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1. GENERAL OUTLINE

This Bill will provide for the auditing of Australian banks by the Commonwealth Auditor-General and provide better protection of deposits within Australia’s banking system. The Bill provides for such auditing to:-

• provide for an independent audit of the banks as listed in Schedule 1 hereto by the Commonwealth Auditor-General;
• provide for an audit of banks by an entity independent of private interests;
• re-enforce the Constitutional obligation of the Commonwealth to regulate Australia’s banking system;
• re-enforce the Constitutional obligation of the Commonwealth to regulate currency and credit within the Australian economy;
• better protect deposits within Australia’s banking system.

The effect of the Australian Banks (Government Audit) Act 2019 will be:-

1. to re-establish public confidence in the banking system;
2. to reduce risks to the Australian financial system by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by the Auditor-General as an Officer of the Parliament responsible to the Parliament;
3. to reduce risks to the Australian financial system by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by an auditor independent of the auditors/accountants which have provided non-audit services and advice to such Banks;
4. to reduce risks to the Commonwealth pursuant to guarantees provided by the Commonwealth to Australian banks by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by an auditor independent of the auditors/accountants which have provided non-audit services and advice to such Banks;
5. to reduce risks to the Commonwealth pursuant to guarantees provided by the Commonwealth to Australian banks by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by the Auditor-General as an Officer of and responsible to the Parliament;
6. to better identify and limit or remove explicit and implicit government guarantees for high-risk activities outside of the core business of banking;
7. to limit conflicts of interest arising from bank auditors who have also provided non-audit services and advice to banks;
8. to limit conflicts of interest arising from bank auditors who have also provided non-audit services and advice to Government and to banks;
9. to better regulate Australian Banks;
10. to strengthen Parliamentary oversight of the activities of banks.

2. Background to Bill's provisions

Para 663(d) of the Report of the 1937 Royal Commission appointed to inquire into the Monetary and Banking Systems in Australia recommended that legislation give “Power to the Treasurer to direct the Auditor-General to investigate the affairs of any bank and to report upon such matters as the Treasurer directs.”

In 1945 the Chifley Government introduced legislation to give effect to the Royal Commission recommendations and the 1945 Banking Act provided in Section 49 (1) that “The Auditor-General shall investigate periodically the books, accounts and transactions of each bank and shall furnish to the Treasurer and to the Commonwealth Bank such reports upon the affairs of each bank as the Treasurer directs.” Section 49(2) further provided that “The Treasurer may at any time direct the Auditor-General to make an investigation of the books, accounts and transactions of a bank specified by the Treasurer and to furnish to the Treasurer and to the Commonwealth Bank such reports upon the affairs of that bank as the Treasurer directs and the Auditor-General shall make an investigation and furnish reports accordingly.”

In 1953 the Menzies Government introduced the 1953 Banking Act which amended Section 49(2) of the 1945 Banking Act to read: “The Treasurer may, on the recommendation of the Commonwealth Bank, direct the Auditor-General to make an investigation of the books, accounts and transactions of a bank, and the Auditor-General shall make the investigation and furnish to the Treasurer and to the Commonwealth Bank such reports upon the affairs of the bank as the Treasurer directs.”

In 1959 the Menzies Government introduced the 1959 Banking Act which repealed the 1945 Banking Act but included in Section 61(1) that “The Auditor-General shall investigate periodically the books, accounts and transactions of each bank and shall furnish to the Treasurer and to the Reserve Bank such reports upon the affairs of each bank as the Treasurer directs.” Section 61(2) further provided that “The Treasurer may, on the recommendation of the Reserve Bank, direct the Auditor-General to make an investigation of the books, accounts and transactions of a bank, and the Auditor-General shall make the investigation and furnish to the Treasurer and to the Reserve Bank such reports upon the affairs of the bank as the Treasurer directs.”

