



APRA

Annual Report

2023-24





Annual Report

Australian Prudential Regulation Authority

2023-24

Acknowledgment of Country

APRA acknowledges the Traditional Custodians of the lands and waters of Australia and pays respect to Aboriginal and Torres Strait Islander peoples past and present. We would like to recognise our Aboriginal and Torres Strait Islander employees who are an integral part of our workforce.



13 September 2024

John Lonsdale, Chair

Sydney
1 Martin Place (Level 12), NSW 2000
GPO Box 9836, Sydney NSW 2001
Australian Prudential Regulation Authority
02 9210 3000 | apra.gov.au

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 2024.


Yours sincerely,

APRA

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Glossary

| | |
|-----------------|--|
| ADI | Authorised Deposit-taking Institution |
| ANAO | Australian National Audit Office |
| APRA | Australian Prudential Regulation Authority |
| APRA Act | Australian Prudential Regulation Authority Act 1998 |
| ASIC | Australian Securities and Investments Commission |
| ATO | Australian Taxation Office |
| BEAR | Banking Executive Accountability Regime |
| CFR | Council of Financial Regulators |
| FCS | Financial Claims Scheme |
| FAR | Financial Accountability Regime |
| GCRA | Governance, Culture, Remuneration and Accountability |
| PHI | Private Health Insurers |
| RBA | Reserve Bank of Australia |
| RSE | Registrable Superannuation Entity |
| YFYS | Your Future, Your Super |

From the Chair

I am pleased to present the Australian Prudential Regulation Authority's latest annual report which details how APRA delivered on its purpose in the 2023-24 financial year to maintain the strength and resilience of the Australian financial system.

APRA's core purpose is to ensure Australia's financial system remains stable and safe throughout different operating and economic conditions, so that Australians can have confidence that their financial interests are protected.



This requires APRA to be vigilant and ready to respond to systemic financial or operational risks that could potentially impact the viability of banks, insurers and superannuation funds or disrupt the provision of services to the Australian community.

As a supervision-led regulator, APRA also has an important role in ensuring banks, insurers and superannuation funds are managed prudently and operating in the best interests of depositors, insurance policyholders and superannuation fund members. In instances where an entity we regulate is not meeting its prudential obligations, APRA can and does take appropriate action.

In 2023-24, APRA undertook a broad range of activities across its supervisory, policy and resolution responsibilities, in line with strategic priorities outlined in APRA's Corporate Plan.¹ A detailed overview of APRA's performance against the plan is set out in the Annual Statement of Performance in Chapter 2 of this report.

Strengthening industry resilience and accountability

The size and complexity of the Australian financial system has grown significantly in recent years, as has the interconnectedness between industries across the economy. Over the past year, APRA has been more focused than ever on system-wide risks where shocks in one part of the economy can quickly transmit across the financial system.

In addition, geopolitical uncertainty in many parts of the world has risen, leading to a greater focus on geopolitical risks and how they may impact the financial system.

Incidents of cyber-attacks, scams and tech outages featured strongly again in 2023-24, elevating the focus on operational risk management in boardrooms across all industries, including financial services.

Reflecting the increasing interconnectedness of industries and rapid transmission of risks, operational risk management has been a fundamental area of focus for APRA during the year. To strengthen the operational resilience of the financial system, APRA has engaged with banks, insurers and superannuation trustees over the past two years on new prudential requirements to help entities better manage operational risks and respond to business disruptions. A new standard covering these requirements was released in July 2023 and accompanying guidance was published in June 2024. The standard, which takes effect in July 2025, will ensure that regulated entities set and test controls and maintain business continuity plans to respond if disruptions occur.

¹ APRA's Corporate Plan is available at: <https://www.apra.gov.au/apra-corporate-plan-2023-24>.

In relation to cyber risks, APRA continued to pursue the findings issued under the CPS 234 Information Security Tripartite reviews of regulated entities. These reviews help to provide a baseline view of the state of cyber resilience of entities and across the financial system. Key trends and themes on weaknesses in industry have been communicated to entities.

Embedding strong risk cultures in financial institutions is critical to identifying and managing risks. The Financial Accountability Regime (FAR), designed to improve the risk and governance cultures of APRA-regulated entities, came into effect for banks in March 2024, replacing the Banking Executive Accountability Regime (BEAR). The FAR imposes a strengthened responsibility and accountability framework for banks, insurers and superannuation trustees, as well as their directors and most senior executives. APRA and ASIC, who are jointly responsible for administering the regime, have also consulted actively with insurers and superannuation trustees ahead of FAR coming into effect for those industries in 2025.

Banking on stability

Maintaining a strong and resilient banking system is always a core priority for APRA. A strong system protects the community and supports a thriving economy. In that regard, a key focus during the year was embedding the lessons learned from the global banking turmoil of early 2023, to ensure the Australian banking system remained safe and resilient.

To progress the learnings from the collapse of Silicon Valley Bank in the US in March 2023, in particular, APRA began consulting on targeted changes to liquidity and capital requirements, aimed at strengthening the banking sector's resilience to future stress.

The cost of living pressures faced by many Australians has focused strong public attention on APRA's macroprudential settings, including the serviceability buffer.

The macroprudential settings are reviewed regularly by APRA to ensure the settings remain appropriate for the prevailing economic conditions. APRA decided to leave the serviceability buffer unchanged at 3.0 percentage points and the countercyclical capital buffer at 1.0 per cent of risk weighted assets throughout 2023-24 to maintain prudent lending standards and provide an important contingency for new borrowers.

This decision was based on concern that the level of overall risk to the financial system remained elevated. Macroprudential policy settings play an important role in guarding against risks to the financial soundness of banks that could, in turn, undermine the overall stability of the Australian financial system.

Addressing industry challenges in insurance

General insurance

APRA continued to work with industry, other regulators and government to deepen its understanding of the drivers of affordability and availability pressures in general insurance.

APRA has used its role as the data collection agency for the financial sector to inform the conversation around the protection gap and help stakeholders better understand the issues.

Over the period, this has included supporting the work being progressed by the Hazards Insurance Partnership (HIP). The HIP is managed by the National Emergency Management Agency and provides a forum for the Australian Government and the insurance industry to work on the challenges of disaster risk reduction and natural hazard insurance.

APRA has also encouraged insurers to consider what options and innovations might improve affordability and availability for policyholders including through speeches and industry engagements, including an industry roundtable on risk governance.

Life insurance

In December 2023, APRA and ASIC published findings from a joint review into premium increases by life insurance companies. The report called for: greater risk management and compliance assurance around premium re-ratings practices; life companies to do better at explaining how premiums are calculated and how they might change over the life of a policy; and improvements to product design governance.

APRA's program of work to support the long-term sustainability of individual disability income insurance (IDI) continued during 2023-24. While progress has been made, resulting in a reduced capital requirement for a small number of insurers, the work required by industry is ongoing.

Private health insurance

New capital standards for the private health insurance industry came into effect in July 2023. The standards have significantly changed how capital adequacy is determined for insurers and has improved alignment with APRA's insurance capital framework, consistent with international best practice.

Driving better outcomes for super members

APRA continues to drive a strong culture of continuous improvement, accountability, and transparency in the delivery of quality member outcomes across the superannuation industry. Over the past year, we have also significantly increased our focus on how superannuation trustees are supporting members entering retirement.

Superannuation is an increasingly important driver of national savings, with combined member assets totalling \$3.9 trillion as at 30 June 2024. APRA continues to build resilience in the super industry through a combination of stronger prudential settings and targeted supervision, and enforcement where necessary.

For the first time, the annual performance test conducted by APRA each August was expanded to cover trustee directed products, a subset of the choice product segment. In total, the performance of 64 MySuper products and 805 trustee directed products were measured against tailored benchmarks. The test was introduced in 2021 to hold trustees to account for product performance.

APRA enhanced a core prudential standard that covers strategic planning and member outcomes. The changes were finalised in June 2024 and published in early July. The standard reinforces trustees' obligation to put the financial interests of members "front of mind" in decisions on fund expenditure, strategic and business planning, financial resource management, implementation of the retirement income covenant and fund transfers.

A joint APRA and ASIC thematic review into the progress being made by trustees to implement the retirement income covenant was published in July 2023. The covenant requires trustees to have a strategy to assist members in or approaching retirement. The review identified a lack of urgency by trustees in embracing the intent of the covenant. A follow-up pulse check conducted by APRA and ASIC in November and published in early July 2024, showed progress had been made, although not in the critical area of tracking and measuring the success of trustees' retirement income strategies.

Other important areas of focus in superannuation included ongoing reviews into investment governance, and a thematic review of recovery, exit and resolution planning.

APRA also began collecting fund-level expenditure data as part of its expanded superannuation data collection.

Collaboration with other regulators

APRA is a member of the Council of Financial Regulators (CFR), along with ASIC, the Reserve Bank of Australia (RBA) and Treasury. The CFR agencies engage closely to promote the stability of the financial system and address shared challenges to system-wide risks. Specific areas of recent CFR focus include risks relating to pressures facing households and businesses, the geopolitical environment, and disruption associated with the adoption of artificial intelligence. CFR agencies have also engaged on APRA's macroprudential policy settings, considering lending standings, the broader economic environment and other relevant factors.

During the year, APRA continued to work in close coordination with regulatory agencies to support collective goals, minimise duplication of activities, and reduce regulatory burden. Working with Treasury, APRA is also contributing to the Regulatory Initiatives Grid, a government initiative to coordinate better financial sector regulation.

APRA also works collaboratively with domestic agencies (for example, the Australian Competition and Consumer Commission, the Australian Transaction Reports and Analysis Centre and the Australian Financial Complaints Authority), international peer regulators, and international standard setting bodies.

APRA also works closely with the Department of Home Affairs who lead the execution of the Australian Cyber Security Strategy.

Proportionality and simplicity

APRA regulates entities ranging in size from those we classify as “significant financial institutions” to entities at the other end of the spectrum. We are aware that regulatory compliance can pose a greater burden to smaller entities with fewer resources than larger institutions.

One of the fundamental ways that APRA tailors regulatory settings to balance safety and stability with efficiency and competition is through a ‘risk-based’ and ‘outcomes-focused’ approach. In contrast to setting more prescriptive requirements, this provides flexibility for entities to use a variety of approaches to comply, commensurate with their size, complexity and risk profile.

APRA has also sought to reduce regulatory burden through its “Modernising the Prudential Framework” initiative, launched in 2021. The culmination of that work was the release of a digitised Prudential Handbook in June 2024. The handbook makes it easier for the industry to understand and comply with the prudential framework, and for APRA to supervise and maintain.

Enforcement

APRA is primarily a supervision-led regulator but also uses enforcement to prevent and address serious prudential risk and to hold entities and individuals to account for breaches of their prudential or legislative obligations. APRA has a ‘constructively tough’ approach to enforcement and has a graduated toolkit that includes the imposition of additional licence conditions through to court-enforceable undertakings and civil actions.

APRA has a published enforcement approach, which helps guide decisions about appropriate actions.

During 2023-24, enforcement action taken by APRA included:

- imposing additional licence conditions on Mercer Superannuation Limited in response to concerns regarding its operational risk management and compliance management frameworks.
- issuing infringement notices to BNK Banking Corporation Limited for data breaches totalling \$247,500, OnePath Custodians Pty Limited for failing to direct contributions into a MySuper product totalling \$1.46 million, and to Equity Trustees Superannuation Limited for data breaches totalling \$782,500.
- imposing additional conditions on NGS Super Pty Limited's RSE licence to remediate serious deficiencies with its data governance systems and processes, as required by CPS 234 Information Security.
- accepting a court-enforceable undertaking from Bank of Queensland Limited, requiring it to remediate risk management systems and processes.
- successfully applying to the Federal Court for injunctions to restrain two individuals from conducting unauthorised banking business in breach of the *Banking Act 1959* (Banking Act); and further penalty orders against one of those individuals for breaching the Court's injunction.
- applying an additional \$20 million capital requirement on RAC Insurance Pty Ltd for weaknesses in its outsourcing controls, conflict management and board-decision making.

With thanks

2023-24 was my first full year as Chair of APRA, a position which has given me a special vantage point to interact with and observe the contributions made by APRA's employees in every part of the organisation.

What stands out to me is the large proportion of people who join and build a career at APRA because they share APRA's purpose and genuinely want to play a part in protecting the financial interests of the Australian community.

I am proud to lead such a committed, talented and collaborative workforce and sincerely thank our people for all that they do.

Australia's prudentially regulated landscape

APRA is the prudential regulator of the financial services industry.

APRA regulates **1,512 entities** with combined assets totalling **\$9.1 trillion**



Banks are well-capitalised, providing strong protection for depositors' interests.

Industry-wide capital ratios and liquidity ratios remained strong.

135 licensed ADIs



Common Equity Tier 1 capital ratio **12.7%**



Minimum Liquid Holdings¹ **16.9%**



Total capital ratio **20.4%**



Liquidity Coverage Ratio² **133.0%**



Superannuation is a large, fast-growing component of the financial system.

APRA-regulated funds

102



Licensed trustees

67



4.7 million accounts* currently over preservation age



3.9 million additional accounts* approaching preservation age in 10 years

APRA-regulated funds with more than six members. Preservation age of 60 years.
*Data also includes exempt public sector schemes.

The Insurance industry is financially strong, with capacity to pay all valid policyholder claims.

General insurers

89



Life insurers and Friendly societies

34



Private health insurers

30



Total value of assets by sector

\$133bn



\$144bn



\$21bn



1. MLH ratio is the percentage ratio of specified liquid assets to liabilities.

2. LCR is the percentage ratio of high-quality liquid assets to total net cash outflows.

APRA's year at a glance

Setting, supervising and enforcing standards to maintain a safe and resilient financial system.



554 supervision-focused employees, including teams such as policy, advice, risk and enforcement.

Engaging with regulators, government agencies and stakeholders to promote financial system stability.

100 key communications:

Media releases

45

Information letters to industry

55

- Delivered speeches at **54** domestic industry events.
- Participated in **43** key international forums.
- Attended **7** parliamentary hearings.



Cultivating an inclusive culture and supporting highly engaged and capable people.

870 employees across 5 locations

Voluntary turnover rate

9% ▼ down from 12%



Sustainable engagement score achieved in annual survey:



Women in senior roles:

| | |
|---------------------|------------|
| APRA board | 75% |
| Executive Directors | 57% |
| Senior Managers | 41% |

26 employees completed post-graduate study through the assistance program.



16 graduates enrolled in APRA's graduate program.



Chapter 1: About APRA

APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, mutuals, general insurers and reinsurers, life insurers, private health insurers, friendly societies, and most superannuation funds. APRA supervises 1,512 financial entities with combined assets totalling \$9.1 trillion.

APRA acts as a central statistical agency in the collection and distribution of data in respect of the Australian financial sector. APRA is also Australia's resolution authority and is responsible for the administration of the Financial Claims Scheme (FCS).

Our purpose

APRA is responsible for ensuring that Australians' financial interests are protected. We promote the safety and stability of the financial system, while balancing competition and efficiency considerations.²

Our people enliven our purpose through their dedication and commitment to our work and our values.

Our regulatory tools include powers to set, supervise and enforce standards, and if necessary, resolve institutions in an orderly manner.

Our vision

Protected today, prepared for tomorrow

In pursuing APRA's vision, we strive to deliver three key outcomes:

- resilient and prudently managed financial institutions, in which Australians have trust and confidence.
- a safe and stable financial system, which underpins economic activity and prosperity.
- improved ability for Australians to achieve good financial outcomes, now and into the future.

Legislative foundations

Under the *Australian Prudential Regulation Authority Act 1998* (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 policyholders.³

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.

² Section 8 of the APRA Act requires that, in performing and exercising its functions and powers, APRA is to "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". Both the *Banking Act 1959* and *Insurance Act 1973* contain objects related to the continued development of viable, competitive and innovative banking and insurance industries.

³ 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 and APRA responds with a Statement of Intent. These documents are published, with the most recent being released in June 2023.⁴

APRA's current Statement of Expectations sets out the government's expectations with reference to APRA's role, the government's policy priorities, APRA's relationships with external stakeholders, and organisational matters. The Statement of Intent sets out APRA's response and confirms APRA's intention to continue striving to be a high-performing and responsive prudential regulator for the benefit of the Australian community.

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.

As at 30 June 2024, the APRA Members were:

- Mr John Lonsdale - Chair
- Ms Margaret Cole - Deputy Chair
- Ms Therese McCarthy Hockey - Member
- Ms Suzanne Smith - Member

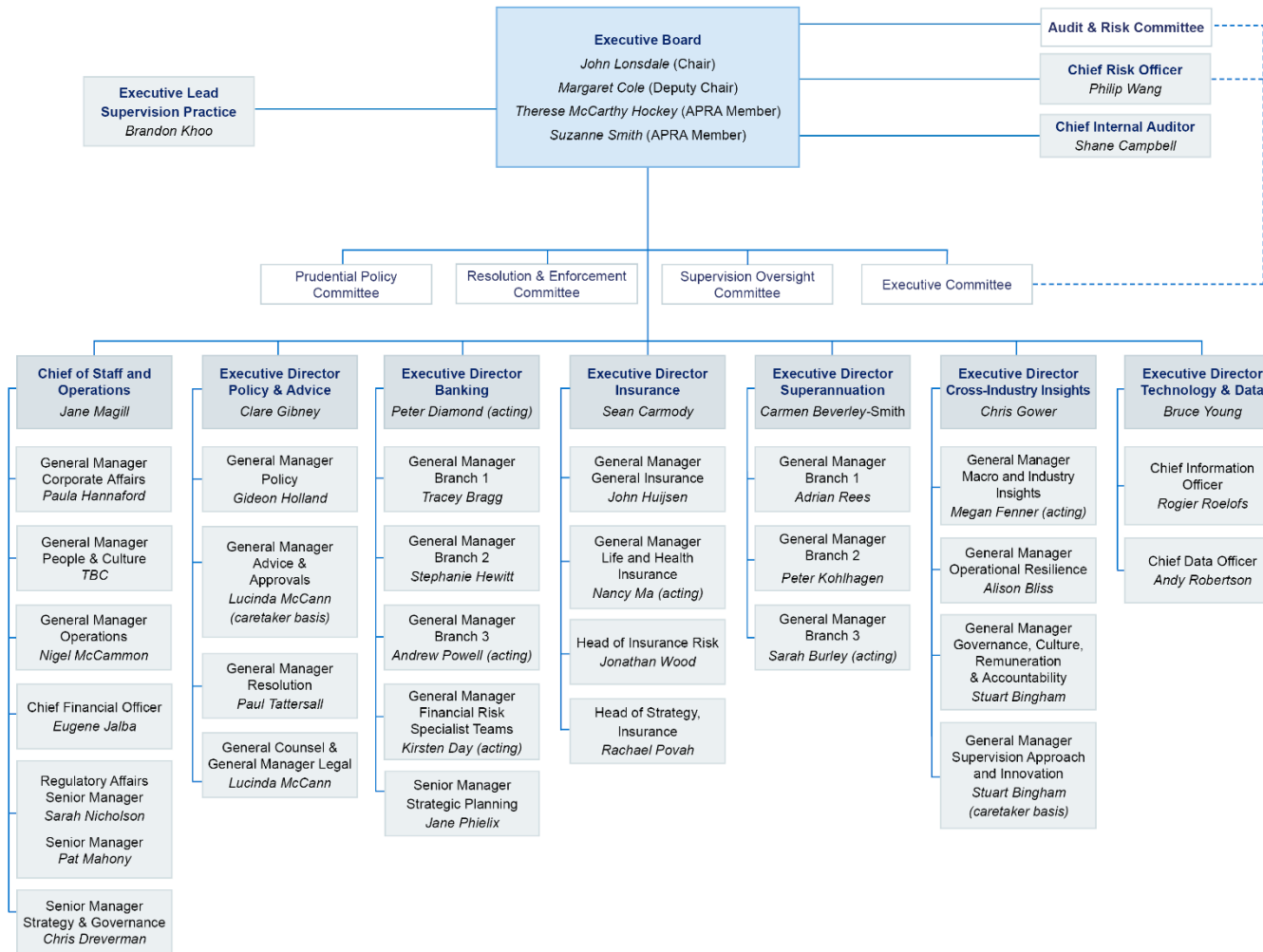
Biographies of Members are available in Chapter 3 of this report.



(L to R: Ms McCarthy Hockey, Ms Cole, Mr Lonsdale, Ms Smith)

⁴ The 2023 Statement of Expectations is available at: <https://www.apra.gov.au/statement-of-expectations>. APRA's Statement of Intent is available at: <https://www.apra.gov.au/statement-of-intent>.

APRA's organisation chart (as at 30 June 2024)



APRA-regulated entities

| | Number of entities ¹ | | | Assets (\$ billion) ^{2, 3, 4} | | |
|--|---------------------------------|--------------|--------------|--|--------------|-----------------------|
| | 30 Jun 23 | 30 Jun 24 | % change | 30 Jun 23 | 30 Jun 24 | % change ⁵ |
| ADIs ⁶ | 140 | 135 | -3.6% | 6,183 | 6,131 | -0.8% |
| Banks (excluding mutuals) | 73 | 74 | 1.4% | 5,987 | 5,921 | -1.1% |
| Mutuals ⁷ | 57 | 54 | -5.3% | 188 | 200 | 6.6% |
| Other ADIs (not defined as banks or mutuals) | 7 | 6 | -14.3% | 9 | 10 | 13.1% |
| Restricted ADIs | 3 | 1 | -66.7% | 0 | 0 | 0 |
| Representative offices of foreign banks ⁸ | 15 | 17 | 13.3% | | | |
| General insurers | 90 | 89 | -1.1% | 171 | 133 | -22.6% |
| Life insurers | 24 | 24 | 0 | 124 | 133 | 7.1% |
| Friendly societies | 10 | 10 | 0 | 10 | 11 | 15.6% |
| Licensed trustees | 78 | 67 | -14.1% | | | |
| Superannuation entities ^{9, 10} | 1,131 | 1,123 | -0.7% | 2,459 | 2,705 | 10.0% |
| Public offer funds | 86 | 84 | -2.3% | 2,143 | 2,394 | 11.7% |
| Non-public offer funds | 23 | 18 | -21.7% | 315 | 309 | -1.8% |
| Small APRA funds | 1,000 | 1,000 | 0 | 2 | 2 | -5.6% |
| Approved deposit funds | 8 | 7 | -12.5% | 0 | 0 | 0 |
| Pooled superannuation trusts | 14 | 14 | 0 | 227 | 228 | 0.4% |
| Private health insurers | 32 | 30 | -6.3% | 20 | 21 | 3.7% |
| Non-operating holding companies | 33 | 34 | 3.0% | | | |
| TOTAL | 1,538 | 1,512 | -1.7% | 8,968 | 9,133 | 1.8% |

Notes:

¹ The 'number of entities' includes entities currently in the process of winding up or deregistration but remain authorised entities as at the date of this data being compiled. Figures for end-June 2023 have been revised to reflect wind-up or deregistration of entities finalised over the FY 2023-24.

² Asset figures for end-June 2024 are based on the most recently submitted returns as at the date of this data being compiled. Asset figures for end-June 2023 have been revised slightly from prior year's report in line with audited returns and resubmissions received during the year.

