



APRA

ANNUAL REPORT  
20/21



# ANNUAL REPORT

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

# 20/21

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**THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY (APRA) IS THE PRUDENTIAL REGULATOR OF THE AUSTRALIAN FINANCIAL SERVICES INDUSTRY.**

It oversees Australia's banks, credit unions, building societies, general insurers and reinsurance companies, life insurers, private health insurers, friendly societies and most members of the superannuation industry.

APRA currently supervises institutions holding \$7.9 trillion in assets for Australian depositors, policyholders and superannuation fund members.

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**WAYNE BYRES**  
Chair

17 September 2021

The Hon Josh Frydenberg, MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer,

In accordance with sections 43 and 46 of the *Public Governance, Performance and Accountability Act 2013*, I am pleased to submit the Australian Prudential Regulation Authority Annual Report and Financial Statements for the year ended 30 June 2021.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Wayne.", is placed here.

## CONTENTS

Contents.....	2
Glossary .....	3
Chapter 1 – From the Chair .....	4
Chapter 2 – About APRA.....	8
Chapter 3 – Statement of performance .....	13
Chapter 4 – Management and accountability .....	54
Chapter 5 – Statutory reporting requirements.....	68
Chapter 6 – Financial Statements .....	87
List of requirements.....	132
Index .....	135
Directory .....	138

## GLOSSARY

<b>ADI</b>	Authorised deposit-taking institution
<b>ANAO</b>	Australian National Audit Office
<b>APRA</b>	Australian Prudential Regulation Authority
<b>APRA Act</b>	<i>Australian Prudential Regulation Authority Act 1998</i>
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ATO</b>	Australian Taxation Office
<b>BEAR</b>	Banking Executive Accountability Regime
<b>CFR</b>	Council of Financial Regulators
<b>FCS</b>	Financial Claims Scheme
<b>FAR</b>	Financial Accountability Regime
<b>GCRA</b>	Governance, culture, remuneration and accountability
<b>MoU</b>	Memorandum of Understanding
<b>PHI</b>	Private health insurers
<b>RBA</b>	Reserve Bank of Australia
<b>RSE</b>	Registrable Superannuation Entity
<b>YFYS</b>	Your Future, Your Super

## CHAPTER 1 – FROM THE CHAIR

Undoubtedly, the 2020/21 financial year was a very challenging one for the Australian community, the financial sector, and APRA.

The health and economic crisis created by COVID-19 was at its peak as the financial year began, and continued to dominate and shape the ensuing 12 months. While Australia dealt with the challenges emanating from the pandemic better than most, COVID-19's impact has been scarring and will be felt for some time.

During this time of unprecedented stress, however, the performance of the Australian financial system was a positive. Not only did the financial sector remain financially and operational resilient during a period of immense disruption, but regulated institutions – banks, insurers, and superannuation funds – all played important roles in supporting the broader Australian community through an extremely difficult time.

For APRA, the need to actively respond to the impact of the pandemic required a significant reshaping of its priorities and activities. Within APRA's 2020-2024 Corporate Plan<sup>1</sup>, longer-term strategic objectives were scaled back to allow the organisation to focus on three core priorities:

- protecting and preserving the financial safety and soundness of regulated entities;
- fostering and sustaining the operational resilience of regulated entities during a period of significant disruption; and
- enhancing the adequacy of contingency plans in place for adverse events.

At all times, APRA sought to do these things in a manner that aligned with the Government's overarching objective of supporting Australians through the COVID-19 crisis.

### Supporting Australia's response to COVID-19

The rapid emergence of the pandemic in early 2020 resulted in lockdowns and severe disruption to the Australian economy. In the first half of the calendar year, as financial institutions grappled with both sustaining their own operations and supporting their customers, APRA issued a range of regulatory concessions and measures to reduce regulatory burden, as well as providing support for measures taken by the Government and peer agencies.

Moving into 2020/21, further concessions and regulatory guidance were issued as APRA sought to be responsive to the rapidly evolving environment. These included measures to extend the temporary capital treatment<sup>2</sup> for bank loans with repayment deferrals; adjusting

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<sup>1</sup> <https://www.apra.gov.au/news-and-publications/apra-2020-2024-corporate-plan>

<sup>2</sup> <https://www.apra.gov.au/news-and-publications/apra-updates-regulatory-approach-to-loans-subject-to-repayment-deferral>

guidance to facilitate prudent dividend payments<sup>3</sup>; and restarting, in a phased manner, the issuing of new licences<sup>4</sup>.

The impact of COVID-19 extended to all APRA-regulated entities, testing the resilience of many. This necessitated a rescheduling of APRA's planned regulatory and supervision activities to generate capacity – both within APRA and regulated entities – to allow the most immediate challenges to be focused upon. The bulk of APRA's policy work was deferred for most of 2020, with only a limited number of projects recommenced in the final quarter of the calendar year, and a revised set of priorities<sup>5</sup> published in February 2021.

## Active supervision

APRA achieves its purpose, first and foremost, through its prudential supervision activities. Although often needing to adapt to new ways of doing things, APRA's active program of supervision activities continued throughout 2020/21, with particular scrutiny given to:

- the financial resilience of the banking sector in light of financial market volatility and the sharp contraction in economic activity caused by the pandemic;
- the uncertainty over the extent of business interruption insurance claims in the general insurance sector;
- the continuing poor profitability in the life insurance sector stemming from poor product design and management;
- the implications of the disruption to claims patterns in the private health insurance sector;
- the ongoing need to lift standards and weed out underperformers in the superannuation sector; and
- the need for all sectors of the financial system to reinforce their information security, and strengthen their readiness for cyber-attack.

## Strengthening the prudential framework

Notwithstanding the need to respond with urgency to the pandemic, APRA was able to complete a number of significant longer-term projects during the year that strengthened the regulatory framework, enhanced financial sector accountability and addressed emerging risks. These included:

- the roll-out of APRA's new Supervision Risk and Intensity (SRI) Model<sup>6</sup>, designed to enhance APRA's ability to respond to changes in the risk environment and more effectively supervise regulated entities;

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<sup>3</sup> <https://www.apra.gov.au/news-and-publications/apra-updates-guidance-on-capital-management-for-banks-and-insurers>

<sup>4</sup> <https://www.apra.gov.au/news-and-publications/apra-to-recommence-prudential-policy-program-and-issuing-of-new-licences>

<sup>5</sup> <https://www.apra.gov.au/news-and-publications/apras-2021-supervision-and-policy-priorities>

<sup>6</sup> <https://www.apra.gov.au/news-and-publications/apra-begins-roll-out-of-new-supervision-risk-and-intensity-model>

- the first full refresh of the MySuper Product Heatmap<sup>7</sup>, published in December 2020, which highlighted that since the previous heatmap was published 12 months earlier, 11 of the MySuper products that underperformed the investment benchmarks had exited the industry and over 70 per cent of members were paying less in fees and costs;
- the continuation of work to finalise a new prudential standard on remuneration<sup>8</sup>, which addresses several Royal Commission recommendations. The new standard, issued in August 2021, is intended to generate stronger incentives for individuals to manage the risks they are responsible for; assign appropriate consequences for poor risk outcomes; and increase oversight, transparency and accountability for remuneration;
- the updates to APRA's approach to licensing and supervising new ADIs<sup>9</sup>, designed to support competition in banking by ensuring new entrants are better equipped to succeed; and
- the ongoing work on the financial risks of climate change<sup>10</sup>, primarily through the issuance of a draft prudential practice guide released for consultation in April 2021. The guide is aimed at ensuring decisions are well-informed and that entities appropriately consider the risks and opportunities created by the transition to a low carbon economy.

## Resolution and enforcement

A key component of APRA's mandate is to ensure that if an entity fails, this occurs in an orderly manner, and strengthening APRA's resolution capabilities has been a key priority in recent years. The return of deposits by Xinja Bank<sup>11</sup> that began in December 2020 required high levels of engagement with APRA's resolution and supervisory teams, as well as enlisting external expertise to help oversee the process. APRA's objectives – that deposits were returned to depositors safely and efficiently, and there were no adverse impacts on other institutions – were achieved.

Central to APRA's effectiveness as a prudential supervisor is the ability to take effective enforcement action when regulated entities fail to meet their regulatory obligations. Such action not only seeks to prevent and address serious prudential risks but also to hold entities to account. To that end, public enforcement action was taken against a range of institutions during the year:

- Colonial First State Investments Limited<sup>12</sup>, in its role as a superannuation trustee, had a licence condition imposed to ensure members' best interests are prioritised in its decision-making;
- Suncorp Portfolio Services<sup>13</sup> was similarly subject to directions and conditions to improve the manner in which it considers and prioritises members' interests when it makes decisions that materially affect their interests.

<sup>7</sup> <https://www.apra.gov.au/news-and-publications/apra-targets-underperformers-first-full-refresh-of-mysuper-product-heatmap>

<sup>8</sup> <https://www.apra.gov.au/consultation-on-remuneration-requirements-for-all-apra-regulated-entities>

<sup>9</sup> <https://www.apra.gov.au/news-and-publications/apra-updates-licensing-approach-for-new-banking-entrants>

<sup>10</sup> <https://www.apra.gov.au/news-and-publications/apra-releases-guidance-on-managing-financial-risks-of-climate-change>

<sup>11</sup> <https://www.apra.gov.au/news-and-publications/apra-monitors-xinja-return-of-deposits>

<sup>12</sup> <https://www.apra.gov.au/news-and-publications/apra-imposes-new-licence-condition-on-colonial-first-state-investments>

<sup>13</sup> <https://www.apra.gov.au/news-and-publications/apra-issues-directions-and-imposes-new-licence-condition-on-suncorp-portfolio>

- NULIS Nominees<sup>14</sup> was subject to directions and licence conditions imposed to improve its governance and control environment, and ensure members' best interests are prioritised in its decision-making;
- Bendigo and Adelaide Bank<sup>15</sup> was subject to action for breaching APRA's prudential standard on liquidity;
- Westpac<sup>16</sup> entered into a Court Enforceable Undertaking (CEU) to address risk governance deficiencies;
- Westpac<sup>17</sup> was subject to action for breaches of liquidity standards;
- Allianz Australia<sup>18</sup> entered into a CEU to rectify a range of risk and compliance weaknesses; and
- Macquarie Bank<sup>19</sup> was subject to action in relation to multiple breaches of prudential and reporting standards.

## With thanks

During the year, APRA experienced a significant change in its leadership, with Geoff Summerhayes completing his five-year term as an APRA Member. Geoff brought to APRA a strong blend of commercial acumen, strategic thinking, and community focus. He oversaw APRA's insurance policy and supervisory work, provided senior executive sponsorship for its cross-industry work on the increasingly important areas of cyber security and climate-related risks, and drove improvements to APRA's internal capabilities. On behalf of the APRA Members, I thank Geoff for his service.

I would also like to commend all of APRA's people for their unwavering commitment throughout a very intense year. 2020/21 generated a very heavy workload that needed to be dealt with in a highly disrupted environment, requiring not just adapting to new work practices and rapidly shifting priorities but, like all Australians, also coping with lockdowns, social dislocation and extended periods of working from home, often with little notice. On behalf of APRA's leadership, I sincerely thank all APRA staff for the professionalism and dedication they have displayed throughout the year. Their hard work has enabled APRA to continue to fulfil its essential role of protecting the financial wellbeing of the Australian community, at a time when that protection was of utmost importance.

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<sup>14</sup> <https://www.apra.gov.au/news-and-publications/apra-issues-directions-and-applies-new-licence-conditions-on-nulis-nominees>

<sup>15</sup> <https://www.apra.gov.au/news-and-publications/apra-takes-action-against-bendigo-and-adelaide-bank-for-breaching-prudential>

<sup>16</sup> <https://www.apra.gov.au/news-and-publications/apra-agrees-to-enforceable-undertaking-from-westpac-to-address-risk>

<sup>17</sup> <https://www.apra.gov.au/news-and-publications/apra-takes-action-against-westpac-over-breaches-of-liquidity-standards>

<sup>18</sup> <https://www.apra.gov.au/news-and-publications/apra-agrees-to-court-enforceable-undertaking-from-allianz-australia>

<sup>19</sup> <https://www.apra.gov.au/news-and-publications/apra-takes-action-against-macquarie-bank-over-multiple-breaches-of-prudential>

## CHAPTER 2 – ABOUT APRA

APRA is an independent statutory authority established for the purpose of prudential supervision of financial institutions and promoting financial system stability in Australia. APRA also acts as a central statistical agency for the Australian financial sector, plays a role in preserving the integrity of Australia's retirement incomes policy and administers the Financial Claims Scheme (FCS).

### APRA's purpose

APRA's core purpose as a prudential supervisor is to ensure Australians' financial interests are protected and the financial system is stable, competitive and efficient<sup>20</sup>.

In pursuing this objective, APRA seeks to deliver three key outcomes for the Australian community:

- resilient and prudently managed financial institutions, in which the community can have trust and confidence;
- a safe and stable Australian financial system, which underpins economic activity and prosperity; and
- improving the community's ability to achieve good financial outcomes, now and into the future.

APRA currently supervises financial institutions holding \$7.9 trillion in assets for Australian depositors, policyholders and superannuation fund members.

### Legislative foundations

Under the *Australian Prudential Regulation Authority Act 1998* (the APRA Act), APRA's main purposes are to regulate banking, insurance and superannuation institutions under five 'industry Acts' and to administer the FCS for depositors and insurance policyholders<sup>21</sup>.

The industry Acts provide for licensing and regulatory oversight of:

- authorised deposit-taking institutions (ADIs, including banks, credit unions and building societies);
- general insurers;
- life companies and friendly societies;
- private health insurers; and
- registrable superannuation entity (RSE) licensees.

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<sup>20</sup> Section 8 of the APRA Act requires that, in performing and exercising its functions and powers, APRA must "balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, is to promote financial system stability in Australia".

<sup>21</sup> The industry Acts are *Banking Act 1959*, *Insurance Act 1973*, *Life Insurance Act 1995*, *Private Health Insurance (Prudential Supervision) Act 2015* and *Superannuation Industry (Supervision) Act 1993*.

APRA also has important responsibilities under other Acts, including:

- data collection from regulated and non-regulated entities under the *Financial Sector (Collection of Data) Act 2001* (FSCOD Act); and
- transfers of ownership under the *Financial Sector (Shareholdings) Act 1998*.

## Statements of Expectations and Intent

From time to time, the Government issues APRA with a Statement of Expectations setting out its key expectations for APRA in undertaking its role. APRA responds with a Statement of Intent outlining its intended approach to fulfilling its role. These documents are published, with the most recent being finalised in 2018<sup>22</sup>.

The current Statement of Expectations provides important context and guidance for APRA, noting that the Government:

- expects APRA to focus on safeguarding Australia's financial system;
- acknowledges that, in performing its role, APRA must balance several objectives and that, at times, this may not be straightforward;
- expects APRA to facilitate an environment where innovation and competition are encouraged and barriers to entry are minimised; and
- recognises that prudential regulation cannot and should not seek to guarantee a zero-failure rate of regulated institutions or provide absolute protection for market participants.

APRA's Statement of Intent acknowledges these points and notes:

- APRA cannot eliminate the risk that any institution might fail, and attempting to do so would impose an unnecessary burden on institutions and the financial system. APRA therefore seeks to identify the likely failure of a regulated institution early so that corrective action can be promptly initiated or an orderly exit achieved;
- APRA's approach is based on the fundamental premise that the primary responsibility for financial soundness and prudent risk management within an APRA-regulated institution rests with its board of directors and senior management;
- APRA adopts a risk-based approach to prudential supervision, designed to identify and assess those areas of greatest risk to an APRA-regulated institution (or to the financial system as a whole) and then direct attention and resources to those risks; and
- in undertaking its role and in setting its strategic priorities, APRA will take into consideration emerging trends and risks and the Government's policy priorities for the financial system, where this does not conflict with APRA's statutory objectives.

## APRA's organisation structure

Under the APRA Act, the APRA Members are collectively responsible and accountable for APRA's operation and performance. The APRA Chair has additional specific accountabilities

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<sup>22</sup> The 2018 Statement of Expectations is available at: <https://www.apra.gov.au/statement-expectations-2018>. The Statement of Intent is available at: <https://www.apra.gov.au/statement-of-intent-september-2018>.

as the accountable authority under the *Public Governance, Performance and Accountability Act 2013*.

APRA Members are appointed by the Governor-General, on the advice of the Australian Government, for terms of up to five years. The APRA Act provides that between three and five APRA Members can be appointed at any point in time.

During 2020/21, the APRA Members (and their current terms of office) were:

- Mr Wayne Byres (Chair) – 1 July 2019 to 30 June 2024.
- Ms Helen Rowell (Deputy Chair) – 1 July 2018 to 30 June 2023.
- Mr John Lonsdale (Deputy Chair) – 8 October 2018 to 7 October 2023.
- Mr Geoff Summerhayes (Member) – 1 January 2016 to 31 December 2020.

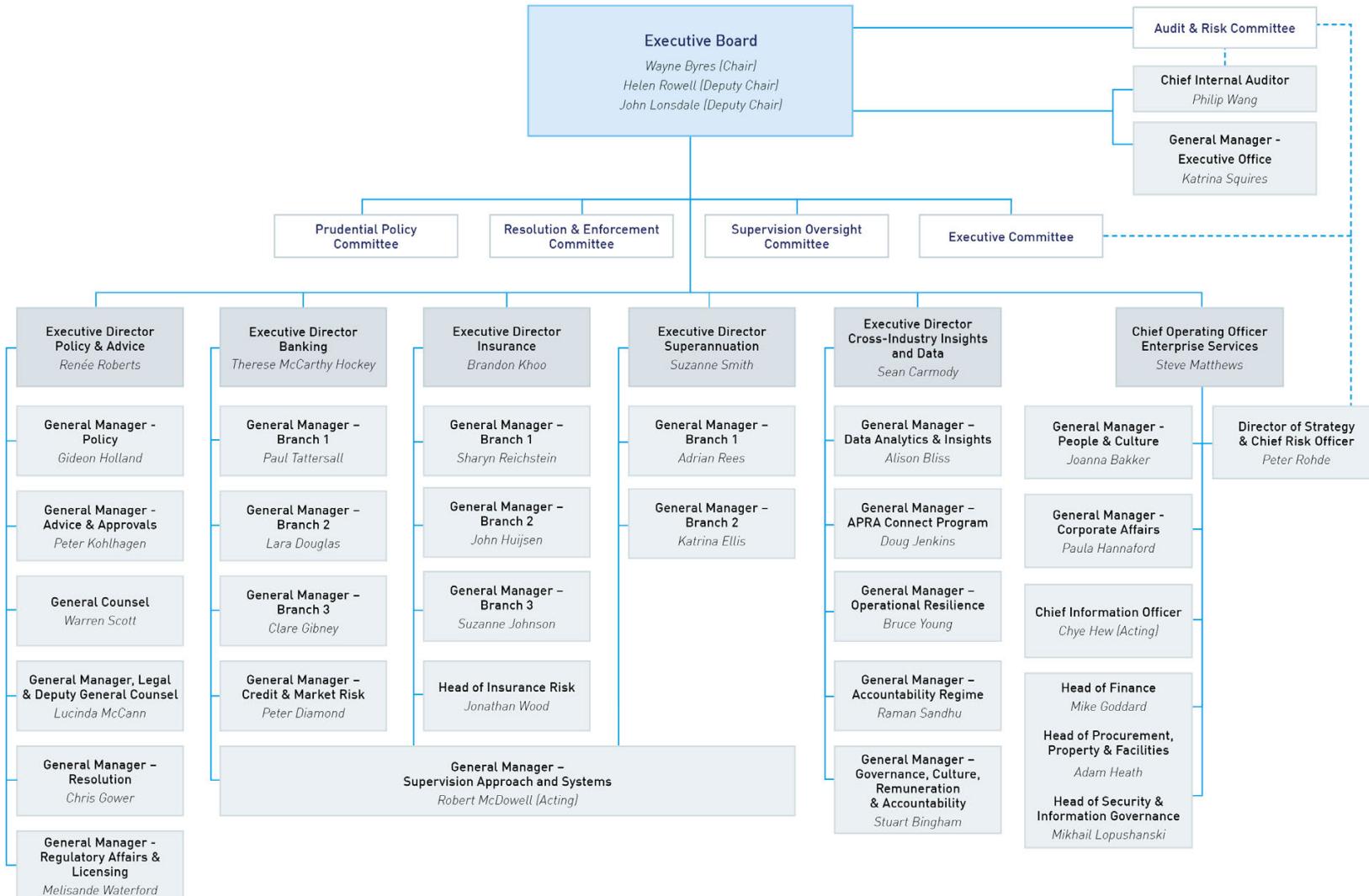
Biographies of all Members are available in Chapter 4 of this report.



