

Finansinspektionen's Regulatory Code

Publisher: Gent Jansson, Finansinspektionen, Box 6750, 113 85 Stockholm.
Ordering address: Thomson Fakta AB, Box 6430, 113 82 Stockholm. Tel. +46 8-587 671 00,
Fax +46 8-587 671 71.
Subscribe also by e-mail at www.fi.se.
ISSN 1102-7460

This translation is furnished for informational purposes only and is not itself a legal document.

Finansinspektionen's general guidelines for auditors appointed by Finansinspektionen;

FFFS 2004:10

Published on
30 June 2004

decided on 17 June 2004.

Finansinspektionen provides the following general guidelines.

Scope of application

Section 1 These general guidelines apply to auditors who have been appointed by Finansinspektionen in accordance with the following provisions:

- Chapter 10, section 2 of the Insurance Business Act (1982:713),
- Chapter 13, section 9 of the Banking and Financing Business Act (2004:297),
- Section 8 of the Insurance Brokers Act (1989:508),
- Section 5 of the Supervision of Mortgage Credit Institutions Ordinance (1970:68),
- Section 69 of the Mutual Benefit Societies Act (1972:262),
- Section 42 of the repealed Securities Funds Act (1990:1114),
- Chapter 6, section 5 of the Securities Business Act (1991:981),
- Chapter 11, section 4 of the Securities Exchange and Clearing Operations Act (1992:543),
- Chapter 9, section 1 of the Financial Instruments Accounts Act (1998:1479) and
- Chapter 10, section 16 of the Investment Funds Act (2004:46).

Section 2 The general guidelines are formulated in general terms. In addition to these guidelines, Finansinspektionen may issue special instructions relating to auditing in certain areas.

Performance of the audit

Section 3 The auditor works under orders from Finansinspektionen and performs, along with the other auditors in the institution, the task of auditing the institution to the extent dictated by generally-accepted accounting standards.

Section 4 The auditor should not provide consultancy services at the institution or at a company closely related to it without Finansinspektionen's consent. This also applies to persons subordinate to the auditor.

Section 5 The auditor should pay particular attention to the institution's internal control systems in his audit. The auditor should also pay particular attention to the

management of the existing risks in the business activities and how guidelines and instructions are applied.

Section 6 The auditor in a life insurance company should pay particular attention to transactions taking place between the life insurance company and other companies in the same group and the supporting documents for decisions on those transactions. The auditor should also compare these with the life insurance company's own guidelines.

Section 7 The auditor should check that the institution has drawn up procedures that ensure that reports to Finansinspektionen are correct and comply with laws and other regulations.

Reporting to Finansinspektionen

Section 8 In addition to the obligation to report applying under certain statutes, the auditor should immediately inform Finansinspektionen of the formal critical comments that the auditors make to the board of directors or managing director in accordance with the following statutes:

- Chapter 10, section 35 of the Companies Act (1975:1385),
- Chapter 10, section 12 of the Insurance Business Act (1982:713),
- Chapter 13, section 9 of the Banking and Financing Business Act (2004:297).

The auditor should submit an annual report on the audit to Finansinspektionen no later than three weeks after the audit has been closed for the financial year. If the audit included more than one institution in the same group, a report should be issued for each individual institution. In addition, the auditor should submit information to Finansinspektionen as soon as possible, along with a copy of the current auditor's report and details of the auditors appointed by the Annual General Meeting.

If the annual report has not been submitted within six months from the end of the financial year, the auditor should inform Finansinspektionen of this immediately and give the reason for the delay.

Section 9 The annual report should contain:

- an overall report on how the audit work was organised and performed,
- a report on any substantial changes in the institution's organisation, activities or other circumstances that may affect the institution's exposure to risk,
- a report on substantial deficiencies affecting the institution's internal controls, accounting and management in general and on deficiencies pointed out previously which have not been remedied,
- a report on the life insurance companies' internal transactions and the supporting documents for decisions on those transactions,
- a report on substantial deviations from Finansinspektionen's regulations and general guidelines,
- information on other circumstances, e.g. disputes, that may entail a risk of serious financial consequences for the institution,
- information on results for the year and a report on the activities that have been of major significance for the origin of the results,
- information on the number of hours and their distribution across principal stages in the fulfilment of the task and fees charged, which may be submitted in a separate report, and
- other information that the auditor considers should be included.

Section 10 The auditor should also inform Finansinspektionen on a continuous basis of any observations that may be significant for supervision by the authority.

Change of auditor

Section 11 If any change of auditor occurs during the current financial year, Finansinspektionen should be informed immediately.

These general guidelines shall enter into force on 15 July 2004, whereupon Finansinspektionen's general guidelines (FFFS 1998:5) for auditors appointed by Finansinspektionen will be repealed.

INGRID BONDE

Kristina Werner