Following the creation of APRA in 1998, the 1998 Financial Sector Reform Act amended Section 61(1) of the 1959 Banking Act to read: "APRA may appoint a person to investigate and report on prudential matters in relation to:(a) a body corporate that is: (i) an ADI; or (ii) an authorised NOHC; or (iii) a subsidiary of an ADI or of an authorised NOHC; ... if it is satisfied that such a report is necessary. The appointment must be in writing and must specify the prudential matters that are to be the subject of the investigation and report.”

No such appointment has been made by APRA in respect of a Domestic Systemically Important Bank.
Australia’s banks, including Domestic Systemically Important Banks, are audited in accordance with the requirements of the Corporations Act. The Domestically Systemically Important Banks are each audited by one of the “Big Four” international audit firms being KPMG, PricewaterhouseCoopers, Ernst & Young (“EY”) and Deloitte.

Those audit firms have been central to a number of major corporate and accounting scandals, including those in the USA, UK and Australia. These scandals have cost investors billions of dollars when the share prices of affected companies collapsed, and shook public confidence in securities markets.

A 2018 UK report, “Reforming The Auditing Industry” details the activities of the Big Four audit firms. Released in December 2018, the report was prepared by a team of experts led by retired accounting professor Prem Sikka, who advised the British parliamentary inquiries into the collapses of the large retailer BHS and contractor Carillion. It exposes how the Big Four are more influential and pervasive in their criminality than even the banks in the City of London and Wall Street, or Australia’s Big Four. These four firms “audit almost all of the UK and the world’s major banks and leading corporations”, the report notes; independent Australian investigative reporter Michael West in 2016 put the figure at 98 per cent of the world’s largest multinational companies. The Big Four have therefore signed off on the illegal activities and fraudulent accounting that is rife in the banking system, and which caused all the major financial crises of recent decades, including the 2008 global financial crash. They have protected the predatory practices by which corporate executives and large shareholders have been able to loot companies for their own personal wealth, which has bankrupted companies and robbed employees, pension funds and small business creditors. They have also designed and overseen the world’s tax avoidance/evasion infrastructure and practices, which collectively robs governments of trillions of dollars and equivalent of revenue that could otherwise be spent on services and infrastructure. Amazingly, they have never seriously been held to account for their role in these financial disasters, crimes and schemes.

As Australia’s Financial Services Royal Commission repeatedly highlighted throughout 2018, the financial system is riddled with conflicts of interests, which are at the centre of virtually all instances of crime and misconduct. The Big Four accounting firms are structured around a fundamental conflict of interests. Auditing is a state-mandated function - companies are required by law to have their books audited by an external auditor. Accounting firms thus enjoy a state-mandated market, in every country. The purpose of audits is to give stakeholders - shareholders, customers, regulators, etc. - confidence in the companies’ financial accounts; the integrity of the audit is therefore all-important. However, the Big Four accounting firms don’t just audit big corporations, they also provide consultancy services to the same corporations, which actually comprises a bigger part of their business than auditing. In general, one third of the Big Four’s revenue comes from auditing, and the rest from consultancy services. This means there is no way that their audits can be trusted as independent.

Reforming the Auditing Industry states in its Executive Summary: “Auditors have been unable to deliver independent and robust audits and the auditing industry is in disarray, dysfunctional and stumbles from one crisis to another. Auditing firms are mired in conflict of interests and have shown willingness to bend the rules at almost any cost to increase their profits. A steady parade of scandals has followed and auditors’ silence has been a major factor in loss of people’s pensions, jobs, savings and investments.”

The steady parade of UK scandals has included Carillion, BHS, Tesco, BT, Quindell, Autonomy, Rolls Royce, Cattles, Conviviality, and Patisserie Valerie.

In the 2007-08 financial crisis, the UK banks that crashed had all received clean bills of health from the auditors; some, like Northern Rock, within days of going under. British taxpayers eventually put up £1.162 trillion to rescue and prop them up.
The New York bank that triggered the September 2008 global banking meltdown, Lehman Brothers, was audited by EY, which signed off on its annual accounts in January 2008, and gave its quarterly accounts a clean bill of health on 10 July 2008, two months before it declared bankruptcy. The New York Attorney General accused EY of assisting Lehman Brothers to “engage in a massive accounting fraud”. “Yet no questions have been asked of auditors”, the report notes of the UK’s financial authorities.

