



APRA

Annual Report 2022-23





ANNUAL REPORT

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

2022-23

ACKNOWLEDGMENT OF COUNTRY

We at APRA acknowledge the traditional owners and custodians of Country throughout Australia and recognise their continuing connection to land, waters, and community. We pay our respects to Elders past and present and extend that respect to all First Nations people. We would also like to recognise our Aboriginal and Torres Strait Islander employees who are an integral part of our workforce.

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JOHN LONSDALE
Chair

15 September 2023

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's annual report and financial statements for the year ended 30 June 2023.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lonsdale".

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GLOSSARY

ADI	Authorised deposit-taking institution
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
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
FRAA	Financial Regulator Assessment Authority
MoU	Memorandum of Understanding
RBA	Reserve Bank of Australia
RSE	Registrable Superannuation Entity

CHAPTER 1 – FROM THE CHAIR

I am pleased to present my first annual report as Chair of the Australian Prudential Regulation Authority (APRA) having been appointed to the role as at 31 October 2022.

This report, which is tabled in parliament, is one of many important accountability mechanisms for APRA to detail the work we do supervising financial institutions for the benefit of the Australian community.

During 2022-23, APRA continued to focus on fulfilling its primary mandate of maintaining the safety and soundness of Australia's financial institutions for the benefit of the Australian community.

The importance of maintaining Australia's strong and stable financial system was brought into sharp focus again during the year as international and local events tested the resilience of banks, insurers and superannuation funds.

In March 2023, the failure of Silicon Valley Bank in the US and subsequent takeover of Credit Suisse – and the international market concerns that ensued – threatened to undermine confidence in the global banking system.

Locally, cyber breaches at Medibank and Optus, and a rising number of scams, shone a light on gaps in cyber and fraud controls in financial institutions and other organisations.

Further, APRA's regulated entities contended with a range of other challenges, including natural disasters, a rapidly shifting macro-economic environment and technological change.

Despite these challenges, the Australian financial system remained fundamentally sound. APRA undertook a range of steps throughout the 2022-23 year to manage the financial and operational resilience of APRA-regulated entities and, ultimately, to protect depositors, insurance policyholders and superannuation members.

Banking

APRA's delivery of key outcomes across the banking industry has ensured Australia's banks were well positioned to withstand the banking turmoil triggered by the collapse of Silicon Valley Bank in early 2023. These included:

- implementation of the new bank capital framework in January 2023. The framework was designed to embed "unquestionably strong" levels of capital and align Australian standards with the internationally agreed Basel III requirements. APRA's capital expectations for banks have exceeded international requirements, making the Australian banking system one of the strongest in the world;
- extensive engagement with peer Council of Financial Regulators (CFR) agencies to improve further the readiness of regulators to respond at speed to crisis events, and to advance these priorities with industry; and
- prudent macroprudential settings including maintaining the serviceability buffer at three percent to provide a layer of contingency in the event of rate rises over the life of a loan, and unforeseen changes in a borrower's income or expenses. Further, in June

2023, following a high volume of refinancing activity, APRA wrote to banks to set out its expectations that lenders apply exceptions to minimum loan serviceability criteria in a prudent and limited manner.

Insurance

APRA continued its long-standing work to address affordability, availability and sustainability challenges of insurance, across the private health, life and general insurance sectors.

APRA and the Australian Securities Investment Commission (ASIC) engaged extensively with the Insurance Council of Australia, Treasury and other stakeholders to develop a deeper understanding of the scale and scope of affordability and availability issues, and possible options to address them.

Actions taken to improve outcomes for insurance policyholders included:

- finalisation of the capital framework for private health insurers in September 2022. This further enhanced protection for private health insurance policyholders by requiring insurers to maintain an appropriate level of financial resilience to absorb unanticipated losses;
- publication of a joint letter from APRA and ASIC requesting life companies to review their past premium increases and their disclosure and marketing materials. This followed customer complaints and reportable situations relating to life insurance premiums; and
- introduction of a requirement that general insurers implement remediation plans to improve their insurance risk management frameworks after a review found weaknesses in the approach taken by all 10 participating entities. The regulatory review preceding this change was launched in 2021, after a surge in pandemic-related business interruption claims exposed issues with out-of-date policy wordings.

Superannuation

APRA continued to drive better outcomes for superannuation fund members during the year.

In doing so, APRA has:

- strengthened investment governance with the implementation of a new standard in January 2023, requiring trustees to have a robust valuation governance framework and to review valuations more frequently;
- undertaken its assessment and publication of findings on investment returns and fees of superannuation funds, through the statutory annual performance test and APRA's heatmaps for MySuper and choice products. Notably, the number of failed MySuper products has sharply declined since the introduction of the performance test in 2021. The 2023 test, published after the 2022-23 year, was extended to include choice products for the first time; and
- in conjunction with ASIC, undertaken a review of the increasingly large number of fund members approaching or in the retirement phase. The review found gaps in the assistance provided to fund members and, in some cases, a lack of urgency in addressing requirements under the retirement income covenant.

Cross-industry

At a cross-industry level, APRA sought to boost the resilience of financial institutions on several fronts.

In May 2023, APRA released final prudential requirements and guidance for recovery and resolution planning, which aim to strengthen crisis preparedness across the banking, insurance and superannuation industries. The reforms were the culmination of several years of policy development to ensure the financial system is better prepared to manage periods of stress.

APRA continued its work assessing cyber controls at APRA-regulated entities and intensifying supervision where control gaps were identified. By the end of 2023, more than 300 banks, insurers and super funds will have participated in independent tripartite assessments. In May, a letter was sent to all APRA-regulated entities outlining the importance of using multi-factor authentication as a tool to prevent unauthorised access to sensitive information.

Climate change remained a key focus for APRA. In late 2022, APRA released the findings of the first Climate Vulnerability Assessment, which assessed the potential future financial impacts of climate change to help banks, insurers and superannuation trustees better understand and manage these risks. Last year's assessment focused on the banks and insurers will be the next sector assessed.

Financial Regulator Assessment Authority and Reserve Bank of Australia Reviews

This year APRA was subject to its first review by the Financial Regulator Assessment Authority (FRAA). The review, which was completed in mid-2023, focused on the effectiveness and capability of APRA's supervision and resolution work in superannuation.

Released early in July 2023, the review recognised that APRA had successfully regulated the banking, insurance and superannuation industries. In relation to superannuation, the review found the supervision function was effective and capable, while its resolution function was less developed, which accorded with APRA's self-assessment. APRA supports the five recommendations made by the FRAA to build on APRA's progress to further improve superannuation trustees' delivery of beneficial outcomes for fund members.

In addition, APRA welcomed the recommendations related to APRA in the review of the Reserve Bank of Australia (RBA) that was released in April 2023.

One of the recommendations in the RBA review was directed toward reinforcing cooperation arrangements for promoting financial stability. This includes refreshing the memorandum of understanding to provide greater public clarity regarding Council of Financial Regulators (CFR) agency roles and introducing greater formality to macroprudential policy cooperation arrangements.

APRA will work closely with the RBA and other CFR agencies to implement relevant recommendations, in line with the implementation roadmap to be published by the RBA.

Organisational change

APRA's leadership experienced a significant change during the financial year, with Wayne Byres stepping down as APRA Chair on 30 October 2022 after eight years in the role. Deputy Chair Helen Rowell also concluded a 21-year career at APRA, including 10 years as an APRA Member, on 30 June 2023. Both Wayne and Helen were highly regarded leaders and we thank them both for their dedicated service and contributions to APRA.

Effective 31 October 2022, Margaret Cole – previously an APRA Member – became Deputy Chair, while Therese McCarthy Hockey and Suzanne Smith joined the Executive Board as APRA Members. It is my privilege to have been appointed to the role of APRA Chair, after four years as Deputy Chair.

With thanks

I am proud to lead APRA and its committed and talented employees who strive to keep the financial system safe and protect the financial interests of the Australian community. On behalf of the APRA Members, I would like to thank our people for the exceptional work they do every day.

Finally, the end of the financial year marked a significant milestone for APRA. It is 25 years since APRA began operations. In those 25 years, present and former employees of APRA have remained focused on, and dedicated to, our primary purpose of ensuring the Australian financial system remains sound and resilient for the benefit of the community. We are proud to serve as Australia's prudential regulator and to continue to deliver on this purpose.

CHAPTER 2 – ABOUT APRA

APRA is the prudential regulator of the Australian financial services industry. It regulates Australia's banks, credit unions, building societies, general insurers, life insurers, private health insurers, friendly societies and most of the superannuation industry.

APRA also acts as a central statistical agency in the collection and distribution of data in respect of the Australian financial sector.

Further, APRA is Australia's resolution authority and is responsible for the administration of the Financial Claims Scheme (FCS).

APRA's purpose

APRA is Australia's prudential regulator and is responsible for ensuring that Australians' financial interests are protected. APRA promotes the safety and stability of the financial system, while balancing competition and efficiency considerations.¹

In pursuing this objective, APRA seeks to deliver three key outcomes for the Australian community:

- resilient and prudently managed financial institutions, in which the community can have trust and confidence;
- a safe and stable Australian financial system, which underpins economic activity and prosperity; and
- improving the community's ability to achieve good financial outcomes, now and into the future.

APRA currently supervises financial institutions holding approximately \$9 trillion in assets for Australian depositors, policyholders and superannuation fund members.

Legislative foundations

Under the *Australian Prudential Regulation Authority Act 1998* (the 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.² 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;

¹ Section 8 of the APRA Act requires that, in performing and exercising its functions and powers, APRA must "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.

² 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*.

- private health insurers; and
- registrable superannuation entity (RSE) licensees.

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 2023.³

The 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.

At 30 June 2023, the APRA Members were:

- Mr John Lonsdale - Chair
- Ms Margaret Cole - Deputy Chair
- Mrs Helen Rowell - Deputy Chair (until 30 June 2023)
- Ms Therese McCarthy Hockey - Member
- Ms Suzanne Smith - Member

Mr Wayne Byres stepped down as Chair on 30 October 2022. Mrs Helen Rowell stepped down as Deputy Chair on 30 June 2023.

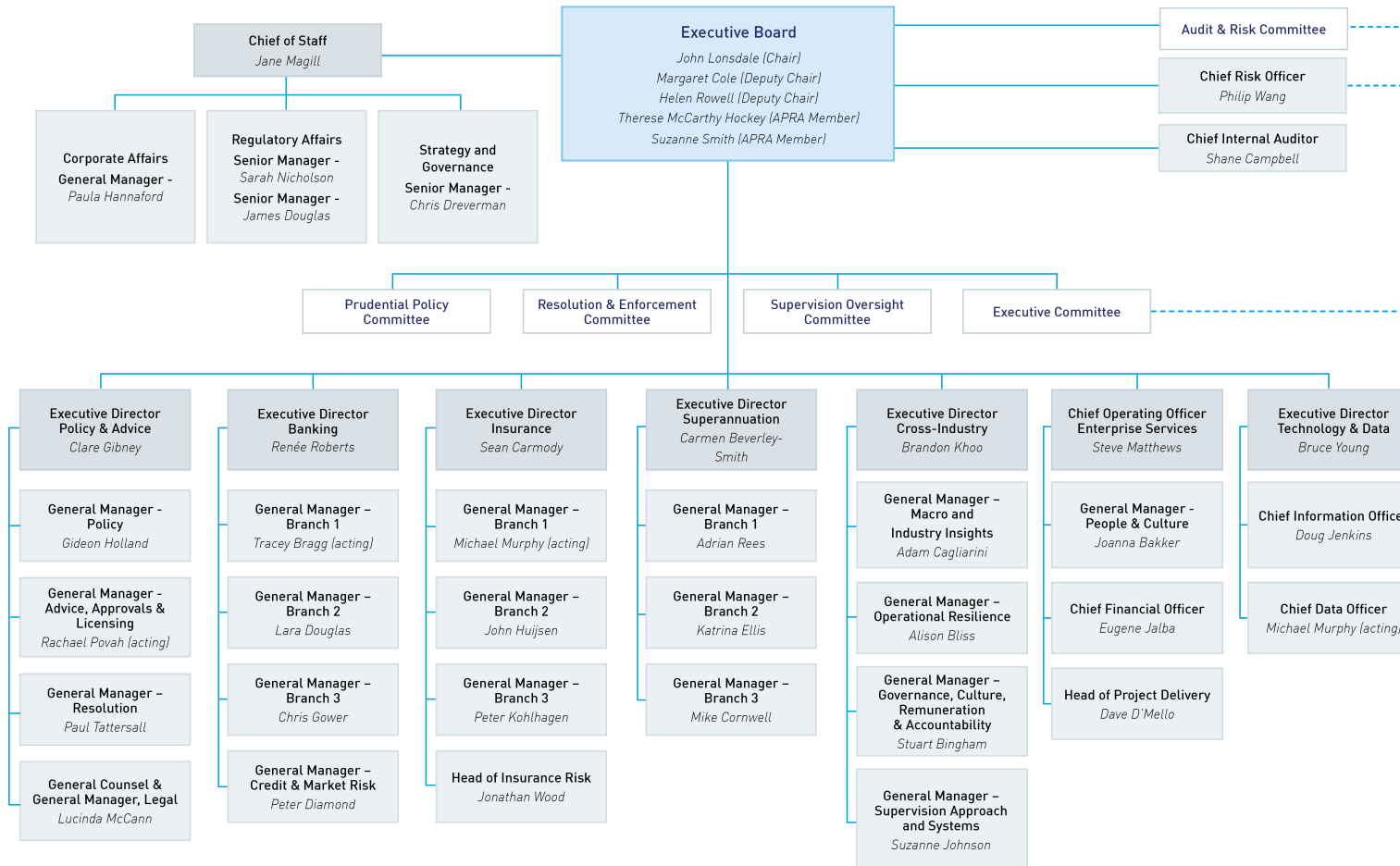
Biographies of Members are available in Chapter 4 of this report.

³ 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>.



The APRA Members as at 30 June 2023, from left to right: Therese McCarthy Hockey, Margaret Cole, John Lonsdale, Helen Rowell and Suzanne Smith.

APRA's organisation chart (at 30 June 2023)



APRA-regulated institutions

	Number of entities ¹			Assets (\$ billion) ²		
	30 Jun 22	30 Jun 23	% change	30 Jun 22	30 Jun 23	% change ³
ADIs ⁴	141	140	-0.7%	6,047	6,181	2.2%
Banks (excluding mutuals)	72	73	1.4%	5,860	5,987	2.2%
Mutuals ⁵	59	57	-3.4%	178	185	4.0%
Other ADIs (not defined as banks or mutuals)	7	7	0	9	9	2.2%
Restricted ADIs	3	3	0	0	0	0
Representative offices of foreign banks ⁶	15	15	0			
General insurers	90	90	0	163	171	5.1%
Life insurers	27	24	-11.1%	121	124	2.5%
Friendly societies	11	10	-9.1%	9	10	8.9%
Licensed trustees	86	78	-9.3%			
Superannuation entities ^{7,8}	1,385	1,383	-0.1%	2,244	2,452	9.3%
Public offer funds	92	91	-1.1%	1,947	2,153	10.6%
Non-public offer funds	27	26	-3.7%	295	298	0.9%
Small APRA funds	1,243	1,244	0.1%	2	2	-5.9%
Approved deposit funds	8	8	0	0	0	0
Eligible rollover funds	0	0	0			
Pooled superannuation trusts	15	14	-6.7%	204	228	11.4%
Private health insurers	35	32	-8.6%	20	20	2.7%
Non-operating holding companies	32	33	3.1%			
TOTAL	1,807	1,790	-0.9%	8,603	8,959	4.1%

Notes:

¹ The number of entities includes entities currently in the process of winding up but are yet to be formally wound-up or had their licence revoked when this table was produced. Figures for end-June 2022 have been revised to reflect wind-up of entities finalised FY 2022-23.

² Asset figures for end-June 2023 are based on latest returns received, with figures for end-June 2022 having been revised slightly from APRA's 2021-22 Annual Report in line with audited returns received during the year.

³ The percentage changes for assets have been calculated using the underlying unrounded values.

⁴ Asset figures for ADIs for June 2022 and June 2023 have been sourced from the Economic and Financial Statistics (EFS) domestic books data collection.

⁵ Mutual ADIs are defined as ADIs operating under a mutual corporate structure in accordance with ASIC Regulatory Guide 147.

⁶ Number of representative offices of foreign banks has not been included in the ADI classification or total number of regulated entities, as APRA does not regulate them.

⁷ 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.

⁸ Pooled superannuation trust assets are not included in asset totals as they are already recorded as part of other superannuation categories. The 'number' of pooled superannuation trusts is included in totals.

CHAPTER 3 – 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 2022-23 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 2022- 23 reporting period and complies with subsection 39(2) of the PGPA Act.

APRA's purpose

APRA is Australia's prudential regulator and is responsible for ensuring that Australians' financial interests are protected. APRA promotes the safety and stability of the financial system, while balancing competition and efficiency considerations.

APRA's 2022-23 Corporate Plan

In setting its 2022-23 Corporate Plan,⁴ APRA maintained its commitment to promoting a stable, efficient and competitive financial system that the Australian community can have confidence in. APRA's strategic priorities remain anchored in delivering on its purpose and three core outcomes to: ensure resilient and prudently managed financial institutions; promote the stability of the Australian financial system; and contribute to the community's ability to achieve good financial outcomes. APRA works in close partnership with key stakeholders including government, peer regulatory agencies, and industry to achieve its purpose and outcomes.

It is with this context and against the backdrop of APRA's Statement of Intent (see Chapter 2), that the analysis of APRA's performance for the 2022-23 reporting period is presented in this statement of performance.

⁴ APRA's 2022-23 Corporate Plan is available here: <https://www.apra.gov.au/sites/default/files/2022-08/APRA%20Corporate%20Plan%202022-23.pdf>.



