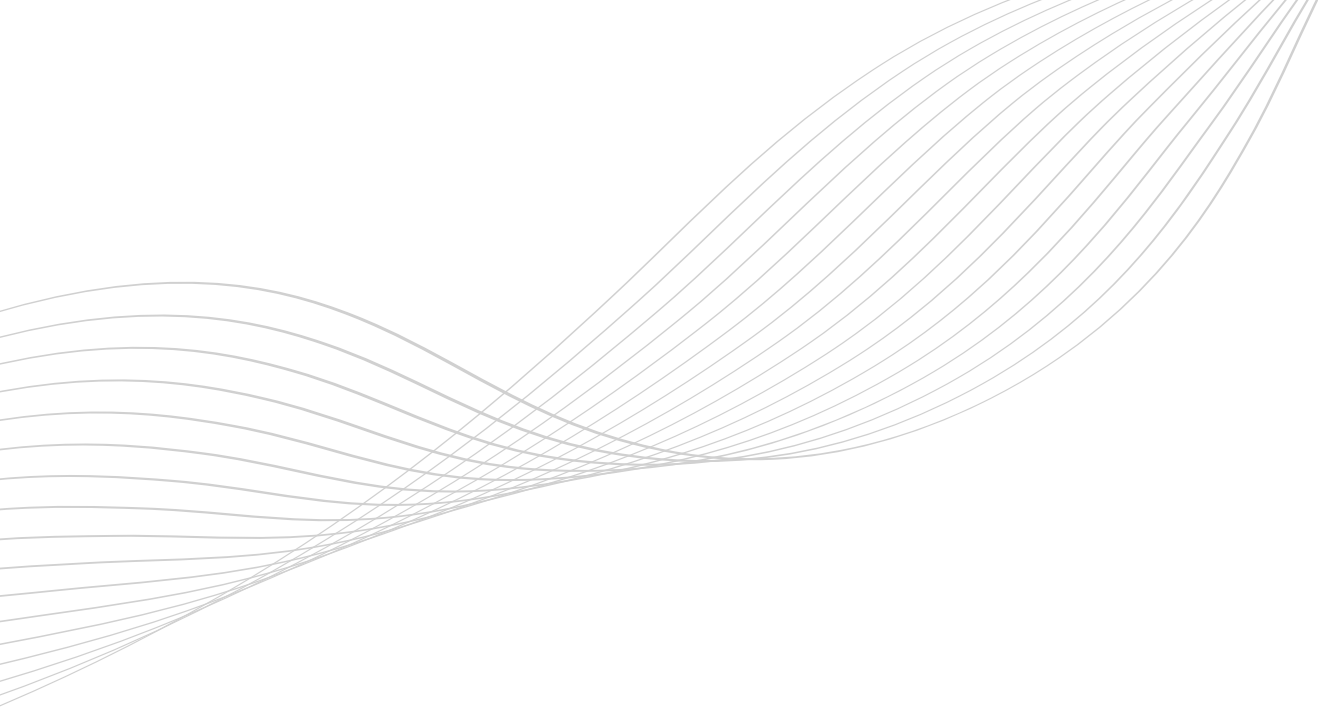




APRA

Annual Report

2021-22



ANNUAL REPORT

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

2021-22

ACKNOWLEDGMENT OF COUNTRY

We at APRA acknowledge the traditional owners and custodians of Country throughout Australia and recognise their continuing connection to land, waters, and community. We pay our respects to Elders past and present, and extend that to all First Nations people. We would also like to recognise our Aboriginal and Torres Strait Islander employees who are an integral part of our workforce.

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY
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APRA

WAYNE BYRES
Chair

26 September 2022

The Hon Dr Jim Chalmers, MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer,

In accordance with sections 43 and 46 of the *Public Governance, Performance and Accountability Act 2013*, I am pleased to submit the Australian Prudential Regulation Authority Annual Report and Financial Statements for the year ended 30 June 2022.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Byres', written over a light blue rectangular background.

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GLOSSARY

ADI	Authorised deposit-taking institution
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
BEAR	Banking Executive Accountability Regime
CFR	Council of Financial Regulators
FAR	Financial Accountability Regime
FCS	Financial Claims Scheme
MoU	Memorandum of Understanding
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
RBA	Reserve Bank of Australia
RSE	Registrable Superannuation Entity

CHAPTER 1 – FROM THE CHAIR, WAYNE BYRES

The 2021-22 financial year saw the Australian community presented with continuing challenges from the ongoing pandemic and rapid changes in economic conditions.

The outbreak of new COVID-19 variants, the catastrophic floods in eastern Australia, and global geopolitical tensions created a range of fresh headwinds for the Australian economy and the broader community. By the end of the financial year, additional challenges had begun to emerge from rising inflation and higher interest rates.

Yet despite the considerable uncertainties of the past 12 months, Australia's financial system remained fundamentally sound and stable, and APRA's regulated institutions – banks, insurers and superannuation funds – were well-positioned to continue to deliver their important services and support the Australian community.

Reflecting the operating context, APRA's 2021-25 Corporate Plan, released in August 2021, was built on two strategic themes of 'protected today' and 'prepared for tomorrow'. That Plan set out how APRA intended to protect Australians' financial interests, while simultaneously preparing the Australian financial system for the future. These themes of 'protected today' and 'prepared for tomorrow' were reinforced in APRA's 2022 policy and supervision priorities, recognising that it was not enough for APRA to protect the Australian community today – APRA and the Australian financial system must also be prepared for the challenges of tomorrow. This report sets out in more detail how APRA delivered on these objectives over the past year.

Performance highlights

APRA embarked on a wide range of activities in the 2021-22 financial year, across the full gamut of its supervisory, policy and resolution responsibilities, which help to protect the Australian community in both the short- and long-term. Often, this involved working closely with peer regulators to address industry-specific challenges in banking, insurance and superannuation.

Banking on a strong future

During the year, APRA finalised significant capital reforms to cement and reinforce the banking system's strong capital position. The new bank capital framework, which comes into effect from the beginning of 2023, has been designed to embed 'unquestionably strong' levels of capital and ensure Australian standards adhere to the internationally agreed Basel III requirements.

Working at the individual bank level, APRA continually sought to identify and address weaknesses in risk management. In some instances, this included taking considered and proportionate enforcement action against several financial institutions – such as imposing higher regulatory requirements – to ensure that improvements to their risk management practices occurred in a timely manner.

APRA also oversaw the orderly exit of Volt Bank Limited from the banking industry amid a difficult market for start-ups. Although a disappointing outcome for Volt's advocates and employees, the organisation met all its obligations, and the transition was managed smoothly for depositors.

Addressing challenges in insurance

APRA worked closely during the year with the insurance industry, and with peer regulators such as the Australian Securities and Investment Commission (ASIC), to enhance product sustainability, improve risk management and identify the underlying barriers to accessible and affordable insurance.

Two prominent examples were:

- in life insurance, the new sustainability requirements introduced by APRA prompted a reset of the industry's approach to individual disability income insurance (IDII). All major life insurers introduced new products to comply with APRA guidelines, representing a significant positive shift for the industry; and
- in general insurance, APRA initiated a range of risk management self-assessments by insurers, designed to highlight areas where insurers needed to improve their risk management practices.

Improving member outcomes in superannuation

In superannuation, APRA continued to focus on rectifying sub-standard industry practices and eradicating unacceptable product performance.

In August 2021, APRA conducted the first annual performance test for MySuper products. Thirteen funds that failed the test were more closely supervised to compel trustees to either improve outcomes for members, or hand over their responsibilities to a trustee better placed to fulfil them. The results of APRA's second MySuper performance test were announced on 31 August 2022. Four funds that failed the first test also failed the second, meaning they are now closed to new members.

APRA also continued to increase the transparency of trustee performance and superannuation member outcomes with the release of the inaugural Choice products heatmap. It was published in December 2021, alongside the annual MySuper heatmap. The results led to more than 100 underperforming options either being closed or closing by the end of the financial year.

APRA also shared the findings from three thematic reviews (strategic and business planning, fund expenditure, and unlisted asset valuation practices) with the industry, highlighting several risks and issues that trustees needed to keep front-of-mind in complying with their heightened legal obligations.

Industry-wide initiatives

Many risks and issues APRA deals with are not industry-specific, but are common across all regulated sectors. Some significant areas of progress in 2021-22 were:

- Enhancing cyber security: significant progress was made on APRA's cyber security supervision strategy, including the development of an improved cross-agency incident response protocol. After a pilot exercise in 2020-21, APRA also commenced a program of independent reviews of information security management, the most ambitious and comprehensive program of this type APRA has ever conducted.
- Improving culture and remuneration practices: APRA finalised a prudential standard and practice guide for remuneration, designed to drive better incentives to manage risk effectively, and deliver appropriate accountability for poor outcomes. This was a major recommendation from the 2018 Hayne Royal Commission. APRA also continued its program of risk culture surveys, delivering useful insights to both APRA and the boards of regulated institutions.
- Managing risks from climate change: APRA finalised important guidance to aid financial institutions to manage the financial risks of (and identify the opportunities from) climate change. Substantial progress was also made on the Climate Vulnerability Assessment being undertaken with the five largest banks, with the results to be published by the end of 2022.

Enhancing data-driven decision-making

APRA's supervision decisions are only as good as the information that informs them. In September 2021, APRA took another major step towards enhancing data-driven decision-making with the launch of the APRA Connect data collection platform. A major, multi-year project for APRA, APRA Connect is designed to make it easier for APRA to collect more data, at lower cost. It has also been developed to improve APRA's capacity to collect data on behalf of other government agencies, under the principle of 'collect once and share'.

The new APRA Connect infrastructure was used to launch Phase 2 of APRA's Superannuation Data Transformation in April 2022. This phase of the project lifts the breadth, depth and quality of the data APRA collects from the superannuation industry, providing APRA with a better analytical capacity and providing for further improvements in superannuation transparency.

With APRA Connect operational, APRA also released its "Direction for Data Collections" strategic roadmap in March 2022, which considers how to deliver deeper, richer data to both APRA and its stakeholders across all industry sectors, and provides a plan for decommissioning legacy technology.

Strengthening organisational capabilities

APRA's success in fulfilling its mandate is dependent on having a strong suite of organisational capabilities.

During the year, APRA continued to build out its skills and capabilities, recruiting 140 new staff with a strong blend of industry expertise and analytical skills. It has also continued to evolve its working practices and supporting technology, designed to produce a modern and flexible working environment that empowers its people to achieve their goals. And demonstrating its commitment to providing an environment where all staff feel they belong, are valued and respected, APRA launched a new Inclusion & Diversity strategy founded on the premise of 'Stronger Together' – that is, that APRA can deliver great outcomes for the Australian community by embracing inclusion and diversity in everything it does.

Leadership changes

This year, APRA welcomed Margaret Cole as a new APRA Member. Margaret commenced her role on 1 July 2021, having been appointed for a five-year term. Margaret brought to APRA a strong blend of regulatory and private sector experience, with a particular focus on conduct, risk management and enforcement, and has been a valuable addition to the APRA Executive Board. With Margaret taking responsibility for overseeing APRA's activities in relation to superannuation, APRA Deputy Chair Helen Rowell assumed primary responsibility for overseeing APRA's activities in relation to general, life and private health insurance.

With thanks

This will be the last Annual Report I sign off as APRA Chair, as I will conclude my term of office on 30 October 2022.

It has been an honour and a privilege to lead APRA over the past eight years, and I am tremendously thankful for the support I have received during my term of office. My fellow APRA Members, the executive leadership team, and APRA's outstanding staff have provided tremendous and unwavering support, for which I am very grateful.

Indeed, APRA's remarkable people are fundamental to the organisation's success. While enduring another difficult and demanding year, APRA employees have again demonstrated their expertise, resilience and professionalism. On behalf of the APRA Members, I sincerely thank everyone at APRA for their dedication and ongoing commitment to protecting the Australian community's financial wellbeing. None of APRA's achievements this year would be possible without such high-calibre individuals, who collaborate to form an exceptional team.

CHAPTER 2 – ABOUT APRA

APRA is the prudential supervisor of the Australian financial services industry. It oversees Australia's banks, credit unions, building societies and general insurers, life insurers, private health insurers, friendly societies and most of the superannuation industry.

APRA also acts as a central statistical agency for the Australian financial sector, plays a role in preserving the integrity of Australia's retirement incomes policy and administers the Financial Claims Scheme (FCS).

APRA's purpose

APRA's core purpose as a prudential supervisor is to ensure Australians' financial interests are protected and the financial system is stable, competitive and efficient¹. In pursuing this objective, APRA seeks to deliver three key outcomes for the Australian community:

- resilient and prudently managed financial institutions, in which the community can have trust and confidence;
- a safe and stable Australian financial system, which underpins economic activity and prosperity; and
- improving the community's ability to achieve good financial outcomes, now and into the future.

APRA currently supervises financial institutions holding \$8.6 trillion in assets for Australian depositors, policyholders and superannuation fund members.

Legislative foundations

Under the *Australian Prudential Regulation Authority Act 1998* (the APRA Act), APRA's main purposes are to regulate banking, insurance and superannuation institutions under five industry Acts and to administer the FCS for depositors and insurance policyholders².

The industry Acts provide for licensing and regulatory oversight of:

- authorised deposit-taking institutions (ADIs), including banks, credit unions and building societies;
- general insurers;
- life insurers and friendly societies;
- private health insurers; and
- registrable superannuation entity (RSE) licensees.

¹ Section 8 of the APRA Act requires that, in performing and exercising its functions and powers, APRA must "balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, is to promote financial system stability in Australia".

² The industry Acts are the *Banking Act 1959*, *Insurance Act 1973*, *Life Insurance Act 1995*, *Private Health Insurance (Prudential Supervision) Act 2015* and *Superannuation Industry (Supervision) Act 1993*.

APRA also has important responsibilities under other Acts, including:

- data collection from regulated and non-regulated entities under the *Financial Sector (Collection of Data) Act 2001* (FSCOD Act); and
- transfers of ownership under the *Financial Sector (Shareholdings) Act 1998*.

Statements of Expectations and Intent

From time to time, the Government issues APRA with a Statement of Expectations setting out its key expectations for APRA in undertaking its role. APRA responds with a Statement of Intent outlining its intended approach to fulfilling its role. These documents are published, with the most recent being finalised in 2018³.

The current Statement of Expectations provides important context and guidance for APRA, noting that the Government:

- expects APRA to focus on safeguarding Australia's financial system;
- acknowledges that, in performing its role, APRA must balance several objectives and that, at times, this may not be straightforward;
- expects APRA to facilitate an environment where innovation and competition are encouraged and barriers to entry are minimised; and
- recognises that prudential regulation cannot and should not seek to guarantee a zero-failure rate of regulated institutions or provide absolute protection for market participants.

APRA's Statement of Intent acknowledged these points and noted:

- APRA cannot eliminate the risk that any institution might fail and attempting to do so would impose an unnecessary burden on institutions and the financial system. APRA therefore seeks to identify the likely failure of a regulated institution early so that corrective action can be promptly initiated or an orderly exit achieved;
- APRA's approach is based on the fundamental premise that the primary responsibility for financial soundness and prudent risk management within an APRA-regulated institution rests with that entity's board of directors and senior management;
- APRA adopts a risk-based approach to prudential supervision, designed to identify and assess those areas of greatest risk to an APRA-regulated institution (or to the financial system as a whole) and then direct attention and resources to those risks; and
- in undertaking its role and in setting its strategic priorities, APRA will consider emerging trends and risks and the Government's policy priorities for the financial system, where this does not conflict with APRA's statutory objectives.

³ The 2018 Statement of Expectations is available at: <https://www.apra.gov.au/statement-expectations-2018>. The Statement of Intent is available at: <https://www.apra.gov.au/statement-of-intent-september-2018>.

APRA's organisation structure

Under the APRA Act, the APRA Members are collectively responsible and accountable for APRA's operation and performance. The APRA Chair has additional specific accountabilities as the accountable authority under the *Public Governance, Performance and Accountability Act 2013*.

APRA Members are appointed by the Governor-General, on the advice of the Australian Government, for terms of up to five years. The APRA Act provides that between three and five APRA Members can be appointed at any point in time.

During 2021-22, the APRA Members were:

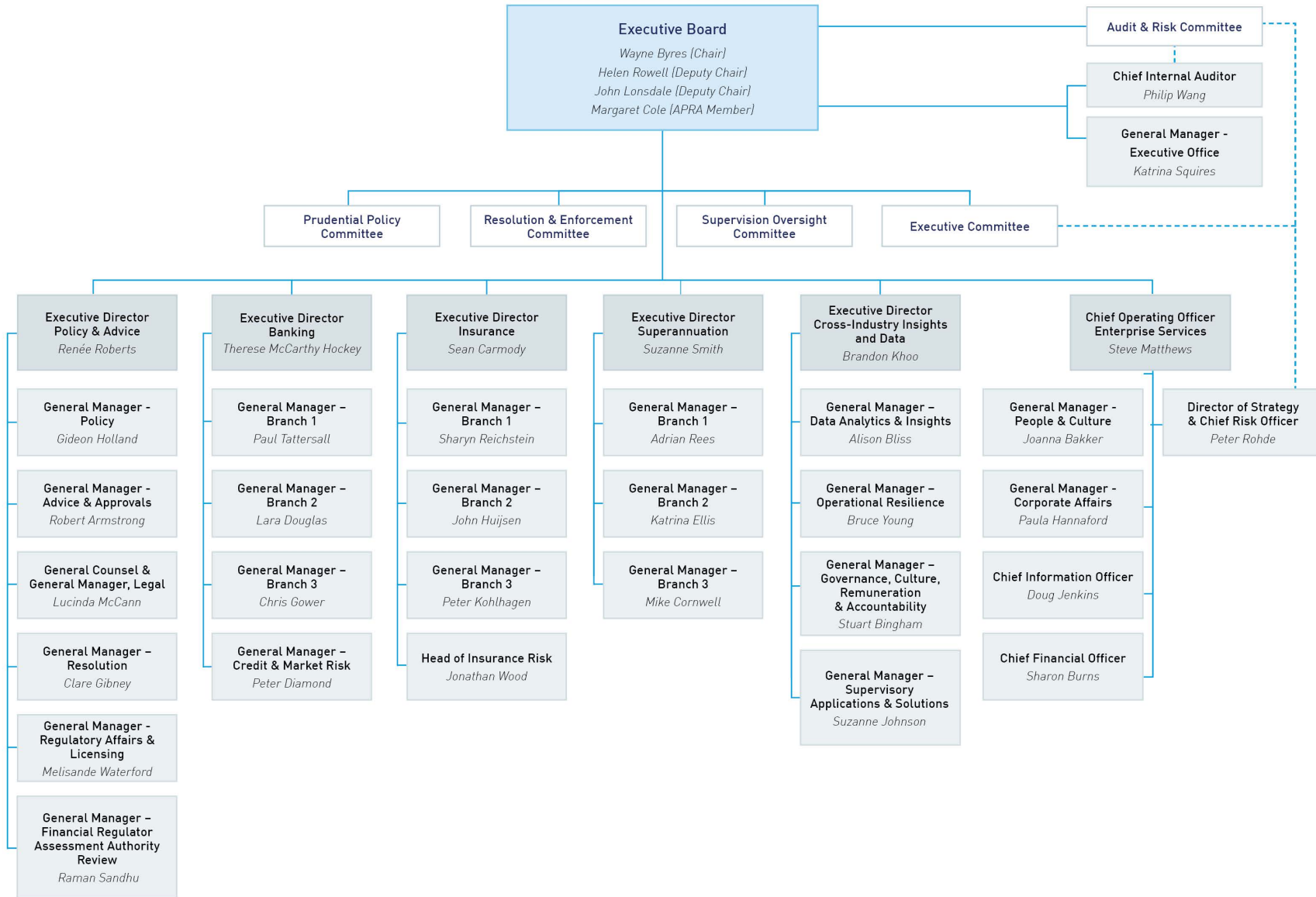
- Mr Wayne Byres (Chair)
- Ms Helen Rowell (Deputy Chair)
- Mr John Lonsdale (Deputy Chair)
- Ms Margaret Cole (Member)

Biographies of all Members are available in Chapter 4 of this report.



The APRA Members who served in office during 2021-22, from left to right: Wayne Byres, Chair; Helen Rowell, Deputy Chair; John Lonsdale, Deputy Chair; Margaret Cole, Member.

APRA's organisational chart (as at 30 June 2022)



APRA-regulated institutions

	Number of entities ¹			Assets (\$ billion) ²		
	30 Jun 21	30 Jun 22	% change	30 Jun 21	30 Jun 22	% change ³
ADIs ⁴	143	141	-1.4%	5,355	6,046	12.9%
Banks	97	95	-2.1%	5,290	5,976	13.0%
Credit unions and building societies	37	35	-5.4%	58	62	7.4%
Other ADIs	8	8	0	7	9	22.5%
Restricted ADIs	1	3	200.0%	0	0	0
Representative offices of foreign banks ⁵	15	15	0			
General insurers	93	90	-3.2%	150	163	8.8%
Life insurers	27	27	0	133	121	-8.5%
Friendly societies	11	11	0	9	9	0
Licensed trustees	95	87	-8.4%			
Superannuation entities ^{6,7}	1,546	1,540	-0.4%	2,266	2,241	-1.1%
Public offer funds	108	108	0	1,968	1,957	-0.6%
Non-public offer funds	33	31	-6.1%	294	282	-4.2%
Small APRA funds	1,374	1,375	0.1%	2	2	9.1%
Approved deposit funds	8	8	0	0	0	0
Eligible rollover funds ⁸	3	1	-66.7%	2	0	-100.0%
Pooled superannuation trusts	20	17	-15.0%	189	205	8.5%
Private health insurers	35	35	0	18	20	11.9%
Non-operating holding companies	31	32	3.2%			
TOTAL	1,981	1,963	-0.9%	7,930	8,600	8.5%

Notes:

¹ The number of entities includes entities that had commenced the process of being wound up but remained authorised entities as of 30 June 2022. Figures for 30 June 2021 have been revised to reflect wind-up of entities finalised during FY 2021-22.

² Asset figures for 30 June 2022 are based on latest returns received, with figures for 30 June 2021 having been revised slightly from APRA's 2021 Annual Report in line with audited returns received during the year.

³ The percentage change for assets have been calculated using the underlying unrounded values.

⁴ Asset figures for ADIs for 30 June 2021 and 30 June 2022 have been sourced from the Economic and Financial Statistics (EFS) domestic books data collection.

⁵ Number of representative offices of foreign banks have not been included in the ADI classification or total number of regulated entities, as APRA does not regulate them.

⁶ This data excludes superannuation entities that APRA does not regulate, that is, exempt public sector superannuation schemes and Australian Tax Office-regulated self-managed superannuation funds.

⁷ Pooled superannuation trust assets are not included in totals as these assets are already recorded in other superannuation categories, however the number of pooled superannuation trusts are included in totals.

⁸ The movement in total assets for eligible rollover funds is due to transfers out during FY 2021-22, including from funds which are currently in the process of winding up.

CHAPTER 3 – STATEMENT OF PERFORMANCE

Chair's statement

I, Wayne Byres, as the accountable authority of the Australian Prudential Regulation Authority (APRA), present the annual performance statement of APRA for the 2021-22 reporting period, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement accurately presents the performance of APRA and complies with subsections 39(2) of the PGPA Act (and section 16F of the PGPA Rule).

APRA's purpose

APRA is the financial sector's prudential supervisor. Its purpose is to ensure Australians' financial interests are protected and the financial system is stable, competitive, and efficient. APRA seeks to achieve its purpose by employing a supervision-led approach to identifying risks and vulnerabilities within the financial system and responding to ensure those risks and vulnerabilities are mitigated. APRA seeks to be forward-looking, risk-based, and outcomes-focused, addressing potential problems before they adversely impact those APRA is tasked to protect. A supervision-led approach also assists in minimising regulatory burden and facilitating competition and innovation.

APRA's 2021-25 Corporate Plan

In setting its 2021-25 Corporate Plan⁴, APRA remained committed to actively supporting COVID-19 response activities where needed, within its broader efforts to promote a stable, efficient and competitive financial system that the Australian community can have confidence in. APRA's refreshed strategic priorities remained anchored in delivering on its purpose framed within two key themes: 'protecting the Australian community today' and working to ensure that the Australian financial system was 'prepared for tomorrow'. These themes were designed to drive organisational focus on three core outcomes to:

- ensure resilient and prudently managed financial institutions;
- promote the stability of the Australian financial system; and
- contribute to the community's ability to achieve good financial outcomes.

⁴ APRA's 2021-25 Corporate Plan is available at: <https://www.apra.gov.au/apra-2021-25-corporate-plan>

It is in this context and the backdrop of APRA's Statement of Intent⁵, that the analysis of APRA's performance for the 2021-22 financial year is presented in this statement. APRA's 2021-25 Corporate Plan on-a-page is provided below.

OUR PURPOSE: AUSTRALIA'S PRUDENTIAL SUPERVISOR

Ensuring Australians' financial interests are protected and that the financial system is stable, competitive, and efficient



OUR VISION: PROTECTED TODAY, PREPARED FOR TOMORROW

⁵ APRA's Statement of Intent is available at: <https://www.apra.gov.au/statement-of-intent-september-2018>

Results

APRA's 2021-25 Corporate Plan outlined key objectives, performance measures and associated targets (where relevant) against which APRA's performance would be assessed for the 2021-22 reporting period. The performance measures took into consideration the best practice principles included in the Regulator Performance Guide⁶ issued by the Department of the Prime Minister and Cabinet. Results against each performance measure are included in the table below, supported by narrative, examples and other information in the following 'Analysis' section. Overall, the results indicate strong performance, with the majority of targets achieved or mostly achieved in 2021-22.

Performance measures, targets, and results

Performance measure	Target	Result	
		2020-21	2021-22
Core safety measures			
Money Protection Ratio (MPR) ⁷	Very low incidence of failure	Achieved 100.00%	Achieved 100.00%
Performing Entity Ratio (PER) ⁸		Achieved 99.80%	Achieved 99.79%
Strategic priorities			
Capital ratios for Authorised Deposit-taking Institutions (ADIs) and Insurers	Above minimum prudential requirements	Achieved All APRA-regulated ADIs and Insurers reported capital ratios above minimum prudential requirements during 2020-21.	Mostly achieved All APRA-regulated ADIs and Insurers except one reported capital ratios above minimum prudential requirements during 2021-22 ⁹ .

⁶ The Regulator Performance Guide and supporting material is available at:

<https://deregulation.pmc.gov.au/priorities/regulator-best-practice-and-performance/regulator-performance-guide>

⁷ APRA strives to protect the Australian community from financial loss and disruption. The MPR indicates the incidence of loss in the financial sector, measured as the dollar value of liabilities to beneficiaries in Australia in a given year, less any losses due to prudential failures, divided by the total dollar value of liabilities to beneficiaries in Australia in APRA-regulated institutions. The higher the percentage, the lower the incidence of loss.

⁸ APRA strives to maintain a very low incidence of failure of APRA-regulated institutions. The PER indicates the incidence of failure amongst regulated institutions, measured as the number of regulated institutions that met their commitments to beneficiaries in a given year, divided by the total number of regulated institutions. The higher the percentage, the lower the incidence of failure.

⁹ One general insurer briefly dipped below the minimum prudential requirement during 2021-22, due to a technical breach which was quickly remedied.

Performance measure	Target	Result	
		2020-21	2021-22
Reduction in the number of superannuation members exposed to unsustainable funds ¹⁰	Measured from baseline at beginning of period	N/A New metric in 2021-22	Achieved Funds deemed unsustainable reduced from 35 to 23 in 2021-22. The number of superannuation members in funds that APRA considers unsustainable reduced by approximately 420,000 in 2021-22.
Reduction in the number of funds with sub-standard practices ¹¹	Measured from baseline at beginning of period	N/A New metric in 2021-22	Achieved The number of funds with sub-standard practices reduced from 102 to 88 in 2021-22.
Reduction in the number of MySuper and Choice superannuation members in high fee, poor performing offerings	Measured from baseline at beginning of period	N/A New metric in 2021-22	Achieved ¹²
Deliverables achieved in line with APRA's approved strategic programs of work	Key milestones achieved within planned timeframes	N/A New metric in 2021-22	Mostly achieved 82% of APRA's strategic programs of work were tracking to plan as at 30 June 2022. Some programs were revised during the year to reflect reprioritisation of key milestones where needed.

¹⁰ APRA measures the sustainability of a superannuation fund based on a number of factors including its operating expenses, size, growth rate, and returns relative to benchmarks.

¹¹ APRA's Supervisory Risk and Intensity (SRI) Model requires risk assessments to be conducted for all APRA-regulated entities. The SRI Model captures the level of prudential risk within APRA-regulated entities across a number of risk categories. The SRI Model uses a six-point rating scale from 'A – minimal risk' to 'F – critical risk' for each risk category. Using information from APRA's SRI Model, funds with sub-standard practices are those rated as 'C – moderate risk' or worse.

¹² For MySuper: In the five months following the annual performance test in 2021, APRA observed nearly 98,000 superannuation members exited underperforming products, totalling approximately \$4 billion in assets. Approximately 195,000 additional members are no longer in products that failed the performance test due to product closure and consolidation. For Choice, refer to the analysis section below under the heading 'Heatmaps on investment performance and fees'.

Performance measure	Target	Result	
		2020-21	2021-22
Continuous improvement and building trust			
Recommendations from independent reviews addressed during the reporting period ¹³	Closure within committed timeframes	Achieved 18 of 94 APRA-led recommendations were closed during the reporting period. 48% of all APRA-led recommendations were closed as at 30 June 2021.	Achieved 29 of 94 APRA-led recommendations were closed during the reporting period. 78% of all APRA-led recommendations were closed as at 30 June 2022.
Number of changes made to the prudential framework and level of compliance with Office of Best Practice Requirements (OBPR) requirements during the reporting period	100% OBPR compliance	N/A New metric in 2021-22	Achieved 37 changes were made to the prudential framework ¹⁴ during 2021-22 and 100% compliance with OBPR requirements was achieved.
Results from specified questions from APRA's latest biennial stakeholder survey	≥80% of APRA's stakeholders agree	Achieved Refer to Addendum A (Charts 1 and 2)	
Risk-based and data-driven			
APRA is primarily risk-based in its supervision; stakeholder view on the balance between regulatory burden and benefit.	≥80% of APRA's stakeholders agree	Achieved Refer to Addendum A (Chart 3)	
Other results from specified questions from APRA's latest biennial stakeholder survey	≥80% of APRA's stakeholders agree	Achieved Refer to Addendum A (Charts 4 and 5)	

¹³ Recommendations from independent reviews relate to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, APRA's Capability Review and the Financial Sector Assessment Program undertaken by the International Monetary Fund in 2018-19.

¹⁴ The 37 changes to the prudential framework involved the release of 13 final prudential standards, 19 reporting standards and five prudential practice guides during 2021-22, demonstrating APRA's commitment to continuous improvement and building trust through rigorous processes.

Performance measure	Target	Result	
		2020-21	2021-22
Collaboration and engagement			
APRA's supervision and policy priorities are transparent, and well known in advance by relevant stakeholders.	At least annual review of APRA's supervision and policy priorities	Achieved Supervision and Policy priorities were published in February 2021.	Achieved APRA published an interim update ¹⁵ of its 2021 prudential policy agenda and released its policy and supervision priorities for 2022 in February 2022 ¹⁶ .
Results from specified questions from APRA's latest biennial stakeholder survey	≥80% of APRA's stakeholders agree	Achieved Refer to Addendum A (Charts 6 to 9)	
Services are delivered in line with APRA's Service Charter (re-published in 2022)¹⁷			
APRA will meet all requirements of the Office of Best Practice Regulation (OBPR) when consulting on proposed changes to the prudential framework.	100%	Achieved 100% compliance with OBPR requirements was achieved (as above).	Achieved 100% compliance with OBPR requirements was achieved (as above).
APRA will provide regulated entities with the outcomes of a prudential review in writing within 20 business days of the review's closing meeting.	>75%	N/A New metric in 2021-22	Achieved 76%
APRA will acknowledge receipt of a reporting requirement query as soon as possible within 5 business days and will provide a substantive response in time for the next reporting period.	100%	N/A New metric in 2021-22	Mostly achieved 93%. Result below target due to key staff absences during the year. APRA has put in place additional monitoring to improve the tracking process.

¹⁵ An interim update on APRA's policy priorities was published in September 2021 and is available at: <https://www.apra.gov.au/apra-policy-priorities-interim-update>

¹⁶ APRA's policy and supervision priorities for 2022 is available at: <https://www.apra.gov.au/news-and-publications/apra-releases-its-policy-and-supervision-priorities-for-2022>

¹⁷ APRA's Service Charter is available at: <https://www.apra.gov.au/apra-service-charter>

Performance measure	Target	Result	
		2020-21	2021-22
APRA will make a licence decision in accordance with statutory timeframes and, for all other applications, within 3 months of receiving a substantially complete application ¹⁸ .	>75%	N/A New metric in 2021-22	Achieved 86%
APRA will provide an initial response to a capital instrument submission within 25 business days of receiving a substantially complete application ¹⁹ .	>75%	N/A New metric in 2021-22	Achieved 91%
APRA will confirm the capital eligibility of an instrument or program within 60 business days of receiving a substantially complete application.	>75%	N/A New metric in 2021-22	Achieved 100%
APRA will make an internal ratings-based (IRB) accreditation decision within 9 months of receiving a substantially complete application ²⁰ .	>75%	N/A New metric in 2021-22	N/A No substantially complete applications received
APRA will return all eligible deposits at ADIs declared under the FCS, up to a total of \$250,000 per account holder, and for non-complex accounts, will do so within seven calendar days ²¹ .	100%	N/A No FCS declarations during 2020-21	N/A No FCS declarations during 2021-22

¹⁸ An application is determined to be substantially complete once an applicant has demonstrated it has sufficient financial and non-financial resources and has submitted all of the expected supporting material, which is of sufficient quality and detail to allow APRA to complete its assessment. Further information is available at: <https://www.apra.gov.au/apras-licensing-process>

¹⁹ A substantially complete application for a program review or standalone issue must contain the following documents: terms and conditions, including a pricing supplement (if applicable); Prospectus/Information Memorandum; meeting provisions; legal/tax/accounting opinions; entity self-assessment.

²⁰ A substantially complete application must contain the following documents: scope of the IRB application; IRB rollout plan (where applicable); APS 113 self-assessment; development documentation for rating systems and risk estimates; validation documentation for material rating systems and risk estimates; evidence of compliance with use and experience requirements; independent sign-off on data management practices and data quality; Board sign-off on the IRB application; interest rate risk in the banking book (IRRBB) application (where applicable).

²¹ Non-complex deposits are protected accounts where sufficient data/permissions exist to enable payment to be made in the initial FCS payment files.

Performance measure	Target	Result	
		2020-21	2021-22
Operational / administration efficiency			
Actual versus budget for the reporting period	Within budget	Achieved Actual \$196.4m vs budget \$205.4m. Variance of \$9m	Achieved Actual \$214.6m vs budget \$225.8m. Variance of \$11.2m
Percentage of FCS payments paid to deposit account holders within seven calendar days of an FCS declaration	100% for ADIs	N/A No FCS payments paid during 2020-21	N/A No FCS payments paid during 2021-22
Number of outstanding claims in the event of an FCS declaration	No target	No outstanding claims in 2020-21	No outstanding claims in 2021-22

Analysis

An analysis of the factors that contributed to APRA's performance in achieving its purpose is provided below.

Preserve the resilience of banks, insurers and superannuation funds

Objective in the 2021-25 Corporate Plan

APRA will enhance its operations by harnessing its newly established Supervisory Risk and Intensity (SRI) model to derive greater supervisory insights and intelligence, and proactively keep pace and respond to key risks and vulnerabilities. For this strategic priority, APRA will target its activities in key areas and use its strong suite of regulatory powers where necessary to achieve desired outcomes.

Performance against objective

During 2021-22, APRA continued to emphasise preserving the resilience of banks, insurers and superannuation funds, evidenced by the performing entity ratio (PER) and money protection ratio (MPR) results above. There was one failure of a regulated institution during the 2021-22 reporting period, Volt Bank Limited (Volt). In June 2022, Volt announced its decision to cease being a bank²² and hand back its ADI licence to APRA. At the time of Volt's announcement, 5730 customers held deposit accounts with Volt with a total value of \$107 million. APRA closely monitored the return of these deposits to ensure that all depositors' funds were returned in an orderly manner without loss, and there was no disruption or contagion to the broader financial system.

²² Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-monitors-volt-return-of-deposits> and <https://www.apra.gov.au/news-and-publications/volt-bank-return-of-deposits-successfully-completed>

Banking

Despite considerable economic volatility and periodic lockdowns across Australia, ADIs remained well funded and strongly capitalised with sound asset quality. Capital ratios were maintained above minimum prudential requirements by all ADIs during 2021-22.

Focus on credit and liquidity risk

APRA maintained its scrutiny of credit and liquidity risk during the year. In July 2021, several ADIs announced support packages in the form of loan repayment deferrals to support their customers through temporary disruptions caused by renewed COVID-19-related lockdowns. In tandem, APRA provided regulatory relief to ADIs offering these deferrals. ADIs responded quickly in reintroducing repayment deferrals programs for impacted borrowers, but the take up of these programs was significantly lower than during the first phase in 2020.

In September 2021, APRA announced that it expected ADIs subject to the Liquidity Coverage Ratio (LCR) to reduce their reliance on the Committed Liquidity Facility (CLF) to zero by the end of 2022-23, subject to financial market conditions. In keeping with APRA's announcement, the aggregate CLF available was reduced to approximately \$66 billion by 30 June 2022, down from \$139 billion on 1 July 2021²³. Two additional scheduled reductions will occur in the first half of 2022-23. After the CLF is phased out, Australian ADIs will meet the LCR requirement on the same basis as banks in most other jurisdictions; that is, without the need for public sector liquidity facilities.

In October 2021, APRA announced it expected ADIs to increase the minimum interest rate buffer they use when assessing a borrower's ability to service a loan. APRA's decision reflected growing financial stability risks from ADIs' residential mortgage lending and was supported by other members of the Council of Financial Regulators (CFR). Increasing the buffer was a targeted and judicious action designed to ensure the financial system remained safe, and that banks were lending to borrowers who could service the level of debt they were taking on.

Macroprudential policy measures

APRA published a framework²⁴ for the use of macroprudential policy measures during the year, to support future macroprudential responses. The framework gives financial industry stakeholders a better understanding of the factors APRA considers in making decisions to use these tools, the types of macroprudential measures APRA could deploy in the future, and how they might be implemented. To support implementation of the framework, APRA commenced a consultation²⁵ on steps to formalise and embed credit-based macroprudential policy measures within its prudential standards. This was finalised in June 2022, with effect from 1 September 2022.

²³ APRA's published letters on the Aggregate Committed Liquidity Facility are available at: <https://www.apra.gov.au/aggregate-committed-liquidity-facility-0> and <https://www.apra.gov.au/aggregate-committed-liquidity-facility-available-to-adis-from-1-april>

²⁴ APRA's macroprudential policy framework is available at: <https://www.apra.gov.au/news-and-publications/apra-finalises-its-macroprudential-policy-framework>

²⁵ APRA's macroprudential policy credit measures letter is available at: <https://www.apra.gov.au/macroprudential-policy-credit-measures>

Unquestionably strong capital

In November 2021, APRA achieved a significant milestone by finalising a new bank capital adequacy framework²⁶ designed to embed unquestionably strong levels of capital held by the banking sector and align Australian standards with the internationally agreed Basel III requirements. The new capital framework is aimed at ensuring that Australian banks continue to have the financial strength to withstand future adverse economic conditions, protect depositors in times of stress and retain an ability to support lending to households and businesses.

APRA announced in December 2021 that it had finalised requirements for domestic systemically important banks (the four major banks) to maintain additional loss-absorbing capacity effective from 1 January 2026 (equivalent to 4.5 per cent of their risk weighted assets) to help ensure they could be recapitalised using private, rather than taxpayer funds in the unlikely event of a failure²⁷.

Superannuation

Many superannuation funds experienced a decline in financial performance during the year, driven by challenging market conditions that adversely affected investment returns. Investment losses were common across almost all investment strategies.

Rectifying sub-standard industry practices and eradicating unacceptance performance

APRA continued working to rectify sub-standard industry practices and eradicate unacceptable performance through a range of initiatives. APRA's work in this area also leveraged the *Your Future, Your Super* reforms which became law in June 2021 and saw the introduction of an annual performance test and Best Financial Interests Duty (BFID).

A significant milestone was the determinations of the first performance test assessments and associated publications for 80 MySuper products in August 2021, with 84 per cent of products passing the performance test. Ten of the 13 products that failed the test in 2021 have either exited or have an intention to exit. The trustees of the three remaining products had plans to lift their performance and continue to operate. APRA intensified its supervision of these trustees, requiring them to identify the causes of their underperformance and report to APRA on how they are addressing them. APRA engaged intensively with trustees at risk of failing the performance test in 2022, to ensure they took the necessary steps to improve performance and to understand their contingency plans if they were unable to do so²⁸.

²⁶ APRA's final bank capital framework is available at: <https://www.apra.gov.au/news-and-publications/apra-finalises-new-bank-capital-framework-designed-to-strengthen-financial>

²⁷ Further information is available at: <https://www.apra.gov.au/finalising-loss-absorbing-capacity-requirements-for-domestic-systemically-important-banks>

²⁸ APRA released the results of the second MySuper performance test on 31 August 2022. More information is available at <https://www.apra.gov.au/annual-superannuation-performance-test-2022>

Heatmaps on investment performance and fees

Since 2019, APRA has produced heatmaps, which enable comparison of outcomes delivered by MySuper products and a subset of choice products (multi-sector investment options) across key areas of investment performance and fees. Choice product heatmaps were newly introduced in December 2021 and highlighted 227 choice investment options that exhibited performance concerns, spread across 37 superannuation trustees. APRA wrote to these 37 superannuation trustees and required them to explain how underperformance will be rectified. In response, 120 of the underperforming choice investment options have been, or soon will be, closed to new members. APRA will publish updated heatmaps again in 2022 and will continue to take firm action in regard to underperforming choice products.

Expenditure review

APRA's registrable superannuation entity (RSE) licensee expenditure thematic review²⁹, undertaken between November 2020 and October 2021, assessed how RSE licensees approach decision-making in relation to expenditure and, importantly, how they identified and analysed the benefits for members, if any, that resulted. The review provided a baseline understanding of the extent to which RSE licensees would need to review their practices to meet the requirements of the BFID from 1 July 2021. Since the completion of the review, APRA has continued to engage closely with RSE licensees regarding implementation of the BFID requirements.

Prudential reforms

APRA commenced, and in some cases completed, several critical reforms to the prudential framework for superannuation during the year.

Following extensive industry consultation over two years, APRA finalised revisions to Prudential Standard *SPS 250 Insurance in Superannuation* and Prudential Practice Guide *SPG 250 Insurance in Superannuation* in November 2021³⁰. The standard has been strengthened to protect members from potential adverse outcomes caused by conflicted life insurance arrangements.

In 2021-22, APRA released revisions to Prudential Standard *SPS 530 Investment Governance* (SPS 530)³¹. Amendments to SPS 530 included enhancements to valuation practices, stress testing and liquidity management practices. APRA finalised the standard in July 2022 and will commence consultation on associated prudential guidance in the second half of 2022.

In November 2021, APRA issued a discussion paper on strengthening financial resilience in superannuation³², as a first step toward ensuring that the superannuation prudential framework drives holistic and prudent management of trustees' financial resources.

²⁹ Findings from APRA's superannuation thematic reviews are available at: <https://www.apra.gov.au/findings-from-apra%E2%80%99s-superannuation-thematic-reviews>

³⁰ Further information is available at: <https://www.apra.gov.au/consultation-on-prudential-standard-sps-250-insurance-superannuation>

³¹ Further information is available at: <https://www.apra.gov.au/consultation-on-prudential-standard-sps-530-investment-governance-superannuation>

³² Further information is available at: <https://www.apra.gov.au/strengthening-financial-resilience-superannuation>

APRA released revisions to Prudential Standard *SPS 310 Audit and Related Matters*³³ in December 2021 to reflect changes to reporting requirements for trustees. These consequential amendments will be finalised in late 2022, for commencement during the 2022-23 audit year.

General insurance

The Australian general insurance industry remained well capitalised with a coverage ratio of 1.7 times the minimum requirement as at 30 June 2022. Despite the impact of the costliest flood event in Australia's history (the March 2022 floods), capital ratios were maintained above minimum prudential requirements by all general insurers during 2021-22³⁴.

The industry's capital position was adversely impacted by a large fall in profits due to higher claims costs from weather events coupled with lower investment income reflecting ongoing financial market volatility. The events have exacerbated affordability concerns across the sector.

Insurance risk management

In July 2021, APRA commenced a thematic review aimed at strengthening insurance risk management practices across the industry. This was in response to the problems faced by some insurers as business interruption policies were contested during the pandemic. Participating insurers were required to self-assess the robustness of their insurance management framework in light of the business interruption deficiencies and establish processes designed to prevent a recurrence. Submissions were received by the end of 2021 and APRA engaged with each insurer on their results and agreed rectification programs to address weaknesses identified. APRA will monitor progress on these improvement plans as part of its supervision activities, which may include conducting targeted prudential reviews in some areas. APRA will also publish high-level insights during the second half of 2022.

Recovery planning

APRA continued its work program to ensure credible and actionable recovery plans are in place for all general insurers. By the end of June 2022, 29 general insurers, representing the majority by market share, had submitted recovery plans to APRA. APRA will expand coverage of this work to all general insurers supported by the new Prudential Standard *CPS 190 Financial Contingency Planning*, which is expected to come into effect on 1 January 2024. APRA continued to develop heightened monitoring processes for more vulnerable insurers to ensure its readiness to respond in the event of an insurer failing.

³³ Further information is available at: <https://www.apra.gov.au/amendments-to-prudential-standard-sps-310-audit-and-related-matters>

³⁴ One general insurer briefly dipped below the minimum prudential requirement during 2021-22 due to a technical breach which was quickly remedied.

Life insurance

The Australian life insurance industry remained resilient from a capital perspective, with an aggregate capital coverage ratio of 2.0 times the minimum requirement as at 30 June 2022. Capital ratios were maintained above minimum prudential requirements by all life insurers during 2021-22.

Product sustainability

APRA performed an extensive review on the progress life insurers have made to improve the sustainability of individual disability income insurance (IDI³⁵). While some progress has been made (resulting in a reduced capital requirement for a small number of insurers), much remains to be done.

Consistent with APRA's expectations, insurers released a range of new IDI products in October 2021. This represents a major change for the industry, with the new products generally designed and priced in a more sustainable manner, while still addressing the needs of customers. APRA will continue to closely monitor industry practice and take appropriate action where there are concerns with specific IDI products or market behaviour erodes the sustainability gains that have been made. This includes increasing the capital requirement of insurers where warranted, something which APRA has already done in some instances.

Friendly societies

APRA conducted an industry stress test for friendly societies during the year which indicated that the industry faced no immediate capital concerns. Despite the resilience shown, the outlook for friendly societies remains challenging, given subdued consumer demand for products and the potential for deteriorating economic conditions. APRA expects friendly societies to have credible recovery plans in place and will be reviewing revised recovery plans for all friendly societies over the 2022-23 financial year.

Private health insurance

At the end of June 2022, the private health insurance industry was in a sound capital position with a capital coverage ratio of 1.6 times. Capital ratios were maintained above minimum prudential requirements by all private health insurers during 2021-22.

³⁵ APRA's letters to life insurers to improve sustainability of individual disability income insurance are available at: <https://www.apra.gov.au/news-and-publications/apra-demands-life-insurers-improve-sustainability-of-individual-disability> and <https://www.apra.gov.au/final-individual-disability-income-insurance-sustainability-measures>

Impact of the COVID-19 pandemic

The COVID-19 pandemic had positive and negative impacts on the short-term financial position and outlook for private health insurers, due to factors such as pauses on elective surgery, reductions in medical procedures due to social distancing and delays to premium increases. However, systemic issues such as the ageing Australian population, the ongoing decline in younger members as a proportion of total members, and product affordability continued to challenge the longer-term sustainability of the industry.

Accordingly, APRA engaged with other public sector agencies and key industry stakeholders on the need for further reform and structural change to ensure that the industry can continue to play an important role for customers within the health sector.

APRA continued to ensure that insurers could meet the cost of claims deferred due to COVID-19. In March 2022, APRA updated its guidance on how insurers should manage their deferred liability for claims postponed due to COVID-19. The industry promised not to profit from COVID-19 and many private health insurers returned funds to their policyholders, including through premium deferrals and givebacks.

Recovery planning

APRA continued its work to review and test the credibility and feasibility of recovery plans for the industry. All plans have been subject to two rounds of APRA review and benchmarking. Insurers are now far better prepared to face severe stress than they were two years ago and have integrated plans as part of their risk management frameworks, thereby reducing the risk of a disorderly failure of an insurer.

Cross-insurance industry actions

APRA significantly progressed work to improve the alignment of capital standards across general, life, and private health insurers and with the Australian Accounting Standards Board's (AASB's) new standard *AASB 17 Insurance Contracts* (AASB 17). The alignment work will ultimately reduce the burden and cost to the insurance industry of having to maintain different valuation, actuarial, accounting and reporting frameworks. In December 2021, APRA released several draft prudential and reporting standards for consultation³⁶. The final standards, released in September 2022, will come into effect in July 2023.

Cyber resilience across the Australian financial system

Objective in the 2021-25 Corporate Plan

APRA will continue its focus on strengthening operational and technological resilience across Australia's financial system. APRA will deliver on its 2020-2024 cyber security strategy focused on strengthening cyber resilience today and being prepared for tomorrow's cyber challenges.

³⁶ Further information is available at: <https://www.apra.gov.au/new-accounting-standard-%E2%80%93-aasb-17-insurance-contracts>

Performance against objective

The financial system is part of the country's critical infrastructure. A cyber-attack targeting any point of weakness in the financial system could have far-reaching impacts, so its ability to stand firm against cyber-attacks is of utmost importance. Consequently, improving cyber resilience across the financial system is one of APRA's long-term strategic objectives. Importantly, APRA's Cyber Security Strategy complements Australia's current national Cyber Security Strategy.

Cyber hygiene

During 2021-22, APRA continued its work focused on improving cyber hygiene by assessing compliance with Prudential Standard *CPS 234 Information Security*, which seeks to embed a minimum standard of non-negotiable cyber practices within Australia's financial institutions. APRA expanded its program of CPS 234 tripartite reviews, involving APRA, financial institutions, and audit firms. The first phase involved approximately 90 financial institutions in addition to 9 covered as part of the pilot exercise completed in 2020-21. APRA will continue to roll out the reviews in tranches throughout 2022-23 and onwards, taking into consideration capacity constraints within audit firms and institutions.

Early insights from the tripartite reviews reinforce APRA's view that improvements are needed to strengthen boards' ability to oversee cyber resilience. In addition, the reviews indicate the need for more rigour in testing the effectiveness of information security controls. APRA will periodically share insights from the tripartite reviews as the rollout progresses.

Another indicator of the level of cyber hygiene within financial institutions comes from cyber incidents notified to APRA in accordance with CPS 234. During 2021-22, APRA received 116 notifications, compared to 152 in the previous year. For material incidents, APRA sought to understand the root causes and confirm that appropriate steps had been taken to protect against a recurrence. In addition, where the incident was of a more systemic nature, APRA engaged with industry and other relevant stakeholders to ensure the incident was contained through timely and coordinated communication and response activities.

Cyber data

To improve the identification of cyber security weaknesses and the management of technology by financial institutions more generally, APRA piloted the collection of technology and cyber-related data during 2020-21 across the banking, insurance, and superannuation sectors. Analysis was completed in 2021-22 and APRA shared key insights³⁷ with industry and provided aggregated data to enable financial institutions to benchmark against their peers.

³⁷ Further information is available at: <https://www.apra.gov.au/news-and-publications/improving-cyber-resilience-role-boards-have-to-play>

Collaborating and information sharing on cyber

APRA worked closely throughout the year with industry bodies and other arms of Government, including its CFR peers, the Australian Cyber Security Centre, and the Department of Home Affairs to coordinate cyber security efforts. Protocols to deal with cyber-attacks on the Australian financial system have been significantly strengthened, tested, and approved by the Heads of CFR agencies. APRA also led the development of a joint Australia/New Zealand protocol involving the Reserve Bank of New Zealand and Financial Markets Authority.

Some work to develop a framework and principles to better coordinate cyber activities across regulatory agencies was deferred in 2020-21 to concentrate on enhancing coordination and response protocols. APRA has revised its plans to reflect the deferred work items.

Transform governance, culture, remuneration and accountability across banks, insurers, and superannuation trustees

Objective in the 2021-25 Corporate Plan

APRA will continue to give attention to strengthening: (i) governance frameworks and processes; (ii) a risk culture that supports effective risk management practices; (iii) remuneration arrangements that reflect a holistic assessment of performance and risk management and reduce the incentive for misconduct; and (iv) clear accountability (individually and collectively) for outcomes achieved across Australia's banks, insurers, and superannuation trustees.

Performance against objective

During 2021-22 APRA's work to transform governance, culture, remuneration and accountability practices across banks, insurers and superannuation trustees continued, including recommencing some workstreams that were deferred in 2020 to allow financial institutions and APRA to concentrate on urgent COVID-19 response activities.

Governance

APRA reviewed progress within 36 banks, insurers and superannuation trustees that were requested to provide a risk governance self-assessment. Financial institutions have implemented a number of design elements, including policies and frameworks, to better identify and manage non-financial risks. APRA's focus going forward will be looking for evidence that work on non-financial risks has shifted beyond design effectiveness to also ensure operating effectiveness, and that boards and senior management are being vigilant to ensure weaknesses do not re-emerge.

APRA's planned work to strengthen Prudential Standard *CPS 220 Risk Management* and *CPS 510 Governance* was delayed due to revised policy priorities. The work is scheduled to commence in mid-2023.

Risk culture

While there has been increased awareness of, and attention given to, risk culture, many financial institutions can still benefit from further maturing their approach to enhancing risk behaviours and architecture. APRA continued its work in this area by developing a supervisory framework – referred to as the Risk Culture 10 Dimensions – to assess the risk culture of regulated institutions. APRA has also used risk culture surveys as a key tool to hear from employees from all levels of an organisation to get a more holistic picture of how governance, culture, remuneration and accountability practices are, or are not, working within a financial institution and enable benchmarking and trends to be assessed over time.

Analysis of survey results for a pilot group of 10 general insurers was completed in July 2021. APRA released the survey to a further 18 banks, 17 insurers and 16 superannuation entities in 2021-22. APRA will engage with financial institutions to discuss how issues that are identified through the survey will be addressed and publish insights on the broader themes that emerge from the survey results.

Remuneration

A key milestone this year was the release of Prudential Standard *CPS 511 Remuneration* in August 2021³⁸, where heightened requirements on remuneration were introduced. In doing so, APRA addressed several recommendations from the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*. In October 2021, APRA also released Prudential Practice Guide *CPG 511 Remuneration* setting out supporting guidance and examples of better practice.

APRA has seen early evidence of improved remuneration practices including greater and more meaningful board-level engagement on remuneration outcomes; material weight being given to non-financial measures; and greater emphasis on consequence management, with a structured approach to adjustments.

In July 2022, APRA issued proposed amendments to *CPS 511 Remuneration* setting out disclosure requirements to improve the transparency of how boards of financial institutions are adhering to requirements and holding their executives accountable and a draft reporting standard. Written submissions have been requested by October 2022.

Accountability

APRA continued to work closely with the Treasury and ASIC on the Financial Accountability Regime (FAR). While the broader implementation of FAR did not proceed as originally scheduled given the delay in the passage of the FAR Bill, APRA and ASIC have continued to cooperate to develop frameworks, infrastructure, and processes for the joint administration of FAR. Once the final form of the legislation is passed by the Parliament, APRA and ASIC will publish a joint administration agreement setting out principles for administering FAR, regulator rules and implementation guidance.

³⁸ Further information is available at: <https://www.apra.gov.au/remuneration-requirements-for-all-apra-regulated-entities>

Modernise the prudential architecture

Objective in the 2021-25 Corporate Plan

APRA will enhance its operations by initiating a new strategic priority focused on modernising the prudential architecture for a digital world. APRA will modernise the prudential framework to make the prudential standards and guidance more accessible for industry, reduce burden and encourage innovation in regtech and suptech; build capabilities to support digitisation and better regulation; and adapt the architecture to cater for new and emerging risks from the evolving global and domestic financial landscape.

Performance against objective

In 2021, APRA commenced a multi-year program to modernise the prudential architecture, involving a series of initiatives over the next few years aimed at ensuring the prudential framework is 'fit for purpose' into the future. The focus over 2021-22 has been on building the foundations for modernisation; understanding the needs of the industry; progressing initial steps; and developing longer-term plans.

APRA consulted with industry on initial steps during the year, including establishing a stronger platform for proportionality within prudential standards through changes to the Significant Financial Institution definition. APRA also explored ways in which it can better assist key users in understanding their prudential obligations, such as developing a Board handbook to be released later this year. The new draft prudential standards for operational resilience were released in August 2022, demonstrating a more targeted and outcomes-based policy approach.

In the coming years, there will be a series of further initiatives to progress each workstream, working closely with industry to understand challenges with the current framework, assess the appetite for change, and implement and embed solutions in a considered way. APRA is also engaging with international and domestic peers, many of which are undertaking similar reviews of their frameworks. It is important that initiatives meet the needs of users, and APRA will be engaging more with industry in the period ahead.

Enabling data-driven decision-making

Objective in 2021-25 Corporate Plan

Technology and data are key to enabling effective operations and decision-making for the entities that APRA supervises. To support data-driven decisions by internal and external stakeholders and as a further step towards better regulation, APRA will enhance its operations by continuing to invest in and embed data as a core enabler for achieving its purpose and strategy.

Performance against objective

New data collection infrastructure 'APRA Connect'

In September 2021, APRA reached a major milestone to transform how it collects data as APRA Connect went live³⁹. The new infrastructure is designed to support APRA's strategic goals to reduce the reporting burden on financial institutions by improving the automation of data collections; facilitate the submission of more granular data sets, thereby reducing the need for costly ad hoc collections; and providing the capability to collect data once and share it across multiple public sector agencies.

Superannuation data transformation

The superannuation industry is the first to use the APRA Connect platform. APRA's superannuation data transformation project was launched in 2019. In March 2021, APRA completed Phase 1 by finalising new data collections to address the most urgent gaps in data and, from October 2021, APRA Connect is used to collect more granular superannuation data enabling APRA supervisors to be in a stronger position to hold superannuation trustees to account for the outcomes they deliver to members. The quantity of publicly available data will soon increase, allowing government, peer regulators, industry analysts and superannuation members to make better informed decisions. APRA has worked closely with ASIC to ensure the new data supports their needs, and to put in place data sharing arrangements to reduce the burden on the superannuation industry.

Direction for APRA's data collections

In March 2022, APRA released a discussion paper⁴⁰ setting out its new approach to data collections, including a draft implementation roadmap. APRA has been engaging closely with key stakeholders on the roadmap, including hosting eight events attended by more than 500 participants. Written submissions in response to the discussion paper closed in June 2022 and APRA will release a response paper including updated industry roadmaps in 2022-23.

In parallel, work on data collections to support the implementation of major changes to the prudential framework covering changes driven by AASB17, remuneration and the banking capital adequacy frameworks has been developed and consulted upon. , New reporting will commence on these topic areas from 2023 onwards.

³⁹ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-announces-apra-connect-will-go-live-2021>

⁴⁰ APRA's direction for data collections is available at: <https://www.apra.gov.au/direction-for-data-collections>

APRA announced its intention to enhance insurance data collections in the longer term⁴¹. To initiate this work, APRA commenced a joint exercise with ASIC to review data collections for the general and life insurance sectors with a focus on areas of common strategic interest. Analysis of data gaps will inform the scope of the proposed collections, and both agencies will engage early and extensively with stakeholders during the second half of 2022, ahead of formal consultation during 2023, with a view to commencing new collections via APRA Connect in 2024.

Data science analytics techniques

APRA continued to pilot and apply data science analytical techniques during the year. Key activities included a new tool for digitalising policy artefacts, and the use of natural language processing and machine learning to review information provided in risk culture survey responses received as part of APRA's governance, culture, remuneration and accountability work. APRA will continue to identify new pilot activities including assessing opportunities and the useability of advanced analytics tools piloted by other peer regulators around the globe.

Prepared for tomorrow

Objectives in the 2021-25 Corporate Plan

APRA will seek to ensure the Australian financial system is prepared for tomorrow by:

- Dedicating regulatory attention to the evolving financial landscape in Australia including understanding the impact of new financial activities and participants.
- Helping to find solutions to current challenges, such as: superannuation retirement income products; insurance accessibility and affordability for Australians; and the financial risks associated with climate change.
- Adopting the latest regulatory tools, techniques, and practices.

Performance against objectives

Understanding the impact of new financial activities and participants

The global financial landscape continues to evolve at an increasing pace with new business models emerging, new technology being developed and deployed, and the digitalisation of finance accelerating.

During the year, APRA has been examining various crypto-assets, including stablecoins and the use of distributed ledger technology. While activities associated with crypto-assets are still relatively limited in Australia, the potential scale and risks are significant.

⁴¹ Further information is available at: <https://www.apra.gov.au/sites/default/files/2022-03/Discussion%20paper%20-%20Direction%20for%20data%20collections.pdf>

In this context, APRA set out initial risk management expectations for all financial institutions that engage in activities associated with crypto-assets in April 2022⁴². At the same time, APRA released its policy roadmap for the longer-term prudential framework for crypto-assets and related activities in Australia in consultation with other regulators internationally. This included consideration of possible approaches to the prudential regulation of payment stablecoins, which bear similarities with Stored-Value Facilities (SVFs). APRA, in conjunction with peer agencies on the CFR, is developing options for incorporating these into the regulatory framework for SVFs. Subject to the development of the broader legislative and regulatory framework, APRA envisages consulting on prudential requirements for large SVFs in 2023.

Helping to find solutions to important challenges

Superannuation retirement income products

APRA is committed to working with industry stakeholders to improve the retirement outcomes of Australians. In March 2022, APRA and ASIC issued a joint letter to all superannuation trustees on the implementation of the new retirement income covenant, which was introduced in the *Superannuation Industry Supervision Act 1993* (SIS Act) and took effect from 1 July 2022⁴³. The joint letter outlined APRA's and ASIC's expectations of trustees in implementing new requirements for their members in response to the covenant. During 2022-23, APRA and ASIC intend to undertake a thematic review of trustees' implementation of the new requirements, alongside working closely with , other commonwealth agencies and industry stakeholders to drive beneficial innovation in the retirement income landscape.

Insurance accessibility and affordability for Australians

The affordability and accessibility of insurance cover for parts of the Australian community is deteriorating. This challenge is exacerbated by the increasing frequency and impact of severe weather-related events, inflationary pressures, and a general hardening of the market across retail and commercial lines. There are no simple solutions to this issue but achieving an appropriate balance between the financial health of insurers and access to affordable and well-designed insurance for policyholders is of great importance for the Australian community.

⁴² APRA's letter on crypto-assets: risk management expectations and policy roadmap is available at: <https://www.apra.gov.au/crypto-assets-risk-management-expectations-and-policy-roadmap>

⁴³ APRA's letter on implementation of the retirement income covenant is available at: <https://www.apra.gov.au/implementation-of-retirement-income-covenant>

APRA has increased its engagement with the government, peer regulators and industry to understand the drivers, provide insights and contribute to system-wide responses to tackle affordability issues. APRA and ASIC meet regularly on the topic and engage with the Insurance Council of Australia (ICA) to better understand specific vulnerabilities and challenges. APRA and ASIC have also established a dedicated working group to enhance data collections between the two agencies to facilitate better insights into not only affordability, but other prudential and consumer protection matters. APRA also meets with consumer representatives through its Insurance Consumer Forum to share ideas, insights and recommendations and understand issues from a consumer perspective.

Financial risks associated with climate change

Since Australia became a party to the Paris Agreement in 2016, APRA has been raising awareness and encouraging the financial sector to strengthen its capability to identify and quantify the financial risks associated with climate change, and to develop ways to build resilience to those risks.

In March 2022, APRA initiated a self-assessment survey to gauge alignment between the management of climate change financial risks by financial institutions and the guidance set out in Prudential Practice Guide *CPG 229 Climate Change Financial Risks* (CPG 229).⁴⁴ The survey covered all APRA-regulated industries, soliciting responses from the larger ADIs, insurers and superannuation funds. APRA published a summary of insights based on the survey (self-assessment) responses on the alignment of climate risk practices with the expectations set out in CPG 229⁴⁴.

APRA is also leading the Climate Vulnerability Assessment (CVA) initiative on behalf of the CFR to assess the impact on individual banks and the financial system of two plausible future scenarios for how climate change, and the global response to it, may unfold. Australia's five largest banks participated in the CVA exercise and submitted their analysis in June 2022. APRA intends to publish aggregated results and findings in late 2022.

In addition, APRA contributed to sharing knowledge on climate-related financial risks during the year by participating in forums including the Network for Greening the Financial System, the Financial Stability Board, and the Bank for International Settlements. APRA is also a member of the Basel Committee's Task Force on Climate-related Financial Risks and participated in climate-related working group activities with organisations such as the International Organisation of Pension Supervisors and the International Association of Insurance Supervisors.

⁴⁴ Findings of the latest climate risk self-assessment survey (published in August 2022) is available at: <https://www.apra.gov.au/news-and-publications/apra-publishes-findings-of-latest-climate-risk-self-assessment-survey>

Adopting the latest regulatory tools, techniques, and practices

APRA is constantly scanning for opportunities to sharpen its regulatory toolkit and maintain connections with peer regulators to keep up to date on better practice. In addition, in the latter part of the year, a dedicated series of internal innovation events was held to seek ideas from across APRA on how its supervisory approach and tools could evolve. The ideas generated are being taken forward as part of a program of work to enhance APRA's supervision approach, overseen by APRA's Supervision Oversight Committee. Key deliverables over the coming year include:

- continued investment in APRA's systems to enable more data insights to be provided automatically to supervisors;
- piloting a new approach to quarterly financial analysis to drive greater efficiencies; and
- piloting automation of data-informed risk ratings to provide insights and create more capacity for risk-based analysis and activity.

Making it happen

Objectives in the 2021-25 Corporate Plan

To support the achievement of APRA's strategic priorities and the associated outcomes for regulated entities, the financial system and the Australian community, APRA is aiming to deliver a modern and flexible working environment to support organisational empowerment and excellence and mobilisation for change.

Performance against objectives

Changes to remuneration and performance frameworks

APRA's Enterprise Workplace Agreement (the Agreement) was renewed during 2021-22. In support of the changes in the Agreement, APRA rolled out simplified frameworks and systems that underpin career advancement, performance, and remuneration reviews to empower employees to have fulfilling careers in which they can perform at their best and contribute to APRA's success.

Organisational empowerment and excellence

Last year, APRA refreshed its commitment to inclusion and diversity by launching an updated leader-led Inclusion and Diversity (I&D) Strategy. Over 50 APRA leaders have been engaged throughout the year to support successful execution of the I&D Strategy, which has two core components. The first is to reinforce and build on the momentum and progress achieved over the past five years through established networks, including Culturally and Linguistically Diverse (CALD); Aboriginal and Torres Strait Islander; Lesbian, Gay, Bisexual, Trans, Intersex and Queer (LGBTIQ); different generations (GenX+ and GenDelta); and Gender inclusion. The second is to address areas in need of greater focus: accessibility; age diversity; diversifying talent; and data and demographics. APRA commenced the review and development of execution plans for each dedicated network and focus area and continued its rolling calendar of I&D events that included hosted talks, panel discussions, awareness-raising sessions and cultural events.

Investing in APRA's hybrid ways of working

APRA continued to adapt its information, communication, and technology (ICT) capabilities during the year to enable employees to work productively and stay connected regardless of individuals' work locations. Continued support was provided to safeguard the health, safety, and wellbeing of staff with a range of tools, resources and services available to promote work-life balance and flexibility to manage career, wellbeing and family.

APRA conducted two employee pulse surveys during the year. The surveys comprised a series of questions aimed at understanding employee sentiment around Support, Work Arrangements and Wellbeing. The pulse survey conducted in August 2021 saw a 74 per cent response rate from employees, with overall favourable scores of 85 for Wellbeing and 81 for Support (out of 100). The second pulse survey conducted in April 2022 measured employee sentiment towards a hybrid working environment. This survey saw a 75 per cent response rate with 62 per cent of employees indicating a preference of working between 2 to 3 days in the office per week. Detailed survey results were provided to APRA's senior executives and people managers to improve leaders' understanding of employees' views and preferences.

In parallel, APRA introduced a redesigned and upgraded intranet platform in 2021-22, supporting improved communication through more dynamic content. APRA also installed improved video capacity in communal areas and meeting rooms across APRA's offices to provide an improved meeting and collaboration experience for participants, whether they are in an APRA office or joining remotely. Several other technology enhancements were rolled out during the year, including migrating employee mailboxes to a cloud version of M365, continued rollout of Microsoft Teams collaboration capabilities, and work commenced on the building blocks to upgrade APRA's information and records management system.

In terms of office facilities, two floors of APRA's Sydney premises were reconfigured to include contemporary collaborative spaces and more diverse work arrangements tailored to individual and team needs in a hybrid working environment. In 2022, work progressed to redesign other floors in APRA's Sydney premises. A bookable desk system was introduced in the Sydney, Melbourne, and Brisbane offices to provide greater flexibility in seating arrangements and a more efficient use of office space. The new design and features have been well-received by employees and will ensure APRA's workplaces remain fit for purpose into the future.

Improving APRA's operational effectiveness

In 2021-22, APRA conducted a review of its work practices, work allocation and workforce composition. The analysis phase of the review was completed in the first half of the year and resulted in two streams of work. The first is focused on improving APRA's operational effectiveness by reviewing selected key processes to identify and act on optimisation opportunities. APRA is part way through an end-to-end process review of key workflows between APRA's superannuation and legal business functions which is due to be completed in 2022. The second stream is focused on making better use of APRA's operational data. In this regard, APRA completed changes to its time-capture system and commenced the development of integrated dashboards to support more data-driven capacity and resource management decisions. The dashboards will be rolled out and enhanced in 2022-23.

In parallel, APRA started gathering business requirements for a systems solution to digitalise and better manage some of its workflows. This work will move to the next phase of selecting a fit-for-purpose systems solution in the new financial year. Implementation of an improved workflow management solution will enable and support work in train to optimise key processes.

Mobilisation for change

To enable successful delivery of its Corporate Plan, APRA has focused on embedding good portfolio management disciplines including conducting more definitive 'top-down' prioritisation across APRA's portfolio of work; strengthening executive ownership and accountability; improving alignment between strategic and budgetary processes; and providing greater transparency and oversight of APRA's portfolio of work. This has been supported by the provision of new, more frequent, and informative dashboards to APRA's Executive Committee which will continue to be enhanced over time.

Addendum A: Relevant stakeholder survey results and case examples

Addendum A provides relevant results from APRA’s latest biennial stakeholder survey conducted in 2021⁴⁵ to support the performance measures referenced in APRA’s 2021-25 Corporate Plan with regards to the principles of regulator best practice included in the Regulator Performance Guide⁴⁶. The biennial survey is undertaken by an independent party with survey results publicly available on APRA’s website. The survey results track the mean (average) scores on individual questions for any previous years in which the same questions were asked.

Performance area: Continuous improvement and building trust

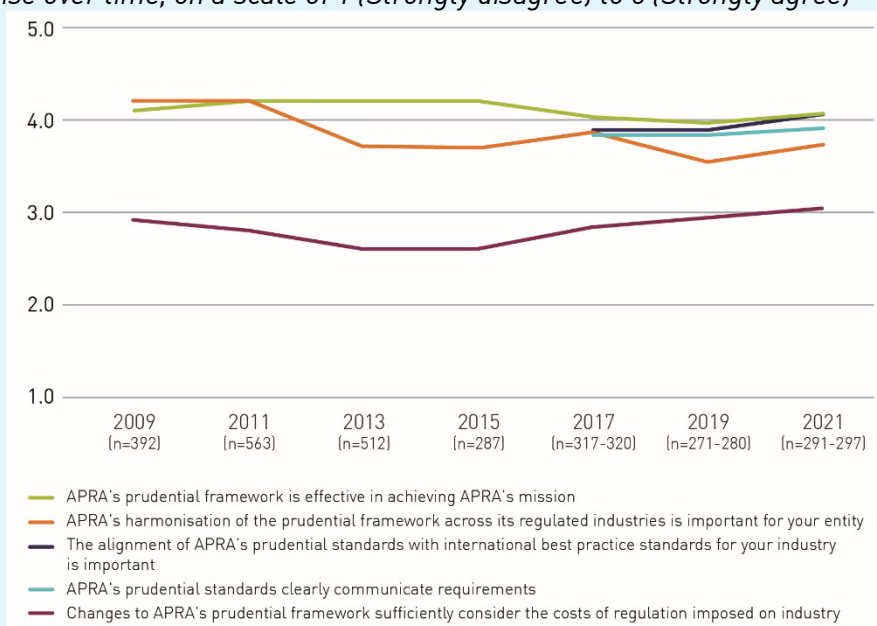
Results

Results from APRA’s 2021 biennial stakeholder survey

APRA’s 2021 biennial stakeholder survey asked regulated institutions to rate various aspects of APRA’s prudential framework. The results show small, continued improvements in stakeholders’ perceptions of the extent to which APRA adequately considers the costs that regulation imposes on industry.

Chart 1: Views on the prudential framework

Mean response over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)



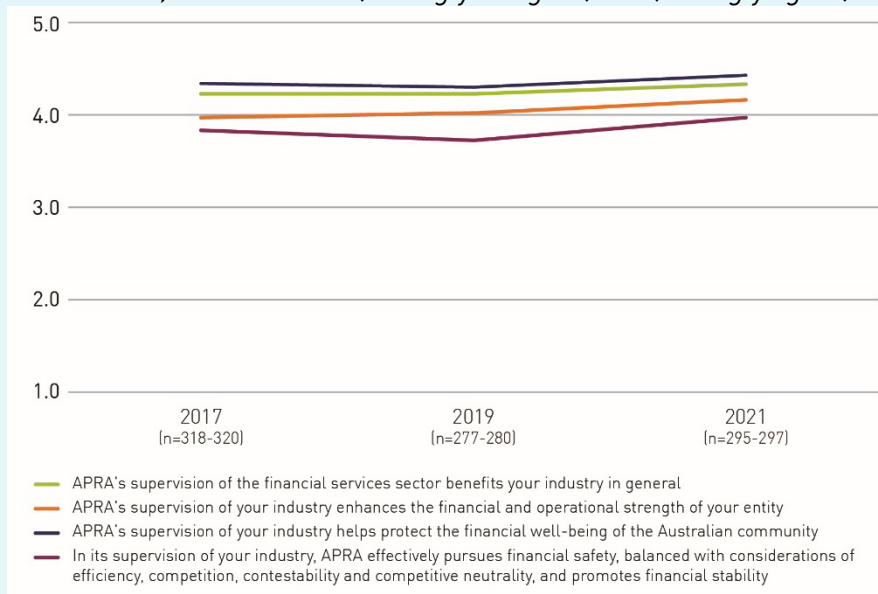
⁴⁵ APRA’s stakeholder survey is available at: <https://www.apra.gov.au/stakeholder-survey>

⁴⁶ The Regulator Performance Guide and supporting material is available at: <https://deregulation.pmc.gov.au/priorities/regulator-best-practice-and-performance/regulator-performance-guide>

APRA's stakeholders were surveyed about their perceptions of APRA's supervision. The results show an improvement from 2019.

Chart 2: Views on the APRA's supervision

Mean response over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)



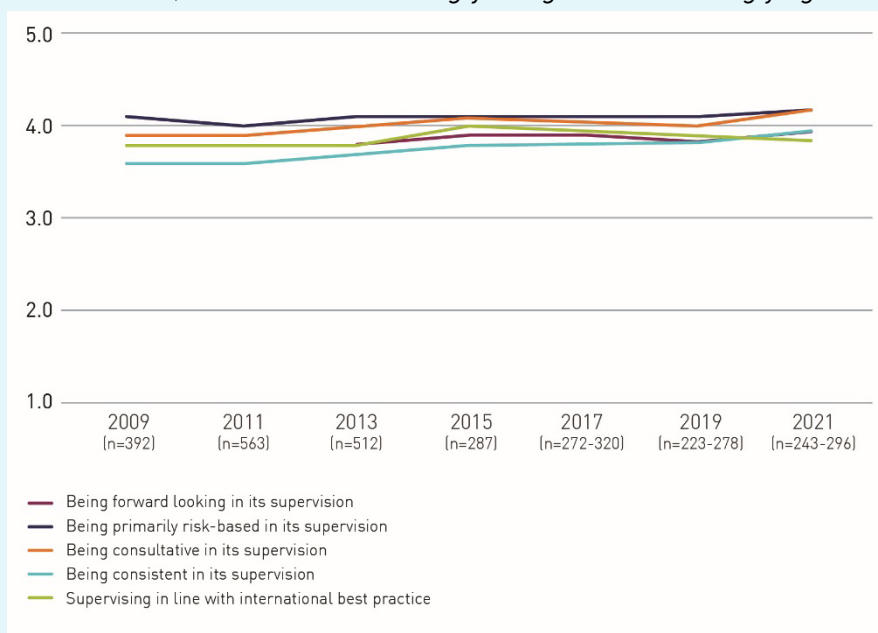
Performance area: Risk-based and data-driven

Results

APRA's 2021 biennial stakeholder survey asked regulated institutions to rate whether APRA meets its stated supervisory approach. APRA's strong results over time are provided below.

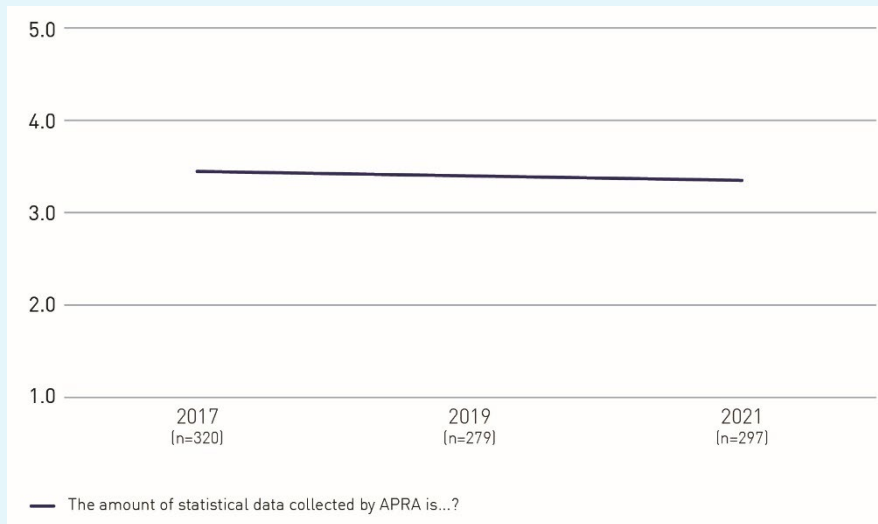
Chart 3: Views on whether APRA meets its stated approach

Mean responses over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)

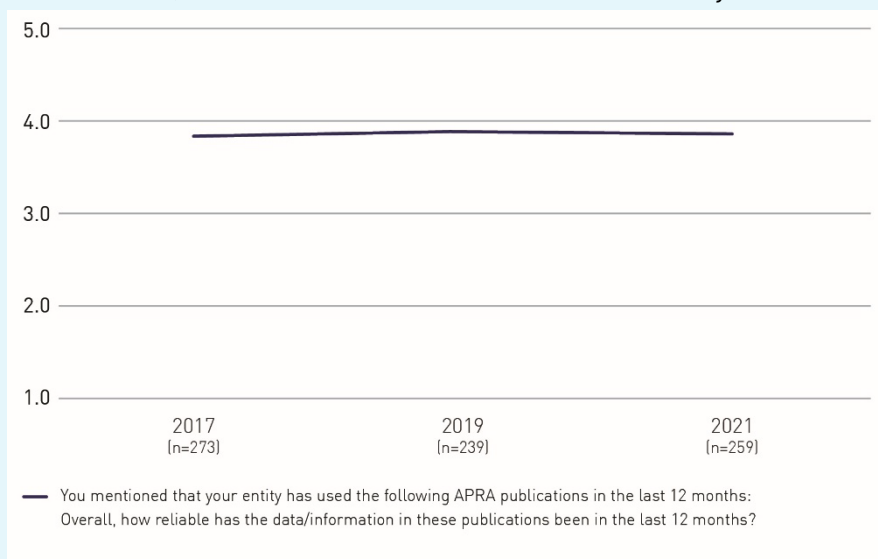


APRA's stakeholders were surveyed about their perceptions of the amount of statistical data collected by APRA. Stakeholders responded that the amount of data collected by APRA is 'about right' and data published by APRA is reliable.

*Chart 4: Views on the amount of statistical data collected by APRA
Mean responses over time, on a scale of 1 (Far too little) to 5 (Far too much)*



*Chart 5: Views on reliability of statistical publications
Mean responses over time, on a scale of 1 (Not reliable) to 5 (Extremely reliable)*



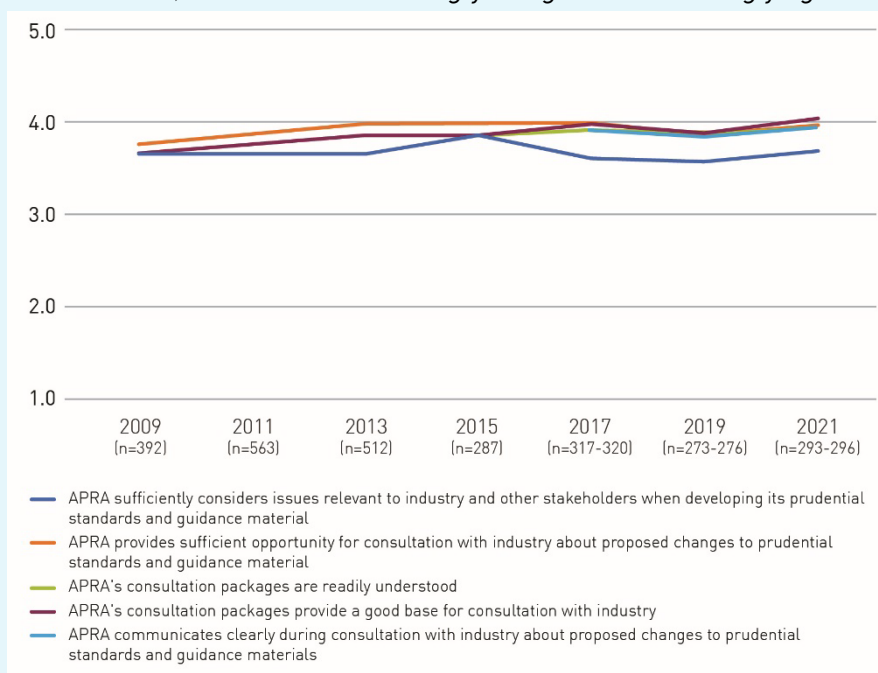
Performance area: Collaboration and engagement

Results

Perceptions of APRA's consultation process showed an improvement from 2019 to 2021, particularly the provision of sufficient opportunity for consultation on proposed changes and APRA's consultation packages.

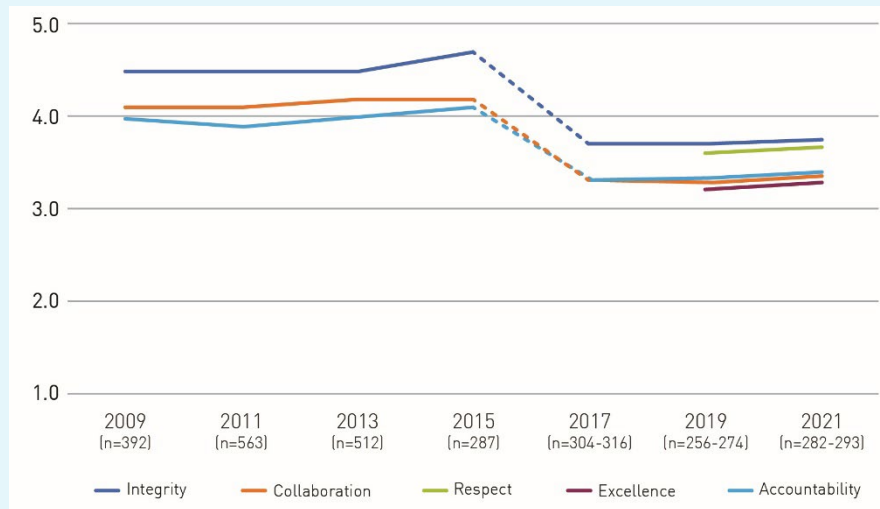
Chart 6: Views on APRA's consultation process

Mean responses over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)



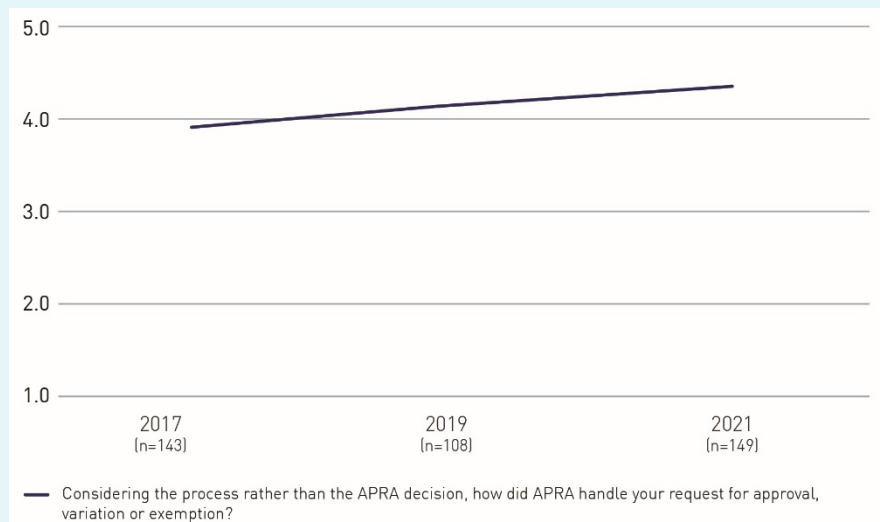
APRA's stakeholders were surveyed about their perceptions of dealings with APRA staff and the demonstration of APRA values. (Note: 2009-2015 results are based on previous reporting using a different scale).

Chart 7: Views on demonstration of APRA values
 Mean responses over time, on a scale of 1 (Never demonstrate) to 5 (Always demonstrate)



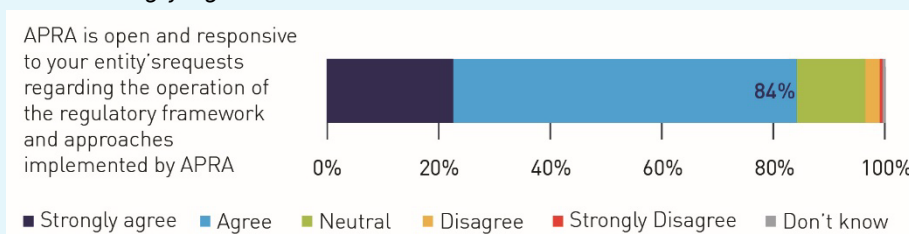
APRA's 2021 stakeholder survey asked regulated institutions to rate how APRA handles requests for approval, variation, or exemption. The results are provided below and show consistently positive responses.

Chart 8: Views on how APRA handles requests for approvals, exemptions, and variations
 Mean response over time, on a scale of 1 (Very poorly) to 5 (Very well)



APRA's stakeholders were surveyed about their dealings with APRA. 84 per cent of respondents perceive APRA as open and responsive to entity requests regarding the operation of the regulatory framework and approaches implemented by APRA.

Chart 9: Views on APRA's openness and responsiveness to entity requests (84% consists of 61% 'Agree' and 23% 'Strongly Agree')



The following table highlights relevant case examples drawn from the above results and analysis sections and alignment with the principles of regulator best practice.

Examples from APRA's 2021-22 annual performance statement aligned to best practice principles of regulator performance

Best practice principle	Example from APRA's Annual Performance Statement
All three principles	<ul style="list-style-type: none"> • APRA's work on superannuation heatmaps⁴⁷ • APRA's work on crypto-assets and stablecoins
Continuous improvement and building trust	<ul style="list-style-type: none"> • APRA's multi-year program to modernise the prudential architecture • APRA's operational effectiveness work program • APRA's work to embed good portfolio management disciplines
Risk-based and data-driven	<ul style="list-style-type: none"> • APRA's cyber data and risk culture work • APRA's work to enable data-driven decision-making APRA's work on insurance accessibility and affordability
Collaboration and engagement	<ul style="list-style-type: none"> • Collaborating and information sharing on cyber security • Collaboration with the Treasury and ASIC on the FAR • APRA's work on retirement income products • APRA's work on the financial risks associated with climate change

⁴⁷ APRA's data driven approach to superannuation heatmaps has been recognised in the Department of the Prime Minister and Cabinet's Library of best practice: <https://deregulation.pmc.gov.au/priorities/regulator-best-practice-and-performance/library/australian-prudential-regulation>

Addendum B: Engagement and collaboration with other regulators and key stakeholders

In 2021-22, APRA continued its strong collaboration with key domestic and international regulatory agencies to support collective goals, minimise duplication of activities and reduce regulatory burden. Strong collaboration between regulators and government agencies remained crucial in successfully navigating the challenges of the economic environment. In particular, **Addendum C** provides the APRA-ASIC Statement of Engagement for 2021-22. APRA also entered into new Memoranda of Understanding (MoU) with Brazil, Indonesia, and the European Union, to enhance information sharing and coordination, and entered into a new Head Agreement with Australian Criminal Intelligence Commission (ACIC).

APRA has 17 MoUs in place with other domestic agencies and formal information sharing arrangements with 42 international regulatory agencies⁴⁸.

Current MOUs with domestic agencies

- Australian Bureau of Statistics
- Australian Capital Territory Compulsory Third-Party Insurance Regulator
- Australian Competition and Consumer Commission
- Australian Criminal Intelligence Commission
- Australian Federal Police
- Australian Securities and Investments Commission
- Australian Taxation Office
- Australian Transaction Reports and Analysis Centre
- Council of Financial Regulators
- Department of Health
- Motor Accidents Authority of NSW
- Motor Accident Insurance Commission of Queensland
- NSW Fair Trading
- Reserve Bank of Australia
- South Australia Compulsory Third-Party Insurance Regulator
- The Commonwealth Treasury
- WorkCover Tasmania

⁴⁸ APRA's memoranda of understanding and letters of arrangement is available at: <https://www.apra.gov.au/memoranda-of-understanding-and-letters-of-arrangement>

APRA routinely engages with a variety of stakeholders including regulated institutions, industry bodies, government departments, other regulatory agencies, media, and the general public. APRA uses a diverse range of channels to communicate various policy, statistical and other announcements with stakeholder groups, as shown in the table below⁴⁹.

Key communications and engagements

Activity	2017-18	2018-19	2019-20	2020-21	2021-22
Policy consultations conducted	15	31	21	17	26
Information letters issued to industry	30	14	37	39	50
Presentations at formal speaking engagements	93	80	58	78	76
Media releases issued	70	93	79	62	50
Parliamentary hearings attended	12	14	9	9	12
Submissions to formal inquiries	6	11	1	4	4

⁴⁹ These figures reflect the temporary reprioritisation of APRA's regulatory policy agenda during 2020 at the height of the COVID-19 pandemic.

Addendum C: APRA-ASIC Statement of Engagement



PUBLIC STATEMENT ON APRA-ASIC ENGAGEMENT 2021-22

The Memorandum of Understanding⁵⁰ (MoU) between the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) underpins their commitment to work together to protect the financial well-being of the Australian community. This statement fulfils the agencies' commitment under that MoU to report annually on their engagement activities⁵¹.

APRA and ASIC have collaborated in a number of ways during the financial year. For example, the agencies:

- continued to engage closely on loan repayment deferrals and borrower hardship, and on issues related to insurance affordability and availability,
- worked with Treasury and the Australian Financial Complaints Authority on business interruption insurance test cases being heard in the Federal Court – this collaboration helped progress these cases in a more timely manner and generated significant engagement from the insurance industry,
- brought together six Australian and New Zealand regulators to consider issues such as consumer protection, conduct regulation and prudential regulation during a supervisory college in November 2021,
- shared information and insights to support each agency's response to natural disasters, and consulted with insurers and the Insurance Council of Australia,
- continued to engage jointly with regulated financial service providers on the issues of cyber readiness and operational resilience. Also, as part of the Council of Financial Regulators, the agencies developed a protocol for the management of a cyber incident at a financial services provider, and
- collaborated closely with each other, and other agencies, in relation to the Australian regulatory framework for the payments systems, including crypto-assets.

The agencies continue to work in close partnership on superannuation issues, supporting confidence in the industry and pressing superannuation trustees to continue to improve the outcomes they are delivering to their members. APRA and ASIC have regularly shared information, intelligence, and data obtained through supervisory and surveillance work. They have also worked closely together on regulatory change such as the implementation of requirements imposed by the *Your Future, Your Super* reforms. APRA and ASIC continue to jointly communicate their expectations to industry through regular joint engagement and

⁵⁰ <https://www.apra.gov.au/sites/default/files/APRA-ASIC%20Memorandum%20of%20Understanding%202019.pdf>

⁵¹ The last public statement on APRA-ASIC engagement was issued in December 2021 for the 2021 calendar year. Certain engagement activities appear in last public statement and this statement due to overlapping reference periods.

communication. This includes a joint letter to trustees on the implementation of the *Retirement Income Covenant* and by facilitating opportunities to discuss topics with industry at CEO roundtable events.

APRA and ASIC strengthened cooperation on enforcement matters during the year. An example of this cooperation was the agencies' engagement during their respective investigations in relation to the AMP superannuation trustees. The court enforceable undertaking accepted by APRA in November 2021 was designed to address regulatory concerns of both APRA and ASIC with the AMP superannuation trustees. Another example was ASIC and APRA coordinating their respective inquiries into a Westpac subsidiary (BT Funds Management), which had been incorrectly charging commissions for insurance in superannuation. ASIC obtained a \$20 million civil penalty in relation to that misconduct.

Collaboration on industry data collections has provided opportunities for both agencies to effectively and efficiently collate insights to inform their respective work and to limit the impost on regulated entities of reporting. More broadly, information sharing between the agencies continues to be critical to how they work together.

APRA and ASIC have developed a structured approach for identifying and managing shared risks in relation to their work together. Shared risks are reviewed periodically to help identify and prioritise those areas of joint work where closer monitoring or risk mitigation are required. This approach has been incorporated into the formal discussions between APRA Members and ASIC Commissioners, including through the APRA-ASIC Committee and supporting Standing Committees of senior members from each agency.

The agencies continue to work together to deliver long-term benefits through a number of significant and potential law reforms. This includes preparation for the proposed Financial Accountability Regime (FAR) that was developed in response to the Financial Services Royal Commission. A key objective of the FAR (subject to it being passed by the Australian Parliament) is to improve the operating culture, and to increase transparency and accountability, of entities in the banking, insurance and superannuation sectors – both in relation to prudential matters and conduct-related matters.

APRA and ASIC will continue to work together to deliver coordinated and efficient regulatory outcomes, and to support the ongoing safety, strength, fairness and efficiency of the financial system for all Australians.

CHAPTER 4 – MANAGEMENT AND ACCOUNTABILITY

APRA is governed by an executive group of APRA Members (Executive Board) who are collectively responsible and accountable for APRA’s operation and performance. Biographies for APRA’s four Members are included below.

The Executive Board is supported by six Executive Directors and a range of governance committees, including the Audit and Risk Committee, which comprises three independent committee members.

APRA’s governance and executive accountabilities, including individual accountability statements for each senior executive, are published on its website⁵².

APRA Members during 2021-22



Mr Wayne Byres, Chair, BEc (Hons), MAppFin, SF Fin, GAICD

Mr Byres was appointed as a Member and Chair of APRA from 1 July 2014 for a five-year term. He was subsequently reappointed for a second five-year term commencing 1 July 2019.

Mr Byres’ early career was in the Reserve Bank of Australia (RBA), which he joined in 1984. After more than a decade with the RBA, including a secondment to the Bank of England in London, he transferred to APRA on its establishment in 1998. Mr Byres subsequently held a range of senior executive positions in APRA, covering both its policy and supervisory divisions.

In late 2011, Mr Byres left APRA to take up the appointment as Secretary General of the Basel Committee on Banking Supervision, the global standard-setting body for banks based at the Bank for International Settlements in Basel, Switzerland. He held this position until his return to Australia in mid-2014. He is APRA’s representative on the Payments System Board, the Council of Financial Regulators, the Trans-Tasman Council on Banking Supervision, the Basel Committee and its oversight body, the Governors and Heads of Supervision.

On 26 July 2022, Mr Byres announced that he will step down as Chair of APRA on 30 October 2022.

⁵² <https://www.apra.gov.au/governance-and-senior-executive-accountabilities>



Mrs Helen Rowell, Deputy Chair, BA FIAA

Mrs Rowell was appointed as Deputy Chair of APRA in November 2015 and reappointed for another five-year term from 1 July 2018. She joined APRA in 2002 as General Manager, Industry Technical Services, and held several senior roles, including in supervision, policy development and supervisory support. On 1 July 2013, she became an APRA Member, with primary responsibility for oversight of the superannuation sector. As of July 2021, Mrs Rowell became responsible for the oversight of the insurance

sector and, since April 2022, has had oversight responsibility for APRA's Cross-industry Insights and Data (CID) Division.

Mrs Rowell is Chair of the Council of Financial Regulators' (CFR) Climate Working Group and, on 25 July 2022, was appointed as a part-time observer of the Australian Reinsurance Pool Corporation. During 2021/22, she represented APRA at the Organisation for Economic Co-operation and Development's Working Party on Private Pensions, and was President of the International Organisation of Pension Supervisors. Mrs Rowell also represents APRA on the International Association of Insurance Supervisors' (IAIS) Executive Committee and has been appointed as the IAIS Diversity, Equality & Inclusion champion.

Prior to joining APRA, she was a partner at the international consulting firm Towers Perrin; she is also a Fellow and past President of the Institute of Actuaries of Australia.



Mr John Lonsdale, Deputy Chair

Mr Lonsdale was appointed as Deputy Chair of APRA on 8 October 2018. His duties include oversight of the banking sector.

Prior to joining APRA, Mr Lonsdale worked for the Australian Treasury. He was a member of Treasury's Executive and, in his role as Deputy Secretary, Markets Group, he had responsibility for financial system, consumer and foreign investment policy. In 2014 he led the Secretariat to the Financial System Inquiry based in Sydney. Earlier in his career at Treasury, Mr Lonsdale worked across key areas in the Department including budget policy, tax policy, retirement incomes and the financial system. In 2008 and 2009 he worked as the Chief Advisor in the Secretariat supporting Australia's Future Tax System Review, a major review of Australia's tax and transfer systems.

Mr Lonsdale is the APRA representative on the Financial Stability Board's Standing Committee on Supervisory and Regulatory Cooperation.



Ms Margaret Cole, Executive Board Member, MA Law, Hon D Law

Ms Cole was appointed as an Executive Board Member of APRA, commencing her role on 1 July 2021 for a five-year term. She has primary responsibility for the oversight of the superannuation sector. She represents APRA at the International Organisation of Pension Supervisors. Ms Cole graduated from the University of Cambridge with a degree in law and spent more than 20 years in private legal practice specialising in commercial litigation with an emphasis on financial services.

Ms Cole was formerly a partner at Stephenson Harwood and White & Case. She joined the UK Financial Services Authority (FSA) in 2005 and became Managing Director of Enforcement and Financial Crime and interim Managing Director of the Conduct Business Unit and a board member. Prior to joining APRA, she spent a year as PwC's Global Regulatory Leader based in Melbourne. Before that, she was PwC UK Chief Risk Officer and General Counsel from 2012 to 2020.

Ms Cole has also been an independent non-executive director of Toronto Dominion Bank Europe Limited, Chair of Toronto Dominion Securities Limited and a trustee and executive committee member of the Institute for Fiscal Studies. She is an Honorary Fellow of her Cambridge college, Murray Edwards College (formerly New Hall). She has also been awarded an Honorary Doctorate of Law from the University of Law, London.

Audit and Risk Committee

APRA's Audit and Risk Committee provides independent assurance and advice to the APRA Chair on APRA's risk management operations, financial and performance reporting responsibilities, systems of internal controls and compliance with applicable laws and regulations.

The Audit and Risk Committee is an advisory committee and not a decision-making body. In fulfilling its obligations, it receives reports and updates from Internal Audit and Risk Management and Compliance, as well as being briefed on strategic initiatives and financial performance and management. It has the authority to call for reports and updates from across APRA as required to meet its obligations. The Audit and Risk Committee's charter is available on APRA's website⁵³.

The Audit and Risk Committee comprises three independent non-executive members.

The Audit and Risk Committee meets formally five times a year. Additional meetings may be held to meet any specific requirements of the Audit and Risk Committee or the APRA Chair.

⁵³ <https://www.apra.gov.au/sites/default/files/2022-03/Audit%20and%20Risk%20Committee%20Charter%20-%202022.pdf>

In addition to its members, the Australian National Audit Office (ANAO), APRA's Chair, Chief Internal Auditor and Chief Risk Officer are regular attendees at Audit and Risk Committee meetings.

Further information on the membership, activities and attendance of the Audit and Risk Committee is set out below. The current members are:

Ms Sam Lewis, BA (Hons), CA, ACA, GAICD Audit and Risk Committee – Chair

Ms Lewis was appointed Chair of APRA's Audit and Risk Committee on 9 December 2019 and reappointed for a further three-year term on 1 April 2021. Prior to the establishment of the Audit and Risk Committee, Ms Lewis was the Chair of APRA's Audit Committee and an independent member of APRA's Risk Management Committee between 2016 and 2019.

Ms Lewis is currently a non-executive director of Aurizon Limited (since February 2015), acting as Chair of the Audit, Governance and Risk Management Committee; a non-executive director of Orora Limited (since March 2014), where she is Chair of the Audit, Risk and Compliance Committee; and a non-executive director of Nine Entertainment Co. Holding Limited (since March 2017), where she is Chair of the Audit and Risk Committee. Ms Lewis is a chartered accountant and has been lead auditor to a number of Australian- listed entities, having previously been an Assurance and Advisory Partner with Deloitte for 14 years. She has extensive expertise in accounting, finance, auditing, risk management and corporate governance.

Ms Kate Hughes, BCom (Ec & Fin), Grad Dip Applied Finance, Grad Dip OH&S, GAICD Audit and Risk Committee – Independent member

Ms Hughes joined APRA's Audit and Risk Committee as an independent member on 2 December 2019 for a three-year term (and in the second half of 2022, was reappointed for a further three-year term). Ms Hughes is a risk management, compliance, internal audit and governance professional who holds various non-executive committee roles with Comcare and Department of Health. Ms Hughes is also a non-executive director of Lower Murray Water, SuniTAFE and SkyCity Entertainment Group.

Ms Hughes' most recent executive role was as Chief Audit and Risk Officer at RMIT University, with responsibility for the University's internal audit, risk management, compliance and regulatory affairs functions. Prior to this she was the Chief Risk Officer at Telstra, with global responsibility for the enterprise-wide risk management, resilience, privacy, compliance and health and safety functions. Ms Hughes has led international teams for 15 years and has broad risk management, compliance, safety and governance experience in many sectors, including financial services, agribusiness, retail, manufacturing, public administration and telecommunications.

Mr Chris Hall, BComm (Hons), FCA, MAICD Audit and Risk Committee – Independent member

Mr Hall joined APRA's Audit and Risk Committee as an independent member on 1 January 2021 for a three-year term. He has extensive experience in the financial services industry, risk management, audit and regulation.

Mr Hall is a former partner at KPMG where, during his 40-year career spanning Australia and the United Kingdom, he was a board member and member of KPMG's National Executive Committee as National Managing Partner for Risk and Regulation. He also serves on the board of the Prostate Cancer Foundation of Australia, having been Finance Director since 2007, and was appointed Deputy National Chairman in 2018.

Attendance at Audit and Risk Committee meetings from 1 July 2021 to 30 June 2022:

Member	Meetings	Attended	Total Annual remuneration (GST incl.)
Sam Lewis (Chair, independent)	5	5	54,120
Kate Hughes (independent)	5	5	44,000
Chris Hall (independent)	5	5	40,000

Governance committees

Executive Board

The Executive Board comprises all APRA Members and meets formally on a monthly basis, and more frequently as required. The Executive Board deals with matters that require formal approval or decisions such as APRA's strategic plans, financial statements and budgets, policy priority agenda, audit plans and matters that are essential to meeting the organisation's statutory obligations.

Each Executive Board meeting incorporates a dedicated focus on risk to oversee APRA's management and mitigation of risks by ensuring an effective Risk Management Framework, including Risk Appetite Statement, is in place. The Board also oversees the Executive Committee's management of risk, monitors emerging strategic risks and undertakes deep-dives of key risks where considered necessary, including consistently out-of-tolerance risk.

Attendance at Executive Board meetings during 2021-22:

Member	Meetings	Attended
Wayne Byres (Chair)	14	14
John Lonsdale	14	12
Helen Rowell	14	12
Margaret Cole	14	13

The Executive Board has established several governance committees to support it in performing its obligations, which are listed below.

Executive Committee

The Executive Committee, comprising all APRA Members and the six Executive Directors meets twice a month, or more frequently as required. The Executive Committee focuses on monitoring APRA's organisational performance, progress on APRA's strategic priorities, people and culture matters and general organisational effectiveness. The objective of the Executive Committee is to strengthen alignment and accountability for these issues across the Members and Executive Directors.

Prudential Policy Committee

The Prudential Policy Committee is the primary forum for strategic oversight and review of APRA's prudential policy development function, including related strategic initiatives and risks. The Prudential Policy Committee meets twice monthly. It is chaired by the APRA Chair and comprises all APRA's Members, plus selected Executive Directors and General Managers drawn from across APRA's divisions.

Supervision Oversight Committee

The Supervision Oversight Committee is the primary forum for strategic oversight and review of APRA's core supervision function, including all related strategic initiatives and risks. The Supervision Oversight Committee is chaired by an APRA Member and meets monthly. Its membership comprises two APRA Members, plus selected Executive Directors and General Managers drawn from across APRA's divisions.

Resolution and Enforcement Committee

The Resolution and Enforcement Committee is the primary forum for strategic oversight and review of APRA's resolution and enforcement powers, including all related strategic initiatives and risks. The Resolution and Enforcement Committee is chaired by an APRA Member and meets twice monthly. Its membership comprises two APRA Members, APRA's General Counsel, plus selected Executive Directors and General Managers drawn from across APRA's divisions.

Other committees and groups

Reporting to the governance committees listed above are other specialist committees, including:

Inclusion and Diversity Council

Reporting to the Executive Board, the Council promotes awareness of workplace inclusion and diversity and is responsible for developing and monitoring the implementation of APRA's inclusion and diversity strategy. The Council is chaired by the APRA Chair.

Employee Consultative Group

Reporting to the Executive Committee, this Group facilitates communication and consultation with all APRA employees below the senior management level on the terms and conditions of their employment in line with APRA's Enterprise Agreement and employment policies, and the impact of these on APRA's organisational culture and values. Since the end of the financial year, this group has been renamed the Strategic Consultative Forum and its remit has been broadened to consult on all people-impacting programs and processes.

Work Health and Safety Committee

Reporting to the Executive Committee, this Committee focuses on issues concerning the health, safety and wellbeing of employees, and ensures that these concerns are integrated into broader management systems and practices.

Financial resources

APRA's total operating expenditure for the 12 months to 30 June 2022 was \$214.6 million against an original budget of \$225.8 million. The expenditure was lower than the original budget due to the deferral of some activities into the 2022-23 financial year and a rise in the Government 10-year bond yield reducing the valuation of employee leave provisions.

APRA's income

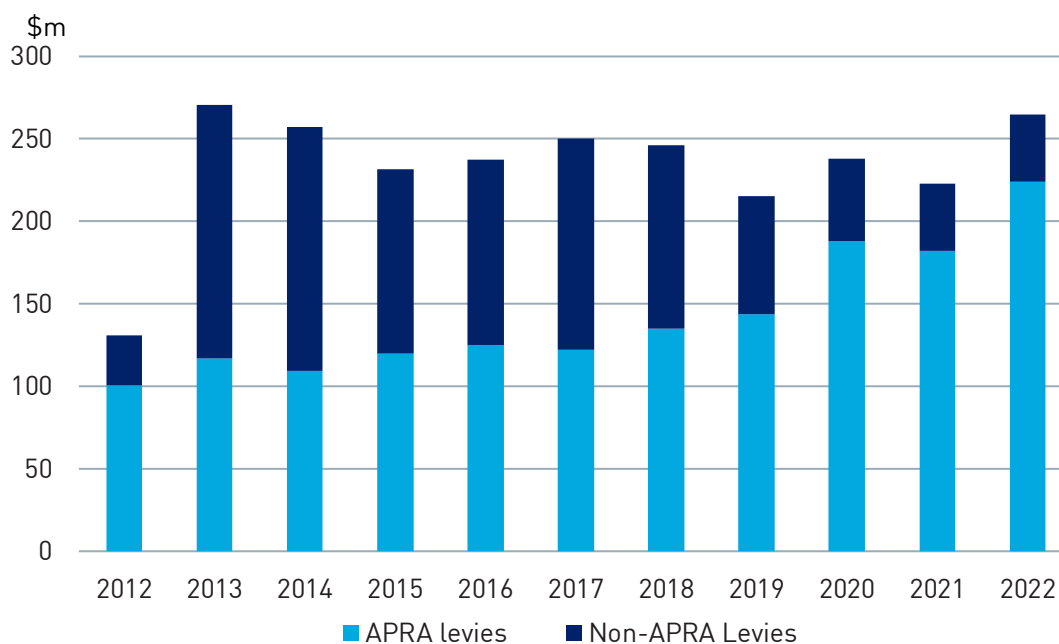
APRA's total income in 2021-22 was \$232.1 million, against a budget of \$229.3 million.

Income was higher than budget due to higher cost recovery activities and an over-collection of Financial Institutions Supervisory Levies arising from higher-than-expected June 2021 quarter assets growth in the superannuation industry.

Industry levies are raised according to the *Financial Institutions Supervisory Levies Collection Act 1998*, the *Supervisory Levy Imposition Acts 1998* relevant to each of APRA's regulated industries, and the *Private Health Insurance Supervisory Levy Imposition Act 2016*. Following consultation with industry, the relevant Minister determines the levy rates for each regulated industry prior to the beginning of each financial year. Industry levies are based on the costs incurred by APRA in discharging its duties with respect to each sector. For industries APRA regulates, other than private health insurance, the levy rate is applied on the relevant institution's total assets, subject to a minimum and maximum amount per institution. Exceptions to this are non-operating holding companies and small APRA-regulated superannuation funds, which are levied at a flat rate. For private health insurers, the levies are based on the number of policies held by each insurer at 30 June each year.

Levies are also collected to cover the costs of the National Claims and Policies Database (NCPD) for which a rate is applied to the gross earned premiums of general insurers that contribute to this database. The amount raised for NCPD purposes in 2021-22 was \$1.1 million. The total levies collected by APRA also cover certain costs attributable to ASIC, the ATO, the ACCC, and the Gateway Network Governance Body Ltd. Levies collected by APRA in 2021-22, including on behalf of these agencies, were \$264.9 million.

Figure 1 – APRA’s financial industry levies



On an annual basis, APRA releases a Cost Recovery Implementation Statement to provide further information on the APRA component of the levies collected from industry.

APRA also administers the Risk Equalisation Special Account whereby revenue collected by APRA for the purposes of risk equalisation across the private health insurance industry is treated by the Government as revenue and expenses. Total Risk Equalisation collections and payments in 2021-22 were \$399.9 million.

Reserves

The components of APRA’s reserves were subject to the following changes during the year:

- APRA’s retained surpluses increased by \$23.7 million to \$46.0 million, attributable to an operating surplus from ordinary activities of \$17.4 million, a transfer of \$7.2 million from the Contingency Enforcement Fund (CEF) following finalisation of a legal matter, a \$0.1 million transfer from the Asset Revaluation Reserve, partially offset by a transfer of \$1.0 million to the Contingency Enforcement Fund for future enforcement matters;
- the Asset Revaluation Reserve decreased to nil following the transfer of \$0.3 million to retained surpluses relating to previously revalued assets no longer in use and a reassessment of the provision for restoration costs and related leasehold improvement assets for APRA’s offices; and

- the CEF decreased by \$6.2 million to \$8.8 million, following the finalisation of a legal matter that resulted in a transfer of \$7.2 million to retained earnings that was partially offset by \$1.0 million transferred from retained earnings to the CEF for planned growth in the size of the fund arising from the BEAR and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

As a result of these movements, total reserves increased by \$17.2 million to \$71.4 million. These reserves include contributed equity of \$16.7 million, which was unchanged over the year.

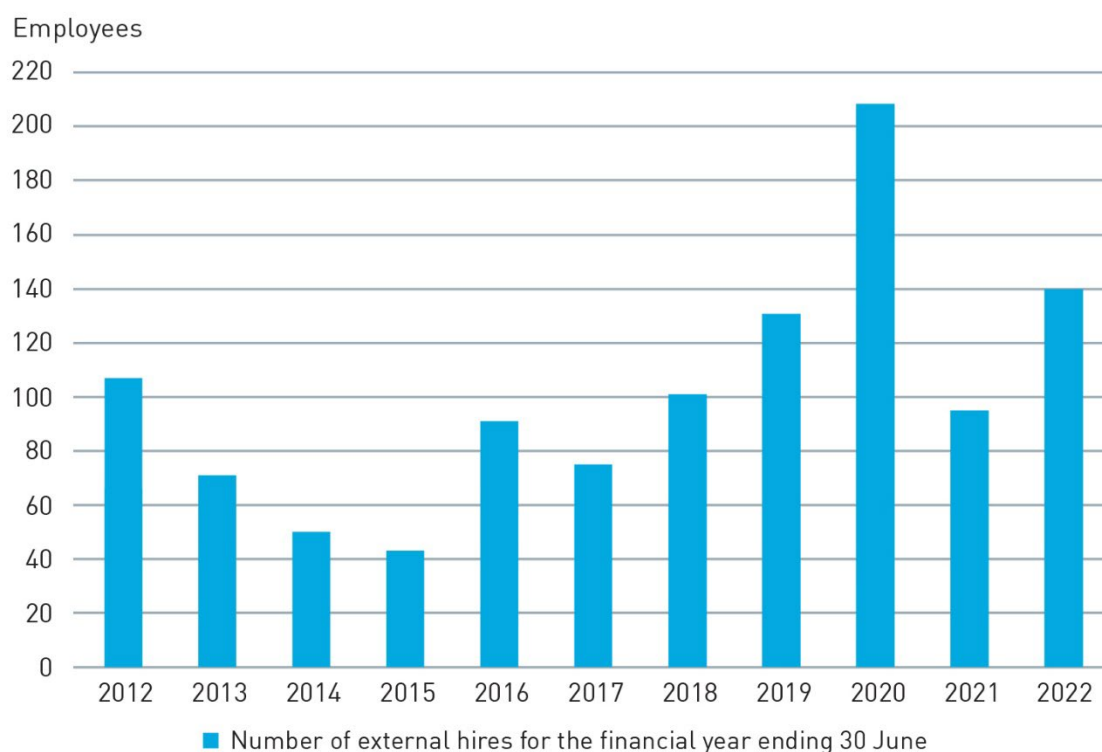
Management of Human Resources

At 30 June 2022, APRA had 844 permanent employees, a slight increase on the 836 permanent employees at the end of the 2021 financial year.

APRA continues to be focused on maintaining a highly skilled workforce with a combination of supervisory and financial services industry expertise. This is essential for a supervision-led regulator such as APRA, which relies on the judgement and experience of its employees to achieve sound prudential outcomes.

In 2021-22, APRA hired 140 new employees, including 20 graduates, with the majority of these hires made to backfill vacant roles resulting from attrition.

Figure 2 – External recruitment

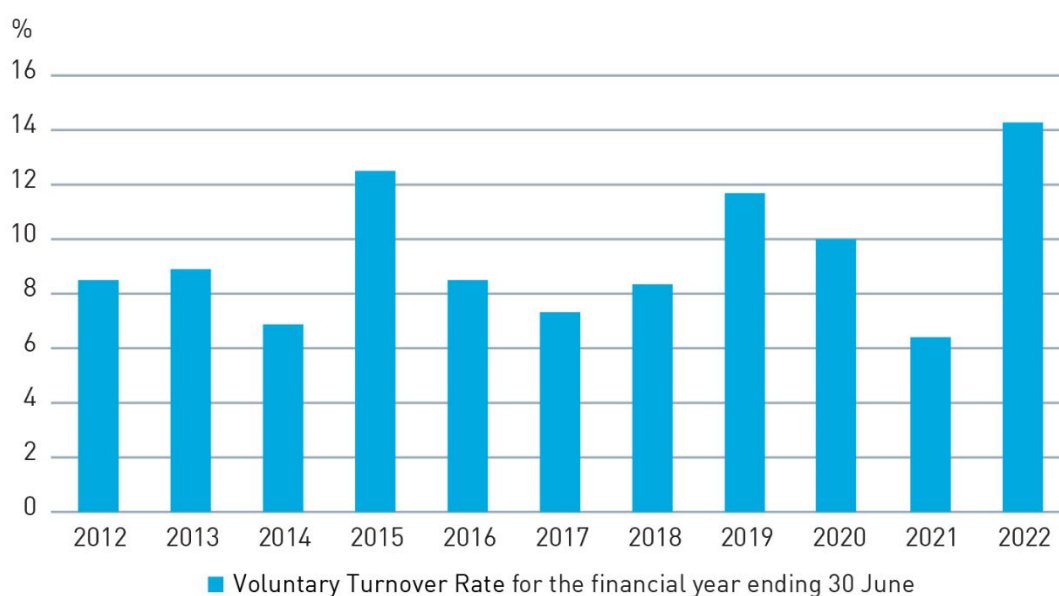


External recruitment in 2021-22 by level and gender

	Female	Male	Total
Level 1	12	9	21
Level 2	12	13	25
Level 3	12	22	34
Level 4	27	23	50
Level 5	3	5	8
General Manager	1	0	1
Executive Director	0	0	0
Member	1	0	1
Total	68	72	140

APRA's voluntary turnover increased from 6.5 per cent in 2020-21 to 14.5 per cent during 2021-22.

Figure 3 – Voluntary turnover rate



Talent and development

In 2021-22 APRA implemented revised people and performance frameworks. The frameworks support the organisation evolving the way it works to deliver APRA's purpose. The frameworks provide employees with greater career development pathways and opportunities across the organisation. The new career structures also include a technical leader pathway, recognising those operating at a significant level of expertise and impact in their field.

Building employee and leader capability progressed throughout 2021-22, supporting the implementation of the revised people and performance frameworks. A broad range of development opportunities for employees and leaders was available, delivered within a hybrid working environment, ensuring accessibility of learning for all regardless of location.

The ongoing wellbeing of staff continued to be a major priority for APRA in 2021-22, supporting ongoing hybrid working arrangements, wellbeing initiatives and inclusive leadership.

During 2021-22, the Supervision Training Academy continued to train and upskill APRA's supervisors. The supervision training program offers supervisors a rich array of technical programs and broader technical development opportunities.

APRA also maintained its well-regarded graduate program, employing 20 graduates in 2021-22. Support for employees undertaking postgraduate study also continued in 2021-22, with 23 employees participating in the studies support program.

Learning and development activities

Key training metrics	2019-20	2020-21	2021-22
Training spend per employee	\$2,624	\$2,102	\$2,453
Percentage of employees provided with training	100	100	100
Training sessions per employee	12.6	10.7	15.4
Training days per employee	2.2	2.5	3.0
Number of internal courses offered	283	324	266
Employees undertaking formal post-graduate studies	45	25	23

APRA and diversity

APRA believes that to successfully fulfil its mandate, every employee should have the opportunity to reach their true potential. In practice, this means creating and cultivating an environment where every employee, regardless of background or personal circumstances, feels valued, included and able to contribute fully to the work and social life of the organisation.

Diversity and inclusion characteristics across employees (by total headcount)

	Female	Male	ATSI ¹	CALD ²	PWD ³
Level 1	21	17	2	6	2
Level 2	54	46	0	19	1
Level 3	92	105	1	69	2
Level 4	164	200	0	93	12
Level 5	44	63	0	20	2
General Manager	13	15	0	2	0
Executive Director	3	3	0	1	0
APRA Member	2	2	0	0	0
Total	393	451	3	210	19

¹ Aboriginal and Torres Strait Islanders (ATSI)

² Culturally and Linguistically Diverse (CALD)

³ People with Disabilities (PWD)

Key initiatives in 2021-22

In 2021-22, the Inclusion and Diversity Council (IDC) launched the I&D Strategy 2021–25 and updated its vision to reflect APRA’s values and link to the overall APRA strategy:

“At APRA, we are committed to providing an environment where everyone belongs, is valued and respected. By embracing inclusion and diversity in everything we do, we can deliver great outcomes for the Australian community. We are stronger together”.

The strategy focuses on two areas: building momentum across existing I&D focus areas with our well-established network groups; and identifying areas of focus that intersect all networks – accessibility, age diversity, diversifying our talent, and data and demographics. Working groups were formed for each of these areas with Executive Director sponsorship and General Manager leadership with a view to accelerating outcomes.

The new APRA capability framework, introduced in 2021-22, fully embeds inclusion and diversity at all levels of job families. The APRA leadership capabilities outline four areas of leadership expectation, one of which focuses on inclusive leadership.

APRA also continued its commitment to inclusion and diversity through external benchmarking against the Australian Workplace Equality Index (AWEI). Continuing improvement has been evident in the results, with APRA acknowledged as a top participating employer in the AWEI 2022 awards. Continuing momentum in LGBTIQ inclusion, APRA has maintained an active role as part of the Rainbow Regulators and in 2022 took the Chair role of this committee. In 2021, APRA submitted a self-assessment benchmark to the Australian Network on Disability (AND) and continued to progress our accessibility inclusion.

APRA continued to deliver on its 2020-2022 Innovate Reconciliation Action Plan including:

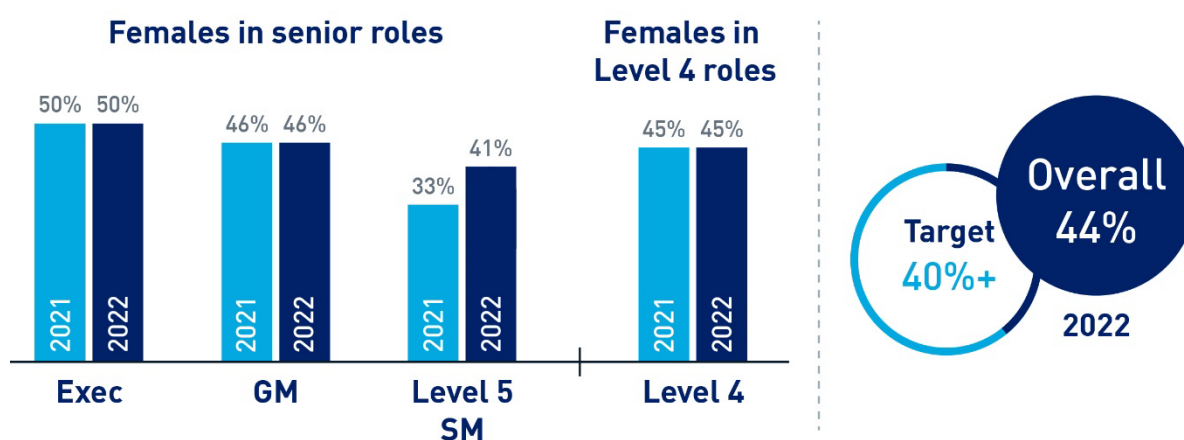
- Key activity around recruitment, awareness raising, special events, regular blogs, flag displays and land maps, Acknowledgment protocols, procurement and a resource library.
- A lead role in creating and maintaining a cross-agency RAP network.

Network groups hosted a range of events during the 2021-22 year including:

- Recognising International Women’s Day in a conversation with the Hon. Mary Wooldridge, Director of Workplace Gender Equality Agency.
- Lesbian Visibility Day Panel event with panelists across a range of industries and professions raising awareness about what it is like to be an LGBTIQ person who is perceived as a woman and the additional barriers they face.
- An APRA-wide event marking National Reconciliation Week, with key speakers including: a former employee who now provides financial counselling services to remote Indigenous communities in the Northern Territory; and Gerrit Wanganeen describing the role and work of the Office of the Registrar of Indigenous Corporations.
- Throughout November and December 2021, GenDelta and GenX+ network groups collaborated on a Money Smart “lunch and learn” series. Over 140 attendees participated in three virtual sessions, assisted by external presenters from ASIC and ACCC, which were designed to help APRA employees learn more about how to manage money, grow wealth and keep their money safe.
- Observing International Day of People with Disability with an APRA-wide event that showcased the accessible features, facilities and updated floors in APRA’s head office to help employees prepare to return to hybrid working at APRA.

Gender diversity in senior management

Overall, the number of women in senior roles increased during 2021-22, with a significant rise in the representation of women in Senior Manager roles.



CHAPTER 5 – STATUTORY REPORTING REQUIREMENTS

APRA reports in accordance with the following Commonwealth legislation and other requirements:

- *Australian Prudential Regulation Authority Act 1998*;
- *Environment Protection and Biodiversity Conservation Act 1999*;
- *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*;
- *Freedom of Information Act 1982*;
- *Public Governance, Performance and Accountability Act 2013*;
- *Work Health and Safety Act 2011*;
- Commonwealth Fraud Control Framework; and
- Requirements for Annual Reports for Departments, Executive Agencies and other Non-corporate Commonwealth Entities.

Australian Prudential Regulation Authority Act 1998 (APRA Act)

Section 59 of the APRA Act requires APRA to report on:

- the activities of persons conducting investigations under Division 2 of Part II and section 61 of the *Banking Act 1959*;
- the activities of Banking Act statutory managers (within the meaning of the *Banking Act 1959*);
- the activities of Insurance Act statutory managers (within the meaning of the *Insurance Act 1973*);
- the activities of Life Insurance Act statutory managers (within the meaning of the *Life Insurance Act 1995*);
- the operation of Division 2AA (Financial Claims Scheme for account-holders with insolvent ADIs) of Part II of the *Banking Act 1959*;
- the operation of Part VC (Financial Claims Scheme for policyholders with insolvent general insurers) of the *Insurance Act 1973*;
- the number of times during the year that APRA determined, under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001*, a reporting standard that is not a legislative instrument; and
- the exercise during the year of APRA's powers under Part 15 of the *Retirement Savings Accounts Act 1997* (RSA Act) and Part 29 of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

During 2021-22, APRA appointed an investigator under Division 2 of Part II or section 61 of the *Banking Act 1959* in relation to nine related entities. There was one investigator appointment under the *Banking Act 1959* continuing from the previous year.

APRA did not appoint statutory managers under the *Banking Act 1959*, *Insurance Act 1973* or *Life Insurance Act 1995* during 2021-22. There were no appointments continuing from the previous year.

There were no schemes in operation under Division 2AA of Part II of the *Banking Act 1959*. On 15 October 2009, the Minister made a declaration under section 6ZZZC of the *Insurance Act 1973* that Division 3 of Part VC of that Act applied in relation to one general insurer⁵⁴. No payments were made from the Financial Claims Scheme Special Account in 2021-22 to satisfy claims against this general insurer.

APRA did not determine any reporting standards under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* during 2021-22 that were not legislative instruments.

APRA did not exercise its powers under Part 15 of the RSA Act in 2021-22.

APRA exercised its powers under Part 29 of the SIS Act during 2021-22 in relation to particular entities or persons as set out below:

Exemptions exercised under the SIS Act

Instrument Number	Date	Provision of SIS Act / regulations exempted
A12 of 2021	20/12/2021	29E(5A)
A13 of 2021	16/08/2021	93(3)
A14 of 2021	29/09/2021	1.06(7)(g) and 1.06(8)(d)
A15 of 2021	26/10/2021	Revocation of A9 of 2021
A16 of 2021	28/10/2021	9.04D(1)
A1 of 2022	07/02/2022	4.07E
A2 of 2022	07/02/2022	4.07E
A3 of 2022	18/02/2022	89
A4 of 2022	21/02/2022	7.04
A5 of 2022	21/02/2022	9.04D
A6 of 2022	24/03/2022	4.07E
A7 of 2022	16/06/2022	7.04
A8 of 2022	24/06/2022	29E(5A)

⁵⁴ Australian Family Assurance Limited (in liquidation).

Modifications exercised under the SIS Act

Instrument Number	Date	Provision of SIS Act / regulations modified
A10 of 2021	30/09/2021	1.03(1)
A1 of 2022	07/02/2022	9.08, 9.09 and 9.17
A2 of 2022	07/02/2022	93(3)(a)(ii)
A3 of 2022	14/02/2022	1.06, 1.07A(3), 1.07B, 1.07C(3) and 1.07D(2)
A4 of 2022	26/04/2022	1.06, 1.07A, 1.07B, 1.07C and 1.07D
A5 of 2022	27/05/2022	1.03(1)

Environment Protection and Biodiversity Conservation Act 1999

APRA is committed to operating in an ecologically sustainable manner. APRA actively takes steps to reduce its environmental impact and adopts environmentally friendly options where practical. Measures include: sensor-controlled lighting; energy-efficient power management settings on office equipment; recycling of paper, cardboard, office furniture and printer cartridges; reducing waste; the use of mobile devices and 'follow-me' printing; and fostering employee awareness of environmental issues including considering the need to print documents.

In November 2021, APRA and the RBA published a joint statement⁵⁵ on the actions they were taking to ensure financial institutions and the Australian financial system were prepared to respond to the financial risks of climate. APRA and the RBA are among more than 50 international members of the Network for Greening the Financial System (NGFS) that have made public statements on the important role of central banks and financial regulators in mitigating the risks of climate change in the finance sector.

Equal Employment Opportunity (Commonwealth Authorities) Act 1987

APRA is dedicated to ensuring it continues to create an environment that fosters inclusivity and respect for all its employees. Diverse and inclusive teams are critical for APRA's success as they broaden the range of thinking that supports strong judgments, which are the foundation of supervisory authorities. Further information on APRA's Inclusion and Diversity initiatives can be found in the section titled 'APRA and diversity' in Chapter 4.

⁵⁵ <https://www.apra.gov.au/ngfs-pledge-%E2%80%93-combined-statement-from-apra-and-rba>

Fraud preventions and controls

Commonwealth Fraud Control Guidelines

The Chair of APRA certifies that he is satisfied that:

- a fraud risk assessment and fraud control plan has been prepared and complies with the Commonwealth Fraud Control Guidelines;
- appropriate fraud prevention, detection, investigation, recording and reporting procedures are in place to meet the specific needs of APRA; and
- all reasonable measures have been taken to deal appropriately with fraud relating to APRA.

Freedom of Information Act 1982

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. APRA displays material on its website showing what information it publishes in accordance with the IPS requirements⁵⁶.

Work Health and Safety Act 2011 (WHS Act)

APRA has continued to strengthen its Work Health and Safety (WHS) policy with an increased focus on employee wellbeing, risk management and reporting. This has been crucial with the COVID-19 pandemic, amplifying the need for a strong focus on employee health and wellbeing.

APRA has continued to respond in a risk-based manner, with ongoing response to WHS risk assessments that were conducted to determine the appropriate approach to ensure the safety and wellbeing of employees.

WHS response to COVID-19

The WHS Risk Assessment identified key risks that had the potential to impact APRA's key objective of 'maintaining the health, safety and wellbeing of all employees and contractors whilst working remotely and in the return-to-office approach'. The key risks covered the spectrum of psychological and physical health as well as leadership and change management.

⁵⁶ <https://www.apra.gov.au/freedom-of-information>

Controls to address COVID-19 key risks included:

- a COVID Operational Response Working Group with representatives from P&C, Corporate Affairs, IT, Facilities and Strategy to ensure employees were supported with regular state-based health information, technology and safety in office. Towards the end of the 2021-22 year, the working group activity devolved to the relevant business areas;
- detailed monitoring of potentially impacted employees and maintaining the framework to be able to respond effectively to an instance of COVID-19 in the workplace;
- all employees being kept fully informed through a regularly updated information page, FAQs and regular communications;
- the opportunity for employees to raise concerns about their remote working arrangements and ergonomic conditions, followed up by virtual ergonomic assessments where required;
- adapting policies to enable greater flexibility to support family/personal responsibilities and workload, and the creation of new/additional policies to enable an appropriate and ongoing response to COVID-19 in the workplace;
- the delivery of regular wellbeing workshops focusing on supporting yourself, parenting during a pandemic and supporting family overseas during COVID; and
- the delivery of a series of leadership sessions targeted at supporting leaders through the change in working arrangements.

To monitor employee engagement and wellbeing while working remotely, APRA conducted two pulse surveys of its employees in August 2021 and April 2022. The April pulse survey measured employee sentiment towards a hybrid working environment. The results of these surveys (contained in Chapter 3) helped shape the current approach to hybrid working at APRA.

APRA continued to offer access to various initiatives to support employee wellbeing, including the annual flu vaccination which was provided both in office through Medimobile and also through the Pharmacy Guild of Australia to enable employees to receive their flu vaccination at a location near their home or office.

In addition, there was a strong emphasis on supporting positive mental health with increased engagement through APRA's partnership with external providers in delivering targeted workshops to strengthen resilience in challenging times. APRA continued to promote Employee Assist (APRA's employee assistance provider) and its Wellbeing Ambassador network.

APRA refreshed its approach to hybrid working with the introduction of a hybrid working statement and updated policies. Leaders empower their teams, trusting them to be part of a work environment that is flexible, inclusive, thriving and developmental. The transition to hybrid working started in May 2022 with leader sessions and a hybrid working leader toolkit to ensure leaders and employees were equipped for hybrid planning conversations, had a clear understanding of its purpose and could address any individual concerns in returning to a blend of office and home working.

WHS Committee

The Work Health and Safety (WHS) Committee is an integral part of APRA's internal governance system and is the principal forum for oversight on all WHS matters. It is responsible for monitoring the effectiveness of WHS control measures.

The role of the WHS Committee has been updated, with broader membership and updated terms of reference to reflect these changes.

WHS outcomes

APRA's risk management strategies have successfully mitigated any risks or hazards that may have resulted in notifiable incidents, investigations relating to undertakings, or provisional improvement notices.

There were no new workers' compensation claims accepted by Comcare in the 2021-22 financial year.

Other reporting requirements

Accountable Authority during the current reporting period (2021-22)

Mr Wayne Byres, as Chair of APRA, was the accountable authority during 2021-22.

Advertising and market research

Under the *Commonwealth Electoral Act 1918*, APRA is required to report annually on amounts paid to advertising agencies, market research and media advertising organisations relating to electoral expenditure.

In 2021-22 APRA has not incurred advertising or market research expenditure in relation to an election.

Separately, during 2021-22 APRA incurred the following recruitment advertising expenditure:

Advertising expenditure

Supplier	Amount (Excl. GST)
Mediabrand Australia Pty Ltd T/As Universal McCann	\$215,477.51

Outside of the above, APRA did not conduct any specific advertising campaigns during 2021-22.

Auditor-General activities

The Australian National Audit Office (ANAO) undertook the required statutory financial audit of APRA for 2021-22.

Capability reviews

APRA was not subject to external capability reviews in 2021-22.

Collective agreements and common law contracts

All employees are appointed under the APRA Act.

On 30 June 2022, there were 699 employees covered by the terms of the APRA Enterprise Agreement 2022. The APRA Enterprise Agreement 2022 commenced on 1 April 2022 for a three-year term, with a nominal expiry date of 31 March 2025.

APRA's 145 senior employees were covered by common law agreements.

APRA applies a total remuneration package (TRP) approach whereby all salary, superannuation and 'salary-sacrifice' benefits are included in an employee's TRP.

TRP ranges for non-executive employees as at 30 June 2022

	Level 1	Level 2	Level 3	Level 4
Maximum	\$78,339	\$117,994	\$171,031	\$243,165
Minimum	\$49,885	\$65,551	\$95,063	\$135,046

Commonwealth Ombudsman

The Commonwealth Ombudsman did not undertake any investigation into APRA's conduct in 2021-22.

Commonwealth procurement rules

The APRA Chair's Finance Instructions and Finance Policies (CFIs) and associated operational procedures, ensure that APRA's procurement process complies with the Commonwealth Procurement Rules (CPRs). In particular, they ensure that the core procurement principle of value-for-money is observed.

APRA conducts its procurement processes within the CPRs, including but not limited to:

- engaging indigenous suppliers for procurements between \$80,000 and \$200,000 as required under the Indigenous Procurement Policy;
- conducting open tenders for procurement activities of more than \$200,000 (unless otherwise exempted under the CPRs);

- reporting all procurements over \$10,000 on AusTender; and
- providing a link on APRA's website to the AusTender report on all purchases over \$100,000.

In 2021-22, APRA had no AusTender-exempt contracts. As required under the CPRs, all APRA competitively tendered contracts over \$100,000 provide for the Auditor-General to have access to the contractor's premises.

Procurement initiatives to support small business

APRA supports small business participation in the Commonwealth Government procurement market. Small and medium enterprises (SME) and small enterprise participation statistics are available on the Department of Finance's website:

<https://www.finance.gov.au/government/procurement/statistics-australian-government-procurement-contracts->

APRA's procurement activities that support small business are consistent with paragraphs 5.5, 5.6 and 5.7 of the CPRs and include:

- using the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000;
- prequalified panels with SME providers;
- payments via electronic systems; and
- meeting the objective of paragraph 5.6 of the CPRs on sourcing over 20 per cent of procurements through SME providers.

Consultancies

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of contracts and consultancies is available on the AusTender website: www.tenders.gov.au.

APRA's CFIs and associated operational procedures, include specific provisions on consultants.

APRA engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or solutions to assist in APRA's decision-making. Before engaging consultants, APRA considers the skills and resources required for the task, the skills available in-house, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with legislation, CPRs and internal policies.

During 2021-22, APRA entered one new consultancy contract relating to obtaining assurance on an entity's current/projected financial position and facilitating exit planning involving a total expenditure of \$247,500.

Expenditure on Reportable Consultancy Contracts

	Number	Expenditure \$ (GST incl.)
New contracts entered during the reporting period	1	247,500.00
Ongoing contracts entered during a previous reporting period	1	1,559,547.00
Total	2	1,807,047.00

*Expenditure on Reportable Non-Consultancy Contracts**

	Number	Expenditure \$ (GST incl.)
New contracts entered during the reporting period	323	41,140,829.26
Ongoing contracts entered during a previous reporting period	72	154,078,504.91
Total	395	195,219,334.17

* This table shows the total value of ongoing contracts that were entered into prior to this financial year. This includes multi-year contracts such as property leases and IT services and systems.

Organisations Receiving a Share of New Reportable Consultancy Contract Expenditure

Name of Organisation	Expenditure \$ (GST incl.)
PricewaterhouseCoopers Consulting (Australia) Pty Limited	247,500.00

*Organisations Receiving a Share of New Reportable Non-Consultancy Contract Expenditure**

Name of Organisation	Expenditure \$ (GST incl.)
Vizor Limited	4,836,920.77
Macquarie Telecom Pty Ltd	4,499,636.24
Korda Mentha Pty Ltd	1,500,000.00
ServiceNow Australia Pty Ltd	1,208,931.77
FinXL Professional Services	1,075,684.50

* This table shows the top five new contracts entered during the 2021-22 financial year. Contract details are also available on AusTender.

Consultative arrangements

APRA consults extensively with regulated entities, industry bodies and other interested parties prior to finalising prudential policies, including new or amended prudential standards and reporting standards, as well as formal prudential guidance. Some reporting standard consultations are conducted on behalf of APRA by other government departments and agencies⁵⁷.

During 2021-22, APRA released 13 updated prudential standards and 19 reporting standards and undertook 26 consultations across the prudential and reporting framework across all regulated industries.

APRA complies with the Australian Government's Regulation Impact Analysis requirements. During 2021-22, APRA finalised one Regulation Impact Statement, four independent certifications and one post-implementation review. In addition, APRA developed nine preliminary assessments.

Courts and tribunals

During 2021-22, there were no judicial decisions that had, or may have, a significant effect on APRA's operations. There were no court decisions relating to enforcement action taken by APRA during the year.

During 2021-22, APRA participated as *amicus curiae* in 12 applications brought by trustees in various state Supreme Courts seeking authorisation to introduce fee charging powers in their respective trust deeds following amendments to sections 56 and 57 of the SIS Act.

Executive remuneration

APRA's Board members' remuneration is determined by Remuneration Tribunal determinations. The Senior Executives are remunerated through a common law contract and APRA's remuneration policies. All decisions relating to Executive remuneration are governed by the APRA Board. Remuneration adjustments for all other employees are approved through an annual remuneration review process, the outcomes of which are approved by Executive Directors and APRA Chair. Out of cycle remuneration adjustments are approved at Executive Director level and taken into consideration during the annual process.

⁵⁷ In 2022, Treasury consulted on ARS 920.6, ARS 920.8 and ARS 920.10 as part of the consultation on the SME Recovery Loan Scheme.

Remuneration for key management personnel earned in 2021-22

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Base salary ¹	Bonuses	Other benefits and allowances ²	Superannuation contributions	Long service leave ³	Other long-term benefits		
Wayne Byres	Chair	946,766	0	42,633	114,000	(105,987)	0	0	997,412
Helen Rowell	Deputy Chair	677,358	0	0	27,500	(37,647)	0	0	667,211
John Lonsdale	Deputy Chair	660,717	0	0	90,254	(5,617)	0	0	745,354
Margaret Cole	Member	682,058	0	0	27,500	9,668	0	0	719,226

¹ Differences between the key management personnel figures and those provided by the Remuneration Tribunal are related to leave earned, taken and revalued during the year as well as underpayment of entitlements relating to prior years.

² Other benefits and allowances include fringe benefits relating to motor vehicles.

³ Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Remuneration for senior executives earned in 2021-22

Total remuneration bands	Number of senior executives	Short-term benefits				Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average transition payment ¹	Average other benefits and allowances	Average superannuation contributions	Average long service leave ²	Average other long-term benefits	Average termination benefits	Average total remuneration
\$0 - \$220,000	7	24,114	0	1,367	0	3,509	(3,909)	0	0	25,081
\$295,001 - \$320,000	2	261,387	0	25,535	0	26,448	(5,936)	0	0	307,434
\$320,001 - \$345,000	4	274,791	0	23,800	0	27,423	12,162	0	0	338,176
\$345,001 - \$370,000	6	299,045	0	24,944	0	31,597	3,084	0	0	358,670
\$370,001 - \$395,000	8	321,680	0	26,651	0	27,500	8,682	0	0	384,513
\$395,001 - \$420,000	6	342,875	0	28,267	0	27,500	6,994	0	0	405,636
\$470,001 - \$495,000	1	403,994	0	34,160	0	27,500	8,279	0	0	473,933
\$520,001 - \$545,000	2	467,546	0	37,800	0	27,500	1,997	0	0	534,843
\$545,001 - \$570,000	4	485,986	0	38,800	0	27,500	12,013	0	0	564,299

¹ One-off transition payments resulted from APRA's 2022 Enterprise Agreement which reflected the removal of annual performance bonuses in line with the Governments' remuneration policy.

² Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Remuneration for highly paid staff earned in 2021-22

Total remuneration bands	Number of senior executives	Short-term benefits				Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average transition payment ¹	Average other benefits and allowances ²	Average superannuation contributions	Average long service leave ³	Average other long-term benefits	Average termination benefits	Average total remuneration
\$235,001 - \$245,000	22	193,265	0	16,969	6	24,501	(1,369)	0	5,822	239,194
\$245,001 - \$270,000	58	213,361	0	18,551	399	24,958	614	0	0	257,883
\$270,001 - \$295,000	17	228,433	0	20,116	0	23,915	8,480	0	0	280,944
\$295,001 - \$320,000	7	252,454	0	21,902	2,188	25,630	5,109	0	0	307,283
\$445,001 - \$470,000	1	413,988	0	18,925	11,818	27,500	(3,000)	0	0	469,231

¹ One-off transition payments resulted from APRA's 2022 Enterprise Agreement which reflected the removal of annual performance bonuses in line with the Governments' remuneration policy.

² Other benefits and allowances include fringe benefits relating to motor vehicles.

³ Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Indemnities and insurance premiums

APRA Members and officers are covered by the professional indemnity insurance cover of the Commonwealth-managed insurance scheme, Comcover. The generic terms and conditions of the insurance cover provided by Comcover to Commonwealth agencies are available on the Comcover website: www.finance.gov.au/comcover. Under the conditions of the cover, APRA has an obligation not to disclose the nature and limits of liability and the amount of the premium.

Grant programs

The Commonwealth Grants Rules and Guidelines require agencies to publish details of grants on their websites within 14 working days after the funding agreement for the grant takes place. APRA does not make grants or administer grant programs.

However, APRA does offer and participate in scholarship programs. Such programs are the University of New South Wales Cooperative Actuarial Scholarship and the Brian Gray Scholarship. Details of APRA's Scholarship programs are available on APRA's website: <https://www.apra.gov.au/grants-and-scholarships>

Legal services

The *Legal Services Directions 2017* requires Commonwealth agencies to make publicly available information on records of their legal services expenditure for the previous financial year. During 2021-22, APRA's total expenditure on external legal advice and litigation services was \$2,515,058 (excluding GST).

Parliamentary committees

Avenues through which APRA is accountable to the Parliament include Parliament's ad hoc and standing committees, and specific references on legislation or issues of particular interest to parliamentary committees.

During 2021-22, APRA Members and executives appeared at public hearings before the:

- Senate Standing Committee on Economics (Legislation):
 - Estimates hearings on 28 October 2021, 16 February 2022 and 6 April 2022.
 - Inquiry into the Financial Accountability Regime Bill, 27 January 2022.
 - Inquiry into Treasury Laws Amendment (Cyclone and Flood Damage Reinsurance Pool) Bill 2022, 08 March 2022.
- House of Representatives Standing Committee on Economics:
 - Inquiry into Common ownership and capital concentration in Australia, 10 September 2021
 - Inquiry into Australian Prudential Regulation Authority annual report 2020, 10 September 2021.
 - Inquiry into Australia's four major banks and other financial institutions: Superannuation sector, 10 February 2022.

- Joint Senate Committee on the Australian Commission for Law Enforcement Integrity:
 - Inquiry into corruption vulnerabilities of Australia's law enforcement agencies, 21 February 2022.
- House of Representatives Standing Committee on Tax and Revenue:
 - Inquiry into Housing Affordability and Supply in Australia, 15 November 2021.
- Joint Standing Committee on Trade and Investment Growth:
 - Inquiry into Prudential regulation of investment in Australia's export industries, 13 August 2021.
- Parliamentary Joint Committee on Corporations and Financial Services:
 - Inquiry into Mobile Payments and Digital Wallet Financial Services, 27 July 2021.

During 2021-22, APRA made submissions to the following Parliamentary Inquiries:

- Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity's (ACLEI) Inquiry into the expansion of ACLEI's jurisdiction and the corruption vulnerabilities of law enforcement agencies' contracted services, 23 December 2021;
- Senate Economics Legislation Committee's Inquiry into the Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021, 22 December 2021;
- Senate Economics Legislation Committee's Inquiry into the Financial Accountability Regime Bill 2021, 17 December 2021; and
- House of Representatives Standing Committee on Tax and Revenue's Inquiry into housing affordability and supply in Australia, 21 October 2021.

Copies of opening statements delivered as part of APRA's appearances may be downloaded from APRA's website www.apra.gov.au. Transcripts of APRA's Parliamentary appearances and copies of its submissions to parliamentary committees are available from the Parliamentary website www.aph.gov.au.

Performance pay

APRA has previously operated a fully discretionary performance pay system with bonuses payable at the end of each financial year. The terms of the APRA Enterprise Agreement 2022 reflected a change in Government policy, which no longer allows for the payment of annual performance bonuses. The APRA Enterprise Agreement 2022 included transitional arrangements to compensate for the change in Government policy. The transitional arrangements consisted of a flat rate 8 per cent of TRP transition payment and a 4 per cent remuneration increase, which was effective 1 July 2022 and payable to eligible employees as of 30 June 2022. TRP will continue to be reviewed annually with consideration of a range of factors when determining any increase.

Privacy Act 1988

No privacy complaints against APRA were made to the Office of the Australian Information Commissioner under section 36 of the *Privacy Act 1988* (Privacy Act).

The Privacy Commissioner made no determinations under section 52 of the Privacy Act, nor did APRA seek any under section 73 of the Privacy Act.

There were no adverse or favourable comments made by the Privacy Commissioner in respect of APRA's operations.

Privacy enquiries relating to APRA sent by post should be addressed to:

Freedom of Information Coordinator
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001

Or by phone: 02 9210 3000 or email: foi@apra.gov.au

Responsible Ministers

As at 30 June 2022, the Hon. Dr Jim Chalmers MP had portfolio responsibility for APRA as Treasurer of the Commonwealth of Australia, and the Hon. Stephen Jones MP was Assistant Treasurer and Minister for Financial Services.

Prior to that, for the 2021-22 financial year to 22 May 2022, the Hon. Josh Frydenberg MP had portfolio responsibility for APRA as Treasurer of the Commonwealth of Australia, and Senator the Hon. Jane Hume was the Minister for Superannuation, Financial Services and the Digital Economy.

Significant non-compliance with relevant financial laws

During 2021-22 there were no incidents of material non-compliance with relevant financial laws.

Employee statistics (by headcount)

Ongoing employees 2021-22 by location

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
ACT	7	0	7	0	0	0	0	0	0	7
NSW	272	8	280	236	36	272	0	0	0	552
QLD	20	0	20	11	2	13	0	0	0	33
SA	5	0	5	5	1	6	0	0	0	11
VIC	43	5	48	31	5	36	0	0	0	84
Total	347	13	360	283	44	327	0	0	0	687

Non-ongoing employees 2021-22 by location (Fixed-term, Senior Managers and above)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
ACT	2	0	2	0	0	0	0	0	0	2
NSW	79	2	81	49	7	56	0	0	0	137
QLD	5	0	5	2	0	2	0	0	0	7
SA	0	0	0	0	0	0	0	0	0	0
VIC	3	0	3	8	0	8	0	0	0	11
Total	89	2	91	59	7	66	0	0	0	157

Ongoing employees 2020-21 by location

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
ACT	6	0	6	1	0	1	0	0	0	7
NSW	272	9	281	235	38	273	0	0	0	554
QLD	16	0	16	6	3	9	0	0	0	25
SA	4	0	4	5	1	6	0	0	0	10
VIC	36	4	40	29	7	36	0	0	0	76
Total	334	13	347	276	49	325	0	0	0	672

Non-ongoing employees 2020-21 by location (Fixed-term, Senior Managers and above)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
ACT	1	0	1	0	0	0	0	0	0	1
NSW	90	3	93	45	7	52	0	0	0	145
QLD	4	0	4	0	1	1	0	0	0	5
SA	1	0	1	0	0	0	0	0	0	1
VIC	5	1	6	6	0	6	0	0	0	12
Total	101	4	105	51	8	59	0	0	0	164

Agency resources and expenses by outcome

Under the Requirements for annual reports for departments, executive agencies and other non-corporate Commonwealth entities, issued by the Department of Prime Minister and Cabinet, APRA must provide information outlining its various funding sources during the financial year and total expenses for each agency outcome. To this end, APRA's Agency Resource Statement and Expenses by Outcome Statement for 2021-22 are set out below.

Agency resources statement

	Actual available appropriation	Payments made	Balance remaining
	\$'000 (a)	\$'000 (b)	\$'000 (a)-(b)
Ordinary annual services			
Departmental appropriation	13,277	13,277	-
Total	13,277	13,277	-
Total available annual appropriations and payments	A 13,277	13,277	-
Special accounts			
Opening balance	64,403		
Appropriation receipts	3		
Special appropriation receipts	236,848		
Payments made		225,554	
Total special account	B 301,254	225,554	75,700
Total resources and payments			
A+B	314,531	238,831	75,700
Less appropriation drawn from annual or special appropriations above and credited to special accounts	(13,277)	(13,277)	-
Total net resourcing and payments for APRA	301,254	225,554	75,700

Expenses by outcome statement

Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, promotes financial system stability in Australia.

	Budget	Actual expenses	Variation
	\$'000	\$'000	\$'000
	(a)	(b)	(a)-(b)

Program 1.1: Australian Prudential Regulation Authority

Departmental expenses

Departmental appropriation ¹	4,827	13,277	(8,450)
Special accounts	220,988	201,350	19,638
Total expenses for outcome¹	225,815	214,627	11,188
	Actual	Actual	Variation
	2021-22	2020-21	
Average staffing level (number)	815	789	26

¹Departmental appropriation combines 'Ordinary annual services (Appropriation Bill No.1)' and 'Revenue from independent sources'.

CHAPTER 6 – FINANCIAL STATEMENTS

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*Administered items are distinguished from departmental items throughout these financial statements by background shading.



INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Australian Prudential Regulation Authority (the Entity) for the year ended 30 June 2022:

- (a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2022 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2022 and for the year then ended:

- Statement by the Accountable Authority, Chief Operating Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Sally Bond
Executive Director
Delegate of the Auditor-General

Canberra
18 August 2022

STATEMENT BY THE ACCOUNTABLE AUTHORITY, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2022 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Prudential Regulation Authority will be able to pay its debts as and when they fall due.



Mr Wayne Byres
Chair

16 August 2022



Mr Steve Matthews
Chief Operating Officer

16 August 2022



Ms Sharon Burns
Chief Financial Officer

16 August 2022

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000	Original Budget \$'000
Expenses				
Employee benefits	1.1A	153,366	142,715	160,341
Suppliers	1.1B	35,876	34,033	44,291
Depreciation and amortisation	3.2	21,089	18,521	20,488
Finance costs	1.1C	708	859	695
Assets written off	3.2	1,140	98	-
Scholarships		97	95	-
Restoration	3.5	2,351	53	-
Total expenses		214,627	196,374	225,815
Own-source revenue				
Revenue from contracts with customers	1.2A	4,191	2,204	3,357
Other revenue	1.2B	1,368	981	1,470
Rental income		-	5	-
Total own-source revenue		5,559	3,190	4,827
Net cost of services				
		209,068	193,184	220,988
Revenue from Government	1.2C	226,501	185,731	224,424
Operating surplus / (deficit)		17,433	(7,453)	3,436
Other comprehensive income				
Items not subject to subsequent reclassification to net cost of services				
Decrease in asset revaluation reserve		(249)	(74)	-
Total comprehensive gain / (loss)		17,184	(7,527)	3,436

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Expenses:

Total expenses are \$11.2m lower than budget, primarily due to:

- Employee benefits being lower than budget by (\$7.0m) due to a combination of lower than budget staff levels and movements in leave provisions, including an increase in the Government 10 year bond yield used to value leave provisions;
- Supplier expenses being lower than budget by (\$8.4m) include a \$2.5m release of a provision following the settlement of a legal matter, the on-going pandemic, labour market challenges and the deferral of activities into the 2022-23 financial year, in part due to the federal government election;
- Write-off of assets of \$1.1m relates to capitalised work-in-progress of intangible assets; and
- Restoration expense of \$2.4m results from a reassessment of expected makegood requirements, principally for APRA's Sydney, Melbourne and Adelaide offices in future years, reflecting labour and supply chain challenges impacting cost estimates.

Own-source revenue:

- Revenue from contracts with customers is higher than budget by \$0.7m due to higher cost recoveries for work undertaken with respect to the assessment of models-based capital adequacy requirements for Authorised Deposit-taking Institutions (ADIs) - Basel II.

Revenue from Government:

- Revenue from Government is higher than budget by \$2.1m following higher than projected June 2021 quarter assets growth within the superannuation industry. This over-collection will be returned in the 2022-23 levy process.

Operating surplus:

- The operating surplus of \$17.4m is higher than budget by \$14.0m due to the combination of reasons outlined above.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000	Original Budget \$'000
Assets				
Financial assets				
Cash and cash equivalents	3.1A	75,700	64,403	58,406
Trade and other receivables	3.1B	3,871	3,168	1,955
Total financial assets		79,571	67,571	60,361
Non-financial assets				
Property, plant and equipment ¹	3.2	49,063	59,089	49,318
Intangibles	3.2	48,023	42,273	54,083
Prepayments		4,632	4,146	3,755
Total non-financial assets		101,718	105,508	107,156
Total assets		181,289	173,079	167,517
Liabilities				
Payables				
Suppliers	3.3A	5,786	6,288	6,555
Other payables	3.3B	4,235	3,679	4,555
Total payables		10,021	9,967	11,110
Interest bearing liabilities				
Leases	3.4	35,854	43,569	34,574
Total interest bearing liabilities		35,854	43,569	34,574
Provisions				
Employee provisions	6.1	55,814	52,432	60,534
Other provisions	3.5	8,172	12,867	3,752
Total provisions		63,986	65,299	64,286
Total liabilities		109,861	118,835	109,970
Net assets		71,428	54,244	57,547
Equity				
Contributed equity		16,657	16,657	16,657
Retained surpluses		46,007	22,333	26,299
Asset revaluation reserve		-	254	7,591
Contingency Enforcement Fund		8,764	15,000	7,000
Total equity		71,428	54,244	57,547

The above statement should be read in conjunction with the accompanying notes.

¹ Right-of-Use assets are included in Property, plant and equipment.

STATEMENT OF FINANCIAL POSITION - CONTINUED

as at 30 June 2022

Budget Variances Commentary

Assets:

Total assets are \$13.8m higher than budget due to:

- Financial assets being higher than budget by \$19.2m due to higher cash balances arising from lower expenditure on employees and suppliers due to the on-going pandemic, incorporating labour market challenges and the deferral of activities into the 2022-23 financial year, in part due to the federal government election; and
- Non-financial assets being lower than budget by \$5.4m primarily due to the deferral of software-related build activity and higher than budgeted prepayments at year end.

Liabilities:

Total liabilities are in line with budget due to:

- Employee provisions are lower than budget by \$4.7m due to the impact of a rise in the Government 10 year bond yield used to value leave provisions and the budget assumption, see note 6.1 Employee Provisions; and
- Other provisions being higher than budget by \$4.4m primarily due to an increase in estimated leasehold improvement restoration costs of \$4.3m for APRA's Sydney, Melbourne and Adelaide offices following a reassessment by an independent valuer (see note 3.5).

Equity:

Total equity is \$13.9m higher than budget due to:

- Retained surpluses being higher than budget by \$19.7m due to lower expenses and higher revenue as detailed in the Statement of Comprehensive Income, and the transfer of a net \$6.2m from the CEF (refer below);
- The asset revaluation reserve is lower than budget by \$7.6m due to the writeback of revaluation reserves for disposed assets to retained surpluses in the 2021 financial year; and
- The Contingency Enforcement Fund (CEF) is higher than budget by \$1.8m following the settlement of a legal matter. Upon conclusion of this matter APRA accessed the CEF through a transfer of \$7.2m to retained surpluses. This was partially offset by an increase to the CEF of \$1m, resulting in a \$6.2m movement.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	2022 \$'000	2021 \$'000	Original Budget \$'000
Contributed equity			
Opening balance	16,657	16,657	16,657
Closing balance as at 30 June	16,657	16,657	16,657
Retained surpluses			
Opening balance	22,333	25,523	14,863
Transfer from / (to) Contingency Enforcement Fund	6,236	(3,000)	8,000
Surplus / (deficit) for the period	17,433	(7,453)	3,436
Transfer from revaluation reserve	5	7,263	-
Closing balance as at 30 June	46,007	22,333	26,299
Asset revaluation reserve			
Opening balance	254	7,591	7,591
Decrease in asset revaluation reserve	(249)	(74)	-
Transfer to retained surpluses	(5)	(7,263)	-
Closing balance as at 30 June	-	254	7,591
Contingency Enforcement Fund			
Opening balance	15,000	12,000	15,000
Transfer (to) / from retained surpluses	(6,236)	3,000	(8,000)
Closing balance as at 30 June	8,764	15,000	7,000
Total equity			
Opening balance	54,244	61,771	54,111
Decrease in asset revaluation reserve	(249)	(74)	-
Surplus / (deficit) for the period	17,433	(7,453)	3,436
Closing balance as at 30 June	71,428	54,244	57,547

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY - CONTINUED

for the year ended 30 June 2022

Budget Variances Commentary

Retained surpluses:

- Retained surpluses being higher than budget by \$19.7m due to lower expenses and higher revenue as detailed in the Statement of Comprehensive Income, and the transfer of a net \$6.2m from the CEF (refer below);

Asset revaluation reserve:

- The asset revaluation reserve is lower than budget by \$7.6m due to a writeback of revaluation reserves for disposed assets to retained surpluses in the 2021 financial year; and

Contingency Enforcement Fund (CEF):

- The Contingency Enforcement Fund (CEF) is higher than budget by \$1.8m following the settlement of a legal matter. Upon conclusion of this matter APRA accessed the CEF through a transfer of \$7.2m to retained surpluses. This was partially offset by an increase to the CEF of \$1m, resulting in a \$6.2m movement.

CASH FLOW STATEMENT

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000	Original Budget \$'000
Operating activities				
Cash received				
Appropriations		226,503	185,719	224,424
Section 74 receipts received ¹		-	-	8,614
Rendering of services		4,024	2,103	4,587
GST received		5,985	5,110	4,277
Other		339	210	240
Total cash received		236,851	193,142	242,142
Cash used				
Employees		(148,190)	(139,316)	(155,391)
Suppliers		(40,154)	(35,309)	(48,318)
Interest payments on lease liabilities		(695)	(844)	(695)
GST paid		(6,052)	(5,456)	(250)
Section 74 receipts transferred to Official Public Account (OPA) ¹		-	-	(8,614)
Payment of legal costs		(6,500)	-	(7,000)
Total cash used		(201,591)	(180,925)	(220,268)
Net cash from operating activities		35,260	12,217	21,874
Investing activities				
Cash used				
Purchase of property, plant and equipment		(714)	(2,209)	-
Purchase / development of software intangibles		(15,384)	(10,509)	(16,400)
Net cash used by investing activities		(16,098)	(12,718)	(16,400)
Financing activities				
Cash used				
Principal payments of lease liabilities		(7,865)	(7,924)	(8,753)
Net cash used by financing activities		(7,865)	(7,924)	(8,753)
Net increase / (decrease) in cash held		11,297	(8,425)	(3,279)
Cash and cash equivalents at the beginning of the reporting period		64,403	72,828	61,685
Cash and cash equivalents at the end of the reporting period	3.1A	75,700	64,403	58,406

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

The net increase in cash held is higher than budget by \$14.6m due to:

Operating activities:

Net cash from operating activities is \$13.4m higher than budget, primarily due to:

- Employee and supplier costs being lower than budget by \$15.4m due to the on-going pandemic, labour market challenges and the deferral of activities into the 2022-23 financial year, in part due to the federal government election.

Investing and Financing activities:

Net cash used by investing and financing activities are largely in line with budget.

¹ A change in process occurred during 2021 for Section 74 transactions contained in Operating activities (cash received and cash used). Cash is no longer physically remitted to the Official Public Account (OPA) before it is retained by the Agency.

ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000	Original Budget \$'000
Net cost of services				
Expenses				
Risk equalisation payments	2.1	399,920	423,546	450,000
Financial Claims Scheme payments	2.1	-	50	-
Lloyds Security Deposit (held in trust) interest expense	2.1	55	55	55
Total expenses	2.1	399,975	423,651	450,055
Income				
Levy revenue				
Risk equalisation levy collections	2.2A	399,920	423,546	450,000
Financial Institutions Supervisory Levies	2.2A	264,921	222,942	262,941
Total levy revenue		664,841	646,488	712,941
Other revenue				
Financial Claims Scheme recoveries	2.2B	185	-	-
Lloyds Security Deposit (held in trust) interest income	2.2B	55	55	55
Total other revenue		240	55	55
Total income		665,081	646,543	712,996
Surplus		265,106	222,892	262,941

The above schedule should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Risk equalisation:

Total risk equalisation receipts and payments are \$50.1m lower than budget due to:

- A decline in benefits paid across the private health insurance industry following covid-related restrictions in hospitals, principally reduced hospital procedures and treatments. This activity drives the overall magnitude of the risk equalisation levy collections and payments across the industry.

Financial Institutions Supervisory Levies:

Total Financial Institutions Supervisory Levies are \$2.0m higher than budget due to:

- Higher than projected June 2021 quarter assets growth within the superannuation industry. This over-collection of Financial Institutions Supervisory Levies will be returned in the 2022-23 levy process.

Financial Claim Scheme (FCS) recoveries:

Total FCS recoveries are \$0.2m higher than budget due to the receipt of a final reimbursement from the liquidator of a collapsed insurer. The FCS proceedings for the collapsed insurer commenced in 2010.

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000	Original Budget \$'000
Assets				
Financial assets				
Cash and cash equivalents	4.1A	970	785	835
Receivables	4.1B	2,205	2,198	2,197
Total assets administered on behalf of Government		3,175	2,983	3,032
Liabilities				
Lloyds Security Deposit (held in trust)	4.3	2,000	2,000	2,000
Total liabilities administered on behalf of Government		2,000	2,000	2,000
Net assets		1,175	983	1,032

The above schedule should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Assets and Net assets:

Total Assets and Net assets are \$0.1m higher than budget due to the receipt of the final reimbursement from the liquidator of a collapsed insurer under the FCS.

ADMINISTERED RECONCILIATION SCHEDULE

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Opening assets less liabilities as at 1 July		983	1,032
Income		665,081	646,543
Expenses	2.1	(399,975)	(423,651)
Transfers (to) / from the Australian Government:			
Appropriation transfers from Official Public Account (OPA)		399,920	423,546
Appropriation transfers to OPA		(664,834)	(646,487)
Closing assets less liabilities as at 30 June		1,175	983

The above schedule should be read in conjunction with the accompanying notes.

Accounting Policy

Administered Cash Transfers to and from the Official Public Account (OPA)

Revenue collected by APRA for use by the Government rather than APRA is administered revenue. Collections are transferred to the OPA maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by APRA on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

ADMINISTERED CASH FLOW STATEMENT

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Operating activities			
Cash received			
Financial Institutions Supervisory Levies		264,914	222,941
Financial Claims Scheme recoveries		185	-
Risk equalisation levy collections		399,920	423,546
Total cash received		665,019	646,487
Cash used			
Risk equalisation levy payments		(399,920)	(423,546)
Financial Claims Scheme payments ¹		-	(50)
Total cash used		(399,920)	(423,596)
Net cash from operating activities		265,099	222,891
Cash to Official Public Account			
Financial Institutions Supervisory Levies		(264,914)	(222,941)
Total cash to Official Public Account		(264,914)	(222,941)
Net increase / (decrease) in cash held		185	(50)
Cash at the beginning of the reporting period		785	835
Cash at the end of the reporting period	4.1A	970	785

This schedule should be read in conjunction with the accompanying notes.

¹ Final payment made to a collapsed insurer claimant under the Financial Claims Scheme (FCS).

Notes to the financial statements

Overview

Objectives of the Australian Prudential Regulation Authority (APRA)

APRA is an independent statutory authority established for the purpose of prudential supervision of financial institutions and for promoting financial stability in Australia. APRA's role is to regulate relevant financial institutions through a robust prudential framework of legislation, prudential standards and guidance, which aims to ensure that risk-taking is conducted within reasonable bounds and that risks are clearly identified and well-managed. In performing and exercising its functions, APRA is required to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality, and, in doing so, to promote financial system stability in Australia. APRA is a not-for-profit entity.

APRA's activities contributing toward these outcomes are classified as either 'departmental' or 'administered'. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by APRA in its own right. Administered activities involve the management or oversight by APRA, on behalf of the Government, of items controlled or incurred by the Government.

APRA's continued existence in its present form and with its present programs is dependent on Government policy and on continuing appropriations from Parliament.

Basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- Australian Accounting Standards and Interpretations - Including simplified disclosures for Tier 2 Entities under AASB1060

issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

New Accounting Standards

All new, revised or amending standards and/or interpretations that were issued prior to the sign-off date were reviewed with no impact on APRA's financial statements.

Taxation

APRA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Administered Schedules and related notes. These administered items are distinguished from departmental items throughout these financial statements by background shading. Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Comparative reclassifications

Minor changes were made to the comparatives in the Departmental financial statements as a result of the reclassification of some line items. There was no change to the comparative operating surplus or net assets reported.

Events after the reporting period

Departmental

There were no significant events occurring after the statement of financial position date that have the potential to significantly affect the ongoing financial activities of APRA.

Administered

There were no significant events occurring after the statement of financial position date that have the potential to significantly affect the administered activities of APRA.

DEPARTMENTAL FINANCIAL PERFORMANCE

This section analyses the departmental financial performance of the Australian Prudential Regulation Authority for the year ended 30 June 2022.

1.1 Expenses

	2022 \$'000	2021 \$'000
1.1A: Employee benefits		
Wages and salaries	125,107	115,714
Superannuation		
Defined contribution plans	12,540	11,195
Defined benefit plans	1,136	1,109
Leave and other entitlements	13,751	13,485
Separation and redundancies	423	603
Other employee benefits	409	609
Total employee benefits	153,366	142,715

Accounting policy

Accounting policies for employee-related expenses are detailed in section 6: People and relationships.

1.1B: Suppliers

Services rendered

Professional services & consultants	8,309	11,717
Information, communication and technology	8,817	7,211
Contractors	9,398	6,973
Administrative	3,786	3,404
Property	2,450	2,486
Training and conferences	2,168	1,738
Travel	538	211
Other	-	7
Total services rendered	35,466	33,747

Other suppliers

Workers compensation expenses	343	203
Short-term leases and leases of low value assets	67	83
Total other suppliers	410	286
Total suppliers	35,876	34,033

Accounting policy

Short-term leases and leases of low value assets

APRA has elected not to recognise Right-of-Use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). APRA recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

1.1C: Finance costs

Interest on lease liabilities	695	844
Adjustment to discount on restoration provisions	9	12
Banking fees	4	3
Total finance costs	708	859

The above lease disclosures should be read in conjunction with accompanying notes 3.4 and 3.5.

1.2 Own-source revenue and gains

	Notes	2022 \$'000	2021 \$'000
1.2A: Revenue from contracts with customers			
Rendering of services		4,191	2,204
Total revenue from contracts with customers		4,191	2,204
Type of customer			
Australian Government entities (related parties)		1,464	585
Non-government entities		2,727	1,619
Total revenue from contracts with customers		4,191	2,204
1.2B: Other revenue			
Licence fees from finance sector entities		747	468
Resources received free of charge		240	240
Fees from foreign bank representative offices		42	68
Other		339	205
Total other revenue		1,368	981

Accounting policies

Rendering of services and other revenue

Revenue from rendering of services is recognised progressively as the services are provided to the customer where it can be demonstrated that:

- the customer simultaneously receives and consumes the services as they are provided;
- the services create an asset that the customer controls as the asset is created; or
- the services have no alternative use to APRA and an enforceable right to either a payment or the retention of a payment exists for work completed to date.

The amount of revenue recognised is determined by reference to progress made in satisfying any obligations that exist. Where the criteria are not met to recognise revenue over time, revenue is recognised at a point in time once any performance obligations are satisfied and control has transferred to the customer.

Revenue and receipts from sources other than an Appropriation Act are classified as Section 74 receipts.

Receivables for services, which have 30-day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. The resources received free of charge by APRA are audit services from the Australian National Audit Office (ANAO) of \$240,000 (2021: \$240,000).

1.2C: Revenue from Government

Appropriations:

Special appropriation	8.1	223,821	182,101
Departmental appropriation		2,680	3,630
Total revenue from Government		226,501	185,731

Accounting policy

Revenue from Government

Amounts appropriated for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when APRA gains control of the appropriation.

Appropriations receivable are recognised at their nominal amounts.

INCOME AND EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT

This section analyses the activities that the Australian Prudential Regulation Authority does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1 Administered - Expenses

	Notes	2022 \$'000	2021 \$'000
Expenses			
Risk equalisation levy payments	8.1	399,920	423,546
Financial Claims Scheme payments		-	50
Lloyds Security Deposit (held in trust) interest expense	4.2	55	55
Total other expenses		399,975	423,651

Accounting policy

Expenses

Private health insurance risk equalisation expenses reflect amounts returned to relevant industry participants. These are recognised as administered expenses.

2.2 Administered - Income

	2022 \$'000	2021 \$'000
Revenue		
2.2A: Levy revenue		
Risk equalisation levy receipts	399,920	423,546
Financial Institutions Supervisory Levies and penalties (see Table 1) ¹	264,925	222,988
Supervisory Levy waivers (see Table 2)	(4)	(46)
Total levy revenue	664,841	646,488

Accounting policy

Revenue

All administered revenues relate to the ordinary activities performed by APRA on behalf of the Australian Government. These revenues are not directly available to be used by APRA for its own purposes and are remitted to the OPA, or in the case of the private health insurance risk equalisation levies, returned to the relevant industry participants in accordance with the *Private Health Insurance (Risk Equalisation Policy) Rules 2015* (the Rules).

APRA undertakes the collection of certain levies on behalf of the Government. These comprise Financial Institutions Supervisory Levies, Financial Assistance Levies and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. Risk equalisation levy receipts are set to equalise risk across the private health insurance industry, and are returned to relevant industry participants in accordance with the Rules shortly after they are collected.

The Financial Institutions Supervisory Levies are set to recover the operational costs of APRA, and other specific costs incurred by certain Commonwealth agencies and departments. The proportion of total current year levies and penalties attributable to APRA is set out in Note 8.1.

Administered revenue arising from levies (including Financial Assistance Levies) is recognised on an accrual basis, in line with the Minister's regulations and determinations. The collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less, rather than more likely.

Table 1: Financial Institutions Supervisory Levies revenue by type

Levy:

Superannuation funds	97,227	81,612
Authorised deposit-taking institutions	103,807	83,668
General insurers	29,814	27,741
Life insurers and friendly societies	24,133	22,132
Private health insurers	9,900	7,700
Total Financial Industry Supervisory Levies	264,881	222,853

Late payment penalties:

Superannuation funds	44	135
Total late payment penalties	44	135

Total current year financial industry levies and penalties

	264,925	222,988
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¹ Financial Institutions Supervisory Levies are detailed in an annual consultation paper released by The Treasury. In addition, APRA publishes a Cost Recovery Implementation Statement in relation to its component of the Financial Institutions Supervisory Levies.

Table 2: Levies and late payment penalties waived by type

Waivers:

Superannuation funds	(4)	(46)
Total waivers	(4)	(46)

Waivers of levy debts are recognised as an offset to invoiced revenue at the time of approval by delegated APRA officials. Waivers generally occur due to a change of status of a supervised entity during the year, resulting in the annual levy being wholly or partly waived.

2.2B: Other revenue

Financial Claims Scheme recoveries	185	-
Lloyds Security Deposit (held in trust) interest income	55	55
Total other revenue	240	55

DEPARTMENTAL FINANCIAL POSITION

This section analyses the Australian Prudential Regulation Authority's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee-related information is disclosed in the People and Relationships section (section 6).

3.1 Financial assets

	2022 \$'000	2021 \$'000
3.1A: Cash and cash equivalents		
Cash in special account	74,062	61,942
Cash on deposit	1,638	2,461
Total cash and cash equivalents	75,700	64,403

Accounting policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) Demand deposits in bank accounts that are readily convertible to known amounts of cash; and
- b) Cash in special accounts.

3.1B: Trade and other receivables

Services receivable

Services receivable	3,212	2,395
Total services receivable	3,212	2,395

Appropriations receivable

Special appropriations receivable	8	11
Total appropriations receivable	8	11

Other receivables

GST receivable from the Australian Taxation Office	551	705
Other	100	57
Total other receivables	651	762
Total trade and other receivables (gross)	3,871	3,168

Less: impairment loss allowance

	-	-
Total trade and other receivables (net)	3,871	3,168

Credit terms for services rendered were within 30 days (2021: 30 days).

Accounting policies

Financial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest, that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

Impairment of financial assets

Financial assets are individually assessed for impairment at each balance date.

3.2 Non-financial assets

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

	Right of Use lease assets \$'000	Leasehold improvements \$'000	Computer hardware and office equipment \$'000	Total property plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total intangibles \$'000	Grand Total \$'000
As at 1 July 2021								
Gross book value	59,516	21,418	5,136	86,070	88,429	9,017	97,446	183,516
Accumulated depreciation, amortisation and impairment	(17,640)	(9,333)	(8)	(26,981)	(46,849)	(8,324)	(55,173)	(82,154)
Net book value 1 July 2021	41,876	12,085	5,128	59,089	41,580	693	42,273	101,362
Additions:								
By purchase	151	150	564	865	-	2,799	2,799	3,664
Internally developed	-	-	-	-	12,585	-	12,585	12,585
Reclassification	-	-	71	71	(1,108)	1,037	(71)	-
Revaluation ¹	-	1,704	-	1,704	-	-	-	1,704
Depreciation and amortisation:								
Depreciation and amortisation expense	(8,482)	(2,473)	(1,612)	(12,567)	(7,702)	(820)	(8,522)	(21,089)
Disposals:								
Assets written off ²	-	(26)	(73)	(99)	(1,008)	(33)	(1,041)	(1,140)
Net book value 30 June 2022	33,545	11,440	4,078	49,063	44,347	3,676	48,023	97,086
Net book value as at 30 June 2022 represented by:								
Gross book value	58,452	25,846	5,603	89,901	96,689	10,811	107,500	197,401
Accumulated depreciation, amortisation and impairment	(24,907)	(14,406)	(1,525)	(40,838)	(52,342)	(7,135)	(59,477)	(100,315)
Net book value 30 June 2022 ³	33,545	11,440	4,078	49,063	44,347	3,676	48,023	97,086

¹ During the year an assessment of estimated restoration costs for the Sydney and Melbourne offices was undertaken by an independent consultant. This resulted in the related Leasehold improvement assets being increased by \$1.7m, representing the depreciated cost as at 30 June 2022.

² During the year assets written off relate mostly to capitalised work-in-progress of Computer software internally developed assets.

³ Assets under construction at 30 June 2022 is comprised of a net book value of \$8.15m (Computer software internally developed), \$0.6m (Computer software purchased) and \$0.07m (Leasehold improvements).

Revaluations of non-financial assets

Revaluations are conducted in accordance with the revaluation policy stated in Note 3.2. The last independent revaluation exercise was undertaken in May 2021 by an independent valuer and revaluation adjustments have been applied as appropriate.

No significant non-financial assets are expected to be sold, disposed of or retired within the next 12 months.

No material contractual commitments for the purchase of property, plant and equipment and intangible assets currently exist.

3.2 Non-financial assets - continued

Accounting policies

Assets are recorded at cost on acquisition, except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of leasehold improvements and computer hardware / software are initially recognised at cost in the statement of financial position, except for purchases costing less than \$5,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to restoration provisions in property leases where there exists an obligation to restore the property to its original condition. These costs are included in the value of APRA's leasehold improvements with a corresponding provision for the restoration recognised.

Lease Right of Use (RoU) Assets

Leased RoU assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by APRA as separate asset classes to assets owned outright, but included in the same category as where the corresponding underlying assets would be presented if they were owned.

Following initial application, an impairment review is undertaken for any Right of Use lease asset that shows indicators of impairment and an impairment loss is recognised against any Right of Use lease asset that is impaired. Lease RoU assets continue to be measured at cost after initial recognition in the financial statements.

Revaluations

Following initial recognition at cost, property, plant and equipment (excluding RoU assets) are carried at fair value, less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency such that the carrying amounts of assets do not differ materially from the assets' fair values at the reporting date. The regularity of independent valuations depend on the volatility of movements in market values for the relevant assets. APRA conducts such valuations usually every three years as at 30 June. A independent valuation exercise was last undertaken in May 2021, effective 30 June 2021.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus / deficit. Revaluation decrements for a class of assets are recognised directly in the surplus / deficit except to the extent that they reversed a previous revaluation increment for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

3.2 Non-financial assets - continued

Depreciation

Depreciable computer hardware / software assets are written-off over their estimated useful lives to APRA using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2022	2021
Right of Use finance lease assets*	Lease term	Lease term
Leasehold improvements	Lease term	Lease term
Computer hardware, software & intangibles	3 to 10 years**	3 to 5 years

* The depreciation rates for RoU assets are based on the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term.

**The increase in the useful life range for software and intangible assets is due to the implementation of APRA Connect for which a 10 year useful life has been deemed appropriate.

Impairment

All assets were assessed for impairment as at 30 June 2022. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if APRA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

Leasehold improvements or computer hardware / software are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

APRA's intangibles comprise internally developed software and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Cloud-based Software-As-A-Service (SAAS) services, and the configuration work required to enable such services to integrate with existing infrastructure and software applications, are not considered capital expenditure. Such configuration work is expensed as it is incurred.

All software assets were assessed for indications of impairment as at 30 June 2022.

Significant accounting judgements and estimates

Management performs a detailed review each reporting period to assess whether there are any indicators of impairment. This review involves the use of management judgement.

3.3 Payables

	2022	2021
	\$'000	\$'000
3.3A: Suppliers		
Trade creditors and accruals	5,786	6,288
Total suppliers	<u>5,786</u>	<u>6,288</u>

Suppliers are expected to be settled in less than 12 months.

3.3B: Other payables

Salaries and wages	3,503	2,629
Unearned revenue	707	803
GST (receivable) / payable to the Australian Taxation Office	(7)	214
Other	32	33
Total other payables	<u>4,235</u>	<u>3,679</u>

Accounting policy

Financial liabilities

APRA classifies its financial liabilities as 'payables'. Supplier and other payables are recognised at amortised cost.

Liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced.

3.4 Interest bearing liabilities

	2022 \$'000	2021 \$'000
3.4: Leases		
Lease liabilities	35,854	43,569
Total leases	35,854	43,569
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	8,183	7,879
Between 1 to 5 years	28,841	35,346
More than 5 years	-	2,207
Total leases	37,024	45,432

Total cash outflow for leases for the year ended 30 June 2022 was \$8,560,000 (2021: \$8,768,000). This is contained in the Maturity analysis above and the amounts within 1 year.

Accounting policy

Leases

For all new contracts entered into, APRA considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or APRA's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the Right-of-Use asset or profit and loss depending on the nature of the reassessment or modification.

3.5 Other provisions

	Leasehold improvements provision for restoration \$'000	Legal costs provision \$'000	Total other provisions \$'000
Carrying amount as at 1 July	3,867	9,000	12,867
Increase / (decrease) in provisions	4,304	(2,500)	1,804
Payments	(8)	(6,500)	(6,508)
Annual adjustment to discount on restoration provisions	9	-	9
Closing balance as at 30 June	8,172	-	8,172

At 30 June 2022, APRA leased premises in Sydney, Melbourne, Brisbane, Canberra and Adelaide.

The lease conditions of the Sydney, Melbourne and Adelaide locations require APRA, upon expiration of the lease, to restore the premises to the original condition. For the other locations the requirement is to leave the premises in a clean and tidy condition at the end of the lease. APRA has made the required provisions to reflect the present value of these obligations.

Significant accounting judgements and estimates

Leasehold improvements provision for restoration

Estimated cost per square metre (\$ sqm) to restore the leased properties to the required condition are:

Sydney - \$839 sqm (2021: \$372 sqm); Melbourne - \$832 sqm (2021: \$300 sqm); and Adelaide - \$300 sqm (2021: \$150 sqm).

During the year an assessment of restoration costs for the Sydney and Melbourne offices was undertaken by an independent consultant and the provision for restoration costs increased by \$4.3m. As a result, the related Leasehold improvement assets were revalued by \$1.7m (see note 3.2). The net of these changes is reflected as an expense of \$2.4m in the statement of comprehensive income and a reduction to the asset revaluation reserve of \$0.25m.

Legal costs provision

Final settlement of a legal matter in relation to an enforcement action undertaken by APRA was achieved in 2022. The legal costs provision was subsequently reviewed during 2022. Upon conclusion of this matter APRA accessed the CEF (see Statement of changes in equity).

Accounting policy

Leasehold improvements provision for restoration

Leasehold improvements provisions for restoration are initially measured at fair value, net of transaction costs. These are adjusted each year using an effective interest rate method to estimate the present value of the future obligation at the end of the reporting period. The effective interest rate is the rate that exactly discounts the estimated future cash payments at the end of the expected life of the provision.

Legal costs provision

Legal costs provisions reflect best estimates available at the time of the signing of the financial statements. These estimates may be derived from APRA's previous experience of court cases and costs incurred, or may be based on indications of claims received from counterparties. Final settlement amounts as such may differ to the amount provided.

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE GOVERNMENT

This section analyses assets used to conduct operations and the operating liabilities incurred as a result of activities that APRA does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1 Administered - Financial assets

	2022 \$'000	2021 \$'000
4.1A: Cash and cash equivalents		
Financial Claims Scheme	970	785
Total cash and cash equivalents	970	785

The Financial Claims Scheme cash balance relates to a failed insurer. A final payment to claimants was made in 2021. A final recovery from the Insurer's liquidator has been made and the residual amount will be returned to the Commonwealth. In the event of another institution failure requiring access to the Financial Claims Scheme the Government will provide the requisite funds to APRA to reimburse the claimants, as per the rules of the scheme. See note 7.2 for further details.

4.1B: Receivables

Lloyds Security Deposit (held in trust) ¹	2,000	2,000
Financial Assistance Levy	197	197
Financial Institutions Supervisory Levies	8	1
Total receivables	2,205	2,198

¹ See note 4.2 for further details.

Receivables were aged as follows:

Not overdue	2,008	2,001
Overdue by:		
more than 90 days ²	197	197
Total receivables	2,205	2,198

² There is no impairment allowance in 2022 (2021: Nil). The receivables greater than 90 days relate to the previous Financial Assistance Levy (FAL) that were charged to superannuation funds that were no longer APRA-regulated institutions at the levy date. The outstanding amount will be added to the next FAL and collected at that time.

4.2 Administered - Assets held in trust

Monetary assets

The Lloyds Security Deposit is held by APRA in trust. Responsibility for the administration of the Lloyds Security Deposit was transferred from The Treasury to APRA on 26 May 2008. The purpose is to disburse amounts in accordance with section 92Q of the *Insurance Act 1973*.

	2022 \$'000	2021 \$'000
Lloyds Security Deposit (held in trust)		
Total amount held at the beginning of the reporting period	2,000	2,000
Receipts	(55)	(55)
Payments	55	55
Total amount held at the end of the reporting period	2,000	2,000
Total	2,000	2,000

The market valuation as at 30 June 2022 for the Lloyd's Security Deposit was \$1,928,190 (2021: \$1,989,140).

Non-monetary assets

APRA has no non-monetary assets held in trust.

4.3 Administered - Payables

	2022 \$'000	2021 \$'000
Other payables		
Lloyds Security Deposit (held in trust)	2,000	2,000
Total other payables	2,000	2,000

FUNDING

This section identifies the Australian Prudential Regulation Authority's funding structure.

5.1 Appropriations

5.1A: Annual appropriations ('recoverable GST exclusive')

Annual appropriations for 2022

	Annual appropriation	Adjustments to appropriation ¹	Total appropriation	Appropriation applied in 2022 (current and prior years)	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental					
Ordinary annual services	2,680	10,597	13,277	13,277	-
Total departmental	2,680	10,597	13,277	13,277	-
Administered					
Other services					
New administered outcomes	-	-	-	-	-
Total administered	-	-	-	-	-

Annual appropriations for 2021

	Annual appropriation	Adjustments to appropriation ¹	Total appropriation	Appropriation applied in 2021 (current and prior years)	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental					
Ordinary annual services	3,630	7,631	11,261	11,261	-
Total departmental	3,630	7,631	11,261	11,261	-
Administered					
Other services					
New administered outcomes	-	-	-	-	-
Total administered	-	-	-	-	-

¹ PGPA Act Section 74 receipts

5.1 Appropriations - continued

5.1B: Unspent annual appropriations ('recoverable GST exclusive')

	2022 \$'000	2021 \$'000
Departmental		
Appropriation Act (No. 1) 2021-22	-	-
Appropriation Act (No. 1) 2020-21	-	-
Total	-	-

5.1C: Special appropriations applied ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2022 \$'000	2021 \$'000
<i>Australian Prudential Regulation Authority Act 1998</i> – section 50, Departmental	Unlimited	To provide an appropriation for levy money received that exceeds the amount determined by the Minister under section 50(1) of the <i>Australian Prudential Regulation Act 1998</i> .	223,821	182,101
Total			223,821	182,101

5.2 Special Accounts

	APRA Special Account (Departmental) ¹		Financial Claims Scheme Special Account (Administered) ²		Risk Equalisation Special Account (Administered) ³	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Balance brought forward from previous period	64,403	72,828	785	835	-	-
Increases:						
Departmental						
Total departmental increases	236,851	193,142	-	-	-	-
Administered						
Special appropriation for reporting period	-	-	-	-	399,920	423,546
Financial Claims Scheme recoveries	-	-	185	-	-	-
FCS payment made in the reporting period	-	-	-	(50)	-	-
Total administered increases / (decreases)	-	-	185	(50)	399,920	423,546
Available for payments	301,254	265,970	970	785	399,920	423,546
Decreases:						
Departmental						
Total departmental decreases	(225,554)	(201,567)	-	-	-	-
Administered						
Repayments made from the Special Account	-	-	-	-	(399,920)	(423,546)
Total administered decreases	-	-	-	-	(399,920)	(423,546)
Total balance carried to the next period	75,700	64,403	970	785	-	-
Balance represented by						
Cash in APRA official bank accounts	1,638	2,461	185	-	-	-
Cash with the Official Public Account (OPA)	74,062	61,942	785	785	-	-
Total balance carried to the next period	75,700	64,403	970	785	-	-

5.2 Special Accounts - continued

¹ **Appropriation:** *Public Governance, Performance and Accountability Act 2013, section 80.*

Establishing Act: *Australian Prudential Regulation Authority Act 1998, section 52.*

Purpose: To pay the costs and other obligations incurred by APRA in the performance of its functions or the exercise of its powers; to pay any remuneration or allowances payable to persons appointed or engaged under the APRA Act; and to make any other payments that APRA is authorised or required to make under the APRA Act or any other law of the Commonwealth (refer subsection 54(1) of the *Australian Prudential Regulation Authority Act 1998*).

² **Appropriation:** *Public Governance, Performance and Accountability Act 2013, section 80.*

Establishing Act: *Australian Prudential Regulation Authority Act 1998, section 54A.*

There was one transaction debited to the Financial Claims Scheme Special Account in the current reporting period.

Purpose: To meet account-holders' entitlements under Subdivision C (Payment of account-holders with declared ADI) of Division 2AA of Part II of the *Banking Act 1959*; meet persons' entitlements under Division 3 (Early payment of claims) of Part VC of the *Insurance Act 1973*; pay APRA's agents or delegates amounts equal to the entitlements the agents or delegates meet on APRA's behalf or in the performance of APRA's delegated functions; and repayment of principal, interest and other costs connected with the borrowings under Part 5, Division 2 of the APRA Act (refer to section 54C of the *Australian Prudential Regulation Authority Act 1998*).

³ **Appropriation:** *Public Governance, Performance and Accountability Act 2013, section 80.*

Establishing Act: *Private Health Insurance Act 2007, section 318-1.*

There were 136 (2021: 140) transactions debited and credited to the Risk Equalisation Special Account in the current reporting period.

Purpose: To make payments to private health insurers in accordance with the *Private Health Insurance (Risk Equalisation Policy) Rules 2015* (refer to section 318-10 of the *Private Health Insurance Act 2007*).

Collapsed Insurer Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013, section 80.*

Establishing Act: *Australian Prudential Regulation Authority Act 1998, section 54F.*

There were no transactions debited or credited to the Collapsed Insurer Special Account in the current reporting period, which keeps the account with a \$nil balance.

Purpose: To make payments to help meet a collapsed insurer's liabilities to the people insured under its complying health insurance policies that the collapsed insurer is unable to meet itself; to make payments by way of refund of amounts paid by way of the collapsed insurer levy or late payment penalty in respect of unpaid amounts of the collapsed insurer levy; and to meet APRA's associated administrative costs under subsection 54H(1) of the *Australian Prudential Regulation Authority Act 1998*.

5.3 Regulatory charging summary

	2022 \$'000	2021 \$'000
Amounts applied		
Departmental		
Special appropriations (including special accounts)	223,821	182,101
Departmental appropriation	2,680	3,630
Own source revenue	5,319	2,945
Administered	-	-
Total amounts applied	231,820	188,676
Expenses		
Departmental	214,387	196,129
Administered	-	-
Total expenses	214,387	196,129
External revenue		
Departmental	231,820	188,676
Administered	-	-
Total revenue	231,820	188,676

Regulatory charging activities:

- Financial Industry Supervisory Levies
- Statistical information provided to RBA, ABS and the Department of Agriculture, Water and the Environment
- Licence fees and other charges
- Assessment of models-based capital adequacy requirements for ADIs - Basel II

Cost recovery implementation statements for the above activities, excluding charges to the RBA and ABS as these are intra-governmental, are available at:

<https://www.apra.gov.au/adis-fees-and-levies>

PEOPLE AND RELATIONSHIPS

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

6.1 Employee provisions

	2022 \$'000	2021 \$'000
Employee provisions		
Leave	45,547	43,407
Other employee provisions	10,267	9,025
Total employee provisions	55,814	52,432

Accounting policies

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the balance date are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The annual and long service leave liabilities are calculated on the basis of employees' remuneration at the estimated salary and superannuation rates that will be applied at the time the leave is taken during service rather than paid out on termination. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy benefit payments in cases where APRA has developed a detailed formal plan for the terminations, and has informed those employees affected that it will carry out the terminations.

Superannuation

Certain employees of APRA are members of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). The CSS and PSS are defined benefit schemes for the Australian Government. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

All other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

APRA makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. APRA accounts for the contributions as if they were contributions to defined contribution plans. APRA also makes employer contributions to defined benefit schemes for former employees of the Reserve Bank of Australia and State-based regulators respectively. These defined benefit liabilities are recognised in the financial statements of the relevant funds.

For all other employees, employer contributions are made to the PSS accumulation plan or other superannuation (accumulation) funds as nominated by the employee.

Significant accounting judgements and estimates

The employee leave provisions have been determined by reference to standard parameters provided by the Department of Finance as well as an estimate of the proportion of leave likely to be taken in-service as compared to taken on termination. The leave taken was analysed given the current pandemic and reviewed against the estimated leave to be taken and factored into the calculation. The salary growth rate assumption used in the calculation was 4.0% (2021: 3.5%).

6.2 Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In 2021/22 APRA has determined the key management personnel to be the Cabinet Ministers and the APRA Members.

The key management personnel remuneration reported here excludes the remuneration and other benefits of the Cabinet Ministers. Their remuneration and other benefits are set by the Remuneration Tribunal and are not paid by APRA.

The total number of key management personnel included in the table below are: 4 (2021: 4).

2021/22 APRA key management personnel	Position	Period
Wayne Byres	Chair	Full Year
Helen Rowell	Deputy Chair	Full Year
John Lonsdale	Deputy Chair	Full Year
Margaret Cole	Member	Full Year

Key management personnel remuneration is reported in the table below:

	2022	2021
	\$'000	\$'000
Short-term employee benefits	3,010 ¹	2,390
Post-employment benefits	259	252
Other long-term benefits	(140) ²	(20)
Total key management personnel remuneration expenses	3,129	2,622

¹ Includes \$190,398 relating to an underpayment of entitlements relating to prior years.

² Includes a write-back in the year resulting from the increase in the Government 10 year bond yield (used to value leave provisions).

6.3 Related party disclosures

Related party relationships

APRA is an Australian Government controlled entity. Related parties to APRA are the key management personnel, including Cabinet Ministers and other Australian Government entities.

Transactions with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Refer to Note 6.1 Employee provisions for details on superannuation arrangements in the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), and the PSS accumulation plan (PSSap).

APRA transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including the payment of workers compensation and insurance premiums. These are not considered individually significant to warrant separate disclosure as related party transactions.

MANAGING UNCERTAINTIES

This section analyses how the Australian Prudential Regulation Authority manages financial risks within its operating environment.

7.1 Contingent assets and liabilities

Significant contingent assets

APRA has no significant contingent assets as at the balance date (2021: Nil).

Quantifiable contingencies (APRA departmental)

APRA has no quantifiable contingencies as at the balance date (2021: Nil).

Unquantifiable contingencies (APRA departmental)

APRA has no unquantifiable contingencies as at the balance date (2021: Nil).

Accounting policy

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the *Statement of financial position* but are reported in this note. They may arise from uncertainty as to the existence of an asset or liability, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

7.2 Administered contingent assets and liabilities

Unquantifiable administered contingencies

APRA is responsible for the administration of the Financial Claims Scheme (FCS). The FCS provides depositors of authorised deposit-taking institutions (ADIs) and claimants of general insurers (GIs) with timely access to their funds in the event of a financial institution failure.

Under the Banking Act 1959 the Scheme provides a mechanism for making payments to depositors under the Government's guarantee of deposits in ADIs. Payments are capped at \$250,000 per account holder per ADI. As at 31 December 2021, deposits eligible for coverage under the Scheme were estimated to be \$1.2 trillion, compared to \$1.1 trillion as at 31 December 2020, reflecting overall deposit growth in the financial system.

Under the *Insurance Act 1973* the Scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed GI. It is not possible to estimate these claims.

In the very unlikely event of an ADI or GI failure, any payments made under the FCS would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

Under the FCS, any payments to account-holders with protected accounts or eligible claimants would be made from APRA's FCS Special Account. Under the legislation, initial amounts available to meet payments, in the event of activation are up to \$20 billion per institution and up to \$100 million for administration.

It is not possible to estimate the amounts of any eventual payments that may be required in relation to either the ADI FCS or GI FCS and as such no amount is included in this note.

7.3 Financial instruments

	Notes	2022 \$'000	2021 \$'000
7.3A: Categories of financial instruments			
Financial assets measured at amortised cost			
Cash and cash equivalents	3.1A	75,700	64,403
Trade receivables	3.1B	3,212	2,395
Other receivables	3.1B	100	57
Total financial assets at amortised cost		79,012	66,855
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	3.3A	5,786	6,288
Total financial liabilities at amortised cost		5,786	6,288

Accounting policy

Financial assets

In accordance with *AASB 9 Financial Instruments*, APRA classifies its financial assets in the following categories:

- a) financial assets at fair value through other comprehensive income; and
- b) financial assets measured at amortised cost.

The classification depends on both APRA's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when APRA becomes a party to a contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Financial assets at amortised cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective interest method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial liabilities at amortised cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

7.4 Administered financial instruments

	2022 \$'000	2021 \$'000		
7.4A: Categories of financial instruments				
Financial assets at amortised cost				
Other receivables	2,000	2,000		
Total financial assets at amortised cost	2,000	2,000		
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade creditors and accruals	2,000	2,000		
Total financial liabilities measured at amortised cost	2,000	2,000		
7.4B: Net gains or losses on financial assets				
There were no net gains or losses on financial assets.				
7.4C: Net gains or losses on financial liabilities				
There were no net gains or losses on financial liabilities.				
7.4D: Fair value of financial instruments				
	Carrying amount 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
Financial assets				
Other receivables	2,000	1,928	2,000	1,989
Total financial assets	2,000	1,928	2,000	1,989
Financial Liabilities				
Trade creditors and accruals	2,000	1,928	2,000	1,989
Total financial liabilities	2,000	1,928	2,000	1,989

7.5 Fair value measurements

	Notes	Fair value measurements at the end of the reporting period	
		2022 \$'000	2021 \$'000
Non-financial assets¹			
Leasehold improvements	3.2	11,440	12,085
Computer hardware and office equipment	3.2	4,078	5,128
Total non-financial assets		15,518	17,213

¹ Of the total non-financial assets with fair value of \$15,518,000 (2021: \$17,213,000), \$2,936,000 (2021: \$3,898,000) was valued using a level 2 valuation basis and \$12,582,000 (2021: \$13,315,000) was valued using a level 3 basis.

A level 2 valuation basis utilises observable inputs and a level 3 valuation basis utilises unobservable inputs.

Accounting policy

Fair value measurement

Following initial recognition at cost, leasehold improvements, computer hardware and office equipment are carried at fair value, less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency such that the carrying amounts of assets do not differ materially from the assets' fair values at the reporting date. The regularity of independent valuations depend on the volatility of movements in market values for the relevant assets. APRA conducts such valuations usually every three years as at 30 June. A valuation exercise was undertaken in May 2021, effective 30 June 2021.

OTHER INFORMATION

8.1 Calculation of APRA Special Appropriation

The APRA Special Appropriation is calculated in accordance with the provisions of section 50 of the *Australian Prudential Regulation Authority Act 1998*.

	2022 \$'000	2021 \$'000
Table 1: Summary of APRA levy funding		
Current year levies and penalties (see Note 2.2A, Table 1)	264,925	222,988
Risk equalisation receipts	399,920	423,546
Less: Waivers and doubtful debts (see Note 2.2A, Table 2)	(4)	(46)
Net current year levies and penalties (see Table 2 below)	664,841	646,488
Less: Amount retained in the Consolidated Revenue Fund (see Table 3 below)	(41,100)	(40,841)
Less: Risk equalisation payments to private health insurers	(399,920)	(423,546)
Total APRA levy funding (see Table 4 below)	223,821	182,101
Table 2: Net current year levies and penalties by levy type		
Superannuation funds	97,267	81,701
Authorised deposit-taking institutions	103,807	83,668
General insurers	29,814	27,741
Life insurers and friendly societies	24,133	22,132
Private health insurers	9,900	7,700
Risk equalisation receipts from private health insurers	399,920	423,546
Total	664,841	646,488
Table 3: Amounts retained in the Consolidated Revenue Fund by levy type¹		
Superannuation funds	(37,600)	(37,346)
Authorised deposit-taking institutions	(3,500)	(3,495)
Total	(41,100)	(40,841)
Table 4: Amounts of levy payable to APRA under the APRA Special Appropriation by levy type²		
Superannuation funds	59,667	44,355
Authorised deposit-taking institutions	100,307	80,173
General insurers	29,814	27,741
Life insurers and friendly societies	24,133	22,132
Private health insurers	9,900	7,700
Total	223,821	182,101
This is represented by:		
Special Appropriation	223,821	182,101
Total	223,821	182,101

¹ Including amounts as determined by the Minister in accordance with subsection 50(1) of the *Australian Prudential Regulation Authority Act 1998*.

² Table 4 above represents the total amount of levies payable to APRA for its operations.

8.1 Calculation of APRA Special Appropriation - continued

Accounting Policy

APRA is funded primarily through levies imposed on the industries it supervises. These levies, known as the Financial Institutions Supervisory Levies, are administered transactions collected on behalf of the Government and paid into the Consolidated Revenue Fund (CRF). An amount equal to the net levy revenue, less an amount specified by the Minister in an annual determination made under subsection 50(1) of the *Australian Prudential Regulation Authority Act 1998 (APRA Act)*, is credited to the APRA Special Account as a Special Appropriation, in accordance with subsections 50(2), (3) and (5) of the APRA Act. The amounts specified in the Minister's Determinations are retained in the CRF to cover: the costs of activities of the Australian Taxation Office (ATO) for unclaimed monies, lost member functions and for the administration of claims for early release of superannuation benefits on compassionate grounds; the Australian Securities and Investments Commission (ASIC) in relation to the operation of the Superannuation Complaints Tribunal; the Australian Competition and Consumer Commission (ACCC) to investigate foreign exchange and specific competition issues in Australia's financial system and the Gateway Network Governance Body to facilitate transmission of SuperStream data.

APRA administers the collection of Financial Institutions Supervisory Levies and Financial Assistance Levies on behalf of the Government. While the revenues from Financial Institutions Supervisory Levies are in part used to fund the operations of APRA, they are not directly available to APRA for its own purposes upon receipt. The revenues from the Financial Assistance Levy are also not available to APRA for its own purposes. All administered collections are remitted to the Official Public Account with APRA's portion being transferred to its special account in accordance with annual determinations made by the Minister. Transactions and balances relating to levies are reported in Note 2.2: Administered - Income.

APRA also administers the Risk Equalisation Special Account whereby revenue collected by APRA for the purposes of risk equalisation across the private health insurance industry is treated by the Government as revenue and expenses. The transactions to and from this account are recorded within the Official Public Account (OPA) by way of notional receipts and payments.

8.2 Current/non-current distinction for assets and liabilities

8.2A : Current/non-current distinction for assets and liabilities

	2022 \$'000	2021 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	75,700	64,403
Trade and other receivables	3,871	3,168
Intangibles	-	709
Prepayments	4,366	3,616
Total no more than 12 months	83,937	71,896
More than 12 months		
Property, plant and equipment	49,063	59,089
Intangibles	48,023	41,564
Prepayments	266	530
Total more than 12 months	97,352	101,183
Total assets	181,289	173,079
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	5,786	6,288
Other payables	4,235	3,679
Leases	7,643	7,185
Employee provisions	27,934	24,127
Other provisions	-	9,067
Total no more than 12 months	45,598	50,346
More than 12 months		
Leases	28,211	36,384
Employee provisions	27,880	28,305
Other provisions	8,172	3,800
Total more than 12 months	64,263	68,489
Total liabilities	109,861	118,835

8.2B : Administered - current/non-current distinction for assets and liabilities

	2022 \$'000	2021 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	970	785
Receivables	8	1
Total no more than 12 months	978	786
More than 12 months		
Receivables	197	197
Lloyds Security Deposit (held in trust)	2,000	2,000
Total more than 12 months	2,197	2,197
Total assets	3,175	2,983
Liabilities expected to be settled in:		
More than 12 months		
Lloyds Security Deposit (held in trust)	2,000	2,000
Total more than 12 months	2,000	2,000

LIST OF REQUIREMENTS

The following list of mandatory annual reporting requirements, as outlined in the *Resource Management Guide No. 135 Annual Reports for Non-corporate Commonwealth Entities*, has been annotated with the location of the information in this Report.

Part of Report	Description	Location or applicability
	Letter of transmittal	Page 1
	Table of contents	Page 2
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	Glossary	Page 3
	Contact officer(s)	Page 132
	Internet home page address and internet address for report	Page 132
Review by Chair		Chapter 1
	Overview	Chapters 1-3
Overview of authority		Chapter 2 and 3
	Role and functions	Chapter 2
	Organisation structure	Page 10
	Outcome and program structure	Chapter 1 and 3
Report on performance		
	Review of performance in relation to programs and contribution to outcomes	Chapter 3
	Actual performance in relation to deliverables and KPIs	Chapter 3
	Narrative discussion and analysis of performance	Chapter 3 and 4
	Purpose of the entity as outlined in the corporate plan	Chapter 1 and 3
	Discussion and analysis of the Authority's financial performance	Chapter 5 and 6
	Authority's resource statement and summary resource tables by outcomes	Chapter 5
Corporate governance		
	Compliance with the Commonwealth Fraud Control Guidelines	Chapter 5
	Statement of the main corporate governance practices in place	Chapters 2, 4 and 6
External scrutiny		
	Significant developments in external scrutiny	Chapter 5
	Judicial decisions and decisions of administrative tribunals	Chapter 5

Part of Report	Description	Location or applicability
	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Chapter 5
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	Assessment of effectiveness in managing and developing human resources to achieve the Authority's objectives	Chapter 4
	Statistics on staffing	Chapter 4 and 5
	Statistics on employees who identify as Indigenous	Chapter 4
	Enterprise or collective agreements, determinations and common law contracts	Chapter 5 and 6
	Performance pay	Chapter 5
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	Assessment of purchasing against core policies and principles	Chapter 5
Consultants		
	Tables showing consultancy arrangements and statement confirming that information on contracts and consultancies is available through the AusTender website.	Chapter 5
Australian National Audit Office access clauses		
	Absence of provisions in contracts allowing access by the Auditor-General	Chapter 5
Exempt contracts		
	Contracts exempt from the AusTender process	Chapter 5
Financial statements		Chapter 6
Other information		
	Schedule 2 Part 4 of the <i>Work Health and Safety Act 2011</i>	Chapter 5
	Advertising and market research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Chapter 5

Part of Report	Description	Location or applicability
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Chapter 5
	Grant programs	Chapter 5
	Disability reporting	Chapter 5
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