



# APRA Reporting Standard ARS 702.0

**ABS/RBA Data Quality for  
the Economics and Financial  
Statistics Collection**

March 2017

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# Introduction

In January 2017 APRA released a discussion paper outlining proposed changes to the Economic and Financial Statistics (EFS) collection administered by APRA on behalf of the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA) (the agencies) in accordance with the *Financial Sector (Collection of Data) Act 2001*. APRA reporting forms required under APRA Prudential Standards are not impacted by this paper.

The main purpose of the changes is to **modernise the collection** to meet the needs of the ABS and RBA and to address the **data gaps** and **data quality** in the existing reporting forms.

A new data quality standard ARS 702 is proposed which sets the required level of accuracy for data reported for the data collection (see Appendix One).

Reporting institutions' systems, processes and controls are expected to provide at least 99 percent confidence that the data reported is within data accuracy requirements. Reporting institutions are expected to develop a governance and reporting framework to ensure the accuracy of reported data. Internal audit should, as a minimum, play a role in ensuring appropriate testing/data controls are in place. While the scope of the external audit and/or review over the forms and related internal controls

is similar to APS 310 *Audit and Related Matters*, the proposed reporting standard sees an **increase in external audit and/or review efforts** (see Appendix Four).

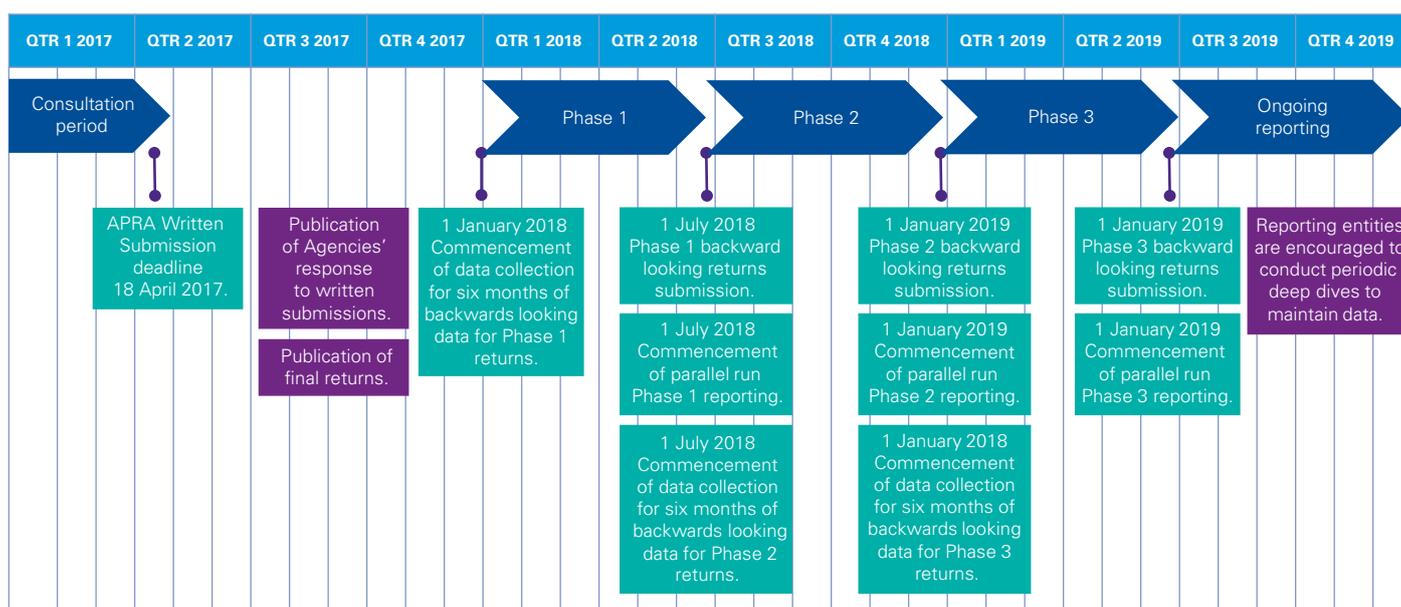
The proposed collection involves an increase in the **amount** and the **granularity of data collected** from large institutions, and a substantial decrease in the amount of data collection from small institutions. Organisations with **over \$10 billion** in assets will see over **50 percent increase in reporting requirements**.

Institutions impacted by the proposed Reporting Standard are Authorised Deposit-taking Institutions (ADIs) and Registered Financial Corporations (RFCs).

