

18 October 2013

Mr Neil Grummitt  
General Manager, Policy Development  
Policy, Research and Statistics  
Australian Prudential Regulation Authority  
GPO Box 9836  
SYDNEY NSW 2001  
Email: [superannuation.policy@apra.gov.au](mailto:superannuation.policy@apra.gov.au)

Dear Mr Grummitt,

**Re: Draft Prudential Practice Guide SPG 310 Audit and Related Matters**

*The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.*

AIST welcomes the opportunity to make these comments on the draft SPG (the numbering below relates to the numbered paragraphs in SPG 310), and looks forward to being able to discuss them further with APRA.

AIST supports the publication of prudential practice guides by APRA that support but do not extend or modify legally enforceable requirements on RSE licensees.

1. These APRA requirements overwhelmingly fall on RSE licensees rather than on other providers (although of course other providers are often subject to other regulations and control). In reality however, the terms of engagement for the audit is typically prepared by the RSE auditor. The letter of engagement for the audit should therefore identify all of the relevant provisions of the SIS Act that are subject to the audit, and assume responsibility for them.

In the fulfillment of these requirements, the licensee should be able to reasonably rely on the formal confirmation by their auditor that the auditor has fulfilled its obligations in accordance with the relevant prudential standards, regulations, legislation and the Auditing Assurance and Standards Board guidance statements. It should not be the responsibility of the RSE licensee therefore if the RSE auditor fails to meet these obligations if it has provided this confirmation.

3. APRA should therefore provide further guidance in SPG 310 on the minimum requirements for such confirmation. These requirements should not involve replicating the audit, but should include some acceptance of sign-offs and other documentation produced in the course of the audit by the auditor. Obtaining confirmation at this level should therefore meet the requirements of SPS 310 and other relevant prudential standards.

6. AIST does not agree with the proposed manner by which an RSE licensee is to ensure that its RSE auditor satisfies fitness and propriety requirements. The fit and proper requirements detailed in SPS 310 and SPS 520 are appropriately detailed and rigorous. It seems inconsistent with these requirements to only suggest reviewing APRA's disqualification register and making general enquiries. The guidance provided by SPG 310 should be to the same level of rigor.

AIST recommends that SPG 310 be amended to state that a prudent trustee should obtain a formal statement from their RSE auditor that they satisfy fitness and propriety requirements, and that they be able to attest they have checked the auditor's meeting of the criteria specified in SPS 310 and SPS 520, and have checked APRA's disqualification register.

13. AIST recommends that this paragraph be extended and amended to make it clear that, following a change in RSE licensee, the new RSE licensee is *not* responsible for the entity prior to the change, including in relation to compliance and the completion of the audit report for the entity for the prior entity. It is reasonable to require the new RSE licensee to be "*reasonably informed*" about compliance by the previous RSE licensee but it may not be possible for it to be "*fully informed*".

20. AIST considers that the scope of this paragraph is too broad and undifferentiated. For example, an instance of non-compliance may have already been identified by the RSE licensee and reported to APRA. It may also have been resolved. Therefore, in this example, it makes sense that the auditor checks with the RSE licensee in the first instance to establish if this is the case, and then be required to report it if it has not. This requirement should also be subject to some materiality threshold.

As you would be aware, AIST has also been actively involved in industry discussions with APRA, ASIC and Treasury concerning the application of sections 29QB and 29QC of the SIS Act. These, and a number of other requirements, are also regulated by ASIC. We therefore recommend that SPG 310 be expanded to include ASIC's audit requirements, and that such requirements be consistent with those of APRA.

If you have any further questions regarding this submission, please contact David Haynes, Executive Manager, Policy & Research on 03 8677 3803 or at [dhaynes@aist.asn.au](mailto:dhaynes@aist.asn.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', is written over a light blue horizontal line.

Tom Garcia  
**Chief Executive Officer**