# Example report: Independent auditor’s report on the HRF 602.0 Annual Return

The Directors

[Insurer name]

[Insurer address]

Australian Prudential Regulation Authority (APRA)

1 Martin Place [Level 12]

Sydney, NSW 2000

## Independent auditor’s report on the HRF 602.0 Annual Return of [name of Insurer]

We have performed reasonable and limited assurance engagements as applicable, pursuant to the reporting requirements specified in APRA Prudential Standard HPS 310 Audit and Related Matters (HPS 310) for [name of Insurer] (the Insurer).

HPS 310 requires an insurer to appoint an auditor to undertake an annual assurance engagement, as set out in that Prudential Standard. The responsibilities and reporting requirements arising from this appointment have been outlined in our letter of engagement dated [insert date of engagement].

Our independent auditor’s report on the financial report of the Insurer for the year ended [insert year end] was signed on [insert date independent auditor’s report on the financial report was signed] and [was/was not] subject to modification. As statutory auditor, our work is directed towards obtaining sufficient audit evidence to form an opinion under the Corporations Act 2001. This audit work is not designed to enable us to form an opinion/express a conclusion on the matters outlined in HPS 310.

Accordingly we have performed additional procedures in order to form our reasonable assurance opinion and limited assurance conclusions, as applicable, pursuant to the reporting requirements specified in HPS 310 for the Insurer.

## Part A – Reasonable Assurance on Forms HRF 602.3 to HRF 602.9

We have performed a reasonable assurance engagement on the following forms in the attached HRF 602.0 Financial and Capital Data Annual Return (the Return) for the Insurer, as issued by APRA for the purpose of providing an Annual Return to Parliament for the year ended [insert year end]:

HRF 602.3 Financial and Capital Data - Revenue

HRF 602.4 Financial and Capital Data - Expenses

HRF 602.5 Financial and Capital Data - Capital Transfers

HRF 602.6 Financial and Capital Data - Assets

HRF 602.7 Financial and Capital Data - Liabilities

HRF 602.8 Financial and Capital Data - Related Party Disclosures

HRF 602.9 Financial and Capital Data – Claims Data

These forms are referred to herein as **the APRA Reporting Forms**.

### Opinion

In our opinion, in all material respects, the APRA Reporting Forms of the Insurer in respect of the year ended [insert year end] have been prepared in accordance with theAct, the solvency standard, the capital adequacy standard, the reporting standard and the reporting instructions*.*

### The Directors’ responsibilities

The directors of the Insurer are responsible for the preparation and fair presentation of the Return and the information contained therein, in accordance with the requirements of the *Private Health Insurance Act 2007* (the Act), the *Prudential Standard HPS 100 Solvency Standard* (the solvency standard), *Prudential Standard HPS 110 Capital Adequacy* (the capital adequacy standard),the *Financial Sector (Collection of Data) (reporting standard) determination No. 32 of 2015 -* HRS 602.0 Financial and Capital Data (the reporting standard) and the instructions to HRF 602.0(the reporting instructions). The directors’ responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the Return that is free from material misstatement, whether due to fraud or error.

### Auditor’s responsibility

Our responsibility is to express an opinion on the APRA Reporting Forms based on our audit. We conducted our reasonable assurance engagement in accordance with Australian Auditing Standards and Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. Those standards require that we comply with relevant ethical requirements relating to reasonable assurance engagements and plan and perform the engagement to obtain reasonable assurance whether, in all material respects, the APRA Reporting Forms have been prepared in accordance with the Act, the solvency standard, the capital adequacy standard, the reporting standard and the reporting instructions.