The proposed EFS collection replaces 45 existing ADI Reporting Forms (ARFs) with 18 forms; discontinues 10 of the existing ARFs; introduces seven new ARFs; and changes one form's primary user from the ABS to APRA (ARF 323). All of the RFC Reporting Forms (RRFs) will be discontinued, with RFCs to report on nominated ARF forms (see Appendices Two and Three).

Written submissions on the discussion paper should be forwarded to APRA by **18 April 2017**.

The implementation timetable is tight and is proposed in three phases as follows:



# Key changes

Areas	Key changes
<b>Data quality</b>	<ul style="list-style-type: none"> <li>– A significant focus on data quality. APRA and the agencies have developed a data quality standard and supporting quality guidance and reporting concepts guidance to accompany the new collection. The standard sets the required level of accuracy for data reported for the EFS collection (see Appendix One).</li> <li>– The ABS, RBA and APRA expect reporting entities' systems, processes and controls to provide them with at least 99 percent confidence that the data reported is within data accuracy requirements.</li> </ul>
<b>New and more granular data required</b>	<ul style="list-style-type: none"> <li>– New and more granular data are required to complete new and revised forms.</li> <li>– Industry classification will expand to 21 categories under 2008 SNA from existing 13 categories under ANZSIC 1993.</li> <li>– New economic sectors and detailed counterparty categories are introduced.</li> <li>– Non-resident activity is now defined across the forms to facilitate more consistent comparisons with the credit measures compiled by the RBA.</li> <li>– Data collection of loans for which foreign income is used in the serviceability assessment.</li> <li>– Detail on lending to first home buyers by purpose type has been added to meet the needs of users of ABS publications, who require measures of housing affordability.</li> <li>– Data on offset accounts, redraw accounts and other excess repayments has been enhanced.</li> <li>– Significant changes regarding interest rate disclosures, profits and fees;</li> <li>– A new derivatives form is introduced.</li> <li>– Trading and investment securities are separated into short-term and long-term debt securities.</li> <li>– Interest income to be allocated between short-term and long-term debt securities (five options available).</li> </ul>
<b>Assurance requirements</b>	<ul style="list-style-type: none"> <li>– <b>Internal audit:</b> Scope of internal audit to include a review of the policies, processes and controls put in place by management for compliance with the reporting standards.</li> <li>– <b>Regular assurance:</b> Periodic themed deep-dive reviews of data and processes for a given set of forms should be conducted. The themed deep-dives should review sets of forms on a rotating basis as well as a periodical assessment of the reporting institution's systems, process and controls for reporting to determine if they meet ARS 702.0.</li> <li>– <b>External audit:</b> All forms under ARS 702.0 will be subject to annual audit and/or review compared to a limited number of forms under APS 310 (See Appendix Four). The audit and/or review of the forms are to be completed within <b>three months</b> after the financial year end.</li> </ul>

## KPMG observations

- The timeline is challenging to all financial institutions, especially given the relative scale of the project required to implement the processes and technological necessity to meet the data quality requirements.
- Organisations with over \$10 billion in assets should expect to see over 50 percent increase in reporting requirements. Coupled with the fact that APRA expect systems, process and controls that provide a 99 percent confidence level in the data, we expect this to be a considerable burden on regulated institutions human and economic resources. Institutions will need to enhance governance and reporting frameworks as well as processes and controls to capture, process and report accurate data.
- The increase in the granularity of data and new data may pose significant challenges to institutions, which may require system upgrades, process changes and the remediation of existing data.
- While there have been a lot of developments to the scope and range of data points, the underlying process remains the same with forms driven by submission of static data. This still requires APRA to engage with institutions to understand the underlying drivers of movements in static data.
- Given the level of change and the challenge to ADIs we encourage institutions to respond to the APRA discussion paper, particularly given the level of technological improvement and developments over recent years that have not been reflected in the project.



# How KPMG can help

In addition to providing external audit services as required under ARS 702, KPMG can provide the following services to help institutions to get ready before the standard goes live.

## Gap Analysis

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- Performing a gap analysis between existing and updated reporting frameworks identify new and changed requirements.
  - For all identified data gaps, determining whether this data is already available through consultation with the business and discussing the practicality of obtaining this information if not available.
  - For all unchanged data, reconcile the previous line items and perform a review of the current interpretation of instructions and definitions to ensure continued compliance under the new guidance.
  - Identifying processes and systems impacted.

**Output:** A detailed gap analysis on an individual return basis, summary of all line items where the data is not readily available and recommendations on process and system changes.

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## Data Quality

Assessing and documenting:

- Data lineage for returns;
- Data definitions; and
- Consideration of key data quality risks and associated critical controls.

**Output:** Improved documentation of data lineage and introduction of applicable data quality standards into regulatory reporting processes.

