

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Regulation of auditing in Australia

Westpac Banking Corporation

Question:

Hansard, Page 42

Senator O'NEILL: Can I just ask one detailed question in response to what you just given to Senator Paterson. You indicated that the auditor was made aware, with regard to the AUSTRAC issue. When was the auditor made aware?

Mr Thursby: We—

Mr Stephen: Perhaps I can—

Mr Thursby: Do you want to answer that?

Mr Stephen: I'm happy to take that. The external auditor was made aware almost immediately after the escalation took place internally. We are mindful of the need to keep our external auditor aware of what we perceive to be significant developments, so there's no gap in their understanding of our frameworks.

Senator O'NEILL: So, Mr Stephen, can you give me a date?

Mr Stephen: For the precise date, I'd have to take that under notice.

Hansard, Page 51

Senator O'NEILL: Can I ask: when did you alert your external auditor of the problems that were made evident in the CPS 220?

Mr Stephen: As I undertook to do at the beginning of the session, I'll take the precise date on notice in terms of the information to the external auditor and come back to you.

Answer:

We note the Committee's interest in the dates on which various organisations were provided with or made aware of:

1. EY's 2017 Review of Westpac's CPS 220 Risk Management Framework; and
2. the under-reporting of International Financial Transfer Instructions, which was self-reported to AUSTRAC on 15 August 2018 and raised in AUSTRAC's November 2019 Statement of Claim.

The key dates are set out in the tables below. Please note in some cases we are not able to provide a precise date. As additional background, we would note:

- EY was engaged to conduct a CPS 220 Review of Westpac's Risk Management Framework in 2017. This was the Comprehensive Review that all APRA-regulated financial institutions are required to undertake on a triennial basis in accordance with Prudential Standard CPS 220 Risk Management. It is not an audit and is not intended to identify specific breaches of the law. EY is also not our auditor.
- IFTIs are instructions to transfer money into, or out of, Australia. We are required to report to AUSTRAC all IFTIs we have processed within ten business days of the instruction being

sent or received. Westpac informed AUSTRAC on 15 August 2018 that it had not reported a large number of IFTIs over a long period, shortly after senior management became aware of the issue, and began to fix the issue. The under-reporting of IFTIs was not identified in EY's CPS 220 report.

CPS 220

10 August 2017	Final Report of EY's Review of Westpac's CPS 220 Risk Management Framework provided to Westpac.
Mid September 2017	Final Report provided to PwC as part of papers for Westpac's September Board meeting.
17 November 2017	Final Report provided to APRA.

Under-reporting of IFTIs

15 August 2018	Westpac self-reports under-reporting of IFTIs to AUSTRAC and commences further investigation.
October 2018	PwC were involved in discussions where the under-reporting of IFTIs was discussed.
Early November 2018	APRA advised on the under-reporting of IFTIs.
5 November 2018	Westpac publicly disclosed in our 2018 Annual Report that we had self-reported to AUSTRAC a failure to report a large number of IFTIs.