³ Asset figures for general, private health and life insurance and friendly societies for end-June 2024 are based on the revised reporting framework for insurance to reflect the implementation of Australian Accounting Standards Board 17 Insurance Contracts (AASB17), effective 1 July 2023. Accordingly, the asset figures for end-June 2024 cannot be used as a direct comparison against the figures for end-June 2023.

⁴ Sub-components within the table may not add up to totals due to rounding of figures.

⁵ The percentage change for assets have been calculated using the underlying unrounded values.

⁶ Asset figures for ADIs are predominately sourced from the Economic and Financial Statistics (EFS) domestic books data collection.

⁷ Mutual ADIs are defined as ADIs operating under a mutual corporate structure in accordance with ASIC Regulatory Guide 147.

⁸ 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.

⁹ 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.

¹⁰ Pooled superannuation trust assets are not included in asset totals as they are already recorded as part of other superannuation categories. However, the 'number' of pooled superannuation trusts are included in totals.

Chapter 2: Statement of Performance

Chair's Statement

I, John Lonsdale, as the accountable authority of the Australian Prudential Regulation Authority (APRA), present the annual performance statement of APRA for the 2023-24 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 in the 2023-24 reporting period and complies with subsection 39(2) of the PGPA Act.

2023-24 Corporate Plan

APRA's 2023-24 Corporate Plan reinforces APRA's commitment to promoting a safe, stable and efficient financial system that Australians can have confidence in. Guided by the vision of "protected today, prepared for tomorrow", APRA's strategic priorities remain anchored in delivering its purpose and three key outcomes: the safety and resilience of regulated entities; a stable financial system that the community has confidence in; and a community that is supported to achieve good financial outcomes.

Corporate Plan on a page

| | | | | |
|--|---|---|--|--|
| <h3>Our purpose</h3> <p>We are Australia’s prudential regulator, and are responsible for ensuring that Australians’ financial interests are protected. We promote the safety and stability of the financial system, while balancing competition and efficiency considerations.</p> <h3>Our vision</h3> <p>Protected today, prepared for tomorrow</p> | | | | |
| Delivering key outcomes |  <p>Protecting the safety and resilience of regulated entities</p> |  <p>Promoting confidence and stability in the financial system</p> |  <p>Supporting the community to achieve good financial outcomes</p> | |
| Addressing key challenges |  <p>System wide risks</p> |  <p>Operational resilience</p> |  <p>Climate related financial risks</p> |  <p>Superannuation transparency and retirement outcomes</p> |
| Focusing on core areas |  <p>Policy development</p> |  <p>Risk-based supervision</p> |  <p>Enforcement</p> |  <p>Resolution</p> |
| Strengthening enablers |  <p>Modernising the Prudential Architecture</p> |  <p>Transforming our technology and use of data</p> | |  <p>Cultivating an agile and engaged organisation</p> |

Performance Results

This section covers APRA’s performance against the key objectives outlined in the 2023-24 Corporate Plan ⁵ and, where appropriate, provides an analysis of contributing factors. APRA’s performance measures are informed by regulator best practice principles and are included in the Table of Data (Addendum A).

⁵ APRA’s 2023-24 Corporate Plan is available at: <https://www.apra.gov.au/apra-corporate-plan-2023-24>.

Delivering key outcomes

In 2023-24, the Australian financial system remained strong, stable and well-placed to support the evolving needs of the Australian community. Australia's banking and insurance industries are safe and well capitalised, investments in crisis preparedness are ongoing, and superannuation trustees are being held accountable for managing members' funds.

The financial system's strength reflects the long period of investment in financial and operational resilience. APRA's strong prudential framework, ongoing risk-based supervision, enforcement activity, and close coordination with government and peer regulators are promoting this outcome.

Partnering with peers

Collaboration between regulators and government agencies remains crucial to successfully navigating the challenges of the economic environment. To support collaboration, APRA routinely engages with key domestic and international regulators in a range of bilateral and multilateral forums.

APRA is a member of the Council of Financial Regulators (CFR), along with the Australian Securities and Investments Commission (ASIC), the Reserve Bank of Australia (RBA) and Treasury. The CFR agencies engage closely to promote the stability of the financial system and address shared challenges to system wide risks. Current focus areas include payments reforms, insurance availability and affordability, and the role of superannuation in the financial system. These are discussed elsewhere in this performance statement. Some of APRA's key bilateral domestic engagement across 2023-24 included:

- Recurrent APRA member / ASIC commissioner level meetings through the APRA-ASIC Committee (see Addendum C) supplemented with formal and informal working level engagement.
- Recurrent APRA member / Treasury executive level meetings as well as formal and informal working level engagement, particularly in relation to financial services policy related matters.
- Recurrent APRA member / Australian Competition and Consumer Commission (ACCC) commissioner level meetings as well as formal and informal working level engagement.
- Recurrent APRA executive level meetings with peers at the RBA as well as formal and informal working level engagement, particularly in relation to macroprudential matters.
- Recurrent APRA executive level engagement with peers at AUSTRAC as well as formal and informal working level engagement.
- Regular working level engagement with the Australian Financial Complaints Authority; and
- Increased engagement across various levels with non-financial sector agencies, including the Department of Industry, Science and Resources, the Office of the Australian Information Commissioner, the Digital Transformation Agency, and the Department of Home Affairs who are leading the execution of the Australian Cyber Security Strategy.

Internationally, APRA is a member of a number of key international forums and standard setting bodies, including the Basel Committee on Banking Supervision (BCBS), International Association of Insurance Supervisors (IAIS), International Organisation of Pension Supervisors (IOPS), Financial Stability Board (FSB) and Executives' Meeting of East-Asia Pacific Central Banks (EMEAP). Additional details are provided in Addendum B.

APRA's ongoing participation in international forums enables us to learn from international best practice, share our experiences with international peers, and develop solutions to common regulatory challenges. Over many years, APRA has built a reputation as a respected and valued contributor at the international table, a reputation we continue to build on.

Stakeholder engagement

APRA engages with a range of domestic stakeholders including regulated entities, industry bodies, government departments, media, and the public. Various channels are used to communicate policy, statistical and other announcements, as shown in the table below.

Key communications and engagements ⁶

| Activity | 2022-23 | 2023-24 |
|--|---------|---------|
| Policy consultations conducted | 24 | 20 |
| Information letters issued to industry | 45 | 55 |
| Presentations at formal speaking engagements | 68 | 54 |
| Media releases issued | 74 | 45 |
| Parliamentary hearings attended | 10 | 7 |



Protecting the safety and resilience of regulated entities

APRA prudentially regulates some 1,512 entities. There were no failures during 2023-24.⁷

APRA's risk-based supervision approach remained core to protecting the safety and resilience of entities across the banking, insurance and superannuation industries. A summary of performance relevant to each industry is provided below.

Banking

Australia's banking industry is financially strong and well-capitalised. Depositors can have confidence that their interests are protected. In aggregate, banks have stable and diversified funding sources and liquid assets are well-above regulatory minimum requirements. This ensures banks have the financial strength to withstand future adverse economic conditions, protect depositors in times of stress, and support lending to households and businesses. The credit quality of banks remained sound with total non-performing loans (NPL) low, supported by rising property prices and low unemployment. Within this aggregate, there were segments under stress, including home loan borrowers with high loan-to-value ratios (LVRs) and tight serviceability, and industries impacted by rising interest rates and increasing costs (e.g. construction, secondary office and discretionary retail).

The aggregate total capital ratio for banks has been increasing, as shown in the table on page 19. This reflects two main drivers: (i) application of the new capital framework which became effective on 1 January 2023; and (ii) continued issuing of Tier 2 capital by banks identified as being systemically important in domestic markets (D-SIBs). The latter is in preparation for APRA requirements - 4.5% of

⁶ APRA's key communications are available at: <https://www.apra.gov.au/news-and-publications>.

⁷ See related performance measures - Performing Entity Ratio (PER) and Money Protection Ratio (MPR).

risk-weighted assets in additional loss-absorbing capacity (LAC) - that come into effect from 1 January 2026. This additional LAC will ensure that in the event a D-SIB failed, it could be resolved with minimal impact to the economy and community. Further, the additional LAC reduces the risk of taxpayer funds being used for resolution purposes.

| Metric | Jun 2022 | Sep 2022 | Dec 2022 | Mar 2023 | Jun 2023 | Sep 2023 | Dec 2023 | Mar 2024 | Jun 2024 |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| NPL ratio ⁸ | 0.9% | 0.8% | 0.8% | 0.8% | 0.9% | 0.9% | 1.0% | 1.0% | 1.1% |
| LCR ⁹ | 133.0% | 132.7% | 134.7% | 137.7% | 134.0% | 136.8% | 133.7% | 136.6% | 133.0% |
| MLH ratio ¹⁰ | 17.3% | 17.7% | 17.9% | 17.8% | 17.2% | 17.3% | 17.7% | 17.8% | 16.9% |
| CET1 ratio ¹¹ | 11.4% | 11.7% | 11.7% | 12.7% | 12.6% | 12.6% | 12.6% | 12.7% | 12.7% |
| Total capital ratio | 16.9% | 17.7% | 17.7% | 19.6% | 19.7% | 19.8% | 20.0% | 20.5% | 20.4% |

A key focus during the reporting period has been to respond to lessons learned from the Silicon Valley Bank banking turmoil in 2023. A range of supervision and policy reforms have been progressed. These are discussed under “Policy development”.

APRA’s annual stress testing provides assurance of the banking industry’s resilience in a major financial crisis. The 2023 stress test was designed to assess banks’ resilience to a deep and prolonged global economic downturn, accompanied by a sustained period of high inflation and interest rates. All of the banks chosen to participate in the stress test were found to have sufficient capital to meet their requirements and support an economic recovery.

During 2023-24, APRA conducted targeted work to identify areas requiring an uplift in liquidity stress testing capabilities. Following this, APRA has been engaging with the relevant banks to monitor and assess progress in remediating the identified issues. Further, APRA is in the process of analysing the results of the 2024 industry stress test, which involved the participation of larger, more complex banks, reflecting APRA’s proportional approach.

As part of its regular supervision activities, APRA has been tracking the recent uptick in arrears, in both the retail and non-retail books. In addition to this, thematic work was completed to monitor and manage banks’ credit risk. This included prudential reviews to understand banks’ policies, processes and practices relating to problem loans management. ¹² APRA observed that problem loan workout functions for the banks are generally well managed, including having plans in place to bolster resources if needed. Some areas of improvement were raised on managing retail and non-retail problem loans. A further series of prudential reviews focusing on agricultural lending will be completed in the next reporting period (late 2024).

⁸ Total non-performing loan (NPL) ratio measures credit quality. These are loans classified as non-performing, for both housing and business lending.

⁹ Liquidity Coverage Ratio (LCR) is an indicator of ability of ADIs to repay short term funding withdrawals from their liquidity assets.

¹⁰ Minimum Liquidity Holdings (MLH) ratio is an indicator of ability of ADIs to repay short term funding withdrawals from their liquidity assets.

¹¹ High capital ratios mean ADIs are well-positioned to absorb losses from future economic uncertainty.

¹² Problem loans are loans made by the ADI that the borrower is unable to repay according to the terms of the initial agreement.

APRA conducted a range of supervision activities relating to operational and technology resilience. These included ongoing prudential reviews of larger banks; assisting banks prepare for compliance with CPS 230 Operational Risk Management; and heightened supervision to ensure timely remediation of cyber resilience issues identified in banks' CPS 234 Information Security Tripartite assessments. Prudential standards CPS 230 and CPS 234 are further discussed under "Operational resilience".

As part of APRA's approach to balancing the competition, contestability and safety aspects of its mandate, APRA licences new entrants into the banking sector that demonstrate they meet the requirements of the prudential framework. APRA approved an application from Avenue Bank Limited to progress from a Restricted ADI to an ADI.

Modernising the payments regulatory framework

The financial services sector in Australia and globally is changing rapidly. Communication and payments are becoming increasingly digital and business models are evolving in response to technological innovation and consumer expectations, some of which are challenging the regulatory perimeter.

Regulation is changing in response, with payment systems a key government priority. APRA's focus is on ensuring that the risks associated with new products and technologies are managed prudently.

APRA is working with other regulators to implement the Government's Strategic Plan for Australia's Payments System. APRA's focus in 2023-24, together with Treasury, was on the proposed legislative requirements for Stored Value Facility providers and addressing the mandate and powers required by APRA to prudentially regulate the industry. APRA will consult on proposed prudential requirements once the legislation is passed by Parliament.

Insurance

Australia's insurance industry is financially strong and well-capitalised. Policyholders can have confidence that their insurer will have the financial capacity to pay all valid claims.

| Prescribed Capital Amount (PCA) ^{13 14} | As at 30 June 2023 | As at 30 June 2024 |
|--|--------------------|--------------------|
| GI PCA coverage ratio | 1.74x | 1.81x |
| LI PCA coverage ratio | 2.05x | 2.03x |
| PHI PCA coverage ratio | 1.77x | 2.62x |

APRA's strategic workstreams across the general, life and private health insurance sectors have focused on addressing challenges to improve financial outcomes for policyholders.

¹³ Prescribed Capital Amount is the capital required to absorb losses considering the full range of risks that an entity is exposed to.

¹⁴ APRA has made significant changes to its capital and reporting framework for insurance with effect from 1 July 2023. These changes reflect the implementation of Australian Accounting Standards Board 17 Insurance Contracts (AASB17), and revisions to the capital framework for private health insurers. Accordingly, figures for June 2023 and June 2024 are not directly comparable.

General insurance

APRA continued to work with industry, ASIC and government to address affordability and availability challenges of insurance cover. Insurance premiums have been rising, and for some regions or product lines there have been significant increases or withdrawal of coverage. This is leading to inability for parts of the Australian community to access adequate insurance. The challenge is exacerbated by the impact of severe weather events, inflationary pressures, and increases in the cost of reinsurance across both retail and commercial insurance product lines. All stakeholders, including insurers, governments, communities, and regulators have a role to play in reducing the underlying risks giving rise to the growing protection gap.

APRA has used its role as the data collection agency for the financial sector to inform the conversation around the protection gap and help stakeholders better understand the issues. In 2023-24, APRA supported the work being progressed by the Hazards Insurance Partnership (HIP).¹⁵ Managed by the National Emergency Management Agency, the HIP provides a forum for the government and the insurance industry to work on the challenges of disaster risk reduction and natural hazard insurance. APRA also encouraged insurers to consider what options and innovations might improve affordability and availability for policyholders including through speeches and industry engagements such as the Insurance Council of Australia's (ICA) Annual Conference and an industry roundtable on insurance governance.

Life insurance

APRA has expressed concern to the life insurance industry about failures to sustainably design, price and manage life insurance products. APRA, together with ASIC, reviewed practices that relate to premium increases, particularly in level premium products. Findings and expectations were published in December 2023.¹⁶

APRA's program of work to support the long-term sustainability of individual disability income insurance (IDII) continued during 2023-24.¹⁷ While progress has been made, resulting in a reduced capital requirement for a small number of insurers, the work required by industry is ongoing. APRA has maintained IDII market monitoring activities and taken appropriate action where there were concerns with specific products or market behaviour.

Private health insurance

Sustainability and affordability challenges in the private health insurance remain. Fund members are downgrading cover and increasing excesses. Systemic issues (ageing population, smaller portion of younger healthier members as a proportion of total members, and growth in health claims costs) are expected to continue to drive sustainability challenges. In a speech to Future of Insurance in March 2024, APRA encouraged insurers to take ownership of these challenges and to find opportunities to make a difference.

In July 2023, APRA implemented a new capital framework for private health insurers. This has improved management of capital and risk across the industry while providing better protection for policy holders and greater resilience, given the sustainability and affordability challenges. The capital

¹⁵ Information on the Hazards Insurance Partnership is available at <https://www.nema.gov.au/our-work/resilience/hazards-insurance-partnership>.

¹⁶ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-and-asic-release-an-update-on-premium-increases-life-insurance-industry>.

¹⁷ 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>.

framework for private health insurance is now consistent with other insurance industries and aligned with international best practice.

APRA continued to uplift risk management by sharing examples of better practice and areas of improvement in Internal Capital Adequacy Assessment Process (ICAAP) summary statements. In a letter published in May 2024, APRA shared observations from its review of ICAAP summary statements, providing examples of better practice from other industries and feedback on the initial implementation of the new capital reporting standards.¹⁸

Superannuation

APRA's focus has remained on driving trustees to improve outcomes for their members. Actions have resulted in significant improvements across the industry - lower fees, the exit of poor performing funds and further consolidation to achieve economies of scale.

APRA maintained its focus on rectifying sub-standard practices across the sector through robust supervision, strengthening of prudential standards and reinforcing minimum expectations. APRA supported the Financial Regulator Assessment Authority (FRAA) Review recommendations in July 2023, which built on the progress made in improving outcomes for superannuation members through initiatives already underway.

Valuations of unlisted assets continued to be an area of focus for APRA during 2023-24. APRA has engaged with entities regarding the adequacy of their valuation policies, awareness of key roles, and revaluation and adjustment practices. APRA also made its expectations clear in speeches to the AFR Wealth and Super Summit (October 2023) and the Conexus Chair Forum (February 2024).

Specifically, APRA conducted a survey asking all trustees to assess their unlisted assets valuation practices against requirements set out SPS 530 Investment Governance (SPS 530), which took effect in January 2023. APRA identified a number of areas in which trustees need to improve their practices and outlined its full observations in a letter to trustees published in June 2024.¹⁹

Further, APRA conducted a deep dive review of 23 trustees' valuation practices for various unlisted asset classes and how trustees manage liquidity risk relating to unlisted assets. Detailed findings from this review will be published in the next reporting period (late 2024).

During 2023-24, following a period of market volatility, APRA completed a topical study which investigated how trustees' liquidity management practices responded to stress scenarios. APRA has been engaging with those trustees where improved practices are needed, as part of its ongoing supervision. Findings of the review will be published in the next reporting period (late 2024).

Your Future, Your Super (Performance Test)

APRA continued to leverage the *Your Future, Your Super* reforms introducing Best Financial Interests Duty (BFID) requirements and the annual performance test.

The performance test assesses the long-term performance of superannuation products against tailored benchmarks, with consequences for those that fail. Since its introduction for MySuper products in 2021, the number of failing products has been declining, with 13 failures in 2021, five in

¹⁸ APRA's letter to private health insurers is available at: <https://www.apra.gov.au/apra-observations-on-implementation-of-new-phi-capital-framework>.

¹⁹ Letter to all trustees outlining observations from SPS 530 Valuation Governance Framework Self-Assessment Survey is available at: <https://www.apra.gov.au/observations-from-sps-530-valuation-governance-framework-self-assessment-survey>.

2022, and one in 2023. The MySuper product that failed the 2023 test ceased operating in February 2024.

The 2023 performance test was extended to also capture trustee-directed products (TDPs), a subset of the choice segment. This has shone a light on the level of underperformance, particularly TDPs offered on platforms. While most MySuper products and non-platform TDPs outperformed the investment component of the performance test, more than half of all platform TDPs failed to meet the benchmark.

Following targeted engagement with trustees of failed products, APRA has been provided with their remediation plans. As of 30 June 2024, the vast majority have ceased, or plan to cease, their failed TDPs and have moved members to alternative products. Other trustees plan to take actions to improve outcomes of failed TDPs.

2023 Performance test outcomes ²⁰

| Measure | MySuper | Non-platform TDPs | Platform TDPs |
|--|-----------------------|--------------------|---------------------|
| Number and percent of failing products (%) | 1 (1%) | 20 (4%) | 76 (25%) |
| Assets and percent of assets in failing products (%) | \$151 million (0.02%) | \$1.7 billion (1%) | \$2.3 billion (12%) |
| Member accounts and percentage in failing products | 4,000 (0.03%) | 36,000 (1%) | 24,000 (12%) |
| Benchmark to which a product's fees are compared (BRAFE) | 0.26% | 0.27% | 0.54% |
| Number and percent of trustees with failed products | 1 (2%) | 7 (14%) | 6 (50%) |

Transparency in superannuation

APRA continued to enhance transparency in superannuation, especially in fund performance, fees and expenditure. Providing greater transparency is a key element in delivering better member outcomes across the superannuation industry.

In 2023-24, APRA made significant changes to reporting on fund performance and will transition to a more aligned approach to fund performance scrutiny, with the release of the Comprehensive Product Performance Package (CPPP) in the next reporting period (September 2024). The CPPP will cover investment returns, fees, and performance test metrics.

As well as this, APRA released new publications in 2023-24 providing enhanced data on default insurance products, member demographics and investment performance and strategy.

²⁰ The 2023 performance test results were published on 31 August 2023. Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-releases-2023-superannuation-performance-test-results>.

Organisational resilience

APRA continued to monitor various entities as they design, implement and embed APRA required risk transformation programs. These programs seek to ensure entities address the root cause of problems that persist across different risk areas; in particular, problems that have subjected certain entities to operational risk capital charges, court-enforceable undertakings or licence conditions. For some entities, risk transformation can take multiple years to embed.

During the year, National Australia Bank ²¹ had its capital overlay removed after successful risk transformation and completion of its remediation program. Three entities, Medibank, ²² RAC Insurance ²³, and Auto and General Insurance Company ²⁴ were subjected to increased capital requirements due to risk governance concerns.

Improving risk and governance cultures

APRA commenced joint administration of the Financial Accountability Regime (FAR) with ASIC. The FAR imposes a strengthened responsibility and accountability framework for entities and their directors and senior executives.

For banks, the FAR came into effect from 15 March 2024 and will commence for insurers and superannuation trustees in the next reporting period (from 15 March 2025). APRA, together with ASIC, released a series of information packages and held industry-based webinars to assist banks transition from the Banking Executive Accountability Regime (BEAR) to the FAR, and to support insurers and superannuation trustees in preparing for the FAR. In finalising these materials, joint public consultations were held on the regulator rules that form part of the regime.

Banks commenced using APRA's data collection system, APRA Connect, as a 'single portal' to register and maintain information on their accountable persons, and to notify the regulators of any actual or likely breaches. The single portal makes the joint administration processes efficient; dual-regulated entities only need to submit information once, rather than to each regulator separately.

APRA continued its review of prudential standards relating to governance and intends to release a discussion paper in the next reporting period (late 2024).

Improving transparency on remuneration practices

Poorly designed or implemented remuneration practices can incentivise behaviour that is detrimental to long-term financial soundness. In August 2023, APRA finalised new requirements for banks, insurers and superannuation entities to publicly disclose information on remuneration. Under updates to CPS 511 Remuneration, entities must annually publish information on their remuneration frameworks, design, governance and outcomes. Larger and more complex entities will also need to disclose further quantitative information, including on payments to top executives. The changes will enhance transparency and shine added light on how executives are incentivised and the consequences for poorly managed risk. The new disclosure requirements come into effect for all

²¹ Further information is available at <https://www.apra.gov.au/apra-removes-national-australia-banks-operational-risk-capital-add-on>.

²² Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-takes-action-against-medibank-private-relation-to-cyber-incident>.

²³ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-applies-additional-20m-capital-requirement-to-rac-insurance>.

²⁴ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-mandates-risk-remediation-program-for-auto-general-following-risk>.

entities from their first full financial year following 1 January 2024, with disclosures due within six months of their financial year-end.