The APRA Members who served in office during 2020/21, from left to right: Geoff Summerhayes, Member; Wayne Byres, Chair; Helen Rowell, Deputy Chair; John Lonsdale, Deputy Chair.

In March 2021, Treasurer the Hon Josh Frydenberg MP announced the appointment of Ms Margaret Cole as an APRA Member for a five-year term, beginning on 1 July 2021. Ms Cole replaced Mr Geoff Summerhayes, who finished his five-year term as an APRA Member on 31 December 2020.

## APRA's organisation chart (as at 30 June 2021)



## APRA-regulated institutions

	Number of entities <sup>1 8</sup>			Assets (\$ billion) <sup>2</sup>		
	30 Jun 20	30 Jun 21	% change	30 Jun 20	30 Jun 21	% change
ADIs <sup>3 4</sup>	146	143	-2.1%	5,466	5,355	-2.0%
Banks	98	97	-1.0%	5,403	5,290	-2.1%
Credit unions and building societies	40	37	-7.5%	58	58	0.7%
Other ADIs	7	8	14.3%	6	7	26.8%
Restricted ADIs	1	1	0	0	0	0
Representative offices of foreign banks <sup>5</sup>	14	15	7.1%	0	0	0
General insurers	95	93	-2.1%	135	150	10.6%
Life insurers	28	27	-3.6%	129	133	2.8%
Friendly societies	12	11	-8.3%	8	9	12.8%
Licensed trustees	107	95	-11.2%	0	0	0
Superannuation entities <sup>6 7</sup>	1,671	1,674	0.2%	1,930	2,263	17.2%
Public offer funds	113	111	-1.8%	1,653	1,982	19.9%
Non-public offer funds	38	36	-5.3%	272	278	2.2%
Small APRA funds	1,479	1,486	0.5%	2	2	-5.3%
Approved deposit funds	10	10	0	0	0	0
Eligible rollover funds <sup>8</sup>	7	7	0	3	2	-53.1%
Pooled superannuation trusts	24	24	0	150	188	25.1%
Private health insurers	37	35	-5.4%	17	18	7.2%
Non-operating holding companies	30	31	3.3%	0	0	0
<b>TOTAL</b>	<b>2,126</b>	<b>2,109</b>	<b>-0.8%</b>	<b>7,685</b>	<b>7,927</b>	<b>3.1%</b>

**Notes:**

- 1 Number of entities for end-June 2020 has been revised to reflect wind up of entities finalised during FY 2020/21.
- 2 Asset figures for end-June 2021 are based on the most recently submitted returns. Asset figures for end-June 2020 have been revised slightly from APRA's 2020 Annual Report in line with audited returns received during the year.
- 3 The ADI classification does not include representative offices of foreign banks.
- 4 Asset figures for ADIs for June 2020 and June 2021 have been sourced from the Economic and Financial Statistics (EFS) domestic books data collection, which has a new treatment of certain assets, including all securitisation of assets.
- 5 Number of representative offices of foreign banks has not been included in the total number of entities, as APRA does not regulate them.
- 6 This data excludes superannuation entities that APRA does not regulate, that is, exempt public sector superannuation schemes and Australian Tax Office-regulated self-managed superannuation funds.
- 7 Pooled superannuation trust assets are not included in totals as these assets are already recorded in other superannuation categories.
- 8 The 'number of entities' includes entities that are currently in the process of winding up but have not formally been wound up or had their licence revoked as yet.
- 9 The movement in total assets for eligible rollover funds is due to transfers out during FY 2020/21, including from funds which are currently in the process of winding up.

## CHAPTER 3 – STATEMENT OF PERFORMANCE

I, Wayne Byres, as the accountable authority of the Australian Prudential Regulation Authority (APRA), present the annual performance statement of APRA for the 2020/21 reporting period, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement accurately presents the performance of APRA and complies with subsections 39(2) of the PGPA Act.

### Purpose

APRA is an independent statutory authority established for the purpose of prudential supervision of financial institutions and for promoting financial stability in Australia.

APRA's role is to regulate relevant financial institutions through a robust prudential framework of legislation, prudential standards and guidance, which aims to ensure that risk-taking is conducted within reasonable bounds and that risks are clearly identified and well-managed.

In performing and exercising its functions, APRA is required to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality, and, in doing so, to promote financial system stability in Australia.

### APRA's 2020-2024 Corporate Plan

APRA takes a risk-based approach to identifying and assessing areas of greatest risk to regulated institutions meeting their obligations, and to financial stability in Australia, and directs its resources to address those risks. The challenges of 2020 were unprecedented with natural disasters including devastating bushfires and floods domestically, and the emergence of the COVID-19 pandemic globally. The health crisis brought with it an economic crisis and subsequent economic contraction that was, at one point, more severe than anything seen since the Great Depression.

It became clear in early 2020 that APRA needed to review the strategic priorities laid out in its 2019-2023 Corporate Plan and move quickly to respond to a rapidly deteriorating operating environment. APRA promptly reset priorities and directed resources to key risks and vulnerabilities – including the heightened risk of failure of one or more APRA-regulated institutions – and intensified its efforts to reinforce the stability of the financial system and support the broader Australian economy.

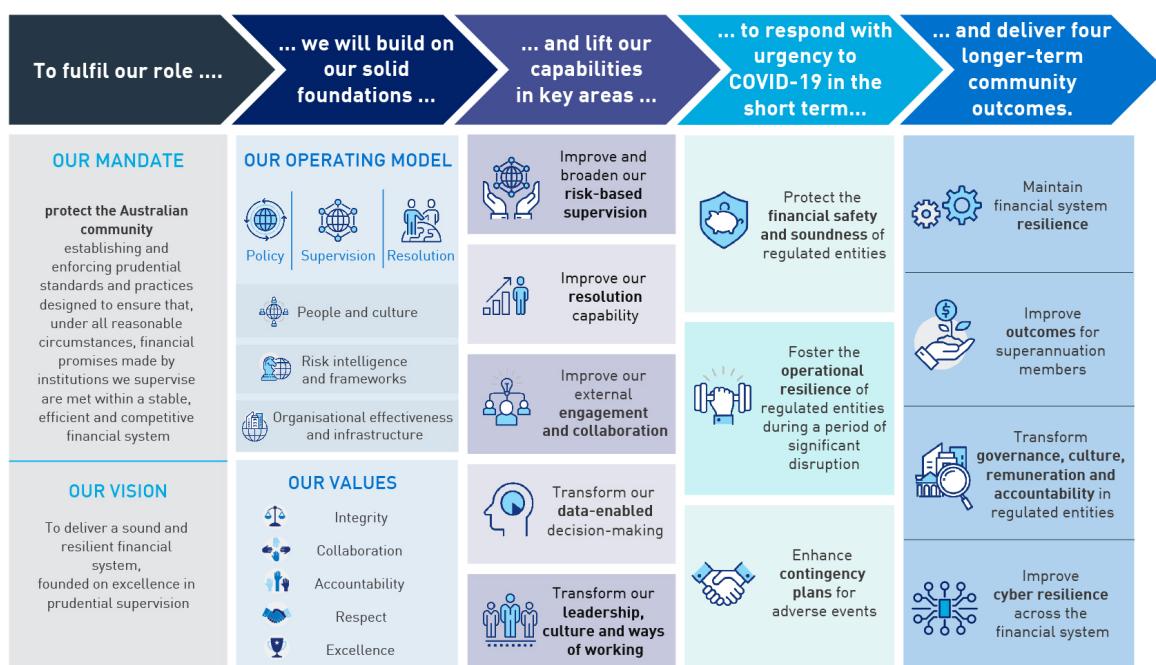
The onset of COVID-19 also prompted a significant change to APRA's way of working with its entire workforce shifting to working from home. In such an environment, APRA placed a high priority on supporting the health and wellbeing of its people and providing enabling infrastructure and technology to continue to operate effectively in a distributed work environment.

With this operating context, APRA's 2020-2024 Corporate Plan<sup>23</sup> preserved APRA's commitment to its longer-term strategic objectives but narrowed its short-term priorities to focus on three key objectives:

- reinforcing the safety and soundness of APRA-regulated institutions;
- fostering their operational resilience during a period of significant disruption; and
- enhancing contingency plans to address the increasing risk of failure of one or more APRA-regulated institutions.

This strategic focus was designed to maintain public confidence in the financial system and aid Australia's economic recovery. It is in this context, and the backdrop of APRA's Statement of Intent<sup>24</sup>, that the analysis of APRA's performance for the 2020/21 financial year is presented in this performance statement. A summary of APRA's 2020-2024 strategy is provided below.

### APRA's 2020-2024 Plan on a Page



## Results

The Australian financial system remained fundamentally sound during the 2020/21 reporting period and continued to perform its role in supporting households and businesses and acting as a shock absorber for the rest of the economy. The strength of the financial system reflected a long period of investment in financial and operational resilience, with APRA's strong prudential framework, ongoing supervision and close coordination with government and peer regulators contributing to this outcome.

<sup>23</sup> <https://www.apra.gov.au/news-and-publications/apra-2020-2024-corporate-plan>

<sup>24</sup> <https://www.apra.gov.au/statement-of-intent-september-2018>

In particular, APRA provided a range of regulatory concessions and measures to reduce regulatory burden; supported broader Government stimulus measures and policy responses; and collected and published additional data to enable a transparent and objective view of the impact and success of various measures. APRA's measures were designed in a manner that did not materially weaken the fundamental strength of the Australian financial system.

## Performance against Corporate Plan KPIs

APRA's 2020-2024 Corporate Plan outlined key measures against which APRA's performance would be assessed for the 2020/21 financial year. Performance against these measures is summarised below.

### *Outcome 1: Maintain financial system resilience*

#### **KPI 1.1: Performing Entity Ratio (PER)**

APRA strives to maintain a very low incidence of failure of APRA-regulated institutions. The PER indicates the incidence of failure amongst regulated institutions, measured as the number of regulated institutions that met their commitments to beneficiaries in a given year, divided by the total number of regulated institutions. The higher the percentage, the lower the incidence of failure.

#### **KPI 1.2: Money Protection Ratio (MPR)**

APRA strives to protect the Australian community from financial loss and disruption. The MPR indicates the incidence of loss in the financial sector, measured as the dollar value of liabilities to beneficiaries in Australia in a given year, less any losses due to prudential failures, divided by the total dollar value of liabilities to beneficiaries in Australia in APRA-regulated institutions. The higher the percentage, the lower the incidence of loss.

### **Performance summary**

APRA has achieved strong average PER and MPR results across all regulated industries over time. There was one failure of an APRA-regulated institution, Xinja Bank Limited, recorded during the 2020/21 reporting period. The return of deposits for Xinja Bank Limited was completed in January 2021 with APRA providing close oversight to ensure all funds were returned in an orderly and timely manner<sup>25</sup>. The '*Analysis of results – Maintain financial system resilience*' section below provides further analysis of performance, including other qualitative and quantitative information.

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<sup>25</sup> <https://www.apra.gov.au/news-and-publications/xinja-bank-return-of-deposits-completed>

### PER results

Overall	2020/21 Result		10 Year average		20 Year average				
PER (%)	99.80		99.98		99.94				
	Banking	General Insurance	Life Insurance	Superannuation	Private Health Insurance*				
Time period	10yr	20yr	10yr	20yr	10yr	20yr	10yr	20yr	6yr
PER (%)	99.93	99.97	100.00	99.93	100.00	100.00	100.00	99.93	100.00

\* APRA became the prudential regulator for private health insurers from 1 July 2015. Therefore, only a six-year PER average is reported for that industry.

### MPR results

Overall	2020/21 Result		10 Year average		20 Year average				
MPR	100.00		100.00		100.00				
	Banking	General Insurance	Life Insurance	Superannuation	Private Health Insurance*				
Time period	10yr	20yr	10yr	20yr	10yr	20yr	10yr	20yr	6yr
MPR (%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

\* APRA became the prudential regulator for private health insurers from 1 July 2015. Therefore, only a six-year MPR average is reported for that industry.

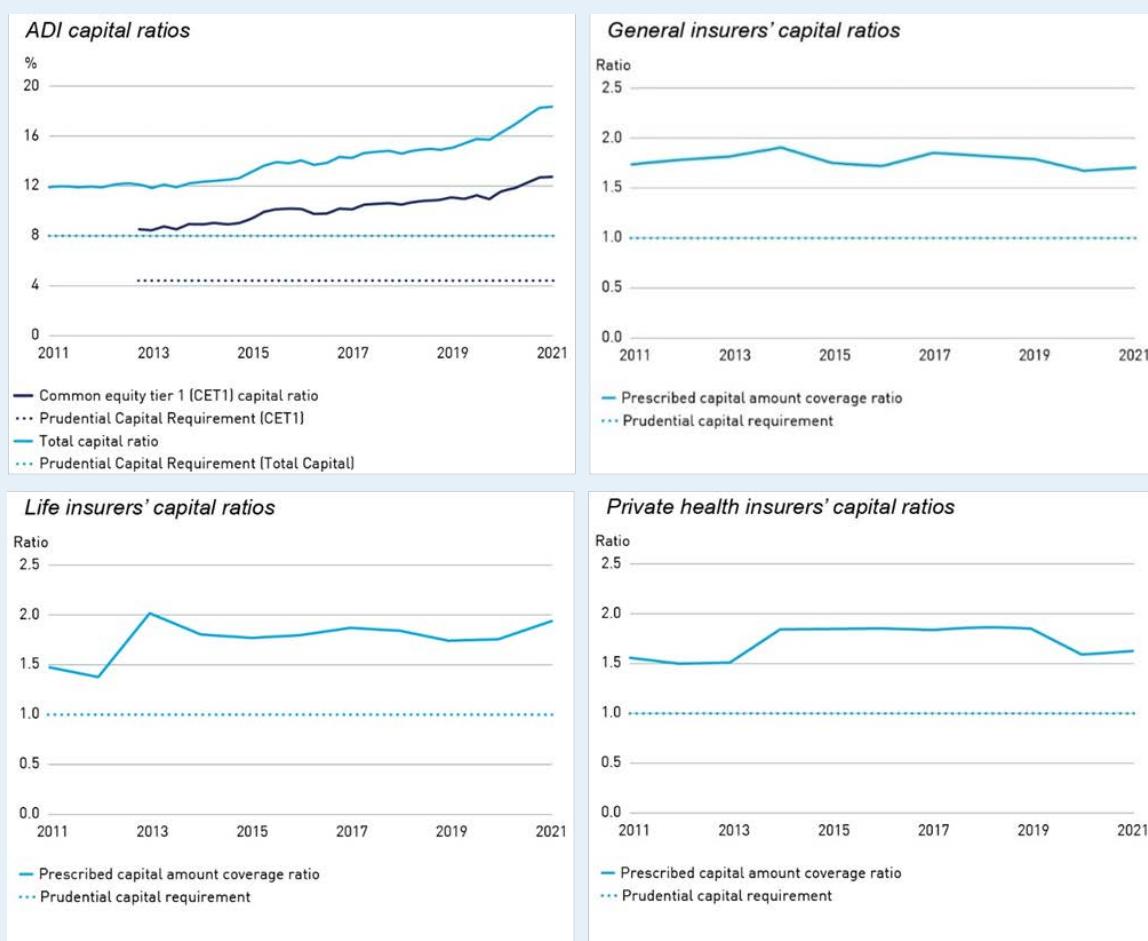
### KPI 1.3: Capital ratios

The extent to which capital ratios are maintained above minimum prudential requirements is used by APRA as a key indicator of the balance sheet strength of authorised deposit-taking institutions (ADIs) and insurers, supported by other quantitative and qualitative information.

### Performance summary

The balance sheet strength of APRA-regulated institutions was maintained during the 2020/21 reporting period, despite the severe disruption caused by COVID-19. All APRA-regulated ADIs and insurers held capital above minimum prudential requirements as at 30 June 2021. Aggregate capital ratios are provided below. The '*Analysis of results – Maintain financial system resilience*' section below provides further analysis of performance, including other qualitative and quantitative information.

*Figure 1 - Aggregate capital ratios for APRA-regulated ADIs and Insurers*



## *Outcome 2: Improve outcomes for superannuation members*

### **KPI 2.1: Aggregate reduction in fees for MySuper products**

The aggregate reduction in fees for MySuper products is used by APRA as an indicator of efficiency within the superannuation industry, supported by other quantitative and qualitative information.

#### **Performance summary**

The estimated reduction in fees for MySuper products for the 2020/21 reporting period was \$461m<sup>26</sup>. The '*Analysis of results – Improve outcomes for superannuation members*' section below provides further analysis of performance including other qualitative and quantitative information.

### **KPI 2.2: Number of RSE/product wind-ups/transfers**

The number of RSE/product wind-ups/transfers is used by APRA as an indicator of the resolution or exit of persistently underperforming superannuation funds, supported by other quantitative and qualitative information.

<sup>26</sup> Data is based on Product Disclosure Statements.

### **Performance summary**

Since the release of the first MySuper Product Heatmap by APRA in December 2019 there has been a total of 23 product wind-ups/transfers of which eight relate to the 2020/21 reporting period. The '*Analysis of results – Improve outcomes for superannuation members*' section below provides further analysis of performance including other qualitative and quantitative information.

### **Outcome 3: Improve cyber resilience across the financial system**

#### **KPI 3.1: Number of regulated institutions assessed as complying with APRA's information security requirements**

The number of extensions and breach notices reported to APRA with respect to prudential standard CPS 234 Information Security (CPS 234) is used by APRA as an indicator to measure the ability of institutions to deter, detect and defend against cyber incidents, supported by other quantitative and qualitative information.

