

GS 002

(May 2026)

Guidance Statement GS 002
*Audit Implications of Prudential Reporting
Requirements for Registrable
Superannuation Entities*

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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Important Note

Guidance Statements are developed and issued by the AUASB to provide guidance to auditors and assurance practitioners on the application of AUASB Standards and, where relevant, legislation, regulation or other authoritative publication, to assist auditors and assurance providers to comply with Standards. Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard or standards of general application to particular circumstances or specialised industries/sectors.

Guidance Statements are designed to provide guidance to auditors and assurance practitioners to achieve the objective(s) of the audit or other assurance engagement. Accordingly, Guidance Statements refer to, and are written in the context of, a specific AUASB Standard(s); and, where relevant, legislation, regulation or other authoritative publication. Guidance Statements are not aimed at providing guidance covering all aspects of the audit or other assurance engagement.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 002 *Audit Implications of Prudential Reporting Requirements for Registrable Superannuation Entities* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

This Guidance Statement does not prescribe or create new requirements.

Dated: 21 May 2026

D Niven
Chair - AUASB

GUIDANCE STATEMENT GS 002

Audit Implications of Prudential Reporting Requirements for Registrable Superannuation Entities

Application

1. This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors of Registrable Superannuation Entities (RSEs), reporting pursuant to the prudential reporting requirements specified by APRA in its Superannuation Prudential Standard SPS 310 *Audit and Related Matters* (June 2024) (SPS 310).

Issuance Date

2. This Guidance Statement is issued on 21 May 2026 by the AUASB and replaces GS 002 *Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities* issued in January 2014.

Introduction

3. Under the *Superannuation Industry (Supervision) Act 1993* (SIS Act), APRA is responsible for the prudential supervision and monitoring of prudential matters relating to all RSEs in order to protect the interests of members and beneficiaries or prospective members.
4. APRA formulates, promulgates and enforces prudential policy and practice through Superannuation Prudential Standards (SPSs). In addition, APRA may also issue non enforceable Superannuation Prudential Practice Guides (SPGs) and other guidelines, to assist RSEs in complying with the requirements in its Prudential Standards and, more generally, to outline prudent practices in relation to certain elements of the RSEs operations.¹
5. The RSE auditor is required to report pursuant to the prudential reporting requirements specified by APRA in SPS 310 paragraph 22 as outlined below:
 - (a) reasonable assurance addressing:
 - (i) the information, relating to each RSE, required under the reporting standards made by APRA under the *Financial Sector (Collection of Data) Act 2001* (FSCOD Act) that are identified in Attachment A to SPS 310 as requiring reasonable assurance; and
 - (ii) compliance with the legislative provisions that are identified in Attachment B to SPS 310 and any additional conditions APRA has imposed on the RSE licensee's RSE licence under section 29EA of the SIS Act; and
 - (iii) the annual financial statements for each RSE that is a small APRA fund (SAF), prepared in accordance with relevant Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB).
 - (b) limited assurance addressing:
 - (i) the information, relating to each RSE, required under the reporting standards made by APRA under the FSCOD Act that are identified in Attachment A to SPS 310 as requiring limited assurance;
 - (ii) the RSE licensee's systems, procedures and internal controls that are designed to ensure that the RSE licensee has complied with all applicable

¹ Access to APRA Prudential Standards, Prudential Practice Guides and legislation relevant to RSEs is available on APRA's website (www.apra.gov.au)

prudential requirements, has provided reliable data to APRA as required under the reporting standards made under the FSCOD Act, and has operated effectively throughout the year of income; and

- (iii) the RSE licensee's compliance with its Risk Management Framework (RMF).²
6. This Guidance Statement provides guidance for each element of the assurance engagements under SPS 310, other than the audit of small APRA fund financial reports. This Guidance Statement does not focus on the audit of the financial report of the RSE under Chapter 2M of the *Corporations Act 2001* (Corps Act), for which mandatory requirements and explanatory guidance are provided in the Australian Auditing Standards. However, the auditor should ensure that the information required by APRA reporting forms SRF 320.0 and SRF 330.0 is consistent with those audited financial reports. Appendix 1 also outlines industry specific matters that may be considered by the auditor as part of their risk identification and assessment for audits of RSE financial reports under Chapter 2M of the Corps Act and the audit of small APRA funds and individual member approved deposit funds under SPS 310.
7. In addition to the legislative and regulatory requirements imposed on RSE auditors, relevant AUASB Standards apply to engagements under the prudential standards. This Guidance Statement has been developed to clarify how the RSE auditor meets their regulatory obligations whilst also applying the requirements of:
- (a) *ASA 805 Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, when conducting assurance engagements on subject matters of a single financial statement and specific elements, accounts or items of a financial statement, which includes assurance engagements under SPS 310 paragraph 22(a)(i).
 - (b) *ASAE 3100 Compliance Engagements*, when conducting assurance engagements regarding compliance with legislative or regulatory requirements as outlined under SPS 310 paragraph 22(a)(ii) and (iii).
 - (c) *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*, when conducting assurance engagements on specific elements, components, accounts or items of a historical financial report, which includes assurance engagements as outlined under SPS 310 paragraph 22(b)(i).
 - (d) *ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information*, when conducting assurance engagements on subject matters other than historical financial information or sustainability information, which includes assurance engagements as outlined under SPS 310 paragraphs 22(a)(ii), 22(b) (ii), (iii).
 - (e) *ASAE 3150 Assurance Engagements on Controls*, when conducting assurance engagements regarding compliance with systems, procedures and internal controls as outlined under SPS 310 paragraph 22(b)(ii).

Definitions

8. For the purposes of this Guidance Statement, the following items have the meanings attributed below:
- (a) **APRA Reporting Form** means a form used for the collection and reporting of information in relation to the RSE licensee, as required to be provided to APRA by the RSE licensee in accordance with APRA Reporting Standards made under the *Financial Sector (Collection of Data) 2001* (FSCOD Act).

² Refer to Prudential Standard SPS 220 *Risk Management* for the requirement for the RSE licensee to have a risk management framework.

- (b) Assurance engagement means an engagement in which the RSE auditor aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).
- (c) Internal control is defined in ASAE 3150 and generally encompasses the following components:
 - (i) the control environment;
 - (ii) the RSE licensee's risk assessment process;
 - (iii) information systems, including the related business processes, relevant to financial and prudential reporting, and communication;
 - (iv) control activities; and
 - (v) monitoring of controls.

The way in which internal control is designed and implemented varies depending on the RSE licensee's size and complexity.

- (d) RSE auditor means an independent auditor appointed by the RSE licensee under the Corps Act. The RSE auditor can be an individual RSE auditor, an RSE audit firm or an RSE audit company. An RSE can only have one auditor (s324AA(2) of the Corps Act) and the individual auditor or lead auditor must be a registered company auditor (s324BA and s324AF of the Corps Act).
- (e) Limited assurance, is defined in accordance with the AUASB's *Framework for Assurance Engagements*.
- (f) Prudential requirements include requirements imposed by the:
 - (i) SIS Act;
 - (ii) *Superannuation Industry (Supervision) Regulations 1994*;
 - (iii) prudential standards made under the SIS Act;
 - (iv) reporting standards;
 - (v) reporting standards made under the FSCOD Act;
 - (vi) conditions on the RSE licensee's licence; and
 - (vii) any other requirements imposed by APRA in writing.
- (g) Reasonable assurance is defined in accordance with the AUASB's *Framework for Assurance Engagements*.
- (h) RSE under section 10(1) of the SIS Act means:
 - (i) a regulated superannuation fund; or
 - (ii) an approved deposit fund; or
 - (iii) a pooled superannuation trust;but does not include a self-managed superannuation fund.

