



Australian Prudential Regulation Authority (APRA)
General Manager, Policy
Email: superannuation.policy@apra.gov.au

28 February 2024

Dear APRA,

Re: APRA invitation to provide feedback on Superannuation prudential framework - consequential audit updates

PwC Australia welcomes the opportunity to respond to your invitation to provide feedback on the proposed amendments to the following:

- Prudential Standard SPS 310 Audit and Related Matters (SPS 310)
- Prudential Standard SPS 510 Governance (SPS 510)
- Prudential Standard SPS 520 Fit and Proper (SPS 520)
- Prudential Practice Guide SPG 520 Fit and Proper (SPG 520)
- Removal of the SPS 310 requirement for an RSE auditor to use an APRA approved form, and
- Retirement of Prudential Practice Guide SPG 310 Audit and Related Matters (SPG 310) as the minor and consequential amendments remove the substantive content of this guidance.

We welcome APRA consultation in relation to the proposed amendments following ongoing dialogue through the Superannuation National Audit Consultative Committee over recent months. We are engaged by many Registrable Superannuation Entity Licensees (RSE Licensees) across the industry to meet their SPS 310 requirements.

Overall, we understand the intent of the changes to SPS 310 to continue to provide independent assurance in relation to the operations, financial position and risk controls of the business operations of a RSE Licensee and acknowledge the important role this plays in the supporting the integrity of the superannuation system.

In our submission, we raise for your consideration certain aspects of how these changes are implemented so that they have the desired impact.

We would be pleased to discuss our comments with you. Please contact [REDACTED] on [REDACTED] or [REDACTED] on [REDACTED] should you require any further information.

Yours sincerely,

National Superannuation Leader
Partner

Superannuation Assurance Leader
Partner



Appendix A

Topic 1

Impact of the removal of the SPS 310 requirement for an RSE auditor to use an APRA approved form

- The proposed removal of the APRA approval audit form would significantly increase auditor discretion in the form of the assurance opinion(s) on superannuation prudential requirements.
- While other APRA regulated sectors (i.e., banking and general insurance) do not have opinions in a form “prescribed” by APRA, these other industries have supplementary guidance from APRA that both the regulated entity and their auditors can refer to when agreeing, executing and reporting on prudential requirements.
- Such guidance drives consistency across the respective industry and enables outputs to align to the expectations of APRA.
- Guidance Statement GS 002 *Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities* (GS 002) was last updated in January 2014 and makes reference to the APRA approved form (as a prescribed form).
- GS 002 would require review and uplift to provide such consistency prior to the removal of the APRA approved audit form. Updates would need to be worked through with the Auditing and Assurance Standards Board (AASB) as the issuer of this guidance statement.

Topic 2

Scope of proposed assurance audit requirements

- In its proposed form, the reasonable assurance requirement on compliance with all RSE Licensee law (SPS 310 paragraph 20 (a)(ii)) would require a significant increase in audit effort compared to the current scope, as the auditor would be required to issue a reasonable assurance opinion on a Regulated Superannuation Entity’s (RSE’s) compliance with the entirety of the SIS Act. This contrasts with the current approach of opining on only a subset of specific legislative provisions of prudential requirements.
- In our view, the increase in scope proposed by APRA contrasts with its statement that changes to SPS 310 would not lead to a substantive increase in audit work.
- It may be beneficial for APRA to detail the cost benefit analysis of the increase in audit work, specifically outlining the benefits RSE would obtain from this additional effort.
- This proposed scope is also significantly larger than required for other APRA regulated sectors, such as banking, where assurance is provided over the controls which the regulated entity maintains to ensure compliance with prudential requirements and aligns to an Authorised deposit-taking institution’s (ADI’s) Risk Management Declaration.



Topic 3

Implementation timeframe

- We submit that APRA may wish to consider a longer transition period for RSE Licensees and their auditors to prepare to implement the changes in their current proposed form, particularly the reasonable assurance audit requirement on compliance with all RSE Licensee law (SPS 310 paragraph 20 (a)(ii)).
- This is due to the increase in breadth of legislative provisions that would require a higher level of assurance than currently required.
- The current proposed implementation timeframe does not allow for a RSE Licensee to agree on a revised scope and for RSE auditors to deliver on this revised scope in accordance with auditing and assurance standards.
- Consideration of the impact on the superannuation eco-system beyond the RSE Licensee's direct control environment is also required (e.g. service providers to the RSE Licensee).
- We would recommend the effective date be deferred by at least a year to 30 June 2025 to allow for this.
- APRA may also want to consider the ongoing consolidation across the superannuation industry and if an exemption for RSEs that are merging would be appropriate over the proposed transition period.

Topic 4

Communication with RSE Licensees

- In accordance with SPS 310, RSE Licensees have the obligation to engage an auditor to comply with the prudential requirements.
- In the absence of an APRA approved form and if the requirements are left to the discretion of the RSE auditor, there may be inconsistencies in application of the objectives of the standard and the extent of reporting to APRA.
- We recommend clear communications from APRA to RSE Licensees outlining expectations regarding SPS 310 to enable the RSE Licensee to work with the auditor to appropriately scope the engagement, including the form of reporting. For example, clear guidance on how material internal control weaknesses and other reporting issues that are not current year qualifications audit matters are communicated.
- APRA may consider providing this in a letter to RSE Licensee like the letter sent to ADIs on 19 May 2011.



Topic 5

Use of the RSE auditor report

- The proposed changes to SPS 310 indicates that the auditors report(s) may be lodged either with ASIC or APRA, and may be set out in one document, i.e., included in the auditor's report on the financial reports that must be lodged with ASIC.
- Such reports may be publicly accessible. This may result in audit report(s) over prudential requirements being public facing when they previously have been reported only to the regulator.
- A fundamental premise of the assurance standards is the establishment of a level of materiality in consideration of the needs of "intended users", and that those intended users have a reasonable knowledge of the underlying subject matter of the assurance opinion. Combining the assurance opinion(s) on prudential requirements with the audit opinion on financial statements would result in a broader group of "intended users" and may substantially alter the auditors' assessment of materiality and therefore the nature and extent of auditor procedures over the prudential requirements and APRA reporting forms.
- It is unclear from the proposed amendments how the lodgment of the revised RSE auditor report will work. APRA should clarify who will have access to the RSE audit report and if it will be made public.