Appendix 2

(Ref: Para. 67)

## EXAMPLE ENGAGEMENT LETTER – Level 1 ADI AND/OR Level 2 ADI GROUP

**For Annual Prudential Reporting Engagements undertaken pursuant to APRA Prudential Standards APS 310 *Audit and Related Matters* and APS 910 *Financial Claims Scheme* (Routine Reporting)**

The following example engagement letter is to be used as a guide only and will need to be adapted according to individual engagement requirements and circumstances of the ADI and/or ADI group.

**Note:**

1. In this example engagement letter, the ADI on a “Level 1” basis is referred to as “the ADI”. The group of which the ADI is a member on a “Level 2 basis”, is referred to as “the ADI group”.
2. If the engagement letter also covers a “Level 3” conglomerate group, this is indicated by using the appropriate terminology throughout the letter.[[1]](#footnote-2)
3. “Level 1”, “Level 2” and “Level 3” have the meaning given in APRA Prudential Standards APS 001 and 3PS 001 *Definitions*.
4. APS 910 *Financial Claims Scheme* assurance engagements:

APS 910 identifies additional requirements for ADIs and their appointed auditors, including a requirement for the appointed auditor to perform a limited assurance engagement on the ADI’s controls in relation to the generation of Single Customer View (SCV) data and Financial Claims Scheme (FCS) payment instruction and reporting information. These requirements are in addition to the APS 310 requirement for appointed auditors to perform a limited assurance engagement on controls implemented by the ADI to ensure compliance with all prudential requirements (which includes compliance with APS 910).

This example engagement letter has been prepared on the basis that the auditor has been appointed to undertake both the APS 310 and APS 910 engagements. As there will be some overlap between the engagements, the appointed auditor may decide to prepare a single engagement letter covering both engagements. Alternatively, separate engagement letters may be prepared for the purposes of the APS 310 and APS 910 engagements.

Where an ADI or ADI group is not subject to the requirements of APS 910, for example, a foreign ADI, references in the letter to APS 910 need to be removed. [[2]](#footnote-3)

To [Appropriate Addressee[[3]](#footnote-4)] of the ADI [and/or head entity of the ADI group]

**Engagement as auditors pursuant to APRA Prudential Standards APS 310 *Audit and Related Matters* [and APS 910 *Financial Claims Scheme*]**

We are pleased to confirm the [acceptance/continuation] of our appointment as auditor of [Name of ADI] [for the Level 1 ADI] (the ADI) [and/or the Level 2 ADI group] (the ADI group) for the purposes of the Australian Prudential Regulation Authority’s (APRA’s) Prudential Standard(s) APS 310 *Audit and Related Matters* (APS 310) [and APS 910 *Financial Claims Scheme* (APS 910)].

APS 310 [and APS 910] identifies APRA’s reporting requirements for appointed auditors of ADIs and appointed group auditors of Level 2 ADI groups. We set out below, in general terms, our understanding of the terms, objectives and scope of this engagement, as well as a description of the responsibilities of both those charged with governance of the ADI [and/or the ADI group] and the appointed auditor.

This engagement is a separate engagement from our audit [and half-year review] appointment(s) under the *Corporations Act 2001* (Corporations Act).

1. **Objective and Scope of Engagement**

APS 310 [and APS 910] require us to report simultaneously, on an annual basis, to APRA and your [Title of those charged with governance[[4]](#footnote-5)] on the matters set out below, insofar as they relate to the ADI [and/or the ADI group].

[If applicable: In addition to requirements for reasonable and limited assurance in relation to APRA’s ADI Reporting Forms, APS 310 requires us to perform a limited assurance engagement on the controls implemented by the ADI [and/or the ADI group] to ensure compliance with Prudential Requirements, which includes compliance with APS 910. APS 910 identifies additional requirements for ADIs and appointed auditors and requires the auditor to perform a limited assurance engagement on the control procedures of the ADI in relation to the Single Customer View (SCV) data and Financial Claims Scheme (FCS) payment and reporting information.