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## Implementation

- Working with stakeholders throughout the business to:
  - Gather feedback on the proposed systems, processes and interpretations;
  - Establish clear ownership of data points and a review process; and
  - Ensure understanding of definitions and data accuracy requirements.
- Working with the established data owners to source the appropriate data, and where this is not readily available work together to find a solution and develop an implementation plan, including data remediation. The implementation plan will be a staged approach reflecting the staged go live approach set by APRA.
- Testing the operation of the new framework, post-implementation.
- Testing the accuracy of the new forms and the design and implementation of the control framework.

**Output:** A high level implementation plan, findings from the testing results and ongoing support.

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# Appendix One: Accuracy thresholds

## Dollar value data

Priority of series in the forms	Data type	Accuracy threshold for a large institution (*) – Lower of			Accuracy threshold for an ADI or RFC that is not a large institution – Lower of		
		as % of institution series	But may be equal or less than	But must not exceed	as % of institution series	But may be equal or less than	But must not exceed
Very high	Stock	0.50%	\$25m	\$2,000m	2.00%	\$25m	\$500m
	Flow	5.00%	\$10m	\$250m	10.00%	\$10m	\$100m
Standard	Stock	5.00%	\$25m	\$2,000m	10.00%	\$25m	\$500m
	Flow	10.00%	\$10m	\$250m	20.00%	\$10m	\$100m

(\*) A large institution is an ADI or RFC with greater than or equal to \$200 billion in total assets measured on a domestic books basis

## Rate data

Priority of series in the forms	Absolute error threshold for a large institution (*)	Absolute error threshold for an ADI or RFC that is not a large institution
Very high	5 bps	10 bps
Standard	15 bps	20 bps

The ABS, the RBA and APRA also expect that such systems, processes and controls would typically identify errors before errors result in failure to meet the data accuracy requirements in paragraph 8 and Attachment A of ARS 702.0. As such, identification of reporting errors that result in failure to meet the data accuracy requirements specified in paragraph 8 and Attachment A of ARS 702.0 by means other than the ADI's or RFC's systems, processes and controls relating to data accuracy (e.g. identification of reporting errors by the ABS, the RBA or APRA) may indicate shortcomings in the ADI's or RFC's systems, processes and controls the ADI or RFC is encouraged to report the error to APRA.

# Appendix Two: Existing and proposed EFS forms

Current Code	Current name	Replaced/ Discontinued	New code	New name	New reporting population	New reporting frequency & submission date
ARF/RRF 320.0	Statement of Financial Position (Domestic Books)/ (RFCs)	Replaced	ARF 720.0A	ABS/RBA Statement of financial position (Banks & RFCs) <sup>(a)</sup>	Banks and RFCs	Monthly, 15cd <sup>(a)</sup>
ARF 323.0 (monthly version only)	Statement of Financial Position (Licensed ADI)	Replaced	ARF 720.0B	ABS/RBA Statement of Financial Position (Non-bank ADIs)	Non-bank ADIs <sup>(b)</sup>	Monthly, 15cd
			ARF 720.1A	ABS/RBA Loans and Finance Leases (Banks)	Banks	Monthly, 15cd
			ARF 720.1B	ABS/RBA Loans and Finance Leases (Non-bank ADIs & RFCs)	Non-bank ADIs and RFCs <sup>(a)(b)</sup>	Monthly, 15cd <sup>(a)</sup>
			ARF 720.2A	ABS/RBA Deposits (Banks)	Banks	Monthly, 15cd
			ARF 720.2B	ABS/RBA Deposits (Non-bank ADIs & RFCs)	Non-bank ADIs and RFCs <sup>(a)(b)</sup>	Monthly, 15cd <sup>(a)</sup>
ARF 320.9	Intra-group Receivables and Payables	Replaced	ARF 720.3	ABS/RBA Intra-group Assets and Liabilities	Banks and RFCs <sup>(c)</sup>	Monthly, 15cd
ARF/RRF 320.1	Debt Securities Held	Replaced	ARF 720.4	ABS/RBA Debt Securities Held	Banks and RFCs <sup>(c)</sup>	Monthly, 15cd
ARF/RRF 320.2	Equity Securities Held	Replaced	ARF 720.5	ABS/RBA Equity Securities Held	Banks and RFCs <sup>(c)</sup>	Quarterly, 28cd
ARF/RRF 320.3	Debt Securities on Issue	Replaced	ARF 720.6	ABS/RBA Securities on Issue	Banks and RFCs <sup>(c)</sup>	Monthly, 15cd
ARF/RRF 320.4	Bill Acceptances (and Endorsements)	Replaced	ARF 720.7	ABS/RBA Bill Acceptances and Endorsements	Banks and RFCs <sup>(c)</sup>	Monthly, 15cd
ARF/RRF 320.5	Securities Subject to Repurchase and Resale and Stock Lending and Borrowing	Replaced	ARF 721.0A/B	ABS/RBA Repurchase Agreements and Securities Lending	ADIs and RFCs greater than or equal to threshold <sup>(d)</sup>	Monthly, 20cd
			ARF 722.0	ABS/RBA Derivatives	ADIs and RFCs greater than or equal to threshold <sup>(d)</sup>	Quarterly, 28cd
			ARF 723.0	ABS/ RBA Margin Lending	ADIs and RFCs greater than or equal to threshold <sup>(d)</sup>	Quarterly, 28cd
ARF 330.3	Other Operating Expenses	APRA to become primary user				