### **Performance summary**

A total of 113 regulated institutions requested extensions for CPS 234 compliance during the 2020/21 reporting period, largely driven by COVID-related disruptions. These extensions have all now expired. Only six entities lodged formal breach notices for CPS 234. The '*Analysis of results – Improve cyber resilience across the Australian financial system*' section below provides further analysis of performance, including other qualitative and quantitative information.

### **Outcome 4: Transform governance, culture, remuneration and accountability (GCRA) across all regulated financial institutions**

#### **KPI 4.1: Deliverables achieved in line with APRA's GCRA work program**

This KPI examines the delivery of the GCRA work program outlined in APRA's 2020-2024 Corporate Plan, including the development of outcomes-based performance measures.

### **Performance summary**

APRA's longer-term strategic objective to transform GCRA across all regulated institutions was scaled back during the year to allow APRA to focus on its core priorities. All work streams that formed part of APRA's revised GCRA work program outlined in APRA's 2020-2024 Corporate Plan were performing in line with planned key milestones and deliverables as at 30 June 2021. The '*Analysis of results – Transform governance, culture, remuneration and accountability across APRA-regulated institutions*' section below provides further analysis of performance, including other qualitative and quantitative information.

## *Outcome 5: Efficient administration of the Financial Claims Scheme (FCS)<sup>27</sup>*

### **KPI 5.1: Percentage of FCS payments paid to deposit account holders within seven calendar days of an FCS declaration**

APRA measures the efficiency with which it performs its function in relation to the FCS for ADIs by measuring the percentage of FCS payments paid to account holders within seven calendar days of an FCS declaration. Although the circumstance of each declaration will vary the timeliness of payment, this measure is consistent with APRA's endeavours to pay most account holders, or enable them to access, their FCS payment within seven days.

#### **Performance summary**

No FCS declarations occurred within the 2020/21 reporting period.

### **KPI 5.2: Number of outstanding general insurance claims in the event of an FCS declaration**

Given the long tail nature of general insurance claims, which do not easily lend themselves to measures of efficiency, APRA reports on the number of outstanding claims in the event of an FCS declaration.

#### **Performance summary**

The number of outstanding general insurance claims was zero as at 30 June 2021. The final claim in relation to general insurer Australian Family Assurance Limited was completed during the 2020/21 reporting period.

## *Outcome 6: APRA operates efficiently*

### **KPI 6.1: Costs per \$1,000 of assets supervised by APRA**

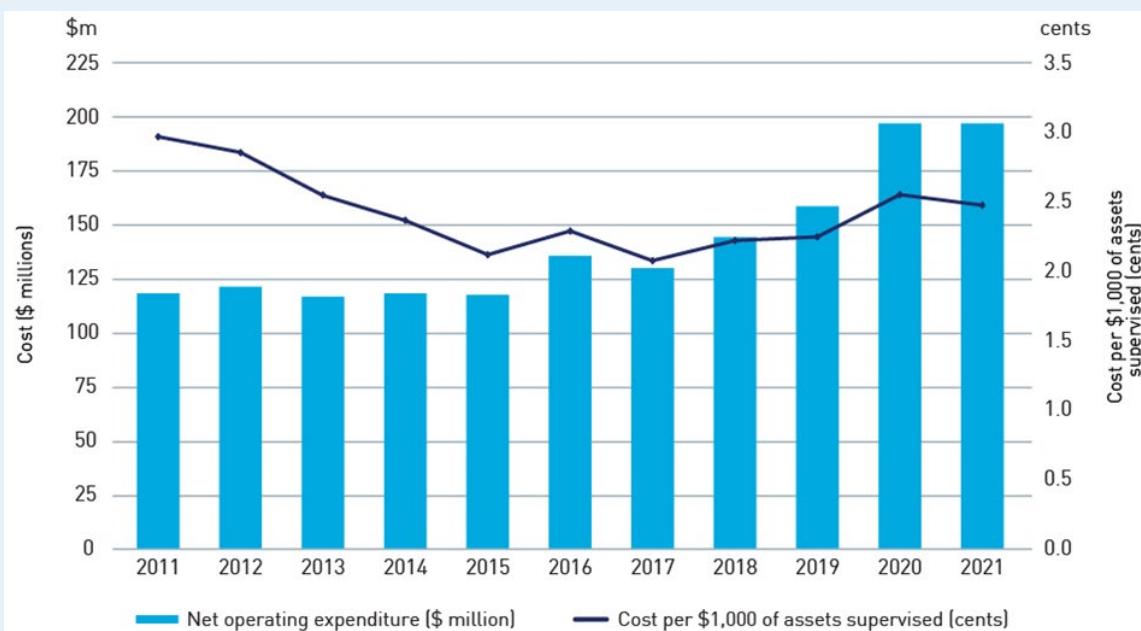
APRA continues to focus on the efficiency of its operations and assesses performance in meeting its overall efficiency commitment by measuring the ratio of its costs per \$1,000 of assets it supervises, supported by other quantitative and qualitative information.

#### **Performance summary**

APRA's total operating expenditure for the 12 months to 30 June 2021 was \$196.4 million, against the original budget of \$205.4 million. Relative to the size of the industries that APRA supervises, the cost per \$1,000 of assets supervised was just under 2.5 cents in 2020/21. This compared with approximately 3.0 cents per \$1,000 of assets supervised at the start of the previous decade.

<sup>27</sup> As specified in Section 8 of the *Australian Prudential Regulation Authority Act 1998*, APRA has responsibility for administering the Financial Claims Schemes (FCSs). The FCSs are Australian Government schemes designed to protect Australian depositors and general insurance policyholders in a situation in which an ADI or general insurer fails. The FCSs therefore play an important role in supporting the stability of the Australian financial system. The FCSs do not apply to life insurance companies, friendly societies or private health insurers.

*Figure 2 - Costs in \$ millions and costs per \$1,000 of assets supervised by APRA*



During 2020/21, new funding measures significantly increased APRA's available resources, with average staffing levels increasing from 734 to 789. The increase in resourcing was directed to address the economic uncertainties arising from heightened risks within the financial system that emerged as a result of the COVID-19 pandemic and further measures taken with respect to reform within the superannuation industry. The reduction in costs per \$1,000 of assets supervised in 2020/21 reflects the growth in assets supervised by APRA and the ongoing focus on APRA's operational efficiency.

#### *Outcome 7: APRA minimises impact to achieve regulatory objectives*

#### **KPIs included in APRA's self-assessment against the Government's Regulator Performance Framework (RPF)**

APRA's annual self-assessment against the key performance indicators (KPIs) included in the Government's RPF, and validated by industry associations, is used by APRA to measure performance in regard to minimising impact to achieve regulatory objectives<sup>28</sup>. The '*Analysis of results – Addendum A - APRA's self-assessment against the Government's Regulator Performance Framework*' section provides further analysis of performance against each KPI, including supplementary qualitative and quantitative information.

<sup>28</sup> The last self-assessment APRA will conduct under the RPF is for the 2020/21 reporting period as it has been replaced with principles of best practice that underpin the Government's expectations of regulators and their performance outlined in the Regulator Performance Guide effective July 2021. As such, APRA's 2020/21 self-assessment against the RPF has not been validated by industry associations given the transitional arrangements in place this year.

## Analysis

Analysis of APRA's performance in relation to APRA's 2020-2024 Corporate Plan, including supporting qualitative and quantitative information, is provided below.

### Maintain financial system resilience

#### *Objective in Corporate Plan*

APRA will maintain its strong track record of maintaining financial safety and stability by reinforcing the resilience of APRA-regulated financial institutions and the Australian financial system, to protect the interests of Australian ADI depositors, insurance policyholders and superannuation members.

#### *Performance against objective*

The Australian financial system remained fundamentally sound. During 2020/21, APRA preserved its strong track record of maintaining the safety and stability of the Australian financial system, as evidenced by the consistently strong average PER and MPR results presented above. There was one resolution of an APRA-regulated institution during 2020/21, Xinja Bank Limited, with all deposits returned to depositors in full and in an orderly manner – this case is discussed further below. Capital ratios were maintained above minimum prudential requirements by all APRA-regulated ADIs and insurers as at 30 June 2021.

In the early part of 2020/21, in response to a rapidly deteriorating operating environment triggered by the financial and economic impacts of the COVID-19 pandemic, APRA promptly reset its priorities and directed its resources to:

- reinforcing the safety and soundness of APRA-regulated institutions;
- fostering their operational resilience during a period of significant disruption; and
- enhancing contingency plans to address the increasing risk of failure of one or more APRA-regulated institutions.

In March 2020, APRA temporarily suspended the bulk of its policy and supervision agenda and paused work on assessing new licence applications. APRA proceeded to develop a package of measures to enhance and complement actions by Government, regulatory peers and industry in response to key risks and vulnerabilities. These measures were designed to:

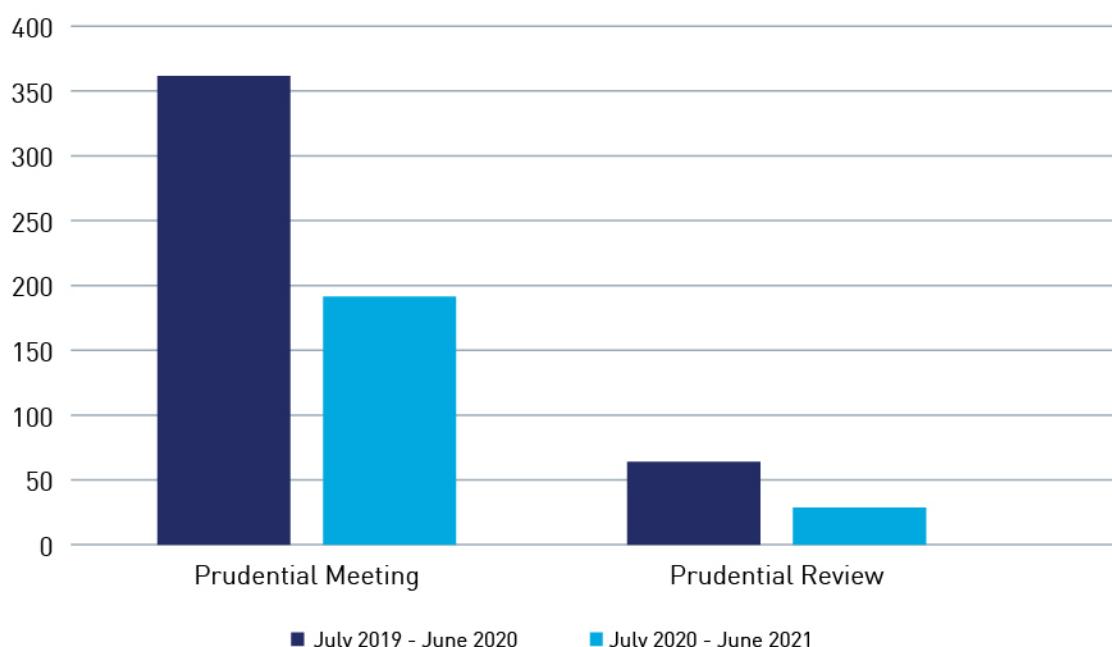
- ease the burden on regulated institutions to allow them to focus on pandemic response activities and meet the needs of customers;
- provide temporary regulatory concessions to support economic measures introduced by the Government, the Reserve Bank of Australia and industry;
- support stimulus measures and implementation of policy responses, such as the early release of superannuation scheme;
- capture data to track the uptake and impact of support measures; and
- promote the importance of the continued provision of financial services.

Given the substantial uncertainty as to the outlook, APRA also increased its stress testing activities across all regulated industries and analysed a range of scenarios so as to identify

potential vulnerabilities, including regulated institutions that may be at a heightened risk of failure. The stress tests allowed APRA to better target its regulatory attention and contingency planning.

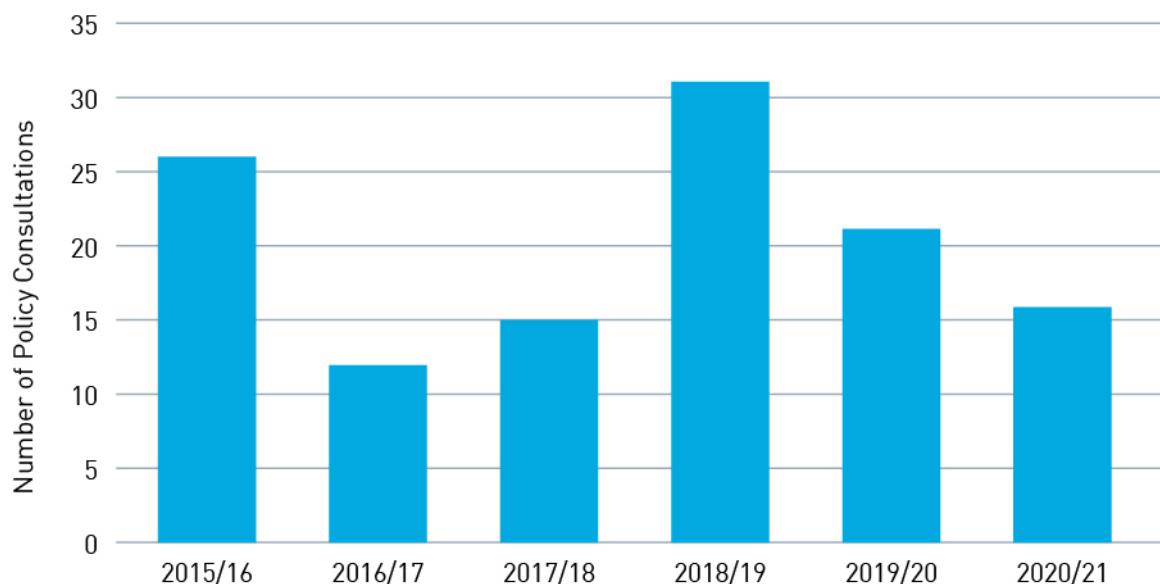
With physical interaction not possible for much of the year, APRA devised alternative supervisory approaches including holding all of its external engagements virtually rather than face to face. While the loss of face-to-face interactions was unhelpful, hosting virtual engagements did not unduly diminish APRA's ability to perform its role, and these now form part of APRA's evolving supervisory toolkit. Figure 1 below provides a summary of structured prudential engagements conducted by APRA over the past two years. The number was considerably lower during the 2020/21 reporting period (223) compared to the 2019/20 reporting period (417), as structured prudential engagements were replaced with a significant increase in informal interactions with regulated institutions on COVID-19 response activities.

*Figure 3: Number of structured prudential engagements*



Towards the end of the 2020 calendar year, APRA recalibrated its response to the COVID-19 pandemic and transitioned to a recovery agenda. This included resuming licensing activities and restoring work on the highest priority prudential policy reforms. In the 2020/21 reporting period, APRA released one updated prudential standard and four reporting standards, and undertook 16 consultations across the prudential and reporting frameworks across all regulated industries. A yearly comparison of policy consultations is provided in Figure 4.

Figure 4: Number of policy consultations



APRA complies with the Government's policy on best practice regulation. During 2020/21, APRA finalised one Regulation Impact Statement. In addition, APRA developed 14 preliminary assessments and, following advice from the Office of Best Practice Regulation (OBPR), undertook one regulatory impact analysis.

After a short pause, APRA also recommenced substantive work on addressing the remaining recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, APRA's Capability Review and the Financial Sector Assessment Program (FSAP) undertaken by the International Monetary Fund (IMF) in 2018/19. At the time of writing, of the 94 APRA-led recommendations, around half had been closed. APRA is on track to complete all 'open' Royal Commission recommendations and the vast majority of others by the end of 2021/22.

A review of performance results by regulated industry is provided below.

### ***Banking***

Throughout the year, APRA's resources were applied to ensuring the financial and operational resilience of the Australian banking sector, enhancing APRA's crisis readiness (refer to '*Improving APRA's resolution capability*' below) and continuing to make sure ADIs were well-positioned to work through the impacts of the COVID-19 pandemic.

Despite considerable economic volatility and periodic lockdowns across Australia, ADIs have remained well funded and strongly capitalised with sound asset quality. Fiscal and monetary support measures initiated from the onset of COVID-19 contributed to this, but the strengthening of capital to achieve the 'unquestionably strong' benchmarks set by APRA prior to the pandemic has also been a major factor behind the financial resilience of the Australian banking sector.

Regulatory concessions first initiated in 2019/20 that allowed ADIs to continue to treat customer repayment deferrals due to COVID-19 as performing loans, which in turn avoided the imposition of higher capital requirements, were extended to March 2021. To support an orderly exit from the loan repayment deferrals program, APRA, together with ASIC, reviewed banks' plans and engaged with banks on their implementation of the wind-down plans.

Reflecting the more positive economic outlook in the second half of 2020, in July 2020<sup>29</sup> and then again in December 2020<sup>30</sup>, APRA adjusted its guidance on dividends<sup>31</sup>. In doing so, APRA noted strengthened capital positions and provisioning levels by banks and that the majority of loans subject to repayment deferral had recommenced repayment. As noted above, APRA also evolved a nimble and more frequent program of stress testing that provided assurance that the banking industry was well-placed to withstand a range of scenarios.

Returning to its longer-term agenda, APRA recommenced consultation on proposed changes to the banking regulatory capital framework in December 2020. This work is a continuation of a process of responding to Financial System Inquiry recommendations, and ensures Australian banks meet internationally agreed Basel III requirements. The proposed changes are designed to make the bank capital framework more flexible, transparent and resilient. APRA proposes to finalise the framework in the coming months; it will be effective from January 2023.

The COVID-19 pandemic was also a test of the banking industry's operational resilience. Importantly, critical services were maintained with minimal disruption although systems and processes needed to be changed in some areas to support customers and mitigate service provider failures, including those provided by overseas parties in lockdown. Responses to unforeseen events that occurred during the year highlighted areas where improvements could be made ahead of any further shocks. In this regard, APRA published a range of learnings from COVID-19 in August 2020, as part of its '*Insight*' publication<sup>32</sup>.

### ***General insurance***

The Australian general insurance industry remained well capitalised with a coverage ratio of 1.7 times the minimum requirement as at 30 June 2021. The coverage ratio benefited from capital raisings by a number of insurers to offset the need for additional provisions in relation to business interruption insurance. The industry's capital position was also adversely impacted by higher than expected claims costs from natural catastrophe weather events throughout the year.

Business interruption insurance proved problematic for the general insurance industry. After the SARS outbreak in 2003, insurers sought to eliminate their exposure to pandemics by including exclusions in their policies. However, imprecision in policy wording has resulted in legal challenges which could lead to insurers having to pay substantial unanticipated claims. In response, APRA intensified its oversight of impacted insurers to understand the adequacy of their provisions for such claims. Exposure to business interruption insurance

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<sup>29</sup> <https://www.apra.gov.au/letter-to-authorised-deposit-taking-institutions-capital-management>

<sup>30</sup> <https://www.apra.gov.au/capital-management-1>

<sup>31</sup> In the prior financial year, APRA had issued guidance to ADIs and insurers, encouraging them to defer dividend payments and preserve capital at the height of the pandemic.

<sup>32</sup> <https://www.apra.gov.au/covid-19-a-real-world-test-of-operational-resilience>

losses and strengthening of insurance risk management frameworks (including across other business lines) remain key areas of ongoing supervisory focus for APRA.