To reduce duplication of reporting compliance matters to APRA, we will aggregate all matters in relation to the FCS into one report. We will therefore provide two reports:

1. Independent assurance report in relation to APS 310 (excluding APS 910); and
2. Independent assurance report in relation to APS 910 covering both compliance with the Prudential Requirements and internal controls relating to the FCS.]

In accordance with APS 310 we are required to provide:

* 1. reasonable assurance that the information, sourced from the ADI’s [and/or the ADI group’s] accounting records, included in the ADI Reporting Forms at the financial year-end as specified in Attachment A of APS 310, is, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards;
  2. limited assurance, unless otherwise indicated by APRA in writing, that the information, sourced from non-accounting records, included in the ADI Reporting Forms at the financial year-end as specified in Attachment A of APS 310, is, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards;
  3. limited assurance that, in all material respects:
     1. the ADI [and/or the ADI group] have implemented internal controls that are designed to ensure:
     2. compliance with all applicable Prudential Requirements; and
     3. reliable data is provided to APRA in the ADI Reporting Forms prepared under the *Financial Sector (Collection of Data) Act 2001* (FSCODA); and
     4. the controls in (c)(i) have operated effectively throughout the financial year; and
  4. limited assurance, based on our work under (a) to (c) above, that the ADI [and/or the ADI group] have complied, in all material respects, with all relevant Prudential Requirements under the *Banking Act 1959* (Banking Act) and the FSCODA, including compliance with APRA Prudential and Reporting Standards during the financial year.

[If applicable: In accordance with APS 910 we are required to provide:

1. limited assurance that, in all material respects:
   1. the ADI has implemented internal controls that are designed to ensure:
      1. compliance with all applicable Prudential Requirements relating to APS 910; and
      2. that SCV data as set out in APS 910 Attachment A, to the extent practicable, and FCS payment instruction and reporting information can be relied upon as being complete and accurate and in accordance with APS 910; and
   2. these controls have operated effectively throughout the financial year; and
2. limited assurance, based on our work under (a) above, that the ADI has complied, in all material respects, with all relevant Prudential Requirements under the Banking Act relating to APS 910.]

Our annual prudential assurance reports will cover the same period as the annual financial report required under the Corporations Act and is to be issued within three [four] months of the financial year-end of the ADI.

1. **Appointed Auditor’s Responsibilities**

[If applicable: As the statutory auditor of the ADI, we carry out sufficient procedures to enable us to form an opinion on the state of the [type of ADI]’s affairs and its results, and to report thereon to the members of the [type of ADI] in accordance with the requirements of the Corporations Act[[5]](#footnote-6). Although our audit [and review] under the Corporations Act will include such review of the ADI’s [and/or the ADI group’s] systems of accounting and internal control and performance of such tests and enquiries as we consider necessary, these audit [and review] procedures are not designed to form an opinion on the systems of accounting and internal control taken as a whole.

In order to satisfy the requirements of APRA, we will carry out additional procedures over and above those which are performed in our capacity as the auditor under the Corporations Act[[6]](#footnote-7).

Despite our involvement in examining the ADI’s [and/or the ADI group’s] systems of control, it must be appreciated that it is the responsibility of the [Title of those charged with governance] of the ADI [and/or head of the ADI group] to establish and maintain all of the ADI’s [and/or the ADI group’s] internal control systems. All such systems have their limitations and, this being so, errors or irregularities may occur, and which may not be detected. Our work is not to be relied upon for the purposes of discovering fraud, error, deficiencies, or non-compliance with laws and regulations, although we will report to the appropriate level of management any fraud, error, deficiencies, or non-compliance that may be identified as a result of our assurance engagement.

We recognise that there may be some overlap between our audit [and review] under the Corporations Act and work that is necessary to fulfil APRA’s APS 310 prudential reporting requirements. In order to help ensure the most efficient use of resources, wherever possible, reliance will be placed on work that is carried out for the statutory financial report audit [and review] purposes.]