Current Code	Current name	Replaced/ Discontinued	New code	New name	New reporting population	New reporting frequency & submission date
ARF/RRF 331.0	Selected Revenues and Expenses	Replaced	ARF 730.0	ABS/RBA Statements of Financial Performance	Banks greater than or equal to threshold <sup>(d)</sup>	Annual, 80cd
			ARF 730.1	ABS/RBA Fees Charged	Banks and RFCs <sup>(d)</sup>	Quarterly, 28cd
ARF/RRF 391.0.1-8	Commercial Finance by state and territory	Replaced	ARF 741.0	ABS/RBA Business Finance	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 15cd
ARF 395.0	Business Finance Statistics	Replaced	ARF 742.0	ABS/ RBA Business Credit Stocks Flows and Interests Rates	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 20cd
ARF/RRF 390.0.1-8	Housing Finance by state and territory	Replaced	ARF 743.0	ABS/RBA Housing Finance	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 15cd
			ARF 744.0	ABS/RBA Housing Credit Stocks, Flows and Interest Rates	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 15cd
ARF/RRF 394.0.1-8	Personal Finance by state and territory	Replaced	ARF 745.0	ABS/RBA Personal Finance	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 15cd
			ARF 746.0	ABS/RBA Personal Credit Stocks, Flows and Interest Rates	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 20cd
			ARF 747.0	ABS/RBA Deposit Stocks, Flows and Interest Rates	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 20cd
			ARF 748.0	ABS/RA Wholesale Funding Stocks, Flows and Interest Rates	ADIs and RFCs greater than or equal threshold <sup>(d)</sup>	Monthly, 20cd

(a) RFCs that have \$50 million or more in assets but less than \$200 million are to report this form on an annual basis; RFCs with less than \$50 million in assets are not required to report this form.

(b) Non-bank ADIs with less than \$200 million in assets are not required to report this form.

(c) RFCs that have \$500 million or more in assets are to report this form on a quarterly basis; RFCs with less than \$500 million in assets are not required to report this form.

(d) See Appendix Three for proposed reporting thresholds.

(e) Subject to the introduction of proposed APRA ARF 223.0 Residential Mortgage Lending (ARF 223.0).

Sources: ABS; APRA; RBA.

# Appendix Three: Reporting populations

New form(s)	ADI				RFC	
	Bank		Non-Bank			
	Frequency	Threshold	Frequency	Threshold	Frequency	Threshold
<b>Balance sheets</b>						
ARF 720.0A	Monthly	All	n/a		Monthly	Total Assets > \$200m
					Monthly	\$50m < Total Assets < \$200m
ARF 720.0B	n/a		Monthly	Total Assets > \$200m	n/a	
ARF 720.1A	Monthly	All	n/a		n/a	
ARF 720.1B	n/a		Monthly	Total Assets > \$200m	Monthly	Total Assets > \$200m
					Monthly	\$50m < Total Assets < \$200m
ARF 720.2A	Monthly	All	n/a		n/a	
ARF 720.2B	n/a		Monthly	Total Assets > \$200m	Monthly	Total Assets > \$200m
					Monthly	\$50m < Total Assets < \$200m
ARF 720.3	Monthly	All	n/a		Quarterly	Total Assets > \$500m
ARF 720.4	Monthly	All	n/a		Quarterly	Total Assets > \$500m
ARF 720.5	Quarterly	All	n/a		Quarterly	Total Assets > \$500m
ARF 720.6	Monthly	All	n/a		Quarterly	Total Assets > \$500m
ARF 720.7	Monthly	All	n/a		Quarterly	Total Assets > \$500m
ARF 721.0A or ARF 721.0B	Monthly	Repos & Securities Lending > \$100m	Monthly	Repos & Securities Lending > \$100m	Monthly	Repos & Securities Lending > \$100m
ARF 722.0	Quarterly	Total derivatives > \$1b	Quarterly	Total derivatives > \$1b	Quarterly	Total derivatives > \$1b
ARF 723.0	Quarterly	Margin lending > \$100m	Quarterly	Margin lending > \$100m	Quarterly	Margin lending > \$100m
<b>Profits</b>						
ARF 730.0	Quarterly	Total Assets > \$5b	Quarterly	Total Assets > \$5b	Quarterly	Total Assets > \$500m
ARF 730.1	Annually	Total Assets > \$10b	n/a		n/a	
<b>Business Finance</b>						
ARF 741.0	Monthly	Business Credit > \$2b	Monthly	Business Credit > \$2b	Monthly	Business Credit > \$2b

