**Preface**

The purpose of this working program is to document possible audit/assurance procedures planned and performed in respect of the overall Solvency Capital Requirement (SCR) of stand-alone undertakings under the standard approach. It has been prepared based on the assumption that reasonable assurance is to be obtained for the calculation of the Overall SCR (including SCR Operational Risk and Loss Absorbing Deferred Tax).

The QRT is essentially composed of information directly available in other QRT’s (SCR sub-Modules) or for which a formula based on inputs all available in other QRT’s is prescribed. For those, procedures would be limited to a review of the consistency of the information with these other QRT’s. However, some information will require additional inputs, assumptions and calculations, for example the loss-absorbency effect of deferred taxes.

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 both the evaluation of the design and implementation of the internal controls 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). 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.

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 operational processes of the insurance company by the auditor during the audit of the statutory accounts / periodic returns, during the review of the economic balance sheet (including a review of the completeness and accuracy of details of the balance sheet items, including their attributes relevant for their valuation and their attributes relevant for their Solvency Capital Requirement calculations) and for the calculation of every component SCR and related nSCR, calculated per risk (sub-modules Market, Counterparty, Life Underwriting, Non-Life Underwriting, Health Underwriting, Operational). Notably, it does not cover the audit / assurance procedures to be carried out with respect to all others component - SCR and nSCR under Solvency II, as well as to technical provisions (including risk margin and reinsurance recoverables) and related future discretionary bonuses (e.g. it assumes that the amount of Technical Provisions without Risk Margin in relation to future discretionary benefits net and gross of reinsurance are included in the detailed inputs that have been obtained during the review of the Best Estimate of Liabilities and related reinsurance). 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 Overall SCR calculations in accordance with Solvency II Framework.

It is also to be noted that for quarterly reports, insurance and reinsurance undertakings may calculate Best Estimate and Risk Margin using simplifications. In addition they are not required to calculate a Solvency Capital Requirement on a quarterly basis and where the calculation of the Minimum Capital Requirement does not coincide with an annual calculation of the Solvency Capital Requirement, undertakings should use the last calculated Solvency Capital Requirement in accordance with Article 102 of Directive 2009/138/EC. For those undertakings using quarterly simplifications, the working program should be adapted and focus on the review of the last Solvency Capital Requirement reported and the validation of the assumption that the risk profile of the undertaking has not been altered since the date on which the Solvency Capital Requirement was last reported.

We refer to the separate working program that covers the audit/assurance procedures to be carried out on the SCR / nSCR per risk module and on the technical provisions (including reinsurance). Those separate working programs should also include a review performed on figures without Long-Term Guarantee Measures.

This working program also assumes that the company has no Ring Fenced Funds according to the Solvency II definition. Would this not be the case, additional procedures would have to be performed to review:

* The SCR calculation for each Ring-fenced fund (per sub-module and overall).
* The SCR calculation of the remaining part.
* The diversification between ring-fenced funds and between ring-fenced funds and remaining part.

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

EUC: End User Computing

EBS: Solvency II Economic Balance Sheet

RoSM: Risk of Significant Misstatement

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

During the execution of the audit/assurance procedures on the Overall SCR calculation, 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 the Overall SCR calculation 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 reperformance of procedures).

**PART I – INTERNAL CONTROLS TESTING**

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| **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** |  | Overall SCR |  |  |  |  |  |  |  |  | **General**   * Understand the undertaking’s process of calculation, analyzing, validation and approving Overall SCR.   Identify and test key internal controls in this process.   * Review decision and documentation process for correctly applying the Solvency II requirements for calculating Overall SCR (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 Overall SCR. * Controls for data input into EUC applications (if any). |  |  |  |
| **IC 01** |  | Overall SCR |  |  |  |  |  |  |  |  | **Input data**   * Controls relating to data quality policy, self-assessment and action plan (Circular NBB\_2017\_27) Data governance controls (ownership of data). * Assess adequacy of inputs used for Overall SCR calculation. * 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 Overall SCR calculation with Solvency II requirements * Manual calculation steps:   4-eyes principle on performed manual calculation steps.   * Automated SCR calculation steps: * Test and approval process of the automated model 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: |  |  |  |

