

24 March 2008 version

GS <1008>
(June 2008)

Guidance Statement
GS <1008>
*Reporting pursuant to APRA
Prudential Reporting
Requirements for Authorised
Deposit-taking Institutions
(ADIs) – Advanced ADIs*

Issued by the **Auditing and Assurance Standards Board**

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Guidance Statement

This Guidance Statement is available on the AUASB website:
www.auasb.gov.au.

Alternatively, printed copies of this Guidance Statement are available by contacting:

Auditing and Assurance Standards Board Phone: (03) 8080 7400
Level 7 Fax: (03) 8080 7450
600 Bourke Street E-mail: enquiries@auasb.gov.au
Melbourne Victoria 3000
AUSTRALIA

Postal Address:
PO Box 204
Collins Street West
Melbourne Victoria 8007
AUSTRALIA

COPYRIGHT

© 2008 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this Guidance Statement are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Principal Executive, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne Victoria 8007. Otherwise, no part of the Guidance Statement may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 1833-7600

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

CONTENTS

AUTHORITY STATEMENT	<i>Paragraphs</i>
Application.....	1 - 2
Issuance Date	3 - 4
Introduction.....	5 - 7
Background.....	8 - 16
Annual APRA Prudential Reporting Requirements.....	17 - 19
Reporting Implications.....	20 - 24
Conformity with International Pronouncements	25
Appendix 1: Illustrative Examples of Reports Prepared by the Auditor of an ADI Pursuant to APRA Annual Prudential Reporting Requirements	
<u>Example 1</u> : Report for ADIs adopting the Advanced Approaches available under the Basel II Framework	

Guidance Statement GS <1008> *Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs*

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS <1008> *Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs* as set out in paragraphs 1 to , pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on procedural auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory details and suggested procedures on specific matters for the purposes of understanding and complying with *AUASB Standards*. The auditor exercises professional judgement when using this Guidance Statement.

The Guidance Statement does not prescribe or create new mandatory requirements.

Dated

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS <1008>

Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

Application

- 1 This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) in consultation with the Australian Prudential Regulation Authority (APRA) to provide guidance to the auditor of an advanced ADI (refer paragraph 12) reporting pursuant to the annual prudential reporting requirements specified in APRA Prudential Standard APS 310 *Audit & Related Arrangements for Prudential Reporting* (APS 310).

The Guidance Statement includes an illustrative example of a report prepared by the auditor of an advanced ADI pursuant to APRA annual prudential reporting requirements. The format of this report has been agreed to by APRA.

- 2 This Guidance Statement is to be applied in conjunction with Audit Guidance Statement AGS 1008 *Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs)*, issued in July 2002, as applicable.

Issuance Date

- 3 This Guidance Statement is issued on 1 June 2008 by the AUASB and is applicable for reports prepared by auditors of advanced ADIs on or after 1 April 2008, in respect of reporting periods ending on or after 1 January 2008.
- 4 Reports for standardised ADIs (refer paragraph 11) and advanced ADIs with reporting periods prior to 1 January 2008, are to be prepared as outlined in Appendices 4 and 5 of AGS 1008.

Introduction

- 5 AGS 1008 provides guidance for reporting engagements undertaken for client ADIs in conformity with the prudential reporting requirements specified by APRA in its Prudential Standard APS 310, issued by APRA in September 2000.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

AGS 1008 includes example report formats that meet the reporting requirements of APS 310, as well as example engagement letters appropriate to undertaking engagements under APS 310.

- 6 This Guidance Statement is to be read in conjunction with Auditing Standard ASA 800 *The Auditor's Report on Special Purpose Audit Engagements*, Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, and relevant APRA Prudential Requirements and best practice guidance in this area.
- 7 It is not intended that this Guidance Statement replace the need for the auditor of an insurer to refer to APRA Prudential Requirements and guidance. This Guidance Statement is not to be used as a checklist of issues to be considered by the auditor. Furthermore, it is not intended that this Guidance Statement limits or replaces the auditor's professional judgement and initiative or limits the application of AUASB Standards on these prudential engagements. AUASB Standards contain the basic principles and essential procedures to be applied to audit and review engagements. Audit and review programs for each engagement are to be designed to meet the requirements of the particular situation, giving careful consideration to the size and type of ADI and the adequacy of its internal control structure.