Communication with APRA

9. Under Prudential Standard SPS 510 *Governance*, the RSE licensee is required to ensure that its internal policy and contractual arrangements do not explicitly or implicitly restrict or discourage auditors (or other parties) from communicating with APRA.
10. Under section 130A of the SIS Act, the RSE auditor may give to APRA information about the entity or a trustee of the entity obtained in the course of, or in connection with the performance of the audit, if the RSE auditor considers that giving the information will assist APRA in performing its functions under the SIS Act, regulations, prudential standards, FSCOD Act or the *Financial Accountability Regime Act 2023*.

APRA Prudential Requirements

Obligations of RSE Licensees

Auditor's Reports

11. The RSE licensee is required to submit to APRA or ASIC all reports required to be prepared by the RSE auditor in accordance with the prudential requirements and within the time specified in SPS 310.
12. Subject to paragraph 13 below, where the RSE licensee has more than one RSE within its business operations, the RSE licensee must ensure that the RSE auditor completes a separate auditor's report for each RSE.
13. Where the RSE licensee's business operations include one or more SAFs, the RSE licensee may engage the RSE auditor to prepare a single auditor's report covering some or all of those SAFs, provided that the RSE meets the requirements as set out in SPS 310 in relation to:
 - (a) its Risk Management Strategy (RMS);
 - (b) each SAF being individually audited;
 - (c) whether the RSE auditor's report is unmodified; and
 - (d) confirming the RSE licensee provides APRA with a listing of all SAFs covered by the single RSE auditor's report.

Responsibility to Keep Auditor Informed

14. Under paragraph 11 of SPS 310, the RSE licensee must use all reasonable endeavours to assist the RSE auditor in being fully informed of all APRA Prudential Requirements applicable to the RSE licensee. This may include the RSE licensee making the RSE auditor aware of any changes in the RSE licensee's business operations that may impact the scope of any assurance engagements under SPS 310.
15. Under paragraph 12 of SPS 310, the RSE licensee must ensure that the RSE auditor has access to all relevant data, information, reports and staff in respect of the RSE licensee's business operations, that the RSE auditor reasonably believes is necessary to fulfil their responsibilities. This includes access to the Board of the RSE licensee, including all relevant Committees that include the Board Audit Committee, Valuation Committee, and Risk Committees and the internal auditors where required.
16. In particular, the RSE licensee is required to provide the RSE auditor with access to their RMF documents, as outlined in SPS 220 *Risk Management*, including the annual Risk Management Declaration as approved and signed by Those Charged with Governance

(TCWG)³, and forwarded to APRA by the RSE licensee. In practice, this declaration may only be available immediately prior to the RSE auditor completing their audit.

17. Under section 35AB(1) of the SIS Act, the RSE auditor can request, in writing from the trustees of the RSE a document that is relevant to the preparation of their report. Each trustee of the RSE must ensure the document is given to the RSE auditor within 14 days of the request being made.
18. The RSE auditor outlines the RSE licensee's responsibilities to keep the RSE auditor informed clearly in the engagement letter⁴ and also requests management of the RSE licensee to sign an appropriate representation letter⁵ (refer paragraphs 122 and 123).

Risk Management Declaration

19. Under SPS 220, the RSE licensee is required to submit to APRA, at the same time as lodging the annual information under FSCOD Act, a declaration on risk management. This declaration includes but is not limited to, statements by the RSE licensee on:
 - (a) the reliability of financial information lodged with APRA;
 - (b) the adequacy of the systems in place to ensure compliance with APRA prudential requirements including the RMS;
 - (c) systems and resources being in place for managing and monitoring risks, and the RMF being appropriate to the RSE licensee's business operations;
 - (d) adequate reporting systems and internal controls supporting the preparation and reporting of accurate financial and statistical information to APRA; and
 - (e) the effectiveness of the RSE licensee's processes and systems surrounding the production of financial information.

Refer to SPS 220 Attachment A for further information in relation to the RSE licensee's Risk Management Declaration.

20. The RSE auditor is not required to form an opinion on the RSE licensee's Risk Management Declaration other than in the context of the RSE auditor's responsibility to express an opinion or a conclusion in accordance with the responsibilities and reporting requirements of SPS 310.

Those Who May Conduct the Reasonable and Limited Assurance Engagements

21. As outlined in paragraph 14 of SPS 310, the RSE licensee must ensure that an RSE audit firm or an RSE audit company:
 - (a) is not disqualified under section 130EA of the SIS Act; and
 - (b) satisfies the independence requirements in Prudential Standard SPS 510 on *Governance*.
22. As outlined in paragraph 13 of SPS 310, the RSE licensee must ensure that an individual RSE auditor or a lead auditor:
 - (a) is not disqualified under section 130D of the SIS Act;

³ An RSE licensee is a constitutional corporation, body corporate, or group of individual trustees, that hold an RSE licence granted by APRA under section 29D of the SIS Act. TCWG may therefore be the individual trustees or the directors of a corporation or body corporate.

⁴ The RSE auditor has regard to the requirements and guidance provided in ASA 210 *Agreeing the Terms of Audit Engagements* when completing the engagement letter.

⁵ The RSE auditor has regard to the requirements and guidance provided in ASA 580 *Written Representations* when requesting this letter.

- (b) satisfies the eligibility criteria in Prudential Standard SPS 520 *Fit and Proper* (SPS 520) as applicable to the RSE auditor;
- (c) is a fit and proper person in accordance with the RSE licensee's Fit and Proper Policy as required by SPS 520; and
- (d) satisfies the auditor independence requirements in SPS 510.

As such, the RSE auditor will need to provide information to the RSE licensee to assist the RSE licensee to adhere to this requirement.

Role and Responsibilities of the RSE Auditor

23. The role and responsibilities of the RSE auditor under SPS 310 will include at a minimum, reporting in an auditor's report:
- (a) a reasonable assurance opinion on the requirements in SPS 310 paragraph 22(a)(i), (ii) and (iii); and
 - (b) a limited assurance conclusion on the requirements in SPS 310 paragraph 22(b)(i), (ii) and (iii).

These requirements are discussed in paragraph 5 of this Guidance Statement.

24. In addition, APRA may require in writing that the RSE auditor undertake a special purpose engagement in relation to a particular aspect of the RSE licensee's business operations, compliance with prudential requirements or RMF.
25. The RSE auditor also has certain obligations and responsibilities under Division 2 of Part 16 of the SIS Act to report to the RSE licensee and APRA in certain circumstances. Refer to paragraphs 38 and 39 of this Guidance Statement.
26. The RSE auditor is required to modify the opinion in their auditor's report for breaches of any provisions which, in the RSE auditor's professional judgement, are material. In forming an opinion as to whether a breach is material, the RSE auditor refers to relevant AUASB standards.
27. When preparing a report required under the SIS Act or SPS 310 (whether as part of a routine or special purpose engagement) the auditor must:
- (a) do so on the basis that APRA may rely upon the report in the performance of its functions under the SIS Act; and
 - (b) exercise independent judgement and not place sole reliance on work performed by APRA.
28. SPS 310 requires the RSE auditor to retain all working papers and other documentation in relation to an engagement under that Prudential Standard for a period of at least seven years after the end of year of income. APRA may require the RSE auditor to provide the working papers and other documentation to APRA.

Agreeing the Terms of Engagement

29. The RSE auditor and the RSE licensee agree on the terms for each discrete engagement as outlined under SPS 310, paragraph 22. Such terms may be detailed in one engagement letter or other suitable form of written contract. The RSE auditor has regard to ASA 210 *Agreeing the Terms of Audit Engagements* when agreeing the terms of the engagement with the RSE licensee.
30. While the appointment of the RSE auditor may cover more than one year of income, the RSE auditor should confirm the terms of the engagement annually.
31. The engagement letter should confirm that TCWG of the RSE licensee are aware of the RSE auditor's obligations referred to in SPS 310 and of the implications for confidentiality and

restriction of distribution of the auditor's report beyond those users for which the RSE auditor reports were primarily prepared being the RSE licensee and APRA. The engagement letter should refer to the responsibility of TCWG of the RSE licensee to establish and maintain effective internal controls to meet its APRA reporting requirements.

