



## **Solvency II: external audit of the public disclosure requirement**

ICAEW welcomes the opportunity to comment on the *Solvency II: external audit of the public disclosure requirement* published by Prudential Regulation Authority on 4 July 2016, a copy of which is available from this [link](#).

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## MAJOR POINTS

1. We responded to the PRA consultation paper 43/16 and we are pleased to see that many points we raised were addressed in this subsequent consultation which is based on the feedback received. While we realise that 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, we appreciate the effort in amending the rules to provide clarity.
2. We particularly welcome the amendment made to proposed rule 4.1(3) to clarify that the auditor is only required to consider material inconsistencies in respect of the unaudited information and that his consideration extends only to the knowledge the auditor has obtained from their audit.
3. We appreciate the provision of clarity in paragraph 3.4 in the draft supervisory statement, namely that the auditor is not expected to express an opinion on the validity of an approval, waiver or supervisory determination, but rather they are considered to be part of the framework against which the audit opinion is given. However we believe that further clarification is needed regarding the auditor's responsibilities in respect of calculations performed in accordance with such approvals, waivers and determinations, especially as the detail is not contained in the modification approval that is publicly available.
4. One item that is subject to PRA approval is the use of the transitional measure on technical provisions. As set out in para 3.3 of SS 17/15 Solvency II: transitional measures on risk-free interest rates and technical provisions: "Pillar 2 insurance liabilities are the starting point for the transitional deduction".  
Pillar 2 insurance liabilities would not have previously been subject to audit under Solvency I audit requirements and we do not believe that it would be proportionate to require them to be audited for Solvency II, as the costs involved in such an audit may be significant and disproportionate to the benefits obtained.  
We therefore believe that it should be explicitly clarified that the starting point for the transitional measure on technical provisions is not within the scope of audit by confirming within the supervisory statement that it is part of the approval granted by the PRA or by explicit scope exclusion within the rules.