Background

- 8 Since AGS 1008 was issued in 2002, APRA has issued several revised and additional Prudential Standards, including:
- APS 231 Outsourcing
 - APS 232 Business Continuity Management
 - APS 510 Governance
 - APS 520 Fit and Proper
- 9 During November 2007, APRA released a suite of new and revised Prudential Standards for ADIs to give effect to the implementation of the new Basel II capital adequacy regime, known as the Basel II

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

- Framework¹, in Australia. The Basel II Prudential Standards are effective from 1 January 2008.
- 10 The Basel II Framework provides for two broad approaches for determining the minimum capital requirements of an ADI in relation to credit risk, market risk and operational risk - the standardised approaches and the advanced approaches.
- 11 The majority of ADIs in Australia are using the standardised approaches available under the Basel II Framework (standardised ADIs). These approaches use relatively simple calculation methods to determine minimum capital.
- 12 ADIs that have received approval from APRA to adopt the advanced Basel II approaches from January 2008 (advanced ADIs) may use more sophisticated risk approaches to determine the ADIs capital requirements, such as an internal ratings based (IRB) approach for credit risk and an advanced measurement approach for operational risk. Under these approaches, ADIs are permitted to use both their own models and their own estimates in determining the ADIs capital requirements.
- 13 During February 2008, APRA released its reporting requirements for ADIs under the new Basel II Framework. The new suite of Basel II reporting standards has an effective date of 1 April 2008 and the first submission of data to APRA, under the new reporting standards, will cover the period 1 January 2008 to 31 March 2008.
- 14 The reporting requirements for standardised ADIs broadly replicate the previous capital reporting requirements, with some additions in areas such as operational risk and securitisation. For advanced ADIs, the bulk of the reporting requirements are new.
- 15 ADIs that applied before 1 January 2008 for approval to use the internal ratings-based approach to credit risk and/or an advanced measurement approach to operational risk for capital adequacy purposes, will be required to continue reporting using the Basel I capital reporting forms in conjunction with the Basel II reporting forms².

¹ The Basel II Framework is the commonly used description for a document titled *International Convergence of Capital Measurement and Capital Standards, a Revised Framework*. Background information on the Basel II Framework, and its implementation in Australia, can be accessed through APRA's website (<http://www.apra.gov.au>).

² Refer to Reporting Standard APS 150 *Capital Adequacy: Basel II Transition (Advanced ADIs)* for further details.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

- 16 Access to relevant APRA legislation, Prudential Standards, Prudential Practice Guides (and other guidance), Reporting Standards, reporting forms and instructions relevant to ADIs, is available through APRA’s website (<http://www.apra.gov.au>)

Annual APRA Prudential Reporting Requirements

- 17 APRA is currently undertaking a comprehensive revision of APS 310. In April 2008, APRA issued a policy document, entitled *Roadmap of Proposed Amendments to APS 310* (APS 310 Roadmap), which outlines APRA’s new and revised prudential reporting requirements for ADI external auditors reporting pursuant to APS 310. This policy paper will form the basis of APRA’s revision of APS 310.
- 18 Under paragraph 6 of the *APS 310 Roadmap* document, the external auditor of an ADI is required to report³ simultaneously to APRA and the Audit Committee⁴ of the ADI, as follows:
- (a) reasonable assurance that the information in the APRA ADI forms at the financial year end, listed in Appendix B of the *APS 310 Roadmap* document, sourced from the ADIs accounting records⁵, is reliable and in accordance with the relevant prudential reporting standards;
 - (b) limited assurance that the information in the APRA ADI forms at the financial year end, listed in Appendix B of the *APS 310 Roadmap* document, compiled from sources other than the ADIs accounting records, is reliable and in accordance with the relevant prudential reporting standards;
 - (c) limited assurance that:
 - (i) the ADI has control policies and procedures that are designed to ensure:
 - a. compliance with all applicable prudential requirements; and
 - b. reliable data are provided to APRA in the reporting forms prepared under the

³ Within 3 months of the financial year end of the ADI for a disclosing entity (as defined by the *Corporations Act 2001*) and within 4 months for a non-disclosing entity.

⁴ Or, in the case of a foreign ADI (as defined under the *Banking Act 1959*), the senior country manager.