Michael West reported on 20 August 2016 that the Big Four accounting firms enjoy the same pervasive influence over Australia. He quoted Martin Lock, formerly the head of withholding tax for the Australian Tax Office (ATO), on the pervasiveness of the four firms in formulating laws: “These same stalwart firms are ensconced on the Board of Taxation, its Working Groups, CPA Australia, the Institute of Chartered Accountants (since renamed CAANZ) and the ATO’s very own National Taxation Liaison Group, which the ATO describes as ‘one of the ATO’s eight stewardship committees which addresses strategic issues to benefit Australia’s taxation and superannuation system’ and which ‘drives improvements … to … tax law interpretation, administration, design and policy (including technical issues); confidence in and compliance with the tax system; and ATO service delivery’.” West continued: “Then there are the dozens of millions of dollars lavished yearly by governments upon the Big Four for consulting reports and advice, and staff ‘secondeaments’ between the mega-firms and bureaucracies such as the Tax Office and the corporate regulator.”

On 29 November 2017, the Australian Greens and the National Party agreed to include the Big Four accounting firms in the terms of reference for the Financial Services Royal Commission, to be investigated along with the banks. The next day the Turnbull government hurriedly called the royal commission with different terms of reference approved by the banks, in which the Big Four firms were not included. As PWC audits CBA and Westpac, EY audits NAB, and KPMG audits ANZ, which banks were subsequently exposed as criminal enterprises, this decision to exclude the auditors was a conscious cover-up. With the royal commission now concluded, it is time for an independent audit of the Big Four banks, which will not only expose their true financial position, but also the failings of the Big Four auditors.

_Reforming The Auditing Industry_ reported: “The 2007-08 banking crash showed that banks crashed within days of receiving a clean bill of health from auditors. It did not encourage the industry to examine its practices and reforms were organised off the agenda. The regulators are captured by the auditing industry and poor quality of audit work is the inevitable outcome. They have failed to check predatory practices, improve audit quality, mount speedy and thorough investigations of audit failures, apply effective sanctions against auditors delivering poor audits, or develop any schema for public accountability of the auditing firms.

“The UK auditing industry is dominated by the big four firms who are routinely implicated in scandals and seem incapable of delivering high quality audits. The auditing industry lacks basic market pressure points. There is lack of competition and choice, especially at the top-end of the market. In competitive markets those producing shoddy goods/services and deriding customers for expecting higher quality are pushed out of business. They can face mega lawsuits. But despite monumental failures, auditing firms stay in business because the audit market is guaranteed by the state and regulators do nothing. Auditors enjoy too many liability concessions. Anyone selling automobiles, food or medicines has to ensure that the product is fit for purpose and will not injure current or future consumers, but such considerations are absent from the audit industry. People have few, if any, rights against negligent auditors.

“The industry sets its own auditing standards or benchmarks which are often the lowest common denominator. A mechanical checklist mentality dominates within the firms to the detriment of audit quality. A culture of profit maximisation has resulted in inadequate time budgets, irregular auditing practices, offshoring (or outsourcing) of audit work and reliance upon work performed by staff not under the direct control of the firms. Firms have a history of non-cooperation with regulators. The reforms of the auditing industry have been grudging, minimalist and ineffective and often on the terms specified by the big four accounting firms.” ("Reforming The Auditing Industry" 2018)
Australia and Australia’s banks were not immune from the 2007-2008 Global Financial Crisis. It is loudly proclaimed that Australia avoided the 2008 global financial crisis (GFC), as Australia’s banks were “sound” due to the prudential regulation of bank supervisor APRA, and the Rudd government’s emergency measures. The banks did not survive because they were sound nor were their weaknesses addressed by their auditors which had also given each of the banks a clean bill of health.

