Appendix 3

(Ref: Para. 266)

## EXAMPLE REPRESENTATION 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 representation 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 representation 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 representation 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. This example representation letter has been prepared on the basis that the auditor has requested management to include representations in relation to the APS 310 engagement and APS 910 engagement into a single letter. Alternatively, separate representation letters may be prepared for the purposes of APS 310 and APS 910.

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)

[name of ADI [and/or ADI group] Letterhead]

[Addressed to Appointed Auditor]

[Date]

Dear Sir/Madam

**Representation Letter for Annual Prudential Reporting Engagement(s) undertaken pursuant to APRA Prudential Standard(s) APS 310 *Audit and Related Matters* [and APS 910 *Financial Claims Scheme* for the period [date] to [date]]**

This representation letter is provided in connection with your reasonable and limited assurance engagement(s), as required by APRA’s Prudential Standard(s) APS 310 *Audit and Related Matters* (APS 310) [and APS 910 *Financial Claims Scheme* (APS 910)], of [name of ADI] [for the Level 1 ADI] (the ADI) [and/or the Level 2 ADI group (the ADI group)] for the period [date] to [date][[3]](#footnote-4), for the purpose of you providing:

In accordance with APS 310:

* 1. reasonable assurance that the information sourced from the ADI’s [and/or the ADI group’s] accounting records, included in the APRA 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 the ADI’s [and/or the ADI group’s] 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] has 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 (Collections 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 your work under (a) to (c) above, that the ADI [and/or the ADI group] has 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.

[In accordance with APS 910:

1. limited assurance that, in all material respects, the ADI has controls that are designed to ensure that Single Customer View (SCV) data as set out in APS 910 Attachment A, to the extent practicable, and Financial Claims Scheme (FCS) payment instruction and reporting information can be relied upon as being complete and accurate and in accordance with APS 910, and these controls have operated effectively when tested;
2. limited assurance that, in all material respects, the ADI has controls that are designed to ensure compliance with all applicable prudential requirements relating to APS 910 and these controls have operated effectively throughout the period [date] to [date]; and
3. limited assurance, based on your work under (a) and (b) above, that the ADI has complied, in all material respects, with all relevant prudential requirements under the *Banking Act 1959* (Banking Act), including compliance with APS 910, throughout the period [date] to [date].]

We acknowledge our responsibility under APS 310 for ensuring that:

1. the ADI [and/or the ADI group] complies with all relevant prudential and statutory requirements and has prudent risk management practices.
2. the ADI [and/or the ADI group] identifies key risks and establishes risk management practices that are detailed in descriptions of risk management systems and are regularly reviewed and updated, at least annually, to take account of changing circumstances;
3. APRA is provided with high-level descriptions of our key risk management systems covering all major areas of risk, and APRA is informed of all material changes to the ADI’s [and/or the ADI group’s] risk management systems descriptions when they are made;
4. adequate controls have been designed to ensure:
   1. compliance with all applicable Prudential Requirements[, including all Prudential Requirements set out in APS 910]; and
   2. reliable data is provided to APRA in the ADI Reporting Forms prepared under the FSCODA;

and that these controls operated effectively throughout the [period] to [period];

1. the information included in ADI Reporting Forms at [the financial year-end] is reliable, and in accordance with the relevant APRA Prudential Standards and Reporting Standards;
2. accounting and non-accounting records, and the ADI Reporting Forms prepared from them, are accurate;
3. the ADI [and/or ADI group] maintain accounting records which at any time throughout the year disclose with reasonable accuracy the financial position and financial performance of the ADI [and/or ADI group];
4. you are informed of all Prudential Requirements applicable to the ADI [and/or the ADI group];
5. the ADI [and/or ADI group] have provided you with any other information APRA has provided to the ADI [and/or the ADI group] that may assist you in fulfilling your role and responsibilities under APS 310; and
6. we have provided you with access to all data, information, reports and staff of the ADI [and/or the ADI group] that you reasonably believe are necessary to fulfil your role and responsibilities under APS 310. This includes access to the ADI’s [Title of those charged with governance][[4]](#footnote-5), [Title of those charged with governance] Audit Committee and internal auditors as required.

[In addition, in accordance with APS 910, we acknowledge our responsibility for ensuring 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 the ADI:

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. calculating a SCV for each unique account holder identified in accordance with relevant requirements, and transmit that data to APRA or to a person nominated by APRA;
4. being able to generate and transmit payment instruction information for FCS purposes to the Reserve Bank of Australia (RBA), or another paying agent nominated by APRA;
5. being able to generate and transmit reporting information to APRA, an account-holder, the Australian Tax Office (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.]