Rising premiums and reduced capacity in certain product lines, especially in the country's cyclone- and flood-exposed north, is making insurance more unaffordable (or in some cases unavailable) for many Australians. The accessibility and affordability of insurance for parts of the Australian community pose increasing challenges, and are likely to be exacerbated by, amongst other things, expected future increases in the frequency and severity of natural catastrophe events. APRA intends to devote greater regulatory attention to these challenges by working closely with Government, industry and regulatory peers to help address this protection gap. In addition, APRA also established the Insurance Consumer Forum during the year which began meeting twice yearly to share ideas, insights and recommendations on these challenges.

On the regulatory front, APRA progressed work during the year to align its capital and reporting framework for life, general and private health insurers with a new accounting standard on insurance contracts. A fit-for-purpose capital framework is at the core of financial resilience, and the realignment is designed to reduce the burden and cost of having to maintain two different valuation, actuarial, accounting and reporting frameworks when the Australian Accounting Board's (AASB's) new standard *AASB 17 Insurance Contracts* (AASB 17) takes effect. The new accounting standard focuses on the way insurance contracts are recognised, measured, presented and disclosed in financial statements, and is intended to make it easier to compare exposure, profitability and financial position across insurers. APRA's proposals in relation to implementation of AASB 17 were outlined in a discussion paper<sup>33</sup> which closed for consultation in March 2021. APRA expects to release updated capital and reporting standards in late 2021 for further consultation, with final standards due to come into effect in 2023.

### ***Life insurance***

The Australian life insurance industry remained resilient from a capital perspective, with an aggregate capital coverage ratio of 1.9 times the minimum requirement as at 30 June 2021. However, the industry continues to be challenged by product sustainability issues, with substantial losses incurred in individual disability income insurance and recent losses in insurance offered through superannuation and corporate schemes.

Friendly societies pose no immediate concern from a capital perspective, although there are vulnerabilities due to the low interest rate environment and weaker consumer demand for products.

In response to heightened risks posed by COVID-19, especially the volatility in financial markets, APRA intensified its capital monitoring for most life insurers and reinsurers to quickly identify potential vulnerabilities. In September 2020, APRA conducted an industry-wide stress test with two COVID-19 scenarios: a baseline scenario reflecting a mild economic deterioration followed by a quick recovery, and a severe scenario reflecting further outbreaks post-2020. The results of the stress tests indicated life insurers and reinsurers were, on the whole, well-positioned to withstand a very severe economic

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<sup>33</sup> <https://www.apra.gov.au/news-and-publications/apra-consults-on-implementation-of-aasd-17-for-insurance-capital-and>

downturn and meet their commitments to policyholders, although some individual insurers could fall below their minimum capital requirements without mitigating management actions. Feedback was provided to insurers and the broader industry on stress test results<sup>34</sup> and APRA is using this information as a key input to inform its supervisory activities.

APRA's expectations in relation to individual disability income insurance product sustainability measures, management of higher-risk product features, and data quality were set out in formal letters issued to industry in December 2019<sup>35</sup> and September 2020<sup>36</sup>. These expectations were reinforced by additional capital requirements applied to some insurers effective from October 2020. APRA has indicated it will remove these capital add-ons when insurers are able to demonstrate they have addressed riskier product features and improved risk governance and data practices.

#### ***Private health insurance***

As at the end of June 2021, the private health insurance industry was in a sound capital position with a capital coverage ratio of 1.6 times.

In recent years, APRA has flagged concerns about the sustainability of Australia's private health insurance industry due to a combination of declining membership (particularly amongst young people), the number of people opting out of health insurance, Australia's ageing population, and health costs rising faster than premium growth. The impact of COVID-19 has altered the industry's immediate trajectory and financial position, due to events such as the delay in premium increases, the pause on elective surgery and the recent pick-up in membership amongst younger age groups, all of which have created an additional level of short-term uncertainty. The key longer-term challenges facing the industry, however, remain unchanged. APRA will continue to devote supervisory attention to assessing the progress insurers have made in terms of strategies and solutions to private health insurance accessibility and affordability challenges.

As well as these longer-term challenges, private health insurers were directly impacted by the COVID-19 pandemic. The industry provided financial relief to policyholders by delaying premium increases and allowing policyholders to suspend their policies for a period without any restrictions or limitations to future benefits. The industry also had to grapple with the challenges arising from restrictions on elective surgery. As treatments were inaccessible, hospital and general benefits paid to policyholders were consequently reduced. A key uncertainty facing the industry was the extent to which many policyholders who had their treatments cancelled or postponed would still require medical treatment in the future, as their underlying medical condition had not been addressed, and in some cases may even have worsened. Therefore, in June 2020, in consultation with both the Department of Health and ASIC, APRA issued guidance to industry on the establishment of a deferred claims liability (DCL)<sup>37</sup>. The DCL is essentially a provision against the likelihood that cancelled or postponed treatments have only been deferred to a later date. Subsequently, in March 2021,

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<sup>34</sup> <https://www.apra.gov.au/news-and-publications/stress-testing-insurers-during-covid-19-results-and-key-learnings>

<sup>35</sup> <https://www.apra.gov.au/sustainability-measures-for-individual-disability-income-insurance>

<sup>36</sup> <https://www.apra.gov.au/final-individual-disability-income-insurance-sustainability-measures>

<sup>37</sup> <https://www.apra.gov.au/application-of-capital-framework-for-covid-19-related-disruptions>

APRA relaxed some of the more detailed components of its guidance to allow insurers more flexibility in determining the value of the DCL<sup>38</sup>.

As mentioned in the general insurance section above, APRA continued its work during the year on a revised capital framework, albeit with the consultation period on APRA's discussion paper<sup>39</sup> extended to September 2020 due to the COVID-19 pandemic. The revisions to the capital framework will also recognise the changes in response to AASB 17, which deals with the accounting treatment of insurance contracts. APRA's goal remains to finalise and implement the new capital framework from July 2023.

APRA continued its focus on ensuring insurers have credible and feasible recovery plans in place (refer to '*Improve APRA's resolution capability*' section below). All private health insurers submitted recovery plans to APRA for review, and feedback was provided on areas for improvement. APRA also continued its engagement with the Treasury and the Department of Health on ensuring APRA's resolution powers in private health insurance are adequate.

#### *Cross-industry actions*

During 2020/21, APRA continued to work with regulated industries on assessing and managing the financial risks associated with climate change. Good progress was made on two key pieces of work: APRA issued a draft prudential practice guide<sup>40</sup> for consultation, with a view to helping regulated institutions better understand how to incorporate climate-related financial risks within their existing risk management frameworks; and APRA also commenced, on behalf of the Council of Financial Regulators (CFR), climate vulnerability assessments with a small group of large banks. APRA will continue to devote effort to gathering good quality data and engaging with CFR agencies, industry bodies, research organisations and global regulatory peers.

### **Improve outcomes for superannuation members**

#### *Objective in Corporate Plan*

APRA will actively drive a superannuation trustee culture of continuous improvement and delivering quality outcomes to superannuation members to and through retirement, including addressing underperformance in the superannuation industry.

#### *Performance against objective*

The Australian superannuation industry withstood significant and unexpected headwinds in 2020, including a weakened economic environment, a spike in outflows, softer superannuation inflows driven by a period of unemployment, and the prolonged low interest rate environment. Despite this, the industry recovered faster than expected with improvements in underlying business and market conditions. Over the past year, APRA continued to actively pursue its long-term strategic objective to improve outcomes for superannuation members in key areas outlined below.

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<sup>38</sup> However, there will be a prescribed minimum amount in relation to insurers' capital adequacy requirement.

<sup>39</sup> <https://www.apra.gov.au/review-of-private-health-insurance-capital-framework>

<sup>40</sup> <https://www.apra.gov.au/consultation-on-draft-prudential-practice-guide-on-climate-change-financial-risks>

### *Supporting the Government's superannuation initiatives and reforms*

In March 2020, the Government announced an extension to the early release of superannuation (ERS) scheme to allow people who were adversely financially affected by COVID-19 to access a portion of their superannuation savings. Specifically, Australians in financial difficulty were able to withdraw up to \$10,000 of their superannuation in the second quarter of 2020, and a further \$10,000 over the remainder of 2020. The ERS commenced on 20 April 2020 and closed to new applications after 31 December 2020. During this time, APRA established guidance on payment expectations – including setting a five-day processing benchmark to ensure cash was provided promptly to members – and published weekly ERS data to provide information to the public on progress. During the peak period of unplanned outflows, APRA actively monitored trustees' liquidity positions and asset allocations. Overall, the superannuation system adjusted to handle the expanded ERS outflows well, while the funds released provided important short-term support to the Australian community.

In the October 2020 Federal Budget, the Government announced the '*Your Future, Your Super*' (YFYS) reforms. Royal Assent was granted on 22 June 2021 and the reforms are now law. APRA worked closely with Government, the Treasury, the superannuation industry and other agencies including the Australian Taxation Office (ATO) to support the implementation of YFYS, including providing the underlying data for the ATO's new YourSuper comparison tool. The comparison tool enables individuals to compare key data on MySuper products and includes the outcome of the new performance test assessment conducted annually by APRA. The first performance test assessments and associated determinations for MySuper products were published on 31 August 2021.

### *Improve the transparency and sustainability of the superannuation industry*

A major achievement during the year was publication of the enhanced MySuper Product Heatmap in December 2020<sup>41</sup>. By publishing key performance metrics and identifying superannuation products that are underperforming via its superannuation heatmaps, APRA aims to improve transparency, lift industry practice and drive enhancements to member outcomes.

In the 12 months to June 2021, an estimated \$460 million reduction in annual fees for MySuper products occurred, which will positively impact future return outcomes for members within these products. In addition, since the release of the first MySuper Product Heatmap in December 2019, there has been a total of 23 product wind-ups/transfers, of which eight relate to the 2020/21 reporting period.

Leveraging the YFYS reforms and the new performance test, APRA will continue its focus on addressing unacceptable superannuation product performance, with particular attention on products with sustained underperformance and excessive fees and costs. As part of this work, APRA will further refine the heatmap methodology in 2021 and will expand it to cover choice products, ensuring it is aligned with and complements an expanded performance test under the YFYS reforms.

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<sup>41</sup> The first MySuper Product Heatmap was published in December 2019 with an updated version published in June 2020.

### *Enhance superannuation data and insights*

In 2019, APRA launched a multi-year project to upgrade the breadth, depth, consistency and quality of superannuation data collected and reported on for the Australian superannuation industry, taking advantage of APRA's new data collection system 'APRA Connect' which was being built at the same time. Consultation on proposals to address the highest priority superannuation data gaps (Phase 1 data collections) was completed in December 2020. It included proposals to boost coverage to include all choice products and investment options, expense reporting, insurance in superannuation and asset allocation classifications. In March 2021, APRA released a response paper and 10 final reporting standards<sup>42</sup>. Reporting forms were released in the test environment for APRA Connect in June 2021.

Throughout the year, APRA sought to help reporting entities prepare for the new collections, holding more than 10 industry webinars to provide guidance and discussion on the reporting standards and publishing responses to frequently asked questions on APRA's website. APRA also released technical material relating to APRA Connect to help reporting entities successfully link to the new system and prepare for data submission, which is due to commence from September 2021.

### *Strengthening the prudential framework*

APRA continued its work to ensure the prudential framework remains fit for purpose by strengthening a number of prudential standards applicable to the superannuation sector. An important area of work was in relation to consultation on proposed changes to Prudential Standard SPS 250 *Insurance in Superannuation*<sup>43</sup> and Prudential Practice Guide SPG 250 *Insurance in Superannuation* to address matters arising from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The work took place over the first half of 2021, with a view to finalising the standard by the end of 2021.

### *Sharpening supervisory focus*

Beyond the COVID-related issues noted above, APRA's supervisory attention focused on issues relating to strategic planning and member outcomes, outsourcing, trustee board capabilities, unlisted asset valuations and conflicts of interest:

- *SPS 515 Strategic Planning and Member Outcomes* (SPS 515) took effect on 1 January 2020 and introduced new requirements for trustees to annually assess their performance across business operations and consider their ability to improve outcomes for members. APRA monitored the industry's progress in designing the inaugural Business Performance Reviews (BPRs) due for completion by December 2020 and outcomes assessments due in early 2021. APRA completed its first round of benchmarking and gave greatest attention to trustees facing sustainability challenges.
- Outsourcing – APRA completed the first phase of its thematic review of the adequacy of management of key outsourcing arrangements, covering a pilot group of 10 trustees. Closing meetings were held with trustees to convey findings. Fieldwork for the second phase is due to be completed in the first quarter of 2021/22, with final reporting by December 2021.

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<sup>42</sup> <https://www.apra.gov.au/news-and-publications/apra-completes-first-phase-of-its-superannuation-data-transformation>

<sup>43</sup> <https://www.apra.gov.au/consultation-on-prudential-standard-sps-250-insurance-superannuation>

- Trustee board capabilities – in December 2020, APRA released guidance to trustees<sup>44</sup> promoting the use of a skills matrix to help enhance overall board capability and governance practices.
- Unlisted asset valuations – in 2020, a number of revaluations of unlisted assets occurred in response to market volatility and valuation uncertainty. This prompted APRA to undertake a thematic review of unlisted asset valuations, with the aim of understanding the range of practices, lifting standards and ensuring valuation practices are robust and appropriately consider member equity issues. The review also assessed matters raised during the Royal Commission in relation to the management of conflicts of interest. APRA is planning to release high-level findings to the superannuation industry around the end of the first quarter of 2021/22.

## **Transform governance, culture, remuneration and accountability (GCRA) across all regulated financial institutions**

### ***Objective in Corporate Plan***

APRA seeks to transform governance, risk culture, remuneration and accountability (GCRA) across APRA-regulated institutions' management of financial and non-financial risk.

### ***Performance against objective***

While the transformation of GCRA across all regulated institutions remains one of APRA's long-term strategic objectives, in 2020 APRA deferred part of its planned GCRA work program to create capacity for both regulated entities and APRA to concentrate on urgent COVID-19 response activities.

### ***Governance***

Throughout the year, APRA's key governance activities focused on:

- following up issues identified from the program of risk governance self-assessments undertaken by financial institutions across all regulated industries in prior years, with a focus on a small number of large financial institutions;
- continuing to verify the completion of actions taken in response to the Prudential Inquiry into the Commonwealth Bank of Australia (CBA), resulting in a reduction in CBA's operational risk capital add-on by half (\$500 million)<sup>45</sup>; and
- agreeing to a Court Enforceable Undertaking (CEU) from Westpac Banking Corporation<sup>46</sup>, with the bank committing to substantially lift its efforts to address risk governance deficiencies. In December 2019, APRA increased Westpac's operational risk capital add-on from \$500 million to \$1 billion<sup>47</sup>, which will continue to apply until it has completed the risk governance activities set out in its integrated remediation plan to APRA's satisfaction.

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<sup>44</sup> <https://www.apra.gov.au/superannuation-how-a-skills-matrix-can-help-transform-board-capability>

<sup>45</sup> <https://www.apra.gov.au/news-and-publications/apra-reduces-cba%20%99s-operational-risk-capital-add-on-by-500-million>

<sup>46</sup> <https://www.apra.gov.au/news-and-publications/apra-agrees-to-enforceable-undertaking-from-westpac-to-address-risk>

<sup>47</sup> <https://www.apra.gov.au/news-and-publications/apra-launches-westpac-investigation-and-increases-capital-requirement-add-ons>

### **Risk culture**

In simple terms, risk culture is an entity's attitude to risk management. APRA instituted a framework during the year – 'the risk culture 10 dimensions' – for APRA supervisors to use to assess the risk culture of entities. APRA also piloted a risk culture survey for a group of 10 APRA-regulated entities; analysis of the survey results was completed in July 2021. APRA plans to roll out the survey to a larger cohort of regulated entities in 2022 to enable risk culture benchmarking and trends to be assessed over time.

### **Remuneration**

One of the most important items on APRA's agenda during the year was strengthening the prudential framework by finalising Prudential Standard *CPS 511 Remuneration* (CPS 511). CPS 511 is designed to address recommendations from the Royal Commission and establish stronger remuneration standards across the financial sector, while at the same time catering for financial entities of varied size, nature and complexity. The second round of consultation on CPS 511 closed in February 2021. APRA also released for consultation a draft prudential practice guide on remuneration<sup>48</sup>, setting out principles and better practice examples to assist entities in meeting CPS 511 requirements. APRA released the final version of CPS 511 in August 2021.

### **Accountability**

APRA continued to devote resources to strengthening systems of accountability across all regulated financial institutions during the year. In December 2020, APRA released an information paper<sup>49</sup> detailing the findings from its review of the implementation of the Banking Executive Accountability Regime (BEAR) by three of Australia's largest ADIs: Australia and New Zealand Banking Group Limited (ANZ), Commonwealth Bank of Australia (CBA) and National Australia Bank (NAB)<sup>50</sup>. The information paper shared entity-specific observations (including that all three ADIs had designed adequate frameworks to implement BEAR) and examples of better practice that can be adopted by other institutions. All three ADIs have taken actions to address the feedback received.

In parallel, APRA continued to work closely with the Treasury and ASIC on the new Financial Accountability Regime (FAR), which will extend BEAR to the insurance and superannuation sectors. APRA and ASIC are currently developing the necessary frameworks, infrastructure and processes for the joint administration of the new regime. APRA's new 'APRA Connect' system will be used as the enabling data collection platform for the FAR. APRA and ASIC have commenced work on a Joint Administration Agreement, which will be released in early in 2022.

## **Improve cyber resilience across the financial system**

### **Objective in Corporate Plan**

APRA will seek to drive significant improvement in the Australian financial system's cyber resilience.

<sup>48</sup> <https://www.apra.gov.au/consultation-draft-guidance-on-remuneration>

<sup>49</sup> <https://www.apra.gov.au/banking-executive-accountability-regime>

<sup>50</sup> Westpac Banking Corporation was not included due to an ongoing investigation into potential breaches of the *Banking Act 1959*.

### ***Performance against objective***

Improving cyber resilience across the financial system is one of APRA's long-term strategic objectives. Cyber threats are a material prudential risk from a regulatory and national security perspective. The frequency and sophistication of cyber-attacks is increasing, and so is the degree of potential harm to the Australian financial system including cost, trust, reputation and confidence.

### ***Cyber strategy***

APRA's 2020-2024 Cyber Security Strategy was unveiled in 2020. The scope of the Strategy extends beyond the entities that APRA directly regulates to endeavour to influence the broader financial ecosystem, comprising many thousands of interconnected entities, markets and financial markets infrastructures. It is also designed to complement Australia's national Cyber Security Strategy 2020. In 2020/21, APRA translated its Cyber Security Strategy into a detailed roadmap and program of work.

APRA prioritised establishing a baseline of cyber controls by assessing how effectively regulated entities embedded the requirements of Prudential Standard *CPS 234 Information Security* (CPS 234). APRA nonetheless granted 113 requests for regulatory relief from regulated entities finding it difficult to meet the January 2021 deadline to comply with CPS 234 in relation to third-party arrangements, primarily due to COVID-19 response activities. These extensions have all now expired, and all entities must now fully comply with CPS 234.