In order to report on the matters set out in the *Objective and Scope of Engagement* section of this letter, we are required to undertake both reasonable and limited assurance engagements, as described below, and to report our opinion and conclusions based on the procedures we have performed and the evidence we have obtained.

We will conduct our reasonable assurance engagement in accordance with applicable Australian Auditing Standards and our limited assurance engagements in accordance with applicable Standards on Assurance Engagements and Standards on Review Engagements, and with reference to Guidance Statement GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups,* issued by the Australian Auditing and Assurance Standards Board (AUASB). These standards require that we comply with relevant ethical requirements relating to assurance and review engagements.

As part of our procedures, we will request representations from management and, where appropriate, those charged with governance, in respect of representations made to us in connection with the engagement.

After the completion of our prudential engagement report, it is our normal practice to report any matters of significance, together with suggestions for their correction and any recommendations we may have on the systems, procedures and controls in general. However, as our examination will be limited to the reasonable and limited assurance engagements in relation to matters set out in the *Objective and Scope of Engagement* section above, you cannot assume that any matters reported to you indicate that there are no additional matters or matters that you need to be aware of in meeting your responsibilities.

**Responsibilities under APS 310:**

**PART A: Reasonable Assurance on Information included in Specified ADI Reporting Forms at financial year-end, sourced from Accounting Records**

Our responsibility is to express an opinion, based on our reasonable assurance engagement, on whether the information sourced from the ADI’s [and/or the ADI group’s] accounting records, included in the ADI Reporting Forms at the financial year-end as specified in Attachment A to APS 310, is, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards.

We will conduct our reasonable assurance engagement in accordance with applicable Australian Auditing Standards.

Reasonable assurance is a high level of assurance, but is not a guarantee that a reasonable assurance engagement conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Specified ADI Reporting Forms.

As part of a reasonable assurance engagement in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the reasonable assurance engagement. We also:

* Identify and assess the risks of material misstatement in the Specified ADI Reporting Forms, whether due to fraud or error, design and perform reasonable assurance procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the reasonable assurance engagement 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 entity’s internal control.
* Communicate with the [Title of Those Charged with Governance] regarding, among other matters, the planned scope and timing of the reasonable assurance engagement and significant findings, including any significant deficiencies in internal control that we identified during our reasonable assurance engagement.

**PART B: Limited Assurance on Information included in Specified ADI Reporting Forms at financial year-end, sourced from Non-Accounting Records**

Our responsibility is to perform a limited assurance engagement on information sourced from the ADI’s [and/or the ADI group’s] non-accounting records, included in ADI Reporting Forms at the financial year-end as specified in Attachment A to APS 310, and to express a conclusion on whether, based on the limited assurance procedures we have performed and the evidence we have obtained, anything has come to our attention that causes us to believe that this information is not, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards.

We will conduct our limited assurance engagement in accordance with the AUASB’s Standards on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ASAE 3000) and ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, and AUASB’s Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial report*, as applicable.

A limited assurance engagement consists of making enquiries of responsible ADI [and/or the ADI group] personnel and applying analytical and other review procedures considered necessary and does not, ordinarily, require corroboration of the information obtained. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with Australian Auditing and Assurance Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion.

The procedures we select will depend on our judgement, including our assessment of the risks of material misstatement of the ADI Reporting Forms, whether due to fraud or error or of a material breakdown of controls. In making those risk assessments, we consider internal control systems and compliance functions relevant to the preparation of the Specified ADI Reporting Forms in order to design limited assurance procedures that are appropriate in the circumstances.

**PART C: Limited Assurance on Internal Controls addressing Compliance with Prudential Requirements and Reliability of Data included in ADI Reporting Forms**

Our responsibility is to perform a limited assurance engagement and to express a conclusion, based on the limited assurance procedures we have performed and the evidence we have obtained, 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]:

1. the ADI [and/or ADI group] has not implemented internal controls that are designed to ensure:
   1. compliance with all applicable Prudential Requirements [(excluding APS 910)]; and
   2. reliable data is provided to APRA in ADI Reporting Forms prepared under the FSCODA; and
2. these controls have not operated effectively.