32. The engagement letter explains that any special purpose engagement of specific matters relating to the RSE licensee's business operations, compliance with prudential requirements or the RSE licensee's RMF, will constitute a separate engagement(s) that will be the subject of a separate engagement letter(s).

Planning the Annual Reporting Engagement

Materiality

33. The auditor considers materiality, in accordance with the requirements of AUASB Standards applicable to each section of the assurance engagement, when planning and performing the engagement. During the engagement the RSE auditor re-assesses materiality if matters come to their attention that indicate that the basis on which materiality was assessed has changed.

Reasonable and/or Limited Assurance on APRA Reporting Returns

34. In applying ASA 320, ASA 805, ASRE 2405 and ASAE 3150, as appropriate, to individual APRA reporting forms, the auditor has regard to the nature, purpose and use of the information included in each reporting form. The collection and analysis of data in specified reporting forms is a critical component of APRA's supervisory function. APRA collects data from RSEs (and other APRA-regulated entities) for a broad range of reasons some of which may include:
- (a) evaluating compliance with prudential requirements (e.g. meeting Operational Risk Financial Requirement (ORFR) target amounts and tolerance limit requirements);
 - (b) understanding the operations of the entity and the industry;
 - (c) identifying emerging issues in both the entity and the industry;
 - (d) passing on data to other government agencies; and
 - (e) providing information on the finance sector to research organisations and the general public.
35. The RSE auditor determines:
- (a) materiality for the report or application as a whole and, if appropriate, materiality for particular classes of accounts or disclosures, for assessing misstatements; and
 - (b) performance materiality, for assessing the risks of material misstatement and determining the nature, timing and extent of further procedures.
36. Materiality is to be addressed in the context of the RSE's objectives relevant to the particular prudential standards being examined and whether the internal controls will reduce to an acceptable level the risks that threaten achievement of those objectives. These objectives are developed having regard to the protection of the interests of the members and beneficiaries as a whole and prospective members of the RSE. AASB Practice Statement 2 *Making Materiality Judgements* may provide useful guidance to the RSE auditor with regard to matters likely to adversely affect the interests of members including relating to solvency and going concern assumptions.

Reasonable Assurance on Compliance

37. APRA expects the RSE auditor to consider each compliance requirement contained in paragraph 22(a)(ii) of SPS 310 individually when applying materiality considerations to form an audit opinion.

38. Where the RSE auditor identifies any instance whereby the requirements of paragraph 22(a)(ii) of SPS 310 or any other requirement of the law referred to in section 129 of the SIS Act has been contravened or is being contravened or is likely to be contravened, under the SIS Act the RSE auditor is required to communicate that non-compliance to a trustee of the RSE in writing. If the contravention may affect the interests of members or beneficiaries of the RSE, then the RSE auditor is required under the SIS Act to report that instance of non-compliance to APRA.⁶
39. Where the trustees of the RSE licensee are already aware of the matter or instance of non-compliance, the RSE auditor is not required under the SIS Act to report the matter or instance to a trustee of the RSE. The RSE auditor need not report the matter to APRA where the RSE auditor reasonably concludes that another RSE auditor or actuary has already appropriately communicated the non-compliance to APRA⁷.
40. Matters or instances of non-compliance under section 129 of the SIS Act refer not only to past and present matters or instances but also reasonably possible future matters or instances that the RSE auditor may become aware of whilst conducting an audit or review for which they are engaged during any year of income.
41. The RSE auditor exercises professional judgement in considering materiality appropriate to the RSE's circumstances, having regard to their obligations, the purpose and terms of the specific engagement, together with the size, business mix and complexity of the RSE's business operations.
42. When considering materiality in relation to compliance, both quantitative factors, that is the magnitude of the amounts, the period of time between the required time for compliance and actual fulfilment of the requirement, whether the matter is part of a systemic issue and qualitative factors, such as how the information will be used, are taken into account by the RSE auditor.

Limited Assurance on Internal Controls and Compliance

43. Material deficiencies in the design and implementation of controls and material deviations in the operating effectiveness of controls are those which could reasonably be expected to influence relevant decisions of the intended users.
44. In assessing materiality, the RSE auditor has regard to the measures the RSE licensee has adopted to ensure:
- (a) compliance with all applicable Prudential Requirements;
 - (b) reliable data is provided to APRA in all APRA Reporting Forms and as required under the reporting standards made under the FSCOD Act; and
 - (c) their operating effectiveness throughout the year of income.
45. ASAE 3100 and ASAE 3150 set out the requirements and provides guidance to the RSE auditor in applying materiality in the context of a compliance engagement and an assurance engagement on controls. ASAE 3150 requires the RSE auditor to reassess the materiality of the controls if matters come to their attention during the engagement which indicate that the basis on which the materiality of those controls was determined has changed.

Identifying and Assessing the Risks of Material Misstatement, Compliance Breach or deficiencies in Controls

46. When identifying and assessing risks of material misstatement, compliance breach or deficiencies in controls as a basis for designing and performing further assurance procedures, the RSE auditor does so at the reporting standard level or the individual compliance or

⁶ Refer to section 129 of the SIS Act.

⁷ Refer to section 129(3A)(b) of the SIS Act.

control requirement level, and for reasonable assurance engagements, also at the assertion level for material classes of transactions, accounts, disclosures or compliance matters.

47. Factors impacting the risk assessment for engagements under SPS 310 may include:
- (a) the reliability of the reporting systems;
 - (b) the risk culture of the RSE licensee;
 - (c) the adequacy of systems and controls to identify, assess, manage, mitigate and monitor material risks;
 - (d) history of non-compliance by the RSE licensee;
 - (e) reported concerns regarding the RSE licensee as communicated by APRA;
 - (f) the estimation and uncertainty inherent in the measurement methodologies applied by the RSE licensee with respect to aspects such as valuation of assets, expenses and revenue from superannuation activities;
 - (g) any bias inherent in the measurement methodologies adopted by the RSE;
 - (h) level of change in the RSE licensee's business operations or environment.

Overall Responses to Assessed Risks of Material Misstatement and Further Procedures

48. The RSE auditor designs and performs further assurance procedures which are responsive to assessed risks of material misstatement or material compliance breach or control deficiency. The assurance procedures performed on any particular engagement are a matter of professional judgement and the nature, timing and extent of procedures will vary widely due to the different circumstances of each engagement. The RSE auditor chooses a combination of assurance procedures, which may include: inspection, observation, confirmation, recalculation, re-performance, analytical procedures and enquiry. Irrespective of the assessed risks of material misstatement or material compliance breach, the RSE auditor designs and performs test of details for each material source of accounts, class of transaction, disclosures or compliance matter. In designing these tests the RSE auditor needs to consider the risks of material understatement, particularly with respect to immaterial amounts reported, or risk of material omission.

Work Effort for a Limited versus Reasonable Assurance Engagement

49. ASAE 3000 clearly differentiates between the work which is required to be conducted for limited versus reasonable assurance engagements. The nature, timing and extent of evidence gathering procedures which are conducted in any given circumstance is a matter of professional judgement and is determined in response to the RSE auditor's determination of materiality, the risk assessment and the results of the procedures conducted in response to assessed risks. As the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the RSE auditor will perform will vary in nature and timing from and will be less in extent than for a reasonable assurance engagement. In a limited assurance engagement procedures primarily involve enquiries and analytical procedures and less emphasis on tests of controls.
50. Although procedures in a limited assurance engagement will be more limited in nature, timing and extent than for a reasonable assurance engagement, ASAE 3000, ASAE 3100⁸ and ASAE 3150 require additional procedures to be conducted if the RSE auditor becomes aware of a matter which causes them to believe the subject matter may be materially misstated or there may be a material compliance breach, a material control deficiency or a material control deviation. The RSE auditor may conduct procedures more akin to a reasonable assurance engagement on this particular matter in order to satisfy themselves that

⁸ See ASAE 3100, paragraph 40.

either the subject matter is not likely to be materially misstated or non-compliant, or that there is not likely to be a material control deficiency or deviation.