⁵ As defined in the AUASB Glossary.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

Financial Sector (Collection of Data) Act 2001; and

- (ii) these controls have operated effectively throughout the period.
 - (d) limited assurance that the ADI has complied in all material respects with its Risk Management Strategy (RMS)⁶.
 - (e) limited assurance on whether there are any matters which, in the external auditor's opinion, may have the potential to materially prejudice the interests of depositors of the ADI;
 - (f) limited assurance on whether there are any other matters which, in the external auditor's opinion, constitute non-compliance with Prudential Standard requirements and have not been previously reported to APRA; and
 - (g) limited assurance that the ADI has complied with statutory banking requirements, any conditions on the ADI's authority to carry on a banking business, and any other conditions imposed by APRA in relation to the ADI's operations.
- 19 *Appendix A* of APRA's *APS 310 Roadmap* document requires a long form style of reporting, as defined in ASAE 3000, in relation to paragraphs 19(c) and (d) above.

Reporting Implications

- 20 The application of APRA's *APS 310 Roadmap* document impacts on the prudential reporting requirements for auditors of advanced ADIs with reporting periods ending on or after 1 January 2008, that are required to report on or after 1 April 2008.
- 21 Reports for these ADIs are required to be prepared in accordance with:
- APS 310 as applicable.
 - APRA's *APS 310 Roadmap* document as applicable.
 - Prudential Standards applicable to the reporting period (refer paragraph 22 below).

⁶ The RMS may only be effective from January 2009.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

- AGS 1008 as applicable to the Prudential Standards.
 - Relevant AUASB pronouncements to the extent that they are not inconsistent with APRA’s APS 310 and *APS 310 Roadmap* document.
- 22 To identify ‘old’ Prudential Standards the auditor needs to consider Prudential Standards in force during a reporting period, but not in force at the end of the reporting period. To identify ‘new’ Prudential Standards the auditor needs to consider Prudential Standards that became effective during the reporting period, and which are in force at the end of the reporting period.
- 23 As AGS 1008 has not been revised as at the date of release of this Addendum, it is essential that the auditor of an ADI considers all of the requirements of APRA’s *APS 310 Roadmap* document in the:
- Preparation of the Engagement Letter.
 - Conduct and extent of audit and review procedures.
 - Preparation of the Independent Prudential Report.
- 24 An illustrative example of an independent annual prudential report to be prepared by the auditor of an advanced ADI reporting pursuant to the annual prudential reporting requirements specified in APRA’s APS 310 and APS 310 Roadmap document, is set out in Appendix 1. The illustrative example report does not include any additional procedures that the auditor of an ADI may consider necessary in the conduct of the prudential engagement.

Conformity with International Pronouncements

- 25 There is no equivalent International Standard on Auditing or International Auditing Practice Statement to this Guidance Statement.

APPENDIX 1

ILLUSTRATIVE EXAMPLES OF REPORTS PREPARED BY THE AUDITOR OF AN ADI PURSUANT TO APRA ANNUAL PRUDENTIAL REPORTING REQUIREMENTS

Example 1: Report for ADIs adopting the Advanced Approaches under the Basel II Framework

INDEPENDENT AUDITOR'S REPORT

To [Chairman of Audit Committee⁷] of [name of ADI]

Annual Prudential Report as required under Australian Prudential Regulation Authority Prudential Standard APS 310 – Audit & Related Arrangements for Prudential Reporting

We have performed an audit and a review pursuant to the reporting requirements specified in Australian Prudential Regulation Authority (APRA) Prudential Standard APS 310 – *Audit & Related Arrangements for Prudential Reporting*.

APS 310 has expanded the relationship between Authorised Deposit-taking Institutions (ADIs), their external auditor and APRA. The additional responsibilities and reporting requirements arising from this expanded relationship have been outlined in our letter of engagement dated [date].

Our audit [and review] of the financial report(s) required under the *Corporations Act 2001* [or appropriate legislation] is directed towards obtaining sufficient evidence to form an opinion under the appropriate legislation. These procedures were not designed to enable us to conclude on other matters required by APRA's Prudential Standards. We have therefore performed additional procedures beyond those undertaken in order to meet our responsibilities in relation to our audit [and review] of the financial report(s) required under the *Corporations Act 2001*.

This report has been prepared solely for [name of ADI] in order to meet the reporting requirements of APRA and is not to be used for any other purpose or distributed to any other party. We disclaim any assumption of responsibility for any reliance on this report to any party other than [name of ADI] and APRA, or for any purpose other than that for which it was prepared.