APRA received 152 incident notifications during the 2020/21 reporting period. For material incidents, APRA sought to understand the root causes and confirm that appropriate steps had been taken to avoid reoccurrence. In addition, where the incident was of a more systemic nature, APRA engaged with industry and other relevant stakeholders to ensure the incident was contained through timely and coordinated communication and response activities.

In seeking to embed a minimum standard of non-negotiable cyber practices, APRA has undertaken a pilot exercise involving independent cyber security reviews of nine regulated entities. As at June 2021, seven out of nine<sup>51</sup> final reports were received by APRA and analysis was in progress at year end. APRA will provide feedback to key stakeholders from the pilot in the first quarter of 2021/22, and will be seeking to expand the reviews to a larger number of regulated entities in the year ahead.

### ***Joint agency work***

APRA commenced several joint initiatives with the other Council of Financial Regulators (CFR) agencies during the year designed to coordinate regulatory cyber security efforts. Protocols to deal with cyber-attacks on the Australian financial system have been improved and there are plans to test these further, as well as expand the scope to include peer agencies in New Zealand. Work on the development of the overarching framework and principles for better harmonisation of cyber regulation and supervision across regulatory agencies was deferred to concentrate on enhancing coordination and response protocols; this work is scheduled to recommence in 2021/22.

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<sup>51</sup> Extensions to complete the exercise were granted to two entities.

### **Capability**

To improve data-enabled decision-making and to identify entities with weaknesses in cyber security and the management of technology more generally, APRA piloted cyber data collections during 2020/21 across all industries. Analysis has been completed for private health and general insurance, and is on track for completion for life insurance, ADIs and superannuation in 2021/22. In parallel, APRA continued to invest in improving its cyber risk supervision capabilities. APRA recruited four additional information security specialists and delivered 17 training programs to help its frontline supervisors to better assess the implementation of CPS 234 by regulated institutions.

### **Improve and broaden risk-based supervision**

#### *Objectives in Corporate Plan*

In the short term, APRA will drive more consistent, informed and comprehensive prudential supervision by rolling out and embedding its new Supervisory Risk and Intensity (SRI) Model, continuing to build APRA's Supervision Training Academy and integrating supervision strategies and action plans in APRA's supervisory system.

Over the longer term, APRA will (i) improve and broaden risk-based supervision by continuing to implement the remaining scope of work included in APRA's Supervision Fitness Program; (ii) improve APRA's ability to proactively identify and respond to a broader range of risks by ensuring risk assessments are well-informed and empirically grounded; and (iii) strengthen APRA's enforcement capability by embedding APRA's refreshed supervisory and enforcement approach.

#### *Performance against objectives*

In October 2020, APRA commenced the roll-out of its new SRI Model<sup>52</sup>. This replaced APRA's Probability and Impact Ratings System (PAIRS) and Supervisory Oversight and Response System (SOARS) system, which had been in place since 2002. The new SRI Model is used to assess the systemic significance and prudential risk for each APRA-regulated institution. SRI assessments guide the nature and intensity of APRA's supervisory response and focus APRA's resources on regulated institutions of greater risk.

During the year, APRA published an SRI Model guide with more detail on its design characteristics together with APRA's revised Supervision Philosophy. APRA held a series of structured engagements to help regulated industries understand the model and what impact it may have on the level and intensity of supervision APRA applies to them. As at end June 2021, SRI assessments had been approved for all 413 regulated institutions<sup>53</sup> and APRA had advised each institution of the outcome. In May 2021, APRA also completed its work to integrate supervision strategies and action plans in APRA's core supervision information system, supported by changes to APRA's supervisory toolkit and training.

APRA's Supervision Training Academy, established in 2019 and designed to enhance APRA's supervisory training curriculum, gained significant momentum throughout the year. A

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<sup>52</sup> <https://www.apra.gov.au/transition-to-apra%20%99s-new-supervision-risk-and-intensity-sri-model>.

<sup>53</sup> With the exception of regulated institutions merging, transferring or where the licence is being revoked.

dedicated training team developed an updated prudential supervision curriculum and delivered a range of programs to upskill supervisors in new technical areas including remuneration, accountability, risk culture, climate risk, recovery planning and resolution, with more courses under development. The team also expanded the range of training courses dedicated to APRA's supervision approach, with regular attendance from representatives of peer regulators, and supported the rollout of the new SRI Model by facilitating 37 training sessions attended by over 430 participants.

APRA continued to embed its refreshed supervisory and enforcement approaches throughout the year and used its strong suite of regulatory powers where needed as summarised below. APRA also increased transparency by publishing key enforcement actions on its website when it was considered prudent to do so.

#### *Summary of APRA's enforcement actions*

Enforcement action	2017/18	2018/19	2019/20	2020/21
Direction and Conditions*	1	11	16	11
Court enforceable undertakings	1	0	0	2
Infringement notices	0	0	715 <sup>a</sup>	0
Court actions <sup>^</sup>	0	1	0	0
Statutory/Judicial managers	0	0	0	0
Notice to produce	3	44	78	57
Formal investigations	1	25 <sup>b</sup>	3	9
Witness examinations	0	0	2	1
Search warrants	0	0	0	0

\* Includes formal directions, licence conditions, direction to remove director/manager

<sup>^</sup> Includes civil penalties, court disqualifications, criminal penalties and injunctions

a. Infringement notices to three institutions

b. 24 of the investigations related to five superannuation trustees

#### **Improve resolution capability**

##### *Objectives in Corporate Plan*

In the short term, APRA will minimise failure and instability within the financial system by proactively managing 'live cases'; strengthening its readiness to deal with the potential stress or failure of one or more regulated entities; and strengthening operational readiness to administer the Financial Claims Scheme (FCS) for ADIs and insurers by conducting FCS readiness reviews focused on smaller institutions.

Over the longer term, APRA will improve its resolution capability by establishing a new prudential standard on resolution and recovery planning.

##### *Performance against objectives*

APRA's resolution function is focused on protecting the Australian community from financial loss and disruption, by planning for and implementing prompt and effective responses to a

failure or crisis in the financial system. Improving APRA's resolution capability is a multi-year strategic priority for APRA.

#### ***Minimise failure and instability within the financial system***

In an environment of heightened uncertainty and potential risks to financial safety and stability triggered by the economic and financial impacts of COVID-19, APRA prioritised work to proactively manage regulated entities considered at heightened risk of failure. As noted previously, one regulated entity – Xinja Bank Limited – failed during the year. The resolution of this entity was managed in an orderly fashion and all depositors' funds were returned without loss. More broadly, APRA increased its supervisory intensity on higher risk entities and devoted considerable resources to ensuring robust contingency plans were in place to be activated if needed.

APRA undertook intense contingency planning ahead of Xinja announcing in December 2020 that it would return all funds to depositors and relinquish its licence to operate as an ADI. APRA conducted close oversight of the return of deposits to ensure all funds were returned in an orderly and timely manner. The return of all deposits totalling \$252 million was completed in January 2021, without loss of funds, contagion to other institutions, or any need for taxpayer support.

APRA continued to work closely with members of the CFR and Trans-Tasman Council on Banking Supervision (TTBC) on work related to crisis preparedness. After the onset of COVID-19, these inter-agency engagements became more frequent. Discussions focused on sharing observations on emerging risks, stress testing and developing strategies for responding to potential distress.

#### ***Recovery planning***

Recovery plans are critical to improving resilience by ensuring APRA-regulated entities are prepared for, and have the ability to recover from, threats to their viability. Given the risks in the external environment during 2020/21, APRA accelerated its recovery planning program of work to drive improvements across all regulated sectors. Enhancing recovery planning remains an ongoing priority for APRA.

- **Banking:** APRA provided feedback on 'fire drills' conducted by the 10 largest ADIs to test the credibility of their recovery plans in a severe stress scenario and their readiness to use recovery options. APRA provided smaller ADIs with thematic feedback on their recovery plans, including the need to improve options for merging with partners. APRA used recovery plans to inform its contingency planning for higher risk entities.
- **Insurance:** APRA prioritised the review of recovery plans for large and higher risk insurers. Feedback was provided to insurers where improvements were required and recovery plans were used to inform APRA's contingency planning where there were heightened risks to entities.
- **Superannuation:** Recovery planning for the superannuation sector is in its early stages with pilots underway. Contingency planning guidance for superannuation funds is being developed with a view to be used by trustees with products that fail the new Performance Test under the 'Your Future, Your Super' reforms.

### ***Resolution planning***

As the potential impacts of COVID-19 emerged, APRA accelerated its resolution preparedness by developing simple, credible resolution strategies that could be readily implemented for all high-risk regulated entities. After a period of deferral, APRA also resumed work on developing recovery and resolution planning prudential standards and associated practice guides during the year. APRA plans to release draft standards for consultation later in 2021. At the same time, APRA's internal readiness to execute a resolution will continue to be progressed.

### ***Readiness to administer the Financial Claims Scheme (FCS)***

APRA's work to ensure its operational readiness to administer the FCS if needed continued during the year:

- Banking: APRA focused its attention on conducting FCS payout readiness assessments for ADI 'live cases', as well as some other small ADIs. This year APRA also closed out the FCS self-assessment process conducted over prior years by following up ADI remediation action plans. These initiatives have driven improvements in ADIs' readiness to facilitate an FCS payout in the event the scheme is declared. Continued enhancement of ADI and APRA readiness for FSC payout remains a key ongoing priority.
- General insurance: APRA expanded its program of work focused on continuing to enhance its operational readiness to administer the FCS for general insurers. The program targets a range of legal, operational and data considerations for effective FCS administration.

### **Improve external engagement and collaboration**

#### ***Objectives in Corporate Plan***

In the short-term, APRA will promote the resilience of the Australian financial system by targeting engagement and collaboration activities to support APRA to deliver its immediate priorities in response to COVID-19 and its broader impacts.

Over the longer term, APRA will develop and implement an enhanced communications strategy and supporting communication mechanisms that cater to all stakeholder needs. APRA will also further strengthen collaboration with key domestic and international regulatory agencies by addressing all related recommendations arising from the various external reviews and inquiries undertaken in 2018/19.

#### ***Performance against objectives***

APRA routinely engages with a variety of stakeholders including regulated institutions, industry bodies, government departments, other regulatory agencies, media and the general public. APRA uses a diverse range of channels to communicate various policy, statistical and other announcements with stakeholder groups, as shown in the table below<sup>54</sup>.

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<sup>54</sup> These figures reflect the temporary reprioritisation of APRA's regulatory policy agenda during 2020 at the height of the COVID-19 pandemic.

*Key communications and engagements*

	2017/18	2018/19	2019/20	2020/21
Policy consultations conducted	15	31	21	17
Information letters issued to industry	30	14	37	39
Presentations at formal speaking engagements	93	80	58	78
Media releases issued	70	93	79	62
Parliamentary hearings attended	12	14	9	9
Submissions to formal inquiries	6	11	1	4

As the COVID-19 pandemic unfolded, APRA intensified its work with domestic and international counterparts to maintain a coordinated and integrated approach to overseeing the Australian financial system and preserving financial system stability for the benefit of the Australian community. APRA worked closely with CFR agencies in coordinated action to support the Government's economic recovery agenda in response to COVID-19. Specifically, this included revisiting implementation dates for regulatory reform and providing regulated entities with a range of regulatory concessions.

APRA continued to strengthen collaboration with key domestic and international regulatory agencies. APRA worked most closely with ASIC, continuing to enhance information sharing and coordination, and also updated its Memoranda of Understanding (MoU) with the Australian Competition and Consumer Commission (ACCC) and the Prudential Regulation Authority (PRA) in the UK.

APRA has 17 MoUs in place with other domestic agencies and formal information sharing arrangements with 35 international regulatory agencies<sup>55</sup>.

*Current MoUs with domestic agencies*

- Australian Bureau of Statistics
- Australian Capital Territory Compulsory Third-Party Insurance Regulator
- Australian Competition and Consumer Commission
- Australian Crime Commission
- Australian Federal Police
- Australian Securities and Investments Commission
- Australian Taxation Office
- Australian Transaction Reports and Analysis Centre
- Council of Financial Regulators
- Department of Health
- Motor Accidents Authority of NSW
- Motor Accident Insurance Commission of Queensland
- NSW Fair Trading
- Reserve Bank of Australia
- South Australia Compulsory Third-Party Insurance Regulator

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<sup>55</sup> <https://www.apra.gov.au/memoranda-of-understanding-and-letters-of-arrangement>

- The Commonwealth Treasury
- WorkCover Tasmania

Throughout the year, APRA also addressed a further five recommendations from the various external reviews and inquiries undertaken in 2018/19 focused on improving external engagement and collaboration.

### **Transform data-enabled decision-making**

#### *Objectives in Corporate Plan*

APRA will facilitate greater and more effective use and sharing of data by transforming its data collections (including defining and implementing data sources required) in line with APRA's strategic priorities, commencing with superannuation.

APRA will improve its data collection capability by modernising APRA's data collection solution, 'APRA Connect', and rescaling/redesigning the program of work to fit with APRA's strategic priorities.

#### *Performance against objectives*

Financial sector regulators around the world are expanding the depth and breadth of data they collect. In Australia, APRA relies heavily on timely, accurate and comprehensive data to fulfil its purpose. The data APRA collects from Australia's financial sector is also used by peer regulators, Government, the Treasury, the RBA and the Australian Bureau of Statistics (ABS).

#### *Modernising APRA's data collection solution*

A key enabler of APRA's evolving data capability is the implementation of the new 'APRA Connect' data collection system, which went live on 13 September 2021. APRA Connect will increase the granularity and volume of data APRA can collect and will ultimately replace D2A (Direct to APRA) as APRA's data collection tool.

After a brief pause in 2020 to create capacity for regulated entities and APRA to focus on COVID-19 response activities, work recommenced on the APRA Connect solution early in 2021 with a revised timeline. The test environment was made available from June 2021 with users able to log in, become familiar with the new technology platform and practice data preparation and submission. Taxonomy artefacts, on-boarding sessions and guidance material were provided to entities participating in the pilot. The first data collections to be introduced in APRA Connect will be superannuation and private health insurance, with progressive migration of regulatory data collections to the new platform over the coming years. Once all data has moved to APRA Connect, D2A will be decommissioned.

#### *Transforming data collections*

APRA has begun a program to overhaul and transform its data collections. The key objectives are to improve its capabilities in assessing how APRA-regulated entities are performing, while at the same time making the collection process more efficient so as to reduce regulatory burden on reporting entities.

Work on new data collections progressed during the year, most notably:

- Superannuation – data transformation (outlined above);
- Banking – Economic and Financial Statistics (EFS), operational risk and credit quality data;
- Insurance – AASB 17 for insurers, and disability income insurance for life insurers; and
- Non-financial metrics – including an IT risk survey.

In parallel, work commenced on a new roadmap for future data collections.

### Transform leadership, culture and ways of working

#### *Objectives in Corporate Plan*

In the short term, APRA will ensure all senior leaders undertake APRA's Leadership program; support the wellbeing of its people in a distributed work environment through wellbeing initiatives and 'working from home' support arrangements; and enhance new ways of working by accelerating investment in APRA's information and communication technology (ICT) capabilities.

Over the longer term, APRA will continue to improve its leadership capability by defining and implementing a program of work to improve capabilities in key areas highlighted in APRA's 2019 Capability Review; and leverage its values-aligned culture to drive organisational performance by defining and implementing a program of work for ongoing cultural enhancement.

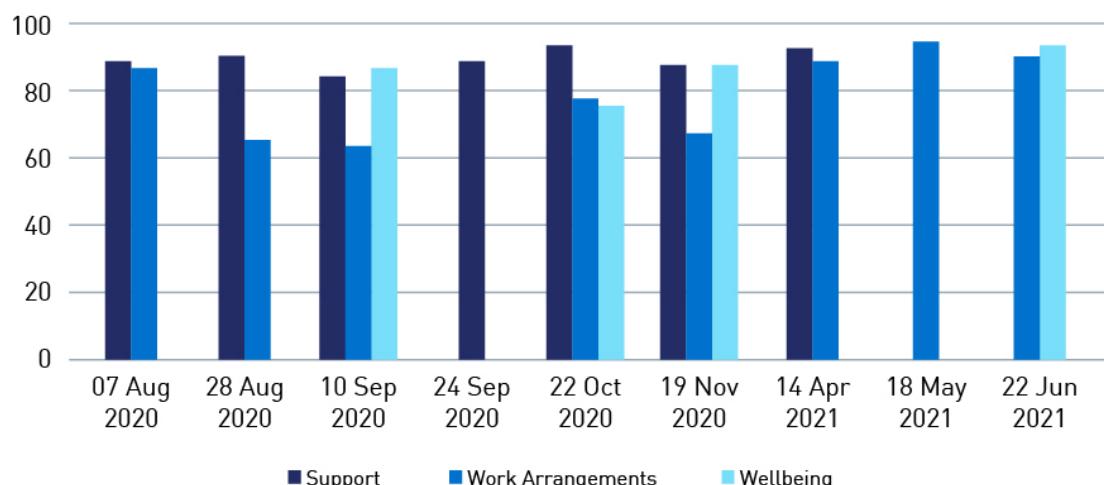
#### *Performance against objectives and planned actions*

##### *Leadership and culture*

At the onset of the COVID-19 pandemic, APRA took immediate steps to safeguard its operations against major business disruptions, including strengthening its support to the health, safety and wellbeing of its people. APRA established a range of tools, resources and services including a series of wellbeing webinars, virtual workshops and coaching sessions to enable employees to manage their career, wellbeing and family in an evolving work and care environment.

APRA conducted nine pulse surveys of its employees throughout the year. The surveys comprised a series of questions aimed at understanding staff sentiment across three categories relevant to the COVID working environment: Support, Work Arrangements and Wellbeing. Detailed survey results for individual areas of the organisation were provided to APRA's senior executives and people managers for review and action.

*Figure 5: Pulse survey favourable responses by category\**



\* Based on the average total favourable result for questions asked in each category – noting that questions asked were different for each category and/or may not have been surveyed each survey. As the environment evolved, the frequency of pulse surveys was changed.

Over the past five years, APRA has made great strides in providing an inclusive workplace where all staff feel they belong, are valued and respected. To strengthen its commitment and sharpen accountability for driving inclusion and diversity throughout the organisation, APRA restructured its Inclusion and Diversity Council (IDC); refreshed its Inclusion and Diversity Strategy; and made a significant investment in leadership development specifically targeting ‘inclusive leadership’ during the year. More than 100 APRA leaders completed the program, which provided a valuable opportunity for leaders to learn, collaborate and share their collective experiences in support of a more mature and leader-led approach to inclusion and diversity.

To strengthen APRA’s culture of inclusion, further changes were introduced to avoid any bias in APRA’s recruitment and people practices, with an emphasis on diversifying senior leadership. This shift in APRA’s leadership selection process implemented over the past few years has contributed to an increase in the representation of women in senior executive roles to 50 per cent; a significant uplift from 12 per cent in 2016. APRA also continued its commitment to inclusion and diversity through external benchmarking against the Australian Workplace Equality Index (AWEI) with continuing improvement evident in the results. Further detail on APRA’s Inclusion and Diversity Program is contained in Chapter 4.

