice, the auditor shall include in the statement the reasons why the auditor is not so satisfied.

(6) The Bank may make regulations prescribing the obligations imposed by or under provisions of financial services legislation any or all of which may be specified in a notice under subsection (1).

(7) The Bank may prescribe an obligation imposed by or under a provision of financial services legislation in regulations under subsection (6) if and only if the provision concerns—

(a) administrative or accounting procedures of regulated financial service providers,

(b) internal control mechanisms of, or risk management by, regulated financial service providers, or

(c) the organisational structure or governance of regulated financial service providers.

(8) Before making regulations under this section the Bank shall consult the Minister and the Minister for Jobs, Enterprise and Innovation.

(9) In specifying under subsection (2)(b) the standards in accordance with which an examination is to be conducted, the Bank shall have regard to internationally recognised standards for assurance and auditing.’

6. Section 27BA(7) of the 1997 Act requires that the relevant provisions of financial services legislation that may be the subject of the examination concern administrative or accounting procedures, internal control mechanisms or risk management, or the organisational structure or governance of RFSPs. The Central Bank Act 1997 (Auditor Assurance) Regulations 2014 (S.I. No. 424 of 2014) contain the provisions prescribed to date by the Central Bank which may form the basis of a notice under section 27BA(1) of the 1997 Act. The list of provisions prescribed by S.I. 424 of 2014 is set out in [Appendix 1](#).

7. Section 27BA(1) of the 1997 Act requires the Central Bank to send a formal notice to the statutory auditor setting out the specified provisions which will form the basis of the examination (“the notice”). The notice sets out parameters as to the scope of the examination. For example, with regard to the first year of operation of section 27BA of the 1997 Act, the Central Bank requested auditors of certain credit institutions<sup>2</sup> to perform an examination under that legislation with regard to certain obligations, as set out in the notice, imposed by Regulations 61(1) and (3) of the European Union (Capital Requirements) Regulations 2014. The obligations which were set out in that first year notice were specified aspects of *Guidelines on Internal Governance*<sup>3</sup> (“GL44”) issued by the European Banking Authority in September 2011.

8. In advance of the issue of the notice, the Central Bank will engage with auditors of the RFSPs in relation to the specified obligations to ensure that the aspects of the obligations chosen are capable of examination in accordance with the appropriate professional standards.

### **Nature of the engagement**

9. Under section 27BA of the 1997 Act the auditor will provide to the Central Bank a statement as to the extent to which the RFSP has complied with certain obligations as specified in the notice. The “statement as to the extent of compliance” takes the form

of two separate reports by the auditor, an assurance report and a review and recommend report. These reports do not include any conclusions as to whether the RFSP has complied with the specified provisions of financial services legislation, because currently no internationally recognised objective criteria (as defined in ISAE 3000) are available against which an evaluation can be made to determine whether an RFSP has complied with the specified provision of the financial services legislation. The examination will require the auditor to express an overall conclusion on the matters set out in the assurance report but it is not a conclusion as to whether the RFSP has complied with the specified provisions of the financial services legislation.

### Assurance report

10. The statutory auditor performs a reasonable or limited assurance attestation<sup>4</sup> engagement, as agreed between the auditor and the Central Bank and specified in the notice, in relation to an assertion by the RFSP regarding its description of the relevant governance processes and controls at the RFSP.

11. The RFSP prepares a report setting out a description of the specified administrative or accounting or, internal control or, risk management or internal governance arrangements it has in place to comply with the specified aspects of financial services legislation or related guidelines as set out in the notice. The RFSP then prepares an assertion, approved by the board of directors, stating that in all material respects:

(i) the description is fairly presented using the following criteria:

The description is fairly presented if it:

- a. Presents certain of the RFSP's relevant arrangements as developed and implemented for the specified reporting period; and
- b. Does not omit or distort information relevant to the specified arrangements being described.

(ii) the controls and processes included in the description were operating as described for the specified reporting period.

