

BUILDING APRA

Organisation structure

Through 1998/99 APRA's structure was largely an amalgamation of the bank supervision department from the RBA and insurance and superannuation groups from the old ISC. There were, in addition, a policy development and research division and the various corporate services groups.

A lot of thought and planning went into designing a long-term organisational structure that would help APRA achieve its objectives as an integrated regulatory agency.

APRA's original organisation structure was based on former ISC and RBA classifications. In all, there were 25 classification levels with 190 salary points. The new structure has a single senior level classification with a broadband classification structure for middle and lower level staff. It allows for more interesting, cross-functional roles that promote flexibility and increase productivity, as well as providing a capacity to motivate and reward staff and hold managers accountable for performance.

The several groups of staff coming to APRA all brought their own terms and conditions of employment. For a fully integrated organisation, a single set of conditions for all employees was required. Inherited work practices and other employment terms were

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In August 1999 we moved to a radically different structure that mixes supervisory staff from different backgrounds into teams. Each team is responsible for supervising either a small number of conglomerate (or diversified) groups, or a larger number of stand-alone (or specialised) institutions from more than one industry group. Risk management specialists will support the front-line supervisors in these teams while policy development and statistics staff will provide services across all areas of APRA's responsibility.

With this structure, we aim to maximise the cross-fertilisation of specialist ideas and experience as we move toward a more integrated and consistent style of supervision across the financial system. Another aim is to supervise conglomerate groups as efficiently and cost-effectively as possible. There will be a single APRA contact point for each group.

Roles in the new structure were first advertised in March and were filled progressively over succeeding months. Roles were open to all existing APRA staff and staff of the State-based agencies that transferred to APRA in July 1999.

The new structure is shown on page 84.

Human Resources

For Human Resources, 1998/99 was a year of planning and design.

To help achieve the integrated professional culture APRA seeks, we implemented various strategies designed to drive the necessary changes. Broad objectives are:

- avoiding organisational hierarchy and eliminating paternalistic employment arrangements;
- devolving accountability and responsibility as far down as practicable;
- keeping rules and regulation to a minimum;
- ensuring that good HR practice is a shared responsibility between the organisation and its employees; and
- encouraging a performance-based culture that recognises and rewards merit.

reviewed for consistency with a flexible and productive workplace environment. This led to the introduction of new uniform terms and conditions from 1 July 1999 that are specified in individual contracts for senior staff, and Australian Workplace Agreements approved under the *Workplace Relations Act 1996* for most staff at levels below.

A Performance Management model has been designed to promote APRA's effectiveness by focusing performance on outcomes, and rewarding individuals through financial incentives linked to results. This includes a process for managing staff performance and providing a valid basis for managers to make decisions about performance bonuses and annual pay adjustments. It will also help determine the development needs of employees and provide feedback to them on their performance. Assessments of both skills and achievements will feed into a comprehensive career management program.

A new APRA-wide Staff Consultative Committee was set up with five staff members and four management representatives. This has considered implementation of the new organisation structure, the content of Workplace Agreements and various HR policies and processes.

Integrating APRA's staff and implementing the new structure has required, and will continue to require, a major investment in change management, cross-skilling and team building. The Learning and Development strategy developed during the year is designed to:

- ensure that APRA is a professional, market-sensitive, prudential supervisor;
- develop and enhance the capabilities of managers and employees; and
- ensure that management and leadership learning is accorded the same priority as professional learning.

All managers and staff are encouraged to participate in leadership development education. They are also encouraged, as part of the Performance Management process, to continue the development of their professional capabilities, in line with organisational needs under the Studies Support program.

We have supported staff in their enrolment in accredited courses conducted by universities for both undergraduate and postgraduate education, and accredited programs conducted by organisations such as the Securities Institute of Australia and the Australian Society of Certified Practising Accountants and the Institute of Actuaries of Australia.