Throughout the year, APRA continued to provide the substantial learning opportunities within a hybrid and/or remote working environment for its people to facilitate individual and organisational growth. Virtual interactive sessions were increased and employees were encouraged to participate and access development programs that would have been difficult to do in ‘normal’ times, where participation may have been limited by numbers and in-person attendance.

### *Ways of working*

In mid-March 2020, APRA established a temporary governance structure to oversee COVID-19 response activities. The governance structure comprised three committees (the Executive Crisis Committee, the Incident Management Team, and the Financial Impacts Team) and was in effect for most of the year. As the environment stabilised, APRA gradually transitioned back to its established governance structure and disbanded the dedicated COVID-19 committees. The temporary structure proved to be highly effective in enabling nimble and efficient decision-making and coordinated response efforts across APRA, especially in the early stages of the pandemic.

As the year progressed and the COVID situation in Australia evolved with federal and state government responses to localised outbreaks, APRA adapted its operations to suit the circumstances, maintain productivity and ensure the wellbeing of its workforce. In the latter part of 2020, APRA followed state and federal government guidelines and implemented a gradual three-step return-to-office process where, restrictions allowing, employees could return to the office on an as-needs business or personal choice basis. APRA's workforce embraced the flexible work arrangements that will continue to be promoted as APRA adopts a hybrid working environment.

APRA accelerated investment in its information, communication and technology (ICT) capabilities during the year in response to changes in APRA's operating environment and to support employees working remotely and within APRA's offices. This included upgrading APRA's network bandwidth; implementing secure video conferencing capabilities; and the incremental roll out of Microsoft365 including new Microsoft Teams features such as Whiteboard and Breakout Rooms. APRA will continue investing in its ICT capabilities as a necessary precondition to successfully embedding a hybrid working model.

APRA initiated a number of changes to its office facilities to support a productive and collaborative working environment for its employees. APRA adopted all Safe Work Australia guidelines and established COVID Safe workplaces in all of its offices. A successful pilot of a bookable desk system was conducted on one floor of APRA's Sydney office, with subsequent expansion to Melbourne and Brisbane offices and more floors in Sydney. The redesign and reconfiguration of two floors in APRA's Sydney office progressed with a focus on contemporary and COVID-19-compliant collaborative spaces and more diverse and stimulating seating arrangements, including the removal of offices to support flexible floor settings. The new design and features have been well-received by employees and will ensure APRA's workplaces remain fit for purpose into the future.

## Addendum A – APRA’s self-assessment against the Government’s Regulator Performance Framework

In 2014, the Government’s Deregulation Agenda established the Regulator Performance Framework (RPF) to assess regulators’ performance when interacting with business, the community and individuals while carrying out their functions. The RPF came into effect on 1 July 2015 and aimed to encourage regulators to undertake their functions with minimum impact necessary to achieve regulatory objectives and to effect positive ongoing and lasting cultural change within regulators. The RPF comprises six key performance indicators (KPIs) that articulated the Government’s overarching expectations of regulator performance, namely:

- KPI 1: Regulators do not unnecessarily impede the efficient operation of regulated entities;
- KPI 2: Communication with regulated entities is clear, targeted and effective;
- KPI 3: Actions undertaken by regulators are proportionate to the regulatory risk being managed;
- KPI 4: Compliance and monitoring approaches are streamlined and coordinated;
- KPI 5: Regulators are open and transparent in their dealings with regulated entities; and
- KPI 6: Regulators actively contribute to the continuous improvement of regulatory frameworks.

In accordance with the RPF, all regulators were to undertake an annual self-assessment of performance against the KPIs. As such, APRA’s 2020-2024 Corporate Plan, published in August 2020, indicated that APRA would measure its performance in regard to minimising impact to achieve regulatory objectives via its self-assessment against the RPF.

Since then, reporting of regulator performance has been brought under the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act) and the *Public Governance, Performance and Accountability Rule 2014* (the PGPA Rule). The Regulator Performance Guide was released outlining three principles of best practice that underpin the Government’s expectations of regulators including *continuous improvement and building trust; risk based and data driven; and collaboration and engagement*. The Guide takes effect from 1 July 2021 and replaces the 2014 Regulator Performance Framework, meaning that APRA will no longer be required to produce a standalone self-assessment report against the RPF.

The first year of reporting is considered a transitional year and Accountable Authorities are to consider how to most appropriately account for and report on performance for this period. In doing so, APRA has opted to include its final self-assessment against the RPF in this Addendum to its 2020/21 Annual Performance Statement. APRA’s 2020/21 self-assessment provides a concise evaluation of performance against each KPI given the transitional arrangements in place. Supporting evidence provided in this addendum supplements information already provided in APRA’s 2020/21 Annual Performance Statement to demonstrate performance against each KPI.

APRA's 2021-2025 Corporate Plan outlines APRA's key performance measures that map to the new principles of best practice which will be reported on in APRA's 2021/22 Annual Report and Annual Performance Statement, and has taken into consideration APRA's Statement of Expectations, Statement of Intent and actions arising from this self-assessment.

### **Summary self-assessment against the Regulator Performance Framework**

#### **1. KPI 1: Regulators do not unnecessarily impede the efficient operation of regulated entities**

##### **Self-assessment**

**KPI achieved, although opportunities for improvement identified.** A summary of progress against planned actions from APRA's 2019/20 self-assessment against the RPF is provided below.

##### **Progress against planned actions from APRA's 2019/20 self-assessment**

- 1.1. **Action:** Improve external engagement by expanding communications to promote better prudential outcomes and drive accountability, including demonstrating how APRA balances its objectives.

**Complete.** One of APRA's strategic priorities over the past few years has been to improve external collaboration and engagement. APRA has invested in its Corporate Affairs function and increased the transparency of its activities by publishing a series of information papers (including demonstrating how APRA balances its objectives), making more information publicly available about key decisions including enforcement actions and increasing media/external engagement across a number of channels. APRA transitioned this strategic priority to a business-as-usual activity in 2021 given substantive work had been completed.

- 1.2. **Action:** Improve transparency on the assessment of costs and benefits for proposed policy changes.

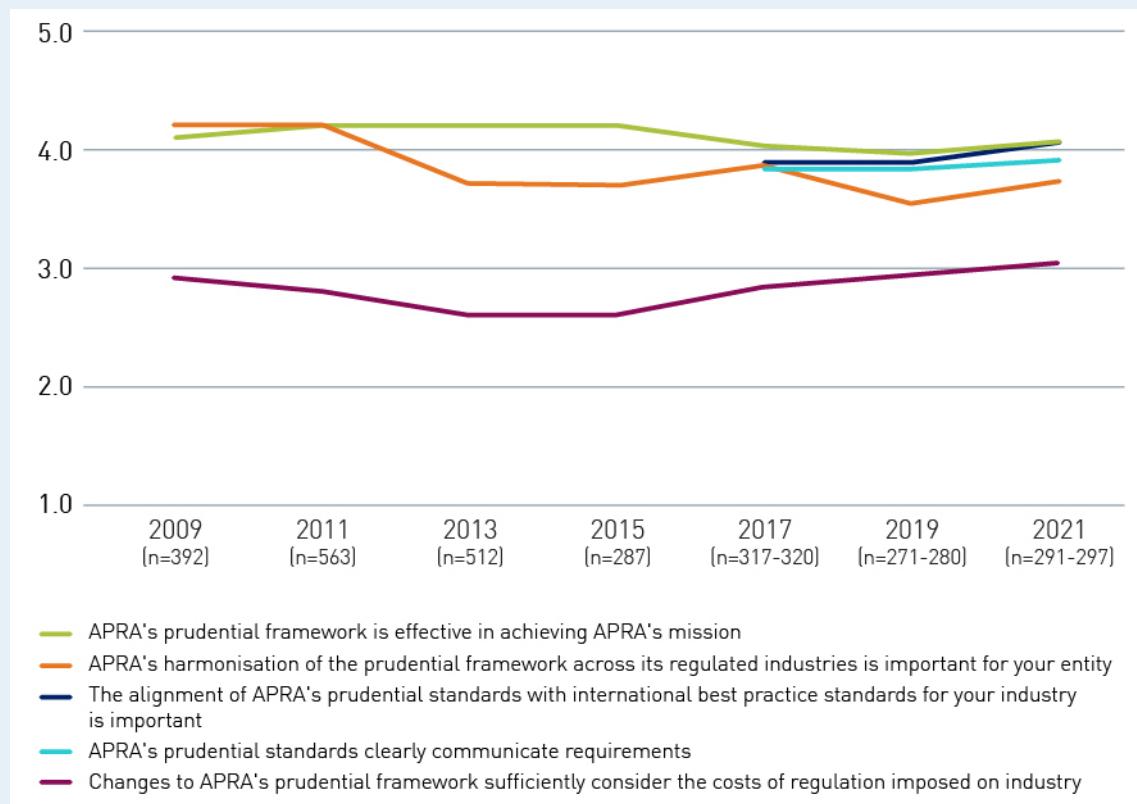
**Deferred.** APRA's planned work was deferred during the year due to the shift in organisational priorities to support COVID-19 related activities.

##### **Additional supporting evidence to supplement APRA's 2020/21 Annual Performance Statement**

##### **Prudential framework**

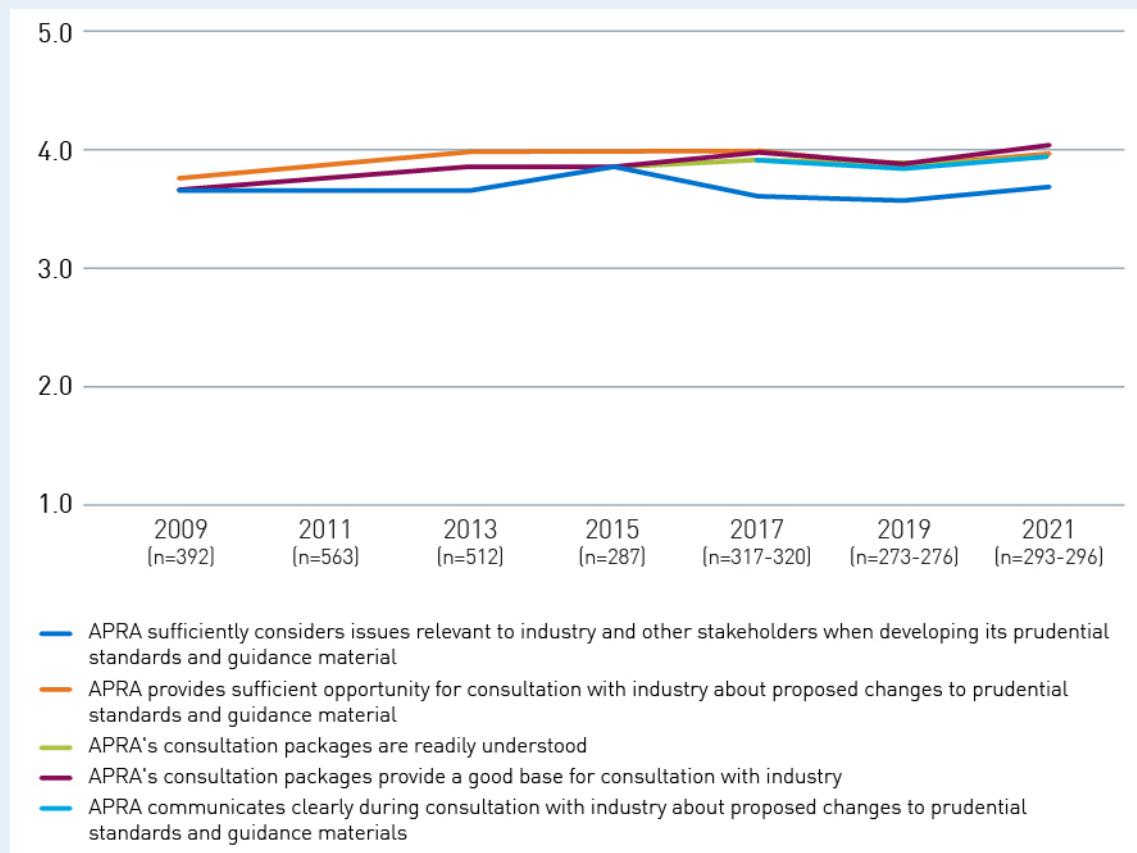
APRA's 2021 biennial stakeholder survey asked regulated institutions to rate various aspects of APRA's prudential framework. The results show small continued improvements in stakeholders' perceptions of the extent to which APRA adequately considers the costs that regulation imposes on industry.

*Figure 6: Views on the prudential framework*  
*Mean response over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)*



APRA's 2021 stakeholder survey also asked regulated institutions to rate various aspects of APRA's consultation processes. APRA has achieved consistently positive results over time, as highlighted in the following chart.

*Figure 7: Views on the consultation process*  
*Mean response over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)*



## 2. KPI 2: Communication with regulated entities is clear, targeted and effective

### Self-assessment

KPI achieved

### Progress against planned actions from APRA's 2019/20 self-assessment

A summary of progress against planned actions from APRA's 2019/20 self-assessment against the RPF is provided below.

- 2.1. **Action:** Develop and implement a communications strategy and roadmap that caters to all stakeholder needs.

**Deferred.** Enhancing APRA's communication strategy was deferred during the year due to the shift in organisational priorities to support COVID-19-related activities.

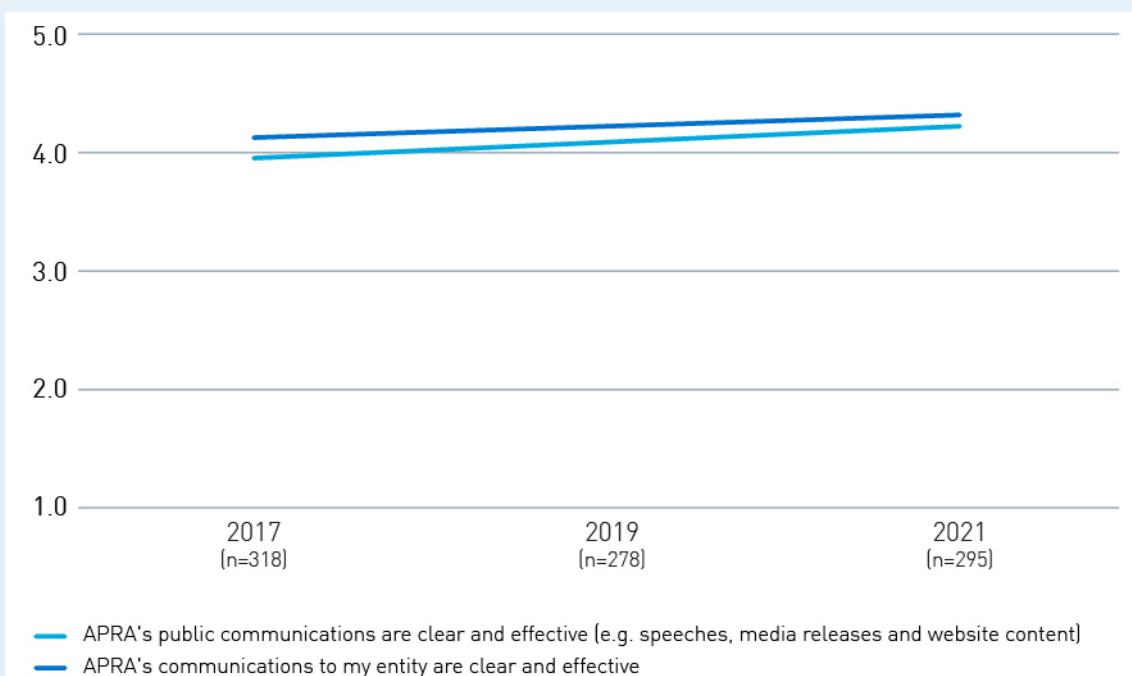
- 2.2. **Action:** Measure and report on the timeliness of regulatory decisions and advice as per its public response to APRA's Capability Review.

**Well progressed.** After deferral in 2020, work to refresh APRA's Service Charter and address the related Capability Review recommendation resumed this year. Publication is planned by the end of 2021.

### **Additional supporting evidence to supplement APRA's 2020/21 Annual Performance Statement**

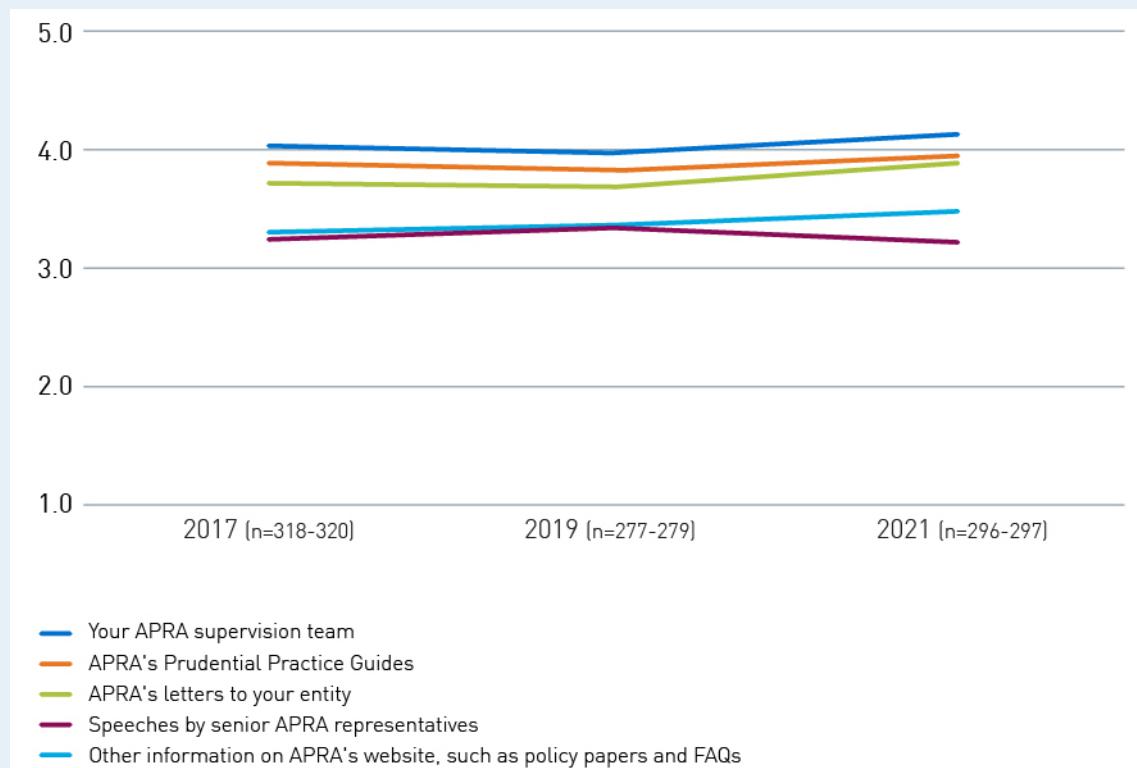
APRA's 2021 stakeholder survey asked regulated institutions to rate the clarity and effectiveness of APRA's communication. APRA's consistently strong results over a number of years are provided below.

*Figure 8: Views on the clarity and effectiveness of communication  
Mean response over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)*



APRA's 2021 stakeholder survey asked regulated institutions to rate the usefulness of APRA's guidance. APRA's core communication mechanisms (direct access to supervision teams, prudential guidance and industry letters) are consistently rated highly by stakeholders.