Our reasonable assurance engagement did not involve an analysis of the prudence of business decisions made by those charged with governance. Our assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the APRA Reporting Forms. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the APRA Reporting Forms, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Insurer’s preparation and fair presentation of the APRA Reporting Forms in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Insurer’s internal control. A reasonable assurance engagement also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Return.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

## Part B (i) – Limited Assurance on Reporting Forms HRF 602.1 and HRF 602.2

We have conducted a limited assurance engagement on the following forms in the attached HRF 602.0 Financial and Capital Data Annual Return (the Return) of the Insurer, as issued by APRA for the purpose of providing an Annual Report to Parliament for the year ended [insert year end]:

HRF 602.1 Financial and Capital Data – CA Forecasts

HRF 602.2 Financial and Capital Data – Solvency Forecasts

both referred to herein as **the APRA Reporting (Forecast) Forms**.

The stated basis of preparation used in the preparation of the APRA Reporting (Forecast) Forms by the Insurer (the responsible party) is the Act, the solvency standard, the capital adequacy standard, the reporting standard and the reporting instructions.

### Directors’ Responsibilities

The directors of the Insurer are responsible for the preparation and fair presentation of the Return and the information contained therein, including the best estimate assumptions underlying the forecasts, in accordance with the requirements of the Act, the solvency standard, the capital adequacy standard, the reporting standard and the reporting instructions. This includes such internal control as management determines is necessary to enable the preparation of forecasts that are free from material misstatement, whether due to fraud or error.

### Auditor’s responsibility

Our responsibility is to express a limited assurance conclusion on the APRA Reporting (Forecast) Forms, the best estimate assumptions underlying the forecasts, and the reasonableness of the forecasts themselves, based on our work. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

Our limited assurance engagement consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It is substantially less in scope than a reasonable assurance engagement conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that:

1. management’s best estimate assumptions do not provide reasonable grounds for the preparation of the forecasts contained within the APRA Reporting (Forecast) Forms for the year ended [insert year end]; and
2. in all material respects, the APRA Reporting (Forecast) Forms:
   1. are not prepared on the basis of management’s best estimate assumptions; and
   2. are not presented fairly in accordance with the Act, the solvency standard, the capital adequacy standard, the reporting standard and the reporting instructions; and
3. the forecasts contained within the APRA Reporting (Forecast) Forms themselves are unreasonable.

The APRA Reporting (Forecast) Forms have been prepared by management and adopted by the directors in order to provide APRA with the data necessary to calculate the stress test amount in the Capital Adequacy Standard and the cash management amount in the Solvency Standard. There is a considerable degree of subjective judgement involved in preparing the forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the forecast since anticipated events or transactions frequently do not occur as expected and the variation may be material.

Management’s best estimate assumptions on which the forecasts are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the insurer. Evidence may be available to support management’s best estimate assumptions on which the forecasts are based; however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to obtain the level of assurance necessary to express an audit opinion on those best estimate assumptions, and accordingly provide a lesser level of assurance on the reasonableness of management’s best estimate assumptions. The limited assurance conclusion expressed in this assurance report has been formed on the above basis.

The APRA Reporting (Forecast) Forms have been prepared by management for the purpose of fulfilling the reporting requirements of the Insurer under the Act, the solvency standard, the capital adequacy standard, the reporting standard and the reporting instructions. We disclaim any assumption of responsibility for any reliance on this report, or on the forecasts to which they relate, for the purpose other than that for which it was prepared. We assumed, and relied on representations from certain members of management of the Insurer that all material information concerning the prospects and proposed operations of the Insurer has been disclosed to us and the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

## Part B (ii) – Limited assurance on Internal Controls addressing Compliance with Prudential Requirements and Reliability of Data provided to APRA

HPS 310 requires us to perform a review of the controls implemented by the Insurer designed to ensure that the Insurer complies with applicable Prudential Requirements and that reliable data is provided to APRA.

### Management’s and directors’ responsibilities

In accordance with CPS 220 *Risk Management*, it is the responsibility of management and the directors to ensure that the Insurer meets prudential and statutory requirements and have management practices to limit risks to prudent levels. In accordance with HPS 310, this responsibility includes:

* 1. ensuring the Insurer maintains accounting records that at any time disclose with reasonable accuracy the financial position of the Insurer;
  2. ensuring the auditors are granted access, on an unrestricted basis, to all of the records, information and exploration we consider necessary in connection with our work;
  3. ensuring the auditors are provided with any other information APRA has provided to the Insurer that may assist the auditor in fulfilling its role.