Like their Wall Street counterparts, Australia’s banks were also facing collapse, and for the same reason - a housing market meltdown. Only the combination of fortuitous timing, the US bank bailout, and a disguised government rescue saved the banks.

From 2000 to 2008, a bubble had inflated in Australia’s housing market, with similarities to the US bubble. In some respects Australia lagged behind - whereas the US rate of mortgage securitisation was 50 per cent by the time of the crash, the Australian rate was 25 per cent, but growing fast. Many aspects were similar, however. The subprime lending that caused the crisis reached 20 per cent of all US mortgage originations at their peak in 2006: Australia had its own version of subprime mortgages, called low-doc and no-doc loans, which had grown from 1 per cent of all mortgages in 2000, to the same rate as US sub-prime lending by 2008 - 20 per cent. Also like the US, fraud was endemic in Australian mortgage lending. Australia’s Financial Services Royal Commission touched on more recent instances of mortgage fraud in its first round of hearings in March 2018, but Denise Brailey of the Banking and Finance Consumers Support Association (BFCSA) has shown that mortgage control fraud by banks started well before the GFC. This was reflected in the rapid growth of low-doc and no-doc loans, which enabled the banks to write mortgage loans on very little verifiable information.

It is now known that APRA was aware in 2007 of the growing risks in the mortgage market from poor lending standards, but chose to ignore them. A March 2007 internal APRA report revealed that the lowering of mortgage lending standards, which APRA had approved, had produced a bubble in mortgage lending. The report revealed that the amount of housing debt outstanding was three and a half times greater than it would have been under the older, more conservative, lending standard. Moreover, it predicted that mortgage delinquencies would rise from 1 per cent to more than 7 per cent within three years, which would likely panic overseas investors in the housing market, leading to a credit crunch and a housing crash that would trigger a recession. According to a 4 April 2016 ABC report by Stephen Long, not only did APRA ignore the report, but then-APRA chairman John Laker refused to allow it to be published “because it would panic investors and could undermine the banks”, Long wrote. Before the September 2008 crash, the scenario warned of in the secret APRA report had started playing out. On the back of steadily rising interest rates mortgage defaults were rising and house prices had started falling. The banks were staring at a disaster.

Crunch time in Australia came on the weekend of 11-12 October 2008. While the government and media were loudly reassuring the public that Australia’s banks were sound, real panic had broken out in official circles. Australia’s banks owed $440 billion overseas in very short-term, 90-day debt, which left them stranded when interbank lending ground to a halt in the global credit crunch. According to the 2010 book Shitstorm by Lenore Taylor and David Uren, international investors refused to roll over their loans to Australia’s banks, and had called in $50 billion in short term debt. The panic had started the moment Lehman Brothers went under. In July 2010, The Age reported the revelations of Freedom of Information requests, showing that the senior management of Australia’s fifth biggest bank, Macquarie, immediately started making frantic calls to Canberra to get into contact with Kevin Rudd and his senior ministers, begging for protection. The following day, 17 September in Australia, Macquarie sent a flurry of emails to securities regulator ASIC, which shared the same Sydney office building, and two days later ASIC intervened to rescue Macquarie’s plummeting share price by banning short selling of financial stocks.

The former senior economics advisor to Prime Minister Bob Hawke, Professor Ross Garnaut, revealed in his 2009 book The Great Crash of 2008, co-authored with David Llewellyn-Smith, that in early 2008 the major banks all met with Kevin Rudd to beg for guarantees for their overseas borrowing. “The banks told [Rudd] that, if the Government did not guarantee their foreign debts,
they would not be able to roll over the debt as it became due”, Garnaut and Llewellyn-Smith recounted. “Some was due immediately, so they would have to begin withdrawing credit from Australian borrowers. They would be insolvent sooner rather than later … The process of adjustment would be enormously disruptive and costly.”