We will conduct our limited assurance engagement on controls in accordance with the AUASB’s Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls*.

A limited assurance engagement on controls in accordance with ASAE 3150 involves performing procedures to obtain evidence about the design, implementation and operating effectiveness of controls. The procedures we select will depend on our judgement, including our assessment of the risks of material deficiencies in the design and/or implementation of the controls, or deviation in their operating effectiveness. In making those risk assessments, we will consider internal control systems and compliance functions relevant to ensuring compliance with all Prudential Requirements and provision of reliable data to APRA in ADI Reporting Forms prepared under the FSCODA, in order to design assurance procedures that are appropriate in the circumstances.

As part of our limited assurance engagement on controls we will perform procedures primarily consisting of making enquiries of management and other responsible personnel within the ADI [and/or the ADI group], as appropriate, examination of design specifications and documentation, and observation of implementation and operation of controls.

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.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of controls, there is an unavoidable risk that some deficiencies in the design and/or implementation of the controls or deviation in their operating effectiveness may not be detected, even though the engagement is properly planned and performed in accordance with ASAE 3150.

The system within which the controls that we will examine operate, will not be examined, except to the extent the system is relevant to the achievement of the control objectives. Therefore, no opinion will be expressed as to the effectiveness of the system of controls as a whole.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are substantially less in scope than for a reasonable assurance engagement conducted in accordance with Australian Auditing and Assurance Standards and, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Therefore, there is a higher risk than there would be in a reasonable assurance engagement, that any material deficiencies or deviations in controls that exist may not be revealed by the engagement, even though the engagement is properly performed in accordance with ASAE 3150. In expressing our conclusion, our report on the design, implementation and operating effectiveness of controls will expressly disclaim any reasonable assurance conclusion on controls.

**PART D: Limited Assurance on Compliance with Prudential Requirements**

Our responsibility is to express a limited assurance conclusion, based on our work performed under Parts A to C above, on whether anything has come to our attention that causes us to believe that, for the financial year ended [date], the ADI [and/or the ADI group] has not, in all material respects, complied with all relevant Prudential Requirements under the Banking Act and the FSCODA, including compliance with APRA Prudential and Reporting Standards.

**[If applicable: Responsibilities under APS 910:**

**PART A – Limited Assurance on Internal Controls addressing Generation of SCV Data, as set out in Attachment A to APS 910, and FCS Payment Instruction and Reporting Information**

In relation to APS 910 paragraph 27, our responsibility is to perform a limited assurance engagement as described below, and to express a conclusion based on the limited assurance procedures we have performed and the evidence we have obtained, 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]:

1. the ADI has not implemented internal controls that are designed to ensure that SCV data as set out in APS 910 Attachment A, to the extent practicable, and FCS payment instruction and reporting information can be relied upon as being complete and accurate and in accordance with APS 910; and
2. these controls have not operated effectively when tested.

**PART B – Limited Assurance on Internal Controls addressing Compliance with Prudential Requirements relating to APS 910 conducted as part of APS 310 Requirements**

In relation to APS 310 paragraph 36(d), our responsibility is to perform a limited assurance engagement as described below, and to express a conclusion based on the limited assurance procedures we have performed and the evidence we have obtained, 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]:

1. the ADI did not have controls that are designed to ensure that the ADI has complied with all applicable prudential requirements relating to APS 910; and
2. these controls have not operated effectively.

**PART C – Reporting on Compliance with Prudential Requirements**

In relation to APS 310 paragraph 36, our responsibility is to express a conclusion, based on our work performed under Parts A and B above, on whether anything has come to our attention that causes us to believe that, for the period [date] to [date], the ADI has not, in all material respects, complied with all relevant prudential requirements under the Banking Act relating to APS 910.