By year-end Finance had managed the Authority's financial operation within the original budget agreed with Treasury and taken control of the establishment funds provided to build the new APRA. We were also engaged in putting together a full-fledged budget and cost control system.

We are well aware of the magnitude of the task ahead — to create a world class, integrated regulatory agency — and are pleased that we can now get on with the job



Additionally, there is considerable emphasis on learning from peers. Managers and staff from different backgrounds have learnt from each other, sharing their professional knowledge and experience through a variety of informal and formal channels. Two residential training conferences on banking risk and the supervision of insurance and superannuation were conducted in November 1998 and May 1999, respectively. Almost 100 employees took part.

APRA has also conducted training for new graduates with a Graduate Development program, allowing them to familiarise themselves across a range of functions, as well as hone skills in appropriate specialisations.

We propose to invest heavily in development programs for staff and managers. During 1998/99 the training expenditure was about \$1,115 per person. We plan to increase this to \$2,500 in 1999/2000.

Finance

Finance is responsible for the accounting activities of APRA in accordance with generally accepted accounting principles and Australian Accounting Standards.

This is achieved through:

- establishing and maintaining a system of effective internal controls;
- delivering reliable accounting services for the collection of levies, management of cash and the disbursement of expenses;
- providing budgets, forecasts and analysis to support effective decision-making by management; and
- compiling the annual financial report in accordance with the Commonwealth Authorities and Companies Act and the Finance Minister's Orders, as well as the submission of estimates and the Portfolio Budget Statements to Treasury.

In this first year of operation Finance was involved in developing and implementing the financial policies and procedures to support APRA. It adopted accrual accounting, implemented Oracle as the financial management information system and successfully merged inherited systems into APRA's own processes, systems and controls.

Information Technology

Information Technology is responsible for providing computing support services, advice and consultancy services to staff to ensure that APRA's business needs are met.

This is achieved through:

- planning, provision, support and management of an efficient information technology environment;
- a high quality, responsive and consistent level of service delivery and technology training for staff;
- review of the APRA Information Technology Strategic Plan;
- developing and maintaining APRA's business IT and communication systems;
- centralised control and management of APRA's IT and communication resources;
- establishing, operating and maintaining a national data and voice network linking all offices;
- a national Help Desk facility; and
- providing, maintaining and operating a contemporary technical computing platform that complies with current mainstream technologies and industry direction and is compliant with Government IT policy.

Over the past year, in an environment of high uncertainty and staff losses, Information Technology maintained the current production environment, ensuring consistency in operational standards. It integrated the Banking Supervision, FI Scheme and Insurance Systems, completed the General Insurance System, migrated to the Windows NT 4.0 operating environment on the desktop and undertook Year 2000 remediation and independent certification.

IT's strategic and operational activities are monitored by the IT Steering Committee which, in turn, reports to the Executive Committee.

Internal Audit

Internal Audit is responsible for providing internal audit and risk management-related services to APRA. The head of Internal Audit is accountable to the Board's Risk Management and Audit Committee, reports regularly to the committee on internal audit and related activities and, in addition, acts as its secretary.

A select tender was conducted in late 1998 to outsource internal audit's general services. Ernst & Young was the successful applicant and in early 1999 entered into a service contract with APRA for an initial period of one year.

A risk-based internal audit work program has been implemented, the first item of which has been the development and implementation of a fraud control plan for APRA, using principles laid down by the Commonwealth Law Enforcement Board. The program has, among other things, been designed to maximise effective interaction between internal audit and APRA's external auditor, the Australian National Audit Office.

Criteria for measuring the performance of Internal Audit – including key performance indicators – are being developed.

The internal audit program is overseen by the Risk Management and Audit Committee of APRA's Board. Consistent with the requirements of section 32 of the *Commonwealth Authorities and Companies Act*, the Committee assists APRA and its Board to comply with legislative and other obligations; enhances the risk management, internal control frameworks and quality and reliability of external financial and risk management reporting; and facilitates communication between the Board, senior management and the internal and external auditors.