The crisis reached a crescendo on the weekend of 11-12 October. Kevin Rudd and his Strategic Priorities and Budgetary Committee (SPBC), known as the “gang of four” - Rudd, Treasurer Wayne Swan, Finance Minister Lindsay Tanner and deputy PM Julia Gillard - met with Treasury Secretary Ken Henry and Reserve Bank governor Glenn Stevens with one objective: rescue the banks. All the while they continued to proclaim Australia’s banks were “sound”. This meeting agreed to three emergency measures: 1) a guarantee on deposits to avert bank runs; 2) a guarantee on the banks’ overseas borrowings, so they could roll over their short-term debt; and 3) a tripling of the First Home Owner Grant to $21,000, to help first-time buyers afford a home. Rudd announced the latter as a housing “affordability” measure, but that was untrue. The government was desperate to stop house prices falling, which would trigger the same mortgage market meltdown in Australia that was under way in the USA, and the bank crash and recession warned of in the 2007 secret APRA report. Taylor and Uren quoted Treasury Secretary Ken Henry stating explicitly that they tripled the grant not to make housing affordable, as was claimed, but because “it gets house prices up and that was the point”.

Without these emergency measures, Australia’s banks would have failed. Even then, Kevin Rudd had to lobby US President George W. Bush to bail out AIG, to which Australia’s insurance companies were heavily exposed as the reinsurer of a third of Australian insurance policies. And Australian banks were direct recipients of the US bank bailout. In a 2014 paper, “Implications of the Global Financial Crisis”, published in The EBE Journal, former APRA Principal Researcher Dr Wilson Sy noted, “Secrecy was maintained in Australia during the GFC when Westpac and NAB came close to failure. Insolvency was forestalled during 2008 and 2009 through a combined emergency loan of US$5.5 billion from the Term Auction Facility provided by the US Federal Reserve.”

The timing of the Lehman Brothers collapse triggered the Australian government’s guarantees and the US bank bailout which averted an Australian banking collapse and housing market crash - temporarily. But instead of taking the crisis as an opportunity to clean up the unpayable mortgage debt and related derivatives in the banks, the government and APRA allowed the banks to go even harder into the reckless activities that got them into trouble in 2008. Consequently, bank derivatives have almost tripled, from $14 trillion to $40 trillion, and there is more than double the mortgage debt today than when the secret APRA report warned of the mortgage risks in 2007.

Reforming The Auditing Industry reported: “The 2007-2008 banking crash drew attention to the usual failures. None of the unsavoury practices used by banks to boost their profits were highlighted by auditors. … In the 2007-2008 crash, all distressed banks received unqualified audit reports. In every case, auditors performed non-auditing services and increased their fees. Some banks collapsed within days of receiving an unqualified audit report. People picked up the tab. … “The House of Commons Treasury Committee noted ‘the fact that the audit process failed to highlight developing problems in the banking sector does cause us to question exactly how useful audit currently is. …We remain concerned about the issue of auditor independence. Although independence is just one of several determinants of audit quality, we believe that, as economic agents, audit firms will face strong incentives to temper critical opinions of accounts prepared by executive boards, if there is a perceived risk that non-audit work could be jeopardised’. “The Parliamentary Commission on Banking Standards said: ‘Auditors and accounting standards have a duty to ensure the provision of accurate information to shareholders and others about companies’ financial positions. They fell down in that duty. Auditors failed to act decisively and fully to expose risks being added to balance sheets throughout the period of highly leveraged banking expansion. Audited accounts conspicuously failed accurately to inform their users about the financial condition of banks’. …
“Audit quality has many facets. One of these is the requirement that auditors must be independent of the auditees and must not have any conflict of interests. They must not be a party to the transactions under scrutiny. Auditor independence is compromised by the sale of consultancy services to audit clients and is a major factor in audit failures. This is acknowledged in numerous authoritative reports, many written by eminent accountants … and regulators. Despite periodic tweaking of the rules, auditors have continued to sell a variety of consultancy services to audit clients. The firms’ espousal of ethical conduct and the internal mechanisms for controlling the provision of non-auditing services to audit clients and safeguarding auditor independence have failed as the lure of profits is too strong. Regulators (in the UK -ed) have recorded the conflicts and the failures but taken no effective action, as they have been too close to the auditing industry. The regular parade of scandals has continued to give visibility to the issues and confidence in the auditing industry can’t be restored by mere tweaking at the edges.” ("Reforming The Auditing Industry" 2018)