In September 2023, APRA published findings on reviews conducted in previous reporting periods (September 2021 and December 2022) on how entities were approaching implementation of CPS 511. The letter outlined better practices observed during the review and clarified critical areas such as third-party service providers, non-financial measures, and board rigour. Focus was also placed on common gaps observed during the review process that needed to be considered by entities to ensure a sustainable change.²⁵

Addressing key challenges

In 2023-2024, APRA responded to key challenges relating to system-wide risks, operational resilience, climate related financial risks, and improving superannuation transparency and retirement outcomes.



System-wide risks

The size and complexity of the Australian financial system has grown significantly in recent years, as has the interconnectedness between industries. APRA's regulated industries now have \$9.1 trillion in combined total assets.

Developing a financial system stress testing framework

Within this context, this year APRA commenced design work on a system stress test. In the next reporting period (2025), APRA plans to launch its first financial system stress test. This exploratory activity will deepen understanding of transmission mechanisms of shocks across the financial system, spillovers between industries, and how these may amplify shocks and pose risks to financial stability. This initiative also aligns with the recommendations of the FRAA's review of APRA in 2023, specifically in relation to emerging and systemic risks related to superannuation.

Mitigating risks to financial stability

A key response to systemic risks in the financial system is APRA's macroprudential policy settings. APRA undertakes a regular assessment of systemic risks and the broader operating environment in confirming the appropriateness of macroprudential settings. In December 2023, APRA released an annual update on macroprudential policy settings determining that the current capital and credit-based macroprudential policy settings would be unchanged. This is to preserve banks' resilience, while continuing to encourage high lending standards.

APRA continued to partner with the RBA to ensure closer collaboration in managing financial stability risks, and with other CFR agencies in developing a shared view of system-wide risks.

²⁵ Further information is available at: <https://www.apra.gov.au/findings-from-cps-511-pre-implementation-review>.



Operational resilience

Material operational risk events and disruptions globally highlight the importance of the financial system's resilience to such events. The increasing prevalence of third-party providers in operational disruptions impacting regulated entities is notable. The emergence of significant interest in generative artificial intelligence (GenAI) as a tool to deliver better customer outcomes and enhance productivity has also been a key development in the resilience environment.

APRA's prudential framework aims to ensure that entities are resilient to operational risks and disruptions. In 2023-24, APRA finalised a new standard, CPS 230 Operational Risk Management (CPS 230), which will formally commence in the 2025-26 reporting period (on 1 July 2025). CPS 230 introduces enhanced requirements to strengthen operational risk management and raise standards to meet customer and stakeholder expectations and the evolving needs of the financial system.

The final package relating to CPS 230 was released in June 2024. This comprised final guidance accompanying CPS 230 and a comprehensive Response Paper providing clarity on implementation. APRA engaged broadly before finalising the guidance and has taken a balanced view in incorporating feedback. This included removing complexity where possible while still requiring that entities make strong progress in better managing operational risks. APRA also delayed the effective date for non-significant financial institutions (non-SFIs) for three components of CPS 230, providing an additional 12 months to meet the requirements.

APRA has provided greater transparency on compliance with CPS 230, providing a "compliance checklist" for entities to use in developing and sequencing change to meet the new requirements. In addition, APRA has provided a forward view on the standard's supervision during the initial three-year period.

Strengthening minimum cyber standards

Globally, cyber-attacks on entities within the financial services sector are increasing. APRA continued to embed compliance with CPS 234 Information Security (CPS 234) to establish a minimum standard of cyber practices within Australia's financial institutions. APRA exercised heightened supervision, where required, pursuing breaches of CPS 234, and targeting entities to ensure issues identified by the assessments are remediated in a timely manner.

APRA continued to pursue the findings issued under the CPS 234 Tripartite reviews of regulated entities. These reviews helped to provide a baseline view of the state of cyber resilience at entities and across the financial system. Key trends and themes on weaknesses in industry have been communicated to entities. Further, APRA reminded entities of requirements to protect data backups and clarified its expectation that entities use Multi-Factor Authentication (MFA) as a tool to protect data and systems from malicious attack.

As at end June 2024, a total of 311 entities across the banking (132), insurance (130) and superannuation (49) industries had submitted their Tripartite reports to APRA. Five remaining reviews are in progress and due to APRA in the next reporting period.

Whole-of-government engagement

APRA continued to work closely with the other CFR agencies on key initiatives to improve cyber and operational resilience of the financial system. These initiatives focused on building understanding of

vulnerabilities including the potential impact of GenAI on the resilience of entities within the financial system, and the potential build-up of concentration risk in third party providers. CFR agencies, including APRA, also supported the Cyber Operational Resilience Intelligence-led Exercises (CORIE) program of exercises with an aim to, through implementation of learnings, safeguard Australia's financial system. CORIE exercises test an entity's capability to detect and respond to real world attacks. APRA also worked closely with the Department of Home Affairs who leads the execution of the Australian Cyber Security Strategy.



Climate related-financial risks

APRA considers climate related financial risk through the lens of the potential impact on the financial system's safety and soundness; in particular, how climate risk may impact the ability to meet financial promises. In 2023-24, APRA:

- launched the Insurance Climate Vulnerability Assessment, working with the largest five general insurers in Australia, to understand better how household insurance affordability could change over the medium term. Insights from this initiative will be published in the next reporting period (2025).
- conducted its second Climate Risk Self-Assessment survey to understand better industry maturity in its approach to addressing climate risks. This survey is structured around CPG 229 Climate Change Financial Risks. Insights from the survey will be published in the next reporting period (late 2024).
- continued work to embed climate risk considerations into its routine supervision activities, providing supervisors with the tools and training to support their understanding of how climate risks may impact entities across banking, insurance and superannuation.

APRA continues to work closely with peer regulators domestically and overseas on climate related financial risk initiatives, including chairing the CFR Climate Working Group which provides coordination in climate risk activities across the RBA, ASIC and Treasury. APRA is a member of the Network for Greening the Financial System (NGFS) and is currently on its steering committee, co-leads a NGFS Task Force on Adaptation to climate risks, and is an active contributor to other international climate risk processes.



Superannuation transparency and retirement outcomes

The Australian population is aging, with one in six people older than 65.²⁶ As at June 2024, 4.7 million superannuation member accounts were over the preservation age and a further 3.9 million will be within the next decade.²⁷ This highlights the importance of ensuring that those approaching or in the retirement phase have the assistance they need to improve financial outcomes.

APRA continued to work closely with ASIC on this, following a joint retirement income thematic review in 2022 and an industry wide self-assessment survey in 2023. Both pieces of work looked at the progress made by trustees in implementing the Retirement Income Covenant. The outcomes have informed APRA's entity specific and industry wide supervisory strategies on retirement, including on

²⁶ Disability, Ageing and Carers, Australia: Summary of Findings, 2022 | Australian Bureau of Statistics (abs.gov.au).

²⁷ APRA-regulated funds with more than six members. Preservation age of 60 years. Data also includes exempt public sector schemes.

bringing transparency to the performance of retirement products. In part, progress has been made, particularly by trustees with a greater number of member accounts and assets in retirement or approaching retirement. However, the survey also identified that many trustees are still not adequately tracking their retirement income strategy and further improvement is necessary.

Complementing this work, APRA commenced scoping work to consider implications for the life insurance industry and to enable life insurers to contribute towards a meaningful retirement income market. To support access to a range of retirement products, APRA sought to understand the challenges for insurers in offering longevity products and has identified learnings from international markets that could be applied to Australia. During the year, APRA has engaged entities with experience or interest in longevity products including through a survey, roundtable discussions and individual meetings with entities.

Core focus areas

As a forward-looking regulator, APRA identifies prudential risks and takes proactive action to prevent harm before it occurs. Delivery of key outcomes is supported by core focus areas: policy development, risk-based supervision, enforcement and resolution.



Policy development

In banking, APRA reprioritised its supervision and policy agendas to respond to the risks that emerged from the banking turmoil which occurred in early 2023 and progressed a range of policy reforms.

- APRA is reviewing the effectiveness of Additional Tier 1 capital (AT1) capital to ensure it operates as intended to absorb losses as stress emerges and provide capital to support bank resolution at the point of failure. In September 2023, APRA released a discussion paper on AT1 capital and plans to undertake further consultation on specific proposals in the next reporting period (late 2024).²⁸
- In November 2023, APRA released for consultation targeted changes to bank liquidity requirements. The proposals aim to strengthen bank liquidity positions in three ways: ensuring that banks value liquid assets at their market value; ensuring banks have robust processes for accessing exceptional liquidity assistance; and strengthening the composition of liquid assets.
- In December 2023, APRA released for consultation updated requirements for banks to manage the impact of interest rate changes on their financial position through revisions to the Prudential Standard APS 117 Interest Rate Risk in the Banking Book (IRRBB). The final revised prudential standard and practice guide for IRRBB, together with a response to submissions, were released on 8 July 2024. The updated standard comes into effect in the 2025-26 reporting period (from October 2025).
- APRA finalised minor updates to the bank capital framework to support industry in implementing the new capital framework. The various clarifications and minor amendments included changes that will support lending to large corporates and operators of public infrastructure by better aligning capital with risk. Amendments were made to APS 112 Capital Adequacy: Standardised Approach to Credit Risk and APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk together with associated reporting standards and prudential practice guidance.

²⁸ Discussion paper is available at: <https://www.apra.gov.au/discussion-paper-enhancing-bank-resilience-additional-tier-1-capital-australia>.

In superannuation, APRA has taken steps to strengthen the prudential framework as it concerns financial resilience.

- APRA has updated SPS 515 Strategic Planning and Member Outcomes (SPS 515) which is a core prudential standard governing strategic planning and member outcomes in superannuation. The updated SPS 515 and related guidance reinforce trustees' duty to act in the best financial interests of members. The changes ensure members' interests are at the forefront of trustee's approaches to strategic and business planning, financial resource management, implementation of the retirement income covenant and fund transfers. The revised standard and guidance also set clear expectations for trustees on expenditure. SPS 515 will take effect in the 2025-26 reporting period (from 1 July 2025).
- During the year, APRA consulted and received feedback on changes to SPS 114 Operational Risk Financial Requirements (SPS 114) to strengthen trustees' ability to respond to operational risks. In response to this feedback, APRA issued draft amendments to SPS 114 and accompanying guidance SPG 114 proposing a simpler approach than outlined in the initial consultation. The revised approach is focused on integration with CPS 230 Operational Risk Management and better enabling use of the Operational Risk Financial Requirement (ORFR) when needed. The proposed changes are expected to position trustees to use the ORFR actively for its intended purpose - to manage the impact of disruption and smooth operational risk related losses fairly across different cohorts of beneficiaries. APRA will assess industry feedback to this revised approach in the next reporting period

As part of work to modernise the prudential architecture (detailed under "Strengthening enablers"), APRA consulted on a new cross-industry prudential standard, CPS 001 Defined terms, in November 2023. CPS 001 centralises APRA's five existing definitions standards into a single standard. Paired with APRA's new digital handbook, the prudential framework is easier for users to navigate.



Risk-based supervision

As a supervision-led regulator, APRA seeks to deliver a sound and resilient financial system founded on excellence in prudential supervision. APRA has established regulatory settings to balance safety and stability with efficiency and competition through its supervision-led approach to prudential regulation. In line with this approach, APRA promoted proportionate outcomes by calibrating regulatory requirements, supervisory oversight and data reporting to the size, systemic importance, complexity, and risk profile of the individual regulated entity.

Proportionality underpins APRA's supervisory approach. It is embedded in APRA's well-established Supervision Risk and Intensity (SRI) model and is integral to APRA's policy framework and process.

Over 2023-24, APRA continued with its long-standing approach to proportionality. For example, as covered in this performance statement, guidance for the new standard CPS 230 provides more time for smaller entities to comply, modifies or removes parts that were causing industry confusion, and provides greater transparency on APRA's intended supervision approach. In banking, ongoing reviews of APRA data collections meant that certain ad hoc banking data collections ceased or reduced in scope. Further, the 2024 banking industry stress test relevant to the next reporting period will be limited to the more complex banks.

While balancing regulatory impact is always a consideration, APRA also needs to ensure financial safety and stability is maintained and that regulations are updated as required to meet changes in the operating environment. During the year, key examples included maintaining a baseline level of cyber protections as the potential cost of weaker requirements is high; pre-emptively identifying a risk issue with an entity that warrants remediation; and ensuring lessons are learned from international bank failures like Silicon Valley Bank.

Competition supports better consumer outcomes through greater choice and lower prices. In undertaking its role, APRA seeks to maintain financial stability without unduly limiting competition. For example, in assessing applications for mergers and acquisitions during the year, APRA considered potential impacts on the stability and strength of the financial system and the concentration of economic power.

APRA regularly engaged with the ACCC and peer agencies to inform consideration of competition issues. In the next reporting period, APRA will work closely with the other CFR agencies, in consultation with the ACCC, on the government's announced review into the challenges faced by small and medium sized banks.



Enforcement

APRA uses enforcement to prevent and address serious prudential risk and to hold entities and individuals to account for breaches of their prudential or legislative obligations. APRA has a 'constructively tough' appetite to enforcement and uses a graduated enforcement toolkit that includes the imposition of additional licence conditions through to court-enforceable undertakings, civil actions and the ability to refer criminal matters to the Commonwealth Director of Public Prosecutions (CDPP).

Enforcement is an important part of APRA's toolkit: the judicious use of the most serious kinds of enforcement action, enhances the effectiveness of every supervisory engagement with a regulated entity.

During 2023-24, enforcement action taken by APRA included:

- imposing additional licence conditions on Mercer Superannuation Limited in response to concerns regarding its operational risk management and compliance management frameworks (SPS 220 Risk Management).
- issuing infringement notices to BNK Banking Corporation Limited for data breaches totalling \$247,500, OnePath Custodians Pty Limited for failing to direct contributions into a MySuper product totalling \$1.46 million, and to Equity Trustees Superannuation Limited for data breaches totalling \$782,500.
- imposing additional conditions on NGS Super Pty Limited's RSE licence to remediate serious deficiencies with its data governance systems and processes, as required by CPS 234 Information Security.
- accepting a court-enforceable undertaking from Bank of Queensland Limited, requiring it to remediate risk management systems and processes.
- successfully applying to the Federal Court for injunctions to restrain two individuals from conducting unauthorised banking business in breach of the *Banking Act 1959* (Banking Act); and further penalty orders against one of those individuals for breaching the Court's injunction.

- applying an additional \$20 million capital requirement on RAC Insurance Pty Ltd for weaknesses in its outsourcing controls, conflict management and board-decision making.



APRA's resolution function aims to protect the Australian community from financial loss and financial system disruption by planning for and implementing prompt and effective responses to the failure or likely failure of regulated entities. The aim is to oversee an orderly entity-led exit or manage the orderly resolution of failed regulated entities, requiring APRA to be operationally ready and necessitating close connection with the other CFR agencies and international peer regulators. This includes maintaining readiness to administer the Financial Claims Scheme (FCS) for eligible entities in the banking and general insurance industries.²⁹

APRA has taken significant steps to strengthen crisis preparedness across the banking, insurance, and superannuation sectors. Most recently, APRA finalised its prudential standards CPS 190 Recovery and Exit Planning and CPS 900 Resolution Planning, which came into effect on 1 January 2024.

APRA's recovery and exit planning requirements under CPS 190 aim to reduce the likelihood of an entity becoming non-viable by ensuring that regulated entities are better prepared for managing stress. CPS 190 requires entities to develop and maintain credible plans that set out how they would restore their financial resilience or exit regulated activity in an orderly manner before becoming non-viable.

All banks and insurers have assessed their existing recovery plans against the requirements of CPS 190. For the superannuation industry, CPS 190 comes into effect in the next reporting period (on 1 January 2025). During the first half of 2024, APRA conducted a thematic review of the industry's preparedness for CPS 190. The review involved 16 trustees that managed approximately 42% of APRA-regulated superannuation fund assets as of 30 June 2023. While some trustees were well progressed in meeting the minimum requirements, the review identified common areas of weakness and highlighted opportunities for improvement. APRA published a letter in June 2024 to share key observations and better practice examples, encouraging trustees to develop more robust recovery and exit plans by the end of 2024.

CPS 900 introduced new requirements for in-scope entities to support APRA in the development and maintenance of bespoke resolution plans. Entities are required to implement specific pre-positioning actions and maintain capabilities to support their orderly resolution, where appropriate.

Under CPS 900, resolution planning for significant financial Institutions (SFIs) and non-SFIs that provide critical functions remains a key priority. During the year, APRA has progressed bespoke resolution planning with selected SFIs as part of a pilot program. In the coming reporting period, the learnings from this pilot will inform how to progress CPS 900 across the remainder of the SFI cohort on an entity-by-entity basis, followed by planning for any non-SFIs that provide critical functions in due course.

²⁹ The FCS provides protection for depositors of ADIs that are incorporated in Australia for deposits up to \$250,000 per account holder per ADI; and for general insurance policyholders for claims generally up to \$5,000 (certain eligible policyholders are covered for claims in excess of \$5,000).

Strengthening enablers

In strengthening its key enablers, APRA has modernised the prudential architecture, remained committed to being a data-driven prudential regulator, and continued to invest in cultivating an agile and engaged organisation.



Modernising the Prudential Architecture

In June 2024, APRA concluded the strategic initiative to modernise the prudential architecture. This multi-year programme (commencing in 2021) has delivered a digital framework that is easier for entities to understand and comply with, for APRA to supervise and maintain, and ultimately, better protect Australians' financial interests. The key outcomes include:

- A clearer and simpler framework: By retiring out-of-date guidance and consolidating others where appropriate, the framework has been streamlined and reduced in size, with further reduction planned over time. Standards and guidance are organised into risk-based pillars (e.g. governance, risk management), providing enhanced clarity on the prudential framework in a holistic sense.
- A digital prudential handbook: Serving as a one-stop digital resource, the handbook brings together all APRA's prudential standards and guidance, and associated materials.³⁰ In addition to being easy to navigate, the functionality allows entities and other users to interact with the framework in a dynamic way.
- A more strategic, adaptable, and integrated policy approach: Improvements to the policy process range from responding to emerging risk areas in a way that is cohesive with the existing framework, to setting APRA's policy agenda and shaping policy positions with stakeholders.

The new policy process will enable APRA to be more adaptable, collaborative, and innovative in maintaining the prudential framework as the financial system evolves.



Transforming our technology and use of data

APRA remains committed to being a data driven organisation, increasing transparency and accessibility of data supporting its function as a prudential regulator. The collection of more granular data facilitates deeper insights into system-wide risks and financial system challenges.

As the central data collection agency for the financial sector, APRA collects data on behalf of others under a common reporting system, to avoid duplication and minimise costs and burden.

Through the data work, APRA continues to invest in and embed data as a core enabler of more informed data driven decisions. In 2023-24, APRA reviewed its data roadmaps and rebalanced collection activities alongside an uplift in data technology capabilities, internal skills and capacity, while being mindful of the industry impact.

³⁰ APRA's digital prudential handbook is available at: <https://handbook.apra.gov.au>.

As part of this, APRA has completed review work to understand opportunities relating to:

- data capabilities: to support core data activities as well as strategic ambitions;
- technology capabilities: to support operations;
- data architecture: defining a fit for purpose data architecture to support existing and known future data needs;
- data integration: assessing the state of capabilities;
- data collection: analysing performance of the new data collection platform (APRA Connect) and identifying opportunities to support the data strategy; and
- data governance: defining a fit for purpose data governance approach and function.

As a result of the review, several collections were paused or deferred. Examples in 2023-24 include:

- removing eight ad-hoc ADI data collections and significantly reducing the scope of one further. This has reduced the impost, particularly for smaller entities.
- following engagement with industry, limiting the data collection for the insurance Climate Vulnerability Assessment to the five largest home insurance companies.
- reducing reporting requirements for small superannuation funds to lodgement of two forms annually.



Cultivating an agile and engaged organisation

APRA's commitment to building the capability of its people remained a priority in 2023-24. During the year, APRA continued to:

- uplift the skills and knowledge of prudential supervisors through a series of training video and seminars across multiple specialist risk areas. These initiatives were developed and delivered by APRA's Supervision Training Academy.
- build capabilities and knowledge through cross-skilling, rotation across the organisation and secondments at other agencies. Staff were able to express interest in a wide range of opportunities using APRA's mobility portal.
- build talent through its industry-recognised graduate program. This year's intake of 16 graduates commenced a targeted development program in February 2024.
- encourage and provide support to staff in furthering their professional development. In 2023-24, 26 employees completed postgraduate study through APRA's study assistance program.

The above initiatives are discussed in Chapter 3. APRA also conducted workforce planning to understand future needs and capabilities required as it embarks on further technological transformation.

APRA strives to maintain a highly engaged staff supported by an inclusive and diverse culture. This year, the annual staff engagement survey had a 73% response rate (658 responses) and achieved a sustainable engagement score of 80%, which was the same as the Australian Financial Services norm. Themes emerging from the survey are being used to target further initiatives to increase staff engagement. The voluntary turnover rate in 2023-24 was 9 per cent – this compares to 12 per cent in the previous reporting period. APRA's approach to inclusion and diversity is detailed in Chapter 3.

APRA continued to improve operational effectiveness and drive efficiencies to enable successful execution of its corporate strategy. A new reporting framework has been developed to support consistent visibility of performance across APRA and baselining performance for ongoing improvement opportunities. APRA also reviewed selected key processes to identify opportunities to optimise business operations.

In addition, APRA has invested in upskilling its people by raising foundational awareness on methods and tools to improve operational effectiveness and efficiency. Teams have adopted new tools and ways of working resulting in enhanced processes, improved collaboration and increased capacity and productivity.

Initiatives completed this year to modernise collaboration tools included an upgraded information and records management platform, and the roll-out of new features in Microsoft Teams and other collaboration services using cloud technologies. These tools are designed to enhance ways of working by addressing limitations of existing technology and providing a streamlined and integrated online employee experience.

APRA continued to reconfigure its office spaces to include contemporary collaboration spaces and more diverse work arrangements tailored to individual and team needs in a hybrid working environment.

Addendum A: Table of Data – Performance Measures, Targets and Results

| | Performance measure | Target | Result | |
|---|--|---------------------------------------|--|--|
| | | | 2022-23 | 2023-24 |
| 1 | Money Protection Ratio (MPR) ³¹ | Low incidence of failure | Achieved 100% | Achieved 100% |
| 2 | Performing Entity Ratio (PER) ³² | | Achieved 100% | Achieved 100% |
| 3 | Capital ratios for banks and insurers ³³ | Above minimum prudential requirements | Mostly achieved All APRA-regulated ADIs; and all insurers except three reported capital ratios above minimum prudential requirements during 2022-23. | Mostly achieved All APRA-regulated ADIs except one; and all insurers except two reported capital ratios above minimum prudential requirements during 2023-24. ³⁴ |
| 4 | Reduction in the number of superannuation members exposed to unsustainable funds ³⁵ | Reduction during the reporting period | Achieved Funds deemed unsustainable reduced from 22 to 19 ³⁶ in 2022-23. The number of superannuation members in funds that APRA deemed unsustainable, reduced by approximately 1 million in 2022-23. | Achieved Funds deemed unsustainable reduced from 19 to 11 in 2023-24. The number of superannuation members in funds that APRA deemed unsustainable, reduced by approximately 400,000 in 2023-24. |
| 5 | Reduction in the number of trustees with sub-standard governance practices ³⁷ | Reduction during the reporting period | Achieved The number of trustees with sub-standard practices reduced from 39 to 29 in 2022-23. | Achieved The number of trustees with sub-standard practices reduced from 29 to 20 in 2023-24. |

³¹ Methodology: APRA seeks 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 entities. The higher the percentage the lower the incidence of loss. Data source: APRA's failures database (for internal use).