Performance Results

APRA's 2022-23 Corporate Plan outlined key objectives, performance measures and targets against which APRA's performance is assessed for the 2022-23 reporting period. The performance measures take into consideration regulator best practice principles.⁵ Results for each performance measure are included in the Table of Data (Chapter 3, Addendum A). APRA's performance results are detailed in the Analysis section that follows.

⁵ Regulator best practice principles are included in the Regulator Performance Guide effective 1 July 2021, which was superseded by Regulator Performance (RMG 128) issued by the Department of Finance during 2022-23 available here: <https://www.finance.gov.au/government/managing-commonwealth-resources/regulator-performance-rmg-128>.

Analysis

An analysis of the factors that contributed to APRA's performance against the nine key objectives described in the 2022-23 Corporate Plan, is provided in this section.

1. **Preserve the resilience** of banks, insurers and superannuation funds

Corporate Plan Objective:

APRA will continue to direct the majority of its time and resources to its core role of preserving the financial and operational resilience of Australia's banks, insurers, and superannuation funds.

Performance against objective

APRA continued to focus on preserving the resilience of banks, insurers, and superannuation funds, evidenced by the 2022-23 performing entity ratio (PER) and money protection ratio (MPR) results. There were no failures of APRA-regulated institutions during 2022-23. A summary of performance relevant to each regulated industry is provided below.

A – Bank Resilience

All ADIs maintained capital ratios above minimum prudential requirements during 2022-23. In aggregate, profitability and asset quality for the Australian banking sector was sound despite challenging macroeconomic conditions including geopolitical tensions, rising inflation and interest rates, and international volatility in some part due to bank failures in the United States, most notably Silicon Valley Bank (SVB).

Through a combination of entity oversight activities and industry-wide reviews, APRA continued to ensure system-wide resilience. Further analysis, such as more frequent liquidity reporting, was conducted following the collapse of SVB, which revealed there were no material concerns regarding individual institutions or the Australian financial system.

A banking stress test was completed in March 2023 to assess Australia's 10 largest banks that have the greatest impact on financial system stability. The results showed that the participating banks were resilient, staying above minimum capital requirements, ensuring that during the stress credit could continue to flow and deposits remained safe.

In May 2023, enforcement action was taken by APRA in agreeing to a court enforceable undertaking (CEU) from Bank of Queensland Limited (BOQ).⁶ In terms of credit risk management, APRA reiterated its expectations on managing exceptions to home lending standards in a letter issued to banks in June 2023.⁷ The purpose of the letter was to reinforce to banks the importance of ensuring exceptions to policy were prudent, limited and

⁶ <https://www.apra.gov.au/news-and-publications/apra-agrees-to-court-enforceable-undertaking-from-bank-of-queensland>

⁷ Letter issued to banks is available here: <https://www.apra.gov.au/housing-lending-standards-reinforcing-guidance-on-exceptions#:~:text=APRA%20requires%20banks%20to%20have%20prudent%20policies%20and,vulnerability%20of%20the%20loan%20books%20to%20future%20shocks>

clearly justified, and did not undermine the intent of APRA's credit risk management guidance.

Key prudential reforms

APRA continued its work to strengthen the resilience of the Australian banking industry, including finalising a new capital framework, which came into effect in January 2023. The new framework is aimed at ensuring that Australian banks continue to have the financial strength to withstand future adverse economic conditions, protect depositors in times of stress, and retain an ability to support lending to households and businesses. With banks already meeting the unquestionably strong benchmarks, the new framework ensures existing high levels of capital adequacy are maintained. Additional flexibility is provided to respond to risks in the operating environment and capital requirements are more risk sensitive – such that they are increasing for higher risk lending and decreasing for lower risks.

Insights from the Climate Vulnerability Assessment

During 2022-23, a Climate Vulnerability Assessment (CVA) initiative led by APRA on behalf of the Council of Financial Regulators (CFR) was completed. The CVA initiative focused on assessing the impact on individual banks and the financial system of two scenarios for how climate change, and the global response to it, may unfold. Australia's five largest banks participated in the exercise to understand better their capabilities. APRA published the CVA results in November 2022.⁸ Key insights from the scenarios assessed noted a measurable impact on lending losses which the participating banks are likely to be able to absorb, and that the impacts of climate risk are likely to be more concentrated in specific regions or industries. Closing meetings with the five participating banks were held and all acknowledged the need to enhance their capabilities to understand the exposure of potential credit losses from extreme physical events. APRA is now assessing how the experience gained can be applied to other APRA-regulated industries and climate-related challenges.

Contingency planning and business continuity practices

During 2022-23, APRA requested recovery plans from banking cohorts, including large and mutual ADIs, to conduct entity-specific and cohort-level assessments. The majority of recovery plans were assessed as adequate and APRA continued to work closely with relevant ADIs to improve their contingency planning where needed.

Targeted work on service provider concentration risk and prudential reviews on technology resilience across large ADIs were completed, alongside 127 ADIs participating in APRA's data collection focused on technology and cyber resilience.

The combination of these activities sought to deepen APRA's understanding of board and management oversight and industry capabilities in relation to management of end-to-end critical operations, systems recovery, industry security testing and vulnerability management.

⁸ Insights from the climate risk self-assessment survey is available at: <https://www.apra.gov.au/news-and-publications/apra-publishes-findings-of-latest-climate-risk-self-assessment-survey>.

APRA also continued to contribute to CFR-led banking operational resilience work.

B - Insurer Resilience

General insurance

The resilience of the Australian general insurance industry from a capital perspective continued, with an aggregate capital coverage ratio of 1.7 times the minimum requirement at 30 June 2023. Capital ratios were maintained above minimum prudential requirements by all general insurers except two⁹ during 2022-23. Of these two, one was able to quickly remediate its capital position, while the other remains subject to heightened supervision.

Insights from insurance risk self-assessments

APRA continued to focus its attention on strengthening insurance risk management capabilities during the year. In October 2022,¹⁰ APRA published the outcomes of the insurance risk self-assessment thematic review undertaken in 2021-22. For all participants, the results showed the importance of monitoring and testing the effectiveness of insurance risk controls with appropriate frequency and intensity to cater for changes in the internal and external environment. APRA actively monitored the progress of thematic review participants in completing remediation plans. APRA also encouraged other insurers to conduct similar assessments and incorporate learnings into their operations and will continue to engage with insurers as part of ongoing supervisory activities.

Contingency planning

APRA continued its work program to ensure credible and actionable recovery plans are in place across the general insurance industry. As at 30 June 2023, 32 general insurers that account for around 85 per cent of industry assets have a recovery plan in place. The remaining insurers are due to have plans in place by 31 December 2023.

Life insurance

The Australian life insurance industry remained resilient from a capital perspective, with an aggregate capital coverage ratio of 2.0 times the minimum requirement at 30 June 2023. Capital ratios were maintained above minimum prudential requirements by all life insurers except one¹¹ during 2022-23.

⁹ Two general insurers fell below the minimum prudential capital requirements during 2022-23. The coverage for one insurer decreased due to an increase in the number and projected cost of claims. The capital ratio of the other insurer briefly dipped below the minimum requirements, and this was quickly remedied.

¹⁰ APRA's letter on insurance risk self-assessment thematic review is available here: <https://www.apra.gov.au/insurance-risk-self-assessment-thematic-review>.

¹¹ One life insurer dipped below the prudential requirement during 2022-23 due to miscalculating their capital requirement. This has since been rectified.

Insights on product sustainability, premiums and insurance

APRA's program of work to support the long-term sustainability of individual disability income insurance (IDII) continued during the year.¹² 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. Commencing in late 2022 and continuing for the remainder of the period, APRA reviewed the progress of several life insurers in meeting APRA's product sustainability expectations, to assess whether a change in their IDII capital charge is warranted. As a consequence, changes to the charges for relevant insurers reflect the progress made.

In November 2022, APRA conducted a survey of 12 direct insurers and reinsurers active in the group insurance market to assess insurance in the superannuation industry and entity progress in addressing concerns highlighted in APRA's letter in 2021.¹³ APRA found that the time being made available for participants to engage in tenders was largely adequate. APRA also found that premium volatility is still evident particularly for superannuation funds insured by specific insurers. While volatility is expected to abate, APRA will continue to monitor this through its supervision processes. Minimal progress has been made in relation to the availability and provision of data, noting that trustees continue to experience challenges in getting member data from employers. APRA has subsequently shared these findings at various industry events in July-September 2023, and intends to publish a letter to industry on the matter before the end of 2023.

APRA and ASIC issued a joint letter¹⁴ to CEOs of life insurers and friendly societies in December 2022. The letter outlined APRA and ASIC's concerns following complaints from consumers and reportable situations related to premium increases, particularly in relation to retail life insurance policies. APRA and ASIC requested life companies review their past premium increases, and disclosure and marketing material. The letter also outlined expectations for the design of future retail life insurance product offerings.

Contingency planning

Almost all life insurers and friendly societies had credible and actionable recovery plans in place as at 30 June 2023. APRA expects life insurers and friendly societies to continue to self-assess their recovery plans against the requirements of Prudential Standard *CPS 190 Recovery and Exit Planning* (CPS 190) to ensure compliance for the effective date of 1 January 2024 and will monitor progress as part of ongoing supervision.

¹² 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>.

¹³ APRA's letter on Sustainability of Life Insurance in Superannuation is available at: <https://www.apra.gov.au/sustainability-of-life-insurance-superannuation>.

¹⁴ APRA's letter to all CEOs of life insurers and friendly societies is available at: <https://www.apra.gov.au/premium-increases-life-insurance-industry>.

Private health insurance

The capital coverage ratio of the private health insurance industry was 1.8 times the minimum capital requirement at 30 June 2023. Capital ratios were maintained above minimum prudential requirements by all private health insurers during 2022-23.

Key prudential reforms

APRA monitored industry progress during the year in implementing the new prudential standards setting out the revised private health insurance capital framework,¹⁵ which take effect in July 2023. A key focus has been engaging with industry on APRA's expectations regarding the internal capital adequacy assessment process (ICAAP) with a specific focus on the role of the board.

Insights from information security events, operational resilience and outsourcing

In October 2022, Medibank Private Limited (Medibank) released a statement that customer data had been compromised across Medibank and ahm health insurance brands (including international student customers). APRA worked alongside Medibank and other government agencies in response to the incident. In June 2023, APRA announced it was taking action against Medibank¹⁶ having examined the matters relating to the incident. This included an adjustment to Medibank's operational risk capital charge of \$250 million, a targeted technology review and reinforcing expectations around consequence management. APRA's work with Medibank will continue next year.

More broadly, the importance of outsourcing controls and information security is a heightened risk across all APRA-regulated industries. For private health insurance, there remains a high concentration risk amongst critical service providers to fulfil policyholder obligations and collect financial and health data. In December 2022, APRA issued a letter to private health insurers outlining the outcomes of an outsourcing thematic review of selected insurers undertaken in 2022. The letter included expectations with regard to outsourcing risk and control frameworks and for insurers to incorporate the observations when preparing for implementation of Prudential Standard *CPS 230 Operational Risk Management* (CPS 230)¹⁷ in 2025. Given the high concentration risk amongst critical service providers, APRA will continue to focus on outsourcing arrangements including continuity planning and monitoring of outsourcing risks and control assurance.

Contingency planning

All private health insurers have credible and actionable recovery plans in place. In May 2023, APRA wrote to all private health insurers to undertake an assessment of their recovery plan against the requirements of CPS 190 to ensure compliance upon commencement of the standard on 1 January 2024.

¹⁵ Information on the new capital framework for private health insurers can be found at: <https://www.apra.gov.au/news-and-publications/apra-finalises-new-capital-framework-for-private-health-insurers>.

¹⁶ APRA's media release - APRA takes action against Medibank Private in relation to cyber incident – is available here: <https://www.apra.gov.au/news-and-publications/apra-takes-action-against-medibank-private-relation-to-cyber-incident>.

¹⁷ APRA's proposals in relation to Operational Risk Management is available at: <https://www.apra.gov.au/operational-risk-management>.

Insurance Cross-Industry Actions

Key prudential reforms

APRA progressed work to improve the alignment of capital standards across general, life and private health insurers with the Australian Accounting Standards Board's (AASB's) standard *AASB 17 Insurance Contracts* during 2022-23. The benefits of this work include reduced burden and costs to the insurance industry of having to maintain different valuation, actuarial, accounting and reporting frameworks. The final standards take effect in July 2023¹⁸ and will be supported by renewed data collections to commence next year.

C - Superannuation Fund Resilience

The superannuation industry remains resilient and the financial performance of superannuation funds improved in 2022-23 compared to the prior year. APRA supported the FRAA Review recommendations which aim to build on APRA's progress in improving superannuation trustees' delivery of beneficial outcomes for superannuation members, including through initiatives already underway.

Key prudential reforms

In May 2023, APRA introduced nine updated reporting standards.¹⁹ This includes expenditure reporting requirements, collecting more meaningful and granular data on expenses as part of the Superannuation Data Transformation (SDT) project. APRA is designing and testing incorporating the expenditure data into its supervision approach by developing tools to identify expenditure which may not be in members' best financial interests.

The updated Prudential Standard *SPS 530 Investment Governance* (SPS 530) came into effect from January 2023.²⁰ The new SPS 530 is aimed at ensuring better member outcomes through updated requirements that enhance stress testing, valuation and liquidity management practices including in relation to unlisted assets.

Insights on product performance, valuation practices, product performance and fund consolidation

APRA continued to leverage the *Your Future, Your Super* reforms introducing Best Financial Interests Duty (BFID) requirements and the annual performance test, which became law in June 2021.

In 2022-23, APRA undertook an analysis of a sample of entities to assess implementation of BFID requirements, using expenditure examples to measure uplift in RSE licensees' expenditure frameworks and practices. Instances where frameworks and practices were assessed as deficient are being addressed by APRA through ongoing supervision.

¹⁸ Amendments to the finalised capital and reporting framework for insurers is available at: <https://www.apra.gov.au/round-five-minor-amendments-to-finalised-capital-and-reporting-framework-for-insurers>.

¹⁹ <https://www.apra.gov.au/phase-1-breadth>

²⁰ Prudential Standard *SPS 530 Investment Governance* is available at: <https://www.apra.gov.au/investment-governance>.

APRA conducted the second annual performance test for MySuper products in August 2022, with five MySuper products failing the test compared with 13 failed products in 2021.

APRA's MySuper Heatmap²¹ was published in December 2022. Key findings included a fall in fees and costs for most MySuper products, continued closure of underperforming MySuper products and fewer members in MySuper products with significantly poor investment performance. The Choice Heatmap, covering 163 products and published in April 2023,²² found one in five choice investment options significantly underperformed benchmarks.

APRA maintained its focus on rectifying sub-standard practices across the superannuation sector through robust supervision, strengthening of prudential standards and reinforcing minimum expectations. Enforcement action was taken by APRA on a number of occasions, including to impose licence conditions on Insignia²³ and Diversa²⁴, and issuance of infringement notices against One Path Custodians Pty Limited.²⁵

Valuations of unlisted assets continued to be an area of focus for APRA during the year. APRA has been engaging with entities regularly using a risk-based approach on the adequacy of entities' valuation policies, awareness of key roles, and revaluation and adjustment practices.

In late 2022, APRA conducted a review of the valuation practices applied by trustees investing in Canva Pty Ltd.²⁶ The review found most trustees' practices were generally sound with some clear examples of better practice evident.

In November 2022, APRA released a discussion paper on superannuation transfer planning²⁷ which sets out a more structured framework to support efficient and well-managed consolidation in the superannuation industry. The reforms are intended to ensure that all trustees are prepared, where appropriate, to undertake transfers into, or out of, their operations. Further consultation will take place in 2023-24.

Cross-Industry Actions (banking, insurance & superannuation)

Key prudential reforms

In February 2023, APRA published an information paper²⁸ providing an update on APRA's macroprudential policy settings across APRA regulated industries. The objective of macroprudential policy is to mitigate risks to financial stability at a system-wide level. The

²¹ An Insights paper on MySuper heatmap can be found at: <https://www.apra.gov.au/sites/default/files/2022-12/December%202022%20-%20MySuper%20Heatmap%20Insights%20Paper.pdf>.

²² APRA's media release – APRA increases transparency of Choice super products with latest heatmap – is available at: <https://www.apra.gov.au/news-and-publications/apra-increases-transparency-of-choice-super-products-latest-heatmap>.

²³ <https://www.apra.gov.au/news-and-publications/apra-applies-additional-licence-conditions-on-insignia-financial-ltd-trustees>

²⁴ <https://www.apra.gov.au/news-and-publications/apra-imposes-additional-licence-conditions-on-diversa-trustees>

²⁵ <https://www.apra.gov.au/news-and-publications/apra-fines-onepath-custodians-for-failing-to-direct-member-contributions-to-a>

²⁶ Canva Pty Ltd is a private technology company.

²⁷ APRA's consultation on proposed enhancements to the prudential framework to strengthen transfer planning in superannuation is available at: <https://www.apra.gov.au/transfer-planning-superannuation-proposed-enhancements>.

²⁸ <https://www.apra.gov.au/update-on-apra%E2%80%99s-macroprudential-policy-settings>

paper set out the policy settings and explained the key factors that inform APRA's decision-making, enhancing transparency on macroprudential policy. APRA assessed existing macroprudential policy settings remained appropriate based on the current risk outlook.

In May 2023 APRA also finalised prudential requirements and guidance for recovery and resolution planning with the release of CPS 190 (Recovery & Exit Planning), and CPS 900 (Resolution Planning).²⁹ The new prudential requirements are aimed at improving the level of readiness across all APRA-regulated industries in planning for financial stress events and minimising the risk of entity failure.