51. In a reasonable assurance engagement, procedures will include tests of controls as well as tests of detail. When conducting a reasonable assurance engagement, if the RSE auditor is able to obtain evidence that the controls they wish to rely on are operating effectively, then the nature, timing and extent of tests of details may be reduced or modified. If reliance is to be placed on the operating effectiveness of controls throughout the period, then testing will need to cover that period. Alternatively, if the identified controls are not operating effectively, then the nature, timing or extent of tests of details will need to be increased or modified.

Understanding the Entity and its Environment

52. ASA 805, ASA 315, ASRE 2405, ASAE 3000, ASAE 3100⁹ and ASAE 3150 require the RSE auditor to obtain an understanding of the entity and its environment and identify and assess the risk of material misstatement or compliance breach in order to plan the engagement. In gaining this understanding, the RSE auditor can draw on knowledge gained as part of the annual financial statement audit¹⁰, however this understanding would need to be updated¹¹ and broadened to meet the requirements of an SPS 310 engagement. ASAE 3100¹² provides a list of matters to be considered by the RSE auditor in understanding the entity and the compliance framework. It is likely the RSE auditor will conduct the following procedures in obtaining that increased understanding and assessing risk: enquiries, analytical procedures and observation and inspection.
53. For a limited assurance engagement, the RSE auditor does not normally develop the depth of understanding of internal controls as is required in a reasonable assurance engagement and so gaining that understanding may be limited to enquiries.
54. The assessment of risk is directed at identifying those risks that may result in either the subject matter being materially misstated, or, for a compliance engagement, the existence of material breaches of the relevant requirements.

Considerations relating to the RSE Licensee using a service organisation

55. In auditing the RSE licensee, it is likely that the RSE auditor will consider service organisations providing services to the RSE licensee such as administration and custody. Such organisations typically provide Type 1 or Type 2 service organisation auditor's report under ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation*.
56. In accordance with ASA 402 and ASA 315, the RSE auditor would obtain an understanding of the following, including the relevant requirements of CPS 230 *Operational Risk Management*:
- (a) the nature of the services provided by the service organisation and the significance of those services to the RSE licensee, including the effect thereof on the RSE licensee's internal controls;
 - (b) the nature and materiality of the transactions processed, or accounts or financial reporting processes affected by the service organisation;
 - (c) the degree of interaction between the activities of the service organisation and those of the RSE licensee;

⁹ See ASAE 3100, paragraph 32.

¹⁰ See ASA 805, paragraphs 7-8.

¹¹ See ASRE 2405, paragraphs 26-27.

¹² See ASAE 3100, paragraph A30.

- (d) the nature of the relationship between the RSE licensee and the service organisation, including the relevant contractual terms for the activities undertaken by the service organisation; and
 - (e) the design and implementation of relevant controls at the RSE licensee that relate to the services provided by the service organisation, including those that are applied to the transactions processed by the service organisation.
57. Where audit evidence over relevant assertions is to be obtained from either a Type 1 or Type 2 service organisation auditor's report under ASA 402, the RSE auditor needs to:
- (a) evaluate the service auditor's professional competence and independence from the service organisation; and
 - (b) evaluate the adequacy of the standards under which the Type 1 or 2 service auditor's report is to be/was issued.
58. Where audit evidence relating to controls design, implementation and operating effectiveness is to be obtained from either a Type 1 or Type 2 service organisation auditor's report under ASA 402, the RSE auditor needs to:
- (a) determine whether complementary user entity controls identified by the service organisation are relevant to the RSE licensee; and
 - (b) to the extent they are relevant, obtain an understanding of whether the user entity has designed and implemented such controls and, if so, plan to test their operating effectiveness, as appropriate.

Internal Audit

59. SPS 510 requires the RSE to have in place an independent and adequately resourced internal audit function.¹³ SPS 510 and APRA Superannuation Prudential Practice Guide SPG 220 *Risk Management* set out the requirements and provide guidance to RSE licensees in relation to internal audit.
60. When the RSE auditor is considering the scope and work involved in assurance engagements under SPS 310, APRA expects the RSE auditor to consider the extent to which the work of the internal audit function is likely to be relevant in the context of the engagement. By analogy, Auditing Standard ASA 610 *Using the Work of Internal Auditors* sets out the requirements and provides guidance to the RSE auditor in considering the activities of the internal audit function and evaluating the effect, if any, on audit procedures. See also ASAE 3000 paragraph 55, ASAE 3100 paragraphs 37 and 38 and ASAE 3150 paragraphs 40 to 43 and 77 to 78.

Report on Reasonable Assurance Requirements by the RSE Auditor

Reporting Requirements

61. SPS 310 paragraph 22(a) states the RSE auditor's report at a minimum is required to provide:
- (a) reasonable assurance:
 - (i) on the APRA information required by reporting standards made under the FSCOD Act as outlined in Attachment A to SPS 310;
 - (ii) on compliance with the legislative provisions identified in Attachment B and any additional conditions APRA has imposed on the RSE licensee's RSE license under section 29EA of the SIS Act; and

¹³ Under SPS 510, APRA may approve alternative arrangements where APRA is satisfied that they will achieve the same objectives.

- (iii) on the annual financial statements of each RSE that is a SAF, prepared in accordance with relevant Australian Accounting Standards issued by the Australian Accounting Standards Board.

Reasonable Assurance on Historical Financial/APRA Reporting Forms (ASA 805)

62. In performing the reasonable assurance engagement on the APRA Reporting Forms of the RSE, the RSE auditor is required to comply with all Australian Auditing Standards relevant to a reasonable assurance engagement of other historical financial information, adapted as necessary in the circumstances of the engagement. In applying these standards, the auditor has regard to any special considerations identified in ASA 805 that may be relevant to the engagement.

Audit Evidence

63. The RSE auditor obtains sufficient appropriate audit evidence¹⁴ that includes:
- (a) obtaining an understanding of the specified APRA Reporting Forms and individual data items included in these returns (subject matter), the intended use of the information included in the returns by the intended users, and the prudential requirements applicable to the preparation and submission of the returns.
 - (b) obtaining an understanding of the RSE licensee's overall framework and interrelationships between prudential and reporting standards for managing risk including data risk and data quality.
 - (c) obtaining an understanding of the RSE licensee's system of internal control and the compliance function.
 - (d) evaluating the controls over the preparation and compilation of the APRA Reporting Forms.
 - (e) assessing the risk that information in the APRA Reporting Forms may be materially misstated.
 - (f) responding to assessed risks and determining the nature, timing and extent of further evidence gathering procedures.
 - (g) performing further evidence-gathering procedures clearly linked to the identified risks.
 - (h) evaluating the sufficiency and appropriateness of evidence.
64. The RSE auditor exercises professional judgement in determining the nature, timing and extent of reasonable assurance procedures to gather sufficient appropriate evidence on which to base the reasonable assurance opinion.
65. A controls-based assurance approach is often the most appropriate approach to adopt in these circumstances. However, where the RSE auditor determines that a material weakness exists in the RSE licensee's internal controls designed to ensure reliable data is provided to APRA in the APRA Reporting Forms, and/or where the RSE auditor makes a determination based on effectiveness and/or efficiency, a substantive approach may be more appropriate.
66. Reasonable assurance procedures for obtaining audit evidence include, but are not limited to, testing of specific controls aimed at ensuring the data in the APRA Reporting Forms is reliable and prepared in accordance with APRA Prudential Standards and Reporting Standards. Reasonable assurance procedures may include observation, inspection, confirmation, recalculation, re-performance, analytical procedures, enquiry, obtaining independent corroborating information, testing of controls over the compilation of the APRA

¹⁴ The concepts and discussions on evidence relevant to an audit engagement are contained in Auditing Standard ASA 500 *Audit Evidence*, and may be helpful in determining the evidence applicable to a compliance engagement.