Australia needs legislation to provide audits of Australia’s banks by the Commonwealth Auditor-General as an Officer of the Parliament and responsible to the Parliament so as to provide genuinely independent audits of the banks for the better protection of depositors and to enable the Commonwealth to better consider the necessary measures required for the supervision and regulation of the banks and their activities.

3. Regulatory Impact Statement

The Bill will have a moderate impact as the authority and powers already exist in respect of the existing audit regime of the Auditor-General and the Australian National Audit Office.

4. Financial Impact Statement

The bill has no significant impact on Commonwealth expenditure or revenue.

The Bill is intended to operate within the existing audit regime of the Auditor-General and the Australian National Audit Office but may require an increase in the staff and consultants and associated facilities for the Auditor-General and the Australian National Audit Office. Such additional costs could be offset by the audited banks being required to pay amounts to be determined by Regulation for such audits.

The compliance cost in relation to the new requirements will be minimal as the office of the Auditor-General and the Australian National Audit Office already exist in respect of the undertaking of Commonwealth Government and non-Government audits.

5. Summary Of Key Provisions Of The Bill

The Bill:

1. Provides for the inspection and audit by the Commonwealth Auditor-General of the banks as listed in the Schedule to the Bill. (Section 6(1), 6(2) & 6(3))
2. Provides for the Auditor-General to report to the Treasurer on the results of his inspection and audit of the banks. (Section 6(4))
3. Provides for the Auditor-General to transmit a copy of his report to the Joint Committee of Public Accounts and Audit and to the President of the Senate and to the Speaker of the House
of Representatives to be laid before the Senate and the House of Representatives respectively. (Section 6(4))

4. Provides that banks shall provide an authorised officer with reasonable facilities for the effective undertaking of the inspection and audit. (Section 6(7))

5. Provides that banks shall provide the Auditor-General with access to books, records and information as required by the Auditor-General. (Section 6(8) & 6(10))

6. Specifies those matters which shall be dealt with by the Auditor-General in his report. (Section 7(1))

7. Provides that the Auditor-General may call upon the services of the Attorney-General for assistance. (Section 8(1))

8. Provides that the Auditor-General may increase his staff, resources and facilities in undertaking the investigations and audits. (Section 9(1))

9. Limits the staff which the Auditor-General may engage in undertaking the inspections and audits. (Section 10)

10. Provides that the Treasurer may make Regulations including Regulations to expand the ADI’s the subject of the Bill. (Section 11)

**Explanation of Provisions of the Bill**

**Purposes**

1.01 Section 3 of the Bill sets out the purposes of the Bill.

1.02 The intention of the Bill is to provide for an independent inspection and audit by the Commonwealth Auditor-General as an Officer of the Parliament and responsible to the Parliament of Australian banks identified by APRA as Domestic Systemically Important Banks and including the banks as listed in the Schedule.

**Application to the Crown**

1.03 The Bill is expressed in Section 5 to bind the Crown.

**Bank Audits**

1.04 The Bill provides in Section 6(1) that the Auditor-General is authorised to carry out an inspection and audit of the banks as defined in the Bill and in Sections 6(3) and 6(4) directs that such inspections and audits shall be carried out and the timing thereof.

1.05 The Bill provides in Section 4 a definition of the banks to which the Bill applies being Domestic Systemically Important Banks as determined by APRA and shall include those banks as listed in the Schedule.

1.06 The Bill provides in Section 7(1) for the Auditor-General to report to the Treasurer on the results of his inspection and audit of the banks.