2. Strengthen cyber resilience across the Australian financial system

Corporate Plan Objective

APRA will continue its heightened focus on operational and technological resilience across Australia's financial system by delivering on its Cyber Security Strategy.

Performance against objective

Responding to incidents

The scale of cyber-attacks on the financial services sector has continued to grow in the last year, persistently targeted by malicious cyber actors. During 2022-23, APRA received 189 incident notifications from entities (including several well-publicised incidents), compared to 116 in the previous year. During the Optus incident, all APRA-regulated entities were informed of the need to improve controls on high-risk processes and transactions as a matter of priority.³⁰ This included controls such as additional multi-factor authentication requirements and call-backs. In May 2023, APRA issued a letter reinforcing its expectations on multi-factor authentication.³¹

For material incidents, APRA worked closely with CFR agencies and more broadly with government agencies including the Department of Home Affairs, Office of the Australian Information Commissioner (OAIC) and Australian Cyber Security Centre (ACSC) and continues to contribute to whole-of-government approaches to incident response. More specifically, APRA sought to understand the root causes of material incidents and confirm that appropriate steps had been taken to protect against recurrence. Where the incident was of a more systemic nature, APRA engaged with industry and other relevant stakeholders to ensure the incident was contained through timely and coordinated communication and response activities.

²⁹ APRA's media release: APRA finalises reforms aimed at strengthening recovery and resolution planning is available at: <https://www.apra.gov.au/news-and-publications/apra-finalises-reforms-aimed-at-strengthening-recovery-and-resolution>.

³⁰ Further information is available at: <https://www.apra.gov.au/news-and-publications/optus-data-breach-an-update-for-apra-regulated-entities>.

³¹ APRA's letter on 'Use of multi-factor authentication (MFA)' is available at: <https://www.apra.gov.au/use-of-multi-factor-authentication-mfa>.

Prudential Standard CPS 234 Information Security

APRA continued its work on improving cyber hygiene during the year by embedding compliance with Prudential Standard *CPS 234 Information Security* (CPS 234). CPS 234 seeks to establish a minimum standard of non-negotiable cyber practices within Australia's financial institutions.

APRA has embarked on a major program of tripartite reviews involving APRA, financial institutions, and audit firms to provide APRA with a baseline view of the state of cyber resilience across the Australian financial system. Results from the assessments completed so far have identified cyber resilience deficiencies in areas including information asset management, control assurance (including over third parties) and incident management. In response, APRA is exercising heightened supervision, pursuing breaches of CPS 234, and targeting entities to ensure issues identified by the assessments are remediated in a timely manner.

Data-driven insights on cyber

Further to the piloted data collection in 2021-22, APRA launched the second round of data collection focused on technology and cyber resilience across the banking, insurance and superannuation sectors. This allowed APRA to obtain a refreshed view of technology management and risk postures in the industry and perform trend analysis. The industry-level insights and aggregated data from the collection have been provided to private health insurers to enable benchmarking against peers. Insights for the remaining industries are aimed to be completed in 2023-24.

Inter-agency collaboration

APRA continues to work closely with the Australian and New Zealand CFR agencies on key initiatives to improve cyber resilience of the financial system. In particular, Australian CFR agencies have developed a domestic cyber-attack protocol to coordinate agency engagement and communications during cyber-attacks. A similar cyber-attack protocol has also been developed with New Zealand CFR agencies, given the strong links between the two financial systems.

CFR agencies released a Cyber Operational Resilience Intelligence-led Exercises (CORIE) framework to test and demonstrate the cyber maturity and resilience of institutions within the Australian financial services industry. The CORIE framework has been developed to aid preparation and execution of industry-wide cyber resilience exercises.

APRA is also working closely with the Office of the Australian Information Commissioner and the Cyber and Infrastructure Security Centre within the Department of Home Affairs, to ensure a coordinated response across Government to cyber risk and incidents.

3. Embed good **governance, risk culture, remuneration** and **accountability** (GCRA) **practices** across banks, insurers and superannuation trustees

Corporate Plan Objective

APRA will continue to deliver on its GCRA work program by dedicating supervisory and regulatory attention to specified areas.

Performance against objective

Governance

APRA has continued its focus on strengthening governance practices across all regulated industries by conducting reviews to analyse board capability, composition and tenure. APRA has increased its direct engagement with boards as part of its supervisory work, including engaging with directors as part of prudential reviews to identify, assess and address root causes of supervisory findings. APRA has also examined board oversight and effectiveness as part of thematic reviews, such as the IDII self-assessment in life insurance and cyber risk in superannuation.

Work to ensure sustainable transformation with entities that had capital overlays or Court Enforceable Undertakings due to risk governance weaknesses continued during the year. Two entities, Commonwealth Bank Australia³² and Allianz Australia Limited,³³ had capital overlays removed after successful completion of remediation programs. APRA also required additional entities to address risk governance weaknesses, including as part of enforcement action such as Insignia Group (collectively, the Insignia Trustees)³⁴, RACQ Insurance Limited and RACQ Bank (collectively, RACQ)³⁵ and Bank of Queensland Limited.³⁶

³² Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-removes-cba%E2%80%99s-operational-risk-capital-add-on>.

³³ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-removes-allianz%E2%80%99s-additional-capital-requirement>.

³⁴ Further information is available at <https://www.apra.gov.au/news-and-publications/apra-applies-additional-licence-conditions-on-insignia-financial-ltd-trustees>.

³⁵ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-requires-racq-to-implement-a-risk-transformation-program>.

³⁶ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-agrees-to-court-enforceable-undertaking-from-bank-of-queensland>.

Risk culture

APRA completed phase two of the cross-industry risk culture survey during the year. Over 100,000 employees across all levels of 61 entities have now provided insights on the risk behaviours and the effectiveness of the risk architecture of their financial institutions.³⁷ This helps APRA form a holistic picture of entities' organisational resilience. Workshops were held with each participating entity to explain the results and to highlight areas of potential further focus. Results have been built into dashboards, allowing supervisors to compare an entity with peers and industry benchmarks. Survey data has also been triangulated with supervisory insights to inform entity supervisory strategies. APRA will continue using risk culture surveys in its supervisory work to benchmark and assess trends over time and help supervisors identify areas of potential weakness.

Remuneration

APRA's focus during the year was on the effective implementation of Prudential Standard *CPS 511 Remuneration* (CPS 511) and related guidance, aimed at strengthening remuneration arrangements and reducing the incentive for misconduct. APRA completed an implementation review focused predominantly on Significant Financial Institutions (SFIs), which included in-depth reviews for 15 entities and a light touch survey of another 24 entities. APRA will publish a letter to industry in 2023-24, providing observations on how entities are approaching implementation of CPS 511, sharing practices observed during the review and reiterating and clarifying existing requirements in critical areas such as third-party service providers, non-financial measures and board rigour.

Accountability

APRA continued to work closely with the Treasury and ASIC to prepare for the transition from the Banking Executive Accountability Regime to the Financial Accountability Regime (FAR) and implementation of FAR for the insurance and superannuation sectors. APRA and ASIC are working closely together to administer jointly the FAR and have continued to develop frameworks, infrastructure and supporting processes.

4. Modernise the prudential architecture

Corporate Plan Objective

APRA will undertake a multi-year program to build a fit-for-future prudential framework.

Performance against objective

APRA's strategic program to modernise the prudential architecture aims to make the regulatory framework clearer, simpler and more adaptable. The program includes a series of initiatives over a multi-year period, to enable a digital framework that will be easier for industry to understand and comply with, and for APRA to supervise and maintain.

³⁷ An Insight article on the ADI risk culture survey results is available at: <https://www.apra.gov.au/news-and-publications/no-room-for-complacency-on-bank-risk-culture>.

In September 2022, APRA published an information paper³⁸ providing guidance on the program for banks, insurers and superannuation trustees. Over the past year, APRA has focused on:

- Enhancing the existing regulatory framework - simplifying the regulatory framework into a clearer aligned structure, whilst consolidating out of date standards and guidance. Key examples of this approach include –
 - adoption of an integrated approach to prudential practice guides from September 2022, linking specific prudential requirements to specific guidance.
 - release of the Guide for ADI Boards in November 2022, bringing all of APRA's requirements and guidance for bank boards in to one place;
 - release of CPS 190 and CPS 900 with associated guidance in May 2023, to enhance exit and resolution preparedness;
 - in June 2023, consulted on a new process to ensure minor changes to the existing prudential framework for ADIs and Insurers can be made in a timely manner; and
 - redesign and industry consultation of the operational risk management standard (CPS 230 – subsequently released in July 2023) which rationalised five standards into one;
- Digital platform - introduction of digital tools to make it easier to access and navigate the prudential framework. This has included –
 - development of an internal “proof of concept” by November 2022 to test concepts, and refine requirements;
 - engagement with industry in November and December 2022 to understand the challenges of current users of our framework;
 - improvements to the APRA website in March 2023 enabling a new navigation structures across the prudential framework; and
- Evolving the approach to regulation of new risks and new rules - including the growing emergence of crypto-assets; use of group structures; and the management climate change financial risks.

5. Enable better **data-driven decisions** by stakeholders

Corporate Plan Objective

APRA will continue its multi-year program to invest in and embed data as a core enabler of more informed data-driven decisions by internal and external stakeholders. Following delivery of its new data collections system 'APRA Connect' in 2021, APRA will focus on three key themes: Collect, Curate and Convey.

Performance against objective

Collect

In December 2022, APRA released a data directions paper³⁹ setting out APRA's approach to data collections, the rationale for change and an outline of the implementation roadmap.

³⁸ Further information is available at: <https://www.apra.gov.au/sites/default/files/2022-09/Information%20paper%20-%20Modernising%20the%20prudential%20architecture.pdf>.

³⁹ Data directions paper is available at: <https://www.apra.gov.au/news-and-publications/apra-releases-response-to-consultation-on-direction-for-data-collections>.

The proposed data collections are designed to enable APRA and peer agencies to deliver deeper insights, while reducing the burden for industry, including using APRA Connect as the data collections system.

In March 2023, APRA established a new Technology & Data Division to strengthen capabilities in this vital and rapidly evolving area and made two new executive appointments to lead data strategy and governance, and to execute data transformation projects.

This year, three new data collections for ADIs were established in APRA Connect, resulting in the removal of 25 data collections from Direct2APRA. In parallel, APRA continued to prioritise work on data collections relating to the implementation of major changes to the prudential framework. This included the introduction of AASB17 and the banking capital adequacy framework. The AASB17⁴⁰ and private health insurance capital⁴¹ collections are being implemented with the first data due for submission in October 2023, replacing 69 reporting standards across general, life and private health insurance.

As work on the program progressed over the year, APRA identified several challenges presented by new technologies and associated with implementing a complex program of granular new data collections.

In July, as foreshadowed in the December 2022 response paper, APRA announced it would embark on the first annual review of its data collections roadmap. This review will reconsider the pace, sequencing, and priorities of the roadmap, while also seeking to ensure APRA's data and technology capabilities are aligned with our goals. Further information on the outcome of the review will be provided in early 2024.

Curate

With the initial implementation effort relating to APRA Connect complete, APRA's focus shifted to understanding and planning for the modernisation of downstream data capabilities. APRA completed several data capability reviews over the course of the year aimed at ensuring an understanding of next steps and investments required which will help inform APRA's data roadmap review.

Convey

The collection of more granular data facilitates deeper insights into system-wide risks and financial system challenges.

In superannuation, APRA's approach has transformed the availability and transparency of industry data, including bringing accessible and easily understood data into the hands of the public. In June 2023, APRA released the first Quarterly Superannuation Product Statistics publication, improving the breadth, depth and quality of data available to trustees, fund members and other stakeholders.

⁴⁰ Further information is available at: <https://www.apra.gov.au/news-and-publications/apra-aligns-capital-and-reporting-frameworks-for-insurance-aasb-17>.

⁴¹ Further information is available at: <https://www.apra.gov.au/round-four-%E2%80%93-response-paper-and-final-standards-integrating-aasb-17-into-capital-and-reporting>.

APRA published a report in May 2023 using additional data from the National Claims and Policies Database (NCPD) to provide insights on the affordability of public and product liability insurance and professional indemnity insurance.

In banking, APRA released the ADI Centralised Publication. This quarterly publication contains key entity-level capital and liquidity data to enhance the transparency of the ADI industry and provide relief for smaller ADIs from disclosure obligations.

6. Responding to the impact of new financial activities and participants

Corporate Plan Objective

APRA will dedicate regulatory and supervisory attention to the evolving financial landscape in Australia including responding to the impact of new financial activities and participants.

Performance against objective

There continues to be a rapid pace of change within the financial services sector; communication and payments are increasingly being digitalised and business models are evolving in response to technological innovation and consumer expectations.

APRA continued to engage with the Australian Government, Treasury, and other members of the CFR on reforms to modernise the payments regulatory framework. Such reforms included the regulation of Stored Value Facilities (SVFs), payment stablecoins (which bear similarities with SVFs), and the development of a framework for common access requirements to help facilitate access to Australian payment systems for non-ADI payment service providers undertaking the clearing or settling of payments.

As an interim step, in May 2023, APRA finalised changes to minimum capital requirements for Purchased Payment Facilities providers⁴² to align more closely with the broader capital framework for other APRA-regulated entities. APRA updated Prudential Standard *APS 610 Prudential Requirements for Providers of Purchased Payment Facilities* (APS 610) by incorporating the proposals set out in the November 2022 consultation.⁴³

In October 2022, APRA announced the commencement of a review into the regulation of group structures, noting that in recent years, there has been the emergence of more complex corporate structures in the industry, in part driven by increasing industry innovation.

APRA continued to engage with regulated entities as part of routine supervisory activities to reinforce that any changes to existing business models and practices should be subject to robust risk management and be appropriately capitalised.

⁴² Further information is available at: <https://www.apra.gov.au/consultation-on-minimum-capital-requirements-for-ppf-providers>.

⁴³ Updated Prudential Standard *APS 610 Prudential Requirements for Providers of Purchased Payment Facilities* (APS 610) is available at: <https://www.apra.gov.au/prudential-requirements-for-providers-of-purchased-payment-facilities>.

7. Helping to find solutions to important challenges

Corporate Plan Objective

APRA will help to find solutions to important challenges such as superannuation retirement income products, retirement income longevity solutions, insurance affordability and availability for Australians, and the financial risks associated with climate change.

Performance against objectives

Superannuation retirement income products

APRA continued its work with other Commonwealth agencies to oversee the new requirement for a trustee to have a retirement income strategy that meets the needs of its members in retirement. APRA's focus on retirement income strategies was outlined in a joint letter⁴⁴ from APRA and ASIC issued to all superannuation trustees in March 2022 on the implementation of the new retirement income covenant, which was introduced in the *Superannuation Industry Supervision Act 1993* (SIS Act) and took effect from 1 July 2022.

APRA has worked closely with ASIC to support industry implementation of the retirement income covenant. In 2022-23, APRA and ASIC undertook a joint thematic review into how trustees are approaching the retirement phase across the key components of meeting the requirements of the covenant. APRA observed that over its first 12 months of operation, the retirement income covenant has been a driver of progress across the industry. APRA and ASIC's observations from the review included better practice examples and several key areas of future focus for trustees. Areas that need more focus are understanding member needs, designing fit-for-purpose assistance, and the need for trustees to improve overseeing strategy implementation. APRA will continue to engage with trustees and other stakeholders to understand how the industry is facing into the retirement phase of superannuation.

Retirement income longevity solutions

In support of APRA's work on superannuation retirement income strategies, APRA commenced scoping work to consider implications for the life insurance industry and to enable life insurers to contribute towards a thriving retirement income market. The scoping work identified that further analysis of the domestic landscape and relevant overseas jurisdictions would enable APRA to identify potential barriers to active participation and options to address them.

Availability and affordability of insurance for Australians

The affordability and availability of insurance cover for parts of the Australian community is deteriorating. This challenge is exacerbated by the increasing frequency and impact of severe weather-related events, inflationary pressures, and a general hardening of the market across retail and commercial lines. There are no simple solutions to these issues,

⁴⁴ APRA's letter on implementation of the retirement income covenant is available at: <https://www.apra.gov.au/implementation-of-retirement-income-covenant>.

but achieving an appropriate balance between the financial health of insurers and access to affordable and well-designed insurance for policyholders is important to the Australian community. APRA is continuing to work with industry and government to address affordability and availability challenges, including contributing, as required, to the Hazards Insurance Partnership. APRA is also enhancing its data capabilities to help identify problem areas and working with key stakeholders such as ASIC.

Financial risks associated with climate change

In August 2022, APRA published a summary of insights from its first climate risk self-assessment survey, which sought to understand alignment of entity climate risk practices with the guidance set out in Prudential Practice Guide *CPG 229 Climate Change Financial Risks* (CPG 229). The self-reported results of the survey indicated larger regulated entities showed greater maturity in their management of climate risk, though only a small portion of entities indicated that they had fully embedded climate risk across their risk management framework. The survey responses also showed strong alignment to CPG 229 in governance and disclosure, while metrics, targets and forward-looking assessments of exposure to physical and transition climate risks were less developed.

In parallel to the self-assessment survey and CVA initiative for the banking industry, APRA continues to engage with a range of climate risk stakeholders including CFR agencies, industry bodies, and global regulatory peers. APRA is the Chair of the CFR Climate Working Group, which provides co-ordination in climate risk activities across the RBA, ASIC and Treasury, and more recently has taken up a steering committee position with the Network for Greening the Financial System (NGFS). Internally, APRA is also supporting its frontline supervisors on climate risk by developing training and other guidance material.

8. Adopting the latest **regulatory tools, techniques, and practices**

Corporate Plan Objective

APRA will adopt the latest regulatory tools, techniques and practices.