⁷ Or, in the case of a foreign ADI (as defined under the *Banking Act 1959*), the senior country manager.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

The Responsibility of [Title of Those Charged with Governance⁸]

It is the responsibility of management and, where appropriate, the [Title of those charged with governance] of the [type of ADI] to ensure that the [type of ADI] meets prudential and statutory requirements and has management practices to limit risks to prudent levels.

Management and, where appropriate, those charged with governance, are therefore responsible for:

- Ensuring that the information in the APRA ADI forms at the financial year end is reliable and in accordance with the requirements of the *Financial Sector (Collection of Data) Act 2001* and APRA ADI Reporting Standards.
- Establishing and maintaining internal control policies and procedures that are designed to ensure:
 - ◆ compliance with all applicable prudential requirements; and
 - ◆ reliable data are provided to APRA in the reporting forms prepared under the *Financial Sector (Collection of Data) Act 2001*; and

that these controls have operated effectively throughout the period.

- Ensuring that the ADI has complied in all material respects with its Risk Management Strategy (RMS)⁹. This responsibility includes providing APRA with an annual risk management declaration from the chief executive, endorsed by the [Title of those charged with governance], as required in accordance with APS 310.
- Ensuring that the ADI has complied with all applicable Prudential Standard requirements.
- Ensuring that the ADI has complied with statutory banking requirements, any conditions on the ADI's authority to carry on a banking business, and any other conditions imposed by APRA in relation to the ADI's operations.

Auditor's Responsibility

⁸ Amend this term to reflect the appropriate title for those charged with governance of the ADI.

⁹ The RMS may only be effective from January 2009.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

Our responsibility is to perform an audit and review as required under APRA prudential reporting requirements, described in *Scope* paragraphs PART A to PART F below, and to report our conclusions based on our audit and review.

Scope

PART A – Audit of information included in APRA ADI Reporting Forms at financial year end, compiled from accounting records

Our responsibility is to express an opinion, based on our audit, on the information sourced from the ADI's accounting records in the following APRA ADI Reporting Forms of [name of ADI] for the [period] ended [financial year end]:

[List the specific title and form number of each relevant Reporting Form in Appendix B of APRA's *APS 310 Roadmap* document.]

[Refer to APRA's website www.apra.gov.au]

We have conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the relevant forms are free of material misstatement.

An audit involves performing procedures to obtain audit evidence on whether the information sourced from the accounting records in these forms is, in all material respects, reliable and in accordance with the provisions of the *Financial Sector (Collection of Data) Act 2001* and APRA Reporting Standards. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the ADI Reporting Forms, whether due to fraud or error.

In making those risk assessments, we considered internal control relevant to the [type of ADI]'s preparation of APRA ADI Reporting Forms 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 [type of ADI]'s internal control.

We have performed an independent audit of the financial statements of [name of ADI] for the year ended [financial year end]. Our audit report on the financial statements was signed on [date], and [was/was not] subject to modification.

Our audit procedures included testing that the information in the relevant ADI Reporting Forms, sourced from the accounting records, is consistent with the audited financial statements for the year ended [financial year end].

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

Where the relevant information in these forms was not directly derived from the financial statements, we examined, on a test basis, evidence supporting these amounts and disclosures for the purposes of ensuring that this information is reliable and in accordance with the relevant prudential reporting standards.

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

PART B – Review of information included in APRA ADI Reporting Forms at financial year end, compiled from sources other than the ADI’s accounting records

Our responsibility is to perform a review of the information, compiled from sources other than the ADI’s accounting records, in the following APRA ADI Reporting Forms of [name of ADI] for the [period] ended [financial year end] and to express a conclusion based on our review:

[List the specific title and form number of each relevant Reporting Form in Appendix B of APRA’s *APS 310 Roadmap* document.]

[Refer to APRA’s website www.apra.gov.au]

We have conducted our review in accordance with ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the information in the relevant APRA ADI Reporting Forms, compiled from sources other than the ADI’s accounting records, is, in all material respects, reliable and in accordance with the provisions of the *Financial Sector (Collection of Data) Act 2001* and APRA Reporting Standards. ASAE 3000 requires us to comply with fundamental ethical requirements.