We will conduct our limited assurance engagement on controls for Parts A and B above in accordance with ASAE 3150.

A limited assurance engagement on controls in accordance with ASAE 3150 involves performing procedures to obtain evidence about the design, implementation and operating effectiveness of controls. The procedures we select will depend on our judgement, including our assessment of the risks of material deficiencies in the design and/or implementation of the controls, or deviation in their operating effectiveness. In making those risk assessments, we will consider internal control systems and compliance functions relevant to ensuring compliance with APS 910 and specifically the requirements set out above in relation to the SCV data and FCS payment instruction and reporting information.

As part of our limited assurance engagement on controls, we will perform procedures consisting of making enquiries, primarily of persons responsible for the control procedures, inspection of evidence and observation on a sample basis of the design and operation of the controls, events or business routines implemented by the ADI as well as testing practices and results in order to meet the control objectives identified in Appendix [insert].[[7]](#footnote-8)

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 performed in a limited assurance engagement vary in nature and timing from, and are substantially less in scope than for a reasonable assurance engagement conducted in accordance with Australian Auditing and Assurance Standards and, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Therefore, there is a higher risk than there would be in a reasonable assurance engagement, that any material deficiencies or deviations in controls that exist may not be revealed by the engagement, even though the engagement is properly performed in accordance with ASAE 3150. In expressing our conclusion, our report on the design, implementation and operating effectiveness of controls will expressly disclaim any reasonable assurance conclusion on controls.]

1. **Responsibilities of the [Title of Those Charged with Governance[[8]](#footnote-9)] and Management of the ADI [and/or the ADI Group]**

In accordance with APRA Prudential Standard CPS 220 *Risk Management*, it is the responsibility of the [Title of those charged with governance] of the ADI [and/or head of the ADI group] to ensure that the ADI [and/or the ADI group] has prudent risk management practices.

This responsibility includes providing APRA with a Risk Management Declaration, as set out in Attachment A to CPS 220.

In relation to the APS 310 annual prudential assurance report(s) this responsibility includes:

* 1. ensuring that the information included in ADI Reporting Forms at the financial year-end is reliable and in accordance with the relevant APRA Prudential and Reporting Standards;
  2. establishing and maintaining internal controls that are designed to ensure:
     1. the ADI [and/or the ADI group] complies with all applicable Prudential Requirements;
     2. reliable data is provided to APRA in the ADI Reporting Forms prepared under the FSCODA; and
  3. ensuring that the internal controls under (b) operate effectively throughout the financial year;
  4. ensuring that the ADI [and/or the ADI group] complies with all relevant Prudential Requirements under the Banking Act and the FSCODA, including compliance with APRA Prudential and Reporting Standards during the financial year; and
  5. ensuring that the ADI [and/or the ADI group] maintain(s) accounting records which at any time throughout the year disclose with reasonable accuracy the financial position of the ADI [and/or the ADI group].

Furthermore, in accordance with APS 310, it is the responsibility of the [Title of those charged with governance] and management of an ADI [and/or ADI group] to ensure that the auditor:

1. has access to all data, information, reports and staff of the ADI that the auditor reasonably believes is necessary to fulfil its role and responsibilities under APS 310. This includes access to the ADI’s [Title of those charged with governance], [Title of those charged with governance] Committees and internal auditors, as required;
2. is fully informed of all prudential requirements applicable to the ADI [and/or the ADI group]. Prudential requirements include requirements imposed by the Act, regulations, prudential standards, the FSCODA, reporting standards, conditions on authority and any other requirements imposed by APRA, in writing, in relation to an ADI.
3. is provided with any other information APRA has provided to the ADI that may assist the auditor in fulfilling its role and responsibilities under APS 310.