The Committee intends to put in place a comprehensive risk analysis and management program during 1999/2000.

Legal

As APRA's in-house provider of legal services and administrative review, Legal is responsible for providing a high-quality and professional legal service to ensure that APRA's decisions are administratively sound and lawful.

This is achieved through:

- providing legal advice on all issues of relevance to APRA;
- assisting with the review and development of legislation and associated administrative arrangements of relevance to APRA;
- advising on the implications of case law for APRA and industry;
- drafting legislative instruments;
- conducting litigation in the Administrative Appeals Tribunal and instructing agents to appear in the courts;
- conducting internal reviews of administrative decisions and providing recommendations in connection with such reviews; and
- attending to matters arising under the *Ombudsman Act 1976*, the *Privacy Act 1988*, and the *Freedom of Information Act 1982*.



Legal experienced a number of challenges during 1998/99 – a new organisation with a new culture and management style; enlarged responsibilities arising out of new subject areas; new clients with different expectations; a large volume of new legislation; staff reductions and uncertainty about the group's future. However, these transitional challenges were by no means wholly negative. The variety of new work enhanced the professional development of staff who responded well and received positive feedback from their clients.

Activity included advising on legislative initiatives affecting superannuation, including the *Superannuation Laws Amendment Bill (No.3) 1999*. Legal also advised on the transfer of supervision of financial institutions from the States and prepared draft transfer agreements (under the *Financial Sector Reform (Amendments and Transitional Provisions) Bill No 1 1999*) between the Treasurer and each relevant State Minister for the transfer of staff, assets, liabilities and records from the Australian Financial Institutions Commission and State Supervisory Authorities to APRA.

It gave legal clearance of draft prudential rules for friendly societies to be regulated under the *Life Insurance Act 1995*, as well as clearance for prudential standards for credit unions and building societies to be regulated under the *Banking Act 1959*. It also assisted with the implementation of new security arrangements for Lloyd's underwriters under Schedule 2 of the *Insurance Laws Amendment Act 1998*.

Finally, Legal negotiated various contracts, including several leases or lease renewals, a contract with APRA's banking services provider for electronic banking services, the purchase and installation of human resources software and systems and various deeds of agreement with foreign governments relating to the sharing of regulatory information.

Following APRA's restructure in August, in-house legal services are being provided on a different basis. A small Office of General Counsel is providing legal services of a corporate nature. Other legal services are attached to business groups to meet their particular needs.

Secretary and Public Affairs

The Company Secretary and Public Affairs Unit are responsible for providing secretariat services to the Board and Executive Committee, providing advice to the Board on its compliance obligations, and enhancing APRA's communications with Ministerial Offices and Parliamentary Liaison, media and members of the public.

This is achieved through the efficient and effective creation and maintenance of Board and other vital APRA records, and the development and implementation of APRA's communications and image policy.

In addition, procedures to implement APRA's Code of Conduct in relation to staff holding investments in regulated institutions were promulgated and are administered by the Company Secretary. The procedures require disclosure on joining, annually and on an ongoing basis in event of changed circumstances. The broad policies were applicable for most of 1998/99.

During 1998/99, APRA undertook a number of educational activities, aimed at superannuation fund trustees and service providers. These included the publication of superannuation trustee newsletters and brochures on specific topics of interest to superannuation trustees, and a joint publication with ASIC aimed at the same audience.

The unit also updated the *APRA Superannuation Digest*, an official technical reference for trustees and fund advisers with accompanying plain English circulars.

In the coming year, Public Affairs proposes not only to expand the amount of information available publicly on the website, but also ensure that members of industry or the public who do not have Internet access can still obtain necessary information. We will also be reviewing publications generally to ensure that they reflect the broad spectrum of APRA-regulated industries and the changes which occur in divisional activities in the coming year.