1.07 The Bill further provides in Section 7(2) for the Auditor-General to transmit a copy of his report to the Joint Committee of Public Accounts and Audit

1.08 The Bill provides in Section 7(3) for the Treasurer to cause a copy of each report to be laid before each House of the Parliament.
1.09 The Bill provides in Section 8(1) that the Auditor-General or an officer authorised by him is entitled at all reasonable times to access bank premises and bank records.

1.10 The Bill provides in Section 8(2) for an authorised officer of the Auditor-General to have a written authority from the Auditor-General to enter bank premises.

1.11 The Bill provides in Section 8(3) that banks shall provide an authorised officer with reasonable facilities for the effective undertaking of the inspection and audit.

1.12 The Bill provides in Section 8(4) that banks shall provide the Auditor-General with access to books, records and information as required by the Auditor-General.

1.13 The Bill provides in Section 8(5) that the Auditor-General may make copies of bank documents.

1.14 The Bill provides in Section 8(6) that the Auditor-General may require bank employees and officials to provide information.

1.15 The Bill provides in Section 8(7) that the Bill does not authorise the Auditor-General to furnish a report as to the affairs of an individual customer of a bank.

Audit requirements

1.16 The Bill provides in Section 9 the matters to be included in the Auditor-General’s report and which shall include:-

1. The derivatives exposures of the Bank (both gross contracts and net exposures by type) and whether off or on balance-sheet including an assessment of the assumptions made by the Bank and which underlie the derivatives contracts and an assessment of the true risk such derivative contracts present to the Bank;

2. The home loan portfolios of the Bank and a marking to market of housing loans against mortgage security held by the Bank (the market value of the security properties and not limited to original book value);

3. The adequacy of provisions for defaults and delinquencies in the Bank’s housing loans including loans made by the Bank to any non-bank mortgage lender or financial institution conducting a business of lending money on mortgage and the assumptions underlying the Bank’s provisions for such defaults;

4. Off balance sheet liability exposures of the Bank;

5. Any Internal Ratings Based (IRB) model by which the Bank has assessed the Bank’s risk and set risk-weighted capital levels and whether such model has caused or contributed to a housing bubble in Australia and may be too weak and unreliable (based on questionable assumptions) to guide the Australian economy.

Attorney-General
1.17 The Bill provides in Section 10 that the Auditor-General may call upon the services of the Attorney-General for assistance.

**Additional staff & resources**

1.18 The Bill provides in Section 11 that the Auditor-General may increase his staff, resources and facilities in undertaking the investigations and audits and that the Treasurer shall make additional funding available to meet additional costs.

**Auditor-General staff and resources**

1.19 The Bill provides in Section 12 for limits to the backgrounds of staff which the Auditor-General may engage in undertaking the inspections and audits with a discretion in the Auditor-General should circumstances warrant its exercise.

**Regulations**

1.20 The Bill provides in Section 13 that the Governor-General may make Regulations to give effect to the Act.
STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Australian Banks (Government Audit) Act 2019

This bill is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the Human Rights (Parliamentary Scrutiny) Act 2011.

Overview of the bill

The Bill will:

- re-establish public confidence in the banking system;
- reduce risks to the Australian financial system by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by the Auditor-General as an Officer of the Parliament responsible to the Parliament;
- reduce risks to the Australian financial system by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by an auditor independent of the auditors/accountants which have provided non-audit services and advice to such Banks;
- reduce risks to the Commonwealth pursuant to guarantees provided by the Commonwealth to Australian banks by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by an auditor independent of the auditors/accountants which have provided non-audit services and advice to such Banks;
- reduce risks to the Commonwealth pursuant to guarantees provided by the Commonwealth to Australian banks by providing for banks considered by APRA to be Domestic Systemically Important Banks to be audited by the Auditor-General as an Officer of and responsible to the Parliament;

Human rights implications

This bill does not engage any of the applicable rights or freedoms.

Conclusion

This bill does not raise any human rights issues.

Hon Bob Katter MP