[If applicable: In accordance with APS 910 specifically, it is the responsibility of the [Title of those charged with governance] and management of the ADI to ensure that appropriate policies and procedures are in place to ensure the integrity of operations, internal controls and information required by APS 910. This includes, but is not limited to, responsibility for:

1. undertaking all necessary steps to ensure compliance with APS 910;
2. ensuring systems and processes are in place to identify, to the extent practicable, each unique account-holder who holds a protected account;
3. being able to calculate a SCV for each unique account holder identified and transmit that data to APRA, or a person nominated by APRA;
4. being able to generate and transmit payment instruction information for FCS purposes to the RBA, or another paying agent nominated by APRA;
5. being able to generate and transmit reporting information to APRA, an account-holder, the ATO and any other party nominated by APRA;
6. ensuring systems and associated controls are adequate for the purposes of ensuring that data generated by SCV systems are complete and accurate, to the extent practicable;
7. ensuring systems and associated controls are adequate for the purposes of ensuring that the FCS payment instruction and reporting information generated and transmitted by the systems, including the ability to capture alternative ADI account data, are complete and accurate.
8. complying with the communications requirements set out in APS 910; and
9. complying with the testing requirements set out in APS 910]
10. **Auditor’s Independence and Quality Control**

In undertaking the assurance engagement, we will comply with:

1. the relevant ethical requirements of the Accounting Professional & Ethical Standards Board’s *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour;
2. the independence requirements specified by APRA in Prudential Standard CPS 510 *Governance*;
3. the fitness and propriety criteria specified by APRA in Prudential Standard CPS 520 *Fit and Proper*; and
4. Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.
5. **Inherent Limitations**

Due to the inherent limitations of any internal control and compliance framework it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and that fraud, error, or non-compliance with Prudential Requirements may occur and not be detected. Further, the internal control structure, within which the controls that we have assured operate, has not been assured and no opinion is expressed as to its design or operating effectiveness.

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

A reasonable or limited assurance engagement is not designed to detect all misstatements in ADI Reporting Forms, or deficiencies and/or deviations in internal controls, or instances of non-compliance with applicable Prudential Requirements, as assurance engagement procedures are not performed continuously throughout the period and are undertaken on a test basis.

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

The opinion and conclusions expressed in our prudential assurance report(s) are to be read in the context of the foregoing comments.

1. **Internal Audit**

The ADI’s internal audit function is considered well placed to review and test properly documented systems, procedures and controls operating within the ADI [and/or the ADI group]. Consequently, it is our intention to liaise closely with internal auditors throughout the year.

Where work is carried out by internal auditors as part of the internal control procedures of the ADI [and/or ADI group], we [intend to/may] review the work performed and carry out such re-performance tests and other procedures as we consider necessary. Where we are satisfied with the work carried out by internal auditors, it is our intention to place reliance on such work in accordance with Auditing Standard ASA 610 *Using the Work of Internal Auditors*, and, where appropriate, reduce the extent of our own procedures relating to internal controls.

1. **Special Purpose Engagements**

Under APS 310, APRA may require you, by notice in writing, to appoint an auditor to provide a report on a particular aspect of the ADI’s [and/or ADI group’s] operations, prudential reporting, risk management systems or financial position.

[If applicable: Under APS 910, APRA may, in writing, require an ADI to engage an auditor to undertake a reasonable or limited assurance engagement of SCV systems and data, and the systems used to generate and transmit FCS payment instruction and reporting information.]

The details of such engagements will be the subject of specific requests from APRA and will constitute separate engagements and reporting. In these circumstances, separate engagement letters will be issued.

1. **Liaison with APRA**

Under normal circumstances, liaison with APRA will take place under tripartite arrangements involving APRA, the ADI [and/or the head of the ADI group] and its appointed auditor(s). Notwithstanding the tripartite relationship, APS 310 allows for communication between an auditor and APRA on a bilateral basis, at the request of either party. APRA can, although not commonly, request information directly from an appointed auditor.

Under CPS 510, an ADI is required to ensure that its internal policy and contractual arrangements do not explicitly or implicitly restrict or discourage auditors from communication with APRA.