12. The statutory auditor performs a reasonable or limited assurance attestation engagement, as set out in the notice, in relation to the RFSP's assertion.

13. The assurance engagement should be conducted in accordance with ISAE 3000. That standard defines an assurance engagement as:

*“an engagement in which a **practitioner** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the **intended users** other than the **responsible party** about the **subject matter information** (that is, the outcome of the measurement or evaluation of an **underlying subject matter** against **criteria**)”*

In the context of an examination under section 27BA of the 1997 Act the constituents of the assurance engagement can be identified as follows:

<b>Responsible party</b>	The responsible party is the RFSP
<b>Practitioner</b>	The practitioner is the statutory auditor of the RFSP
<b>Engaging party</b>	The engaging party is the RFSP
<b>Intended user</b>	The intended user is the Central Bank
<b>Subject matter information</b>	<p>The subject matter is the RFSP's description of certain of its administrative or accounting, internal control, risk management or internal governance arrangements and the assertion made by the RFSP that:</p> <ul style="list-style-type: none"> <li>• the description is fairly presented; and</li> <li>• the arrangements described therein were operating as described for the specified reporting period.</li> </ul>
<b>Underlying subject matter</b>	The underlying subject matter is the arrangements included in the description prepared by the RFSP.

## Criteria

The criteria will be used by both the RFSP in making the assertion that the description of the RFSP's relevant arrangements is fairly presented and by the auditor in arriving at his/her conclusion. The criteria for assessing that the description is fairly presented are:

- a. The description presents certain of the RFSP's administrative or accounting, internal control, risk management or internal governance arrangements as developed and implemented for the specified reporting period; and
- b. The description does not omit or distort information relevant to the specified arrangements being described.

## Measurer/evaluator

The reasonable or limited assurance reporting is an attestation engagement and the measurer/evaluator is the RFSP.

14. In the case of a reasonable assurance engagement the auditor's conclusion is expressed in a positive form. The auditor concludes whether in his opinion the description prepared by the RFSP is fairly presented based on the same criteria used by management to make the assertion set out above and whether the processes and controls as set out in the description were operating as described for the specified reporting period.

15. In the case of a limited assurance engagement the auditor's conclusion is expressed in a negative form that conveys whether, based on the procedures performed and the evidence obtained, a matter has come to the auditor's attention to cause him/her to believe that the RFSP's assertion, that the description is fairly presented and that the arrangements described therein are operating as described, is materially misstated.

16. The Central Bank has acknowledged that this report will not provide assurance on whether the specified arrangements included in the description are appropriately designed to comply with the financial services legislation, guidelines or other provisions specified in the notice, or whether the processes and controls included in the description were operating effectively during the specified reporting period. The examination is limited to considering only whether the processes and controls operate as described by the RFSP and does not address the appropriateness of the design of the controls and processes to meet the requirements of specified financial services legislation or guidelines.

17. The assurance report includes all the elements required by ISAE 3000 and makes it clear that that standard has been followed. An illustrative example of a reasonable assurance report is provided in [Appendix 2](#).

## Review and recommend report

18. In addition to the assurance report, the Central Bank may also require the auditor to conduct a "review and recommend" engagement. This work involves the auditor's consideration of the RFSP's description of its relevant arrangements, analysis of information provided by the RFSP, meetings with management and consideration of any gaps or deficiencies identified by the RFSP or the auditor. There is some discussion of review and recommend engagements in the Institute of Chartered Accountants in England and Wales (ICAEW) document "Technical Release 15/14 FSF - Guidance for Skilled Persons' Reviews". That document notes that in a review and recommend engagement the auditor provides views, findings and recommendations based on his/her professional experience and judgement.

19. The review and recommend engagement does not involve the provision of an assurance opinion. The auditor prepares a narrative or long form report setting out the work performed and any views, findings or recommendations. The report does not identify remediations, which is properly the responsibility of management, but summarises the findings and recommendations, for consideration. The review and recommend report includes management responses to the auditor's findings but the auditor does not comment on management's responses.

