**Preface**

The purpose of this working program is to document possible audit/assurance procedures planned and performed in respect of the group reporting requirements.

This working program contains procedures relating to internal controls, substantive audit procedures and analytical procedures. The extent of detailed testing is not specified and should be determined based on the nature of the procedure, the inherent risk assessment and the outcome of internal control testing.

We note that this program is based on the assumption that sufficient testing (both internal controls and substantive) has been performed on the underwriting, claims, actuarial, reinsurance and other operational processes of the insurance undertaking by the auditor during the audit of the statutory accounts and/or periodic returns. As a result, this working program only covers the additional procedures to be performed by the auditor in order to obtain reasonable assurance on the calculation in accordance with Solvency II principles and the technical standards issued by EIOPA, including relevant information included in Belgian legislation and communication/circulars issued by the National Bank of Belgium.

This working program is composed of two parts. The first part deals with the reliance that can be placed on internal controls. For the various components of the process, typical internal controls that can be expected to be in place have been listed. These lists are however not to be considered as exhaustive and should be tailored to each specific assignment. Three different categories of controls are used: operating controls, IT controls and model governance controls. The auditor’s evaluation over internal controls covers the both the evaluation of the design and implementation of the internal control identified and the evaluation of the operating effectiveness of internal controls for which the design has been assessed as effective.

Evaluating the design of a control involves considering whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements. Implementation of a control means that the control exists and that the entity is using it. Procedures to obtain audit evidence about the design and implementation of relevant controls may include inquiring of entity personnel, observing the application of specific controls, inspecting documents and reports and tracing transactions through the relevant information system (walk through). Inquiry alone, however, is not sufficient to evaluate the design and implementation of relevant controls. When evaluating the design and implementation of a control, the auditor considers the objective of the control (which also addresses the risk, including fraud risk, it helps to mitigate), how it is performed and documented, including the nature and size of the potential misstatements addressed and end-user computing considerations, the nature of the control, whether the control addresses a fraud risk, how frequently it is applied, the knowledge, experience and skills of the person performing it (if a manual control or a manual control with an automated component), the related IT application, if any, size and complexity of the entity, the auditor’s existing knowledge of the entity's internal controls and the nature and extent of changes in the systems and operations.

Testing the operating effectiveness of controls is performed only on those controls for which the auditor believes that those are suitably designed to prevent, or detect and correct, a material misstatement in an assertion. The following audit procedures may be used, often in combination, to obtain audit evidence about the operating effectiveness of controls: inquiry, observation, inspection, re-performance and recalculation. Inquiry alone is not sufficient to test the operating effectiveness of controls. Accordingly, other audit procedures are performed in combination with inquiry.

The second part deals with the additional substantive procedures to be performed. The determination of the extent of substantive procedures is dependent on the operating effectiveness of internal controls. This part of the program is based on the assumption that full reliance can be placed on internal controls identified in the first part of this working program (given the fact that both the Solvency II framework and Law of March 13, 2016 require that the insurance undertaking must have a system of internal control adapted to the nature, size and complexity of the business). Full reliance means that sufficient controls have been put in place by management to address the risks inherent in the process and the practitioner has evaluated that these controls are working effectively. In case that certain internal controls would be missing or that certain internal controls are not operating effectively, these substantive procedures require further completion, by designing and performing procedures (based on the controls identified in the first part of this document) substantively by reference to known sampling methods (statistical sampling, non-statistical sampling, attribute sampling). This part also requires further customization to the specific characteristics of the insurance company. In appendix, a non-exhaustive list of substantive procedures has been attached to this working program that the auditor can use for the selection of additional substantive procedures in case for certain internal controls the design and/or operating effectiveness would be evaluated as “non-effective”.

Attention is also drawn to the fact that this program is based on the assumption that sufficient testing (both internal controls and substantive) has been performed on the underwriting, claims, actuarial, reinsurance and other operational processes of the insurance company by the auditor during the audit of the statutory accounts / periodic returns. As a result, this working program only covers the additional procedures to be performed by the auditor in order to obtain reasonable assurance on the best estimate calculations in accordance with Solvency II principles and the technical standards issued by EIOPA.