³² Methodology: APRA seeks to reduce the likelihood of a regulated entity failing. The PER indicates the incidence of failure measured as the number of regulated entities that met their commitments to beneficiaries in a given year divided by the total number of regulated entities. The higher the percentage, the lower the incidence of failure. Data source: APRA's failures database (for internal use).

³³ Methodology: Capital ratios provide insights into the resilience of the banking and insurance sectors. For banks, this is calculated as total capital as a percentage of risk-weighted assets. For insurance, it is calculated as capital base as a percentage of prescribed capital amount. Data sources: Based on data submitted to APRA by ADIs and insurers per the relevant reporting and prudential standards.

³⁴ The capital ratio of one ADI briefly fell below the minimum requirement and was quickly remedied. Two insurers fell below the minimum prudential capital requirements during 2023-24, they are in run-off.

³⁵ Methodology: Measured by the number of member accounts in registrable superannuation entities that APRA considers unsustainable. Data sources: Power BI-based tool (for internal use) and entity data submitted to APRA.

³⁶ Funds deemed unsustainable reduced from 22 to 19 in 2022-23, rather than from 22 to 12 as previously stated in APRA's 2022-23 Annual Report. The methodology for this metric relies, in part, on data that was not complete at the time the 2022-23 Annual Report was published. As a result, the calculated sustainability metric has been updated to reflect the final data. APRA is considering revision to the methodology for this metric for future reporting periods.

³⁷ Methodology: Measured by the number of RSE Licensees that have a "C" or worse rating for Governance, Culture, Remuneration and Accountability or Governance and Risk Management in APRA's SRI Model. Measure updated from reduction in number of funds to reduction in trustees in 2023-24. Data sources: APRA's supervision system 'Q'; and an Excel-based spreadsheet tool (for internal use).

| | Performance measure | Target | Result | |
|----|--|--|---|--|
| | | | 2022-23 | 2023-24 |
| 6 | Reduction in the number of superannuation members in high fee, poor performing MySuper offerings ³⁸ | Reduction during the reporting period | Achieved 5 MySuper products failed the annual performance test in 2022, down from 13 in 2021-22. | Achieved ³⁹ 1 MySuper product failed the annual performance test in 2023. All members transferred out of this last remaining product at end February 2024, with the MySuper licence having since been cancelled. |
| 7 | Reduction in the number of high fee, poor performing choice offerings ⁴⁰ | Reduction during the reporting period | N/A | Achieved New. Previously grouped with MySuper performance measure. Changed to focus on trustee-directed products, as per annual performance test. In 2023, 96 products failed the first TDP performance test. 33 of these products remained at 30 June 2024. |
| 8 | APRA's supervision helps protect the financial well-being of the Australian community | ≥80% of APRA's stakeholders "agree" or "strongly agree" with the statement | APRA's stakeholder survey is completed biennially. Results from the survey were published in the 2022-2023 Annual Report. | |
| 9 | In its supervision, APRA effectively pursues financial safety, balanced with considerations of efficiency, competition, contestability, and competitive neutrality, and promotes financial stability | ≥80% of APRA's stakeholders rate the statement "moderately well" or above | | |
| 10 | Status of APRA's strategic programs of work ⁴¹ | Majority of APRA's strategic programs of work are 'Green' status | Mostly achieved 83% of APRA's strategic programs of work were tracking to plan at 30 June 2023. Some programs were revised during the year to reflect updated policy and data priorities. | Mostly achieved 64% of APRA's 14 strategic programs of work were tracking to plan at 30 June 2024. Some programs were impacted by capacity challenges and reprioritisation during the year. |

³⁸ Methodology: Measured by the number of member accounts in MySuper products that failed the performance test as published by APRA each year. Data sources: Annual performance test results for MySuper products and entity data submitted to APRA.

³⁹ For MySuper: Since the introduction of the annual performance test in 2021, the number of failing MySuper products has been declining, with 13 failures in 2021, five in 2022, and one in 2023. The one MySuper product that failed the 2023 test ceased operating in February 2024, and all members remaining in this product were transferred out at this time.

⁴⁰ Methodology: Measured by the number of trustee directed products that failed the performance test as published by APRA each year. Data source: Annual performance test results for trustee-directed products and entity data submitted to APRA. In 2023, the performance test was extended to trustee-directed products (TDPs), a subset of the choice segment.

⁴¹ Methodology: Measured by progress against plans and defined 'Red/ Amber/ Green' criteria. 'Green' status indicates delivery progressing in line with plan. Data source: APRA's internal performance report as at 30 June each year. Further information is available at: <https://www.apra.gov.au/apra-corporate-plan-2023-24> "Strategic priorities and key activities".

| | Performance measure | Target | Result | |
|----|--|---|--|--|
| | | | 2022-23 | 2023-24 |
| 11 | Recommendations from independent reviews addressed during the reporting period ⁴² | Closure within approved timeframes | Achieved 6 of 94 total recommendations directed at APRA were closed within approved timeframes during the reporting period. 85% of total recommendations directed at APRA were closed at 30 June 2023. | Achieved 5 of 99 total recommendations directed at APRA were closed within approved timeframes during the reporting period. The total number includes addition of the 5 FRAA recommendations in 2023. 85% (84) of 99 recommendations directed at APRA were closed at 30 June 2024. |
| 12 | Services are delivered in line with APRA's Service Charter ⁴³ which sets out APRA's commitment to stakeholders | Achievement of KPI targets outlined in APRA's Service Charter | | |
| | APRA will meet all requirements of the Office of Impact Analysis (OIA) when consulting on proposed changes to the prudential framework | 100% | Achieved 100% | Achieved 100% |
| | 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% | Not achieved 59% Below target APRA to reflect on resourcing priorities and processes to improve delivery timelines. | Achieved 92% |
| | 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% | Mostly achieved 99%. Substantive responses for 14 queries (of which 10 relate to ADI, three relate to Registered Financial Corporation and one relating to general insurance) were delayed as the complex nature of the queries required additional time to resolve. | Mostly achieved 99.8%. Substantive responses for 3 queries (all from ADIs) were delayed as the complex nature of the queries required additional time to resolve. |
| | 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 ⁴⁴ | >75% | Achieved 100% | Achieved 100% |

⁴² Methodology: Closure within approved timeframes. Data source: APRA's internal database of external review recommendations. Recommendations from independent reviews relate to the FRAA, 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.

⁴³ Methodology: Definitions as outlined in APRA's Service Charter. APRA's Service Charter is available at: <https://www.apra.gov.au/apra-service-charter>. Data source: APRA's management information systems.

⁴⁴ 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>.

| | Performance measure | Target | Result | |
|-----------|---|---------------|--|--|
| | | | 2022-23 | 2023-24 |
| | APRA will provide an initial response to a capital instrument submission within 25 business days of receiving a substantially complete application ⁴⁵ | >75% | Achieved 89% | Achieved 87% |
| | APRA will confirm the capital eligibility of an instrument or program within 60 business days of receiving a substantially complete application | >75% | Achieved 100% | Achieved 95% |
| | APRA will make an internal ratings-based (IRB) accreditation decision within 9 months of receiving a 'substantially complete' application ⁴⁶ | >75% | No 'substantially complete' applications received during 2022-23 or 2023-24. | |
| | APRA will return all eligible deposits at ADIs declared under the Financial Claims Scheme (FCS), up to a total of \$250,000 per account holder and, for non-complex accounts, will do so within seven calendar days ⁴⁷ | 100% | No FCS declarations during 2022-23 or 2023-24. | |
| 13 | Budgeted expenses versus actual for the reporting period ⁴⁸ | Within budget | Achieved Actual \$229.2m vs budget \$233.1m. Variance of \$3.9m | Achieved Actual \$237.0m vs budget \$239.1m. Variance of \$2.1m |

⁴⁵ 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.

⁴⁶ A substantially complete application must contain the following documents: scope of the IRB application; IRB rollout plan (where applicable); Prudential Standard *APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (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).

⁴⁷ Non-complex deposits are protected accounts where sufficient data/permissions exist to enable payment to be made in the initial FCS payment files.

⁴⁸ Methodology: Budget versus actuals for the reporting period. Data sources: APRA's PBS and Financial Statements.

Addendum B – International Engagement

APRA has a long-standing commitment to being an active participant and contributor in international forums and standard setting bodies. The increasing interconnectedness of global financial markets and banking systems underscores the importance of continued global regulatory cooperation. APRA's ongoing participation in international forums enables us to learn from international best practice, share our experiences with international peers, and develop solutions to common regulatory challenges.

Basel Committee on Banking Supervision (BCBS)

Purpose

The BCBS is the primary global standard setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.

APRA Involvement

APRA is actively involved in all levels of the BCBS as the lead Australian agency. We are members of the Governors and Heads of Supervision (GHOS) and main BCBS committee, as well as "level 2" groups including the Policy and Standards Group (PSG), Risks and Vulnerabilities Assessment Group (RVG), Supervisory Cooperation Group (SCG), and a wide range of "level 3" working groups and task forces.

Key meetings

In 2023-24, APRA attended one GHOS meeting (virtual) and seven BCBS Committee meetings (six virtual, one in Basel, Switzerland). The in-person BCBS meeting also included APRA's attendance at the annual International Conference on Banking Supervision (ICBS).

Financial Stability Board (FSB)

Purpose

The FSB promotes international financial stability by coordinating national financial sector authorities and international standard-setting bodies as they develop strong regulatory, supervisory and other financial sector policies. It also plays a central role in identifying and assessing evolving global trends and risks, and fosters a level playing field by encouraging coherent implementation of these policies across sectors and jurisdictions.

APRA Involvement

APRA is a member of the FSB Standing Committee on Supervisory and Regulatory Cooperation (SRC), as well as a small number of working groups such as the FSB Resolution Steering Group (ReSG). APRA is not a member of the FSB Plenary, but coordinates with Australia's representatives (Treasury and the RBA) as necessary.

Key meetings

In 2023-24, APRA attended five virtual FSB SRC meetings and one combined SRC-ReSG meeting in person (Basel, Switzerland).

International Association of Insurance Supervisors (IAIS)

Purpose

The IAIS is the global standard-setting body responsible for developing and assisting in the implementation of principles, standards and guidance as well as supporting material for the supervision of the insurance sector. The IAIS mission is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability.

APRA Involvement

APRA is a member of the IAIS Executive Committee (ExCo) as well as a number of sub committees, including the Policy Development Committee (PDC), Implementation and Assessment Committee (IAC) and a range of other groups, taskforces and forums.

Key meetings

In 2023-24, APRA attended seven IAIS ExCo meetings, including four virtual engagements, the IAIS ExCo retreat in Basel, Switzerland, committee meetings in Basel, Switzerland, and the IAIS Annual General Meeting in Tokyo, Japan.

International Organisation of Pension Supervisors (IOPS)

Purpose

IOPS aims to set international standards on pension supervisory issues, whilst taking into account the variety of different pension systems in various jurisdictions. The major goal of the IOPS is to improve the quality and effectiveness of the supervision of private pension systems throughout the world, thereby enhancing their development and operational efficiency, and allowing for the provision of a secure source of retirement income in as many jurisdictions as possible.

APRA Involvement

APRA is a member of the IOPS Executive Committee and the Working Party on Private Pensions (WPPP).

Key meetings

APRA attended six key IOPS engagements across 2023-24, including two in person, namely: a joint IOPS and OECD WPPP Meeting and International Pension Research Association (IPRA) Conference, and an OECD WPPP meeting, both in Paris, France.

Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)

Purpose

EMEAP brings together central banks in the east Asia-Pacific region to discuss issues relevant to monetary policy, financial markets, financial stability and payment systems. Its members are Australia, China, Hong Kong SAR, Indonesia, Japan, Malaysia, New Zealand (NZ), the Philippines, Singapore, South Korea and Thailand.

APRA Involvement

APRA is a regular participant in the EMEAP Governors and Heads of Supervision (GHOS) meeting, and in 2023-24 was Vice Chair of the Working Group on Banking Supervision (WGBS). As part of this role, we co-hosted (with the RBA) a WGBS meeting in Sydney in 2023.

Key meetings

In 2023-24, APRA participated in one GHOS meeting (virtual), one 'High-Level Meeting' (in place of the RBA who would conventionally attend) in Tokyo, Japan, and two WGBS meetings, one in Sydney, and one in Singapore.

Trans-Tasman Banking Council (TTBC)

Purpose

The Trans-Tasman Council on Banking Supervision (TTBC) provides a platform for cooperation and information sharing between the respective regulators of the banking sectors in Australia and NZ. It supports the development of a single economic market in banking services and promotes a joint approach to trans-Tasman banking supervision that delivers a seamless regulatory environment. It considers issues relating to financial stability, efficiency and integration throughout the financial sector, with a particular focus on the banking system and bank supervision, including crisis preparedness.

APRA Involvement

APRA is one of seven members of the TTBC, together with the RBA, ASIC, Australian and NZ Treasuries, the Reserve Bank of New Zealand (RBNZ) and the NZ Financial Markets Authority.

Key meetings

In 2023-24, APRA participated in two 'Heads' level meetings, one virtual and one in person (Wellington, NZ), and two 'Deputies' level meetings, both virtual.

Technical cooperation and bilateral relations

Outside of formal international multilateral forums and committees, APRA maintains strong bilateral relationships with a number of peer regulators, particularly where supervised entities have operations in both Australia and abroad. Amongst other international activities, APRA responds to ad hoc requests for information; provides input to international surveys; and periodically hosts international delegations (both in person, and virtual). In 2023-24, APRA hosted delegations from regulators in NZ, Indonesia, Japan, South Korea, the United Kingdom, the United States and others. In executing on our key international work, APRA works closely with Department of Foreign Affairs and Trade (DFAT) and CFR agencies as appropriate to ensure alignment with whole-of-government geo-strategic engagement priorities.

Pacific Engagement

APRA continues to support the government's goals for a stable and prosperous Pacific region. In particular, APRA works closely with the government, the Australian Transaction Reports and Analysis Centre (AUSTRAC) and CFR peers in relation to Pacific Banking issues. In 2023, APRA attended the Association of Financial Supervisors annual meetings and workshop (Marshall Islands).

Addendum C – APRA-ASIC statement of engagement

PUBLIC STATEMENT ON APRA-ASIC ENGAGEMENT 2023-24

The APRA-ASIC annual statement of engagement provides us with an opportunity to highlight some of the key joint-work we have undertaken over the past 12 months and identify areas for future collaboration. Preparation of this statement is part of APRA and ASIC's broader responsibility to be accountable to stakeholders for our activities and sits alongside other accountability mechanisms, including oversight by the Parliament, the Australian National Audit Office, and the Financial Regulatory Assessment Authority.

At a high level, APRA and ASIC share a common goal of maintaining the resilience of the Australian financial system to support the Australian economy and protect the financial interests of all Australians.

We each contribute to that goal in different ways. APRA is a prudential regulator with a safety and stability focus, while ASIC is a market conduct regulator with a consumer protection and market integrity focus. While there is overlap in our work, particularly in addressing systemic misconduct, the twin peaks model of financial regulation recognises the distinct nature of these regulatory functions. By dividing responsibility between prudential and conduct regulation, our regulatory system aims to achieve a robust and balanced approach to financial oversight.

The APRA-ASIC Committee, comprising the APRA Members and ASIC Commissioners, supported by its sub-committees, provides a formal structure to support strategic cross-agency collaboration. Over the past 12 months, the Committee has discussed and shaped responses to a wide range of issues including proportionality and regulatory burden, scams and fraud, the Federal Government's "Regulatory Initiatives Grid", governance of superannuation funds, the growth of private finance, insurance affordability and accessibility, and developments in artificial intelligence.

This formal structure is supported by day-to-day interactions between staff at all levels. Across banking, insurance, and superannuation, this engagement has fostered a deeper understanding of each other's roles and priorities, leading to more effective joint responses to key challenges.

Examples of key cooperation and collaboration activities across 2023-24 include:

- Close collaboration and sharing of insights relating to financial hardship, including attendance by APRA at on-site reviews conducted by ASIC as part of its financial hardship project and proactive discussion of issues to support alignment between conduct and prudential regulation objectives.
- Co-hosting multiple superannuation trustee CEO roundtables, with a focus on sustainable finance disclosures and the retirement income covenant, and resilient and member-focused fund operations.
- Publishing the findings of a joint review into superannuation entity licensees' implementation of the retirement income covenant and performing a follow-up review via a self-assessment survey to assess licensees' progress.
- Conducting a joint review on premium issues in the life insurance industry, to check on progress on concerns raised in the publication of a joint letter in December 2022. A new joint letter was issued to the Life Insurance industry in December 2023 on industry practices in relation to premium increases.
- Undertaking joint work to understand conduct and sustainability challenges in the general insurance industry, stemming from an increasing incidence of severe weather events and natural disasters in a hardening global insurance market.

- Working together on initiatives coordinated through the Council of Financial Regulators, including contributing to the Government's Sustainable Finance roadmap and collaborating on the proposed climate disclosure regime.
- Working closely together in relation to joint administration of the Financial Accountability Regime (FAR). Final rules and guidance to support the banking industry in implementing the FAR were released in March 2024, with work continuing ahead of implementation for insurance and superannuation entities in March 2025.
- Regularly discussing enforcement strategy and engaging on enforcement investigations relating to dual-regulated entities.

Work to strengthen co-operation on regulatory issues that are interconnected will continue to be important over the next year. Building upon the strong relationship between APRA and ASIC in the banking, insurance, and superannuation sectors, particularly in areas where legislation is administered jointly, we intend to strengthen collaboration in newer and more complex areas of financial services regulation. This includes areas such as artificial intelligence and private finance. By building on the foundations laid in recent years and addressing new and existing challenges, APRA and ASIC can continue to effectively protect the financial interests of Australians.

Chapter 3: 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 seven 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 website.

APRA Members



John Lonsdale, Chair

John Lonsdale was appointed Chair of APRA on 31 October 2022 after originally joining as Deputy Chair on 8 October 2018.

In his Deputy Chair role, Mr Lonsdale was responsible for the oversight of Australia's banking sector. His responsibilities also included oversight of APRA's work on culture and remuneration, building APRA's crisis resolution capability and strengthening APRA's collaboration with peer regulators.

Mr Lonsdale worked for Australian Treasury for over 30 years prior to joining APRA. 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. Mr Lonsdale also worked across key areas in the Treasury including budget policy, tax policy, retirement incomes and the financial system.

Mr Lonsdale is APRA's representative on the Payments System Board, the Council of Financial Regulators, the Trans-Tasman Council on Banking Supervision and the Financial Stability Board's Standing Committee on Supervisory and Regulatory Cooperation.



Margaret Cole, Deputy Chair

Margaret Cole was appointed Deputy Chair of APRA on 31 October 2022, after joining as an Executive Board Member on 1 July 2021. She is responsible for the oversight of the superannuation sector and 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. She was formerly a partner at Stephenson Harwood and White & Case.

In 2005, Ms Cole joined the UK Financial Services Authority (FSA) becoming 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.



Therese McCarthy Hockey, Executive Board Member

Therese McCarthy Hockey was appointed Executive Board Member of APRA on 31 October 2022, with responsibility for the banking sector.

Ms McCarthy Hockey joined APRA in January 2018 as the Executive General Manager: Strategy and Chief Risk Officer. In December 2019, she was promoted to Executive Director of the Banking Division, responsible for the prudential supervision of all authorised deposit-taking institutions operating in Australia and for the functional domains of market risk, credit risk, credit analytics, liquidity risk and capital management.

Ms McCarthy Hockey's experience spans Australia, the United Kingdom and Europe. Prior to joining APRA, she was Deutsche Bank's Treasury Deputy Group Head and Global Chief Operating Officer based in London. Ms McCarthy Hockey has also served on the Boards of Deutsche's UK subsidiaries including the regulated bank.

Ms McCarthy Hockey holds a Bachelor in Mathematics, a Bachelor in Economics and Finance, and a Master of Applied Finance degree from Macquarie University. She is also a graduate of the Australian Institute of Company Directors.

Ms McCarthy Hockey is an APRA representative of the Basel Committee on Banking Supervision and sits on the Council of Financial Regulators and Trans-Tasman Banking Council.



Suzanne Smith, Executive Board Member

Suzanne Smith was appointed Executive Board Member of APRA on 31 October 2022, responsible for the life insurance, general insurance and private health insurance sectors.

Ms Smith joined APRA in March 2019 initially as General Manager for Superannuation and then Executive General Manager for the Specialised Institutions Division. In December of that year, she was promoted into the Executive Director role with responsibility for the prudential supervision of superannuation funds licensed under the *Superannuation Industry (Superannuation) Act 1993*.

Prior to joining APRA, Ms Smith's career included senior roles across the superannuation and financial services industry in areas including life insurance, funds management, asset servicing, alternative investments, wholesale banking and property.

Immediately prior to joining APRA, Suzanne held the role of Chief Customer Officer Group Insurance at MLC Life Insurance. She has also held several senior roles within NAB, including acting as a director and Chairman of a NAB subsidiary board from 2011 to 2015.

Suzanne holds a Bachelor of Business with distinction (Property), a Masters of Applied Finance from Melbourne University, and is a graduate of the Australian Institute of Company Directors.

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 is briefed on strategic matters including enterprise security 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 website:

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

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

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

In addition to its members, the Australian National Audit Office (ANAO), an APRA Member, 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:

Kate Hughes, BCom (Ec & Fin), Grad Dip Applied Finance, Grad Dip OH&S, GAICD

Audit and Risk Committee – Chair

Ms Hughes was appointed Chair of APRA's Audit and Risk Committee on 1 March 2023. 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.

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.

Rick Sawers, Fellow Finsia, GAICD, Harvard PMD

Audit and Risk Committee – Independent member

Mr Sawers joined APRA's Audit and Risk Committee as an independent member in March 2023 for a three-year term. He has extensive experience in the financial services industry, currency, debt and structured finance markets, financial risk management, governance and regulation.

Mr Sawers is a former group executive at NAB and ANZ. Throughout his 46-year career, he completed assignments in Japan, the UK, Hong Kong and New York. He has also served on various boards, including as a board member (and Chair) of AFMA and currently as Chair of the Australian Rural Leadership Foundation and Chair of Fund2 Market Holdings Ltd (trading as Banjo Loans).

Attendance at Audit and Risk Committee meetings from 1 July 2023 to 30 June 2024

| Member | Meetings | Attended | Total Annual remuneration (Incl GST) |
|----------------------------------|----------|----------|---|
| Kate Hughes (Chair, independent) | 4 | 4 | \$54,120 |
| Chris Hall (independent) | 4 | 4 | \$44,000 |
| Rick Sawers (independent) | 4 | 4 | \$44,000 |

Governance committees

Executive Board

The Executive Board comprises all APRA Members and ordinarily 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, policy priority agenda, financial statements and budgets, audit plans, and matters that are essential to meeting the organisation's statutory obligations.