New form(s)	ADI				RFC	
	Bank		Non-Bank			
	Frequency	Threshold	Frequency	Threshold	Frequency	Threshold
<b>Business Interest Rates</b>						
ARF 742.0	Monthly	Business Credit > \$2b	Monthly	Business Credit > \$2b	Monthly	Business Credit > \$2b
<b>Household Finance</b>						
ARF 743.0	Monthly	Housing Credit > \$2b	Monthly	Housing Credit > \$2b	Monthly	Housing Credit > \$2b
ARF 745.0	Monthly	Personal Credit > \$500m	Monthly	Personal Credit > \$500m	Monthly	Personal Credit > \$500m
<b>Household Interest Rates</b>						
ARF 744.0	Monthly	Housing Credit > \$2b	Monthly	Housing Credit > \$2b	Monthly	Housing Credit > \$2b
ARF 746.0	Monthly	Personal Credit > \$500m	Monthly	Personal Credit > \$500m	Monthly	Personal Credit > \$500m
<b>Deposits and Wholesale Funding</b>						
ARF 474.0	Monthly	Deposits > \$2b	Monthly	Deposits > \$2b	Monthly	Deposits > \$2b
ARF 748.0	Monthly	Deposits > \$2b	Monthly	Deposits > \$2b	Monthly	Deposits > \$2b

Sources: ABS; APRA; RBA.

# Appendix Four: Changes in external audit and review requirements

Existing audit and review requirements under APS 310			New audit and review requirements ARF 702.0		
Current forms	Forms subject to audit and review under APS 310?	Systems, processes and controls over the data subject to limited assurance?	New forms	Forms subject to audit or limited assurance?	Systems, processes and controls over the data subject to limited assurance?
ARF/RRF 320.0	Yes (Audit)	Yes	ARF 720.0A (banks/RFC) ARF 720.B Non-banks	Yes (Audit), with exceptions to 1. Items 10.11.1, 10.11.2 and 10.11.3, all columns; and 2. Items 18.11.1 and 18.11.2, all columns.	Yes
No equivalent form	N/A	N/A	ARF 720.1A Banks/RFC ARF 720.1B Non-banks)	Yes (Audit/review)	Yes
			ARF 720.2A	Yes (Audit)	Yes
			ARF 720.2B	Yes (Audit)	Yes
ARF 320.9	No	No	ARF 720.3	No	Yes
ARF/RRF 320.1	No	No	ARF 720.4	No	Yes
ARF/RRF 320.2	No	No	ARF 720.5	No	Yes
ARF/RRF 320.3	No	No	ARF 720.6	No	Yes
ARF/RRF 320.4	No	No	ARF 720.7	No	Yes
ARF/RRF 320.5	No	No	ARF 721.0A/B	No	Yes
			ARF 722.0	No	Yes
			ARF 723.0	No	Yes
ARF 321.0	Yes (Audit)	Yes	Discontinued	n/a	n/a
ARF/ RRF 330.0	Yes (Audit) Note 1	Yes Note 1	ARF 730.0	No	Yes
ARF/ RRF 331.0	No	No			Yes
			ARF 730.1	No	Yes
ARF/ RRF 391.0.1 – 8	No	No	ARF 741.0	No	Yes
ARF 395.0	No	No	ARF 742.0	No	Yes
ARF/ RRF 392.0.1 – 8	No	No	ARF 743.0	No	Yes
			ARF 744.0	No	Yes
ARF/ RRF 394.0.1 – 8	No	No	ARF 745.0	No	Yes
			ARF 746.0	No	Yes
			ARF 747.0	No	Yes
			ARF 748.0	No	Yes

Under ARF 702.0, the audit and review must be completed within 3 months of the financial year end vs 3 months for reporting entities and 4 months for non-reporting entities under APS 310.

Note 1: From ARF 730.0 is equivalent to the combination of forms ARF/ RRF 330.0 and form ARF/ RRF 331.0



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