Abbreviations used in this document

For the assertions C, E, A, V, O, P: **C**ompleteness, **E**xistence, **A**ccuracy, **V**aluation, **O**wnership, **P**resentation

**Collaboration with independent control functions and other experts**

During the execution of the audit/assurance procedures on the SCR calculations, the statutory auditor will contact, inquire and review the reports of the different independent control functions in order to ensure that recommendations / remarks issued by these control functions have been properly addressed by the insurance undertaking for the calculation of the best estimate.

It is required that the statutory auditor inquires the internal audit function in order to assess to what extent internal audit has performed any audit assignments with respect to group reporting performed by the insurance undertaking.

When the statutory auditor decided to rely (partly) on the work performed by internal audit, the actuarial function or any other (management) expert, it follows the requirements set forth in ISA 610 “*Using the work of internal audit*” and/or ISA 500 “*Audit Evidence*” (which is broadly consistent with ISA 620 “Using the work of an auditor’s expert”). In this context, it is to be noted that the auditor has the sole responsibility for the assurance report expressed, and that responsibility is not reduced by the auditor’s use of internal audit and/or expert. Once the auditor has determined to use the work of internal audit or an expert, it will:

* evaluate the competence and capabilities of the internal audit function/expert;
* evaluate the objectivity of the internal audit function/expert;
* obtain an understanding of the internal audit function’s /expert’s field of expertise;
* agree terms of the collaboration (in particular the scope of the work, which should be consistent with the procedures indicated in this working program);
* evaluate the adequacy of the work performed (including review of working papers prepared and if deemed necessary re-performance of procedures).

**PART I – INTERNAL CONTROLS TESTING**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Control reference** | **Anti - fraud control** | **Significant account/ disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Evaluation of the control’s design and implementation** | | **Evaluation of the control’s operating effectiveness** | | | |
| **Results of evaluation of design and implementation** | **W/P Ref** | **Control description** | **Results of test(s) of operating effectiveness** | **Done by and date** | **W/P Ref** |
| **IC 01** |  | Group Reporting |  |  |  |  |  |  |  |  | **General**   * Understand the undertaking’s process of calculation, analyzing, validation and approving Group Reporting (Group Own Funds and Group SCR).   Identify and test key internal controls in this process.   * Review decision and documentation process for correctly applying the technical specifications for calculating Group Reporting (interpretations, decision process for applying simplifications …).   **IT related controls**   * General IT controls. * Automated controls on interfacing between administrative / accounting / modelling systems used for the calculation of the Group Reporting. * Controls for data input into EUC applications (if any). |  |  |  |
| **IC 01** |  | Group Reporting |  |  |  |  |  |  |  |  | **Input data**   * Controls relating to data quality. * Assess adequacy of inputs used for Group Reporting. * Data Governance controls on decisions in the data structuring process, especially on authorization, documentation and rationale. * 4-eyes principles (e.g. on major corrections, adjustments and manual entries).   **Calculation**   * Assess adequacy of Group Reporting calculation with technical specifications provided by EIOPA   Manual calculation steps:   * 4-eyes principle on performed manual Group Reporting steps. * Automated SCR calculation steps: * Test and approval process of the automated Group Reporting scope & design. * Review of conceptual design incl. comparison to the initial scope and assessment on implications to the overall model environment * Test and approval of the model implementation. * Checks and controls based on the company’s model change guidelines: |  |  |  |
| **IC 01** |  | Group Reporting |  |  |  |  |  |  |  |  | **Validation controls and assessment of results**   * Governance controls on authorization & review. * Documentation and rationale especially regarding sufficient assessment of stability and robustness of results. * Plausibility checks on results. * Management review on results. |  |  |  |