20. As part of planning the review and recommend engagement, the auditor ensures a detailed scope is agreed with the Central Bank. In that context, the auditor considers best practices, international benchmarks and standards, to the extent available or relevant, and these are discussed with the Central Bank. As noted in the ICAEW guidance document mentioned above, under a review and recommend engagement a range of evidential levels can be obtained including detailed testing as considered appropriate by the Central Bank and the auditor. The agreed scope of the engagement is clearly articulated in the report.

21. Although the exact format of the review and recommend report will vary as appropriate to the RFSP and the agreed scope of the engagement each such report includes the following:

- An executive summary which is a succinct summary of the background to the engagement, the work performed and the key findings;
- A description of the scope of the engagement as set out in the notice and as subsequently agreed in further detail in dialogue with the Central Bank;
- A description of the industry benchmarks, standards and best practices which are considered an appropriate frame of reference for the engagement;
- A description of the procedures performed;
- A detailed description of the auditor's views, findings and recommendations with reference to the benchmarks and standards identified as being relevant to the engagement;
- The RFSP's response to the auditor's recommendations.

22. The scope of the auditor's work does not involve seeking out instances of non-compliance by the RFSP with the provisions specified in the notice. However, if in the course of the performance of the engagement, the auditor is not satisfied that the RFSP has complied with an obligation imposed under the aforementioned provisions, the auditor shall include in the report the reasons why the auditor is not so satisfied.

### **The notice to the auditor**

23. Section 27BA of the 1997 Act requires that the Central Bank send a notice to the statutory auditor of the requirement to conduct an examination in relation to the RFSP. The law requires that the notice is issued not less than three months before the date on which the auditor's report on the accounts of the RFSP is due to be submitted.

24. The notice sets out the provisions of financial services legislation which are to form the basis of the examination. The notice specifies which particular aspects of the RFSP's administrative or accounting or, internal control or, risk management or internal governance processes are to be examined and sets out clear parameters as to the scope of the examination, including whether reasonable or limited assurance is required for the assurance element of the examination and whether a review and recommend report is also required. Since the Central Bank may specify different provisions for each examination there will be dialogue with the auditor, in advance of the sending of the notice, to determine the appropriate parameters for the examination.

25. The notice sets out the responsibilities of the RFSP in relation to the examination. The directors of the RFSP are responsible for:

- compliance with the obligations imposed by or under such provisions of financial services legislation as are specified in the notice;
- preparation of the description of the relevant arrangements that have been put in place in order to comply with the obligations specified in the notice;
- preparation of an assertion that the aforementioned description is fairly presented in accordance with the identified criteria and that the controls and processes included in the description were operating as described for the specified reporting period;
- responding to the recommendations and findings of the auditor's review and recommend report and the implementation of any appropriate remediations;
- identifying any gaps or deficiencies in the relevant arrangements and preparing a report setting out details of any such gaps or deficiencies.

26. The notice is required by law to specify the standards in accordance with which the examination is to be conducted. In this regard the 1997 Act also requires that the Central Bank shall have regard to internationally recognised standards for assurance and auditing. The Central Bank has notified auditors that the assurance element of

the engagement should be performed in accordance with the International Framework for Assurance Engagements and ISAE 3000. The notice also refers auditors to this Technical Release for guidance in relation to both the assurance and the review and recommend elements of the examination.

### **Terms of engagement**

27. The examination under section 27BA of the 1997 Act is entirely separate from the statutory audit of the accounts of the RFSP and is subject to separate terms of engagement. The parties to the engagement letter(s) relating to the examination are the auditor and the RFSP.

28. The engagement letter may include:

- Reference to the legal context in which the engagement arises (section 27BA of the 1997 Act);
- The scope of the examination;
- The respective responsibilities of the RFSP and the auditor;
- The timetable for the work;
- The auditor's standard engagement terms and conditions as appropriate for engagements of this nature.