Performance against objectives

As a forward-looking and agile prudential regulator, APRA continues to invest in regulatory tools, techniques and practices to enable better practice prudential supervision. APRA has commenced a multi-year program of work to upgrade the technology platform that underpins how APRA's supervision work is undertaken. This platform, once delivered, will provide opportunities for better collaboration between supervision teams, and more automated provision of insights directly to supervisors.

Aligned with this program of work, over the past year, APRA's innovation team has developed a proof of concept for providing automated insights to supervisors. The proof of concept demonstrates how APRA can use data science to identify risk areas that APRA supervisors may wish to dive deeper into. While APRA is still testing and learning in this space, the intention is to continue to grow capability to provide more automated triggers to

supervisors, with the aim over coming years to build these sorts of triggers directly into the system that supervisors use for their analysis and risk assessment work.

In addition, APRA has implemented several natural language processing (NLP) tools and proofs of concepts to draw insights from the large volume of documents and other unstructured data that is received daily.

9. Making it happen

Corporate Plan Objective

APRA will continue to deliver a modern and flexible working environment. Our focus includes inclusion and diversity; investing in enabling modern collaboration tools and techniques to support hybrid working; and enabling strategy execution through operational excellence and effective management of funding and resources to deliver optimal regulatory outcomes.

Performance against objective

Inclusion and Diversity (I&D) and employee engagement

APRA strives to build an inclusive and diverse workplace where people are valued and respected, and which is representative of the Australian community.⁴⁵

APRA initiated an employee engagement survey in November 2022. The survey comprised a series of questions aimed at understanding employee sentiment on areas of work life at APRA. The survey saw a 77 per cent response rate from employees, with an overall favourable score of 81 per cent for sustainable engagement. Overall, a strong belief in APRA's purpose, a collaborative culture, and a clear understanding of goals and objectives were seen to be key strengths. Detailed survey results were provided to APRA's senior executives and people managers to improve leaders' understanding of employee views and preferences and develop actions where needed.

Investing in modern collaboration tools and techniques

APRA has advanced its capabilities over the last few years to support employees working in the office and remotely. A key focus in 2022-23 was rolling out an upgraded information and records management platform and the release 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 provide a streamlined and integrated online employee experience.

APRA's office spaces continue to be reconfigured to include contemporary collaboration spaces and more diverse work arrangements tailored to individual and team needs in a hybrid working environment.

⁴⁵ APRA's approach to I&D is outlined on page [59]

Improving APRA's operational effectiveness

APRA continues efforts to improve operational effectiveness and drive efficiencies to enable successful execution of its strategy. This objective was reinforced by APRA's new leadership team from the latter stages of 2022 through a 'listening tour' to hear first-hand from employees their suggestions on how APRA could run its business better. Over 500 ideas were raised, which were synthesised into common themes and canvassed with business owners. Many of the suggestions related to existing streams of work or other actions already planned to be operationalised. APRA provides employees with regular updates on the progress of their suggestions and related actions and has established mechanisms for ongoing suggestions from employees to be made over time.

In parallel, APRA has been reviewing selected key processes to identify opportunities to optimise business operations. APRA initially started work on an end-to-end process review of key workflows between APRA's superannuation and legal business functions. The process review was subsumed into a project to digitalise workflows to better manage regulatory approvals and interpretations. It is expected the digitalisation of workflows will result in reduced duplication, improved efficiencies and greater insights to better manage resources. It is expected the functionality will be applied more broadly to support other core supervisory processes across APRA.

In addition to focusing on technology to better support business processes, APRA is also investing in upskilling its people through raising foundational awareness on methods and tools to improve operational effectiveness and efficiencies. In 2022-23, business agility training was attended by 128 people from across APRA. Twenty-four senior APRA leaders also participated in specialised operational excellence training programs and 36 Senior Managers attended an Operational Excellence Masterclass, with more training opportunities scheduled for next year. Learnings from the training are already being applied in practice, with examples of teams adopting new tools and ways of working resulting in enhanced processes, improved collaboration and increased capacity and productivity.

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

Explanatory Note

In 2022, APRA reviewed the performance measures drawn from APRA’s biennial stakeholder survey.⁴⁶ Previous stakeholder surveys retained a core set of questions, with new questions added for ongoing purposes, or for a particular survey, as required.

Following the 2022 review, the survey was redesigned to be shorter, more relevant, and to make use of more direct questions and response options. These changes were intended to make it faster and easier for entities to respond, and to make it clearer how to interpret and answer questions. One set of key questions was retained from the previous survey, for calibration purposes. The 2023 survey included an additional set of questions to stakeholders as part of the review undertaken by the FRAA. Changes to the suite of stakeholder survey questions against which APRA will measure its performance are reflected in the table below. Relevant questions and results obtained as part of the broader 2023 Regulated Entity Stakeholder Survey are included in Addendum B.

Performance measure	Target	Result ⁴⁷	
		2021-22 ⁴⁸	2022-23
Strategic priorities			
Performing Entity Ratio (PER) ⁴⁹	‘Low’ incidence of failure ⁵⁰	Achieved 99.79%	Achieved 100.00%

⁴⁶ Results of APRA’s Regulated Entity Stakeholder Survey – May 2023 are available at: <https://www.apra.gov.au/stakeholder-survey>.

⁴⁷ Achieved: target is met; Mostly achieved: target has largely been met with exceptions noted in explanatory text; Not achieved: target is not met.

⁴⁸ APRA’s 2021-22 Annual Report is available at: https://www.apra.gov.au/sites/default/files/2022-10/APRA%202021-22%20Annual%20Report_2.pdf.

⁴⁹ The PER indicates the incidence of failure amongst regulated institutions, measured as the number of regulated institutions that met their commitments to beneficiaries in a given year, divided by the total number of regulated institutions. The higher the percentage, the lower the incidence of failure.

⁵⁰ APRA seeks to maintain a low incidence of failure of financial institutions while not unnecessarily hindering efficiency, competition or otherwise impeding the competitive neutrality or contestability of the financial system. APRA aims to identify likely failures early enough so that corrective action can be promptly initiated, or orderly exit achieved.

Performance measure	Target	Result ⁴⁷	
		2021-22 ⁴⁸	2022-23
Money Protection Ratio (MPR)⁵¹		Achieved 100.00%	Achieved 100.00%
Capital ratios for ADIs and insurers	Above minimum prudential requirements	Mostly achieved All APRA-regulated ADIs; and all insurers except one reported capital ratios above minimum prudential requirements during 2021-22	Mostly achieved All APRA-regulated ADIs; and all insurers except three reported capital ratios above minimum prudential requirements during 2022-23 ⁵²
Reduction in the number of superannuation members exposed to unsustainable funds⁵³	Reduction during the reporting period	Achieved Funds deemed unsustainable reduced from 35 to 23 in 2021-22. The number of superannuation members in funds that APRA deemed unsustainable, reduced by approximately 420,000 in 2021-22	Achieved Funds deemed unsustainable reduced from 22 ⁵⁴ to 12 in 2022-23. The number of superannuation members in funds that APRA deemed unsustainable, reduced by approximately 1.3 million in 2022-23
Reduction in the number of funds with sub-standard practices⁵⁵	Reduction during the reporting period	Achieved The number of funds with sub-standard practices reduced from 102 to 88 in 2021-22	Achieved The number of funds with sub-standard practices reduced from 88 to 56 in 2022-23

⁵¹ APRA strives 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 institutions. The higher the percentage, the lower the incidence of loss.

⁵² Two general insurers fell below the minimum prudential capital requirements during 2022-23. The coverage for one insurer decreased due to an increase in the number and projected cost of claims. The capital ratio of the other insurer briefly dipped below the minimum requirements, and this was quickly remedied. One life insurer dipped below the prudential requirement due to miscalculating their capital requirement. This has since been rectified.

⁵³ APRA measures the sustainability of a superannuation fund based on a number of factors including its operating expenses, size, growth rate, and returns relative to benchmarks.

⁵⁴ Funds deemed unsustainable reduced from 35 to 22 in 2021-22, rather than from 35 to 23 as previously stated in APRA's 2021-22 Annual Report. The methodology for this metric relies, in part, on published data that was not available at the time the 2021-22 Annual Report was published. As a result, the calculated sustainability metric may change based on the latest data available.

⁵⁵ APRA's Supervisory Risk and Intensity (SRI) Model requires risk assessments to be conducted for all APRA-regulated entities. The SRI Model captures the level of prudential risk within APRA-regulated entities across a number of risk categories. The SRI Model uses a six-point rating scale from 'A – minimal risk' to 'F – critical risk' for each risk category. Using information from APRA's SRI Model, funds with sub-standard practices are those rated as 'C – moderate risk' or worse.

Performance measure	Target	Result ⁴⁷	
		2021-22 ⁴⁸	2022-23
Reduction in the number of MySuper and Choice superannuation members in high fee, poor performing offerings	Reduction during the reporting period	Achieved	Achieved ⁵⁶
Key deliverables achieved in line with APRA's strategic programs of work	Key deliverables achieved within planned timeframes	Mostly achieved 82% of APRA's strategic programs of work were tracking to plan at 30 June 2022. Some programs were revised during the year to reflect reprioritisation of key milestones where needed	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
Continuous improvement and building trust			
Recommendations from independent reviews addressed during the reporting period ⁵⁷	Closure within approved timeframes	Achieved 29 of 94 total recommendations directed at APRA were closed within approved timeframes during the reporting period. 78% of total recommendations directed at APRA were closed at 30 June 2022	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
Number of changes made to the prudential framework and level of compliance with Office of Impact Analysis (OIA) requirements ⁵⁸	100% OIA compliance during the reporting period	Achieved 37 changes were made to the prudential framework during 2021-22 and 100% compliance with OIA requirements was achieved	Achieved 62 changes were made to the prudential policy framework and 101 changes were made to the reporting framework during 2022-23. ⁵⁹ 100% compliance with OIA requirements was achieved

⁵⁶ For MySuper: Five MySuper products failed the annual performance test in 2022, down from 13 in 2021-22. There were approximately 500,000 less MySuper members in products that failed the performance test in 2022-23 than in the prior year. Approximately 475,000 additional members are no longer in products that failed the performance test due to further product closure and consolidation of failing products in 2022-23. For choice products, refer to the analysis section under the heading 'Eradicating unacceptable product performance'.

⁵⁷ Recommendations from independent reviews relate to the 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.

⁵⁸ On 18 November 2022, the Office of Best Practice Regulation (OBPR) was renamed to the Office of Impact Analysis (OIA).

⁵⁹ The 62 changes to the prudential framework in 2022-23 involved the release of 55 final prudential standards and 7 final prudential practice guides. A large number of these prudential standards and reporting changes were consequential amendments flowing from revisions to the ADI and insurance capital frameworks, and in the case of reporting also reflect the transfer of APRA's data collection into the new data collection tool, APRA Connect.

Performance measure	Target	Result ⁴⁷	
		2021-22 ⁴⁸	2022-23
Services are delivered in line with APRA's Service Charter⁶⁰ 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%	Achieved 76%	Not achieved 59% Below target APRA to reflect on resourcing priorities and processes to improve delivery timelines
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 93%. Below target due to key staff absences during the year. APRA has put in place additional monitoring to improve the tracking process	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
APRA will make a licence decision in accordance with statutory timeframes and, for all other applications, within 3 months of receiving a substantially complete application⁶¹	>75%	Achieved 86%	Achieved 100%
APRA will provide an initial response to a capital instrument submission within 25 business days of	>75%	Achieved 91%	Achieved 89%

⁶⁰ APRA's Service Charter is available at: <https://www.apra.gov.au/apra-service-charter>.

⁶¹ 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 ⁴⁷	
		2021-22 ⁴⁸	2022-23
receiving a substantially complete application ⁶²			
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 100%
APRA will make an internal ratings-based (IRB) accreditation decision within 9 months of receiving a ‘substantially complete’ application ⁶³	>75%	No ‘substantially complete’ applications received during 2021-22 or 2022-23	
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 ⁶⁴	100%	No FCS declarations during 2021-22 or 2022-23	
Risk-based and data-driven			
APRA’s supervision and policy priorities are transparent, and well known in advance by relevant stakeholders	At least annual publication of APRA’s supervision and policy priorities	Achieved APRA’s 2022 policy and supervision priorities were published in February 2022	Achieved APRA’s 2023 policy and supervision priorities were published in February 2023 ⁶⁵

⁶² 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.

⁶³ 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).

⁶⁴ Non-complex deposits are protected accounts where sufficient data/permissions exist to enable payment to be made in the initial FCS payment files.

⁶⁵ APRA's policy and supervision priorities for 2023 are available at: <https://www.apra.gov.au/news-and-publications/apra-releases-its-policy-and-supervision-priorities-for-2023>.

Performance measure	Target	Result ⁴⁷	
		2021-22 ⁴⁸	2022-23
APRA's supervision activities are primarily risk-based	≥80% of APRA's stakeholders "agree" or "strongly agree"	Achieved 92% from APRA's 2021 stakeholder survey.	Refer explanatory note
The amount of statistical data collected by APRA is "about right"	≥80% of APRA's stakeholders say "about right"	Not achieved 69% of stakeholders responded that the amount of data collected by APRA is "about right" from APRA's 2021 stakeholder survey	Refer explanatory note
The statistical data published by APRA is reliable	≥80% of APRA's stakeholders say "very reliable" or above	Not achieved 73% of stakeholders responded that data published by APRA is "very reliable" or above from APRA's 2021 stakeholder survey	Refer explanatory note
Collaboration and engagement			
Dealings with APRA staff are in line with APRA Values including Collaboration	≥80% of APRA's stakeholders say "demonstrate to a significant extent" or above	Achieved 89% from APRA's 2021 stakeholder survey	Refer explanatory note
APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material	≥80% of APRA's stakeholders "moderately well" or above	Not achieved 78% from APRA's 2021 stakeholder survey	Not achieved 60% from APRA's 2023 stakeholder survey. Below target across all APRA-regulated industries. APRA will reflect on survey findings as part of shaping its future policy agenda
APRA is consultative in its supervision	≥80% of APRA's stakeholders "agree" or "strongly agree"	Not achieved 71% from APRA's 2021 stakeholder survey	Refer explanatory note

Performance measure	Target	Result ⁴⁷	
		2021-22 ⁴⁸	2022-23
APRA is open and responsive to requests from regulated entities regarding the operation of the regulatory framework and approaches implemented by APRA	≥80% of APRA's stakeholders "agree" or "strongly agree"	Achieved 84% from APRA's 2021 stakeholder survey	Refer explanatory note
Operational efficiency			
Actual versus budget for the reporting period	Within budget	Achieved Actual \$214.6m vs budget \$225.8m. Variance of \$11.2m	Achieved Actual \$229.2m vs budget \$233.1m. Variance of \$3.9m

Addendum B: Regulated Entity Stakeholder Survey – May 2023⁶⁶

Performance measure	Target	Result
Entity impact		
Impact of supervision on the financial and operational strength of your entity	Measure % of positive responses	90%
Impact of supervision on risk management practices of your entity	Measure % of positive responses	92%
Impact of prudential requirements on the financial management of your entity	Measure % of positive responses	80%
Industry and Community Impact		
Impact of supervision on your industry	Measure % of positive responses	98%
Impact of supervision on the financial wellbeing of community	Measure % of positive responses	94%
Impact of enforcement of prudential requirements on industry	Measure % of positive responses	80%
Balance		
Supervision balances safety with efficiency, competition, contestability and competitive neutrality, and promotes financial stability	Measure % of positive responses	66%
Regulatory requirements balance the benefit for the level of burden	Measure % of positive responses	62%
Changes sufficiently consider the cost of regulation imposed on industry	Measure % of positive responses	27%
Supervisory Capability		
Capability of supervisory team – experience in industry	Measure % of positive responses	74%
Capability of supervisory team – skills to effectively complete supervisory activities	Measure % of positive responses	71%
Capability of supervisory team – understanding of your organisation	Measure % of positive responses	68%

⁶⁶ APRA undertakes biennial stakeholder surveys to help assess its performance and effectiveness. The 2023 APRA Stakeholder Survey was conducted by Orima Research over four weeks in February and March and received responses from 282 APRA-regulated entities – a response rate of 67 per cent.

Performance measure	Target	Result
Capability of supervisory team – level of seniority	Measure % of positive responses	62%
Communication		
Consultation packages have been readily understood	Measure % of positive responses	68%
Proposed changes to prudential standards and guidance materials have been clearly communicated during consultation	Measure % of positive responses	64%
Sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance materials, has been provided	Measure % of positive responses	60%

Addendum C: Engagement and collaboration with other regulators and key stakeholders

In 2022-23, APRA continued its strong collaboration with key domestic and international regulatory agencies to support collective goals, minimise duplication of activities and reduce regulatory burden. Strong collaboration between regulators and government agencies remained crucial in successfully navigating the challenges of the economic environment.

Addendum D provides the APRA-ASIC Statement of Engagement for 2022-23.

APRA also entered into new Memoranda of Understanding (MoU) with the Australian Financial Complaints Authority, NSW State Insurance Regulatory Authority, and the European Union Single Resolution Board during the year to enhance information sharing and coordination.

APRA has 18 MoUs in place with other domestic agencies and formal information sharing arrangements with 40 international regulatory agencies.⁶⁷

Current MOUs with domestic agencies

- Australian Bureau of Statistics
- Australian Capital Territory Compulsory Third-Party Insurance Regulator
- Australian Competition and Consumer Commission
- Australian Criminal Intelligence Commission
- Australian Federal Police
- Australian Financial Complaints Authority
- Australian Securities and Investments Commission
- Australian Taxation Office
- Australian Transaction Reports and Analysis Centre
- Council of Financial Regulators
- Department of Health
- Motor Accident Insurance Commission of Queensland
- NSW Fair Trading
- NSW State Insurance Regulatory Authority
- Reserve Bank of Australia
- South Australia Compulsory Third-Party Insurance Regulator
- The Commonwealth Treasury
- WorkCover Tasmania

⁶⁷ APRA's memoranda of understanding and letters of arrangement are available at: <https://www.apra.gov.au/memoranda-of-understanding-and-letters-of-arrangement>.

