

11 March 2022

Gideon Holland  
General Manager, Policy  
Australian Prudential Regulation Authority  
GPO Box 9836  
Sydney NSW 2001

By email: [superannuation.policy@apra.gov.au](mailto:superannuation.policy@apra.gov.au)

Dear Gideon

### **Consultation on minor amendments to Prudential Standard SPS 310 Audit and Related Matters**

As the representatives of over 300,000 professional accountants, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) welcome the opportunity to provide feedback on the above consultation.

We support the use of independent external assurance as a mechanism to enhance the trust and confidence in, and the quality and integrity of, the data that is:

- used for APRA's administration of the Your Future, Your Super (YFYS) performance test; and
- published in APRA's Heatmap.

This will give both APRA and fund members comfort that these data outputs are both credible and reliable. Therefore, we support the consequential changes to the scope of the assurance engagement to align with the recent changes to APRA's reporting forms for registrable superannuation entities (RSEs). Against this backdrop of overall support, we have the following comments.

#### **Transitional arrangements**

While the drafting amendments to SPS 310 may be minor, the impact on the assurance work required is potentially significant for some RSEs, depending on their nature/size and how they go about their activities. The consultation is silent on when the change to the scope of the assurance engagement will be effective and what transitional arrangements are proposed for the audit, if any. Auditors will need time to plan for implementation of the increased scope of work and therefore we recommend the effective date is not before years ending on or after 30 June 2023.

Seven of the extant reporting forms subject to assurance will be superseded by five new reporting forms, and there will be one new reporting form (SRF 332.0 Expenses) added. The new reporting forms came into effect from 17 September 2021 and RSEs are required to complete parallel reporting under the old and new forms for a "short period". The length of this period of parallel reporting, and the transitional arrangements around which reporting forms are to be subject to assurance, will need to be clarified.

It is important to highlight that the audit profession is currently experiencing a critical skill shortage because of the recent COVID-19 related border restrictions, coupled with the longer-term growth in demand for audit professionals. As a result, external auditors have been added to the Priority Migration Skilled Occupation List (PMSOL).<sup>1</sup> In light of this we emphasise the need for an adequate transition period that is cognisant of the current resource constraints experienced by the audit profession.

To further compound this issue, RSEs and third-party service organisations are also having difficulty recruiting suitably qualified finance professionals. As a result, the Accountant occupation (General, Taxation and Management) has also been added to the PMSOL. It is finance teams who respond to auditors' requests for information, documentation, and explanations, so if they are under resourced this will hamper the progress of the assurance engagement.

The later commencement date suggested above will enable auditors and RSEs time to fully prepare for the increased volume of work that the proposed changes to SPS 310 will generate. If implementation occurs too soon then it is reasonable to expect that some RSEs will struggle to comply with statutory lodgement deadlines for annual returns and lodgement of APRA reporting forms.

### Post-implementation review

We support evidence-based policy making. Therefore, we recommend APRA conducts a post-implementation review of these changes after they have been in place for two years. Such an exercise would enable APRA to determine whether these changes are meeting the policy objectives in the most cost-effective way and will ensure that the data in the new reporting forms possess the qualitative characteristic of verifiability.

In addition to extending to choice products, the new reporting forms are also far more granular in terms of the detail of the data captured. Both these factors, plus the addition of SRF 332.0 Expenses, mean there will be an increase in the scope of the assurance engagement which in turn has cost implications. Ultimately, it will be fund members who bear additional compliance costs incurred by RSEs, which comes at a time when RSEs are being strongly encouraged to focus on cutting costs to improve member outcomes. We appreciate the difficulty in conducting a cost benefit analysis of these proposals up front given the individual assurance approach for each RSE could vary greatly, hence our suggestion for a post-implementation review.

In any event it is RSEs who bear the statutory burden of proof that any fund outgoing, including all expenses, is in their funds' members' best financial interests. We believe it would be appropriate for APRA and ASIC, as co-regulators of the relevant *Superannuation Industry (Supervision) Act 1993* provisions, to provide RSEs with a publicly stated safe harbour in relation to any additional audit fees incurred as a result of these proposals.

<sup>1</sup> <https://minister.homeaffairs.gov.au/AlexHawke/Pages/supporting-australia-covid-recovery-through-skilled-migration.aspx>

Auditors must be able to obtain the evidence needed to support their opinion/conclusion, and for RSEs much of that evidence is obtained from third-party service organisations e.g., custodians. Therefore, it is critical that the appropriate level of assurance (limited or reasonable) can be obtained for the data captured in the reporting forms. As with any change there will likely be some practical implementation issues which may not be revealed until auditors commence planning and conducting the work. The Superannuation National Audit Consultative Committee (SNACC) is a valuable forum to help problem solve such practical teething issues as they arise. Some of these challenges may result in a need to make further changes to the reporting forms which should be subject to further consultation.

### Assurance approach

We note that APRA expects the scope of the auditor's work – and its rationale – to be explained in the Approved Audit Form. Therefore, we recommend APRA conducts a separate consultation on the proposed revised Approved Audit Form. It is not a mandatory requirement of the AUASB standards to include a description in the assurance report of the procedures carried out. If such additional free-form text is included in the assurance report this would result in what is referred to as a "long form report".

The extant reporting forms only cover MySuper, whereas the new reporting forms also include choice products. Some RSEs may have many choice products, associated investment menus and investment options. Some reporting forms are at a fund level, while others are at a product and investment options level. For this reason, the assurance approach could vary greatly between RSEs.

We support APRA allowing auditors to apply appropriate sampling techniques to the larger populations that will result from the expanded scope and not prescribing a specific approach for sample selection. This approach is consistent with the requirements of the AUASB standards. We agree that auditors should be allowed to exercise professional judgement when determining the assurance approach in this regard.

If you have any questions about our submission, please contact either Amir Ghandar (Leader, Reporting and Assurance, CA ANZ) at [amir.ghandar@charteredaccountantsanz.com](mailto:amir.ghandar@charteredaccountantsanz.com) or Ram Subramanian (Senior Manager – Reporting and Audit Policy, CPA Australia) at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

#### Simon Grant FCA

Group Executive – Advocacy, Professional Standing  
and International Development  
**Chartered Accountants Australia and New Zealand**

#### Dr Gary Pflugrath FCPA

Executive General Manager,  
Policy and Advocacy  
**CPA Australia**