### **Ethical requirements**

29. In the course of the engagement the auditor has regard to the "Code of Ethics for Members" of the Institute of Chartered Accountants in Ireland, or equivalent code, and the Ethical Standards for Auditors issued by the Auditing Practices Board or successor bodies.

### **Timing**

30. The auditor's reports under section 27BA of the 1997 Act should be submitted to the Central Bank not more than two months after the date on which the auditor's report on the RFSP's accounts is due to be submitted.

### **Communication with the Central Bank**

31. Ongoing communication between the Central Bank and the auditor is important in relation to the examination. Discussions relating to the scope of the examination and the preliminary findings are helpful in ensuring that the expectations of both parties are met. A communications protocol for the examination may be agreed between the Central Bank and the auditor at the commencement of the examination.

32. Bilateral dialogue is usual in advance of the performance of the examination to determine the examination scope. These discussions include:

- Geographical scope;
- Business lines scope;
- Product scope; and
- Appropriate benchmarks, standards and best practices to be referred to in the context of a review and recommend report.

33. In relation to communication between the auditor and the Central Bank the notice specifically states that:

- the auditor will keep the Central Bank informed of any significant developments falling within the scope of the examination as and when they occur and this is without prejudice to the powers of the Central Bank to compel the production of information from auditors of RFSPs;
- the Central Bank may seek access to interim reports prior to the inclusion of management comments; and
- the Central Bank may require access to source data, documents and working documents that the Central Bank believes to be relevant to any current or future investigation.

34. Interim reports are only shared with the Central Bank after factual accuracy has been agreed with management of the RFSP.

35. Working papers prepared by the auditor remain the property of the auditor. The auditor may be asked to provide access to working papers which support the findings of the reports but documentation of the internal administration and management of the examination are not relevant to Central Bank investigations in relation to the RFSP.

36. The auditor may keep the RFSP informed of communication with the Central Bank, as deemed appropriate, unless there is a specific reason not to and/or the Central Bank has asked the auditor not to bring certain communications to the attention of the RFSP.

## **Communication with the RFSP**

37.The RFSP engages in dialogue with the Central Bank to understand the scope of areas covered by the notice. Dialogue between the RFSP and the auditor in relation to the scope of the examination is also important to ensure that the RFSP's description of relevant arrangements is appropriate for the assurance engagement. It is also necessary that the RFSP has a clear understanding of the scope, and limitations, of the review and recommend engagement.

38.The auditor will ask management of the RFSP to provide management representations in relation to both the assurance and review and recommend engagements. These representations should be discussed as they arise in the course of the examination and be formally provided in writing close to the conclusion of the examination.

## **Tri-lateral meetings**

39.Tri-lateral meetings between the auditor, the Central Bank and the RFSP may take place as the relevant parties deem appropriate.

## **Appendix 1 – Extract from The Central Bank Act 1997 (Auditor Assurance) Regulations 2014 (S.I. No. 424 of 2014 )**

The Central Bank Act 1997 (Auditor Assurance) Regulations 2014 (S.I. No. 424 of 2014) contain the provisions prescribed to date by the Central Bank which may form the basis of a notice under section 27BA(1) of the 1997 Act. The prescribed provisions set out in S.I. 424 of 2014 are:

- 1.Regulation 10(3) of the European Communities (Non-Life Insurance) Framework Regulations 1994 (S.I. No. 359 of 1994)
- 2.Regulation 10(3) of the European Communities (Life Assurance) Framework Regulations 1994 (S.I. No. 360 of 1994)
- 3.Regulation 20 and 38(1) of the European Communities (Reinsurance) Regulations 2006 (S.I. No. 380 of 2006)
- 4.Regulations 33, 34, 35, 36, 37 and 63 of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007)
- 5.Regulations 24 and 43 of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011)
- 6.Regulations 13 to 19 of the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013)
- 7.Regulations 61(1) and (3) and 64 to 83 of the European Communities (Capital Requirements) Regulations 2014 (S.I. No. 158 of 2014)

## **Appendix 2 – Illustrative example of reasonable assurance report (credit institution)**

Note: This appendix shows an illustrative reasonable assurance report for an examination under section 27BA of the Central Bank Act 1997 in relation to a credit institution where specified areas of the European Banking Authority (EBA) Guidelines on Internal Governance (GL 44) have been identified, in the notice under section 27BA of the Central Bank Act 1997, as forming the basis of the examination.