**PART II - SUBSTANTIVE TESTING**

|  |  |  |
| --- | --- | --- |
| **Rationale for risk of significant misstatement assessment** | | **Risk of significant misstatement (ROSM)** |
| Inherent risk | Inherent risk is assessed as significant.  Due to the significant uncertainty and judgments involved, there is inherent risk in the calculation of the long-term business amounts. Provisioning directly impacts on solvency, capital adequacy and the going concern assumption. Additionally, specific inherent risk of miscalculation of best estimates including lack of control over actuarial modelling and inappropriate choice of assumptions. | **LOW**  **MEDIUM**  **HIGH** |
| Control risk | To assess the control risk based on the audit team’s evaluation over the design, implementation and operating effectiveness of controls identified in the reserving process (see chapter I Working program control testing). |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| **General**  dd | | | | | | | | | | |
| Group | ***Use of the calculation method***  Verify that group SCR and group Own Funds have been calculated according to the Accounting Consolidation-based method.  In case the Deduction & Aggregation method has been used, verify whether the conditions listed in the technical specifications have been met. | Group |  |  |  |  |  |  |  |  |
| Group | ***Scope of the group solvency assessment***   * Verify that the calculations * are carried out at the level of the ultimate EEA participating insurance undertaking, insurance holding company or mixed financial holding company (i.e. the EEA entity which normally issues consolidated accounts) * encompass the group as defined in the Solvency II texts. * Verify that all parts of the group necessary to ensure a proper understanding of the group and the potential sources of risks within the group are included within the scope of the group for the purpose of properly assessing group solvency. | Group |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| Group | ***Treatment of third country related insurance undertakings and third country groups***  EEA groups that have a related third country (re)insurance undertaking   * + Verify that the Deduction & Aggregation method has been used   + Verify that the solvency capital requirements and eligible own funds have been calculated according to their local rules, without prejudice to any future European Commission equivalence determinations and any future decisions of the group supervisor.   Third country groups that have an EEA subgroup  In case a group which has its head office in a third country has a sub-group in the EEA, verify that:   * the group has calculated its group solvency using the Solvency II rules at the level of the EEA sub-group.   + the group calculations are performed at the level of the ultimate parent undertaking in the Union. Where more than one subgroup exists within the Union, groups should undertake a group calculation for each subgroup.   Participating groups in the stress test exercise from Switzerland can follow full Swiss regulatory requirements (i.e. Swiss Solvency Test) and are therefore exempted from the above rules, if they participate at the ultimate group level in Switzerland. | Group |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| Group | ***Group own funds***   * Verify that the assessment of the group own funds has been made after elimination of double use of eligible own funds within the group, irrespective of the calculation method. * Verify that the assessment has considered the availability of the own funds of each related entity within the scope of group solvency. Own funds cannot be considered effectively available at group level, if own funds cannot be made fungible (i.e. absence of dedication to absorb only certain losses) or transferable (i.e. absence of significant obstacles to moving own funds items from one entity of the group to another) for the group within a maximum of 9 months. * Verify that the consolidated group own funds have been net of any intra-group transactions. | Group |  |  |  |  |  |  |  |  |
| **Accounting consolidation-based method**  dd | | | | | | | | | | |
| Group | ***Calculation of the consolidated data***  Verify that the consolidated data is in accordance with the technical specifications and the correct consolidation method is applied (full consolidation, proportional consolidation, adjusted equity method, proportional shares, …). | Group |  |  |  |  |  |  |  |  |
| Group | ***Proportional share***  Verify whether a proportional share of 100% is applied for the calculation of the group SCR. | Group |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| Group | ***Aggregated group SCR***  Verify that the aggregated group SCR has been calculated based on the formula.  . | Group |  |  |  |  |  |  |  |  |
| Group | ***Loss absorbing capacity technical provisions subsidiaries***  Verify that net solvency capital requirements of the subsidiaries have been calculated based on the formula, taking into account the loss absorbing capacity of the technical provisions.  Verify that the adjustment of the loss absorbing capacity of technical provisions on group level does not exceed limit. | Group |  |  |  |  |  |  |  |  |
