

# AIST

16 March 2022

[REDACTED]  
[REDACTED]  
Australian Prudential Regulation Authority  
GPO Box 9836  
SYDNEY NSW 2001

Email: [REDACTED]

Dear [REDACTED],

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

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### Brief

AIST supports APRA's proposed amendments to *SPS 310 Audit and Related Matters* to align with the new reporting standards and forms. However, we highlight concerns in relation to the timing and transition period required for the changes to be adopted, and the general approach to sample selection.

We consider it would be beneficial for the changes to be effective from 1 July 2023 and propose further guidance on sample selection.

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### About AIST

*Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public sector superannuation funds.*

*As the principal advocate and peak representative body for the \$1.7 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.*

*AIST advocates for financial wellbeing in retirement for all Australians regardless of gender, culture, education, or socio-economic background. Through leadership and excellence, AIST supports profit-to-member funds to achieve member-first outcomes and fairness across the retirement system.*

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## Discussion

AIST would like to thank APRA for the opportunity to make a submission on the proposed changes to *Prudential Standard SPS 310 Audit and Related Matters* (SPS 310). AIST consulted with its superannuation member funds on the proposed changes and this submission highlights key challenges identified in APRA's proposals.

### Timing and transition

Recent regulatory and legislative changes, and APRA's own Superannuation Data Transformation (SDT) programme, have added compliance requirements and other obligations that must be met by fund trustees. AIST and its members support a prudentially regulated sector with appropriate consumer protections for superannuation members, and for the introduction of any framework to be effective, funds and other stakeholders require resourcing and time to ensure compliance with new regimes.

The letter issued by APRA to RSE licensees outlines proposed changes to SPS 310 and focuses mainly on the proposed approach for auditing data, which reporting standards will no longer be required to review, and which new standards will require assurance. Unfortunately it is unclear from the communication when the proposals become effective.

We acknowledge APRA's letter stating the changes are minor. However, the changes are in fact significant and necessitate sufficient time for fund trustees and auditors to prepare. At this stage of the financial year, auditors have broadly already outlined the audit scope to committees and any changes would result additional costs to the RSE licensee, which is a cost ultimately borne by super fund members. In addition, it places fund trustees at risk of not complying with annual returns and lodgement within the required timeframe.

In addition, APRA and industry stakeholders continue to liaise in relation to new reporting forms *SFR 332.0 Expenses* and those under *SRS 550.0 Asset Allocation*. We consider that it is appropriate to allow more time for the proposed changes to apply given these considerations, noting that reporting under *SRS 332.0 Expenses* is on a best endeavours basis.

AIST recommends that the proposed changes become effective for the financial year 1 July 2023 onwards. This would allow trustees and audit professionals sufficient time to incorporate the proposed changes as well as allowing the new reporting regime to settle.

### Defining sample selection

APRA has outlined in its letter the proposed approach for auditing data about choice products and investment options to account for the myriad MySuper and choice products that must now be reported under the new reporting forms. There are wide range of options, products and

investment menus reported under the new reporting standards and APRA’s proposed approach of limited assurance is reasonable and welcome.

AIST acknowledges this approach given the complexity and volume of data being collected. APRA does not propose to prescribe a sample, or an approach for sample selection, leaving it up to the auditors to establish and outline in the Approved Audit Form. We support APRA’s proposal not to prescribe a sample given the differences across funds in how data is held and reported. However, we consider that it would be appropriate for APRA to provide some guidance on how auditors should approach sample selection. This would provide more certainty to RSE licensees as to what is involved with the limited assurance.

We make two observations that highlight our concern with the proposal not to provide guidance on the approach for sample selection:

1. Sample selection may vary based on how funds store data, and data is not always held at the fund (for example, it may be held at the custodian). This would impact the audit approach and the consistency and quality with which it is done; and
2. Sample testing and data lineage is an approach generally associated with reasonable assurance. Given that some aspects in the reporting forms set no materiality, at what level is this expected to be set?

These two observations reflect a broader concern about the approach, which gives little guidance as to what RSE licensees should expect.

It is important to consider these proposed changes in the context of who is using the information. For example, reporting opinions go to APRA and are not for the public domain. Consequently, we consider it would be beneficial for APRA to provide more guidance on how it expects auditors to determine a sample and how it expects materiality to apply.

AIST reiterates its support for the alignment of the proposed changes with the new reporting forms. However, the changes, which are significant, remain unclear in terms of what will be required of fund trustees as well as the compliance date. This level of uncertainty, particularly around the effective date of the changes, impacts trustees’ ability to appropriately plan for them. We encourage APRA to consider a 1 July 2023 date for the proposed changes.

For further information regarding our submission, please contact [REDACTED] at [REDACTED] Number or at email.

Yours sincerely,

[REDACTED]

[REDACTED]

**Chief Executive Officer**