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

Our review procedures selected depend on our judgement, including our assessment of the risks of material misstatement of the ADI Reporting Forms, whether due to fraud or error. While we considered the effectiveness of management’s control policies and procedures over information reported in the relevant Reporting Forms when determining the nature and extent of our

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

procedures, our review was not designed to provide assurance on those control policies and procedures.

Our procedures included test checking to and from evidence supporting the relevant amounts and other disclosures in the above listed ADI Reporting Forms but do not extend to <<◇>>

PART C – Review of Internal Controls addressing Compliance with Prudential Requirements and reliability of information included in APRA ADI reporting forms

Our responsibility is to express a conclusion, based on our review, on the [type of ADI]’s control policies and procedures designed to ensure:

- (a) compliance with all applicable prudential requirements; and
- (b) reliable data are provided to APRA in the reporting forms prepared under the *Financial Sector (Collection of Data) Act 2001*.

We have conducted our review in accordance with Standard on Assurance Engagements ASAE 3000, in order to state whether, on the basis of our review as described, anything has come to our attention that causes us to believe that, for the [period] ended [financial year end]:

- (a) the [type of ADI] did not have control policies and procedures, that are designed to ensure, in all material respects:
 - (i) compliance with all applicable prudential requirements; and
 - (ii) reliable data are provided to APRA in the reporting forms prepared under the *Financial Sector (Collection of Data) Act 2001*; and
- (b) these control procedures have not operated effectively.

ASAE 3000 requires us to comply with fundamental ethical requirements.

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

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

We have performed such procedures as we considered necessary in the circumstances. Our review procedures included <<<>>> and <<<>>>

[Appendix A of APRA’s *APS 310 Roadmap* document requires a long form style of reporting for Part C of this report. In accordance with ASAE 3000, a long form report may, in addition to the required basic elements, describe in detail the terms of the assurance engagement, the criteria being used, findings relating to particular aspects of the assurance engagement and, in some cases, recommendations.]

PART D – Review of Compliance with Risk Management Strategy (RMS)¹⁰

Our responsibility is to express a conclusion on the [type of ADI]’s compliance with its Risk Management Strategy (RMS) dated [date] based on our review. We have conducted our review in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* in order to state, on the basis of our review as described, whether anything has come to our attention that causes us to believe that for the [period] the [type of ADI] did not comply, in all material respects, with its RMS. ASAE 3100 requires us to comply with fundamental ethical requirements.

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

We have performed such procedures as we considered necessary in the circumstances. Our review procedures included obtaining an understanding of the risk management measures and procedures contained in the RMS and <<<>>>

[Appendix A of APRA’s *APS 310 Roadmap* document requires a long form style of reporting for Part D of this report – refer to comments under Part C above.]

PART E – Review of Compliance with Statutory Banking Requirements

Our responsibility is to express a conclusion on the [type of ADI]’s compliance with statutory banking requirements based on our review. We have conducted our review in accordance with ASAE 3100, in order to state,

¹⁰ Refer footnote 9.

Guidance Statement GS <1008> *Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs*

on the basis of our review as described, whether anything has come to our attention that causes us to believe that for the [period] the [type of ADI] did not comply, in all material respects, with the statutory banking requirements, any conditions on the ADI's authority to carry on a banking business, and any other conditions imposed by APRA in relation to the ADI's operations. ASAE 3100 requires us to comply with fundamental ethical requirements.

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

We have performed such procedures as we considered necessary in the circumstances. Our review procedures included obtaining an understanding of the <<>> and <<<>>>

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

PART F – Matters Identified in the Conduct of our Audit and Review

Our responsibility is to express a conclusion, on the basis of information gained during (i) the course of our audit [review] performed under the *Corporations Act 2001*; and (ii) the performance of additional procedures for APRA prudential reporting purposes, whether any matters have come to our attention that causes us to believe that during the [period] there are matters which:

- (a) may have the potential to materially prejudice the interests of depositors of the [type of ADI]; and
- (b) constitute material non-compliance with applicable Prudential Standard requirements and have not been previously reported to APRA.

We have not performed any review procedures that were designed specifically to identify such circumstances or breaches and therefore provide no assurance that all such circumstances and breaches have been identified and reported.

[The auditor of a foreign ADI branch to note the scope of the work performed with respect to the branch in terms of the involvement in the statutory financial report audit of the group:

“Our work {has/has not} involved a statutory audit of the financial report for {ADI group} and {is limited to} the performance of additional review and other procedures {necessary to fulfil reporting requirements to APRA}.”]

