



Board Meeting Summary Paper

Subject: AUASB-APRA Work Plan/Annual
Regulatory Plan 2010/2011 Update

Date: 14 February 2011

AUASB AGENDA ITEM NO. 13
Meeting Date: 28 February 2011

Action Required

For Information Purposes Only

Agenda Item Objectives

Brief outline to the AUASB of the current APRA projects being undertaken as outlined in the Annual Regulatory Plan 2010/2011 that may have a likely impact on the AUASB work plan over the next 6 – 18 months.

Update the Board on any further matters that were discussed with APRA in the 4th Quarterly meeting for 2010 and discussion about the strategy for the upcoming year.

Background

The AUASB-APRA have been undertaking quarterly meetings for the last 18 months and these have proved productive and an efficient way to share information specific to audit and assurance across all four areas regulated by APRA: ADIs, GI, Life and Superannuation.

These quarterly meetings have been scheduled to continue into 2011 and both the AUASB and APRA are committed to this process. In addition, Marina Michaelides and Richard Mifsud have regular two way informal communication with Geoff Steel at APRA on an individual projects basis as required. Geoff Steel also attended the consultative meeting and was an active contributor to the discussion.

Matters to Consider

Attached is a schedule of the key APRA projects underway that are likely to have an impact on the AUASB work plan in the next 6 to 18 months. In summary the key areas likely to be affected are:

ADIs

Short term (6 months):

- Possible revision / addendum to GS 012 to reflect new requirements for the liquidity forms to be signed off by the auditor's. APRA has said the revised liquidity forms and the requirements are

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being fast tracked and is likely to have an impact on ADIs / auditors in the second half of 2011. Currently APRA are meeting with industry to consult on the draft liquidity forms. APRA have stated that it is highly likely the revised liquidity form will include a limited (review) assurance sign off. The regulations in this area APS 210 and APS 310 are not likely to be finalised until 1st half of 2012. Auditor's will also need to report under legislation and not just under APS 310 as APRA continues to strengthen the resilience of ADIs to liquidity risk and improve APRA's ability to assess and monitor ADIs' liquidity risk profiles.

Medium/Longer Term (12 to 18 months):

- Changes to ADI requirements born from Basel II, Basel III and Risk Management projects may have a further impact/ require revision to GS 012. Once the suite of APRA standards are reissued in 1st half of 2012 including: APS 111 Capital Adequacy: Measurement of Capital, APS 310 Audit and Related Matters it will be clearer as to the impact on the audit and assurance requirements.
- From discussions with APRA in January 2011 the Risk management ADIs project has been superseded somewhat by the liquidity forms project taking priority at this time. This is likely to mean the new Risk Management standard for ADIs won't be issued till second half of 2011.

Superannuation

Medium Term (6 – 12 months)

- Reforms from the Super System Review. The response to and take up of recommendations by APRA from the Cooper and Henry reviews and any impact on audit and assurance requirements will occur in 2nd and 3rd quarters of 2011. This may result in some revision/update to GS 002 Special considerations in the Audit of risk Management requirements of RSEs and Licensees and/or the requirement for new guidance on a specific/general area of superannuation.
- APRA Custodian Review – has a direct impact on revision of GS 007 currently underway by the AUASB and to be completed by 30 June 2011.

Material Presented

Agenda Item 13	Board Meeting Summary Paper
Agenda Item 13.1	AUASB-APRA Work Plan/Annual Regulatory Plan 2010/2011 Summary
Agenda Item 13.2	Annual Regulatory Plan – APRA 2010-2011 (October 2010)

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