1. **Additional Reporting Responsibilities under the Banking Act**

Under sections 16B, 16BA and 16C of the Banking Act, we are required to provide information to APRA upon request, or where we possess reportable information specified in the Banking Act, or where we consider that the provision of information would assist APRA in performing its functions under the Banking Act or the FSCODA.

Part VIA of the Banking Act includes provisions to protect an auditor providing information to APRA, in good faith and without negligence, from any action, claim or demand by, or any liability to, any other person in respect of the information.

1. **Restriction on Distribution and Use of Report(s)**

Our annual APS 310 [and APS 910] prudential assurance report(s) and any special purpose engagement report(s) will be prepared for distribution to the [Title of those charged with governance] or [Title of those charged with governance] Audit Committee of the ADI [and/or head of ADI group] and APRA. These assurance reports will be prepared in accordance with the terms of this engagement letter, in order to satisfy APRA’s prudential reporting requirements for appointed auditors of ADIs [and/or ADI groups], as specified in APS 310 [and APS 910]. As a result, these reports may not be suitable for another purpose.

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 (“Other Parties”). In accordance with the *Australian Prudential Regulation Authority Act 1998*, APRA may make our assurance reports available to Other Parties when APRA is satisfied that such information may assist those parties in performing their functions or exercising their powers. We disclaim any assumption of responsibility for any reliance on these reports, or the subject matter to which it relates, to any party other than the ADI [and/or the ADI group] and APRA in the performance of its functions under the Banking Act, or for any purpose other than that for which it was prepared.

1. **Fees**

The requirement to report pursuant to APS 310 is in addition to, and separate from, the audit [and review] of financial reports required under the Corporations Act and will result in additional assurance procedures being carried out. Fees relating to this work will be based on the degree of responsibility and skill involved and the time necessarily occupied by the work undertaken.

As the fees will not relate to our audit [and review] carried out in our capacity as the statutory auditor under the Corporations Act, our invoices will be rendered separately, to clearly identify the additional cost of APRA’s prudential reporting requirements.

[Insert additional information here regarding fee arrangements, billings and other specific items, as appropriate.]

We look forward to full cooperation with you and your staff and we trust that you will make available to us whatever records, documentation and other information are requested in connection with our assurance engagement.

This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our prudential assurance engagement pursuant to APS 310 [and APS 910].

Yours faithfully, Acknowledged on behalf of [name of ADI] by

(signed) (signed)

……………………………….….…. …………………………………………

Name and Title Name and Title

Date Date

1. APRA Prudential Standard 3PS 310 *Audit and Related Matters* sets out the prudential reporting requirements for Level 3 groups. [↑](#footnote-ref-2)
2. APS 910 *Financial Claims Scheme* does not apply to foreign ADIs and providers of purchased payment facilities. See APS 910, paragraph 2. [↑](#footnote-ref-3)
3. Amend to reflect the appropriate addressee of the report, for example, “Chairman of Board or Board Audit Committee” for a locally incorporated ADI or, for a foreign ADI, “Senior Officer Outside Australia” to whom authority has been delegated in accordance with APRA Prudential Standard CPS 510 *Governance*, for overseeing the Australian branch operations. [↑](#footnote-ref-4)
4. Amend this term to reflect the appropriate title for those charged with governance of the ADI, for example, “Board of Directors” for a locally incorporated ADI or, for a foreign ADI, “the Senior Officer Outside Australia” to whom authority has been delegated in accordance with CPS 510, for overseeing the Australian branch operations. Insert appropriate title, when prompted, throughout the letter. [↑](#footnote-ref-5)
5. Or other appropriate local or overseas requirements. [↑](#footnote-ref-6)
6. Or other relevant legislation. [↑](#footnote-ref-7)
7. See Attachment 3 to Appendix 5 of this Guidance Statement. [↑](#footnote-ref-8)
8. Alternatively, for a foreign ADI, “senior officer outside Australia” (to whom authority has been delegated in accordance with CPS 510, for overseeing the Australian operations). Insert appropriate title, when prompted, throughout the letter. [↑](#footnote-ref-9)