

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES
INQUIRY INTO THE REGULATION OF AUDITING IN AUSTRALIA

QON21-4: Who is the primary recipient of CPS220

Evidence heard by Westpac on 7 February 2020 stated the primary recipient of the CPS220 report is APRA. On the same hearing APRA stated the CPS220 reports are for the boards such as Westpac to manage non-financial risks. Who is correct?

Answer:

With respect to the triennial review of the appropriateness, effectiveness and adequacy of the risk management framework, CPS 220 paragraph 45 requires specifically that:

The results of this review must be reported to the institution's Board Risk Committee, the senior officer outside Australia or Compliance Committee, as relevant.

CPS 220 does not require institutions to provide copies of these reports to APRA. The intended use of the CPS 220 review is for the institution's board to improve its own risk management framework and effectiveness, and as input for the annual declaration required to APRA. APRA supervisors often request and review the reports as an input to the supervision process, but it is not the main source of information about risk management issues.

In contrast, the annual risk management declaration provided pursuant to paragraph 49 of CPS 220 must be provided to APRA. This declaration must note any material breaches or deviations from the prudential framework.