APRA routinely engages with a variety of stakeholders including regulated institutions, industry bodies, government departments, other regulatory agencies, media, and the general public. APRA uses a diverse range of channels to communicate various policy, statistical and other announcements with stakeholder groups, as shown in the table below.

Key communications and engagements

Activity	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Policy consultations conducted	15	31	21	17	26	24
Information letters issued to industry	30	14	37	39	50	45
Presentations at formal speaking engagements	93	80	58	78	76	68
Media releases issued	70	93	79	62	50	74
Parliamentary hearings attended	12	14	9	9	12	10
Submissions to formal inquiries	6	11	1	4	4	5

Addendum D: APRA-ASIC Statement of Engagement



PUBLIC STATEMENT ON APRA-ASIC ENGAGEMENT 2022-23

Often referred to as the “twin peak” regulators for the Australian financial system, APRA and ASIC have a longstanding commitment to work together to promote the financial interests of Australians, in line with their respective mandates.

ASIC and APRA have complementary and mutually reinforcing roles. As Australia’s financial markets conduct regulator, ASIC is responsible for promoting a fair, transparent and efficient financial system. As Australia’s prudential regulator, APRA is responsible for the safety of regulated institutions and financial system stability, ultimately to protect the interests of depositors, insurance policyholders and superannuation fund members.

Under the 2019 Memorandum of Understanding (MoU), ASIC and APRA commit to:

- facilitate cooperation and collaboration between the regulators;
- contribute to effective and efficient regulatory outcomes across the financial sector; and
- promote a whole-of-system perspective in meeting each regulator’s responsibilities.

To support these objectives, the APRA-ASIC Committee (AAC) comprising ASIC Commissioners and APRA Members meets through the year to provide strategic oversight of APRA-ASIC cooperation. Below the AAC, five Standing Committees specifically consider credit, banking and payment providers, insurance, superannuation, enforcement and internal capabilities. Outside of these formal committees, extensive engagement occurs at all levels across the regulators.

Some examples of recent cooperation and collaboration, focusing on public matters, are as follows:

- In superannuation, the regulators are jointly focused on supporting member outcomes and rectifying substandard industry practices. For example, following the commencement of the Retirement Income Covenant in July 2022, ASIC and APRA in July 2023 released a joint thematic review highlighting the need for trustees to make more progress to enhance retirement outcomes as more members approach retirement.
- In relation to banking and credit, the regulators are conscious of potential consumer and prudential risks in the current economic environment. APRA and ASIC have been jointly monitoring impacts on credit portfolios and individual borrowers, as well as the effectiveness and consistency of hardship support provided to customers in need. APRA and ASIC also jointly oversaw an orderly exit by Volt Bank Limited following its commercial decision to return its banking licence.
- In insurance, a key focus for regulators is addressing the underlying drivers of insurance affordability, sustainability and availability. For example, in December 2022,

the regulators issued a joint letter to CEOs of life insurers and friendly societies about premium increases. ASIC and APRA also participate as observers at the Hazards Insurance Partnership between the Australian Government and the insurance industry.

- APRA and ASIC continue to prepare for joint administration of the FAR, subject to passage of legislation by Parliament. In July 2023, the regulators released for consultation Regulator rules and Transitional rules to support FAR implementation by industry. The regulators continue to work closely to ensure implementation readiness through the development of guidance, engaging with industry and building modernised processes to ensure efficient and effective operation of the regime.
- The regulators – as part of a broader whole-of-government approach – have a joint focus in promoting cyber resilience and responding promptly and effectively to cyber incidents, such as for Medibank Private.
- The regulators have cooperated on a broad range of enforcement matters during the year, such as the imposition in January 2023 of additional licence conditions on Diversa Trustees Limited by APRA.
- APRA and ASIC have jointly engaged industry through CEO roundtables. This year, the superannuation CEO roundtable focused on cyber resilience and the Retirement Income Covenant, and the life insurance CEO roundtable focused on future opportunities for the Australian life insurance market.
- Finally, the regulators continue to collaborate on data and digital transformation initiatives, with a view to developing recurrent data collections that provide richer insights while reducing industry burden.

APRA and ASIC will continue to work together to deliver coordinated and efficient regulatory outcomes, and to support the ongoing safety, stability, fairness and efficiency of the financial system for all Australians.

CHAPTER 4 – 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 five Members are included below.

The Executive Board is supported by eight 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.⁶⁸

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.

⁶⁸ <https://www.apra.gov.au/governance-and-senior-executive-accountabilities>.



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.



Helen Rowell, Deputy Chair

Helen Rowell was Deputy Chair of APRA from November 2015 until she stepped down from the role on 30 June 2023, after 10 years on the Executive Board and 21 years at APRA. Mrs Rowell joined APRA in 2002 as General Manager and held a number of executive roles before being appointed a Member in 2013 and Deputy Chair two years later. Her responsibilities at APRA included oversight of the superannuation sector, the insurance sector and APRA's Cross-industry Insights and Data (CID) Division.

Prior to joining APRA, Mrs Rowell was a partner at the international consulting firm Towers Perrin. She is also a Fellow and past President of the Institute of Actuaries of Australia.



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. This Division is 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 in financial markets with responsibility across risk management, treasury, regulation, governance and technological change. 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 with governance over a range of businesses covering retail lending, wealth management, derivatives and custody services.

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.



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, Ms Smith 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. Ms Smith holds a Bachelor of Business with distinction (Property), a Masters of Applied Finance, 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 receives reports and updates from Internal Audit and Enterprise Security and Risk, as well as being briefed on strategic initiatives 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.⁶⁹

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), APRA's Chair, 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,

⁶⁹ <https://www.apra.gov.au/sites/default/files/2022-03/Audit%20and%20Risk%20Committee%20Charter%20-%202022.pdf>.

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 2022 to 30 June 2023:

Member	Meetings	Attended	Total Annual remuneration (Incl GST)
Kate Hughes (Chair, independent)	5	5	\$47,373
Chris Hall (independent)	5	5	\$44,000
Rick Sawers (independent)	2	2	\$14,667
Sam Lewis*	3	3	\$27,060

*Kate Hughes replaced Sam Lewis as Chair of the Audit and Risk Committee on 1 March 2023; Rick Sawers joined the committee on 1 March 2023

Governance committees

Executive Board

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

Each Executive Board meeting incorporates a dedicated focus on risk to oversee APRA's management and mitigation of risks by ensuring an effective Risk Management Framework, including Risk Appetite Statement, is in place. The Board also oversees the Executive Committee's management of risk, monitors emerging strategic risks and undertakes deep-dives of key risks where considered necessary, including consistently out-of-tolerance risk.

Attendance at Executive Board meetings during 2022-23:

Member	Meetings	Attended
John Lonsdale	10	10
Helen Rowell	10	9
Margaret Cole	10	9
Therese McCarthy Hockey*	6	5
Suzanne Smith*	6	5
Wayne Byres*	4	4

*Wayne Byres stepped down as APRA Chair on 30 October 2022; Therese McCarthy Hockey and Suzanne Smith joined the Executive Board on 31 October 2022

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

Executive Committee

The Executive Committee, comprising all APRA Members and the eight Executive Directors, currently meets twice a month, or more frequently as required. The Executive Committee focuses on monitoring APRA's organisational performance, progress on APRA's strategic priorities, people and culture matters, and general organisational effectiveness. The objective of the Executive Committee is to strengthen alignment and accountability for these issues across the Members and Executive Directors.

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 the primary 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, including all related strategic initiatives and risks. 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 other specialist committees, including:

Inclusion and Diversity Council

Reporting to the Executive Board, the Council promotes awareness of workplace inclusion and diversity and is responsible for developing and monitoring the implementation of APRA's inclusion and diversity strategy. The Council is chaired by an APRA Member.

Strategic Consultative Forum

Reporting to the Executive Committee, this group facilitates communication and consultation with all employees below senior management on two aspects. Firstly, programs and processes relating to the physical work environment, technology, ways of working, and employee development and training. Secondly, on the terms and conditions of employment in line with APRA's Enterprise Agreement and employment policies, and the impact of these on APRA's organisational culture and values.

Work Health and Safety Committee

Reporting to the Executive Committee, this 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 2023 was \$229.2 million against an original budget of \$233.1 million. The expenditure was lower than the original budget due to a combination of lower than budget staff levels, the deferral of some activities into the 2023-24 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 2022-23 was \$219.1 million, against a budget of \$225.0 million.

Income was lower than budget due to lower cost recovery activities and an under-collection of Financial Institutions Supervisory Levies arising from entity mergers, licence revocations and lower-than-expected June 2022 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 2022-23 was \$1.2 million. The total levies collected by APRA also cover certain costs attributable to ASIC, the ATO, the ACCC, and the Gateway Network Governance Body Ltd. Levies collected by APRA in 2022-23, including on behalf of these agencies, were \$43.8 million.

Figure 1 – APRA’s financial industry levies



On an annual basis, APRA releases a Cost Recovery Implementation Statement 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 2022-23 were \$418.9 million.

Reserves

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

- APRA’s retained surpluses decreased by \$11.1 million to \$34.9 million, attributable to an operating deficit from ordinary activities of \$10.1 million and a transfer of \$1.0 million to the Contingency Enforcement Fund (CEF) for future enforcement matters;
- the Asset Revaluation Reserve balance of nil was in line with budget; and
- the CEF increased by \$1.0 million to \$9.8 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

At 30 June 2023, APRA had 871 permanent employees, an increase on the 844 permanent employees at the end of the 2022 financial year.

APRA continues to be focused on maintaining a highly skilled workforce having a combination of supervisory and financial services 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.

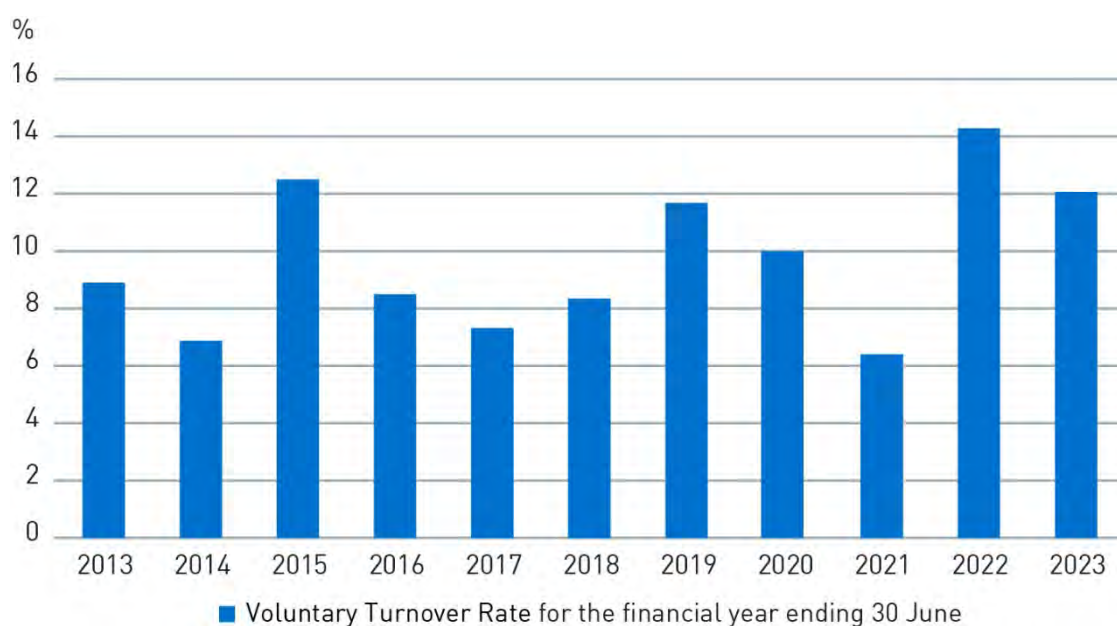
In 2022-23, APRA hired 144 new employees, including 20 graduates, with most of these hires made to fill vacant roles resulting from attrition.

External recruitment in 2022-23 by level and gender

	Female	Male	Non-binary	Prefers not to answer	Uses a different term	Total
Level 1	9	12	0	0	0	21
Level 2	11	8	0	0	0	19
Level 3	13	20	0	0	0	33
Level 4	29	29	0	0	0	58
Level 5	3	4	0	0	0	7
General Manager	1	3	0	0	0	4
Executive Director	2	0	0	0	0	2
APRA Member	0	0	0	0	0	0
Total	68	76	0	0	0	144

APRA's voluntary turnover decreased to 12.25 per cent in 2022-23 from 14.5 per cent in 2021-22.

Figure 2 – Voluntary turnover rate



Talent and development

Throughout 2022-23, APRA continued to embed its revised people and performance frameworks. The frameworks support the organisation to deliver APRA's purpose. The frameworks provide employees with dual career options, either pursuing a people leader pathway, recognising those who are skilled and committed to supporting and engaging our people to perform to their potential, or a technical leader pathway, recognising those operating at a significant level of expertise and impact in their field.

Building employee technical and leader capability continued to be a priority for APRA throughout 2022-23, supporting the ongoing achievement of the people and performance frameworks. A broad range of development opportunities for employees and leaders were available to continue their capability growth within the technical, enabling, leadership and emerging risk domains.

APRA also continued its graduate program, employing 20 graduates in 2022-23. Supporting employees undertaking postgraduate study also continued in 2022-23, with 15 employees participating in the studies support program.

The ongoing wellbeing of employees continued to be a priority for APRA in 2022-23 through the provision of a range of wellbeing initiatives, inclusive leadership and supporting flexible working arrangements.

Learning and development activities

Key training metrics	2020-21	2021-22	2022-23
Training spend per employee	\$2,102	\$2,453	\$2,950
Percentage of employees provided with training	100	100	100
Training sessions per employee	10.7	15.4	10.8
Training days per employee	2.5	3.0	3.4
Number of internal courses offered	324	266	273
Employees undertaking formal post-graduate studies	25	23	15

APRA and diversity

APRA continued to build an inclusive and diverse workplace where employees are valued and respected, and which is representative of the Australian community.

APRA's Inclusion and Diversity Council revised the approach to delivering on APRA's I&D Strategy, with actions now grouped into three categories: Our People, Our Space, and Our Community. This revised approach is designed to improve efficiency and decision-making; support collaboration for contributing to the design of actions; and create a structure to harness the broad experience, expertise, and diversity of our people.

The APRA capability framework, introduced in 2021-22, embeds inclusion and diversity at all levels of job families. The APRA leadership capabilities outline four areas of leadership expectation, one of which focuses on inclusive leadership.

APRA also continued its commitment to inclusion and diversity through 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.

APRA commenced preparation for the 2023-24 Reconciliation Action Plan (RAP) while continuing to deliver on the 2020-22 Innovate RAP.

APRA continued with a rolling calendar 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 LGBTIQ+. The events were well attended by APRA employees throughout the year and continued to promote a strong sense of belonging for everyone in APRA.

Diversity and inclusion characteristics across employees (by total headcount)

	Female	Male	Non-binary	Prefers not to answer	Uses a different term	Aboriginal and Torres Strait Islander	CALD ¹	PWD ²
Level 1	12	11	0	0	0	0	3	0
Level 2	68	51	0	0	0	3	23	4
Level 3	78	97	0	0	0	1	57	1
Level 4	185	218	0	1	0	1	110	10
Level 5	42	68	0	0	0	0	23	3
General Manager	12	15	0	0	0	0	1	0
Executive Director	4	4	0	0	0	0	1	0
APRA Member	4	1	0	0	0	0	0	0
Total	405	465	0	1	0	5	218	18

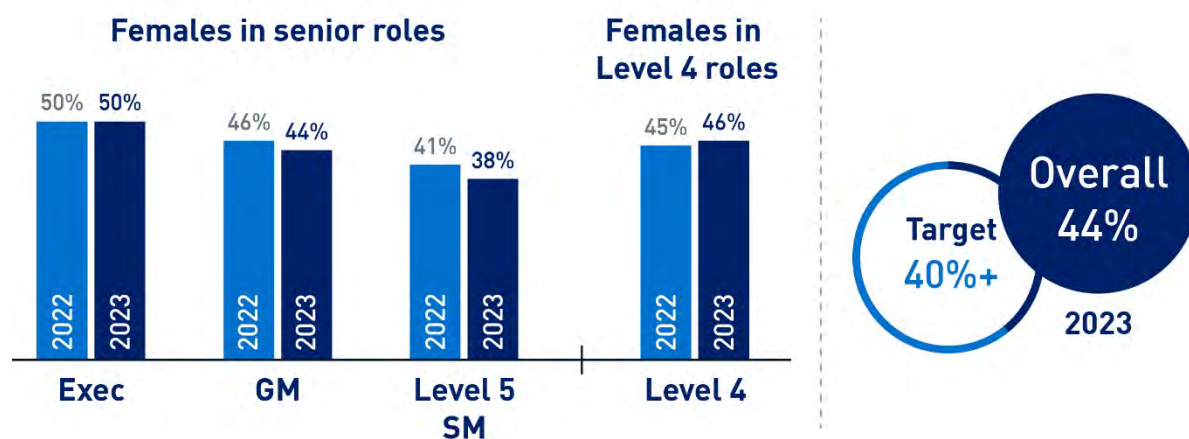
¹ Culturally and Linguistically Diverse (CALD)

² People with Disabilities (PWD)

Gender diversity in senior management

Overall, the number of women in senior roles in 2022-23 was above our target. Women in Executive Director roles remained at 50 percent, while there was a slight downward shift in representation within General Manager and Senior Manager roles.

The number of women on the APRA Executive Board increased from 50% to 80%.