Reporting Forms, testing of controls over the extraction of data from the underlying accounting records (including all relevant year-end adjustments) and obtaining management representations.

Evaluation of Findings

67. The RSE auditor accumulates uncorrected misstatements identified during the engagement, other than those that are clearly trivial, for the purpose of evaluating, whether, individually or in the aggregate, they are material to the reported information.¹⁵ Materiality is to be applied in the context of paragraphs 33-46 of this Guidance Statement.
68. In evaluating whether or not the specified data in the APRA Reporting Forms, is, in all material respects, reliable and in accordance with the relevant APRA prudential and reporting standards, the RSE auditor exercises professional judgement, having regard to both the user and intended uses of the information in the APRA Reporting Forms.
69. The magnitude of a misstatement alone is only one factor used to assess the misstatement. The RSE auditor evaluates each identified misstatement in the context of information relevant to users of the APRA Reporting Form, by considering qualitative factors and the circumstances in which each misstatement has been made.
70. The RSE auditor may designate an amount below which misstatements would be clearly trivial need not be accumulated, because the RSE auditor expects that the accumulation of such amounts clearly would not have a material effect on the reported subject matter information. In doing so, the RSE auditor needs to consider the fact that the materiality of misstatements involves qualitative as well as quantitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the reported information.
71. In circumstances where the RSE auditor may conclude that information reported by the RSE licensee is not in accordance with the relevant APRA Prudential reporting standards, the RSE auditor discusses the matter with management and, depending how it is resolved, determines whether, and how, to communicate the matter in the auditor's reasonable assurance report.

Reasonable Assurance on Compliance (ASAE 3100 and ASAE 3000)

72. In performing the audit on the compliance requirements as specified above in paragraph 62, the RSE auditor is required to consider the requirements in ASAE 3000 and ASAE 3100.

Audit Evidence

73. In a compliance engagement, evidence may be gathered through enquiry and observation, tests of controls, substantive testing, and representations received from management.¹⁶ The amount of evidence from each source which is assessed by the RSE auditor to constitute sufficient, reliable evidence to reduce compliance engagement risk to an acceptable level is a matter for the RSE auditor's professional judgement.
74. In a compliance engagement, sufficient appropriate evidence is obtained which involves:
 - (a) obtaining an understanding of the RSE licensee's business operations and its compliance environment which includes the key elements of the entity's compliance framework;
 - (b) obtaining an understanding of the prudential requirements, and other engagement circumstances which, includes obtaining an understanding of internal controls over the preparation of the subject matter, evaluation of design, implementation and testing the effectiveness of controls that are relevant to the engagement;

¹⁵ See ASA 450 *Evaluation of Misstatements Identified during the Audit*, paragraphs 10 and 11.

¹⁶ The concepts and discussions on evidence relevant to an audit engagement are contained in Auditing Standard ASA 500 *Audit Evidence* and may be helpful in determining the evidence applicable to a compliance engagement.

- (c) obtaining an understanding of the internal compliance function where appropriate and any relevant testing of compliance controls performed as part of that function during the period. Evaluating the results of this testing and the level of reliance that can be placed on this work and the impact on further control and substantive procedures;
- (d) based on the understanding acquired under (a), (b) and (c), assessing the risks that the RSE licensee may be non-compliant with requirements as specified under SPS 310;
- (e) responding to assessed risks, including developing overall responses, and determining the nature, timing and extent of further procedures; and
- (f) performing further evidence gathering procedures clearly linked to the identified compliance engagement risks, using a combination of inspection, observation, confirmation, recalculation, reperformance and enquiry. Such further evidence gathering procedures may involve substantive procedures, including obtaining corroborating information from sources independent of the entity, and depending on the nature of the activity or subject matter, tests of the operating effectiveness of controls.

75. In a compliance engagement the RSE auditor normally performs a combination of evidence gathering procedures that reflect a strategy to obtain planned levels of assurance from testing of the compliance framework, controls and substantive testing. It is unlikely that sufficient assurance may be obtained from only performing one type of testing. The type and extent of these procedures will be based on the complexity of the RSE licensee, nature of the business operations and initial risk assessment. The types of procedures that may be undertaken are:

- (a) walk throughs and controls testing in key risk areas;
- (b) substantive testing; and
- (c) enquiries of management and representations.

The results of the above testing are evaluated by the RSE auditor to ensure the evidence gathered is sufficient and appropriate for the purposes of the reasonable assurance engagement.

Evaluation of Findings

76. Where the RSE auditor becomes aware of material deficiencies in the RSE licensee's compliance framework they assess the impact on the risk of non-compliance with the prudential requirements as specified in SPS 310, and the implication for planning and performing the engagement.

77. If the RSE auditor becomes aware of material deficiencies in the compliance framework for example:

- a limited or inadequate monitoring plan for key compliance controls over the period; and/or
- a lack of staff training and awareness of the need to identify, assess and report compliance breaches

the RSE auditor needs to consider the following implications:

- (a) risk of non-compliance being increased;
- (b) amount and type of evidence gathering procedures to obtain sufficient appropriate evidence; and
- (c) reporting of material deficiencies to the responsible party and the intended users.

78. The RSE auditor will evaluate any compliance breach with the prudential requirements to determine if the breach is material, and how this may impact on the RSE auditor's planned engagement approach.
79. The RSE auditor normally considers the following factors in evaluating if a breach of the compliance requirements by the entity, is material:
- (a) size, complexity and nature of the entity's activities;
 - (b) nature of the breach – one off or systemic;
 - (c) evidence of a robust compliance framework in place to detect, rectify and report compliance breaches;
 - (d) commonly accepted practice within the relevant industry;
 - (e) regulatory, legislative or contractual requirements;
 - (f) impact on the decisions of the intended users and stakeholders of the entity; and
 - (g) specific terms of the compliance engagement.

Report on Limited Assurance Requirements by the RSE Auditor

Reporting Requirements

80. SPS 310 paragraph 22(b) states the auditor's report at a minimum is required to provide:
- (a) limited assurance on:
 - (i) the APRA information required by reporting standards made under the FSCOD Act as outlined in Attachment A to SPS 310;
 - (ii) the RSE licensee's systems, procedures and internal controls that are designed to ensure that the RSE licensee has complied with all applicable prudential requirements, has provided reliable data to APRA as required under the reporting standards prepared under the FSCOD Act, and has operated effectively throughout the year of income; and
 - (iii) the RSE licensee's compliance with its RMF¹⁷.

Inherent Limitations of Limited Assurance

81. As stated in ASAE 3000, the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the RSE auditor performs in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.
82. There are inherent limitations in any internal control structure. Furthermore, fraud, error or non-compliance with laws and regulations may occur and not be detected. As the systems, procedures and controls to ensure compliance with APRA Prudential Requirements are part of the RSE's operations, it is possible that either the inherent limitations of the internal control structure, or weaknesses in it, impact on the effective operation of RSE's specific control procedures.
83. Projections of any evaluation of internal control procedures to future periods are subject to the risk that control procedures may become inadequate because of changes in conditions after the limited assurance report is signed, or that the degree of compliance may deteriorate.

¹⁷ Refer to Prudential Standard SPS 220 *Risk Management* for the requirement for the RSE licensee to have an RMF.

Limited Assurance on APRA Information/ Returns (ASRE 2405)

84. In performing the limited assurance procedures to report on the APRA information as specified in paragraph 81(a)(i) that incorporate historical financial information at a MySuper product level, the RSE auditor needs to consider the requirements in ASRE 2405.
85. The RSE auditor obtains evidence, as part of a dynamic and iterative process directed by the risk assessment carried out during the planning phase of the engagement. The RSE auditor exercises professional judgement in determining the specific nature, timing and extent of limited assurance procedures to gather evidence on which to base the conclusion.
86. Limited assurance procedures ordinarily include consideration of the process used to prepare APRA Reporting Forms and the specific controls aimed at ensuring the data in the APRA Reporting Forms are reliable and prepared in accordance with APRA Prudential Standards and Reporting Standards. Limited assurance procedures may include analytical procedures, enquiry, limited testing of controls over the compilation of the APRA Reporting Forms, limited testing of controls over the extraction of data from the underlying source systems and obtaining management representations.
87. If the RSE auditor has reason to believe that the historical financial information subject to limited assurance may be materially misstated, the RSE auditor shall carry out additional or more extensive procedures as are considered necessary to be able to express a limited assurance conclusion or to confirm that a modified report is required.
88. Materiality is to be applied as outlined in paragraphs 33-46 of this Guidance Statement. The RSE auditor shall evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the RSE auditor's attention are material to the historical financial information.

