

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

Commonwealth Bank of Australia

CBA89QW:

Does the Bank consider it sufficient to have a review of risk management frameworks “at least every three years” in the context of recent scandals. If so why?

Answer:

Commonwealth Bank’s integrated Group-wide Risk Management Framework is reviewed internally on an ongoing basis, in light of the evolving business operating environment and developments in risk management best practice.

Each component of the Risk Management Framework has a dedicated owner who is a member of the risk management function and reports to the Group Chief Risk Officer. Each framework is subject to regular review by its owner, which is generally conducted annually. From time to time, Commonwealth Bank also undertakes targeted reviews of elements of its Risk Management Framework; these may be conducted by independent internal or external parties.

In addition, compliance with and the effectiveness of the entire Risk Management Framework is subject to annual review by Commonwealth Bank’s Audit and Assurance function (Internal Audit), in order to meet the specific requirement of CPS220 (which requires that compliance with, and effectiveness of, the risk management framework is subject to review by internal and/or external audit at least annually). Internal audit also assesses various elements of the framework, both directly and indirectly, as part of its annual audit program.

The Commonwealth Bank’s appointed auditors make an annual report to APRA on compliance with all prudential standards (including CPS220) as part of the requirements of prudential standard APS310.

Specific elements of the framework are also periodically assessed under tri-partite reviews instigated by APRA that review areas of focus in the industry.

As demonstrated above, the triennial independent comprehensive review of the framework required under CPS220, whilst providing a valuable independent perspective, is far from the sole review of the Risk Management Framework.