**Independent Auditor's Reasonable Assurance report to the Central Bank of Ireland (“the Regulator”) in respect of Bank XXX's description of specified aspects of internal governance arrangements put in place to comply with its obligations in relation to specified areas of [for example] the EBA Guidelines on Internal Governance (“GL 44”), pursuant to note issued xx/xx/20xx under section 27BA of the Central Bank Act 1997. [Title may be tailored][Individual firms may provide separate reports on the individual specified areas in accordance with their methodology]**

We were engaged by the Bank xxx, (“the Bank”), to report to the Regulator in the form of an independent reasonable assurance conclusion, based on our work performed and described in this report, on whether the Bank's description of specified aspects of its internal governance arrangements put in place to comply with specified guidelines of GL 44 for the following areas:

- [insert specified guidelines of GL 44 1]; and
- [insert specified guidelines of GL 44 2];

as set out in [attachment 1] (the Description) is fairly presented [as at date] or [during the specified reporting period], based on the criteria as set out below and that the processes and



controls included in the Description were operating as described [at date] or [during the specified reporting period].

### **Respective Responsibilities of the Directors, the Regulator and the Independent Auditor**

The directors are responsible for ensuring the internal governance arrangements put in place are sufficient to comply with GL 44. The directors of the Bank are responsible for preparing the Description and the accompanying assertion at page [x] that the Description is fairly presented based on the criteria set out below and that the processes and controls included in the Description were operating as described [at date] or [during the specified reporting period].

The Regulator is responsible for determining the specified guidelines of GL 44 and the specified aspects of the internal governance arrangements that are in scope for the purposes of the engagement and, in light of the contents of the report and other information about the Bank available to it, whether further action by the Regulator is necessary.

Our responsibility is to express a reasonable assurance conclusion on whether the Bank's Description is fairly presented based on the criteria set out below and whether the processes and controls as set out in the Description were operating as described [at date] or [during the specified reporting period]. Our responsibilities did not extend to the assessment of whether the specified internal governance arrangements included in the Description are appropriately designed to comply with the specified guidelines of GL44, or whether the processes and controls included in the Description were operating effectively [at date] or [during the specified reporting period] and we do not report thereon.

### **Applicable professional standards and independence**

Our assurance engagement has been conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. That standard requires that:

- we comply with the independence and other ethical requirements of the *Code of Ethics for Members* issued by the Institute of Chartered Accountants in Ireland, or equivalent code, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour;
- we apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Criteria**

The Description is fairly presented if it:

- (a)presents the institution's internal governance arrangements performed by the Board of Directors and Senior Executive Management as developed and implemented [as at date] or [during the specified reporting period] in relation to the items specified in Appendix 1 to this report; and
- (b)does not omit or distort information relevant to the internal governance arrangements for the items specified in Appendix 1 being described.

These criteria have been developed for the purpose of this engagement and agreed with the Regulator. Therefore, the Bank's Description and assertion of fair presentation as set out in attachment 2, may not be suitable for any other purpose.

### **Scope of our work**

We planned and performed procedures sufficient to obtain reasonable assurance that the Bank's Description is fairly presented and that the processes and controls included in the Description were operating as described [as at date] or [during the specified reporting period]. The procedures we performed were determined by our judgement, on our understanding of the matters set out in the Description and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The procedures we performed included:

[an informative summary of the work performed as the basis for the report conclusion]

Full details of our procedures are set out in Appendix 2 [or set out the procedures hereafter].