Limited Assurance on Compliance and Controls (ASAE 3100, ASAE 3150 and ASAE 3000)

89. In performing the limited assurance engagement on the compliance requirements as specified in paragraph 81(a)(ii) and (iii), the RSE auditor is required to consider the requirements in ASAE 3000, ASAE 3100 and ASAE 3150 and other applicable standards on assurance engagements.

Limited Assurance on Systems, Procedures and Internal Controls (ASAE 3000 and ASAE 3150)

Obtaining Evidence Regarding Design of Systems, Procedures and Controls

90. The RSE auditor needs to determine which of the systems, procedures and controls at the RSE licensee are necessary to achieve the control objectives relating to compliance with all applicable prudential requirements, reliable data under FSCOD Act and operating effectiveness throughout the period, and whether those controls are presented in the RSE licensee's description of its reporting system or identified by the RSE auditor and whether those controls were suitably designed. Under ASAE 3150, this determination includes:
 - (a) identifying the risks that threaten the achievement of the control objectives;
 - (b) evaluating whether the controls as designed would be sufficient to mitigate those risks when operating effectively, in all material respects; and
 - (c) evaluating whether any changes in controls as designed during the period would be sufficient to mitigate those risks, in all material respects.
91. When evaluating the suitability of the design of a control, the RSE auditor considers the general understanding of the control activities as well as other components of control not within the scope of the engagement, such as knowledge of the control environment and information system, gained when planning the engagement. ASAE 3150 requires the RSE auditor at a minimum, to make enquiries of management or others within the entity regarding how the controls are designed to operate and examine the design specifications or documentation. A deficiency in the control environment could undermine the effectiveness of controls, and this needs to be considered in assessing the suitability of the design of those controls.

Assessment of Design Deficiencies

92. Where the RSE auditor is unable to identify controls which are suitable or controls as designed are not suitable to achieve a control objective, if operating effectively, this may constitute a deficiency in relation to the suitability of design.
93. ASAE 3150 requires the RSE auditor to design and perform additional assurance procedures until the auditor has obtained sufficient appropriate evidence to conclude on whether the design is suitable.
94. In evaluating implementation of controls, the RSE auditor obtains sufficient appropriate evidence that the controls identified as necessary to achieving the identified control objectives, were implemented as designed as at the specified date. The auditor's evaluation of the design of controls may influence the nature, timing and extent of assurance procedures related to implementation. ASAE 3150 requires that the RSE auditor's assurance procedures include, at a minimum, making enquiries and observation. If the auditor determines that additional procedures, such as inspection of records and documentation, are required to dispel or confirm a suspicion that a material deficiency in the implementation of controls exists, the performance of such additional procedures shall not convert the engagement to a reasonable assurance engagement. When designing and performing tests of implementation, the auditor determines whether controls implemented depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain evidence supporting the implementation of those indirect controls.

Obtaining Evidence of Operating Effectiveness of Controls

95. Following the evaluation of whether the RSE licensee has internal controls designed to achieve the relevant control objectives, the appointed RSE auditor performs assurance procedures to obtain evidence about whether these controls have operated as designed throughout the financial year. The RSE auditor may consider how the controls were applied, the consistency with which they were applied, by whom they applied and the period over which the controls applied.
96. In accordance with ASAE 3150, when reporting on operating effectiveness over the period, the RSE auditor tests those controls that the auditor has determined are necessary to achieve the relevant control objectives and assess their operating effectiveness throughout the period. The auditor's evaluation of the design of controls may influence the nature, timing, and extent of tests of operating effectiveness. Evidence obtained in prior engagements about the satisfactory operation of "material controls" (as defined in the standard) in the prior periods does not provide a basis for a reduction in testing of those controls, even if it is supplemented with evidence obtained during the current period.
97. Assurance procedures to obtain evidence on operating effectiveness may include discussion with RSE licensee's personnel (and obtaining written representations), observation of the system in operation, walk-through for an appropriate number of instances of material controls in operation and ascertaining whether the person(s) performing the control(s) possesses the necessary authority and competence to perform the control(s) effectively, to identify any deviations from the specified design. The RSE auditor may also consider limited re-performance of controls.
98. Alternatively, under ASAE 3150, the results of exception reporting, monitoring or other management controls may be examined to provide evidence about the operation of the control rather than directly testing it.
99. ASAE 3150 requires the RSE auditor to apply professional judgement in determining the specific nature, timing and extent of procedures to be conducted, which will depend on the assessed risks of material deviations in the operating effectiveness of controls. If the RSE auditor determines that additional assurance procedures are required to dispel or confirm a suspicion that a material deviation in the operating effectiveness of controls exists, the performance of such additional procedures does not convert the engagement to a reasonable assurance engagement.

100. ASAE 3150 requires that where control procedures have changed during the period subject to examination, the RSE auditor tests the operating effectiveness of both the superseded control(s) and the new control(s) and considers whether the new controls have been in place for a sufficient period to assess their effectiveness.
101. The RSE auditor generally adopts a ‘top down’ approach in gathering evidence, by making enquiries of key personnel, observing the RSE licensee’s operations, performing ‘walk-through’ tests of controls, and inspecting relevant documentation, in order to achieve the following:
- (a) obtaining an understanding of the RSE licensee’s overall control environment and compliance framework.
 - (b) ascertaining whether the person(s) performing the control(s) possesses the necessary authority and competence to perform the control(s) effectively.
 - (c) identifying the internal compliance function(s) designed to ensure compliance with all applicable prudential requirements.
 - (d) identifying policies, procedures and controls designed to ensure compliance with all applicable Prudential Requirements, by reviewing documents such as the RSE licensee’s RMF, RMS and similar risk management policy documents issued by the RSE licensee in accordance with applicable prudential standards.
 - (e) identifying the processes used by the Board of the RSE licensee to support its Risk Management Declaration to APRA as outlined in SPS 220.
 - (f) identifying key Board and operational matters by reviewing the minutes of the RSE licensee’s Board, as well as minutes of any sub committees responsible, for example, for oversight of compliance and audit, held during the year and enquiring about matters discussed and outcomes from the RSE licensee’s Board decisions.
 - (g) identifying the internal compliance functions designed to oversee the provision of data to APRA in the RSE licensee’s APRA Reporting Forms.
 - (h) identifying significant processes for the preparation of the RSE licensee’s APRA Reporting Forms.
 - (i) identifying the key controls over these significant processes that are designed to ensure that reliable data is provided to APRA in the RSE licensee’s APRA Reporting Forms.

The above is not an exhaustive list, nor is it intended to direct the RSE auditor as to the conclusion over the RSE licensee’s internal controls.

102. Although the RSE auditor may consider the results of any tests of the operating effectiveness of controls conducted by the internal audit function when evaluating operating effectiveness, the auditor remains responsible for obtaining sufficient appropriate evidence to support the auditor’s conclusion and, if appropriate, corroborate the results of such tests.
103. Interpretation of the word ‘reliable’ in the context of limited assurance on controls over the RSE licensee’s APRA Reporting Forms has practical limitations in some circumstances. For many RSE licensees, it is only at the financial year-end (or for RSE licensees that are disclosing entities, also at the half year-end) that all the necessary accounting adjustments, such as accruals, prepayments, provisioning and valuations, are prepared and subjected to audit or review.
104. The RSE auditor enquires about whether there were any changes in internal control, or other matters, subsequent to the financial year-end date and up to the date of the RSE auditor’s assurance report, that may have an impact on the RSE auditor’s conclusion about the effectiveness of internal controls, and obtains written representations from management relating to such matters.