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| **IC 01** |  | Overall SCR |  |  |  |  |  |  |  |  | **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**

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| **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** | **Reference to Solvency II Framework** | **Significant account / disclosure** | **Done by and date** | **W/P Ref** |
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| **General** | | | | | |
| O\_SCR | Check that the results from the systems /other QRT’s equals to the total reported  Check that the total results from the systems, the total results from other QRT’s and the total manual calculation equals the amounts reported in the template.  Check that outputs have been populated in the correct captions consistently with the relevant principles and guidance.  Check that the Basic Solvency Capital requirement has been calculated correctly, based on the prescribed correlation matrix. |  | OVERALL SCR |  |  |
| O\_SCR | Carry out an analytical review of results, mainly supported by the analytical reviews already performed during the review of the SCR sub-modules.  Review / perform the variation analysis of calculated SCR with the preceding period. Ensure that all items referred to in this variation analysis have assessed for reasonableness and/or reconciled with audited data. |  | OVERALL SCR |  |  |
| O\_SCR | Discuss with management and review communication with the supervisor to ensure that potential capital add-ons have been correctly taken into account. |  | OVERALL SCR |  |  |
| O\_SCR | Assess interaction between Long-Term Guarantee adjustments and calculation of Solvency Capital Requirement sub-modules: check computation of SCR performed without LTG measures (without matching adjustment and volatility adjustment / With matching adjustment and without volatility adjustment / with both matching and volatility adjustment). | NBB\_2016\_25 | OVERALL SCR |  |  |
| O\_SCR | Update and amend, if appropriate, the assessment of RoSM and the rationale, and re-evaluate the planned audit/assurance procedures. |  | OVERALL SCR |  |  |
| O\_SCR | **IM:** The control of the respect of the conditions of approval of the internal models is not the responsibility of the auditor, except for the tasks specifically mentioned in articles 332 and 333 of the Control Law.  The (“Statutory Auditor or “Accredited Auditors”, as appropriate)’s engagement does not encompass the review of the internal models which are used for the computation of the regulatory capital requirements nor of the models, the outcome of which is used as input for the computation of the regulatory capital requirements. The NBB does not require any reporting from the (“Statutory Auditor” or “Accredited Auditor”, as appropriate) on these internal models. The approval of the said internal models as well as the compliance with the conditions for this approval are, for prudential purposes, followed-up directly by the NBB.  The (“Statutory Auditor or “Accredited Auditors”, as appropriate) has however to perform the procedures as required by the circular of the NBB NBB\_2017\_20 to the (“Statutory Auditor” or “Accredited Auditor”, as appropriate), being the review of the accuracy of the data entered in the internal models and the review of the correct insertion of the data output of the internal model in the annual periodic reports. | NBB\_2017\_20 | OVERALL SCR |  |  |

