

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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23 December 2021

Committee Secretary

Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity
PO Box 6100
Parliament House
Canberra ACT 2600

By email: aclei.committee@aph.gov.au

Dear Secretary

Thank you for your invitation on behalf of the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity (Committee) to make a submission to the inquiry into the expansion of the Australian Commission for Law Enforcement Integrity's (ACLEI) jurisdiction and the corruption vulnerabilities of law enforcement agencies' contracted services.

To assist the Committee's work, our submission provides context on how the Australian Prudential Regulation Authority (APRA) works with ACLEI and how APRA manages corruption vulnerabilities with respect to external service providers.

Annex A explains APRA's mandate and objectives in more detail, providing context relevant to the inquiry's Terms of Reference.

APRA has and will continue to work closely with ACLEI as it will assist APRA's efforts to enhance its integrity framework.

Yours sincerely,

A large black rectangular box redacting the signature of Renée Roberts.

Renée Roberts
Executive Director
Policy and Advice Division

ANNEX A

APRA's mandate

APRA is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian Parliament. APRA's mandate is to protect the Australian community by establishing and enforcing prudential standards and practices designed to ensure that under all reasonable circumstances, financial promises made by the institutions APRA supervises are met within a stable, efficient and competitive financial system.

Enforcement

APRA's regulates financial entities in accordance with the prudential laws of the Commonwealth, setting prudential standards for those entities, monitoring compliance with those laws and standards through day-to-day supervision, and intervening early to resolve issues. APRA is a forward-looking regulator that seeks to identify prudential risks proactively and take appropriate action.

In seeking to deliver on its mandate, APRA has a range of enforcement and non-formal tools available. Much of APRA's work is achieved through supervisory activity, using non-formal approaches and working cooperatively with entities to identify and rectify issues before they threaten the ability of an entity to meet its financial promises. APRA adopts a 'constructively tough' approach to enforcement action to deliver its prudential mandate when appropriate and will use enforcement to prevent and address serious prudential risks and to hold entities and individuals to account.

Working with ACLEI

Since 1 January 2021, ACLEI's jurisdiction has been expanded to include a total of nine law enforcement agencies including APRA. Under the *Law Enforcement Integrity Commissioner Act 2006* (LEIC Act), APRA falls within ACLEI's jurisdiction insofar as the corrupt conduct relates to the performance of APRA's law enforcement function.

APRA has been working closely with ACLEI prior to and since coming into its jurisdiction to develop and maintain an effective relationship. APRA continues to engage with ACLEI through regular liaison meetings through all levels of the organisation.

APRA takes corruption seriously, and acknowledges that a key part in addressing corruption is preventing such conduct from occurring. APRA has benefited and gained useful insights from the work of ACLEI, and more specifically ACLEI's Corruption Prevention team, including:

- attending ACLEI's quarterly community of practice meetings with other agencies in ACLEI's jurisdiction, with each meeting focused on a corruption theme;
- liaising with ACLEI about potential training for APRA staff members about corruption prevention; and
- the various materials developed by ACLEI to assist the agencies within its jurisdiction in understanding their obligations under the LEIC Act and corruption more broadly.

Managing corruption vulnerabilities

APRA manages corruption vulnerabilities across all business functions, not just those that relate to the performance of APRA's law enforcement function.

APRA has an established Enterprise Risk Framework which aligns with Commonwealth Risk Management Policy guidance. The framework at APRA includes individual accountability, governance committees (including a committee for enforcement) and the three lines of defence structure. Employees are required to continuously monitor and report potential conflicts as they arise (including potential conflicts with regulated entities). Management and mitigation of APRA's enterprise risks led by APRA's Executive Directors and is overseen by APRA's Executive Board Risk Committee (EBRC). The EBRC ensures an effective risk management framework is in place and monitors APRA's risk profile and associated controls, and responses to address risk and audit actions (including progress against remediation plans).

Key elements of APRA's Enterprise Risk Framework most relevant to corruption prevention, detection and response include:

- the Conflict of Interest Framework;
- Fraud Control Policy and Procedures supported by internal and external reporting avenues;
- External complaint mechanisms to APRA;
- Policies addressing Risk Management, Compliance, Enterprise Risk, Code of Conduct and Security;
- Internal and external avenues to raise potential corruption matters, including Public Interest Disclosures from public officials;
- Whistleblower arrangements for members of the public;
- Baseline security vetting by the Australian Government Security Vetting Agency which includes contractors;
- Procurement processes and controls; and
- A system (the Enterprise Risk Information Compliance Accountability 'ERICA') for the recording, monitoring and reporting of its key enterprise risks, controls, reportable incidents, compliance obligations and associated tasks.

APRA is cognisant of corruption vulnerabilities that may exist from the contracting of services or functions by law enforcement agencies to external service providers. Accordingly, APRA meets all requirements associated with the Commonwealth procurement rules.

As noted above, much of APRA's activities are achieved without reference to enforcement actions. However, where APRA does take enforcement action, the main types of contractual services that APRA obtains are:

- legal services, and specifically external legal firms from the Australian Government legal services panel, the Australian Government Solicitor and/or external counsel engaged in accordance with the *Legal Services Directions 2017*;
- specialist accounting and consultancy firms; and
- information technology and printing services.