CHAPTER 5 – 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*;
- 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 *Financial Sector (Collection of Data) Act 2001*, 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 2022-23, APRA did not appoint an investigator under Division 2 of Part II or section 61 of the *Banking Act 1959*. There was one investigator appointment under the *Banking Act 1959* continuing from the 2020-21 year.

APRA did not appoint statutory managers under the *Banking Act 1959*, *Insurance Act 1973* or *Life Insurance Act 1995* during 2022-23. 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.⁷⁰ No payments were made from the Financial Claims Scheme Special Account in 2022-23 to satisfy claims against this general insurer.

APRA did not determine any reporting standards under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* during 2022-23 that were not legislative instruments.

APRA did not exercise its powers under Part 15 of the RSA Act in 2022-23.

APRA exercised its powers under Part 29 of the SIS Act during 2022-23 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
A9 of 2022	06/12/2022	29E(5A)
A10 of 2022	20/12/2022	4.07E
A11 of 2022	09/11/2022	93(3)
A1 of 2023	07/02/2023	29MB(1)
A2 of 2023	13/06/2023	93(3)
A3 of 2023	29/05/2023	9.04D(3)
A4 of 2023	30/05/2023	9.04D(3)

⁷⁰ Australian Family Assurance Limited (in liquidation).

Modifications exercised under the SIS Act

Instrument Number	Date	Provision of SIS Act / regulations modified
A6 of 2022	01/07/2022	1.06(8)(d)
A7 of 2022	28/09/2022	1.03
A8 of 2022	06/09/2022	1.06(8)(d)
A9 of 2022	10/10/2022	1.06
A10 of 2022	10/10/2022	1.06, 1.07C and 1.07D
A11 of 2022	09/11/2022	Straight revocation of A2 of 2021
A12 of 2022	21/12/2022	29E(6A)
A13 of 2022	16/12/2022	1.06(8)(d)
A1 of 2023	19/01/2023	Schedule 7 of the SIS Regs
A2 of 2023	30/03/2023	1.06(7)(g)
A3 of 2023	05/04/2023	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
A4 of 2023	13/04/2023	1.06(7)(g) and 1.06(8)(d)
A5 of 2023	14/04/2023	29E(6A)
A6 of 2023	08/05/2023	29E(6A)
A7 of 2023	29/06/2023	1.03(1)
A8 of 2023	13/06/2023	Straight revocation of A20 of 2011

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; recycling of paper, cardboard, office furniture and printer cartridges; reducing waste; 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

To meet the government's expectations to transparently report on emissions under the APS Net Zero 2030 policy, APRA has this year published 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.

Greenhouse Gas Emissions Inventory – Location-based method 2022-23

Emission source	Scope 1 kg CO ₂ -e	Scope 2 kg CO ₂ -e	Scope 3 kg CO ₂ -e	Total kg CO ₂ -e
Electricity	N/A	662,681	62,427	725,108
Natural Gas	-	N/A	-	-
Fleet vehicles	-	N/A	-	-
Domestic flights	N/A	N/A	287,530	287,530
Other energy	-	N/A	-	-
Total kg CO₂-e		662,681	349,957	1,012,638

- 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 568,892 kg CO₂e for the financial year.

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 employees. Diverse and inclusive teams are critical for APRA's success as they broaden the range of thinking that supports strong judgments, 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 4.

Fraud preventions and controls

Commonwealth Fraud Control Guidelines

The Chair of APRA certifies that he is satisfied that:

- a fraud risk assessment and fraud control plan has been prepared and complies with the Commonwealth Fraud Control Guidelines;
- appropriate fraud 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 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.⁷¹

Work Health and Safety Act 2011 (WHS Act)

APRA continued to enhance its Work Health and Safety (WHS) policy with an increased focus on employee wellbeing in a hybrid working environment. Safeguarding employee mental and physical health while working remotely and returning to a regular attendance in the office was an ongoing area of focus.

Key focus areas in 2022-23:

- The Work Health & Safety Policy was adjusted to maintain an ergonomically safe working space and healthy practices for employees when working remotely. Shared accountability was encouraged in maintaining personal mental wellbeing, connection with colleagues and awareness of psychosocial risks.
- Employees were kept fully informed through a regularly updated information page, COVID-19 and Return to Hybrid Working FAQs and regular communications.
- Channels were available for employees to raise concerns about their remote working arrangements and to request virtual ergonomic assessments where required.
- Six new first aid officers were confirmed nationally to ensure broader first aid coverage in offices in a hybrid working environment. In-office and online employee communications were refreshed with information on accessing first aid and reporting incidents. Emergency Management and Business Continuity training was launched as mandatory online learning.
- SafeWork month in October was leveraged to promote Work Health & Safety with online articles on new First Aid practices, Psychosocial Risk Management and Safe and Supportive policies preventing Discrimination, Harassment and Bullying.

To monitor employee engagement and wellbeing, APRA conducted an annual Employee Engagement Survey in November 2022 and new monthly pulse surveys started in June 2023.

APRA continued to offer a range of initiatives to support employee wellbeing. This included activities to support mental health, including an APRA R U OK Day panel event where leaders shared their stories, and the promotion of various avenues of mental health support available to employees.

Seven new Wellbeing Ambassadors were nominated by the Inclusion & Diversity networks to offer more diverse peer support. The ambassadors achieved certification in mental health first aid as part of their role.

⁷¹ <https://www.apra.gov.au/information-publication-scheme>.

Through APRA's partnership with employee assistance provider Centre For Corporate Health (CFCH), employees had access to team and individual wellbeing checks, a hybrid event on managing wellbeing during times of uncertainty, and a workshop run as part of the 2023 graduate induction program. Employee registrations for the CFCH's Resilience Box wellbeing App increased during the 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 has been refreshed with the appointment of a new chair, four new health and safety representatives, two new management representatives and a secretariat. The committee has updated its terms of reference, increased its meeting frequency to bi-monthly, and received training covering the committee's roles and employers' positive duty in managing psychosocial risk.

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 no new workers' compensation claims accepted by Comcare in the 2022-23 financial year.

Other reporting requirements

Accountable Authority during the current reporting period (2022-23)

Wayne Byres, as Chair of APRA, was the accountable authority from 1 July to 30 October 2022 and John Lonsdale, as Chair of APRA, was the accountable authority from 31 October 2022 to 30 June 2023.

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 2022-23 APRA has not incurred advertising or market research expenditure in relation to an election.

Separately, during 2022-23 APRA incurred the following recruitment advertising expenditure:

Advertising expenditure

Supplier	Amount (Incl. GST)
Mediabrand Australia Pty Ltd T/As Universal McCann	\$164,078.08
Broadbean Technology	\$5,612.80
Australian Association of Graduate Employees Ltd	\$3,410.00
Total	\$173,100.88

Outside of the above, APRA did not conduct specific advertising campaigns during 2022-23.

Auditor-General activities

The Australian National Audit Office (ANAO) undertook an audit focused on probity management in public sector entities with a role in financial regulation activity, which included APRA. The review focused on the period July 2020 – November 2022 and where relevant, included subsequent events up to and including February 2023.

The audit report issued on 1 June 2023 recognised that APRA's probity governance, risk management and compliance systems were largely effective. The Auditor-General made two recommendations aimed at: APRA establishing a policy for senior executive remuneration; and improved arrangements for the management of gifts, benefits and hospitality. APRA has agreed to these recommendations and, as at the date of publication of this Annual Report, implemented the necessary changes to address both recommendations.

The ANAO also undertook the required statutory financial audit of APRA for 2022-23.

Capability reviews

In October 2022, the Financial Regulator Assessment Authority (FRAA) commenced a review of the effectiveness and capability of APRA, which focused on the supervision and resolution functions of the superannuation industry. The FRAA is an independent oversight authority established by the Parliament to conduct periodic reviews on the effectiveness and capability of ASIC and APRA.

APRA supported the FRAA in gathering data and information from a wide range of sources, including meetings with APRA Members and executives, a series of focus groups with APRA employees, and surveys of APRA's stakeholders and employees.

The report of the review was published by the government on 13 July 2023. The report recognised that: "APRA has successfully regulated the banking, insurance, and superannuation industries through complex challenges and responses to crises in recent years."

The report identified five areas of opportunity to enhance APRA's effectiveness and capability to make its regulation of the superannuation industry more forward-looking, and

better prepare the industry and broader financial system for future shocks. These opportunities are aimed at strengthening risk identification in the superannuation industry, continued development of capabilities and expertise of APRA's people, investment in data and technology, enhancing transparency to maximise the impact of APRA's outcomes, and lifting recovery planning and resolution readiness. APRA supports the recommendations made by the FRAA.

Collective agreements and common law contracts

All employees are appointed under the APRA Act.

On 30 June 2023, there were 724 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 142 senior employees were 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 2022 to June 2023

	Level 1	Level 2	Level 3	Level 4
Maximum	\$79,827	\$120,236	\$174,281	\$247,785
Minimum	\$50,833	\$66,796	\$96,869	\$137,612

Commonwealth Ombudsman

The Commonwealth Ombudsman did not undertake any investigation into APRA's conduct in 2022-23.

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 2022-23, 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 business

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;
- payments via electronic systems; and
- meeting the objective of paragraph 5.6 of the CPRs on sourcing over 20 per cent of procurements through SME providers.

Consultancies

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of consultancy contracts is available on the AusTender website: 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 2022-23, APRA entered 10 new consultancy contracts.

Expenditure on Reportable Consultancy Contracts

	Number	Expenditure \$ (GST incl.)
New contracts entered during the reporting period	10	1,009,877.00
Ongoing contracts entered during a previous reporting period	1	249,477.53
Total	11	1,259,354.53

*Expenditure on Reportable Non-Consultancy Contracts**

	Number	Expenditure \$ (GST incl.)
New contracts entered during the reporting period	282	24,460,359.70
Ongoing contracts entered during a previous reporting period	236	37,753,400.74
Total	518	62,213,760.44

*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.)
CyberCX Pty Ltd	300,300.00
Korda Mentha	249,477.53
PricewaterhouseCoopers Consulting (Australia) Pty Limited	224,018.30
Ernst and Young	203,500.00
Altis Consulting Pty Ltd	183,095.00
KPMG	94,314.00

*All contracts ended on or before 30 June, 2023 with the exception of CyberCX Pty Ltd (10 July 2023) and KPMG (28 July 2023)

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

	Expenditure \$ (GST incl.)
Trustee for No. 1 Martin Place Office Tower Trust	10,779,545.35
NTT Australia Pty Ltd	4,549,024.44
Schiavello Systems (ACT) Pty Ltd	2,745,114.04
Microsoft Pty Ltd	2,624,288.70
Vizor Limited	2,285,665.41

*Contract details are available on AusTender.

Consultative arrangements

APRA consults extensively with regulated entities, industry bodies and other 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 2022-23, APRA released 55 updated prudential standards and 101 reporting standards and undertook 24 consultations across the prudential and reporting framework, across all regulated industries. A large number of these prudential standards and reporting changes were consequential amendments flowing from revisions to the ADI and insurance capital frameworks, and in the case of reporting, also reflect the transfer of APRA's data collection into the new data collection tool, APRA Connect.

APRA complies with the Australian Government's Regulation Impact Analysis requirements. During 2022-23, APRA finalised one independent certification. In addition, APRA developed 14 preliminary assessments.

Courts and tribunals

During 2022-23, 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. There were no court decisions relating to enforcement action taken by APRA during the year.

During 2022-23, APRA participated with leave of the Court in matters concerning:

- whether a successor fund transfer was a substituted appointment for the purposes of section 442F of Schedule 1 to the *Criminal Code* (Qld) and section 180 of the *Crimes Act 1958* (Vic);
- the application of section 249E of the *Crimes Act 1900* (NSW) to successor fund transfers under the *Superannuation Industry (Supervision) Regulations 1994* (Cth); and
- 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. At the end of 2022-23, this matter remained before the Supreme Court of Victoria.

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

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

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 2022-23

Name	Position title as at 30 June	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Base salary ²	Bonuses	Other benefits and allowances ³	Superannuation contributions	Long service leave ⁴	Other long-term benefits		
John Lonsdale	Chair	780,108	0	0	97,296	25,711	0	0	903,115
Margaret Cole	Deputy Chair	675,428	0	0	27,500	15,868	0	0	718,796
Helen Rowell	Deputy Chair	731,006	0	0	27,500	37,661	0	0	796,167
Therese McCarthy Hockey	Member	456,175	0	0	27,500	35,104	0	0	518,779
Suzanne Smith	Member	482,772	0	0	27,500	28,338	0	0	538,610
Wayne Byres	Former Chair ¹	254,315	0	11,964	41,228	0	0	0	307,507

¹ Mr Byres stepped down as Chair on 30 October 2022.

² 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.

³ Other benefits and allowances include fringe benefits relating to motor vehicles.

⁴ Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Remuneration for senior executives earned in 2022-23

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of senior executives	Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave ¹	Average other long-term benefits	Average termination benefits	Average total remuneration
\$0 - \$220,000	17	76,278	0	(32)	5,974	1,961	0	0	84,181
\$220,001 - \$245,000	1	208,027	0	(4,434)	27,006	6,423	0	0	237,021
\$245,001 - \$270,000	1	222,477	0	10,555	21,994	3,373	0	0	258,398
\$270,001 - \$295,000	1	241,412	0	0	27,500	8,766	0	0	277,678
\$320,001 - \$345,000	1	304,394	0	0	27,500	11,053	0	0	342,947
\$345,001 - \$370,000	6	323,885	0	0	27,500	9,277	0	0	360,662
\$370,001 - \$395,000	8	281,886	0	0	26,652	11,088	0	61,349	380,976
\$395,001 - \$420,000	4	280,865	0	0	27,500	8,392	0	83,339	400,096
\$445,001 - \$470,000	4	303,374	0	2,457	34,012	20,362	0	96,606	456,811
\$495,001 - \$520,000	1	471,059	0	0	27,500	17,001	0	0	515,560
\$520,001 - \$545,000	1	498,982	0	0	27,500	16,328	0	0	542,810
\$545,001 - \$570,000	2	502,068	0	4,761	27,500	17,262	0	0	551,591

¹ Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Remuneration for highly paid staff earned in 2022-23

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of other highly paid staff	Average base salary	Average bonuses	Average other benefits and allowances ²	Average superannuation contributions	Average long service leave ³	Average other long-term benefits	Average termination benefits	Average total remuneration
\$240,000 - \$245,000	8	209,542	0	0	23,949	8,395	0	0	241,887
\$245,001 - \$270,000	51	216,702	0	484	25,407	9,843	0	4,724	257,161
\$270,001 - \$295,000	27	239,656	0	1,775	28,762	10,666	0	0	280,859
\$295,001 - \$320,000	8	247,909	0	1,362	36,946	15,304	0	0	301,522

¹ Other benefits and allowances include fringe benefits relating to motor vehicles.

² Long service leave balances include leave accrued in the year, write-backs and any revaluations.

Indemnities and insurance premiums

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

The Commonwealth Grants Rules and Guidelines require agencies to publish details of grants on their websites within 14 working days after the funding agreement for the grant takes place. APRA does not make grants or administer grant programs.

However, APRA does offer and participate in scholarship programs. Such programs are the University of New South Wales Cooperative Actuarial Scholarship and the Brian Gray Scholarship. Details of APRA's Scholarship programs are available on APRA's website: <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 2022-23, APRA's total expenditure on external legal advice and litigation services was \$1,615,814 (excluding GST). During 2022-23, APRA's total expenditure on internal legal advice and litigation services was \$11,480,179 (excluding GST).

Parliamentary committees

Avenues through which APRA is accountable to the Parliament include Parliament's ad hoc and standing committees, and specific references on legislation or issues of particular interest to parliamentary committees.

During 2022-23, APRA Members and Executives appeared at public hearings before the:

- Senate Standing Committee on Economics (Legislation):
 - Inquiry into the Financial Accountability Regime Bill 2022 and related bills, 14 October 2022.
 - Inquiry into Treasury Laws Amendment (2022 Measures No.3) Bill 2022 and related bills, 18 October 2022.
 - Estimates hearings on 9 November 2022, 15 February 2023 and 31 May 2023.
- Senate Select Committee on the Cost of Living:
 - Inquiry into the Cost of Living, 21 April 2023.
- House of Representatives Standing Committee on Economics:

- Review of the Australian Prudential Regulation Authority Annual Report 2021, 11 October 2022.
- Review of the Australian Prudential Regulation Authority Annual Report 2022, 2 June 2023.
- Inquiry into promoting economic dynamism, competition and business formation, 2 June 2023.
- Joint Committee on Corporations and Financial Services:
 - Inquiry into corporate insolvency in Australia, 14 December 2022.

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 2022-23, APRA made submissions to the following formal inquiries:

- NSW State Insurance Regulatory Authority (SIRA) Home building compensation reform consultation, 5 September 2022.
- Senate Standing Committee on Economics (Legislation) review of the Financial Accountability Regime Bill 2022, 7 October 2022.
- RBA Review Panel Review of the Reserve Bank of Australia, 31 October 2022.
- New Zealand House of Representatives Finance and Expenditure Committee examination of the Deposit Takers Bill, 17 February 2023.
- Senate Standing Committee on Rural and Regional Affairs and Transport Inquiry into Bank closures in regional Australia, 5 April 2023.

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

Performance pay

APRA has previously operated a fully discretionary performance pay system with bonuses payable at the end of each financial year. The terms of the APRA Enterprise Agreement 2022 reflected a change in government policy, which no longer allows for the payment of annual performance bonuses. TRP will continue to be reviewed annually with consideration of a range of factors when determining any increase.

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 2023, 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 2022-23, there were no incidents of material non-compliance with relevant financial laws.