Executive Board meetings include focussed discussions on risk and audit matters, including the effectiveness of risk remediation progress, key incident root cause analysis and remediation, as well as the adequacy of risk frameworks and their application.

Attendance at Executive Board meetings during 2023-24

| Member | Meetings | Attended |
|-------------------------|----------|----------|
| John Lonsdale | 9 | 8 |
| Margaret Cole | 9 | 7 |
| Therese McCarthy Hockey | 9 | 9 |
| Suzanne Smith | 9 | 8 |

The following governance committees support the Executive Board in performing its obligations:

Executive Committee

The Executive Committee, comprising all APRA Members and the Executive Directors, meets throughout the year. The Executive Committee focuses on strategy, overseeing the execution of the corporate plan (and industry plans) and scanning of the external environment.

Management Committee

The Management Committee, comprising all APRA Executive Directors, provides oversight of the day-to-day management of APRA and meets twice a month. The Management Committee considers financial reporting and forecasts, portfolio prioritisation and resourcing, leadership and people related matters, information technology and data infrastructure and capabilities, and risk matters.

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 a 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 generally 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. The Resolution and Enforcement Committee advises on enforcement and resolution strategies and cases and oversees the capabilities of APRA's resolution and enforcement functions. The Resolution and Enforcement Committee is chaired by the APRA Deputy Chair and generally 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 additional specialist forums, including:

Inclusion and Diversity Council

Reporting to the Executive Board and chaired by an APRA Member, the Council shapes the strategy, governance and drives the initiatives for inclusion and diversity. The Council is also responsible for monitoring the implementation of APRA's inclusion and diversity strategy and reporting to the Executive Board on its progress against agreed deliverables.

Strategic Consultative Forum

Reporting to the Management Committee and Executive Board, the Forum facilitates communication and consultation with all employees below senior management on two key areas. These are programs relating to APRA's development and training, ways of working and environment; and employment

terms and conditions having regard to APRA's Enterprise Agreement and employment policies, including how this may impact APRA's values, culture and engagement.

Work Health and Safety Committee

Reporting to the Executive Board, the 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 2024 was \$237.0 million against an original budget of \$239.1 million. The expenditure was lower than the original budget due to a combination of lower than budgeted staff levels, the deferral of some activities into the 2024-25 financial year and a rise in the government 10-year bond yield reducing the valuation of staff leave provisions.

APRA's income

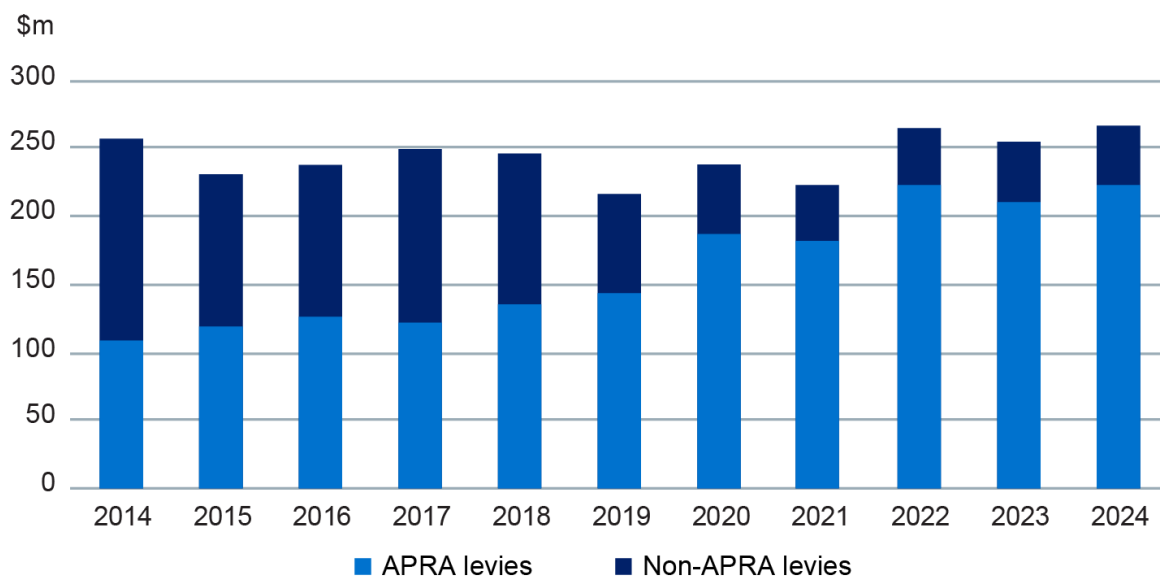
APRA's total income in 2023-24 was \$240.7 million, against a budget of \$238.0 million.

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 2023 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 2023-24 was \$1.1 million. The total levies collected by APRA also cover certain costs attributable to the ATO, the Gateway Network Governance Body Ltd and the Treasury. Levies collected by APRA in 2023-24, including on behalf of these agencies, were \$41.6 million.

APRA's financial industry levies



APRA releases a Cost Recovery Implementation Statement on an annual basis 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 2023-24 were \$447.3 million.

Reserves

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

- APRA's retained surpluses increased by \$2.7 million to \$37.6 million, attributable to an operating surplus from ordinary activities of \$3.7 million and a transfer of \$1.0 million to the Contingency Enforcement Fund (CEF) for future enforcement matters;
- the Asset Revaluation Reserve balance of \$0.04 million was slightly above budget; and
- the CEF increased by \$1.0 million to \$10.8 million, following \$1.0 million transferred from retained earnings to the CEF for planned growth in the size of the fund.

Management of Human Resources

As at 30 June 2024, APRA had 870 employees on a permanent or fixed-term contract basis, compared with 871 at the end of the 2023 financial year.

APRA continues to be focused on maintaining a highly skilled workforce with regulatory, supervisory and 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.

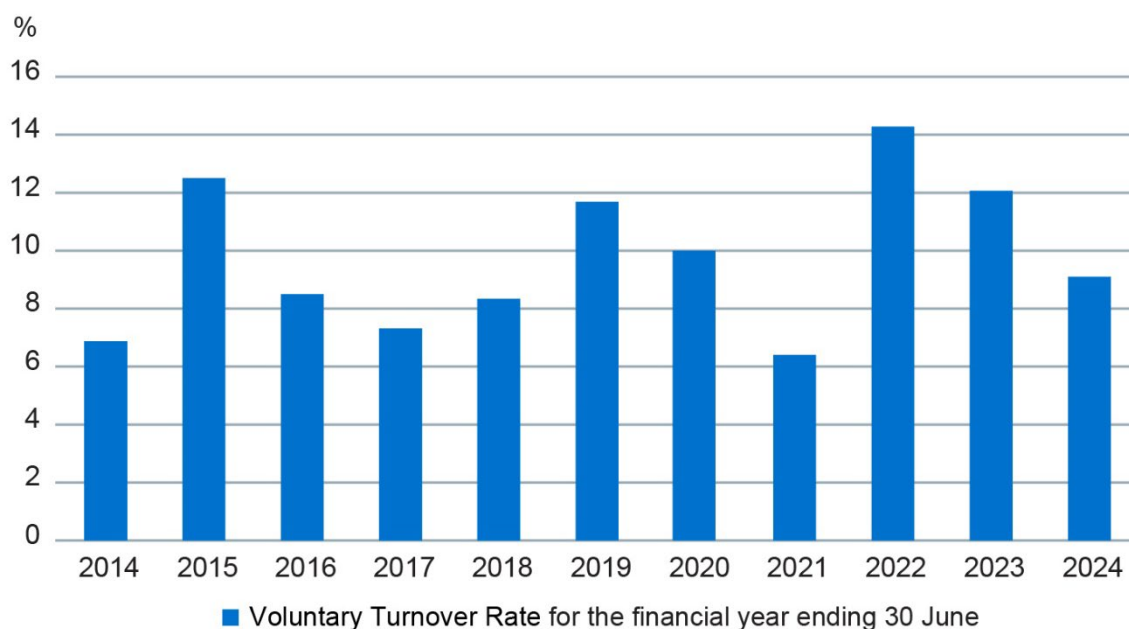
In 2023-24, APRA hired 86 employees on a permanent or fixed-term contract basis, of whom 16 were graduates.

External recruitment in 2023-24 by level and gender

| | Female | Male | Non-binary | Prefers not to answer | Uses a different term | Total |
|--------------------|-----------|-----------|------------|-----------------------|-----------------------|-----------|
| Level 1 | 8 | 8 | 0 | 0 | 0 | 16 |
| Level 2 | 9 | 3 | 0 | 0 | 0 | 12 |
| Level 3 | 12 | 10 | 0 | 0 | 0 | 22 |
| Level 4 | 10 | 15 | 0 | 0 | 0 | 25 |
| Level 5 | 4 | 2 | 0 | 0 | 0 | 6 |
| General Manager | 1 | 4 | 0 | 0 | 0 | 5 |
| Executive Director | 0 | 0 | 0 | 0 | 0 | 0 |
| APRA Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 44 | 42 | 0 | 0 | 0 | 86 |

For 2023-24, APRA's voluntary turnover was 9 percent compared to 12 percent in 2022-23, a decrease by 3 percent.

Voluntary turnover rate



Talent and development

APRA is committed to being a future-ready regulator, enabled by highly capable and engaged people. Our People and Performance framework has been developed to support our people in delivering APRA's purpose, strategic agenda and corporate plans.

Our people are committed to high performance and delivering our Corporate Plan objectives which is critical in assessing performance. Total remuneration packages are reviewed annually with consideration of a range of factors (capability, performance, alignment with our values and behaviours consistent with our Code of Conduct).

APRA is committed to an inclusive culture where everyone has opportunities to learn and grow. Along with the People and Performance framework, which enables people to continue their capability growth across technical, leadership and emerging risk domains, APRA has in place a mobility portal. This portal is one of the many ways APRA provides employees with the opportunity to broaden their skills and knowledge by moving across the organisation, providing the opportunity to experience various roles, unique perspectives and growth opportunities. Other development opportunities offered throughout the 2023-24 year included secondments to peer domestic and international regulatory agencies, learning from specialists in their respective fields, internal specialists sharing knowledge through drop-in sessions, increased offerings via digital learning, and self-paced learning via our licenced platforms of LinkedIn Learning and FSI Connect.

APRA also encourages its people to lead and invest in their professional development by accessing the support provided through APRA's study assistance program. In 2023-24, 26 employees completed postgraduate study through this program.

APRA continues to build talent through its graduate program. Commencing in February 2024, an intake of 16 graduates took part in a targeted development program and rotations through key areas of APRA to develop a strong foundation for their financial services career, as part of APRA's talent management platform.

The ongoing wellbeing of employees continued to be a priority in 2023-24. In addition to a range of wellbeing initiatives, APRA delivered learning programs for all leaders and employees to understand their role in minimising psychosocial risk in the workplace, and the behaviours that improve psychosocial workplace safety.

APRA recognises that flexible work means different things to different people, and encourages individuals, people leaders and teams to work together to create ways of working that enables everyone to thrive and feel connected and productive.

Learning and development activities

| Key training metrics | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---------|
| Training spend per employee | \$2,453 | \$2,950 | \$3,085 |
| Percentage of employees provided with training | 100 | 100 | 100 |
| Training sessions per employee | 15.4 | 10.8 | 10.95 |
| Training days per employee | 3.0 | 3.4 | 3.03 |
| Number of internal courses offered | 266 | 273 | 220 |
| Employees undertaking formal post-graduate studies | 23 | 15 | 26 |

APRA and diversity

APRA is committed to fostering an inclusive and diverse workplace where employees are valued and respected. Our Inclusion and Diversity (I&D) strategy recognises that we can deliver better outcomes for the Australian community if we harness the insights and experiences that come from the full diversity of our people. APRA's Inclusion and Diversity Council (IDC) governs the delivery of the I&D strategy which groups actions into three categories: Our People, Our Space, and Our Community.

The APRA People and Performance framework has driven I&D at all levels and across job families. Inclusive leadership is a core area of expectation in the framework's APRA leadership capabilities.

To recognise and celebrate the work of I&D Networks and IDC, during the year APRA held I&D showcase events in the Sydney, Melbourne and Brisbane offices. Attended by Executive Board Members, and IDC members, the showcase provided an opportunity for employees to understand more about the I&D strategy and hear directly from the I&D networks about their progress, challenges and areas of focus for 2024, as well as opportunities to get involved.

Inclusion and diversity was measured across the organisation in a concurrent I&D survey and annual engagement survey in December 2023. The survey results highlighted our strong commitment to inclusivity and cultural diversity.

Transparency of remuneration and pay equity at APRA was highlighted in 2023-24 with the publication of remuneration frameworks and APRA's pay gaps by level and gender, including the sharing of the Workplace Gender Equality Agency (WGEA) calculated gender pay gap data with employees.

APRA continued its commitment to external benchmarking against the Australian Workplace Equality Index (AWEI), with APRA scoring positively on a number of key metrics when compared to the national benchmark. In November 2023, the Pride network in partnership with Pride in Diversity hosted an allyship training session, which was attended by 260 employees and leaders.

In 2023-24, APRA held a range of I&D events that included hosted talks, panel discussions, awareness-raising sessions and cultural events focused on established networks for accessibility, gender, generations, culturally and linguistically diverse, Aboriginal and Torres Strait Islander and LGBTQIA+. The events were well attended by employees and continued to promote a strong sense of belonging for everyone at APRA.

Diversity and inclusion characteristics across employees (by total headcount) ⁴⁹

| | Female | Male | Non-binary | Prefers not to answer | Uses a different term | Aboriginal and Torres Strait Islander | CALD ¹ | PWD ² |
|--------------------|------------|------------|------------|-----------------------|-----------------------|---------------------------------------|-------------------|------------------|
| Level 1 | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| Level 2 | 47 | 29 | 0 | 0 | 0 | 2 | 16 | 2 |
| Level 3 | 92 | 102 | 0 | 0 | 0 | 3 | 54 | 3 |
| Level 4 | 198 | 228 | 0 | 1 | 0 | 2 | 120 | 11 |
| Level 5 | 47 | 71 | 0 | 0 | 0 | 1 | 22 | 3 |
| General Manager | 12 | 15 | 0 | 0 | 0 | 0 | 2 | 0 |
| Executive Director | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| APRA Member | 3 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 411 | 458 | 0 | 1 | 0 | 8 | 214 | 19 |

¹ Culturally and Linguistically Diverse (CALD)

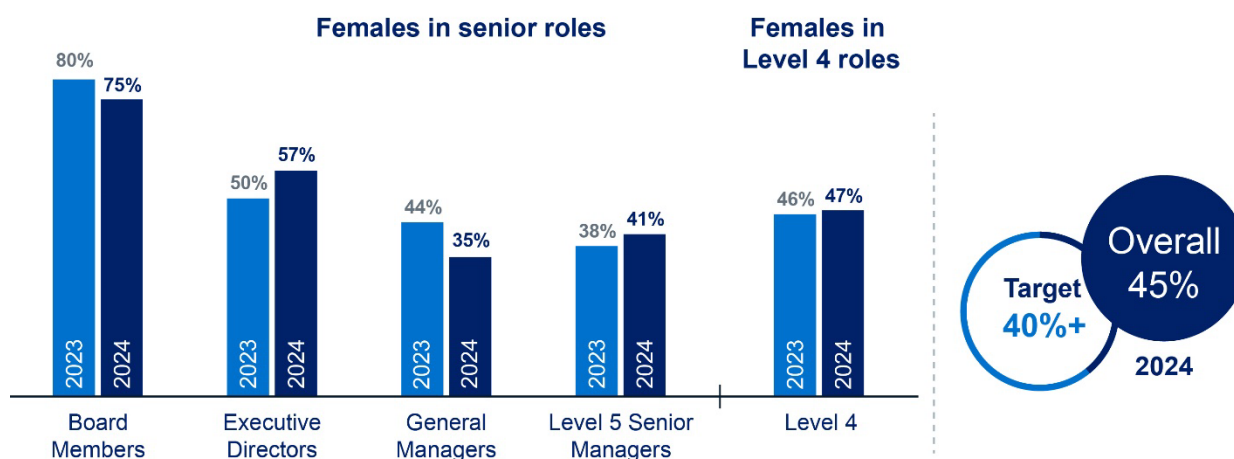
² People with Disabilities (PWD)

⁴⁹ Data on characteristics are self-reported.

Gender diversity in senior management

Overall, the percentage of women in senior roles in 2023-24 was above APRA's target of 40 percent.

The percentage of women on the APRA Executive Board was 75 percent. Women in Executive Director roles increased to 57 percent, while those in Senior Manager roles rose to 41 percent. Women in General Manager roles declined to 35 percent.



Accessibility

APRA is an employer member of the Australian Disability Network (ADN). APRA has engaged with the ADN for consultation on the development of its new Workplace Adjustment Policy, which was approved by the Executive Board in 2023. ADN has conducted an onsite Dignified Access Review of the Sydney and Brisbane offices. Recommendations arising from the Dignified Access Reviews were referred for consideration to AccessAbility, an internal APRA group that represents employees with disabilities. Actions arising are being reviewed, prioritised, completed and monitored as appropriate, as part of the daily activities of the facilities team.

APRA's new Melbourne office (under construction as at 30 June 2024) has been designed to meet all relevant modern accessibility codes. The AccessAbility team was consulted widely before the design was undertaken.

APRA is committed to ensuring information on its website is accessible to everyone, including people with a disability. APRA seeks to meet the Australian Government's web accessibility requirements, including the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines version 2.0 at level AA. The guidelines are available on the W3C website: <https://www.w3.org/TR/WCAG20/>.

Further information about APRA's approach to accessibility is available on the APRA website: <https://www.apra.gov.au/accessibility>.

Chapter 4: Statutory reporting requirements

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

- *Australian Prudential Regulation Authority Act 1998 (APRA Act)*;
- *Commonwealth Electoral Act 1918*;
- *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

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*;
- information about investigations (including joint investigations) conducted by APRA under Division 1 of Part 4 of Chapter 3 of the *Financial Accountability Regime Act 2023 (FAR Act)*;
- 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 FSCOD Act, 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 2023-24, APRA appointed one investigator under section 61 of the *Banking Act 1959*. There was one investigator appointment under the *Banking Act 1959* continuing from the 2022-23 year.

There were no investigations conducted by APRA under Division 1 of Part 4 of Chapter 3 of the FAR Act.

APRA did not appoint statutory managers under the *Banking Act 1959*, *Insurance Act 1973* or *Life Insurance Act 1995* during 2023-24. 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 62ZZC of the *Insurance Act 1973* that Division 3 of Part VC of that Act applied in relation to one general insurer.⁵⁰ No payments were made from the Financial Claims Scheme Special Account (FCSS Account) in 2023-24 to satisfy claims against this general insurer. All claims in relation to this FCSS Account have been paid. On 25 June 2024, the Minister amended the amount available in the FCSS Account to reduce it to nil, and the Financial Claims Scheme as it applied to that general insurer is now finalised.

APRA did not determine any reporting standards under subsection 13(1) of the FSCOD Act during 2023-24 that were not legislative instruments.

APRA did not exercise its powers under Part 15 of the RSA Act in 2023-24.

APRA exercised its powers under Part 29 of the SIS Act during 2023-24 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 |
|--------------------------|-------------|--|
| A5 of 2023 | 07/07/2023 | reg 9.04D(1) |
| A6 of 2023 | 28/08/2023 | regs 9.04D(1) and 9.04I(1) |
| A1 of 2024 | 14/03/2024 | s 93(3)(a)(ii) |
| A2 of 2024 | 07/05/2024 | reg 4.07E |
| A3 of 2024 | 13/06/2024 | s 89(2) |

APRA also exercised its powers under Part 29 of the SIS Act during 2023-24 in relation to a particular class of persons as set out below:

| Instrument Number | Date | Provision of SIS Act / regulations exempted |
|--------------------------|-------------|--|
| No 1 of 2023 | 04/08/2023 | s 29HA and s 29JCB |

Modifications exercised under the SIS Act

| Instrument Number | Date | Provision of SIS Act / regulations modified |
|--------------------------|-------------|---|
| A9 of 2023 | 07/08/2023 | reg 1.06 of the SIS Regs and any other provisions of the SIS Regs that are relevant to meeting the requirements of reg 1.06 for a benefit to be taken to be pension |
| A10 of 2023 | 19/09/2023 | reg 1.06 of the SIS Regs and any other provisions of the SIS Regs that are relevant to meeting the requirements of reg 1.06 for a benefit to be taken to be pension |
| A11 of 2023 | 17/10/2023 | s 29E(6A) |

⁵⁰ Australian Family Assurance Limited (in liquidation).

| Instrument Number | Date | Provision of SIS Act / regulations modified |
|--------------------------|-------------|--|
| A12 of 2023 | 10/10/2023 | reg 1.06 |
| A13 of 2023 | 28/11/2023 | s 29E(6A) |
| A14 of 2023 | 20/12/2023 | reg 1.06 |
| A15 of 2023 | 19/12/2023 | reg 1.06(8)(d) |
| A1 of 2024 | 22/03/2024 | reg 1.06(8)(d) |
| A2 of 2024 | 23/01/2024 | reg 1.06 |
| A3 of 2024 | 22/05/2024 | reg 1.03 |
| A4 of 2024 | 26/02/2024 | reg 1.03 |
| A5 of 2024 | 22/02/2024 | 1.06(8)(d) |
| A6 of 2024 | 03/04/2024 | regs 1.06(7)(g) and 1.06(8)(d) |
| A7 of 2024 | 12/04/2024 | reg 1.06(8)(d) |
| A8 of 2024 | 02/05/2024 | reg 1.06(8)(d) |
| A9 of 2024 | 05/06/2024 | regs 9.08, 9.09, 9.17, 9.23, 9.24 and 9.25 |
| A10 of 2024 | 03/04/2024 | reg 1.06(8)(d) |
| A11 of 2024 | 22/05/2024 | reg 1.06(8)(d) |
| A12 of 2024 | 14/05/2024 | reg 1.03(1) |

Environment Protection and Biodiversity Conservation Act 1999

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

Australian Public Service (APS) Net Zero 2030 emissions reporting

This year has seen the development of a strong road map and campaign for launch in 2024-25 to ensure APRA will achieve Net Zero status by 30 June 2030.

To meet the government's expectations to report transparently on emissions under the APS Net Zero 2030 policy, APRA publishes emissions from its operations.

Greenhouse gas emissions reporting has been developed with methodology that is consistent with the Whole-of-Australian Government approach as part of the APS Net Zero 2030 policy.

APRA is currently reviewing its travel policy and identifying ways to reduce carbon emissions from travel.