We confirm, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves, the following representations made to you during your assurance engagement:

[*Include representations relevant to the ADI [and/or the ADI group]. Such representations may include the following examples*.]

* 1. We have made available to you for the purpose of your assurance engagement:
  2. all data, information, reports and staff of the ADI [and/or the ADI group] that you have required to fulfil your role and responsibilities under APS 310 [and APS 910];
  3. access to the ADI’s [and/or the ADI group’s] [Title of those charged with governance], audit committee(s) and internal auditors as required, and related data, minutes of meetings, reports, other information, explanations and assistance necessary for the conduct of the assurance engagements pursuant to APS 310 [and APS 910];
  4. all correspondence with APRA concerning all Prudential Requirements applicable to the ADI [and/or the ADI group];
  5. all policies and procedures (including all changes in the reporting period) that are designed to ensure the ADI [and/or the ADI group] has:
     1. complied with all applicable Prudential Requirements [, including APS 910 requirements]; and
     2. provided reliable data to APRA in the ADI Reporting Forms prepared under the FSCODA;
  6. all high level descriptions of our key risk management systems covering all material risks, approved by the [Title of those charged with governance] and management, and including all material changes to the risk management systems descriptions provided to APRA during the financial period; and
  7. all other information APRA has provided to the ADI [and/or the ADI group] that may assist you in fulfilling your role and responsibilities under APS 310 [and APS 910].
  8. There has been:
  9. no fraud, error or non-compliance with APRA Prudential Requirements that could have a material effect on the reporting of data to APRA under the FSCODA, or compliance with applicable Prudential Requirements;
  10. no fraud, error or non-compliance with APRA Prudential Requirements involving management or employees who have a significant role in the internal control structure; and
  11. no communications from APRA concerning non-compliance with, or deficiencies in, prudential compliance and reporting practices and controls relating to compliance with Prudential Standards [, including APS 910 requirements], that could have a material effect on your report.

[If applicable: other than instances detected by our control framework and provided to you in the course of your engagement and/or as included by you in your report.]

* 1. We have disclosed to you the results of management’s assessment of the risk of non-compliance with Prudential Standards as a result of fraud.
  2. We have established and maintained adequate internal controls designed to prevent and detect fraud and error and to ensure the ADI [and/or the ADI group] has:
  3. complied with all applicable Prudential Requirements [including APS 310 and APS 910 requirements]; and
  4. provided reliable data to APRA in the ADI Reporting Forms prepared under the FSCODA;

and that those controls have operated effectively throughout the period [date] to [date].

[If applicable: other than instances that have been provided to you in the course of your engagement and/or as included by you in your report];

* 1. There has been no breakdown in internal controls or non-compliance with the policies and procedures which are designed to ensure the ADI [and/or the ADI group] has:
  2. complied with all applicable Prudential Requirements; and
  3. provided reliable data to APRA in the ADI Reporting Forms prepared under the FSCODA,

[If applicable: other than instances that have been provided to you in the course of your engagement and/or as included by you in your report];

* 1. We have complied with all prudential and statutory requirements applicable to the ADI [and/or the ADI group] throughout the period [date] to [date].

[If applicable: other than instances that have been provided to you in the course of your engagement and/or as included by you in your report]

* 1. We have provided to APRA:
  2. all high level descriptions of our key risk management systems covering all identified key risks, approved by the [Title of those charged with governance] and management, and including all material changes to the risk management systems descriptions made during the financial year; and
  3. all information as prescribed by the Prudential Standards for disclosure to APRA within the prescribed period.