Employee statistics (by headcount)

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	281	226	51	277	0	0	0	1	0	0	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	0	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

Ongoing employees 2021-22 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	7	0	7	0	0	0	0	0	0	0	0	0	0	0	0	7
NSW	272	8	280	236	36	272	0	0	0	0	0	0	0	0	0	552
QLD	20	0	20	11	2	13	0	0	0	0	0	0	0	0	0	33
SA	5	0	5	5	1	6	0	0	0	0	0	0	0	0	0	11
VIC	43	5	46.7	31	5	36	0	0	0	0	0	0	0	0	0	84
Total	347	13	360	283	44	327	0	0	0	0	0	0	0	0	0	687

Non-ongoing employees 2021-22 by location (Fixed-term, Senior Managers and above)

	Man/Male			Woman/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	79	2	81	49	7	56	0	0	0	0	0	0	0	0	0	137
QLD	5	0	5	2	0	2	0	0	0	0	0	0	0	0	0	7
SA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VIC	3	0	3	8	0	8	0	0	0	0	0	0	0	0	0	11
Total	89	2	91	59	7	66	0	0	0	0	0	0	0	0	0	157

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 2022-23 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	14,795	14,760	35
Total	14,795	14,760	35
Total available annual appropriations and payments	A 14,795	14,760	35
Special accounts			
Opening balance	75,700		
Appropriation receipts	8		
Special appropriation receipts	226,774		
Payments made		241,575	
Total special account	B 302,482	241,575	60,907
Total resources and payments			
A+B	317,277	256,335	60,942
Less appropriation drawn from annual or special appropriations above and credited to special accounts	(14,795)	(14,760)	(35)
Total net resourcing and payments for APRA	302,482	241,575	60,907

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	6,082	14,795	(8,713)
Special accounts	227,005	214,448	12,557
Total expenses for outcome¹	233,087	229,243	3,844
	Actual 2022-23	Actual 2021-22	Variation
Average staffing level (number)	832	815	17

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

CHAPTER 6 – 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 2023:

- (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 2023 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 2023 and for the year then ended:

- Statement by the Accountable Authority, Chief Operating Officer 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 a summary of significant accounting policies 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 his 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

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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
15 August 2023

STATEMENT BY THE ACCOUNTABLE AUTHORITY, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2023 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

15 August 2023



Mr Steve Matthews

Chief Operating Officer

15 August 2023



Mr Eugene Jalba

Chief Financial Officer

15 August 2023

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000	Original Budget \$'000
Expenses				
Employee benefits	1.1A	157,609	153,366	159,214
Suppliers	1.1B	46,277	35,876	50,330
Depreciation and amortisation	3.2	23,106	21,089	23,000
Finance costs	1.1C	791	708	543
Assets written off	3.2	907	1,140	-
Scholarships		101	97	-
Restoration	3.5	452	2,351	-
Total expenses		229,243	214,627	233,087
Own-source revenue				
Revenue from contracts with customers	1.2A	4,389	4,191	4,612
Other revenue	1.2B	1,087	1,368	1,470
Total own-source revenue		5,476	5,559	6,082
Net cost of services		223,767	209,068	227,005
Revenue from Government	1.2C	213,654	226,501	218,881
Operating (deficit) / surplus		(10,113)	17,433	(8,124)
Other comprehensive income				
Items not subject to subsequent reclassification to net cost of services				
Decrease in asset revaluation reserve		-	(249)	-
Total comprehensive (loss) / gain		(10,113)	17,184	(8,124)

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

Budget Variances Commentary

Expenses:

Total expenses are \$3.8m lower than budget, primarily due to:

- Employee benefits being lower than budget by \$1.6m 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 \$4.1m due to contractor labour market challenges which resulted in the deferral of activities into the 2023-24 financial year;
- Write-off of assets of \$0.9m which relates to the disposal of leasehold improvement, computer hardware and capitalised work-in-progress of intangible assets; and
- Restoration expense of \$0.5m resulting from a reassessment of expected make good requirements, principally for APRA's Sydney and Melbourne offices in future years, reflecting labour and supply chain challenges and effecting cost estimates.

Own-source revenue:

- Lower than budget by \$0.6m due to lower licence fees and other services.

Revenue from Government:

- Revenue from Government is lower than budget by \$5.2m as a result of entity mergers, licence revocations and a lower than projected June 2022 quarter assets growth rate within the superannuation industry. This under-collection will be recovered in the 2023-24 levy collection process.

Operating deficit:

- The operating deficit of \$10.1m is higher than budget by \$2m due to the reasons outlined above.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	2023 \$'000	2022 \$'000	Original Budget \$'000
Assets				
Financial assets				
Cash and cash equivalents	3.1A	60,907	75,700	65,156
Trade and other receivables	3.1B	4,008	3,871	3,871
Total financial assets		64,915	79,571	69,027
Non-financial assets				
Property, plant and equipment ¹	3.2	40,760	49,063	38,888
Intangibles	3.2	46,357	48,023	48,598
Prepayments		4,756	4,632	4,632
Total non-financial assets		91,873	101,718	92,118
Total assets		156,788	181,289	161,145
Liabilities				
Payables				
Suppliers	3.3A	6,401	5,786	5,786
Other payables	3.3B	6,650	4,235	4,736
Total payables		13,051	10,021	10,522
Interest bearing liabilities				
Leases	3.4	27,465	35,854	27,533
Total interest bearing liabilities		27,465	35,854	27,533
Provisions				
Employee provisions	6.1	45,800	55,814	51,614
Other provisions	3.5	9,157	8,172	8,172
Total provisions		54,957	63,986	59,786
Total liabilities		95,473	109,861	97,841
Net assets		61,315	71,428	63,304
Equity				
Contributed equity		16,657	16,657	16,657
Retained surpluses		34,894	46,007	36,883
Contingency Enforcement Fund		9,764	8,764	9,764
Total equity		61,315	71,428	63,304

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 2023

Budget Variances Commentary

Assets:

Total assets are \$4.4m lower than budget due to:

- Financial assets being lower than budget by \$4.1m due to lower cash balances arising from a combination of the under-collection of revenue from government and the timing of employee expenditure; and
- Non-financial assets being lower than budget by \$0.3m primarily due to the write-off of Cloud-based software (see note 3.2).

Liabilities:

Total liabilities are \$2.4m lower than budget due to:

- Employee provisions being lower than budget by \$5.8m 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);
- Other payables being higher than budget by \$1.9m due, mostly, to the timing of enforcement recoveries (see note 2.2B); and
- Other provisions being higher than budget by \$1m primarily due to an increase in the estimated restoration costs for APRA's Sydney and Melbourne offices following a reassessment by an independent valuer (see note 3.5).

Equity:

Total equity is \$2m lower than budget due to:

- Retained surpluses being lower than budget by \$2m due to lower revenue, partly offset by lower expenses, as detailed in the Statement of Comprehensive Income.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	2023 \$'000	2022 \$'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	46,007	22,333	46,007
Transfer (to) / from Contingency Enforcement Fund	(1,000)	6,236	(1,000)
(Deficit) / surplus for the period	(10,113)	17,433	(8,124)
Transfer from revaluation reserve	-	5	-
Closing balance as at 30 June	34,894	46,007	36,883
Asset revaluation reserve			
Opening balance	-	254	-
Decrease in asset revaluation reserve	-	(249)	-
Transfer to retained surpluses	-	(5)	-
Closing balance as at 30 June	-	-	-
Contingency Enforcement Fund			
Opening balance	8,764	15,000	8,764
Transfer from / (to) retained surpluses	1,000	(6,236)	1,000
Closing balance as at 30 June	9,764	8,764	9,764
Total equity			
Opening balance	71,428	54,244	71,428
Decrease in asset revaluation reserve	-	(249)	-
(Deficit) / Surplus for the period	(10,113)	17,433	(8,124)
Closing balance as at 30 June	61,315	71,428	63,304

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

STATEMENT OF CHANGES IN EQUITY - CONTINUED

for the year ended 30 June 2023

Budget Variances Commentary

Retained surpluses:

- Retained surpluses are lower than budget by \$2m due to lower revenue, partly offset by 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 2023

	Notes	2023 \$'000	2022 \$'000	Original Budget \$'000
Operating activities				
Cash received				
Appropriations		213,662	226,503	218,881
Rendering of services		4,793	4,024	4,612
GST received		6,603	5,985	-
Other		1,724	339	1,230
Total cash received		226,782	236,851	224,724
Cash used				
Employees		(166,840)	(148,190)	(162,914)
Suppliers		(45,216)	(40,154)	(50,089)
Interest payments on lease liabilities		(540)	(695)	-
GST paid		(6,403)	(6,052)	-
Section 74 receipts transferred to Official Public Account (OPA) ¹		-	-	(543)
Payment of legal costs		-	(6,500)	-
Total cash used		(218,999)	(201,591)	(213,547)
Net cash from operating activities		7,783	35,260	11,177
Investing activities				
Cash used				
Purchase of property, plant and equipment		(5,025)	(714)	-
Purchase / development of software intangibles		(9,161)	(15,384)	(13,400)
Net cash used by investing activities		(14,186)	(16,098)	(13,400)
Financing activities				
Cash used				
Principal payments of lease liabilities		(8,390)	(7,865)	(8,321)
Net cash used by financing activities		(8,390)	(7,865)	(8,321)
Net (decrease) / increase in cash held		(14,793)	11,297	(10,544)
Cash and cash equivalents at the beginning of the reporting period		75,700	64,403	75,700
Cash and cash equivalents at the end of the reporting period	3.1A	60,907	75,700	65,156

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 \$4.2m due to:

Operating activities:

Net cash from operating activities is \$3.4m lower than budget, primarily due to:

- Appropriations being lower than budget by \$5.2m due to the under-collection of industry levies, resulting in a lower revenue from government; and
- Employee costs being higher than budget by \$3.9m due to the timing of expenditure.

Investing activities:

Net cash used for investing activities is \$0.8m higher than budget due to the timing of purchases of property, plant and equipment (see note 3.2)

Financing activities:

Net cash used for financing activities is largely in line with budget.

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 2023

	Notes	2023 \$'000	2022 \$'000	Original Budget \$'000
Net cost of services				
Expenses				
Risk equalisation payments	2.1	418,859	399,920	450,000
Lloyds Security Deposit (held in trust) interest expense	2.1	55	55	55
Total expenses	2.1	418,914	399,975	450,055
Income				
Levy revenue				
Risk equalisation levy collections	2.2A	418,859	399,920	450,000
Financial Institutions Supervisory Levies	2.2A	254,506	264,921	263,722
Total levy revenue		673,365	664,841	713,722
Other revenue				
Enforcement recoveries	2.2B	1,712	-	-
Financial Claims Scheme recoveries	2.2B	-	185	-
Lloyds Security Deposit (held in trust) interest income	2.2B	55	55	55
Total other revenue		1,767	240	55
Total income		675,132	665,081	713,777
Surplus		256,218	265,106	263,722

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

Budget Variances Commentary

Risk equalisation:

Total risk equalisation receipts and payments are \$31.1m lower than budget due to:

- Lower than budgeted benefits paid across the private health insurance industry as a result of lower activity across hospital procedures and treatments. This activity drives the overall magnitude of the risk equalisation levy collections and payments across the industry and while there has been an uplift in activity from the prior year, it was still lower than budgeted.

Financial Institutions Supervisory Levies:

Total Financial Institutions Supervisory Levies are \$9.2m lower than budget due to:

- Entity mergers, licence revocations and a lower than projected June 2022 quarter assets growth rate within the superannuation industry resulting in an under-collection of \$5.2m attributable to APRA and \$1m attributable to other Commonwealth agencies. This under-collection of Financial Institutions Supervisory Levies will be recovered in the 2023-24 levy process; and
- Lower than budgeted levy funding requirements of \$3m for other Commonwealth agencies.

Enforcement recoveries:

Enforcement recoveries are \$1.7m higher than budget due to infringement notices issued to entities in the insurance and banking sectors. These enforcement recoveries will be transferred to government in the 2023-24 financial year.

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2023

	Notes	2023 \$'000	2022 \$'000	Original Budget \$'000
Assets				
Financial assets				
Cash and cash equivalents	4.1A	970	970	970
Receivables	4.1B	3,909	2,205	2,205
Total assets administered on behalf of Government		4,879	3,175	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		2,879	1,175	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 \$1.7m higher than budget due to the enforcement recoveries and infringement notices issued to entities in the insurance and banking sectors. These enforcement recoveries will be transferred to government in the 2023-24 financial year.

ADMINISTERED RECONCILIATION SCHEDULE

for the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Opening assets less liabilities as at 1 July		1,175	983
Income		675,132	665,081
Expenses	2.1	(418,914)	(399,975)
Transfers (to) / from the Australian Government:			
Appropriation transfers from Official Public Account (OPA)		418,859	399,920
Appropriation transfers to OPA		(673,373)	(664,834)
Closing assets less liabilities as at 30 June		2,879	1,175

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 2023

	Notes	2023 \$'000	2022 \$'000
Operating activities			
Cash received			
Financial Institutions Supervisory Levies		254,514	264,914
Financial Claims Scheme recoveries		-	185
Risk equalisation levy collections		418,859	399,920
Total cash received		673,373	665,019
Cash used			
Risk equalisation levy payments		(418,859)	(399,920)
Total cash used		(418,859)	(399,920)
Net cash from operating activities		254,514	265,099
Cash to Official Public Account			
Financial Institutions Supervisory Levies		(254,514)	(264,914)
Total cash to Official Public Account		(254,514)	(264,914)
Net increase / (decrease) in cash held		-	185
Cash at the beginning of the reporting period		970	785
Cash at the end of the reporting period	4.1A	970	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 2023.

1.1 Expenses

	2023 \$'000	2022 \$'000
1.1A: Employee benefits		
Wages and salaries	123,873	125,107
Superannuation		
Defined contribution plans	14,623	12,540
Defined benefit plans	1,027	1,136
Leave and other entitlements	16,761	13,751
Separation and redundancies	1,080	423
Other employee benefits	245	409
Total employee benefits	157,609	153,366

Accounting policy

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

1.1B: Suppliers

Services rendered

Professional services & consultants	9,082	8,309
Information, communication and technology	11,043	8,817
Contractors	14,051	9,398
Administrative	3,970	3,786
Property	2,702	2,450
Training and conferences	2,778	2,168
Travel	2,178	538
Total services rendered	45,804	35,466

Other suppliers

Workers compensation expenses	419	343
Short-term leases and leases of low value assets	54	67
Total other suppliers	473	410
Total suppliers	46,277	35,876

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	540	695
Adjustment to discount on restoration provisions	247	9
Banking fees	4	4
Total finance costs	791	708

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	2023 \$'000	2022 \$'000
1.2A: Revenue from contracts with customers			
Rendering of services		4,389	4,191
Total revenue from contracts with customers		4,389	4,191
Type of service			
Statistical data collection services		628	484
Cost recoveries for employees on secondment		1,059	980
Capital adequacy assessment services		2,702	2,727
Total revenue from contracts with customers		4,389	4,191
Type of customer			
Australian Government entities (related parties)		1,687	1,464
Non-government entities		2,702	2,727
Total revenue from contracts with customers		4,389	4,191
1.2B: Other revenue			
Licence fees from finance sector entities		546	747
Resources received free of charge		240	240
Fees from foreign bank representative offices		42	42
Other		259	339
Total other revenue		1,087	1,368

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 \$240,000 (2022: \$240,000).

1.2C: Revenue from Government

Appropriations:

Special appropriation	8.1	210,681	223,821
Departmental appropriation		2,973	2,680
Total revenue from Government		213,654	226,501

Accounting policy

Revenue from Government

Amounts appropriated for the year (adjusted for formal additions and reductions) 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	2023 \$'000	2022 \$'000
Expenses			
Risk equalisation levy payments	8.1	418,859	399,920
Lloyds Security Deposit (held in trust) interest expense	4.2	55	55
Total other expenses		418,914	399,975
Total administered expenses		418,914	399,975

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

	2023 \$'000	2022 \$'000
Revenue		
2.2A: Levy revenue		
Risk equalisation levy receipts	418,859	399,920
Financial Institutions Supervisory Levies and penalties (see Table 1) ¹	254,509	264,925
Supervisory Levy waivers (see Table 2)	(3)	(4)
Total levy revenue	673,365	664,841

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. The proportion of total current year levies and penalties attributable to APRA is set out in Note 8.1.

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	96,610	97,227
Authorised deposit-taking institutions	94,405	103,807
General insurers	31,574	29,814
Life insurers and friendly societies	20,016	24,133
Private health insurers	11,800	9,900
Total Financial Industry Supervisory Levies	254,405	264,881
Late payment penalties:		
Superannuation funds	104	44
Total late payment penalties	104	44
Total current year financial industry levies and penalties	254,509	264,925

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	(3)	(4)
Total waivers	(3)	(4)

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	1,712	-
Financial Claims Scheme recoveries	-	185
Lloyds Security Deposit (held in trust) interest income	55	55
Total other revenue	1,767	240
Total revenue	675,132	665,081

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

	2023 \$'000	2022 \$'000
3.1A: Cash and cash equivalents		
Cash in special account	56,800	74,062
Cash on deposit	4,107	1,638
Total cash and cash equivalents	60,907	75,700

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	3,151	3,212
Total services receivable	3,151	3,212

Appropriations receivable

Special appropriations receivable	-	8
Total appropriations receivable	-	8

Other receivables

GST receivable from the Australian Taxation Office	691	551
Other	166	100
Total other receivables	857	651
Total trade and other receivables (gross)	4,008	3,871

Less: impairment loss allowance	-	-
Total trade and other receivables (net)	4,008	3,871

Credit terms for services rendered were within 30 days (2022: 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 2022								
Gross book value	58,452	25,846	5,603	89,901	96,689	10,811	107,500	197,401
Accumulated depreciation, amortisation and impairment	(24,907)	(14,406)	(1,525)	(40,838)	(52,342)	(7,135)	(59,477)	(100,315)
Net book value 1 July 2022	33,545	11,440	4,078	49,063	44,347	3,676	48,023	97,086
Additions:								
By purchase	-	2,860	2,165	5,025	-	-	-	5,025
Internally developed	-	-	-	-	9,161	-	9,161	9,161
Reclassification	-	16	(16)	-	-	(428)	(428)	(428)
Revaluation ¹	-	286	-	286	-	-	-	286
Depreciation and amortisation:								
Depreciation and amortisation expense	(8,390)	(3,307)	(1,659)	(13,356)	(8,823)	(927)	(9,750)	(23,106)
Reclassification	-	(7)	7	-	-	-	-	-
Disposals:								
Assets written off ²	-	(168)	(90)	(258)	(649)	-	(649)	(907)
Net book value 30 June 2023	25,155	11,120	4,485	40,760	44,036	2,321	46,357	87,117
Net book value as at 30 June 2023 represented by:								
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 30 June 2023	25,155	11,120	4,485	40,760	44,036	2,321	46,357	87,117

¹ During the year a reassessment of the estimated restoration costs for the Sydney and Melbourne offices was performed. This resulted in the related Leasehold improvement assets being increased by \$0.29m, representing the depreciated cost as at 30 June 2023.