### **[Inherent Limitations**

**Section to be tailored based on specific engagement team assessment of any significant inherent limitation associated with the measurement or evaluation of the underlying subject matter against the applicable criteria as required by ISAE 3000]**

**Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

***Specified guidelines of GL 44 1***

Based on the procedures performed and evidence obtained, in our opinion, in all material respects:

- (a) the Director's Description in attachment 1 in relation to *Specified guidelines of GL 44 1* is fairly presented, based on the criteria as set out above [as at date] or [during the specified reporting period];
- (b) the processes and controls as set out in the Description were operating as described [as at date] or [during the specified reporting period].

***Specified guidelines of GL 44 2***

Based on the procedures performed and evidence obtained, in our opinion, in all material respects:

- (a) the Director's Description in attachment 1 in relation to *Specified guidelines of GL 44 2* is fairly presented, based on the criteria as set out [as at date] or [during the specified reporting period];
- (b) the processes and controls as set out in the Description were operating as described [as at date] or [during the specified reporting period].

**Restriction of Use of Our Report [may be tailored for the specific circumstance of each engagement]**

Our obligations in respect of this report are entirely separate from, and our responsibility and liability in no way changed by, any other role we may have or may have had as statutory auditors of the bank or otherwise. These procedures do not extend to the Bank's financial statements taken as a whole. This report has been prepared solely for the directors of the Bank and the Regulator. It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Bank or the Regulator for any purpose or in any context. Any party other than the Bank and the Regulator who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.

[Firm]

[Address]

[Date]

CC Bank

**Appendix 1**

Start and end point for description of the internal governance arrangements relating to *Specified guidelines of GL 44 1* and *Specified guidelines of GL 44 2* as developed by the separate working group and agreed with the Central Bank.

**Appendix 2 – Assurance procedures we performed**

With regard to the Bank's description of its internal governance arrangements relating to *Specified guidelines of GL 44 1* set out in Attachment 1 we:

- [set out procedures in detail as appropriate]

With regard to the Bank's description of its internal governance arrangement relating to *Specified guidelines of GL 44 2* set out in Attachment 1 we:

- [set out procedures in detail as appropriate]

### **Appendix 3 – Illustrative example of reasonable assurance report (insurance undertaking)**

Note: This appendix shows an illustrative reasonable assurance report for an examination under section 27BA of the Central Bank Act 1997 in relation to an insurance undertaking where specified areas of the “*The Preparatory Guidelines*”, issued by the Central Bank in November 2013, have been identified, in the notice under section 27BA of the Central Bank Act 1997, as forming the basis of the examination.

#### **Independent Auditor's Reasonable Assurance report to the Central Bank of Ireland (“the Regulator”) in respect of Insurance Undertaking XXX's description of specified aspects of internal governance arrangements put in place to comply with its obligations in relation to specified areas of the Central Bank of Ireland's Guidelines on Preparing for Solvency II (“Preparatory Guidelines”), pursuant to note issued xx/xx/2014 under section 27BA of the Central Bank Act 1997. [Title may be tailored][Individual firms may provide separate reports on the specified areas of the Preparatory Guidelines in accordance with their methodology]**

We were engaged by the Insurance Undertaking xxx, (“the Insurance Undertaking”), to report to the Regulator in the form of an independent reasonable assurance conclusion, based on our work performed and described in this report, on whether the Insurance Undertaking's description of specified aspects of its internal governance arrangements put in place to comply with specified guidelines of the Preparatory Guidelines for the following areas:

- [insert first specified guideline of the Preparatory Guidelines]
- [insert second specified guideline of the Preparatory Guidelines]
- [insert third specified guideline of the Preparatory Guidelines]

as set out in [attachment 1] (the Description) is fairly presented [as at date] or [during the specified reporting period], based on the criteria as set out below and that the processes and controls included in the Description were operating as described [at date] or [during the specified reporting period].