[If applicable: other than instances that have been provided to you in the course of your engagement and/or as included by you in your report]

* 1. We have consulted with APRA on all matters such as new business ventures and other initiatives, where prescribed by the Prudential Standards, and provided you with the responses from APRA.
  2. In accordance with CPS 220 *Risk Management*, we have signed [or intend to sign] a Risk Management Declaration to APRA, stating that for the period [date] to [date], to the best of our knowledge and having made appropriate enquiries, in all material respects:
  3. the ADI [and/or the ADI group] has in place systems for ensuring compliance with all Prudential Requirements;
  4. the systems and resources that are in place for identifying, measuring, evaluating, monitoring, reporting, and controlling or mitigating material risks, and the risk management framework, are appropriate to the ADI [and/or the ADI group], having regard to the size, business mix and complexity of the ADI [and/or the ADI group];
  5. the risk management and internal control systems in place are operating effectively and are adequate having regard to the risks they are designed to control;
  6. the ADI [and/or the ADI group] has a Risk Management Strategy (RMS) that complies with CPS 220, and the ADI [and/or the ADI group] has complied with each measure and control described in the RMS; and
  7. the ADI [and/or the ADI group] is satisfied with the efficacy of the processes and systems surrounding the production of financial information at the ADI [and/or the ADI group].
  8. [In accordance with APS 910, we have signed [or intend to sign] a declaration to APRA from our CEO attesting that for the period [date] to [date], the ADI:

1. has taken all necessary steps to ensure that it is compliant with the requirements set out in APS 910,
2. has systems and processes that allows it to identify, to the extent practicable, each unique account-holder who holds a protected account,
3. is able to calculate an SCV for each unique account-holder identified and transmit that data to APRA, or to a person nominated by APRA, as required by APS 910,
4. is able to generate and transmit payment instruction information for FCS purposes to the RBA, or another paying agent nominated by APRA, as required by APS 910;
5. is able to generate and transmit reporting information to APRA, an account-holder, the ATO and any other party nominated by APRA, as required by APS 910,
6. has systems and associated controls that are adequate for the purposes of ensuring that data generated by SCV systems are complete and accurate, to the extent practicable,
7. has systems and associated controls that are adequate for the purpose of ensuring that the FCS payment and reporting information generated and transmitted by the ADI’s systems, including the ability to capture alternative ADI account data, are complete and accurate;
8. is able to comply with the communications requirements set out in APS 910; and
9. is able to comply with the testing requirements as set out in APS 910.]
   1. With respect to ADI Reporting Forms prepared under the FSCODA:
   2. the data has been compiled in accordance with the relevant APRA Prudential and Reporting Standards, and related guidance applicable to each form;
   3. the ADI Reporting Forms have been resubmitted where assurance engagement adjustments of a material nature were identified;
   4. there are no material transactions that have not been recorded properly in the accounting records supporting the ADI Reporting Forms; and
   5. information in the ADI Reporting Forms, sourced from records other than the ADI’s [and/or the ADI group’s] accounting records, are prepared from reliable records applicable to the matters to be provided to APRA, in accordance with the applicable guidance provided by APRA.
   6. We acknowledge that you have advised management of uncorrected misstatements, deficiencies and deviations in controls and non-compliance with Prudential Standards that you became aware of as a result of your assurance engagement procedures.
   7. We believe the effects of all uncorrected misstatements, deficiencies and deviations in controls, and instances of non-compliance with Prudential Standards, identified by you during the assurance engagement and summarised in the attached [insert Appendix], pertaining to the reporting period [date] to [date] (including the effects of prior year issues impacting the current reporting period) are immaterial, both individually and in the aggregate, or adequately reported to APRA.
   8. No events have occurred subsequent to [the financial year-end date] and through to the date of this letter that would require adjustment to, or disclosure in, the ADI Reporting Forms.
   9. [Include any additional matters relevant to the circumstances of the engagement.]

We understand that your examination was made in accordance with applicable AUASB Standards and was, therefore, designed primarily for the purpose of reporting pursuant to the requirements of APS 310 [and APS 910], and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

[Name of signing officer and title]

Signed by resolution of the [Title of those charged with governance][[5]](#footnote-6)

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. Wording in this paragraph, including definitions for the ADI/ADI group, should be consistent with wording used in the Engagement Letter and Prudential Assurance Reports. See Appendices 2, 4 and 5 of this Guidance Statement. [↑](#footnote-ref-4)
4. Or, for a foreign ADI, “the Senior Officer Outside Australia” to whom authority has been delegated in accordance with CPS 510 Governance, for overseeing the Australian branch operations. Insert appropriate title, when prompted, throughout the letter. [↑](#footnote-ref-5)
5. Locally incorporate ADIs: letter to be tabled at Board/Board Audit Committee meeting, but may be signed by management, as directed by Board.

   Foreign ADIs: letter may be signed by either Senior Officer outside Australia or CEO/Senior Officer in Australia with responsibility for Australian operations, with appropriate approval from Senior Officer outside Australia. [↑](#footnote-ref-6)