

## PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

### Regulation of auditing in Australia

#### Westpac Banking Corporation

##### Question:

**Senator O'NEILL:** Mr Brian Hartzler, after the release of the AUSTRAC allegations, reportedly stated: The new AML-CTF law came into effect in 2006, which required banks to make a number of changes by 2010 to processes. There was then a subsequent audit which happened a couple of years later, it did not identify this gap. So, unfortunately, it was allowed to persist over time. Who conducted that particular audit?

**Mr Stephen:** I'd have to take that question on notice.

**Senator O'NEILL:** How long have you had PwC as your auditor? Do you know?

**Mr Thursby:** Back to 2000.

**Senator O'NEILL:** So it's very likely then that it would have been PwC; is that correct? These are the dates I'm referring to—the law came into effect in 2006, banks were required to make changes by 2010 and 'unfortunately, it was allowed to persist over time' because it was not identified in the subsequent audit.

**Mr Thursby:** Again, just to be very clear: PwC are appointed as our auditor in relation to the robustness of the financial statements. We will follow up your question in detail and make sure that we can give you a precise answer. I want to make sure that we're not confusing the term 'audit', whether it's an internal audit process or it's an assurance process or an external audit—

**Senator O'NEILL:** I am just using the language of Mr Hartzler—

**Mr Thursby:** I understand that.

**Senator O'NEILL:** whom I'm assuming would have a pretty good understanding of the difference between those two things. Not only can you provide an answer to who conducted the audit but also could you produce a copy of that audit, or whatever status the document is discerned to have?

**Mr Stephen:** We'll certainly take that on notice.

##### Answer:

While Mr Hartzler is no longer an employee of Westpac, we expect he was referring to an internal review. We can confirm no audit or review of our IFTI reporting was undertaken by PwC or another professional services firm at that time.

In response to the request for internal reviews on this matter, they are confidential and commercially sensitive documents, the disclosure of which could potentially compromise aspects of Westpac's AML/CTF arrangements to members of the public looking to exploit those arrangements through engagement in potential criminal activity.

Any such reviews also concern matters the subject of ongoing civil proceedings and regulatory investigations. Disclosure would be unreasonable while the various proceedings and investigations remain on foot, and could prejudice those proceedings and Westpac's position (and in some cases the position of other parties) in circumstances where these matters are yet to be properly considered and adjudicated by the court and/or relevant agency.

Given these considerations, Westpac submits that the public interest would not be served by the disclosure of any such reviews to the Committee.