



Attachment to Board Meeting Summary Paper

Subject: **Project Update: Proposed New Guidance Statement to replace AGS 1008 Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs)**

Prepared by: AUASB Technical Group

Date: 8 February 2009

ATTACHMENT 1

Since reporting to the AUASB at the December 2008 Board meeting:

1. The AUASB Technical Group (ATG) engaged in further discussions with APRA to provide comment on, and to seek further clarification in relation to, the prudential reporting requirements for auditors of ADIs as per APRA Prudential Standard APS 310 *Audit and Related Matters*.
2. On 23 December 2008, APRA finally issued the revised APS 310. The new Prudential Standard will now apply to financial years beginning on or after 1 January 2009 (previously intended to apply to financial years ending on or after 1 January 2009).
3. A Working Group, made up of a representative of the ATG and a senior staff member from each audit firm represented on the Project Advisory Group (PAG), was set up to provide assistance to the ATG on a more detailed level during the initial drafting phase of the project.
4. During December 2008, the ATG prepared an initial working draft of the proposed Guidance Statement, which was circulated to members of the Working Group for comment and specific input in areas where practitioners' technical and practical banking expertise were vital.
5. The ADI PAG met on 6 February 2009 to discuss an updated working draft and to resolve any remaining issues. At this meeting, it was decided that the following sections of the Draft needed to be worked on further:
 - Definition of 'accounting records' (for the purpose of paragraphs 38(a) to (c) of APS 310) - this definition is important, as it will determine whether APRA data collections need to be audited or reviewed.
 - Interpretation of the term 'reliable' (in the context of paragraphs 38(a) to (d) of APS 310) - this term replaced the terms 'complete and accurate' as used in previous drafts of APS 310.
 - AUASB materiality guidance to replace APRA's own Guidance Note on Materiality (APRA has indicated that this guidance will be withdrawn)

- Guidance in relation to Foreign ADIs – under the new prudential reporting requirements, APRA expects foreign ADI branches to be treated the same as any other ADI (refer *Attachment A* to APS 310).
 - Guidance in relation to the review of controls to ensure the ADI has complied with all applicable prudential requirements (APS 310, paragraph 38(d)(i))
6. The PAG also requested that the ATG meet with APRA to seek further clarification regarding:
- The requirements for foreign ADIs.
 - The concept of ‘reliability’ of information in APRA reporting forms.
 - Reporting of findings or exceptions (long form reporting by way of an appendix to the main short form report).
7. The PAG agreed on the following amended timeline for finalising the Guidance Statement:

	Milestone	Timing
1.	Updated Working Draft to be circulated to the PAG for review and comment	23–27 Feb 09
2.	3 rd PAG meeting to discuss Draft Guidance Statement to be tabled at the April AUASB meeting	Mid March 09
3.	Circulate Draft Guidance Statement to APRA for comment	Late March 09
4.	Table 1 st Draft of proposed new Guidance Statement at AUASB meeting for consideration and comment	6-7 April 09
5.	Further develop Guidance Statement content in consultation with PAG and APRA	April – May 09
6.	Table final proposed Guidance Statement at AUASB meeting for approval to issue	1-2 June 09