| **AP Reference** | **Nature, timing and extent of audit/assurance procedures** | **Reference to Solvency II Framework** | **Significant account / disclosure** | **Done by and date** | **W/P Ref** |
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| **SCR Operational Risk** | | | | | |
| O\_SCR | Verify completeness and accuracy of base data. Following data should be reconciled with the market value balance sheet, financial statements and other accounting documents of the insurance undertaking:  1. Technical provisions (gross, without deduction of recoverables from reinsurers of special purpose vehicles):  a. Life gross technical provisions (excluding risk margin) - including technical provisions linked to health similar to life  b. Life gross technical provisions unit-linked (excluding risk margin)  c. Non-life gross technical provisions (excluding risk margin) - including technical provisions linked to health similar to non-life  2. Earned gross premiums (earned premiums should be included without deducting premiums ceded to reinsurers):  a. Earned life gross premiums (previous 12 months)  b. Earned life gross premiums unit-linked (previous 12 months)  c. Earned non-life gross premiums (previous 12 months)  d. Earned life gross premiums (12 months prior to the previous 12 months)  e. Earned life gross premiums unit-linked (12 months prior to the previous 12 months)  f. Earned non-life gross premiums (12 months prior to the previous 12 months)  3. Expenses incurred in respect of unit linked business (previous 12 months). excluding acquisition expenses  4. Verify whether SCR Op is capped (30% of the BSCR).  5. Verify that segmentation of both life and non-life insurance obligations is compliant with the Delegated Regulation (reference can be made to Best Estimate working program).  Cfr. Article 204 of Delegated Regulation 2015/35. |  | OVERALL SCR  Article 163 of the Solvency II Law of 13 March 2016  Article 204 of Delegated  Regulation  2015/35 |  |  |
| O\_SCR | e. Earned life gross premiums unit-linked (12 months prior to the previous 12 months)  f. Earned non-life gross premiums (12 months prior to the previous 12 months)  3. Expenses incurred in respect of unit linked business (previous 12 months). excluding acquisition expenses  4. Verify whether SCR Op is capped (30% of the BSCR).  5. Verify that segmentation of both life and non-life insurance obligations is compliant with the Delegated Regulation (reference can be made to Best Estimate working program). Cf. Article 204 of Delegated Regulation 2015/35. |  | OVERALL SCR |  |  |
| O\_SCR | Recalculate the SCR Operational Risk by making use of the audited input data. |  | OVERALL SCR |  |  |
| O\_SCR | Compare the SCR Operational Risk to prior period and explain material fluctuations. Before we prepare the analytical review, we set expectations on the movement of the SCR Operational Risk based on our knowledge of the figures related to premium income (for Op premiums) and technical provisions (for Op provisions)  . |  | OVERALL SCR |  |  |
| **Loss Absorbency Effect of Deferred Taxes (LAC DT)** | | | | | |
| O\_SCR | Attention to be paid to the NBB circular, which includes specific information with respect to the treatment of Loss Absorbing Capacity of Deferred Taxes.  (Circulaire NBB\_2020\_03 / Circulaire betreffende de impact van uitgestelde belastingen onder Solvabiliteit II / Circulaire NBB\_2020\_03 /Circulaire relative à l'impact des impôts différés en Solvabilité II).  For the loss-absorbency effect of deferred taxes, at least the following checks are to be performed:   1. Calculation method:    * 1. Sufficiency of the level of granularity taking into account relevant regulations of all applicable tax regimes.      2. Consistency of the method with the valuation principles. 2. Recoverability test: correct inclusion of the impact of the loss on the financial position of the undertaking when assessing whether future taxable profits will be available. 3. Respect of the limit set-up by the NBB in its circular NBB\_2017\_14.   No double counting of future profits or deferred tax liabilities (e.g. used to justify the notional tax asset arising from the instantaneous loss but already supporting the recognition of deferred tax assets for valuation purposes). | NBB\_2020\_03 | OVERALL SCR |  |  |
| O\_SCR | Basic Principles – Circular NBB\_2020\_03   1. Granularity – Orientation 3 2. Valuation Principles and Approaches – Orientation 4 3. Loss-attribution – Orientation 5 4. Arrangements for the transfer of profits or losses – Orientation 6 5. Temporary character – Orientation 7 6. Avoid double counting – Orientation 8 7. Accounting based on future profits – Orientation 9 8. Exemption – Orientation 10 9. Notional deferred tax liabilities – Orientation 12 10. LAC DT – Group – Orientation 13 | NBB\_2020\_03 | OVERALL SCR |  |  |
| O\_SCR | Assess whether assumptions are in line with the requirements set forth in the technical standards issued by EIOPA, the NBB circular and business plan of the company. | NBB\_2020\_03 | OVERALL SCR |  |  |
| O\_SCR | Review the documented methodologies and assess whether these are in line with the requirements set forth by EIOPA in the technical standards and the circular of the NBB. Particular attention is to be paid to:   * Appropriateness of technical documentation; * Model architecture: approach for the calculation of the loss-absorbency effect of deferred tax.   Assess whether the validation process for the model has been respected. Review whether independence between calculation and validation has been respected | Delegated Acts – Article 207  NBB\_2020\_03 | OVERALL SCR |  |  |
| O\_SCR | Assess whether the validation process for the model has been respected. Review whether independence between calculation and validation has been respected. | Delegated Acts – Articles 207 and 260  NBB\_2020\_03 | Overall SCR |  |  |
| O\_SCR | Assess whether appropriate disclosures have been included in the reporting | Delegated Acts – Article 311  (EU) 2019/2103  (EU) 2019/2102  NBB\_2020\_03 | Overall SCR |  |  |