*Figure 9: Views on the usefulness of sources of APRA guidance*  
*Mean response over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)*



### *3. KPI 3: Actions undertaken by regulators are proportionate to the regulatory risk being managed*

#### **Self-assessment**

KPI achieved

#### **Progress against planned actions from APRA's 2019/20 self-assessment**

N/A – no actions carried forward.

#### **Additional supporting evidence to supplement APRA's 2020/21 Annual Performance Statement**

##### **Statement of Expectations and Intent**

The Australian Government sets out its expectations of APRA including managing relationships with key stakeholders in APRA's Statement of Expectations (SOE)<sup>56</sup>. APRA responds to the Government's SOE with its Statement of Intent. These documents are available on APRA's website. APRA's Statement of Intent includes, amongst other things, a description of APRA's supervisory approach:

<sup>56</sup> <https://www.apra.gov.au/statement-of-expectations-2018>

"APRA adopts a risk-based approach to prudential supervision that is designed to identify and assess those areas of greatest risk to an APRA-regulated institution (or to the financial system as a whole) and then direct resources and attention to these risks. APRA seeks to ensure that its judgments are accurate, timely and robust and that its responses are targeted and proportionate."

#### Policy and supervision priorities

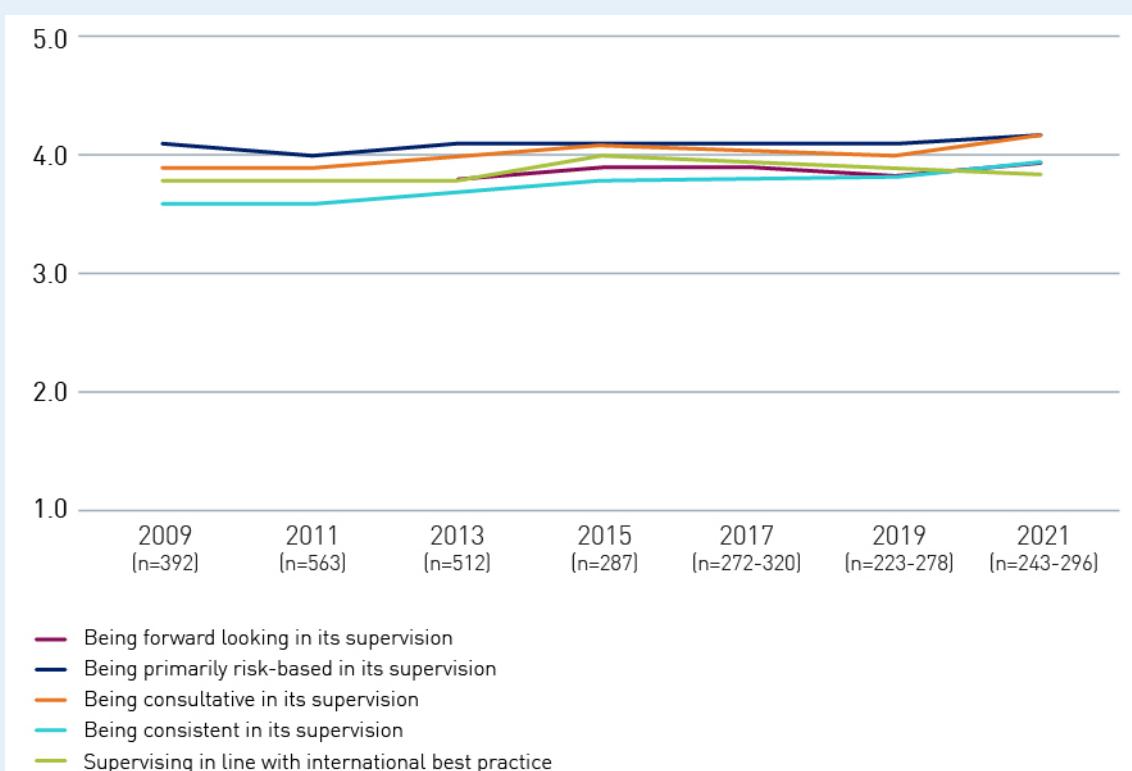
APRA's policy and supervision priorities are reviewed annually within an overall framework of emerging risk analysis and strategic priorities for each regulated industry. APRA's policy and supervision priorities were last updated in February 2021.

#### Supervisory activities

APRA's 2021 biennial stakeholder survey asked regulated institutions to rate whether APRA meets its stated supervisory approach. APRA's strong results over time are provided below.

*Figure 10: Views on whether APRA meets its stated approach*

*Mean responses over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)*



#### 4. KPI 4: Compliance and monitoring approaches are streamlined and coordinated

##### Self-assessment

KPI achieved, although opportunities for improvement identified

## **Progress against planned actions from APRA's 2019/20 self-assessment**

A summary of progress against planned actions from APRA's 2019/20 self-assessment against the RPF is provided below.

- 4.1. **Action:** Operationalise APRA's Regulatory Affairs Unit and lift APRA's capabilities in relation to collaborating with domestic and international peer regulatory agencies.

**Complete.** One of APRA's strategic priorities over the last few years was to improve external collaboration and engagement. APRA has invested in its Regulatory Affairs function and there has been a significant increase in inter-agency engagement, including strategic discussions on key risks, greater information sharing, and coordination on supervisory activities and enforcement matters, particularly with agencies that form part of the CFR. APRA transitioned this strategic priority to a business-as-usual activity in 2021, given substantive work has been completed.

- 4.2. **Action:** Continue to develop and implement a data strategy to facilitate greater and more effective use and sharing of data in the oversight of the Australian financial system and defining and implementing the cross-agency data sources required.

**Strategic priority.** Work on APRA's data strategy is an enduring strategic priority for APRA, reconfirmed in its 2021–2025 Corporate Plan.

- 4.3. **Action:** Continue to create a modern, efficient and flexible solution which will serve APRA and industry in relation to data collection, storage, analysis and publication.

**Well progressed.** APRA's new data collection tool 'APRA Connect' went live in September 2021 as planned. This solution will ultimately replace D2A (Direct to APRA) as APRA's data collection tool across all regulated industries.

## **Additional supporting evidence to supplement APRA's 2020/21 Annual Performance Statement**

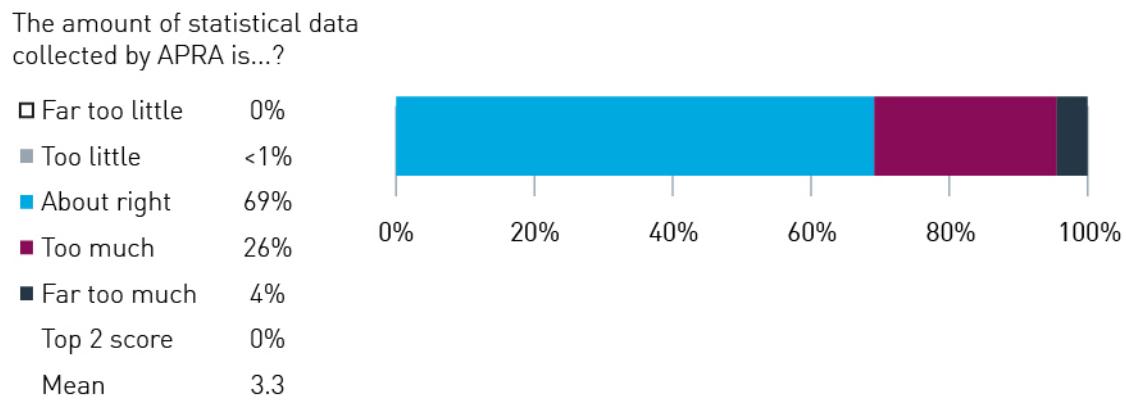
### **CFR working groups and supervisory colleges**

APRA maintained strong working relationships with Australia's key regulatory agencies within the CFR throughout the year, participating in 11 CFR working groups covering a range of topics that require coordination between regulators including financial markets; over-the-counter derivatives; cyber security; housing market risks; distributed ledger technology; climate change; crisis management and regulatory perimeter issues. APRA also participates in entity-specific multilateral arrangements to support the sharing of confidential information in supervisory colleges involving internationally-active financial entities including those headquartered in Australia. During 2020/21, APRA hosted four supervisory colleges and attended 30 off-shore supervisory colleges.

### **Data collection and sharing**

APRA's 2021 stakeholder survey asked regulated institutions to rate the amount of statistical data collected by APRA. Work will continue on reducing burden and improving data sharing and coordination across agencies as part of APRA's data strategy.

*Figure 11: Views on the amount of statistical data collected by APRA*



**5. KPI 5: Regulators are open and transparent in their dealings with regulated entities**

**Self-assessment**

KPI achieved

**Progress against planned actions from APRA's 2019/20 self-assessment**

N/A – no actions carried forward.

**Additional supporting evidence to supplement APRA's 2020/21 Annual Performance Statement**

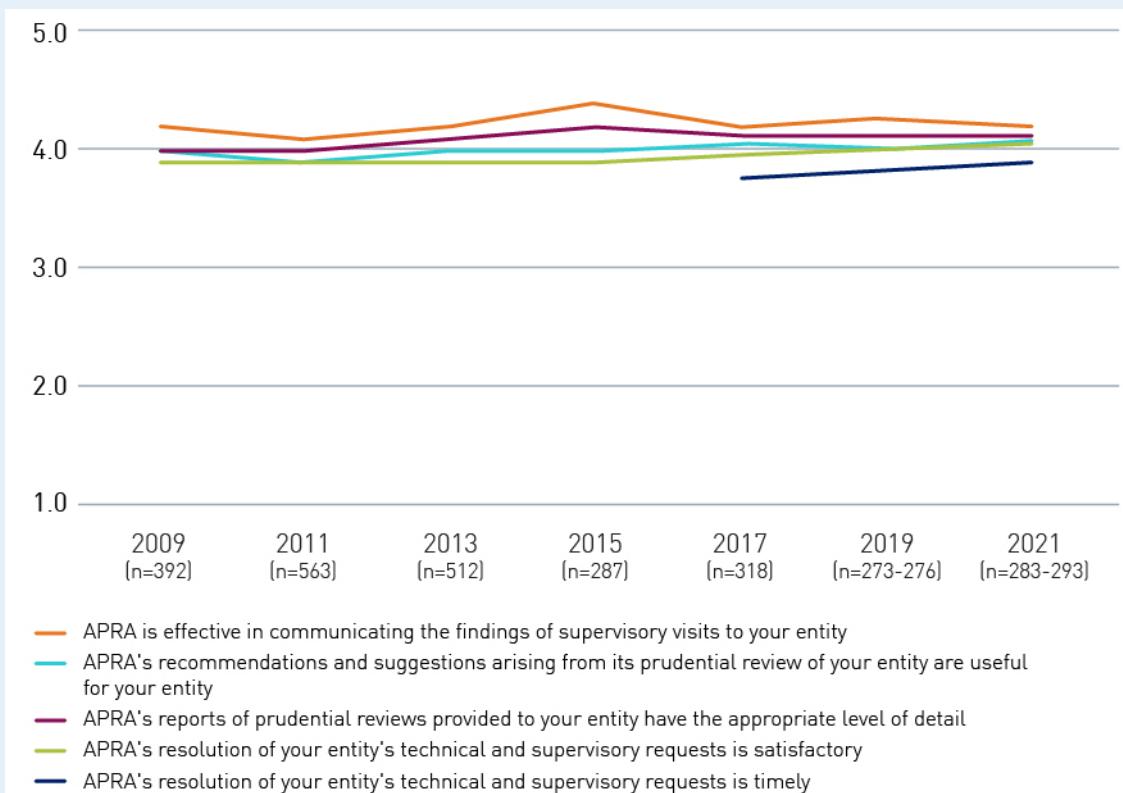
**Supervisory and enforcement approach**

APRA's supervisory and enforcement approaches are available on its website. APRA has increased the public availability of information about key decisions including enforcement actions over recent years via media releases and information on APRA's website when it is considered prudent to do so.

**Supervisory activities**

APRA's 2021 stakeholder survey asked regulated institutions to rate aspects of APRA's supervision activities relating to openness and transparency. APRA has achieved consistently strong results over time as provided below.

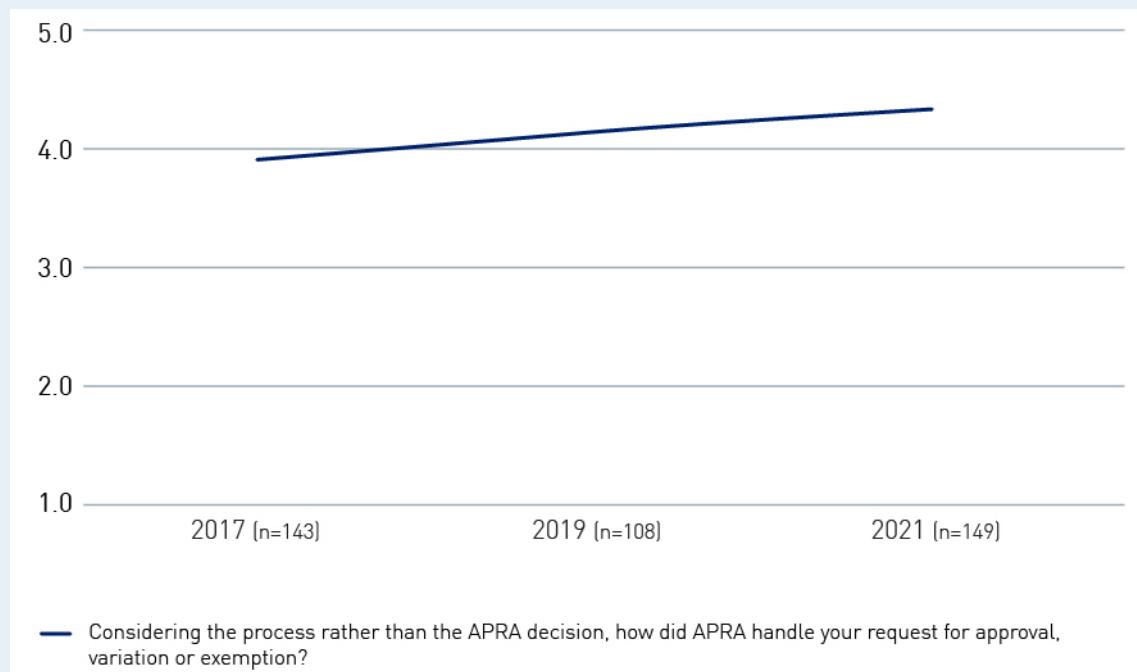
*Figure 12: Views on the quality of APRA's supervisory activities*  
*Mean response over time, on a scale of 1 (Strongly disagree) to 5 (Strongly agree)*



#### Requests for approval, variation or exemption

APRA's 2021 stakeholder survey asked regulated institutions to rate how APRA handles requests for approval, variation or exemption. The results are provided below and show consistently positive responses.

*Figure 13: Views on how APRA handles requests for approvals, exemptions and variations  
Mean response over time, on a scale of 1 (Very poorly) to 5 (Very well)*



**6. KPI 6: Regulators actively contribute to the continuous improvement of regulatory frameworks**

**Self-assessment**

**KPI achieved**

**Progress against planned actions from APRA's 2019/20 self-assessment**

N/A – no actions carried forward.

**Additional supporting evidence to supplement APRA's 2020/21 Annual Performance Statement**

**Feedback from stakeholders**

In 2021, APRA maintained its commitment to receiving regular feedback from key stakeholders to inform improvements to regulatory frameworks and practices including formally surveying regulated institutions and other knowledgeable observers via its biennial stakeholder survey. The biennial survey is undertaken by an independent party with survey results publicly available on APRA's website.

APRA accepts feedback from stakeholders via the 'contact APRA' service available at <https://www.apra.gov.au/contact-us>. For regulated institutions, feedback can be provided directly to APRA's Responsible Supervisors. For members of the public, feedback can be provided via the APRAinfo team on 1300 558 849, via the 'contact APRA' service on APRA's website or by contacting any of APRA's offices listed on its website.

### **Engagement with Government and other regulatory agencies**

APRA has continued to work closely with the Treasury on proposed amendments to the legislative and prudential framework designed to improve clarity, reduce ambiguity, harmonise requirements across industries and enable increased coordination across regulatory agencies. APRA remains active in key domestic and international forums to share information on best practice and worked in coordinated action with CFR agencies to support the Government's economic recovery agenda in response to COVID-19 as highlighted under 'Improve external engagement and collaboration'.

## CHAPTER 4 – MANAGEMENT AND ACCOUNTABILITY

APRA is governed by an executive group of APRA Members (Executive Board) who are collectively responsible and accountable for APRA's operation and performance. Biographies for APRA's four Members are included below.

The Executive Board is supported by six Executive Directors and a range of governance committees, including the Audit and Risk Committee comprised of three independent committee members.

APRA's governance and executive accountabilities, including individual accountability statements for each senior executive, are published on its website.<sup>57</sup>

### APRA Members during 2020/21



**Mr Wayne Byres, Chair, BEc (Hons), MAppFin, SF Fin, GAICD**

Mr Byres was appointed as a Member and Chair of APRA from 1 July 2014 for a five-year term. He was subsequently reappointed for a second five-year term commencing 1 July 2019. Mr Byres' early career was in the Reserve Bank of Australia (RBA), which he joined in 1984. After more than a decade with the RBA, including a secondment to the Bank of England in London, he transferred to APRA on its establishment in 1998. Mr Byres subsequently held a range of senior executive positions in APRA, covering both its policy and supervisory divisions.

In late 2011, Mr Byres left APRA to take up the appointment as Secretary General of the Basel Committee on Banking Supervision, the global standard-setting body for banks based at the Bank for International Settlements in Basel, Switzerland. He held this position until his return to Australia in mid-2014. Mr Byres is APRA's representative on the Payments System Board, the Council of Financial Regulators, the Trans-Tasman Council on Banking Supervision, the Basel Committee and its oversight body, the Governors and Heads of Supervision, and Australian representative on the Financial Stability Board's Standing Committee on Supervisory and Regulatory Cooperation.

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<sup>57</sup> <https://www.apra.gov.au/governance-and-senior-executive-accountabilities>



### **Mrs Helen Rowell, Deputy Chair, BA FIAA**

Mrs Rowell was appointed as Deputy Chair of APRA in November 2015, and reappointed for a further five-year term from 1 July 2018. Mrs Rowell joined APRA in 2002 as General Manager, Industry Technical Services, and held a number of senior roles, including General Manager, Diversified Institutions Division, General Manager, Policy Development and Executive General Manager, Supervisory Support Division, prior to her appointment as APRA Member, with primary responsibility for superannuation, from 1 July 2013. Mrs Rowell was the Chair of APRA's (cross-divisional) general insurance industry group from 2006 to 2011, has represented APRA at various subcommittees of the International Association of Insurance Supervisors on the FSB's Supervisory Intensity and Effectiveness Group, and was previously co-Chair of the Joint Forum Financial Conglomerates Committee. Mrs Rowell is currently the APRA representative on the OECD Working Party on Private Pensions, and was appointed President of the International Organisation of Pension Supervisors in November 2019. Prior to joining APRA, Mrs Rowell was a partner at the international consulting firm Towers Perrin; she is also a Fellow and past President of the Institute of Actuaries of Australia.