2023-24 Greenhouse Gas Emissions Inventory – Location Based Method

| Emission Source | Scope 1 t CO ₂ -e | Scope 2 t CO ₂ -e | Scope 3 t CO ₂ -e | Total t CO ₂ -e |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Electricity (Location Based Approach) | N/A | 639.058 | 58.975 | 698.033 |
| Natural Gas | - | N/A | - | - |
| Solid Waste* | N/A | N/A | - | - |
| Refrigerants*† | - | N/A | N/A | - |
| Fleet and Other Vehicles | - | N/A | - | - |
| Domestic Commercial Flights | N/A | N/A | 264.420 | 264.420 |
| Domestic Hire Car* | N/A | N/A | 0.128 | 0.128 |
| Domestic Travel Accommodation* | N/A | N/A | 102.523 | 102.523 |
| Other Energy | - | N/A | - | - |
| Total t CO₂-e | - | 639.058 | 426.046 | 1,065.104 |

Note: the table above presents emissions related to electricity usage using the location-based accounting method. t = tonne, CO₂-e = Carbon Dioxide Equivalent.

Additionally, APRA has assessed its international air travel emissions arising from employees attending a range of international supervisory and regulatory forums. APRA assesses its international emissions to be 564.04 t CO₂e for the financial year.

*indicates emission sources collected for the first time in 2023-24. The quality of data is expected to improve over time as emissions reporting matures. Waste data was not collected for the reporting period and updates to data may be required in future reports.

†indicates optional emission source for 2023-24 emissions reporting.

2023-24 Electricity Greenhouse Gas Emissions

| Emission Source | Scope 2 t CO ₂ -e | Scope 3 t CO ₂ -e | Total t CO ₂ -e | Percentage of electricity use |
|---------------------------------------|---------------------------------|---------------------------------|-------------------------------|----------------------------------|
| Electricity (Location Based Approach) | 639.058 | 58.975 | 698.033 | 100.00% |
| Market-based electricity emissions | 570.240 | 70.400 | 640.640 | 75.91% |
| Total renewable electricity | - | - | - | 24.09% |
| Mandatory renewables ¹ | - | - | - | 18.72% |
| Voluntary renewables ² | - | - | - | 5.37% |

Note: the table above presents emissions related to electricity usage using both the location-based and the market-based accounting methods. t = tonne, CO₂-e = Carbon Dioxide Equivalent.

¹ Mandatory renewables are the portion of electricity consumed from the grid that is generated by renewable sources. This includes the renewable power percentage.

² Voluntary renewables reflect the eligible carbon credit units surrendered by the entity. This may include purchased large-scale generation certificates, power purchasing agreements, GreenPower and the jurisdictional renewable power percentage (ACT only).

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 people. Diverse and inclusive teams are critical for APRA's success, leveraging diversity of thought, breadth of knowledge and robust discussions resulting in strong decision making and judgement, 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 3.

Fraud preventions and controls

Commonwealth Fraud and Corruption Control Guidelines

The Chair of APRA certifies that he is satisfied that:

- a fraud and corruption risk assessment and fraud and corruption control plan has been prepared and complies with the Commonwealth Fraud and Corruption Control Framework;
- appropriate fraud and corruption 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 and corruption 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 requirements.⁵¹

Work Health and Safety Act 2011 (WHS Act)

APRA ensured consistency of its Work Health and Safety (WHS) policy with legislative and regulatory requirements, including an increased focus on the positive duty to managing psychosocial hazards and risks. Proactive duty of care and safeguarding employee mental and physical health in a hybrid working environment was an ongoing area of focus.

Key focus areas in 2023-24:

- Following legislative amendments that resulted in the *Anti-Discrimination and Human Rights Legislation Amendment (Respect at Work) Act 2022* and intersection with the psychosocial amendments to the WHS Act, the mandatory Respect@APRA program was launched. This was a proactive approach to educate all employees on shared accountability to prevent harassment and report and manage psychosocial risk in the workplace. Leader workshops were held onsite from December 2023 to March 2024, facilitated by an external provider. Employee workshops were launched in February 2024, facilitated by People & Culture.
- A confidential third-party disclosure service became available to all employees and a psychosocial incident form was developed to encourage early intervention and reporting of incidents. Fostering a psychologically safe culture remains a key focus area for APRA.
- A series of wellbeing forums were held, covering key psychosocial topics raised in employee pulse surveys. External experts joined APRA panels to support and educate our employees on flexibility at APRA, dealing with uncertainty and managing workloads.
- As part of their Regional Engagement Program, Comcare visited APRA onsite to conduct a proactive health and safety inspection. Comcare formed a reasonable belief that APRA has systems in place, so far as is reasonably practicable, to identify, review, control and manage incidents that occur at the workplace resulting in a compliant outcome.
- Emergency Management and response awareness was increased by recruiting additional floor wardens to ensure safe coverage in each site. APRA published video content on emergency procedures to support the annual mandatory learning module.

To measure employee engagement and wellbeing, APRA conducted an annual employee engagement survey in December 2023 and new monthly pulse surveys, which started in April 2024. In the annual survey, the results revealed an 80 per cent favourable sustainable engagement score. This score measures how committed and emotionally connected people feel towards their work, colleagues and the organisation as a whole. APRA's overall engagement score was the same as the Australian Financial Services norm. The areas where APRA scored most favourably related to purpose and meaning, understanding and collaboration.

⁵¹ <https://www.apra.gov.au/information-publication-scheme>.

APRA continued to offer a range of initiatives in response to feedback on employee wellbeing. This included launching flexibility guidelines to support planning flexible work arrangements within teams and acknowledging that various work patterns, circumstances and responsibilities outside of work vary by individual. Proactive communications on mental health, included monthly features profiling the Wellbeing Ambassadors in which they shared their personal stories and the promotion of various avenues of mental health support available to employees.

Through APRA's partnership with its employee assistance provider Centre For Corporate Health (CFCH), employees had access to manager, team and individual wellbeing checks, a panel event on "Flexibility to Support Your Wellbeing" and a workshop run as part of the 2024 graduate induction program. Employee registrations for the CFCH's Resilience Box App continued to increase this year.

Annual flu vaccinations were available for employees to access in APRA offices or offsite.

WHS Committee

The WHS Committee is an integral part of APRA's internal governance system and is the principal forum for oversight of all WHS matters. It is responsible for monitoring the effectiveness of WHS control measures. The committee meets bi-monthly and was engaged for feedback in Comcare's proactive health and safety inspection.

To build on the committees understanding of the positive duty to psychosocial risk in 2023 and to enhance supporting mental health in the workplace, the WHS Committee members completed the mental health first aid training and certification in February 2024.

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 three workers' compensation claims accepted by Comcare in the 2023-24 financial year.

Other reporting requirements

Accountable Authority during the current reporting period (2023-24)

John Lonsdale, as Chair of APRA, was the accountable authority from 1 July 2023 to 30 June 2024.

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 2023-24, APRA has not incurred advertising or market research expenditure in relation to an election.

Separately, during 2023-24 APRA incurred the following recruitment advertising expenditure.

Advertising expenditure

| Supplier | Amount (Incl. GST) |
|--|--------------------|
| Mediabrand Australia Pty Ltd T/As Universal McCann | \$186,649.99 |
| Total | \$186,649.99 |

Outside of the above, APRA did not conduct specific advertising campaigns during 2023-24.

Auditor-General activities

The Australian National Audit Office (ANAO) undertook the required statutory financial audit of APRA for 2023-24. An unmodified auditor's report was issued by the ANAO confirming APRA's annual financial statements comply with Australian Accounting Standards – Simplified Disclosures and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and present fairly the financial position of APRA as at 30 June 2024 and its financial performance and cash flows for the year then ended.

Capability reviews

APRA was not subject to external capability reviews in 2023-24.

Collective agreements and common law contracts

All employees are appointed under the APRA Act.

On 30 June 2024, there were 722 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 148 senior employees are 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 in the period July 2023 to June 2024

| | Level 1 | Level 2 | Level 3 | Level 4 |
|---------|----------|-----------|-----------|-----------|
| Maximum | \$82,222 | \$123,843 | \$179,509 | \$255,219 |
| Minimum | \$52,358 | \$68,800 | \$99,775 | \$141,740 |

Commonwealth Ombudsman

The Commonwealth Ombudsman did not undertake any investigation into APRA's conduct in 2023-24.

Commonwealth procurement rules

The APRA Chair's Finance Instructions and Finance Policies (CFIs) and associated operational procedures ensure that APRA 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 in accordance with 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 2023-24, 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.

APRA's procurement processes uphold integrity, diligence and consistency in our conduct, which ensures honesty and fairness.

Procurement initiatives to support small businesses

APRA supports small business participation in the Commonwealth Government procurement market and recognises the importance of ensuring that small businesses are paid on time. 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; and
- payments via electronic systems.

Consultancies

This annual report contains information about actual expenditure on contracts. Information on the committed value of contracts is available through AusTender at <https://www.tenders.gov.au>.

APRA's CFIs and associated operational procedures include specific provisions on the use of consultants.

APRA engages consultants where it requires 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 2023-24, APRA entered eight new consultancy contracts.

Expenditure on Reportable Consultancy Contracts

| | Number | Expenditure \$ (GST incl.) |
|--|-----------|-------------------------------|
| New contracts entered during the reporting period | 8 | 798,728.70 |
| Ongoing contracts entered during a previous reporting period | 6 | 404,814.30 |
| Total | 14 | 1,203,543.00 |

*Expenditure on Reportable Non-Consultancy Contracts**

| | Number | Expenditure \$ (GST incl.) |
|--|------------|-------------------------------|
| New contracts entered during the reporting period | 253 | 21,326,457.29 |
| Ongoing contracts entered during a previous reporting period | 253 | 39,483,750.55 |
| Total | 506 | 60,810,207.84 |

*This includes multi-year contracts such as property leases and IT services and systems.

*Organisations Receiving Largest Shares of Reportable Consultancy Contract Expenditure**

| | Expenditure \$ (GST incl.) |
|------------------------------|-------------------------------|
| Ernst & Young | 566,500.00 |
| CyberCX Pty Ltd | 216,700.00 |
| KPMG | 150,834.20 |
| BIS Oxford Economics Pty Ltd | 94,314.00 |
| Nous Group Pty Ltd | 56,265.00 |

*All contracts ended on or before 30 June, 2024 with the exception of BIS Oxford Economics Pty Ltd (26 July 2024).

*Organisations Receiving Largest Shares of Reportable Non-Consultancy Contract Expenditure**

| | Expenditure \$ (GST incl.) |
|---|-------------------------------|
| Trustee For No. 1 Martin Place Office Tower Trust | 11,269,249.23 |
| Amnesium Pty Ltd | 4,692,147.76 |
| Microsoft Pty Ltd | 2,701,959.59 |
| Macquarie Telecom Pty Ltd | 2,454,334.16 |
| NTT Australia Pty Ltd (formerly Dimension Data Australia Pty Ltd) | 2,019,784.72 |

*Contract details are available on AusTender.

Consultative arrangements

APRA consults extensively with regulated entities, industry bodies and 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 agencies.

During 2023-24, APRA undertook 20 formal consultations (across the prudential and reporting framework). They were broadly aligned with APRA's policy and data priorities for the period.

APRA complies with the Australian Government's Regulation Impact Analysis requirements. During 2023-24, APRA completed one independent certification. In addition, APRA developed 16 preliminary assessments.

Courts and tribunals

During 2023-24, there were no judicial decisions, administrative decisions, or decisions by the Office of the Australian Information Commissioner that have had, or may have, a significant impact on APRA's operations.

During 2023-24, APRA:

- successfully applied to the Federal Court of Australia for two injunctions to stop individuals from carrying on unauthorised banking businesses and using the word "bank" without the appropriate authority;
- participated with leave of the Court in an application by a trustee seeking judicial advice regarding amendments to a trust deed to introduce a remuneration power, following amendments to section 56 and 57 of the SIS Act. The Supreme Court of Victoria provided the trustee with judicial advice in September 2023;
- was joined as a party to an application brought in the Federal Court of Australia by an individual seeking revocation of their disqualification under s 120A of the SIS Act. APRA adopted a neutral position on whether the orders sought should be made, but filed submissions to assist the Court in circumstances where the applicant was self-represented. On 5 March 2024, the Court ordered that the disqualification be revoked and that the applicant's name be removed from APRA's disqualification register; and
- appeared in an application by a general insurer for Court approval of a creditors' scheme of arrangement under section 411 of the *Corporations Act 2001* heard by the Federal Court of Australia in September and November 2023. On 2 November 2023, the Federal Court of Australia made orders approving that scheme.

APRA also played a prominent role in overseeing applications before the Federal Court for confirmation of schemes for transfers of insurance business in 2023-24. APRA made submissions to the Court in:

- two schemes for the transfer of a general insurance business under Division 3A of Part III of the *Insurance Act 1973*; and
- one scheme for the transfer of a life insurance business under Part 9 of the *Life Insurance Act 1995*.

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 the APRA Chair. Out-of-cycle remuneration adjustments are approved at Executive Director level and taken into consideration during the annual review process.

Remuneration for key management personnel earned in 2023-24

| Name | Position title as at 30 June | Short-term benefits \$ | | | Post-employment benefits \$ | Other long-term benefits \$ | | Termination benefits \$ | Total remuneration \$ |
|-------------------------|------------------------------|---------------------------|---------|-------------------------------|--------------------------------|----------------------------------|--------------------------|----------------------------|--------------------------|
| | | Base salary ⁵² | Bonuses | Other benefits and allowances | Superannuation contributions | Long service leave ⁵³ | Other long-term benefits | | |
| John Lonsdale | Chair | 884,692 | 0 | 0 | 117,151 | 77,648 | 0 | 0 | 1,079,492 |
| Margaret Cole | Deputy Chair | 760,668 | 0 | 0 | 27,500 | 19,719 | 0 | 0 | 807,887 |
| Therese McCarthy Hockey | Member | 683,290 | 0 | 0 | 27,500 | 24,108 | 0 | 0 | 734,898 |
| Suzanne Smith | Member | 694,121 | 0 | 0 | 27,500 | 21,534 | 0 | 0 | 743,155 |

⁵² 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.

⁵³ Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Remuneration for senior executives earned in 2023-24

| 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 other benefits and allowances | Average superannuation contributions | Average long service leave ⁵⁴ | Average other long-term benefits | Average termination benefits | Average total remuneration |
| \$0 - \$220,000 | 15 | 46,876 | 0 | 171 | 7,427 | (3,988) | 0 | 35,199 | 85,685 |
| \$220,001 - \$245,000 | 1 | 213,014 | 0 | 0 | 23,551 | (12,011) | 0 | 0 | 224,554 |
| \$245,001 - \$270,000 | 1 | 243,162 | 0 | 0 | 21,733 | 654 | 0 | 0 | 265,549 |
| \$270,001 - \$295,000 | 1 | 238,040 | 0 | 0 | 27,500 | 21,259 | 0 | 0 | 286,799 |
| \$295,001 - \$320,000 | 2 | 51,949 | 0 | 0 | 20,286 | (4,213) | 0 | 248,800 | 316,822 |
| \$320,001 - \$345,000 | 2 | 294,053 | 0 | 0 | 27,500 | 9,990 | 0 | 0 | 331,543 |
| \$345,001 - \$370,000 | 4 | 313,667 | 0 | 3,516 | 27,500 | 13,079 | 0 | 0 | 357,761 |
| \$370,001 - \$395,000 | 5 | 351,992 | 0 | 5,258 | 34,011 | (2,610) | 0 | 0 | 388,651 |
| \$395,001 - \$420,000 | 7 | 349,241 | 0 | 0 | 26,970 | 12,288 | 0 | 13,214 | 401,714 |
| \$420,001 - \$445,000 | 2 | 376,376 | 0 | 0 | 27,500 | 20,104 | 0 | 0 | 423,980 |
| \$495,001 - \$520,000 | 1 | 432,600 | 0 | 0 | 27,500 | 52,417 | 0 | 0 | 512,517 |
| \$545,001 - \$570,000 | 6 | 521,081 | 0 | 0 | 27,500 | 14,664 | 0 | 0 | 563,245 |

⁵⁴ Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Remuneration for highly paid staff earned in 2023-24

| Total remuneration bands | Number of other highly paid staff | Short-term benefits \$ | | | Post-employment benefits \$ | Other long-term benefits \$ | | Termination benefits \$ | Total remuneration \$ |
|--------------------------|-----------------------------------|------------------------|-----------------|---|--------------------------------------|--|----------------------------------|------------------------------|----------------------------|
| | | Average base salary | Average bonuses | Average other benefits and allowances ⁵⁵ | Average superannuation contributions | Average long service leave ⁵⁶ | Average other long-term benefits | Average termination benefits | Average total remuneration |
| \$250,000 - \$270,000 | 37 | 221,739 | 0 | 848 | 25,281 | 7,078 | 0 | 5,458 | 260,404 |
| \$270,001 - \$295,000 | 36 | 243,344 | 0 | 335 | 27,795 | 7,485 | 0 | 0 | 278,959 |
| \$295,001 - \$320,000 | 8 | 255,264 | 0 | 467 | 28,053 | 7,014 | 0 | 14,450 | 305,247 |
| \$320,001 - \$345,000 | 3 | 175,973 | 0 | 0 | 26,330 | 1,383 | 0 | 124,118 | 327,804 |

⁵⁵ Other benefits and allowances include fringe benefits relating to motor vehicles.

⁵⁶ Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Indemnities and Insurances

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

Information on grants awarded by Australian Prudential Regulation Authority during 2023-24 is available at <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 2023-24, APRA's total expenditure on external legal advice and litigation services was \$1,930,923 (excluding GST). During 2023-24, APRA's total expenditure on internal legal advice and litigation services was \$9,895,615 (excluding GST).

Parliamentary committees

Avenues through which APRA is accountable to the Parliament include through Parliamentary committee inquiries.

During 2023-24, APRA Members, executives and senior staff appeared at public hearings before the:

- Senate Standing Committee on Economics (Legislation):
 - Estimates hearings on 25 October 2023, 14 February 2024 and 4 June 2024.
- Senate Economics References Committee:
 - Inquiry into improving consumer experiences, choice, and outcomes in Australia's retirement system, 12 March 2024.
- Joint Committee of Public Accounts and Audit:
 - Inquiry into probity and ethics in the Australian Public Sector, 8 September 2023.
- Senate Rural and Regional Affairs and Transport References Committee:
 - Inquiry into bank closures in regional Australia, 1 December 2023.
- House of Representatives Standing Committee on Economics:
 - Inquiry into insurers' responses to 2022 major flood claims, 2 February 2024.

Copies of opening statements delivered as part of APRA's appearances may be downloaded from APRA's website <http://www.apra.gov.au/news-and-publications>. Transcripts of APRA's Parliamentary appearances are available from the relevant Committee page on the Parliamentary website www.aph.gov.au.

During 2023-24, APRA made submissions to the following formal inquiries:

- Joint Committee of Public Accounts and Audit Inquiry into Probity and Ethics in the Australian Public Sector, 28 August 2023.
- Senate Economics References Committee Inquiry into Improving Consumer Experiences, Choice and Outcomes in Australia's Retirement System, 1 March 2024.
- Joint Committee of Public Accounts and Audit Inquiry into Probity and Ethics in the Australian Public Sector, 25 March 2024.

Copies of APRA's submissions to formal inquiries can be viewed on APRA's website <https://www.apra.gov.au/submissions>.

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:

Privacy Officer
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001

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

Responsible Ministers

As at 30 June 2024, the Hon Dr Jim Chalmers MP had portfolio responsibility for APRA as Treasurer of the Commonwealth of Australia.

Significant non-compliance with relevant financial laws

During 2023-24, there were no incidents of material non-compliance with relevant financial laws.

Employee statistics (by headcount)

Ongoing employees 2023-24 by location

| | Male | | | Female | | | Non-binary | | | Prefers not to answer | | | Uses a different term | | | Total |
|--------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|----------|-----------------------|-----------|----------|-----------------------|-----------|----------|------------|
| | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | |
| ACT | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| NSW | 271 | 6 | 277 | 230 | 47 | 277 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 555 |
| QLD | 25 | 0 | 25 | 12 | 7 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44 |
| SA | 7 | 0 | 7 | 6 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 |
| VIC | 48 | 1 | 49 | 33 | 6 | 39 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 88 |
| Total | 355 | 7 | 362 | 281 | 60 | 341 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 704 |

Non-ongoing employees 2023-24 by location (Fixed-term, Senior Managers and above)

| | Male | | | Female | | | Non-binary | | | Prefers not to answer | | | Uses a different term | | | Total |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|----------|-----------------------|-----------|----------|-----------------------|-----------|----------|------------|
| | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | |
| ACT | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| NSW | 77 | 2 | 79 | 49 | 6 | 55 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 134 |
| QLD | 7 | 1 | 8 | 2 | 1 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| SA | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| VIC | 7 | 0 | 7 | 11 | 0 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18 |
| Total | 93 | 3 | 96 | 63 | 7 | 70 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 166 |

Ongoing employees 2022-23 by location

| | Male | | | Female | | | Non-binary | | | Prefers not to answer | | | Uses a different term | | | Total |
|--------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|----------|-----------------------|-----------|----------|-----------------------|-----------|----------|------------|
| | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | |
| ACT | 5 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |
| NSW | 275 | 5 | 280 | 226 | 51 | 277 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 558 |
| QLD | 21 | 0 | 21 | 14 | 5 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40 |
| SA | 6 | 0 | 6 | 5 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| VIC | 51 | 3 | 54 | 31 | 5 | 36 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 90 |
| Total | 358 | 8 | 366 | 276 | 61 | 337 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 704 |

Non-ongoing employees 2022-23 by location (Fixed-term, Senior Managers and above)

| | Male | | | Female | | | Non-binary | | | Prefers not to answer | | | Uses a different term | | | Total |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|----------|-----------------------|-----------|----------|-----------------------|-----------|----------|------------|
| | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | Full time | Part time | Total | |
| ACT | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| NSW | 82 | 4 | 86 | 48 | 8 | 56 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 142 |
| QLD | 6 | 0 | 6 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| SA | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| VIC | 5 | 0 | 5 | 9 | 0 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 |
| Total | 95 | 4 | 99 | 59 | 9 | 68 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 167 |

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 2023-24 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 | 14,118 | 14,118 | - |
| Total | 14,118 | 14,118 | - |
| Total available annual appropriations and payments | A 14,118 | 14,118 | - |
| Special accounts | | | |
| Opening balance | 60,907 | | |
| Appropriation receipts | 9,364 | | |
| Statutory credits receipts | 224,750 | | |
| Other receipts | 10,475 | | |
| Payments made | | 235,829 | |
| Total special account | B 305,496 | 235,829 | 69,667 |
| Total resources and payments | | | |
| A+B | 319,614 | 249,947 | 69,667 |
| Less appropriation drawn from annual or special appropriations above and credited to special accounts | (14,118) | (14,118) | - |
| Total net resourcing and payments for APRA | 305,496 | 235,829 | 69,667 |

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 | 14,846 | 14,118 | 728 |
| Special accounts | 224,207 | 222,883 | 1,324 |
| Total expenses for outcome¹ | 239,053 | 237,001 | 2,052 |
| | Actual | Actual | Variation |
| | 2023-24 | 2022-23 | |
| Average staffing level (number) | 846 | 832 | 14 |

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

Chapter 5: 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 2024:

- (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 2024 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 2024 and for the year then ended:

- Statement by the Accountable Authority 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 material accounting policy information 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 their 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.