105. For further requirements and guidance in relation to obtaining evidence on operating effectiveness of controls, including on the use of sampling for selecting controls for testing operating effectiveness over a period, refer to ASAE 3150.

Nature and Cause of Deviations in Operating Effectiveness

106. ASAE 3150 sets out the requirements and provides guidance to the RSE auditor to assist in evaluating evidence and forming a conclusion on controls.
107. In accordance with ASAE 3150, the RSE auditor accumulates uncorrected:
- (a) deficiencies in the suitability of the design of controls to achieve the relevant control objectives;
 - (b) deficiencies in the implementation of controls as designed; and
 - (c) deviations in the operating effectiveness of controls as designed.

In considering the reporting of these matters the RSE auditor has regard to the requirements in ASAE 3150.

108. The RSE auditor evaluates, individually and in aggregate, whether internal control deficiencies and deviations that have come to the auditor's attention are material. The auditor exercises professional judgement, having regard to the intended users of the auditor's assurance report. Materiality is to be applied in the context of paragraphs 33-46 of this Guidance Statement.
109. In evaluating the severity of identified internal control deficiencies, the RSE auditor considers, based on materiality:
- (a) the likelihood that the relevant internal controls may fail to prevent or detect non-compliance with a Prudential Requirement, or a misstatement in the data being provided to APRA in Reporting Forms; and
 - (b) the magnitude of the potential resulting non-compliance with a Prudential Requirement on the RSE licensee's overall compliance with applicable Prudential Requirements; and
 - (c) the magnitude of the potential misstatement resulting from the internal control deficiency on the information reported in the APRA Reporting Forms.

The evaluation of the severity of a deficiency in internal control does not depend on whether a misstatement in the information in an APRA Reporting Form or non-compliance with a Prudential Requirement has actually occurred, but rather the likelihood that the RSE licensee's controls may fail to prevent or detect a material misstatement or material non-compliance with a Prudential Requirement.

Limited Assurance on RMF (SPS 220)

110. The objective of the RSE auditor's limited assurance engagement on the RSE licensee's compliance with its RMF is whether they have complied substantially with systems, structures, policies, processes and controls documented in the RMF and which are intended to identify, assess, manage, mitigate and monitor material risks that may affect the RSE licensee's ability to meet its obligations to beneficiaries for the period covered by the engagement. There is no requirement or expectation that the RSE auditor expresses assurance on the adequacy of the specific controls of the RMF.
111. The RSE auditor's limited assurance engagement on the compliance with the RMF may include the following procedures:
- (a) Obtaining an understanding of the RMF and the process to identify material risks including the operational risks outlined in CPS 230 Operational Risk Management.

- (b) Reviewing the RMF to determine at a high level whether it is broadly consistent with the minimum components outlined in SPS 220, CPS 230 and with the minimum material risk requirements as outlined in SPS 220 and CPS 230.
 - (c) Reviewing the evidence to support the RSE licensee's maintenance of adequate financial, human and technical resources as outlined in SPS 220.
 - (d) Reviewing the relevant risk appetite statement and RMS to confirm that they are up-to-date and approved by the RSE licensee Board.
 - (e) Reviewing the processes (including monitoring and reporting procedures) the RSE licensee has in place to ensure ongoing compliance with the RMF and RMS. Reference to work performed on the RSE licensee's systems, procedures and controls to ensure compliance with prudential requirements may be useful in this circumstance.
 - (f) Reviewing the evidence supporting the RSE's licensee's attestation in the Risk Management Declaration in relation to compliance with the RMF and RMS.
112. The RSE auditor may consider the measures in place which relate to the RSE licensee's monitoring of, and reporting on, specific matters incorporated into the RMF. Such a review may include the following matters:
- (a) Whether breaches of the RMF have been detected and reported by the monitoring systems. When breaches have been detected, whether such breaches are significant either in themselves or, when they are of a recurring nature and have not been rectified, whether their cumulative effect renders them to be a significant non-compliance matter.
 - (b) Identifying systems which they use to ensure that business units and staff comply with the measures in the RMF on a day-to-day basis.
113. As part of the limited assurance engagement on compliance with the RMF, the RSE auditor may seek the following types of information and documentation:
- (a) Copies of the RMF documents that set out the RSE licensee's RMF during the period.
 - (b) Details of changes to the RMF and the RMS and related policies and procedures and the reasons for the revisions.
 - (c) Copies of the risk appetite statement and RMS that applied during the period covered by the engagement.
 - (d) Copies of the comprehensive review report of the RMF performed at least every three years by an operationally independent competent person.
 - (e) Copies of the RSE licensee's attestation in the Risk Management Declaration in relation to compliance with the RMF and RMS and any supporting evidence.
 - (f) Documentation that identifies and describes the systems, policies, procedures and structures that are in place to manage identified risks and representations that such systems, policies, procedures and structures have been complied with during the period.
 - (g) Minutes of the meetings of TCWG and sub-committees responsible for monitoring compliance with aspects of the RMF and the RMS.
 - (h) Internal and external incident and breach reports, breach and complaints registers and follow up action taken to the extent that recorded items may indicate a failure to comply with the RMF and the RMS.
 - (i) Internal audit reports.

- (j) Certifications made by the RSE licensee and relevant supporting documentation to substantiate compliance with the RMF and the RMS during the reporting period.
- (k) Other supporting evidence to confirm that the controls identified in the RMF and the RMS have been in place during the reporting period.

The above is not meant to represent an exhaustive list and there may be other evidence that is relevant to the specific circumstances of each RSE licensee.

- 114. There are practical limitations in requiring the RSE auditor to express a conclusion as to the RSE licensee's compliance at all times with the RMF during the engagement period. However, the RSE auditor performs limited assurance procedures to the extent that the RSE auditor considers appropriate in order to obtain sufficient appropriate evidence as to the RSE licensee's compliance with the written descriptions within the RMF and the RMS throughout the period covered by the engagement.
- 115. While the RSE auditor is not required or expected to review the adequacy of the RMF and the RMS, during the course of the limited assurance engagement the RSE auditor may become aware of significant deficiencies in the RMF and the RMS which they report to an appropriate level of the RSE licensee's management.

Operational Risk Financial Requirement (ORFR) Strategy (SPS 114)

- 116. SPS 114 requires the RSE licensee to implement satisfactory internal audit procedures and external audit arrangements to ensure compliance with, and the adequacy and effectiveness of the ORFR strategy. This requirement does not distinguish what matters must be addressed by internal audit procedures, and those that must be addressed by external audit arrangements. As this responsibility is placed on the RSE licensee it is appropriate to leave this to the RSE licensee to determine.
- 117. SPS 114 sets out the minimum ORFR strategy inclusions. The RSE auditor should understand the ORFR strategy and its potential impact on the financial report when planning and performing their financial report audit.
- 118. Permissible uses of the ORFR have expanded over time to cover a wide range of circumstances related to managing the financial impact of operational risks that relate to a RSE. The RSE auditor should as part of the financial report audit engagement, specifically consider how the RSE licensee has used the ORFR and whether its use is consistent with APRA's permissible uses and the RSE's own ORFR strategy.

Format of Reporting Requirements

- 119. APRA may under SPS 310 set out information in relation to the reporting requirements under paragraphs 22 to 25 of SPS 310 as well as such other requirements as the prudential regulator deems appropriate.
- 120. Refer to apra.gov.au website for the latest version of SPS 310 and the AUASB website under '*Other Publications*' for the latest version of the '*Illustrative Auditor's Report – Prudential Standard SPS 310 Audit and Related Matters*'.

Written Representations

- 121. Prior to issuing the APRA audit and review reports on the information and compliance, the RSE auditor obtains written representations, as are considered appropriate to matters specific to the RSE licensee, from TCWG and senior management¹⁸.