#### **Respective Responsibilities of the Directors, the Regulator and the Independent Auditor**

The directors are responsible for ensuring the internal governance arrangements put in place are sufficient to comply with the Preparatory Guidelines. The directors of the Insurance Undertaking are responsible for preparing the Description and the accompanying assertion at page [x] that the Description is fairly presented based on the criteria set out below and that the processes and controls included in the Description were operating as described [as at date] or [during the specified reporting period].

The Regulator is responsible for determining the specified guidelines of the Preparatory Guidelines and the specified aspects of the internal governance arrangements that are to be in scope for the purposes of the engagement and, in light of the contents of the report and other information about the Insurance Undertaking available to it, whether further action by the Regulator is necessary.

Our responsibility is to express a reasonable assurance conclusion on whether the Insurance Undertaking's Description is fairly presented based on the criteria set out below and whether the processes and controls as set out in the Description were operating as described [as at date] or [during the specified reporting period]. Our responsibilities did not extend to the assessment of whether the specified internal governance arrangements included in the Description are appropriately designed to comply with the specified guidelines of the Preparatory Guidelines, or whether the processes and controls included in the Description were operating effectively [at date] or [during the specified reporting period] and we do not report thereon.

#### **Applicable professional standards and independence**

Our assurance engagement has been conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. That standard requires that:

- we comply with the independence and other ethical requirements of the *Code of Ethics for Members* issued by the Institute of Chartered Accountants in Ireland, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour;

•we apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Criteria

The Description is fairly presented if it:

- (c)presents the Insurance Undertaking's internal governance arrangements performed by the Board of Directors and Senior Executive Management as developed and implemented [as at date] or [during the specified reporting period] in relation to the items specified in [Appendix 1](#) to this report; and
- (d)does not omit or distort information relevant to the internal governance arrangements for the items specified in [Appendix 1](#) being described.

These criteria have been developed for the purpose of this engagement and agreed with the Regulator. Therefore, the Insurance Undertaking's Description and assertion of fair presentation as set out in attachment 2, may not be suitable for any other purpose.

## Scope of our work

We planned and performed procedures sufficient to obtain reasonable assurance that the Insurance Undertaking's Description is fairly presented and that the processes and controls included in the Description were operating as described [as at date] or [during the specified reporting period]. The procedures we performed were determined by our judgement, on our understanding of the matters set out in the Description and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The procedures we performed included:

[an informative summary of the work performed as the basis for the report conclusion]

Full details of our procedures are set out in Appendix 2 [or set out the procedures hereafter].

## [Inherent Limitations

**Section to be tailored based on specific engagement team assessment of any significant inherent limitation associated with the measurement or evaluation of the underlying subject matter against the applicable criteria as required by ISAE 3000]**

## Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## ***First specified guideline of the Preparatory Guidelines***

Based on the procedures performed and evidence obtained, in our opinion, in all material respects:

the Director's Description in attachment 1 in relation to the *first specified guideline of the Preparatory Guidelines*

- (a)is fairly presented, based on the criteria as set out above [as at date] or [during the specified reporting period];
- (b)the processes and controls as set out in the Description were operating as described [as at date] or [during the specified reporting period];

## ***Second specified guideline of the Preparatory Guidelines***

Based on the procedures performed and evidence obtained, in our opinion, in all material respects:

the Director's Description in attachment 1 in relation to the *second specified guideline of the Preparatory Guidelines*

- (a)is fairly presented, based on the criteria as set out above [as at date] or [during the specified reporting period];
- (b)the processes and controls as set out in the Description were operating as described [as at date] or [during the specified reporting period];

### ***Third specified guideline of the Preparatory Guidelines***

Based on the procedures performed and evidence obtained, in our opinion, in all material respects:

the Director's Description in attachment 1 in relation to the *third specified guideline of the Preparatory Guidelines*

(a) is fairly presented, based on the criteria as set out above [as at date] or [during the specified reporting period];

(b) the processes and controls as set out in the Description were operating as described [as at date] or [during the specified reporting period];

### **Restriction of Use of Our Report [may be tailored for the specific circumstance of each engagement]**

Our obligations in respect of this report are entirely separate from, and our responsibility and liability in no way changed by, any other role we may have or may have had as statutory auditors of the Insurance Undertaking or otherwise. These procedures do not extend to the Insurance Undertaking's financial statements taken as a whole. This report has been prepared solely for the directors of the Insurance Undertaking and the Regulator. It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Insurance Undertaking or the Regulator for any purpose or in any context. Any party other than the Insurance Undertaking and the Regulator who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.