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

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

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



Mark Vial
Executive Director
Delegate of the Auditor-General

Canberra
13 August 2024

Statement by the Accountable Authority and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2024 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 John Lonsdale
Chair

13 August 2024



Mr Eugene Jalba
Chief Financial Officer

13 August 2024

Statement of comprehensive income for the year ended 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 | Original Budget \$'000 |
|---|-------|----------------|-----------------|------------------------------|
| Expenses | | | | |
| Employee benefits | 1.1A | 165,896 | 157,609 | 171,441 |
| Suppliers | 1.1B | 43,926 | 46,277 | 45,088 |
| Depreciation and amortisation | 3.2 | 25,957 | 23,106 | 22,143 |
| Finance costs | 1.1C | 721 | 791 | 381 |
| Assets written off | 3.2 | 454 | 907 | - |
| Scholarships | | 47 | 101 | - |
| Restoration | | - | 452 | - |
| Total expenses | | 237,001 | 229,243 | 239,053 |
| Own-source revenue | | | | |
| Revenue from contracts with customers | 1.2A | 4,863 | 4,389 | 4,012 |
| Other revenue | 1.2B | 1,106 | 1,087 | 1,470 |
| Total own-source revenue | | 5,969 | 5,476 | 5,482 |
| Gains | | | | |
| Reversal of write-downs and impairments | | 519 | - | - |
| Net cost of services | | 230,513 | 223,767 | 233,571 |
| Revenue from Government | 1.2D | 234,205 | 213,654 | 232,516 |
| Operating surplus / (deficit) | | 3,692 | (10,113) | (1,055) |
| Other comprehensive income | | | | |
| Items not subject to subsequent reclassification to net cost of services | | | | |
| Increase in asset revaluation reserve | 3.2 | 43 | - | - |
| Total comprehensive gain / (loss) | | 3,735 | (10,113) | (1,055) |

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

Budget Variances Commentary

Expenses:

Total expenses are \$2.1m lower than budget, primarily due to:

- Employee benefits being lower than budget by \$5.5m due to a combination of lower than budget average staff levels, and movements in leave provisions reflecting an increase in the Government 10 year bond yield used to value leave provisions;
- Supplier expenses being lower than budget by \$1.2m due to contractor labour market challenges which resulted in the deferral of activities into the 2024-25 financial year;
- Depreciation and amortisation expenses being higher than budget by \$3.8m due to useful life reassessments of intangible assets; and
- Write-off of assets of \$0.5m which relates to the disposal of leasehold improvement, computer hardware and capitalised work-in-progress of intangible assets

Own-source revenue:

- Higher than budget by \$0.5m due to higher statistical data collection services.

Revenue from Government:

- Revenue from Government is higher than budget by \$1.7m as a result of higher than projected June 2023 quarter assets growth rate within the superannuation industry. This over-collection will be returned in the 2024-25 levy collection process.

Operating deficit:

- The operating surplus of \$3.7m is higher than budget by \$4.7m due to the reasons outlined above.

Statement of financial position

as at 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 | Original Budget \$'000 |
|--|-------|----------------|----------------|------------------------------|
| Assets | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 3.1A | 69,667 | 60,907 | 72,678 |
| Trade and other receivables | 3.1B | 4,989 | 4,008 | 3,871 |
| Total financial assets | | 74,656 | 64,915 | 76,549 |
| Non-financial assets | | | | |
| Property, plant and equipment ¹ | 3.2 | 31,098 | 40,760 | 38,958 |
| Intangibles | 3.2 | 36,332 | 46,357 | 42,913 |
| Prepayments | | 7,570 | 4,756 | 4,632 |
| Total non-financial assets | | 75,000 | 91,873 | 86,503 |
| Total assets | | 149,656 | 156,788 | 163,052 |
| Liabilities | | | | |
| Payables | | | | |
| Suppliers | 3.3A | 4,590 | 6,401 | 5,786 |
| Other payables | 3.3B | 5,226 | 6,650 | 4,736 |
| Total payables | | 9,816 | 13,051 | 10,522 |
| Interest bearing liabilities | | | | |
| Leases | 3.4 | 19,655 | 27,465 | 25,844 |
| Total interest bearing liabilities | | 19,655 | 27,465 | 25,844 |
| Provisions | | | | |
| Employee provisions | 6.1 | 45,519 | 45,800 | 58,114 |
| Other provisions | 3.5 | 9,616 | 9,157 | 8,172 |
| Total provisions | | 55,135 | 54,957 | 66,286 |
| Total liabilities | | 84,606 | 95,473 | 102,652 |
| Net assets | | 65,050 | 61,315 | 60,400 |
| Equity | | | | |
| Contributed equity | | 16,657 | 16,657 | 16,657 |
| Retained surpluses | | 37,586 | 34,894 | 32,979 |
| Asset revaluation reserve | | 43 | - | - |
| Contingency Enforcement Fund | | 10,764 | 9,764 | 10,764 |
| Total equity | | 65,050 | 61,315 | 60,400 |

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 2024

Budget Variances Commentary

Assets:

Total assets are \$13.4m lower than budget due to:

- Financial assets being lower than budget by \$1.9m due to lower cash balances arising from the timing of employee and supplier expenditure; and
- Non-financial assets being lower than budget by \$11.5m due to a combination of lower expenditure being capitalised, timing of renewal of office lease arrangements, useful life reassessments of intangible assets and the write-off of Cloud-based software (see note 3.2).

Liabilities:

Total liabilities are \$18m lower than budget due to:

- Employee provisions being lower than budget by \$12.6m due to movements in leave provisions and the impact of an increase in the Government 10 year bond yield used to value leave provisions (see note 6.1);
- Leases being lower than budget by \$6.2m due, mostly, to the timing of renewal of office lease arrangements; and
- Other provisions being higher than budget by \$1.4m primarily due to an increase in the estimated restoration costs for APRA's Sydney and Adelaide offices following a reassessment by an independent valuer (see note 3.5).

Equity:

Total equity is \$4.7m higher than budget due to:

- Retained surpluses being higher than budget due to higher revenue and lower expenses, as detailed in the Statement of Comprehensive Income.

Statement of changes in equity

for the year ended 30 June 2024

| | 2024 \$'000 | 2023 \$'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 | 34,894 | 46,007 | 35,034 |
| Transfer (to) Contingency Enforcement Fund | (1,000) | (1,000) | (1,000) |
| Surplus / (Deficit) for the period | 3,692 | (10,113) | (1,055) |
| Closing balance as at 30 June | 37,586 | 34,894 | 32,979 |
| Asset revaluation reserve | | | |
| Opening balance | - | - | - |
| Increase in asset revaluation reserve | 43 | - | - |
| Closing balance as at 30 June | 43 | - | - |
| Contingency Enforcement Fund | | | |
| Opening balance | 9,764 | 8,764 | 9,764 |
| Transfer from retained surpluses | 1,000 | 1,000 | 1,000 |
| Closing balance as at 30 June | 10,764 | 9,764 | 10,764 |
| Total equity | | | |
| Opening balance | 61,315 | 71,428 | 61,455 |
| Increase in asset revaluation reserve | 43 | - | - |
| Surplus / (Deficit) for the period | 3,692 | (10,113) | (1,055) |
| Closing balance as at 30 June | 65,050 | 61,315 | 60,400 |

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

Statement of changes in equity - continued

for the year ended 30 June 2024

Budget Variances Commentary

Retained surpluses:

- Retained surpluses are higher than budget due to higher revenue and lower expenses, as detailed in the Statement of Comprehensive Income.

Contingency Enforcement Fund (CEF):

- The Contingency Enforcement Fund (CEF) was in line with budget and reflects the budgeted yearly increase to the CEF of \$1m.

Cash flow statement

for the year ended 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 | Original Budget \$'000 |
|---|-------|------------------|------------------|------------------------------|
| Operating activities | | | | |
| Cash received | | | | |
| Appropriations | | 234,114 | 213,662 | 232,516 |
| Rendering of services | | 4,063 | 4,793 | 4,012 |
| GST received | | 5,884 | 6,603 | - |
| Other | | 528 | 1,724 | 1,230 |
| Total cash received | | 244,589 | 226,782 | 237,758 |
| Cash used | | | | |
| Employees | | (165,904) | (166,840) | (164,941) |
| Suppliers | | (48,365) | (45,216) | (44,848) |
| Interest payments on lease liabilities | | (376) | (540) | - |
| GST paid | | (5,619) | (6,403) | - |
| Section 74 receipts transferred to Official Public Account (OPA) ¹ | | - | - | (381) |
| Other | | (1,712) | - | - |
| Total cash used | | (221,976) | (218,999) | (210,170) |
| Net cash from operating activities | | 22,613 | 7,783 | 27,588 |
| Investing activities | | | | |
| Cash used | | | | |
| Purchase of property, plant and equipment | | (3,390) | (5,025) | - |
| Purchase / development of software intangibles | | (2,363) | (9,161) | (9,378) |
| Net cash used by investing activities | | (5,753) | (14,186) | (9,378) |
| Financing activities | | | | |
| Cash used | | | | |
| Principal payments of lease liabilities | | (8,100) | (8,390) | (8,839) |
| Net cash used by financing activities | | (8,100) | (8,390) | (8,839) |
| Net (decrease) / increase in cash held | | 8,760 | (14,793) | 9,371 |
| Cash and cash equivalents at the beginning of the reporting period | | 60,907 | 75,700 | 63,307 |
| Cash and cash equivalents at the end of the reporting period | 3.1A | 69,667 | 60,907 | 72,678 |

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

Budget Variances Commentary

Cash and cash equivalents at the end of the reporting period is lower than budget by \$3m due to:

Operating activities:

Net cash from operating activities is \$5m lower than budget, primarily due to:

- Appropriations being higher than budget by \$1.7m due to the over-collection of industry levies, resulting in a higher revenue from government; and
- Employee related payments being higher than budget by \$1m due to the timing of these payments;
- Supplier related payments being higher than budget by \$3.5m due to the timing of these payments; and
- Other costs being higher than budget by \$1.7m, relating mostly to the transfer of enforcement receipts relating to FY23.

Investing activities:

Net cash used for investing activities is \$3.6m lower than budget due to the timing of purchase and development of software intangibles (see note 3.2)

Financing activities:

Net cash used for financing activities is \$0.7m lower than budget due to timing of lease payments.

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 2024

| | Notes | 2024 \$'000 | 2023 \$'000 | Original Budget \$'000 |
|--|-------|----------------|----------------|------------------------------|
| Net cost of services | | | | |
| Expenses | | | | |
| Risk equalisation payments | 2.1 | 447,327 | 418,859 | 400,000 |
| Lloyds Security Deposit (held in trust) interest expense | 2.1 | 55 | 55 | 55 |
| Total expenses | 2.1 | 447,382 | 418,914 | 400,055 |
| Income | | | | |
| Levy revenue | | | | |
| Risk equalisation levy collections | 2.2A | 447,327 | 418,859 | 400,000 |
| Financial Institutions Supervisory Levies | 2.2A | 266,421 | 254,506 | 264,767 |
| Total levy revenue | | 713,748 | 673,365 | 664,767 |
| Other revenue | | | | |
| Enforcement recoveries | 2.2B | 783 | 1,712 | - |
| Lloyds Security Deposit (held in trust) interest income | 2.2B | 55 | 55 | 55 |
| Total other revenue | | 838 | 1,767 | 55 |
| Total income | | 714,586 | 675,132 | 664,822 |
| Surplus | | 267,204 | 256,218 | 264,767 |

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

Budget Variances Commentary

Risk equalisation:

Total risk equalisation receipts and payments are \$47.3m higher than budget due to:

- Higher than budgeted benefits paid across the private health insurance industry as a result of higher activity across 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 \$1.7m higher than budget due to:

- Higher than projected June 2023 quarter assets growth rate within the superannuation industry resulting in an over-collection of levies. This over-collection of Financial Institutions Supervisory Levies will be returned in the 2024-25 levy process.

Enforcement recoveries:

Enforcement recoveries are \$0.8m higher than budget due to infringement notices issued to entities in the superannuation sector. These enforcement recoveries will be transferred to government in the 2024-25 financial year.

Administered schedule of assets and liabilities

as at 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 | Original Budget \$'000 |
|---|-------|----------------|----------------|------------------------------|
| Assets | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 4.1A | - | 970 | 970 |
| Receivables | 4.1B | 3,051 | 3,909 | 2,205 |
| Total assets administered on behalf of Government | | 3,051 | 4,879 | 3,175 |
| 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 | | 1,051 | 2,879 | 1,175 |

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 lower than budget due to the closure of a matter connected with the Financial Claims Scheme (FCS). All cash balances related to this FCS matter have been returned during the year to Federal government and the consolidated revenue fund.

Administered reconciliation schedule

for the year ended 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 |
|--|-------|----------------|----------------|
| Opening assets less liabilities as at 1 July | | 2,879 | 1,175 |
| Income | | 714,586 | 675,132 |
| Expenses | 2.1 | (447,382) | (418,914) |
| Transfers (to) / from the Australian Government: | | | |
| Appropriation transfers from Official Public Account (OPA) | | 447,327 | 418,859 |
| Appropriation transfers to OPA | | (716,359) | (673,373) |
| Closing assets less liabilities as at 30 June | | 1,051 | 2,879 |

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 2024

| | Notes | 2024 \$'000 | 2023 \$'000 |
|--|-------|------------------|----------------|
| Operating activities | | | |
| Cash received | | | |
| Financial Institutions Supervisory Levies | | 266,350 | 254,514 |
| Enforcement recoveries | | 1,712 | - |
| Risk equalisation levy collections | | 447,327 | 418,859 |
| Total cash received | | 715,389 | 673,373 |
| Cash used | | | |
| Risk equalisation levy payments | | (447,327) | (418,859) |
| Total cash used | | (447,327) | (418,859) |
| Net cash from operating activities | | 268,062 | 254,514 |
| Cash to Official Public Account | | | |
| Financial Institutions Supervisory Levies | | (266,350) | (254,514) |
| Financial Claims Scheme | | (970) | - |
| Enforcement recoveries | | (1,712) | - |
| Total cash to Official Public Account | | (269,032) | (254,514) |
| Net increase / (decrease) in cash held | | (970) | - |
| Cash at the beginning of the reporting period | | 970 | 970 |
| Cash at the end of the reporting period | 4.1A | - | 970 |

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

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.

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 2024.

1.1 Expenses

| | 2024 \$'000 | 2023 \$'000 |
|--------------------------------|----------------|----------------|
| 1.1A: Employee benefits | | |
| Wages and salaries | 131,395 | 123,873 |
| Superannuation | | |
| Defined contribution plans | 15,038 | 14,623 |
| Defined benefit plans | 843 | 1,027 |
| Leave and other entitlements | 16,532 | 16,761 |
| Separation and redundancies | 1,647 | 1,080 |
| Other employee benefits | 441 | 245 |
| Total employee benefits | 165,896 | 157,609 |

Accounting policy

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

1.1B: Suppliers

Services rendered

| | | |
|---|---------------|---------------|
| Professional services & consultants | 10,524 | 9,082 |
| Information, communication and technology | 12,195 | 11,043 |
| Contractors | 7,974 | 14,051 |
| Administrative | 4,709 | 3,970 |
| Property | 2,967 | 2,702 |
| Training and conferences | 3,069 | 2,778 |
| Travel | 1,921 | 2,178 |
| Total services rendered | 43,359 | 45,804 |

Other suppliers

| | | |
|--|---------------|---------------|
| Workers compensation expenses | 519 | 419 |
| Short-term leases and leases of low value assets | 48 | 54 |
| Total other suppliers | 567 | 473 |
| Total suppliers | 43,926 | 46,277 |

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 | 376 | 540 |
| Adjustment to discount on restoration provisions | 341 | 247 |
| Banking fees | 4 | 4 |
| Total finance costs | 721 | 791 |

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 | 2024 \$'000 | 2023 \$'000 |
|--|-------|----------------|----------------|
| 1.2A: Revenue from contracts with customers | | | |
| Rendering of services | | 4,863 | 4,389 |
| Total revenue from contracts with customers | | 4,863 | 4,389 |
| Type of service | | | |
| Statistical data collection services | | 927 | 628 |
| Cost recoveries for employees on secondment | | 1,156 | 1,059 |
| Capital adequacy assessment services | | 2,780 | 2,702 |
| Total revenue from contracts with customers | | 4,863 | 4,389 |
| Type of customer | | | |
| Australian Government entities (related parties) | | 2,083 | 1,687 |
| Non-government entities | | 2,780 | 2,702 |
| Total revenue from contracts with customers | | 4,863 | 4,389 |
| 1.2B: Other revenue | | | |
| Licence fees from finance sector entities | | 564 | 546 |
| Resources received free of charge | | 200 | 240 |
| Fees from foreign bank representative offices | | 62 | 42 |
| Other | | 280 | 259 |
| Total other revenue | | 1,106 | 1,087 |

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 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 impairment allowances, if applicable. 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 \$200,000 (2023: \$240,000).

1.2C: Reversal of write-downs and impairments

| | | |
|--|------------|----------|
| Reversal of impairment losses | 519 | - |
| Total reversal of previous asset write-downs and impairment | 519 | - |

1.2D: Revenue from Government

| | | |
|--------------------------------------|----------------|----------------|
| Statutory credits | 224,841 | 210,681 |
| Departmental appropriation | 9,364 | 2,973 |
| Total revenue from Government | 234,205 | 213,654 |

Accounting policy

Revenue from Government

Amounts appropriated for the year (adjusted for formal additions and reductions) and statutory credits 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 | 2024 \$'000 | 2023 \$'000 |
|--|-------|----------------|----------------|
| Expenses | | | |
| Risk equalisation levy payments | | 447,327 | 418,859 |
| Lloyds Security Deposit (held in trust) interest expense | 4.2 | 55 | 55 |
| Total other expenses | | 447,382 | 418,914 |

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

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Revenue | | |
| 2.2A: Levy revenue | | |
| Risk equalisation levy receipts | 447,327 | 418,859 |
| Financial Institutions Supervisory Levies and penalties (see Table 1) ¹ | 266,477 | 254,509 |
| Supervisory Levy waivers (see Table 2) | (56) | (3) |
| Total levy revenue | 713,748 | 673,365 |

Accounting policy

Revenue

Most of the 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.

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 | 113,100 | 96,610 |
| Authorised deposit-taking institutions | 91,689 | 94,405 |
| General insurers | 30,662 | 31,574 |
| Life insurers and friendly societies | 20,384 | 20,016 |
| Private health insurers | 10,400 | 11,800 |
| Total Financial Industry Supervisory Levies | 266,235 | 254,405 |
| Late payment penalties: | | |
| Superannuation funds | 242 | 104 |
| Total late payment penalties | 242 | 104 |
| Total current year financial industry levies and penalties | 266,477 | 254,509 |

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 | (56) | (3) |
| Total waivers | (56) | (3) |

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

| | | |
|---|----------------|----------------|
| Enforcement recoveries | 783 | 1,712 |
| Lloyds Security Deposit (held in trust) interest income | 55 | 55 |
| Total other revenue | 838 | 1,767 |
| Total revenue | 714,586 | 675,132 |

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

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| 3.1A: Cash and cash equivalents | | |
| Cash in special account | 68,026 | 56,800 |
| Cash on deposit | 1,641 | 4,107 |
| Total cash and cash equivalents | <u>69,667</u> | <u>60,907</u> |

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 | 4,278 | 3,151 |
| Total services receivable | <u>4,278</u> | <u>3,151</u> |

Appropriations receivable

| | | |
|--|-----------|----------|
| Statutory credits receivable | 92 | - |
| Total appropriations receivable | <u>92</u> | <u>-</u> |

Other receivables

| | | |
|--|--------------|--------------|
| GST receivable from the Australian Taxation Office | 463 | 691 |
| Other | 156 | 166 |
| Total other receivables | <u>619</u> | <u>857</u> |
| Total trade and other receivables (gross) | <u>4,989</u> | <u>4,008</u> |

Less: impairment loss allowance

| | | |
|--|--------------|--------------|
| Total trade and other receivables (net) | <u>4,989</u> | <u>4,008</u> |
|--|--------------|--------------|

Credit terms for services rendered were within 30 days (2023: 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 a loss allowance, if applicable.

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 | Total \$'000 |
|---|--|-------------------------------------|---|---|---|---|--------------------------------|-----------------|
| As at 1 July 2023 | | | | | | | | |
| Gross book value | 58,452 | 29,293 | 7,010 | 94,755 | 104,599 | 10,067 | 114,666 | 209,421 |
| Accumulated depreciation, amortisation and impairment | (33,297) | (18,173) | (2,525) | (53,995) | (60,563) | (7,746) | (68,309) | (122,304) |
| Net book value 1 July 2023 | 25,155 | 11,120 | 4,485 | 40,760 | 44,036 | 2,321 | 46,357 | 87,117 |
| Additions: | | | | | | | | |
| By purchase | 291 | 289 | 3,101 | 3,681 | - | - | - | 3,681 |
| Internally developed | - | - | - | - | 2,363 | - | 2,363 | 2,363 |
| Depreciation and amortisation: | | | | | | | | |
| Depreciation and amortisation expense | (8,395) | (3,855) | (1,755) | (14,005) | (11,121) | (831) | (11,952) | (25,957) |
| Reversal of impairments recognised in net cost of services¹ | - | 583 | 54 | 637 | - | - | - | 637 |
| Revaluations recognised in other comprehensive income¹ | - | - | 43 | 43 | - | - | - | 43 |
| Disposals: | | | | | | | | |
| Assets written off ² | - | - | (18) | (18) | (359) | (77) | (436) | (454) |
| Net book value 30 June 2024 | 17,051 | 8,137 | 5,910 | 31,098 | 34,919 | 1,413 | 36,332 | 67,430 |
| Net book value as at 30 June 2024 represented by: | | | | | | | | |
| Gross book value | 58,743 | 27,247 | 5,911 | 91,901 | 105,193 | 9,643 | 114,836 | 206,737 |
| Accumulated depreciation, amortisation and impairment | (41,692) | (19,110) | (1) | (60,803) | (70,274) | (8,230) | (78,504) | (139,307) |
| Net book value 30 June 2024 | 17,051 | 8,137 | 5,910 | 31,098 | 34,919 | 1,413 | 36,332 | 67,430 |

¹ In May 2024 a valuation for all tangible assets including restoration costs was undertaken by an independent valuer. The valuation resulted in an increase in value of \$0.68m relating to Leasehold improvement assets (\$0.58m) and Computer hardware (\$0.10m). The total revaluation adjustments of \$0.68m has been recognised through a reversal of prior year impairments of \$0.64m and an increase to the asset revaluation reserve of \$0.04m in other comprehensive income. In addition, the provision for restoration costs increased by \$0.12m (see Note 3.5), resulting in a net total reversal of prior year impairments of \$0.52m.

² Assets written off during the year relates mostly to the disposal of internally developed Computer software and Computer hardware and write off of capitalised work-in-progress of internally developed Computer software.

Revaluations of non-financial assets

Revaluations are conducted in accordance with the revaluation policy stated in this Note 3.2.

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 a 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 restructure.

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. An independent valuation was undertaken in May 2024, effective 30 June 2024. The valuation included a reassessment of the restoration costs as at June 2024.

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.

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:

| | 2024 | 2023 |
|---|---------------|---------------|
| 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 10 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.

