

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates, 1 to 4 June 2004

**Question: Bud 93**

**Topic: APRA - NAB – Horizon System**

**Hansard Page: E54**

Senator Conroy asked:

Perhaps clarify what NAB's internal audit told you about its testing of the Horizon system - but possibly no testing has been done. How does APRA deal with that? What mechanism does APRA have to deal with these circumstances?

Answer:

The Horizon system was implemented in 2000. The issue in APRA's *Report into irregular currency options trading at the National Australia Bank* (the Report) was that NAB was not able to provide details of what system implementation testing was undertaken at inception.

In order to satisfy itself of the integrity of the Horizon system, APRA required at 3.5 of the Report that NAB undertake an internal review of the implementation and upgrades of the Horizon system. This review includes, amongst other items, an assessment of the change management processes. To this end, as part of its APRA Report Implementation Project, NAB has developed a work stream which addresses systems interfacing, the system control environment, user acceptance testing and change management process for the Horizon system. The expected completion date is September 2004.

In assessing the effectiveness of these processes, APRA places reliance on Internal Audit to undertake detailed testing of controls and systems, as this requires detailed knowledge of an institution's IT systems and involves a substantial commitment of resources. APRA reviews internal audit reports, as well as the adequacy of the testing methodologies employed.