

PRA RULEBOOK: WRITTEN REPORTS BY AUDITORS TO THE PRA INSTRUMENT 2019**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(3A) (Appointment: requirements as to co-operation).
- 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: Written Reports by Auditors to the PRA Instrument 2019

- D. The PRA makes the rules in the Annexes to this instrument.

Part	Annex
Glossary	A
Auditors	B
Ring-fenced Bodies	C

Commencement

- E. This instrument comes into force on 7 March 2019.

Citation

- F. This instrument may be cited as the PRA Rulebook: Written Reports by Auditors to the PRA Instrument 2019.

By order of the Prudential Regulation Committee

1 March 2019

Annex A

Amendments to the Glossary

In the Glossary part of the PRA Rulebook insert the following new definition.

...

ring-fenced holding company

means a body corporate falling within section 192JA(2) of FSMA that is the ultimate parent undertaking within a sub-consolidation group.

...

Term	Definition source
parent undertaking	Section 420 FSMA

Annex B

Amendments to the Auditors Part

1 APPLICATION AND DEFINITIONS

...

1.3 In this Part, the following definitions shall apply:

annual reports and accounts

means

(1) (in relation to a company incorporated in the *UK*) ~~these terms~~ its annual accounts and reports as they are defined in section 471 of the Companies Act 2006 together with the auditor's report prepared in relation to those accounts under sections 495 to 497A of the same Act; or

(2) (in relation to any other body) any similar or analogous documents which it is required to prepare whether by its constitution or by the law under which it is established.

...

*ultimate parent undertaking*means, in relation to a *firm*, an *undertaking* that:

(1) is a *parent undertaking* of the *firm*; and

(2) is not a *subsidiary undertaking* of another *undertaking*.

...

8 WRITTEN REPORTS BY AUDITORS TO THE PRA

8.1 This Chapter applies in relation to *annual reports and accounts* with an accounting reference date on or after 1 November 2016 but 8.3(2) and (3) and 8.3A apply only in relation to *annual reports and accounts* with an accounting reference date on or after 31 December 2018.

8.2 Unless otherwise stated, this Chapter applies to an auditor of a *firm* that:

(1) is a *UK bank* or *building society*;

(2) is not itself the *subsidiary undertaking* of an *undertaking* that is not an *UK undertaking*; and

(3) meets at least one of the following criteria:

(a) it has an individual *balance sheet total* greater than £50,000,000,000; or

(b) it is a member of a group that has a consolidated *balance sheet total* greater than £50,000,000,000,

as at the last *accounting reference date*.

8.3 An auditor must provide annually a written report to the *PRA* in relation to:

- (1) that firm's *firm's* audited annual report and accounts;
- (2) where a *firm* has an ultimate parent undertaking, the audited annual report and accounts of the ultimate parent undertaking; and
- (3) where a *firm* is a ring-fenced body and there is a ring-fenced holding company in relation to the *firm*, the audited annual report and accounts of the ring-fenced holding company.

8.3A But an auditor is not required to report in relation to the audited annual report and accounts of the firm's ultimate parent undertaking if the auditor is not also the auditor of the ultimate parent undertaking.

8.4 The report in 8.3 must:

- (1) be provided within 120 days ~~of the end of~~ beginning with the relevant accounting reference date;
- (2) provide information about key judgment areas, including:
 - (a) matters of valuation;
 - (b) quality of earnings;
 - (c) key accounting judgments; and
 - (d) the quality of the systems and controls relevant to the preparation of the a *firm's* annual report and accounts; and
- (3) be prepared with due skill, care and diligence.

8.5 An auditor must consult with the *PRA* in advance of preparing the report.

8.6 A *firm* must cooperate with its auditors in preparing the report.

Term	Definition source
parent undertaking	Section 420 FSMA
subsidiary undertaking	Section 420 FSMA

Annex C

Amendments to the Ring-fenced Bodies Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~*ring-fenced holding company*~~

~~means a body corporate falling within section 192JA(2) of FSMA that is the ultimate parent undertaking within a sub-consolidation group;~~