¹⁸ Management and, where appropriate, those charged with governance of the RSE Licensee.

122. These written representations are generally in the form of a representation letter. In obtaining and using these written representations, the auditor complies with the requirements of, as appropriate, ASA 580, ASRE 2405, ASAE 3000, ASAE 3100 and ASAE 3150.

Communication

123. It is the responsibility of the RSE auditor to make the RSE licensee aware, as soon as practicable, of any identified material misstatements in RSE licensee APRA information, material deficiencies in internal controls and instances of material non-compliance arising from the prudential reporting engagement.
124. Such communications are made as soon as practicable, either orally or in writing. The RSE auditor's decision whether to communicate orally or in writing ordinarily is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of the communications. If the information is communicated orally, the RSE auditor needs to document the communication.
125. When, in the RSE auditor's judgement, TCWG do not respond appropriately within a reasonable period of time, the RSE auditor considers whether to modify the RSE auditor's report.
126. It is important that the RSE auditor understands the additional statutory responsibilities to report certain matters to APRA under Division 2 of Part 16 of the SIS Act. Failure to notify APRA as required represents a criminal offence, which attracts criminal penalties.
127. Material findings (misstatements, control deficiencies and non-compliance) are reported to APRA and the RSE licensee's Board (or Board Audit Committee) as modifications to the RSE auditor's assurance report.
128. Under Auditing Standard ASA 260 *Communication with Those Charged With Governance*, ASA 265 *Communicating Deficiencies in Internal Control to Those Charged With Governance and Management* and ASAE 3000, the RSE auditor communicates relevant matters of governance interest arising from the engagement to TCWG on a timely basis. Examples of such matters may include:
- (a) The general approach and overall scope of the engagement, or any additional requirements.
 - (b) Fraud or information that indicates that fraud may exist.
 - (c) Significant deficiencies in internal controls identified during the engagement. A significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the RSE auditor's professional judgement is of sufficient importance to merit the attention of TCWG.
 - (d) Disagreements with management about matters that, individually or in aggregate, could be significant to the engagement.
 - (e) Expected modifications to the RSE auditor's report.
129. The RSE auditor informs TCWG of those uncorrected misstatements, other than clearly trivial amounts, aggregated by the RSE auditor during and pertaining to the engagement that were considered to be immaterial, both individually and in the aggregate, to the assurance engagement.

Other Reporting Responsibilities

130. The RSE auditor has certain obligations and responsibilities under section 129 of the SIS Act to report a contravention of the SIS Act or the regulations to a trustee of the RSE and APRA that may have occurred, may be occurring, or may occur, in relation to the RSE licensee that is of such a nature that it may affect the interests of members or beneficiaries of the entity. The RSE auditor must immediately inform a trustee of the RSE and APRA about the matter in writing, unless the RSE auditor has reasonably concluded that the RSE licensee has already appropriately communicated the contravention to APRA.

131. The RSE auditor also has certain obligations and responsibilities under sections 130 and 130AA of the SIS Act in relation to the RSE licensee's solvency and when the RSE auditor must inform APRA and the RSE licensee about such matters.
132. Whilst conducting the audit of a RSE and associated RSE licensee, the RSE auditor may have other regulatory obligations that stem from the RSE licensee's other financial services regulatory requirements. The RSE auditor should ensure there is a knowledgeable and co-ordinated approach taken in respect of these requirements. Examples of other obligations might include Managed Investment Scheme compliance plan or Australian Financial Services License obligations.

Appendix 1: Risk identification and assessment

This Guidance Statement does not deal with the audit of RSE financial reports under Chapter 2M of the *Corporations Act 2001* (see paragraph 6). However, paragraph 22 and Attachment A to SPS 310 require the auditor to ensure that information required by SRF 320.0 and SRF 330.0 is consistent with those audited financial reports.

Paragraph 22 of SPS 310 and Attachment A also require the audit of the financial report of small APRA funds and individual member approved deposit funds.

Audits of RSE financial reports should be conducted in accordance with the Australian Standards on Auditing (ASAs) issued by the AUASB. The following industry specific guidance supplements the ASAs for RSE audits.

The identification and assessment of risks is a key element of the audit of RSE financial reports. Identifying and assessing risks and gaining an understanding of the control environment will determine the nature and extent of controls and substantive testing.

In identifying and assessing risks, the auditor may consider matters such as:

1. The valuation of unlisted assets such as property, infrastructure, credit and equity¹⁹;
2. The appropriate disclosure of:
 - (a) the categorisation of financial assets and liabilities²⁰;
 - (b) credit, market and liquidity risk for financial assets²¹; and
 - (c) application of the fair value hierarchy for financial assets²².
3. Any tax consequences from realisation of investments and distributions to members are appropriately recognised and disclosed²³;
4. The adequacy of the disclosure of income and expenses, including amounts charged through unit price spreads^{24 25};
5. Possible errors in units and unit prices for contributions, benefits and other transactions, and at year end²⁶;
6. The determination of defined benefit liabilities and benefit payments²⁷;
7. The adequacy of the level of disaggregation information necessary to explain the risks and benefit arrangements relating to different categories of members²⁸;
8. Any gaps in controls and processes where an external investment custodian or manager is used²⁹;

¹⁹ APRA highlighted the need to address risks related to valuation governance and liquidity management in its report *Governance of Unlisted Asset Valuation and Liquidity Risk Management in Superannuation - December 2024*.

²⁰ See also AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*.

²¹ See paragraphs 31 to 42 of AASB 7 *Financial Instruments: Disclosure*.

²² See paragraphs 67 to 90 of AASB 13 *Fair Value Measurement*.

²³ See AASB 112 *Income Taxes*, including paragraphs 52A and 82A.

²⁴ A superannuation entity shall disclose information that provides users with a basis for understanding the nature and amounts of income and expenses (see paragraph 22 of AASB 1056 *Superannuation Entities*).

²⁵ Application and redemption prices for a product differ to cover transaction costs (e.g. brokerage) to the extent they are expected to be incurred to buy investments in a growing fund or sell investments in a declining fund. Unit prices should be set and applied equitably and using a sound and reasonable process. See also pages 31, 32, 34, 35 and 62 on transaction costs in *Unit pricing: Guide to good practice: Joint ASIC and APRA Guide: Updated August 2008*.

²⁶ See also *Unit pricing: Guide to good practice: Joint ASIC and APRA Guide: Updated August 2008*.

²⁷ See also paragraph 17, 23 and 25 of AASB 1056 *Superannuation Entities*.

²⁸ A superannuation entity shall disclose disaggregated information when it is necessary to explain the risks and benefit arrangements relating to different categories of members (see paragraph 32 of AASB 1056 *Superannuation Entities*). As well as information for sub-funds and products, this could for example include risks and exposures on assets held through unconsolidated controlled pooled superannuation trusts.

²⁹ See GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*.

9. The appropriate allocation of assets between sub-funds and products and whether there are any deficiencies of assets to meet liabilities³⁰; and
10. The adequacy of systems and processes to properly identify matters as complaints rather than as ‘enquiries’, and to identify systemic issues across complaints or in an individual complaint.

RSEs should hold reserves on their Statement of Financial Position to cover operational risks. Paragraph 22 and Attachment A to SPS 310 also require the auditor to provide reasonable assurance on the information required by SRS 114.1 *Operational Risk Financial Requirement*. The auditor should consider weaknesses in operational risk controls as they can result in operational risk incidents that lead to operational risk losses. These include information security, cyber-security risks and the potential loss of member information.³¹

³⁰ This can affect whether there are unrecognised deficiencies. See also the duties of trustees of RSEs under s52(2) of the SIS Act. See also paragraph 32 of AASB 1056 *Superannuation Entities*.

³¹ See also CPS 230 *Operational Risk Management*, SPS 114 *Operational Risk Financial Requirement* and CPS 234 *Information Security*.