In relation to the Annual Prudential Assurance Report, the directors’ responsibility includes:

(a) ensuring the information included in the Return at the financial year-end is reliable and in accordance with the relevant APRA Prudential and Reporting Standards;

(b) establishing and maintaining internal controls that are designed to ensure:

(i) the Insurer complies with all applicable Prudential Requirements;

(ii) reliable data is provided to APRA in the Return prepared under the Financial Sector (Collection of Data) Act 2001 (FSCODA); and

(iii) these controls have operated effectively throughout the financial year.

### Auditor’s Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, specified by APRA in Prudential Standard CPS 510 *Governance*.

The firm applies Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor’s responsibility

Our responsibility is to perform a limited assurance engagement and express a conclusion, based on whether anything has come to our attention that causes us to believe that, in all material respects, throughout the period from [date] to [date]:

(a) the Insurer did not have controls that are designed to ensure:

(i) compliance with all applicable Prudential Requirements

(ii) reliable data is provided to APRA in the Return prepared under the FSCODA, and

(b) these controls have not operated effectively.

We have conducted our limited assurance engagement in accordance with applicable Standards on Assurance Engagements ASAE 3150 Assurance Engagements on Controls (ASAE 3150). ASAE 3150 requires us to comply with the independence and relevant ethical requirements relating to assurance engagements.

A limited assurance engagement in accordance with ASAE 3150 involves performing procedures to obtain evidence about the design, implementation and operating effectiveness of controls. The procedures selected depend on the assurance practitioner’s professional judgement, including assessment of the risks of material deficiencies in the design and/or implementation of the controls or deviation in their operating effectiveness. We will perform procedures primarily consisting of making enquiries of management and others within the Insurer, as appropriate, examination of design specification and documentation and observation of implementation and operation.

We will perform additional procedures if we become aware of matters that cause us to believe that the controls may not be suitably designed, implemented or operating effectively. The procedures selected depend on what we consider necessary applying our professional judgement, including the assessment of the risks of material deficiencies in the design and implementation or deviations in the operating effectiveness of the controls.

The procedures selected depend on our judgement, including our assessment of the risks of a material breakdown in controls. In making those risk assessments, we consider internal control systems and compliance functions relevant to ensuring compliance with all applicable Prudential Requirements and provision of reliable data to APRA in the Return prepared under the FSCODA, in order to design assurance procedures that are appropriate in the circumstances.

### Conclusion

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe in all material respects, throughout the period from [date] to [date]:

(a) the Insurer did not have controls that are designed to ensure:

(i) compliance with all applicable Prudential Requirements

(ii) reliable data is provided to APRA in the Return prepared under the FSCODA and

(b) these controls have not operated effectively.

## Basis of restriction on distribution

This report has been prepared for distribution to the [insert as applicable Board or Board Audit Committee(s)], of the Insurer and APRA. This report is prepared in accordance with the terms of our engagement letter dated [insert date of engagement], in order to satisfy APRA’s prudential reporting requirements for appointed auditors of private health insurers, as specified in HPS 310.

In accordance with the Australian Prudential Regulation Authority Act 1998, APRA may make this report available to other specified agencies when APRA is satisfied that such information will assist these agencies in performing their functions or exercising their powers.

This report is not to be distributed to any party other than those to whom it is addressed, APRA, and other parties to whom APRA is lawfully entitled to provide relevant information. We disclaim any assumption of responsibility for any reliance on this report or the subject matter to which it relates, to any party other than the [insert as applicable Board, or Board Audit Committee], of the Insurer and APRA in the performance of its functions under the Act.

Firm

Partner Name  Location

Partner

[date]