Inherent Limitations

There are inherent limitations in any internal control structure, and fraud, error or non-compliance with laws and regulations may occur and not be detected. As the systems, procedures and controls to ensure compliance with APRA prudential requirements are part of the operations of the [type of ADI], it is possible that either the inherent limitations of the general internal control structure, or weaknesses in it, can impact on the effective operation of the specific control procedures of the [type of ADI].

Projection of any evaluation of internal controls addressing compliance to future periods is subject to the risk that control procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

Because of the inherent limitations of any Risk Management Strategy, it is possible that risks may arise which are not included in, or appropriately managed by, the Risk Management Strategy or that fraud, errors, or non-compliance with laws and regulations may occur and not be detected. An audit or review is not designed to detect all instances of non-compliance, or weaknesses in the risk management measures in the Risk Management Strategy, as procedures are not performed continuously throughout the [period] and procedures performed in respect of compliance with the Risk Management Strategy are undertaken on a test basis.

Accounting records and data relied on for prudential reporting and compliance are not continuously audited and do not necessarily reflect accounting adjustments necessary for end of reporting period financial report preparation, or events occurring after the end of the reporting period.

Consequently, there are inherent limitations on the level of assurance that can be provided.

Independence

In conducting our audit we have, to the best of our knowledge and belief, complied with the independence requirements specified by APRA in Prudential Standard APS 510 *Governance*.

The conclusions in this report expressed below are to be read in the context of the foregoing comments.

Conclusions¹¹

PART A – Audit of information included in APRA ADI Reporting Forms at financial year end, compiled from accounting records

In our opinion, the information in the following APRA ADI Reporting Forms of [name of ADI] for the [period] ended [financial year end], sourced from the ADI's accounting records, is, in all material respects, reliable and in accordance with the provisions of the *Financial Sector (Collection of Data) Act 2001* and APRA Reporting Standards.

[List the specific title and form number of each relevant Reporting Form in Appendix B of APRA's *APS 310 Roadmap* document.]

¹¹ Where the auditor determines it necessary to issue a modified conclusion, the principles contained in ASAs, ASAEs and ASREs (as appropriate) may provide useful guidance.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

PART B – Review of information included in APRA ADI Reporting Forms at financial year end, compiled from sources other than the ADI’s accounting records

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the information in the following APRA ADI Reporting Forms of [name of ADI] for the [period] ended [financial year end], compiled from sources other than the ADI’s accounting records, is, in all material respects, reliable and in accordance with the provisions of the *Financial Sector (Collection of Data) Act 2001* and APRA Reporting Standards

[List the specific title and form number of each relevant Reporting Form in Appendix B of APRA’s *APS 310 Roadmap* document.]

PART C – Review of Internal Controls addressing Compliance with Prudential Requirements and reliability of information included in APRA ADI reporting forms

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that, for the [period] ended [financial year end], in all material respects:

- (a) [name of ADI] did not have control policies and procedures, that are designed to ensure:
 - i. compliance with all applicable prudential requirements; and
 - ii. reliable data are provided to APRA in the reporting forms prepared under the *Financial Sector (Collection of Data) Act 2001*; and
- (b) these control procedures have not operated effectively.

PART D – Review of Compliance with Risk Management Strategy (RMS)¹²

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that, for the [period] ended [financial year end], [name of ADI] did not comply, in all material respects, with its RMS.

¹² Refer footnote 9.

Guidance Statement GS <1008> Reporting pursuant to APRA Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs) – Advanced ADIs

PART E – Review of Compliance with Statutory Banking Requirements

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that, for the [period] ended [financial year end], [name of ADI] did not comply, in all material respects, with the statutory banking requirements, any conditions on the ADI's authority to carry on a banking business, and any other conditions imposed by APRA in relation to the ADI's operations.

PART F – Matters Identified in the Conduct of our Audit and Review

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that during the [period] ended [financial year end] there are matters which:

- (a) may have the potential to materially prejudice the interests of depositors of [name of ADI]; and
- (b) constitute material non-compliance with applicable Prudential Standard requirements, and have not been previously reported to APRA.

[The auditor reports only material exceptions not previously advised by the client ADI to APRA.]

[Auditor's signature]

[Date of the Auditor's report]

[Auditor's address]