

Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 237

(Supplementary to Submission Nos. 23, 73, 88, 90, 95, 109, 121, 197, 216, 225, 232, 233)

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Ms Sue Morton
Committee Secretary
Senate Select Committee on Superannuation and Financial Services
Parliament House
CANBERRA ACT 2600

Dear Ms Morton

QUESTIONS ON NOTICE ARISING OUT OF PUBLIC HEARINGS IN JUNE 2001

Thank you for your letter of 29 June 2001.

Attached is a revision of APRA's response to the Committee's question about approved auditors. Please replace the existing pages 34 and 35 attached to my letter of 13 July 2001.

Yours sincerely

Thea Rosenbaum
Company Secretary

6: Approved auditors

Superannuation Industry (Supervision) Act 1993

In respect of each year of income, the financial statements and accounts of a superannuation entity must be audited by an approved auditor who is required to give a report in the approved form to the trustee of the entity within the prescribed time as outlined in the SIS legislation. (Section 113 of the SIS Act).

In addition to the normal audit of the entity's financial position, the approved auditor of a superannuation entity must undertake a mandatory compliance audit of the entity. (Sub section 113(3)(b) of the SIS Act) The auditor must form an opinion on a fund's compliance with specific provisions of the SIS legislation.

APRA does not appoint an auditor, nor is approval sought or required from APRA, prior to a trustee appointing an auditor. Each trustee is required to appoint an auditor and it is the trustee's responsibility to ensure the auditor is appropriately qualified (ie an approved auditor).

To become an approved auditor, a person must be a registered auditor under the Corporations Law, which requires membership of a professional accounting organisation and a minimum of three years company auditing experience. SIS Schedule 1AAA indicates that the auditor must be a member of either the Australian Society of Certified Practising Accountants (CPA), the Institute of Chartered Accountants in Australia (ICAA), the National Institute of Accountants (NIA) or the Association of Taxation and Management Accountants (ATMA). An auditor can alternatively be a fellow of the National Tax and Accountants Association.

For all funds, excluding Self Managed Superannuation Funds, this means an approved auditor has been registered by ASIC and is a member (or fellow) of the above listed professional bodies.

While the legislation does not explicitly require specific superannuation experience, the professional standards of the accredited accounting bodies (eg, ICAA, CPA, NIA, ATMA) require that before their members undertake any work, they must ensure that they have relevant expertise in the area. By prescribing the mandatory membership requirement, the legislation implicitly imposes appropriate expertise.

In the course of prudential reviews undertaken by APRA, where significant issues arise in respect of the quality of financial or compliance audit, APRA (and its predecessor ISC) has the practice of considering whether there is any evidence of lack of sufficient industry expertise, and where this is the case, recommend that the auditor undertake appropriate training. There has been cooperation with professional bodies in delivering such training in the past. Such training is considered as an option before APRA would contemplate disciplinary action (reference to professional association or disqualification).

A person may be disqualified from being an approved auditor by APRA if the person has failed to perform their duties and functions adequately.

Trustees are required to enter details of the auditor appointed on the APRA annual return; in addition auditors supply a copy of the audit report to APRA. From this information APRA can match details to ensure disqualified auditors do not undertake any further fund audits.

Reporting Concerns to the Regulator

If an auditor considers that a contravention of the SIS legislation may have occurred, the auditor must inform the trustee in writing of the matter. If the trustee fails to comply with the auditor's request, or the auditor is dissatisfied with the action taken by the trustee, the auditor is required to provide a written report to the Regulator. (Section 129 of the SIS Act).

A similar notification obligation arises if the auditor forms the opinion that the financial position of the superannuation entity may be, or may be about to become unsatisfactory. (Section 130 of the SIS Act).

Under sections 129 and 130 of the SIS Act, it is possible that APRA may not learn from an auditor about a possible contravention of the Act or the regulations or about a possible unsatisfactory financial position until after the trustee has been given an opportunity to deal with the matter.