² Assets written off during the year relates mostly to the write-off of capitalised Cloud-based software and 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. The last independent revaluation for all tangible assets was undertaken in May 2021 by an independent valuer, and revaluation adjustments have been applied as appropriate. The reassessment for the restoration costs, provided by an independent valuer in June 2023, resulted in an increase in the related Leasehold improvement assets.

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 last undertaken in May 2021, effective 30 June 2021. A reassessment of the restoration costs were provided by an independent valuer in June 2023.

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:

	2023	2022
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 2023. 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 2023.

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.

3.3 Payables

	2023 \$'000	2022 \$'000
3.3A: Suppliers		
Trade creditors and accruals	6,401	5,786
Total suppliers	6,401	5,786

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

3.3B: Other payables

Salaries and wages	4,286	3,503
Unearned revenue	530	707
GST payable / (receivable) to the Australian Taxation Office	333	[7]
Other	1,501	32
Total other payables	6,650	4,235

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

	2023 \$'000	2022 \$'000
3.4: Leases		
Lease liabilities	27,465	35,854
Total leases	27,465	35,854
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	8,476	8,183
Between 1 to 5 years	19,617	28,841
More than 5 years	-	-
Total leases	28,093	37,024

Total cash outflow for leases for the year ended 30 June 2023 was \$8,930,000 (2022: \$8,560,000). This is contained in the Maturity analysis above (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	8,172	8,172
Increase / (decrease) in provisions	738	738
Annual adjustment to discount on restoration provisions	247	247
Closing balance as at 30 June	9,157	9,157

At 30 June 2023, 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 (\$ sqm) to restore the leased properties to the required condition are:

Sydney - \$923 sqm (2022: \$839 sqm); Melbourne - \$899 sqm (2022: \$832 sqm); Adelaide - \$300 sqm (2022: \$300 sqm); Canberra - \$80 sqm (2022: \$80 sqm); and Brisbane - \$60 sqm (2022: \$60 sqm).

During the year a reassessment of restoration costs for the Sydney and Melbourne offices was performed and the provision for restoration costs increased by \$0.74m. As a result, the related Leasehold improvement assets were revalued by \$0.29m (see note 3.2). The net of these changes is reflected as an expense of \$0.45m 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

	2023 \$'000	2022 \$'000
4.1A: Cash and cash equivalents		
Financial Claims Scheme	970	970
Total cash and cash equivalents	970	970

The Financial Claims Scheme cash balance relates to a failed insurer. A final payment to claimants was made in 2021. A final recovery from the Insurer's liquidator has been made and the residual amount will be returned to the Commonwealth in the next financial year. In the event of another institution failure requiring access to the Financial Claims Scheme the Government will provide the requisite funds to APRA to reimburse the claimants, as per the rules of the scheme. See note 7.2 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	-	8
Enforcement recoveries	1,712	-
Total receivables	3,909	2,205

¹ See note 4.2 for further details.

Receivables were aged as follows:

Not overdue	3,712	2,008
Overdue by:		
more than 90 days ²	197	197
Total receivables	3,909	2,205

² There is no impairment allowance in 2023 (2022: 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*.

	2023 \$'000	2022 \$'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 2023 for the Lloyd's Security Deposit was \$2,010,294 (2022: \$1,928,190).

Non-monetary assets

APRA has no non-monetary assets held in trust.

4.3 Administered - Payables

	2023 \$'000	2022 \$'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 2023

	Annual Appropriation ¹	Adjustments to appropriation ²	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	-	-	-	-	-

¹ As at 30 Jun 2023, \$35,000 of departmental appropriation was administratively quarantined as a result of the whole-of-government savings decision.

² PGPA Act Section 74 receipts

Annual appropriations for 2022

	Annual appropriation	Adjustments to appropriation ²	Total appropriation	Appropriation applied in 2022 (current and prior years)	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental					
Ordinary annual services	2,680	10,597	13,277	13,277	-
Total departmental	2,680	10,597	13,277	13,277	-
Administered					
Other services					
New administered outcomes	-	-	-	-	-
Total administered	-	-	-	-	-

5.1 Appropriations - continued

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

	2023 \$'000	2022 \$'000
Departmental		
Appropriation Act (No. 1) 2022-23 ¹	35	-
Appropriation Act (No. 1) 2021-22	-	-
Total	35	-

¹ This amount is subject to Section 51 of the PGPA Act.

5.1C: Special appropriations applied ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2023 \$'000	2022 \$'000
<i>Australian Prudential Regulation Authority Act 1998</i> – section 50, Departmental	Unlimited	To provide an appropriation for levy money received that exceeds the amount determined by the Minister under section 50(1) of the <i>Australian Prudential Regulation Act 1998</i> .	210,681	223,821
Total			210,681	223,821

5.2 Special Accounts

	APRA Special Account (Departmental) ¹		Financial Claims Scheme Special Account (Administered) ²		Risk Equalisation Special Account (Administered) ³	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Balance brought forward from previous period	75,700	72,828	970	785	-	-
Increases:						
Departmental						
Special appropriation for reporting period	226,782	236,851	-	-	-	-
Appropriation Act No.1 and Supply Act No.1	-	-	-	-	-	-
Appropriation Act No.2	-	-	-	-	-	-
Total departmental increases	226,782	236,851	-	-	-	-
Administered						
Special appropriation for reporting period	-	-	-	-	418,859	399,920
Financial Claims Scheme recoveries	-	-	-	185	-	-
Total administered increases	-	-	-	185	418,859	399,920
Available for payments	302,482	301,254	970	970	418,859	399,920
Decreases:						
Departmental						
Total departmental decreases	(241,575)	(225,554)	-	-	-	-
Administered						
Repayments made from the Special Account	-	-	-	-	(418,859)	(399,920)
Total administered decreases	-	-	-	-	(418,859)	(399,920)
Total balance carried to the next period	60,907	75,700	970	970	-	-
Balance represented by						
Cash in APRA official bank accounts	4,107	1,638	185	185	-	-
Cash with the Official Public Account (OPA)	56,800	74,062	785	785	-	-
Total balance carried to the next period	60,907	75,700	970	970	-	-

5.2 Special Accounts - continued

¹ **Appropriation:** *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.*

There were no transactions debited to the Financial Claims Scheme Special Account in the current reporting period.

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 126 (2022: 136) 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

	2023 \$'000	2022 \$'000
Amounts applied		
Departmental		
Special appropriations (including special accounts)	210,681	223,821
Departmental appropriation	2,973	2,680
Own source revenue	5,236	5,319
Administered	-	-
Total amounts applied	218,890	231,820
Expenses		
Departmental	229,003	214,387
Administered	-	-
Total expenses	229,003	214,387
External revenue		
Departmental	218,890	231,820
Administered	-	-
Total revenue	218,890	231,820

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

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

	2023 \$'000	2022 \$'000
Employee provisions		
Leave	45,636	45,547
Other employee provisions	64	10,267
Separations and redundancies	100	-
Total employee provisions	45,800	55,814

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% (2022: 4.0%).

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 2022/23 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: 6 (2022: 4).

2022/23 APRA key management personnel	Position	Period
Wayne Byres	Chair	1 July 2022 to 30 October 2022
John Lonsdale	Chair	31 October 2022 to 30 June 2023
	Deputy Chair	1 July 2022 to 30 October 2022
Helen Rowell	Deputy Chair	Full Year
Margaret Cole	Deputy Chair	31 October 2022 to 30 June 2023
	Member	1 July 2022 to 30 October 2022
Suzanne Smith	Member	31 October 2022 to 30 June 2023
Therese McCarthy Hockey	Member	31 October 2022 to 30 June 2023

Key management personnel remuneration is reported in the table below:

	2023 \$'000	2022 \$'000
Short-term employee benefits	3,392	3,010
Post-employment benefits	249	259
Other long-term benefits	143	(140)
Total key management personnel remuneration expenses	3,784	3,129

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 (2022: Nil).

Quantifiable contingencies (APRA departmental)

APRA has no quantifiable contingencies as at the balance date (2022: Nil).

Unquantifiable contingencies (APRA departmental)

APRA has no unquantifiable contingencies as at the balance date (2022: 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 \$1.2 trillion as at 31 December 2022.

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	2023 \$'000	2022 \$'000
7.3A: Categories of financial instruments			
Financial assets measured at amortised cost			
Cash and cash equivalents	3.1A	60,907	75,700
Trade receivables	3.1B	3,151	3,212
Other receivables	3.1B	166	100
Total financial assets at amortised cost		64,224	79,012
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	3.3A	6,401	5,786
Total financial liabilities at amortised cost		6,401	5,786

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

	2023 \$'000	2022 \$'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 2023 \$'000	Fair value 2023 \$'000	Carrying amount 2022 \$'000	Fair value 2022 \$'000
Financial assets				
Other receivables	2,000	2,010	2,000	1,928
Total financial assets	2,000	2,010	2,000	1,928
Financial Liabilities				
Trade creditors and accruals	2,000	2,010	2,000	1,928
Total financial liabilities	2,000	2,010	2,000	1,928

7.5 Fair value measurements

		Fair value measurements at the end of the reporting period	
	Notes	2023 \$'000	2022 \$'000
Non-financial assets¹			
Leasehold improvements	3.2	11,120	11,440
Computer hardware and office equipment	3.2	4,485	4,078
Total non-financial assets		15,605	15,518

¹ Of the total non-financial assets with a fair value of \$15,605,000 (2022: \$15,518,000), \$3,786,000 (2022: \$2,936,000) was valued using a level 2 valuation basis and \$11,819,000 (2022: \$12,582,000) was valued using a level 3 valuation basis.

A level 2 valuation basis utilises observable inputs and a level 3 valuation basis utilises unobservable inputs.

Accounting policy

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. APRA conducts such valuations usually every three years as at 30 June. A valuation was undertaken in May 2021, effective 30 June 2021.

OTHER INFORMATION

8.1 Calculation of APRA Special Appropriation

The APRA Special Appropriation is calculated in accordance with the provisions of section 50 of the *Australian Prudential Regulation Authority Act 1998*.

	2023 \$'000	2022 \$'000
Table 1: Summary of APRA levy funding		
Current year levies and penalties (see Note 2.2A, Table 1)	254,509	264,925
Risk equalisation receipts	418,859	399,920
Less: Waivers and doubtful debts (see Note 2.2A, Table 2)	(3)	(4)
Net current year levies and penalties (see Table 2 below)	673,365	664,841
Less: Amount retained in the Consolidated Revenue Fund (see Table 3 below)	(43,825)	(41,100)
Less: Risk equalisation payments to private health insurers	(418,859)	(399,920)
Total APRA levy funding (see Table 4 below)	210,681	223,821
Table 2: Net current year levies and penalties by levy type		
Superannuation funds	96,711	97,267
Authorised deposit-taking institutions	94,405	103,807
General insurers	31,574	29,814
Life insurers and friendly societies	20,016	24,133
Private health insurers	11,800	9,900
Risk equalisation receipts from private health insurers	418,859	399,920
Total	673,365	664,841
Table 3: Amounts retained in the Consolidated Revenue Fund by levy type¹		
Superannuation funds	(40,401)	(37,600)
Authorised deposit-taking institutions	(3,424)	(3,500)
Total	(43,825)	(41,100)
Table 4: Amounts of levy payable to APRA under the APRA Special Appropriation by levy type²		
Superannuation funds	56,310	59,667
Authorised deposit-taking institutions	90,981	100,307
General insurers	31,574	29,814
Life insurers and friendly societies	20,016	24,133
Private health insurers	11,800	9,900
Total	210,681	223,821
This is represented by:		
Special Appropriation	210,681	223,821
Total	210,681	223,821

¹ Including amounts as determined by the Minister in accordance with subsection 50(1) of the *Australian Prudential Regulation Authority Act 1998*.

² Table 4 above represents the total amount of levies payable to APRA for its operations.

8.1 Calculation of APRA Special Appropriation - continued

Accounting Policy

APRA is funded primarily through levies imposed on the industries it supervises. These levies, known as the Financial Institutions Supervisory Levies, are administered transactions collected on behalf of the Government and paid into the Consolidated Revenue Fund (CRF). An amount equal to the net levy revenue, less an amount specified by the Minister in an annual determination made under subsection 50(1) of the *Australian Prudential Regulation Authority Act 1998 (APRA Act)*, is credited to the APRA Special Account as a Special Appropriation, in accordance with subsections 50(2), (3) and (5) of the APRA Act. The amounts specified in the Minister's Determinations are retained in the CRF to cover: the costs of activities of the Australian Taxation Office (ATO) for unclaimed monies, lost member functions and for the administration of claims for early release of superannuation benefits on compassionate grounds; the Australian Securities and Investments Commission (ASIC) in relation to the operation of the Superannuation Complaints Tribunal; the Australian Competition and Consumer Commission (ACCC) to investigate foreign exchange and specific competition issues in Australia's financial system and the Gateway Network Governance Body to facilitate transmission of SuperStream data.

APRA administers the collection of Financial Institutions Supervisory Levies and Financial Assistance Levies on behalf of the Government. While the revenues from Financial Institutions Supervisory Levies are in part used to fund the operations of APRA, they are not directly available to APRA for its own purposes upon receipt. The revenues from the Financial Assistance Levy are also not available to APRA for its own purposes. All administered collections are remitted to the Official Public Account with APRA's portion being transferred to its special account in accordance with annual determinations made by the Minister. Transactions and balances relating to levies are reported in Note 2.2: Administered - Income.

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. The transactions to and from this account are recorded within the Official Public Account (OPA) by way of notional receipts and payments.

8.2 Current/non-current distinction for assets and liabilities

8.2A : Current/non-current distinction for assets and liabilities

	2023 \$'000	2022 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	60,907	75,700
Trade and other receivables	4,008	3,871
Prepayments	4,392	4,366
Total no more than 12 months	69,307	83,937
More than 12 months		
Property, plant and equipment	40,760	49,063
Intangibles	46,357	48,023
Prepayments	364	266
Total more than 12 months	87,481	97,352
Total assets	156,788	181,289
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	6,401	5,786
Other payables	6,650	4,235
Leases	8,101	7,643
Employee provisions	17,467	27,934
Other provisions	81	-
Total no more than 12 months	38,699	45,598
More than 12 months		
Leases	19,364	28,211
Employee provisions	28,333	27,880
Other provisions	9,076	8,172
Total more than 12 months	56,774	64,263
Total liabilities	95,473	109,861

8.2B : Administered - current/non-current distinction for assets and liabilities

	2023 \$'000	2022 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	970	970
Receivables	1,712	8
Total no more than 12 months	2,682	978
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	4,879	3,175
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 132	Alphabetical index	Mandatory
17AJ(c)	Page 3	Glossary of abbreviations and acronyms	Mandatory
17AJ(d)	Page 126	List of requirements	Mandatory
17AJ(e)	Page 135	Details of contact officer	Mandatory
17AJ(f)	Page 135	Entity's website address	Mandatory
17AJ(g)	Page 135	Electronic address of report	Mandatory
17AD(a)	Review by accountable authority		
17AD(a)	Chapter 1	A review by the accountable authority of the entity.	Mandatory
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	Chapter 2	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	Chapter 2	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	Chapter 3	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	Chapter 3	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	Chapter 5	Name of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(ii)	Chapter 5	Position title of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(iii)	Chapter 5	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		

PGPA Rule Reference	Part of Report	Description	Requirement
	Annual performance Statements		
17AD(c)(i); 16F	Chapter 3	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 4, 5, 6	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	Chapter 5	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 5	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	Chapter 5	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	Chapter 5	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 5	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 4	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 5	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 4	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	Chapter 4	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	Chapter 4	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	Chapter 4	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	Chapter 4	The remuneration of each member of the entity's audit committee.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
External Scrutiny			
17AG(3)	Chapter 1, 3, 5	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	Chapter 5	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 5	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 5	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 4	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	Chapter 5	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 5	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 4	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

PGPA Rule Reference	Part of Report	Description	Requirement
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 5	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory
	Reportable consultancy contracts		
17AG(7)(a)	Chapter 5	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 5	A statement that “ <i>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].</i> ”	Mandatory
17AG(7)(c)	Chapter 5	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 5	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 5	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 5	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 5	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
	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 5	A statement that "[Name of entity] 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 5	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	Chapter 5	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that "[Name of entity] 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		
17AD(e)	Chapter 6	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
	Executive Remuneration		
17AD(da)	Chapter 5	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 "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."	If applicable, Mandatory
17AH(1)(a)(ii)	Chapter 5	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	Chapter 5	A statement that "Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."	If applicable, Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AH(1)(c)	Chapter 4	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	Chapter 5	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 5	Information required by other legislation	Mandatory

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