[Firm]

[Address]

[Date]

CC Insurance Undertaking

### ***Appendix 1***

Start and end point for description of the internal governance arrangements relating to the *first specified guideline of the Preparatory Guideline, second specified guideline of the Preparatory Guidelines and third specified guideline of the Preparatory Guidelines*, as developed by the separate working group and agreed with CBI.

### ***Appendix 2 – Assurance procedures we performed***

With regard to the Insurance Undertakings's description of its internal governance arrangements relating to the *first specified guideline of the Preparatory Guidelines* set out in Attachment 1 we:

- [set out procedures in detail as appropriate]

With regard to the Insurance Undertaking's description of its internal governance arrangement relating to the *second specified guideline of the Preparatory Guidelines* set out in Attachment 1 we:

• [set out procedures in detail as appropriate]

With regard to the Insurance Undertaking's description of its internal governance arrangement relating to the *third specified guideline of the Preparatory Guidelines* set out in Attachment 1 we:

- [set out procedures in detail as appropriate]

### **Appendix 4 – Illustrative headings for review and recommend report**

#### **Executive summary:**

Introduction: Describes the review and recommend report - tailored to suit the individual RFSP.

Background: Background to the engagement including legal references, Chartered Accountants Ireland guidance, notification letter and reporting timeframes.

Key Findings: A summary of the **key** findings.

#### **Approach:**

Structure of the Report: Describes the structure of the report in accordance with the key headings.

Scope: Details the scope of the engagement as set out in the notification letter and agreed in dialogue with the Central Bank. Also includes detail of what is outside scope of engagement and refers to the guidance issued by Chartered Accountants Ireland.

Benchmarking and best practice: Describes the relevant industry accepted standards, benchmarks and best practices considered relevant and appropriate for the review.

Approach: Describes the elements of the work involved in the report e.g. analysis of information provided by the institutions, evaluation of processes as documented, meeting with management, consideration of gaps identified by the RFSP, documentation and communication of views, findings and recommendations. The work will **not** involve evaluation of alternatives, development or identification of actions or remediations, implementation or follow-up or evaluation of the data.

**Findings\Recommendations:**

A more detailed description of the findings with reference to best practice or the relevant standard\benchmark.

1 A Technical Release addresses technical issues of ongoing relevance and importance to members of the Institute of Chartered Accountants in Ireland. A Technical Release is a source of good practice guidance on technical and practice issues relevant to the work of chartered accountants.

2 With regard to the first year of operation of section 27BA of the 1997 Act, the Central Bank requested auditors of certain insurance undertakings to perform an examination under that legislation with regard to certain obligations, as set out in the notice, imposed by Regulations 10(3) of the European Communities (Non-Life Insurance) Framework Regulations 1994. The obligations which were set out in that first year notice were specified aspects of "*The Preparatory Guidelines*" issued by the Central Bank in November 2013 to provide guidance to insurance undertakings in their preparations for Solvency II.

3 [https://www.eba.europa.eu/documents/10180/103861/EBA-BS-2011-116-final-EBA-Guidelines-on-Internal-Governance-%282%29\\_1.pdf](https://www.eba.europa.eu/documents/10180/103861/EBA-BS-2011-116-final-EBA-Guidelines-on-Internal-Governance-%282%29_1.pdf)

4 ISAE 3000 "Assurance engagements other than audits or reviews of historical financial information" defines an attestation engagement as "an assurance engagement in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria."