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Via email: superannuation.policy@apra.gov.au

Consultation on superannuation prudential framework – consequential audit updates

As the representatives of over 300,000 professional accountants, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia thank you for the opportunity to comment on the proposed consequential audit updates to the superannuation prudential framework. We make this submission on behalf of our members and in the public interest.

Our main observations and recommendations based on feedback received from members and stakeholder outreach are set out below.

- In principle, we support the consequential amendments arising from the *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* to reflect that ASIC will have oversight of the reporting and audit of financial statements of registrable superannuation entities (RSE) for reporting periods ending on or after 30 June 2024.
- We recommend Prudential Standard SPS 310 *Audit and Related Matters* (SPS 310) be reviewed in the context of the proposed change to exclude RSE auditors from its application, as the standard appears to continue to set requirements for RSE auditors.
- We would support APRA discontinuing the Approved Form on the proviso that the specific legislative provisions of RSE licensee law that APRA would like in scope of the reasonable assurance compliance engagement continue to be clearly identified, preferably in an appropriate APRA pronouncement.
- If APRA proceeds with the discontinuation of the Approved Form without identifying the specific legislative provisions, then inconsistency in practice and increased compliance costs may occur and result in impractical consequences for fund members. We also expect the RSE auditors will need a longer transition period to prepare to implement the changes to the scope of the reasonable assurance compliance engagement. We would recommend the effective date be deferred by at least a year to 30 June 2025.
- We also recommend the discontinued Approved Form be adapted as an illustrative assurance report in an appropriate pronouncement issued by APRA or another relevant body, for example in the Auditing and Assurance Standards Board (AUASB) Guidance Statement GS 002 *Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities* (GS 002).
- We recommend that the retirement of Prudential Practice Guide SPG 310 *Audit and Related Matters* is reconsidered as certain aspects would continue to be useful, such as who can conduct the various components of the RSE audit, and where an RSE has wound up or is in the process of being wound up.

- We support the continuation of the Superannuation National Audit Consultative Committee (SNACC) as a forum for engagement between APRA and the audit profession.

Discontinuation of the Approved Form

Scope

It is the Approved Form that currently sets out the scope of the reasonable assurance compliance engagement by necessarily restricting it to the following specific identified legislative provisions (to the extent applicable):

- *Superannuation Industry (Supervision) Act 1993* (“SIS Act”) Sections: 29VA, 35A, 65, 66, 67, 95, 97, 98, 99F, 101, 105, 106, 109, 117, 154 and 155(2).
- *Superannuation Industry (Supervision) Regulations 1994* (“SIS Regulations”): 3.10, 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 13.14, 13.17 and 13.17A.
- *Corporations Act 2001* Sections: 1012B, 1012F, 1012H(2), 1012I, 1013K(1), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017C(2), 1017C(3), 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3) and 1017E(4).
- *Corporations Regulations 2001*: 7.9.07R, 7.9.07S, 7.9.07T, 7.9.07V, 7.9.07W, 7.9.11O, 7.9.11Q and 7.9.32(3).

Therefore, the discontinuation of the Approved Form would have the effect of increasing the scope of the reasonable assurance compliance engagement to “RSE licensee law” in its entirety which is defined¹ as:

- SIS Act
- SIS Regulations
- *Financial Sector (Collection of Data) Act 2001*
- *Financial Institutions Supervisory Levies Collection Act 1998*
- *Financial Accountability Regime Act 2023*
- Provisions of the Corporations Act listed in a subparagraph of paragraph (b) of the definition of regulatory provision in section 38A of the SIS Act or specified in regulations made for the purposes of subparagraph (b)(xvi) of that definition, as applying in relation to superannuation interests, and
- Any other provisions of any other law of the Commonwealth specified in regulations made for the purposes of this paragraph.

Professional judgement

The role of professional judgement is not to determine the scope of an assurance compliance engagement (i.e., *what* must be audited). The scope is usually driven by the objective or purpose of the assurance engagement. Rather, auditors apply professional judgement to assess risk, design procedures to respond to that risk and determine what constitutes sufficient appropriate evidence (i.e., *how* the audit is conducted). If the scope of the assurance engagement is not necessarily restricted, then the RSE auditor *must* test the RSE licensee’s compliance with every section and regulation of

¹ Section 10(1) of the SIS Act

RSE licensee law (to the extent applicable). *How* the RSE auditor tests the RSE licensee’s compliance is where professional judgement comes in.

Discontinuation of the Approved Form without other avenues to guide and identify specific legislative provisions for the reasonable assurance compliance engagement is likely to create unintended consequences. For example, the potential to:

- create inconsistency in practice, especially in the areas of focus and work effort depending on the auditor’s professional judgment, and
- increase compliance costs, and it will be fund members who will ultimately incur these additional costs at a time when RSEs are being urged to aggressively manage costs to improve member outcomes.

We recommend that APRA continues to identify the specific legislative provisions that it would like to be included in the scope of the reasonable assurance compliance engagement in an appropriate APRA pronouncement.

Effective date

If APRA proceeds with the discontinuation of the Approved Form without identifying the specific legislative provisions elsewhere, then RSE auditors will need a longer transition period to prepare to implement the changes to the scope of the reasonable assurance compliance engagement. We would recommend the effective date be deferred by at least a year to 30 June 2025.

Illustrative report

Feedback we have received from our members who are RSE auditors is that they find Part 2 and 3 of the Approved Form a useful resource given the complex nature of these multi-scope engagements. Our members would welcome the discontinued Approved Form to be adapted as an illustrative assurance report in an appropriate pronouncement issued by APRA or another relevant body, for example in the AUASB GS 002. We consider that this will not require additional guidance from APRA since illustrative auditor’s reports similar to Part 1 of the Approved Form already exist in AUASB pronouncements.

Application of SPS 310

The proposed amendment in paragraph 2 to remove RSE auditors from the application of SPS 310, so that it only applies to RSE licensees, creates inconsistencies with certain parts of the standard which appears to continue to set requirements for RSE auditors, for example:

- Paragraph 8 which requires RSE auditors to comply with specified terms of engagement, and to comply with the AUASB standards.
- The section “Responsibilities of the RSE auditor – reporting” (paragraphs 20-23). The aspects of this section relating to the scope of the assurance engagement need to be reframed in the context of the RSE licensee’s obligations. Furthermore, this section includes requiring the RSE auditor to issue a modified opinion in certain circumstances and to retain working papers for seven years.

RSE auditors are required to comply with the Corporations Act and the AUASB standards which already include requirements for terms of engagement, reporting and retention of working papers.

We recommend SPS 310 be reviewed in the context of its proposed revised application to ensure it does not attempt to set requirements for RSE auditors, either directly or indirectly.

Auditor appointment

Section 35AC of the SIS Act states that the RSE may only have one auditor, and that must be the same as the auditor appointed under Chapter 2M of the Corporations Act. In the instance where the RSE auditor is a firm or a company (as opposed to an individual), then clarity would be well received that the various components of the audit can have a different “lead auditor” (as defined in section 11F of the SIS Act). This is currently alluded to in paragraph 7 of SPG 310, albeit it does not use the term ‘lead auditor’ to differentiate between who is appointed as auditor and who is primarily responsible for the conduct of the audit. If SPG 310 is retired as proposed, then this important intention of APRA will disappear.

If you have any questions about our submission, please contact either [REDACTED] (CA ANZ) at [REDACTED] or [REDACTED] (CPA Australia) at [REDACTED].

Yours sincerely

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