Impairment

All assets were assessed for impairment as at 30 June 2024. 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 the use of such services, 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 2024.

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.

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.

3.3 Payables

| | 2024 | 2023 |
|------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| 3.3A: Suppliers | | |
| Trade creditors and accruals | 4,590 | 6,401 |
| Total suppliers | <u>4,590</u> | <u>6,401</u> |

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

3.3B: Other payables

| | | |
|--|--------------|--------------|
| Salaries and wages | 4,558 | 4,286 |
| Unearned revenue | 223 | 530 |
| GST payable / (receivable) to the Australian Taxation Office | 370 | 333 |
| Other | 75 | 1,501 |
| Total other payables | <u>5,226</u> | <u>6,650</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

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| 3.4: Leases | | |
| Lease liabilities | 19,655 | 27,465 |
| Total leases | 19,655 | 27,465 |
| Maturity analysis - contractual undiscounted cash flows | | |
| Within 1 year | 8,883 | 8,476 |
| Between 1 to 5 years | 11,034 | 19,617 |
| More than 5 years | - | - |
| Total leases | 19,917 | 28,093 |

Total cash outflow for leases for the year ended 30 June 2024 was \$8,476,000 (2023: \$8,930,000). This is contained in the Maturity analysis above for 2022-23 financial year (within 1 year category).

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 | Total other provisions \$'000 |
|---|---|-------------------------------------|
| Carrying amount as at 1 July | 9,157 | 9,157 |
| Increase / (decrease) in provisions | 118 | 118 |
| Annual adjustment to discount on restoration provisions | 341 | 341 |
| Closing balance as at 30 June | 9,616 | 9,616 |

At 30 June 2024, 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 to restore the leased properties to the required condition are:

Sydney - \$1,065 (2023: \$923); Melbourne - \$785 (2023: \$899); Adelaide - \$760 (2023: \$300); and Brisbane - \$60 (2023: \$60).

During the year a reassessment of restoration costs for the Sydney, Melbourne and Adelaide offices was performed and the provision for restoration costs increased by \$0.12m. The related Leasehold improvement assets were revalued (see note 3.2). The net impact of these changes is reflected in the statement of comprehensive income.

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.

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

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| 4.1A: Cash and cash equivalents | | |
| Financial Claims Scheme | - | 970 |
| Total cash and cash equivalents | <u>-</u> | <u>970</u> |

The Financial Claims Scheme cash balance related to a failed insurer. The residual amount has been returned to the Commonwealth during the year. See note 5.2 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 | 71 | - |
| Enforcement recoveries | 783 | 1,712 |
| Total receivables | <u>3,051</u> | <u>3,909</u> |

¹ See note 4.2 for further details.

Receivables were aged as follows:

| | | |
|--------------------------------|--------------|--------------|
| Not overdue | 2,853 | 3,712 |
| Overdue by: | | |
| 0 to 30 days | 1 | - |
| more than 90 days ² | 197 | 197 |
| Total receivables | <u>3,051</u> | <u>3,909</u> |

² There is no impairment allowance in 2024 (2023: 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*.

| | 2024 \$'000 | 2023 \$'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 2024 for the Lloyd's Security Deposit was \$2,091,814 (2023: \$2,010,294).

Non-monetary assets

APRA has no non-monetary assets held in trust.

4.3 Administered - Payables

| | 2024 \$'000 | 2023 \$'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 2024

| | Annual Appropriation | Adjustments to appropriation ¹ | Total appropriation | Appropriation applied in 2024 (current and prior years) | Variance |
|---------------------------|-------------------------|--|------------------------|--|----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Departmental | | | | | |
| Ordinary annual services | 9,364 | 4,754 | 14,118 | 14,118 | - |
| Total departmental | 9,364 | 4,754 | 14,118 | 14,118 | - |
| Administered | | | | | |
| Other services | | | | | |
| New administered outcomes | - | - | - | - | - |
| Total administered | - | - | - | - | - |

¹ PGPA Act Section 74 receipts

Annual appropriations for 2023

| | Annual Appropriation | Adjustments to appropriation | Total appropriation | Appropriation applied in 2023 (current and prior years) | Variance |
|---------------------------|-------------------------|---------------------------------|------------------------|--|-----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Departmental | | | | | |
| Ordinary annual services | 3,008 | 11,787 | 14,795 | 14,760 | 35 |
| Total departmental | 3,008 | 11,787 | 14,795 | 14,760 | 35 |
| Administered | | | | | |
| Other services | | | | | |
| New administered outcomes | - | - | - | - | - |
| Total administered | - | - | - | - | - |

5.1 Appropriations - continued

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

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Departmental | | |
| Appropriation Act (No. 1) 2023-24 | - | - |
| Appropriation Act (No. 1) 2022-23 ² | 35 | 35 |
| Total | 35 | 35 |

² This amount is subject to Section 51 of the PGPA Act.

5.1C: Special appropriations - Administered ('recoverable GST exclusive')

APRA administers the below three Special Appropriations; however, there are no balances and no transactions in the current or previous periods.

Authority:

Insurance Act 1973, s.92Q(5)

Public Governance, Performance and Accountability Act 2013, s.77

Superannuation Industry (Supervision) Act 1993, s.231(4)

5.2 Special Accounts

| | APRA Special Account (Departmental) ¹ | | Financial Claims Scheme Special Account (Administered) ² | | Risk Equalisation Special Account (Administered) ³ | |
|---|---|----------------|--|----------------|---|----------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Balance brought forward from previous period | 60,907 | 75,700 | 970 | 970 | - | - |
| Increases: | | | | | | |
| Departmental | | | | | | |
| Statutory credits for reporting period | 224,750 | 210,689 | - | - | - | - |
| Appropriation Act No.1 and Supply Act No.1 | 9,364 | 2,973 | - | - | - | - |
| Other receipts | 10,475 | 13,120 | - | - | - | - |
| Total departmental increases | 244,589 | 226,782 | - | - | - | - |
| Administered | | | | | | |
| Special appropriation for reporting period | - | - | - | - | 447,327 | 418,859 |
| Total administered increases | - | - | - | - | 447,327 | 418,859 |
| Available for payments | 305,496 | 302,482 | 970 | 970 | 447,327 | 418,859 |
| Decreases: | | | | | | |
| Departmental | | | | | | |
| Total departmental decreases | (235,829) | (241,575) | - | - | - | - |
| Administered | | | | | | |
| Repayments made from the Special Account | - | - | (970) | - | (447,327) | (418,859) |
| Total administered decreases | - | - | (970) | - | (447,327) | (418,859) |
| Total balance carried to the next period | 69,667 | 60,907 | - | 970 | - | - |
| Balance represented by | | | | | | |
| Cash in APRA official bank accounts | 1,641 | 4,107 | - | 185 | - | - |
| Cash with the Official Public Account (OPA) | 68,026 | 56,800 | - | 785 | - | - |
| Total balance carried to the next period | 69,667 | 60,907 | - | 970 | - | - |

5.2 Special Accounts - continued

¹ **Special account:** *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.*

The Financial Claims Scheme Special account balance related to a failed insurer. There were no transactions debited or credited to this special account in the current reporting period. The residual amount has been returned to the Commonwealth during the year.

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 120 (2023: 126) 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

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Amounts applied | | |
| Departmental | | |
| Statutory credits (including special accounts) | 224,841 | 210,681 |
| Departmental appropriation | 9,364 | 2,973 |
| Own source revenue | 5,769 | 5,236 |
| Reversal of write-downs and impairments | 519 | - |
| Administered | - | - |
| Total amounts applied | 240,493 | 218,890 |
| Expenses | | |
| Departmental | 236,801 | 229,003 |
| Administered | - | - |
| Total expenses | 236,801 | 229,003 |
| External revenue | | |
| Departmental | 240,493 | 218,890 |
| Administered | - | - |
| Total revenue | 240,493 | 218,890 |

Regulatory charging activities:

- Financial Industry Supervisory Levies
- Statistical information provided to RBA and ABS
- Licence fees and other charges
- Assessment of models-based capital adequacy requirements for ADIs - Basel Framework
- Fixed asset revaluation

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

| | 2024 \$'000 | 2023 \$'000 |
|----------------------------------|----------------|----------------|
| Employee provisions | | |
| Leave | 45,451 | 45,636 |
| Other employee provisions | 68 | 64 |
| Separations and redundancies | - | 100 |
| Total employee provisions | 45,519 | 45,800 |

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 specific 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 and reviewed against the estimated leave to be taken and factored into the calculation. The expected long-term average annual salary growth rate assumption used in the calculation is 4.5% (2023: 4.5%).

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 2023/24 APRA has determined the key management personnel to be the Cabinet Ministers and the APRA Members, whose remuneration and other benefits are set by the Remuneration Tribunal.

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

The total number of key management personnel included in the table below are: 4 (2023: 6).

| 2023/24 APRA key management personnel | Position | Period |
|---------------------------------------|--------------|-----------------------------|
| John Lonsdale | Chair | 1 July 2023 to 30 June 2024 |
| Margaret Cole | Deputy Chair | 1 July 2023 to 30 June 2024 |
| Suzanne Smith | Member | 1 July 2023 to 30 June 2024 |
| Therese McCarthy Hockey | Member | 1 July 2023 to 30 June 2024 |

Key management personnel remuneration is reported in the table below:

| | 2024 | 2023 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 3,023 | 3,392 |
| Post-employment benefits | 200 | 249 |
| Other long-term benefits | 143 | 143 |
| Total key management personnel remuneration expenses | 3,366 | 3,784 |

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 (2023: Nil).

Quantifiable contingencies (APRA departmental)

APRA has no quantifiable contingencies as at the balance date (2023: Nil).

Unquantifiable contingencies (APRA departmental)

APRA has no unquantifiable contingencies as at the balance date (2023: 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, with the aggregate amount of payments covered under the Scheme estimated to be \$1.3 trillion as at 31 December 2023.

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 potential 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, 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 the 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 | 2024 \$'000 | 2023 \$'000 |
|---|-------|----------------|----------------|
| 7.3A: Categories of financial instruments | | | |
| Financial assets measured at amortised cost | | | |
| Cash and cash equivalents | 3.1A | 69,667 | 60,907 |
| Trade receivables | 3.1B | 4,278 | 3,151 |
| Other receivables | 3.1B | 156 | 166 |
| Total financial assets at amortised cost | | 74,101 | 64,224 |
| Financial liabilities | | | |
| Financial liabilities measured at amortised cost | | | |
| Trade creditors and accruals | 3.3A | 4,590 | 6,401 |
| Total financial liabilities at amortised cost | | 4,590 | 6,401 |

7.3B: Net gains or losses on financial assets

There were no net gains or losses on financial assets.

7.3C: Net gains or losses on financial liabilities

There were no net gains or losses on financial liabilities.

Accounting policy

Financial assets

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

- financial assets at fair value through other comprehensive income; and
- 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:

- the financial asset is held in order to collect the contractual cash flows; and
- 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

| | 2024 \$'000 | 2023 \$'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 2024 \$'000 | Fair value 2024 \$'000 | Carrying amount 2023 \$'000 | Fair value 2023 \$'000 |
| Financial assets | | | | |
| Other receivables | 2,000 | 2,092 | 2,000 | 2,010 |
| Total financial assets | 2,000 | 2,092 | 2,000 | 2,010 |
| Financial Liabilities | | | | |
| Trade creditors and accruals | 2,000 | 2,092 | 2,000 | 2,010 |
| Total financial liabilities | 2,000 | 2,092 | 2,000 | 2,010 |

8.1 Current/non-current distinction for assets and liabilities

8.1A : Current/non-current distinction for assets and liabilities

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Assets expected to be recovered in: | | |
| No more than 12 months | | |
| Cash and cash equivalents | 69,667 | 60,907 |
| Trade and other receivables | 4,989 | 4,008 |
| Prepayments | 5,693 | 4,392 |
| Total no more than 12 months | 80,349 | 69,307 |
| More than 12 months | | |
| Property, plant and equipment | 31,098 | 40,760 |
| Intangibles | 36,332 | 46,357 |
| Prepayments | 1,877 | 364 |
| Total more than 12 months | 69,307 | 87,481 |
| Total assets | 149,656 | 156,788 |
| Liabilities expected to be settled in: | | |
| No more than 12 months | | |
| Suppliers | 4,590 | 6,401 |
| Other payables | 5,226 | 6,650 |
| Leases | 8,665 | 8,101 |
| Employee provisions | 16,850 | 17,467 |
| Other provisions | 1,079 | 81 |
| Total no more than 12 months | 36,410 | 38,700 |
| More than 12 months | | |
| Leases | 10,990 | 19,364 |
| Employee provisions | 28,669 | 28,333 |
| Other provisions | 8,537 | 9,076 |
| Total more than 12 months | 48,196 | 56,773 |
| Total liabilities | 84,606 | 95,473 |

8.1B : Administered - current/non-current distinction for assets and liabilities

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Assets expected to be recovered in: | | |
| No more than 12 months | | |
| Cash and cash equivalents | - | 970 |
| Receivables | 854 | 1,712 |
| Total no more than 12 months | 854 | 2,682 |
| 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 | 3,051 | 4,879 |
| 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

| PGPA Rule Reference | Part of Report | Description | Requirement |
|--------------------------------------|--|--|-----------------------------------|
| 17AD(g) | Letter of transmittal | | |
| 17AI | Page 1 | A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report. | Mandatory |
| 17AD(h) | Aids to access | | |
| 17AJ(a) | Page 2 | Table of contents | Mandatory |
| 17AJ(b) | Page 125 | Alphabetical index | Mandatory |
| 17AJ(c) | Page 3 | Glossary of abbreviations and acronyms | Mandatory |
| 17AJ(d) | Page 120 | List of requirements | Mandatory |
| 17AJ(e) | Page 130 | Details of contact officer | Mandatory |
| 17AJ(f) | Page 130 | Entity's website address | Mandatory |
| 17AJ(g) | Page 130 | Electronic address of report | Mandatory |
| 17AD(a) | Review by accountable authority | | |
| 17AD(a) | Pages 4 - 8 | A review by the accountable authority of the entity. | Mandatory |
| 17AD(b) | Overview of the entity | | |
| 17AE(1)(a)(i) | Chapter 1 | A description of the role and functions of the entity. | Mandatory |
| 17AE(1)(a)(ii) | Chapter 1 | A description of the organisational structure of the entity. | Mandatory |
| 17AE(1)(a)(iii) | Chapter 2 | A description of the outcomes and programmes administered by the entity. | Mandatory |
| 17AE(1)(a)(iv) | Chapter 2 | A description of the purposes of the entity as included in corporate plan. | Mandatory |
| 17AE(1)(aa)(i) | Chapter 4 | Name of the accountable authority or each member of the accountable authority. | Mandatory |
| 17AE(1)(aa)(ii) | Chapter 4 | Position title of the accountable authority or each member of the accountable authority. | Mandatory |
| 17AE(1)(aa)(iii) | Chapter 4 | Period as the accountable authority or member of the accountable authority within the reporting period. | Mandatory |
| 17AE(1)(b) | N/A | An outline of the structure of the portfolio of the entity. | Portfolio departments - mandatory |
| 17AE(2) | N/A | Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change. | If applicable, Mandatory |
| 17AD(c) | Report on the Performance of the entity | | |
| Annual Performance Statements | | | |
| 17AD(c)(i); 16F | Chapter 2 | Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule. | Mandatory |
| 17AD(c)(ii) | Report on Financial Performance | | |
| 17AF(1)(a) | Chapter 3, 4, 5 | A discussion and analysis of the entity's financial performance. | Mandatory |

| PGPA Rule Reference | Part of Report | Description | Requirement |
|----------------------------|--------------------------------------|---|---------------------------|
| 17AF(1)(b) | Chapter 4 | A table summarising the total resources and total payments of the entity. | Mandatory |
| 17AF(2) | N/A | If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results. | If applicable, Mandatory. |
| 17AD(d) | Management and Accountability | | |
| | Corporate Governance | | |
| 17AG(2)(a) | Chapter 4 | Information on compliance with section 10 (fraud systems). | Mandatory |
| 17AG(2)(b)(i) | Chapter 4 | A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared. | Mandatory |
| 17AG(2)(b)(ii) | Chapter 4 | A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place. | Mandatory |
| 17AG(2)(b)(iii) | Chapter 4 | A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity. | Mandatory |
| 17AG(2)(c) | Chapter 3 | An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance. | Mandatory |
| 17AG(2)(d) – (e) | Chapter 4 | A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance. | If applicable, Mandatory |
| | Audit Committee | | |
| 17AG(2A)(a) | Chapter 3 | A direct electronic address of the charter determining the functions of the entity's audit committee. | Mandatory |
| 17AG(2A)(b) | Chapter 3 | The name of each member of the entity's audit committee. | Mandatory |
| 17AG(2A)(c) | Chapter 3 | The qualifications, knowledge, skills or experience of each member of the entity's audit committee. | Mandatory |
| 17AG(2A)(d) | Chapter 3 | Information about the attendance of each member of the entity's audit committee at committee meetings. | Mandatory |
| 17AG(2A)(e) | Chapter 3 | The remuneration of each member of the entity's audit committee. | Mandatory |
| | External Scrutiny | | |
| 17AG(3) | Pages 4 - 8, Chapter 2, 4 | Information on the most significant developments in external scrutiny and the entity's response to the scrutiny. | Mandatory |
| 17AG(3)(a) | Chapter 4 | Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity. | If applicable, Mandatory |
| 17AG(3)(b) | Chapter 4 | Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman. | If applicable, Mandatory |
| 17AG(3)(c) | Chapter 4 | Information on any capability reviews on the entity that were released during the period. | If applicable, Mandatory |
| | Management of Human Resources | | |
| 17AG(4)(a) | Chapter 3 | An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives. | Mandatory |

| PGPA Rule Reference | Part of Report | Description | Requirement |
|---------------------|---|---|--------------------------|
| 17AG(4)(aa) | Chapter 4 | Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location. | Mandatory |
| 17AG(4)(b) | N/A | Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <input type="checkbox"/> Statistics on staffing classification level; <input type="checkbox"/> Statistics on full-time employees; <input type="checkbox"/> Statistics on part-time employees; <input type="checkbox"/> Statistics on gender; <input type="checkbox"/> Statistics on staff location; <input type="checkbox"/> Statistics on employees who identify as Indigenous. | Mandatory |
| 17AG(4)(c) | Chapter 4 | Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> . | Mandatory |
| 17AG(4)(c)(i) | N/A | Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c). | Mandatory |
| 17AG(4)(c)(ii) | N/A | The salary ranges available for APS employees by classification level. | Mandatory |
| 17AG(4)(c)(iii) | Chapter 3 | A description of non-salary benefits provided to employees. | Mandatory |
| 17AG(4)(d)(i) | N/A | Information on the number of employees at each classification level who received performance pay. | If applicable, Mandatory |
| 17AG(4)(d)(ii) | N/A | Information on aggregate amounts of performance pay at each classification level. | If applicable, Mandatory |
| 17AG(4)(d)(iii) | N/A | Information on the average amount of performance payment, and range of such payments, at each classification level. | If applicable, Mandatory |
| 17AG(4)(d)(iv) | N/A | Information on aggregate amount of performance payments. | If applicable, Mandatory |
| | Assets Management | | |
| 17AG(5) | N/A | An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities. | If applicable, mandatory |
| | Purchasing | | |
| 17AG(6) | Chapter 4 | An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> . | Mandatory |
| | Reportable consultancy contracts | | |
| 17AG(7)(a) | Chapter 4 | A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST). | Mandatory |
| 17AG(7)(b) | Chapter 4 | A statement that "During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]". | Mandatory |

| PGPA Rule Reference | Part of Report | Description | Requirement |
|---------------------|--|--|--------------------------|
| 17AG(7)(c) | Chapter 4 | A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged. | Mandatory |
| 17AG(7)(d) | Chapter 4 | A statement that “ <i>Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.</i> ” | Mandatory |
| | Reportable non-consultancy contracts | | |
| 17AG(7A)(a) | Chapter 4 | A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST). | Mandatory |
| 17AG(7A)(b) | Chapter 4 | A statement that “ <i>Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.</i> ” | Mandatory |
| 17AD(daa) | Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts | | |
| 17AGA | Chapter 4 | Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts. | Mandatory |
| | Australian National Audit Office Access Clauses | | |
| 17AG(8) | N/A | If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract. | If applicable, Mandatory |
| | Exempt contracts | | |
| 17AG(9) | N/A | If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters. | If applicable, Mandatory |
| | Small business | | |
| 17AG(10)(a) | Chapter 4 | A statement that “[<i>Name of entity</i>] 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.” | Mandatory |
| 17AG(10)(b) | Chapter 4 | An outline of the ways in which the procurement practices of the entity support small and medium enterprises. | Mandatory |
| 17AG(10)(c) | N/A | If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[<i>Name of entity</i>] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.” | If applicable, Mandatory |
| | Financial Statements | | |

| PGPA Rule Reference | Part of Report | Description | Requirement |
|----------------------------|------------------------------------|---|--------------------------|
| 17AD(e) | Chapter 5 | Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act. | Mandatory |
| | Executive Remuneration | | |
| 17AD(da) | Chapter 4 | Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2-3 of the Rule. | Mandatory |
| 17AD(f) | Other Mandatory Information | | |
| 17AH(1)(a)(i) | N/A | If the entity conducted advertising campaigns, a statement that <i>"During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."</i> | If applicable, Mandatory |
| 17AH(1)(a)(ii) | Chapter 4 | If the entity did not conduct advertising campaigns, a statement to that effect. | If applicable, Mandatory |
| 17AH(1)(b) | Chapter 4 | A statement that <i>"Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."</i> | If applicable, Mandatory |
| 17AH(1)(c) | Chapter 3 | Outline of mechanisms of disability reporting, including reference to website for further information. | Mandatory |
| 17AH(1)(d) | Chapter 4 | Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found. | Mandatory |
| 17AH(1)(e) | N/A | Correction of material errors in previous annual report | If applicable, mandatory |
| 17AH(2) | Chapter 4 | Information required by other legislation | Mandatory |

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Directory

Contact information

APRA info: 1300 55 88 49

Website: www.apra.gov.au

Email: info@apra.gov.au

Head office

New South Wales

Delivery address: APRA, Level 12, 1 Martin Place, Sydney NSW 2000

Mailing address: GPO Box 9836 Sydney NSW 2001 T: 02 9210 3000

Other offices

Australian Capital Territory

Delivery address: APRA Level 2, 14-16 Brisbane Ave, Barton ACT 2600

Mailing address: GPO Box 9836 Canberra ACT 2601 T: 02 9210 3000

Queensland

Delivery address: APRA Level 3, 500 Queen Street, Brisbane QLD 4000

Mailing address: GPO Box 9836 Brisbane QLD 4001 T: 07 3001 8500

South Australia

Delivery address: APRA Level 19, 25 Grenfell Street, Adelaide SA 5000

Mailing address: GPO Box 9836 Adelaide SA 5001 T: 08 8235 3200

Victoria

Delivery address: APRA Level 12, 600 Bourke Street, Melbourne VIC 3000 *(effective 30 September 2024)*

Mailing address: GPO Box 9836 Melbourne VIC 3001 T: 03 9246 7500

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