

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE APRA ANNUAL REPORT 2019

#### APRA18QON:

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**CHAIR:** How about I reword the question: can you provide, for the last five years, as part of your supervision inquiry, an investigation on pricing around unlisted assets?

**Mr Byres:** We can give you a description of what we have done.

**CHAIR:** Over the past five years?

**Mr Byres:** Yes.

**CHAIR:** That would be helpful.

#### Answer:

SPG 531 *Valuation* provides APRA's regulatory guidance on superannuation funds' valuation frameworks, including unlisted assets.

Over the past five (5) years, APRA's ongoing supervision has included conducting on-site reviews to assess the adequacy of the trustees' investment governance frameworks, one area of which is the valuation framework. These valuation framework reviews focus on unlisted asset valuations and encompass the key areas outlined under SPG 531, which includes an assessment of the adequacy of the following:

- valuation policy
- reasonableness of valuation methodologies
- independence of valuations, including the use of independent external valuation
- valuation checks
- frequency of valuation
- audit reviews
- oversight and review of valuations, including protocols for resolving valuation issues
- review of valuation policy.

Our valuation framework reviews result in APRA issuing requirements or recommendations to be addressed where the need for improvement in practices was identified.

During the period 2015-2019, APRA's specialist Investment Risk team was involved in assessing unlisted asset valuation issues as part of investment governance reviews performed for 17 superannuation entities.

Key themes of review findings included:

- The need for improvement in the valuation policy and control framework. For example,

closer alignment of the policy with SPG 531 and clarification of the scope/coverage of the framework.

- Additional assurance needed around the robustness of the unlisted asset valuations.
- Valuation monitoring considerations:
  - Suitability of revaluation cycles and triggers
  - Review of external valuations
  - Escalation processes in the event of disputes or other issues
  - Identification and rectification of valuation control issues and mitigants against member arbitrage.