

27 February 2024

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

Dear Sir/Madam

## **Deloitte response to consultation on *Superannuation prudential framework – consequential audit updates***

Deloitte is pleased to respond to Australian Prudential Regulation Authority ('APRA') consultation: Superannuation prudential framework – consequential audit updates.

We note the updates are largely minor and consequential amendments as a result of legislative reforms in relation to the financial reporting and audit requirements for superannuation. Whilst we are comfortable with most of the proposed amendments, we have identified some issues in relation to the proposed amendments to *Prudential Standard SPS 310 Audit and related Matters* (SPS 310) which are discussed below:

**Application and commencement** – Paragraph 3 states that the amended prudential standard commences on 30 June 2024. It will therefore apply to the 2024 financial year. Audit firms have already been engaged by their clients for financial year 2024 and the scope of their work includes reasonable assurance over specified legislative provisions as set out in the Approved Audit Form (2022 – 2023). We therefore recommend the commencement date be deferred to 1 July 2024 and that the reasonable assurance scope defined in the Approved Audit Form continues to apply for the 2024 financial year.

**Responsibilities of the RSE auditor - reporting** – Paragraph 20(a)(ii) states the auditor's report must provide reasonable assurance addressing compliance with provisions of RSE licensee law and any additional conditions APRA has imposed on the RSE licensee under section 29EA of the SIS Act. The proposal to require the RSE auditor to opine more broadly on compliance with RSE licensee law is one area that we do not support. In our view it is impractical to provide reasonable assurance over compliance with RSE licensee law given the extensive number of regulatory requirements imposed on RSE licensees.

We highlight that the current limited assurance scope already requires RSE auditors to conclude on systems, processes, and controls over prudential requirements. Prudential requirements in turn require compliance with RSE licensee law. Consequently, the current limited assurance scope already includes consideration of compliance with RSE licensee law. This aligns with the limited assurance scope for other APRA regulated industries (ADI's and Insurers). In contrast, the reasonable assurance scope over compliance with legislative provisions is not consistent with other APRA regulated industries in that those APRA regulated industries are not subject to reasonable assurance audits over compliance with relevant laws.

We therefore recommend that the paragraph 20(a)(ii) requirement be removed with no reasonable assurance over legislated provisions required.

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If the requirement to provide reasonable assurance over legislative provisions is retained, we recommend that the current practice of specifying legislative provisions be continued and that APRA consult with auditors and RSE licensees to determine the appropriate scope of work having regard to the skill sets and training of audit practitioners. The legislative provisions subject to audit can be set out in an appendix to SPS 310.

**Responsibilities of the RSE auditor – reporting** – Paragraph 20 states that the auditor’s report must be prepared by the RSE auditor. Under SIS Act 35AC the RSE may only have one auditor and the auditor must be the same auditor that is appointed under Chapter 2M of the Corporations Act.

The current requirement within the law for an RSE to have only one auditor contrasts with APRA’s guidance within *SPS 310 – Audit and Related Matters* (SPG 310) which indicates that different RSE auditors may be engaged for different components of the audit of the RSE.

This is of particular importance where a RSE licensee has multiple RSEs with different auditors and to avoid duplication of effort a single auditor is engaged to review the RSE licensee’s systems, procedures and internal controls over prudential requirements and compliance with the risk management framework (RMF). Paragraph 8 of SPG 310 specifically allows for this and states “Where an RSE licensee has multiple RSEs within its business operations, the RSE licensee’s systems, procedures, internal controls and the risk management framework may be applied across all of the RSEs. In such cases, APRA considers that a single audit of the RSE licensee’s systems, procedures and internal controls and compliance with the risk management framework would be appropriate”.

In our view Paragraph 20 of the proposed standard should be amended to continue to enable an auditor other than the RSE auditor to perform the reviews required over the systems, procedures and controls over prudential requirements and compliance with the RMF.

**Obligations of RSE licensees – auditor appointment** - Paragraph 8(b) requires the RSE licensee to set out in the terms of engagement that the RSE auditor is required to advise APRA in writing of any inconsistency between the relevant AUASB standards and guidance and the requirements of SPS 310. We note that a similar requirement is not in place for other APRA regulated industries.

In practice we expect that the AUASB and APRA will be aware of any inconsistencies between AUASB standards and guidance and SPS 310 and therefore written notification from auditors is not required. Where this is not the case the Superannuation National Audit Consultive Committee is an appropriate forum for auditors to raise any inconsistencies.

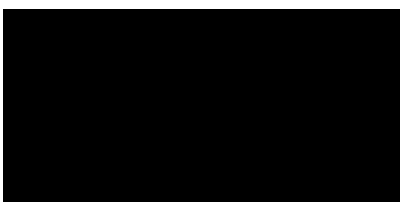
We therefore recommend that the paragraph 8(b) requirement for auditors to advise APRA in writing of any inconsistency be removed.

Further, in relation to Guidance Statement GS002 *Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities*, as it is a source of valuable guidance to auditors it will require updating and we recommend that AUASB and APRA work together to ensure it reflects the amended SPS 310.

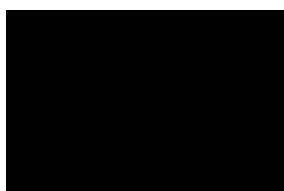
In our view *SPG 310 – Audit and Related Matters* also provides valuable guidance to audit practitioners and RSE licensees and we would recommend updating and retaining this guidance.

Please contact [REDACTED] at [REDACTED] or [REDACTED] at [REDACTED] if you wish to discuss any of our comments.

Yours sincerely



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