

A woman with dark, curly hair is seated at a white desk, focused on her work on a silver laptop. She is wearing a light blue button-down shirt. The desk also holds a small potted plant with green leaves and yellow flowers, a pen, and some papers. In the background, there is a large window with a black frame and a white pillar. The overall atmosphere is professional and bright.

PRUDENTIAL
AUTHORITY
**ANNUAL
FINANCIAL
ACCOUNTS**



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK

Our opinion

In our opinion, the financial accounts of the Prudential Authority (the PA) are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017.

What we have audited

The PA's financial accounts are set out on pages 133 to 135. The PA's financial accounts comprise the statement of financial position at 31 March 2024, and the statement of profit or loss and other comprehensive income for the year then ended and the notes to the financial accounts, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial accounts* section of our report.

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

Independence

We are independent of the PA in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial accounts, which describes the basis of accounting. The financial accounts are prepared for the purpose described therein. As a result, the financial accounts may not be suitable for another purpose.

The financial accounts do not comprise a full set of financial statements and are prepared in accordance with the basis of accounting described in Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017. Our opinion is not modified in respect of this matter.

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Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office.

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK continued

Responsibilities of the directors for the financial accounts

The directors are responsible for the preparation of these financial accounts in accordance with Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the financial accounts that are free from material misstatement, whether due to fraud or error.

In preparing the financial accounts, the directors are responsible for assessing the PA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the SARB or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial accounts

Our objectives are to obtain reasonable assurance about whether the financial accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the PA to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO South Africa Inc.
BDO South Africa Inc. (Jun 12, 2024 20:37 GMT+2)

BDO South Africa Inc.
Director: Alethia Chetty
Registered Auditor
Johannesburg, South Africa
12 June 2024

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
12 June 2024

Prudential Authority annual financial accounts

The PA is the regulator responsible for setting policy and prudential regulatory requirements and supervisor responsible for overseeing compliance with the regulatory requirements of financial institutions that provide financial products, securities services and market infrastructures in South Africa. Established on 1 April 2018 in terms of the FSR Act, the PA is a juristic person operating within the administration of the SARB. Refer to the SARB Annual Report on the Prudential Authority which can be found at <https://www.resbank.co.za/en/home/publications/reports/annual-reports> for more detail.

Basis of preparation

In terms of section 55 of the FSR Act, the SARB is required to prepare financial accounts for the PA for each financial year in a manner that reflects the direct costs that accrue to the PA. As the PA is a department within the SARB, it follows the same Financial Reporting Framework and basis of presentation as the SARB. Refer to note 1 of the SARB financial statements for more detail.

Statement of financial position as at 31 March 2024

	Note	Prudential Authority	
		2024 R mil	2023 R mil
Assets			
Other assets		47	16
Liabilities			
Income received in advance		17	15
Other liabilities		28	1
Unclaimed balances		2	–
Current liabilities		47	16
Total liabilities		47	16

Statement of profit or loss and other comprehensive income for the year ended 31 March 2024

Operating income			
Levies	2.1	550	–
Fees	2.2	7	9
Operating income		6	14
Total operating income		563	23
Expenditure			
Personnel costs	2.4	(393)	(352)
Operational costs	2.4	(212)	(125)
Total expenditure		(605)	(477)
Amount funded by the SARB	2.5	42	454
Profit for the year		–	–

Prudential Authority annual financial accounts

continued

1. Accounting policies

1.1. Other assets

Other assets relate to the notional balance at the end of the reporting period, which represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity as well as prepaid expenses. Prepaid expenses relate to operating costs paid before they are due. The prepaid expenses are measured at cost and are recognised when the amount is paid. The prepaid expense balances are subsequently measured at cost and are derecognised in the period in which the related expense is recognised.

1.2. Other liabilities

Other liabilities relate to operating income received in advance. The liabilities are measured at the amount actually received and recognised when the amount is received. The balance is subsequently measured at cost and is derecognised in the period in which the related income is recognised.

1.3. Unclaimed balances

Unclaimed balances relate to amounts recovered from an illegal deposit-taking scheme. The amounts recognised are owed to unidentified investors of the scheme who are yet to claim the amounts due to them. The unclaimed balances are recognised when the amounts are recovered from the scheme and are measured at the amount payable to the investors, being the amount actually recovered. The unclaimed balances are subsequently measured at cost and are derecognised when the amounts are paid to the relevant investors or upon expiry of the right to claim.

1.4. Operating income

Operating income consists of levies, fees and penalties charged to financial institutions. The levies, fees and income are charged and measured in accordance with the relevant legislation. Operating income is recognised per the amount invoiced to the financial institution, in the period in which the amount relates.

1.5. Personnel and operating costs

Personnel and operating costs relate to direct costs incurred for the administration of the PA. These costs are measured at the transaction amount and are recognised as expenses in the period incurred.

1.6. Amounts borne by the SARB

Net costs incurred for the administration of the PA, borne by the SARB. These costs are measured at the transaction amount and are recognised as expenses in the period incurred, net of recoveries.

2. Explanatory notes

2.1. Levies are applicable for the current financial year since the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022, as well as certain provisions of the FSR Act became effective from 1 April 2023. This legislation permits the PA to charge levies to regulated financial institutions in order to cover the direct operating costs of the PA and not in return for any direct service or goods that will be supplied.

2.2. Fees are 'transaction-based' and are charged to fund the PA's performance of specific functions under the FSR Act and the relevant sector laws it regulates.

2.3. Penalties are raised for non-compliance by persons within the regulated sector should they be found guilty of contravening a financial sector law or an enforceable undertaking accepted by the PA. The PA deducts from this total all costs incurred in making and enforcing the administrative penalty order. The remaining balance after applying this deduction is paid into the National Revenue Fund (NRF) (if any). The SARB also has a responsibility in terms of the FIC Act to ensure that banks and life insurance companies comply with the FIC Act. The SARB has authority in terms of the Section 45C of the FIC Act to impose administrative sanctions on these entities if and when they fail to comply with a provision, order, determination or directive made in terms of this act. The SARB issues notices with the said penalties to the relevant entities but does not account for the penalties in its financial statements as the penalties imposed are paid directly into the NRF. Total penalties issued on behalf of the SA government in this regard amounted to R1.0 million (2023: R4.1 million).

Prudential Authority annual financial accounts

continued

2.4. Personnel and operating costs consist of only the direct costs related to the administration of the PA. Although the PA uses the various support departments of the SARB and incurs costs from these services (such as legal services, IT, risk management, compliance, internal audit, HR, international economic relations and policy, security and facilities), these costs are borne by the SARB.

	Prudential Authority	
	2024 R mil	2023 R mil
Operating costs include:		
Professional fees	170	100
Membership fees	4	2
Official functions	6	3
Training (foreign and local)	4	1
Travel expenses (foreign and local)	23	13
Other operating costs	5	5
	212	124

2.5. Amount funded by SARB consists of both direct and indirect expenses (net of recoveries) borne by the SARB for the administration of the PA.