| Group | ***Loss absorbing capacity deferred taxes***  Verify that the adjustment for the loss absorbing capacity of deferred taxes has been calculated based on the formula**.**  Verify that the fictive deferred taxes taken into account for the calculation of the loss absorbing capacity of deferred taxes on group level does not exceed limit. | Group |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| Group | ***Technical provisions***  Regarding the group technical provisions, verify that:   * any long term guarantee measure applied at individual level has been included in the calculation * the calculation considers the proportional share of the related undertaking that is included in the consolidated accounts. When the proportional share used in the consolidated accounts is 100% for a related undertaking, the proportional share should be 100%. * the best estimates are net of any intra-group transactions. * in case of reinsurance contracts, the following adjustments have been made:   1. the best estimate of the undertaking that accepts risks shall not include the cash-flows arising from the obligations of the intra-group reinsurance contracts   2. the undertaking that cedes the risk shall not recognize the amounts recoverable from the intra-group reinsurance contracts * the risk margin of technical provisions for a groups equals the sum of the following:   1. the risk margin of the participating (re)insurance undertaking   2. the proportional share of the participating undertaking in the risk margin of the related (re)insurance undertakings and third country (re)insurance undertaking | Group |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| Group | ***Minimum consolidated SCR***  General considerations   * + In case of the use of the accounting consolidation-based method or the combination of methods (not when using the D&A method exclusively), verify that a minimum consolidated group SCR is applied and is equal to the sum of the following:  1. the MCR of the participating (re)insurance undertaking or the notional MCR of the insurance holding company or mixed financial holding company; 2. the proportional share of the MCR of the related (re)insurance undertakings and the proportional share of the notional MCR of the intermediate insurance and mixed financial holding company.    * Verify that solo MCR of the (re)insurance undertaking used for the calculation of the minimum consolidated group SCR is determined after applying the corridor or after applying the absolute floor.    * Verify that the calculation considers the proportional share of the related undertaking that is included in the consolidated accounts. When the proportional share used in the consolidated accounts is 100% for a related undertaking, the proportional share should be 100%.   MCR for the insurance holding companies and for the third country (re)insurance undertakings   * Verify that the notional MCR for the insurance holding companies and mixed financial holding companies amounts to 35% of their notional SCR * Verify that the solo MCR for third country (re)insurance undertakings is equal the local capital requirement under which the authorization will be withdrawn in the third country by the local supervisor. | Group |  |  |  |  |  |  |  |  |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| Group | ***Consolidated group own funds***  Verify that the eligible own funds at group level have been assessed as follows:   1. Group own funds are calculated net of any intra-group transactions 2. Group own funds are classified into tiers 3. Available own funds are calculated net of group adjustments relevant at group level (i.e. non available own funds should be deducted from the group own funds) 4. Eligible own funds are subject to the same tiering limits that apply at solo level in order to qualify to cover the group solvency capital requirement and the minimum consolidated group solvency capital requirement. | Group |  |  |  |  |  |  |  |  |
| Group | ***Minority interests***  Verify the calculation of the amount to be deducted from the eligible own funds for minority interests is made in accordance with the technical specifications. | Group |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| **Deduction and aggregation method**  dd | | | | | | | | | | | |
| Group | ***Aggregated group SCR***  Verify that the aggregated group SCR is the sum of the following:   1. the SCR of the participating (re)insurance undertaking or the notional SCR of the insurance holding company or mixed financial holding company 2. the proportional share of the SCR of the related (re)insurance undertakings or the proportional share of the notional SCR of the intermediate insurance holding company or mixed financial holding company 3. the proportional share of the capital requirements for credit institutions, investment firms, financial institutions, alternative investment fund managers, asset management companies and institutions for occupational retirement provisions within the meaning of Directive 2003/41/EC. | Group |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Significant account / disclosure** | **C** | **E** | **A** | **V** | **O** | **P** | **Done by and date** | **W/P Ref** |
| Group | ***Aggregated group own funds***  Verify that the aggregated group eligible own funds are the sum of the following:   1. the own funds eligible for the SCR of the participating (re)insurance undertaking, insurance holding company and mixed financial holding company 2. the proportional share of the participating (re)insurance undertaking in the own funds eligible for the SCR of the related (re)insurance undertakings and intermediate insurance holding companies or mixed financial holding company 3. the proportional share of own funds of credit institutions, investment firms, financial institutions, alternative investment fund managers, asset management companies and institutions for occupational retirement provisions within the meaning of Directive 2003/41/EC.   Verify that the own funds are calculated net of any double use of eligible own funds and net of the adjustments related to non-available own funds. | Group |  |  |  |  |  |  |  |  |