### **Mr John Lonsdale, Deputy Chair**

Mr Lonsdale was nominated by the Government as an additional Deputy Chair of APRA on 30 May 2018 and commenced in his role on 8 October 2018. His duties include oversight of the Banking sector. Prior to joining APRA, Mr Lonsdale worked for the Australian Treasury. He was a member of Treasury's Executive Committee and held the position of Deputy Secretary, Markets Group at Treasury. In this role Mr Lonsdale had responsibility for financial system, consumer and foreign investment policy. In 2014 he led the Secretariat to the Financial System Inquiry, based in Sydney. Mr Lonsdale had been with the Treasury since 1986 and worked across key areas in the Department including Budget policy, tax policy, retirement incomes and the financial system. In 2008 and 2009 he worked as the Chief Advisor in the Secretariat supporting Australia's Future Tax System Review, a major review of Australia's tax and transfer systems.



### **Mr Geoff Summerhayes, Executive Board Member, B. Bus, GMQ (AGSM), GAICD**

Mr Summerhayes was an Executive Board Member of APRA, ending his five-year term on 30 December 2020. His responsibilities included the oversight of the General, Life and Private Health Insurance sector. He is a member of the Executive Committee of the International Association of Insurance Supervisors and Chair of its Audit and Risk Committee, and Chair of the Sustainable Insurance Forum, which was established under the UN Environment Program.

Mr Summerhayes was Chief Executive Officer of Suncorp Life from 2008 to 2015. Before joining Suncorp, he held a number of senior roles at the National Australia Bank (NAB) in strategy, product and distribution. Prior to that he was CEO of Retail Investment at MLC and also held senior roles at Lend Lease. Mr Summerhayes was a director of the Financial Services Council and was co-chair of their Life Board Committee.

In March 2021, Treasurer the Hon Josh Frydenberg MP announced the appointment of Ms Margaret Cole as an APRA Member for a five-year term, beginning on 1 July 2021.



#### **Ms Margaret Cole, Executive Board Member, MA Law, Hon D Law.**

Ms Cole became an Executive Board Member of APRA on 1 July 2021 for a five-year term. Ms Cole graduated from the University of Cambridge with a degree in law, and spent more than 20 years in private legal practice specialising in commercial litigation with an emphasis on financial services. She was formerly a partner at Stephenson Harwood and White & Case. She joined the UK Financial Services Authority (FSA) in 2005 and became Managing

Director of Enforcement and Financial Crime and interim Managing Director of the Conduct Business Unit, as well as a board member of the FSA. Prior to joining APRA, Ms Cole spent a year as PwC's Global Regulatory Leader based in Melbourne. Before that, she was PwC UK Chief Risk Officer and General Counsel from 2012 to 2020.

Ms Cole has also been an independent non-executive director of Toronto Dominion Bank Europe Limited, Chair of Toronto Dominion Securities Limited and a trustee and exco member of the Institute for Fiscal Studies. She is an Honorary Fellow of her Cambridge college, Murray Edwards College (formerly New Hall). She has also been awarded an Honorary Doctorate of Law from the University of Law, London.

## **Audit and Risk Committee**

APRA's Audit and Risk Committee (ARC) provides independent assurance and advice to the APRA Chair on APRA's financial reporting, management and system of internal control, performance reporting, system of risk oversight and management, and compliance with applicable laws and regulations.

The ARC is an advisory committee and not a decision-making authority. In fulfilling its obligations, it receives reports and updates from Internal Audit and Risk Management and Compliance, as well as being briefed on strategic initiatives. It has the authority to call for reports and updates from across APRA as required to meet its obligations. The ARC's charter is available on APRA's website.

Prior to 1 January 2021, the ARC was comprised of two independent non-executive members and an APRA Member. From 1 January 2021, the ARC comprises three independent non-executive members.

The ARC meets formally five times a year, and more frequently as required. In addition to its members, the Australian National Audit Office (ANAO), APRA's Chair, Chief Internal Auditor and Chief Risk Officer are regular attendees at ARC meetings.

Further information on the membership, activities and attendance of the ARC is set out below. The current members are:

**Ms Sam Lewis, BA (Hons), CA, ACA, GAICD**  
**Audit and Risk Committee – Chair**

Ms Lewis was appointed Chair of APRA's ARC on 9 December 2019 and reappointed for a further three-year term on 1 April 2021. Prior to the establishment of the ARC, Ms Lewis was the Chair of APRA's Audit Committee (AC) and an independent member of APRA's Risk Management Committee (RMC) between 2016 and 2019.

Ms Lewis is a chartered accountant, and has been lead auditor to a number of Australian-listed entities, having been an Assurance and Advisory Partner with Deloitte for 14 years. She has extensive expertise in accounting, finance, auditing, risk management and corporate governance. Ms Lewis is currently a non-executive director of Aurizon Limited (since February 2015), acting as Chair of the Audit, Governance and Risk Management Committee, a non-executive director of Orora Limited (since March 2014), where she is Chair of the Audit, Risk and Compliance Committee and a non-executive director of Nine Entertainment Co. Holding Limited (since March 2017), where she is Chair of the Audit and Risk Committee.

**Ms Kate Hughes, BCom (Ec & Fin), Grad Dip Applied Finance, Grad Dip OH&S, GAICD**  
**Audit and Risk Committee – Independent member**

Ms Hughes joined APRA's ARC as an independent member on 2 December 2019, for a three-year term. Ms Hughes is a risk management, compliance, internal audit and governance professional who holds various non-executive roles with Comcare, Department of Justice and Community Safety and Department of Transport.

Ms Hughes' most recent executive role was as Chief Audit and Risk Officer at RMIT University, with responsibility for the University's internal audit, risk management, compliance and regulatory affairs functions. Prior to this she was the Chief Risk Officer at Telstra, with global responsibility for the enterprise-wide risk management, resilience, privacy, compliance and health and safety functions. Ms Hughes has led international teams for 15 years and has broad risk management, compliance, safety and governance experience in many sectors, including financial services, agribusiness, retail, manufacturing, public administration and telecommunications.

**Mr Chris Hall, BComm (Hons), FCA, MAICD**  
**Audit and Risk Committee – Independent member**

Mr Hall joined APRA's ARC as an independent member on 1 January 2021 for a three-year term. He has extensive experience in the financial services industry, risk management, audit and regulation.

Mr Hall is a former partner at KPMG where during his forty-year career spanning Australia and the United Kingdom, he was a board member and member of KPMG's National Executive Committee as National Managing Partner for Risk and Regulation. He also serves on the Board of the Prostate Cancer Foundation of Australia, having been Finance Director since 2007, and was appointed Deputy National Chairman in 2018.

*Attendance at ARC meetings from 1 July 2020 to 30 June 2021:*

Member	Meetings	Attended
Sam Lewis (Chair, independent)	5	5
Kate Hughes (independent)	5	5
Chris Hall (independent from January 2021)	2	2
Geoff Summerhayes (to December 2020)	3	3

## Governance committees

### Executive Board

The Executive Board comprises all APRA Members and meets formally on a monthly basis, and more frequently as required. The Executive Board deals with matters that require formal approval or decisions such as APRA's strategic plans; financial statements and budgets; policy priority agenda; audit plan; and matters that are essential to meeting the organisation's statutory obligations.

### Executive Board (Risk)

The Executive Board (Risk) (EB(R)), comprising all APRA Members also meets monthly, or more frequently as required. The EB(R) provides a dedicated forum to oversee the management and mitigation of APRA's risks by ensuring that an effective Risk Management Framework, including a Risk Appetite Statement, is in place; monitoring APRA's risk profile and associated controls; monitoring risk and audit actions, including progress against remediation plans; and undertaking deep-dives of key risks where considered necessary.

*Attendance at Executive Board and Executive Board (Risk) meetings during 2020/21:*

Member	Executive Board		Executive Board (Risk)	
	Meetings	Attended	Meetings	Attended
Wayne Byres	13	13	11	10
John Lonsdale	13	13	11	11
Helen Rowell	13	12	11	10
Geoff Summerhayes (to December 2020)	8	8	6	6

The Executive Board has established a number of governance committees to support it in performing its obligations. These committees are set out below.

## **Executive Committee**

The Executive Committee (ExCo), comprising all APRA Members and the six Executive Directors met monthly from July to December 2020. Since 1 January 2021, the ExCo has met twice a month, or more frequently as required. The ExCo focuses on monitoring APRA's organisational performance; progress on APRA's strategic priorities; people and culture matters; and general organisational effectiveness. The objective of the ExCo is to strengthen alignment and accountability for these issues across the Members and Executive Directors.

## **Prudential Policy Committee**

The Prudential Policy Committee (PPC) is the primary forum for strategic oversight and review of APRA's prudential policy development function, including related strategic initiatives. The PPC meets twice monthly. It is chaired by the APRA Chair and comprises all APRA's Members, plus selected Executive Directors and General Managers drawn from areas in APRA responsible for policy, legal, supervision and industry insights.

## **Supervision Oversight Committee**

The Supervision Oversight Committee (SOC) is the primary forum for strategic oversight and review of APRA's core supervision function, including all related strategic initiatives and risks. The SOC is chaired by an APRA Member and meets monthly. Its membership comprises two of APRA's Members, plus selected Executive Directors and General Managers drawn from across APRA's divisions.

## **Resolution and Enforcement Committee**

The Resolution and Enforcement Committee (REC) is the primary forum for strategic oversight and review of APRA's resolution and enforcement powers, including all related strategic initiatives and risks. The REC is chaired by an APRA Member and meets twice monthly. Its membership comprises two APRA Members, APRA's General Counsel, plus selected Executive Directors and General Managers from areas in APRA responsible for policy, industry insights and supervision.

## **Other committees and groups**

Reporting to the governance committees listed above are other specialist committees, including:

### **COVID-19 Coordination**

During the year, APRA enacted a special COVID-19 coordination structure to facilitate rapid and coordinated decision-making. This followed the triggering of APRA's Crisis Management Plan as the significance of the COVID-19 outbreak became clear in early 2020. The structure comprised three committees, led by an overarching Executive Crisis Committee (ECC) and supported by two operational Committees: An Incident Management Team (IMT) focused on APRA's own operational capacity, and a Financial Impacts Team (FIT) which coordinated the assessment of, and response to, the pandemic on financial institutions and the broader

financial system. After the initial phase of the pandemic the committees met twice weekly to enable timely consideration of issues. The three committees have been disbanded but may be reactivated as needed.

### **Inclusion and Diversity Council**

Reporting to the Executive Board, the Council promotes awareness of workplace inclusion and diversity (I&D) and is responsible for developing and monitoring the implementation of APRA's I&D strategy.

### **Employee Consultative Group**

Reporting to the ExCo, this Group facilitates communication and consultation with all APRA employees below the senior management level on the terms and conditions of their employment in line with APRA's Enterprise Agreement and employment policies, and the impact of these on APRA's organisational culture and values.

### **Work Health and Safety Committee**

Reporting to the ExCo, this Committee focuses on issues concerning the health, safety and wellbeing of employees, and ensures that these concerns are integrated into broader management systems and practices.

## **Financial resources**

APRA's total operating expenditure for the 12 months to 30 June 2021 was \$196.4 million against an original budget of \$205.4 million. The expenditure was lower than the original budget due to the deferral of some activities into the 2021/22 financial year and a rise in the Government 10-year bond yield impacting the valuation of staff leave provisions.

### **APRA's income**

APRA's total income in 2020/21 was \$188.9 million, against a budget of \$190.8 million.

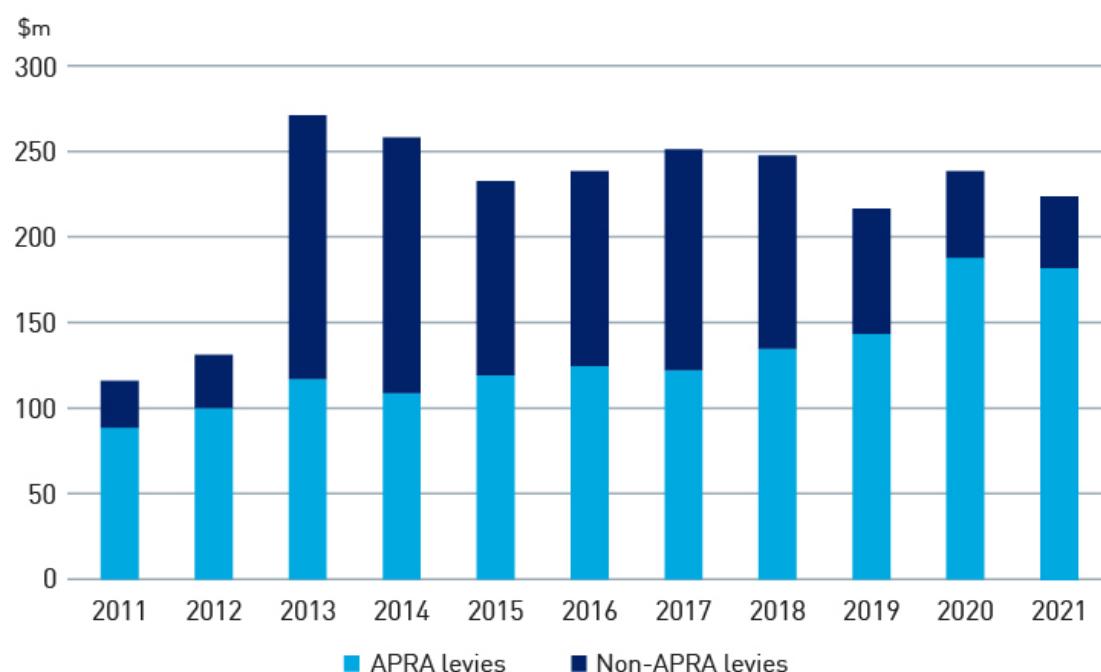
Income was lower than budget due to lower cost recovery activities, lower licensing and other fees and an under-collection of Financial Institutions Supervisory Levies arising from lower than expected June 2020 quarter assets growth in the superannuation industry.

Industry levies are raised according to the *Financial Institutions Supervisory Levies Collection Act 1998*, the *Supervisory Levy Imposition Acts 1998* relevant to each of APRA's regulated industries, and the *Private Health Insurance Supervisory Levy Imposition Act 2016*. Following consultation with industry, the relevant Minister determines the levy rates for each regulated industry prior to the beginning of each financial year. Industry levies are based on the costs incurred by APRA in discharging its duties with respect to each sector. For industries APRA regulates, other than private health insurance, the levy rate is applied on the relevant institution's total assets, subject to a minimum and maximum amount per institution. Exceptions to this are non-operating holding companies and small

APRA-regulated superannuation funds, which are levied at a flat rate. For private health insurers, the levies are based on the number of policies held by each insurer at 30 June.

Levies are also collected to cover the costs of the National Claims and Policies Database (NCPD) for which a rate is applied to the gross earned premiums of general insurers that contribute to this database. The amount raised for NCPD purposes in 2020/21 was \$0.9 million. The total levies collected by APRA also cover certain costs attributable to ASIC, the ATO, the ACCC, and the Gateway Network Governance Body Ltd. Levies collected by APRA in 2020/21, including on behalf of these agencies, were \$222.9 million.

*Figure 1 – APRA's financial industry levies*



On an annual basis, APRA releases a Cost Recovery Implementation Statement to provide further information on the APRA component of the levies collected from industry.

APRA also administers the Risk Equalisation Special Account whereby revenue collected by APRA for the purposes of risk equalisation across the private health insurance industry is treated by the Government as revenue and expenses. Total Risk Equalisation collections and payments in 2020/21 were \$423.5 million.

## Reserves

The components of APRA's reserves were subject to the following changes during the year:

- APRA's retained surpluses decreased by \$3.2 million to \$22.3 million, attributable to an operating deficit from ordinary activities of \$7.5 million, a transfer of \$3.0 million to the Contingency Enforcement Fund, partially offset by a transfer of \$7.3 million from the Revaluation Reserve due to a writeback of that reserve for disposed assets;
- the Revaluation Reserve decreased by \$7.3 million to \$0.3 million as noted above; and

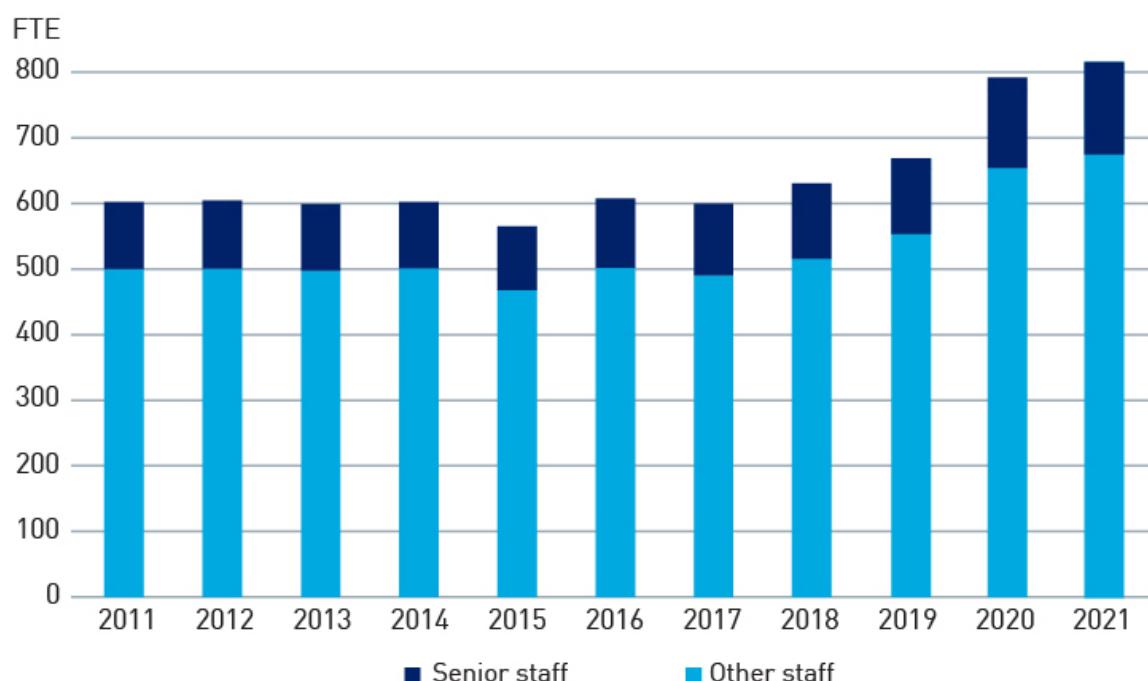
- the Contingency Enforcement Fund was increased by \$3.0 million from retained surpluses to \$15.0 million, attributable to a planned growth in the size of the fund arising from the BEAR and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

As a result of these movements, total reserves decreased by \$7.5 million to \$54.2 million. These reserves include contributed equity of \$16.6 million, which was unchanged over the year.

## Management of Human Resources

At 30 June 2021, APRA's permanent employees totalled 806.8 on a full-time equivalent (FTE) basis, which was an increase of 19 from 30 June 2020 (see Figure 2).

*Figure 2 – Total FTE employees as at 30 June 2021*



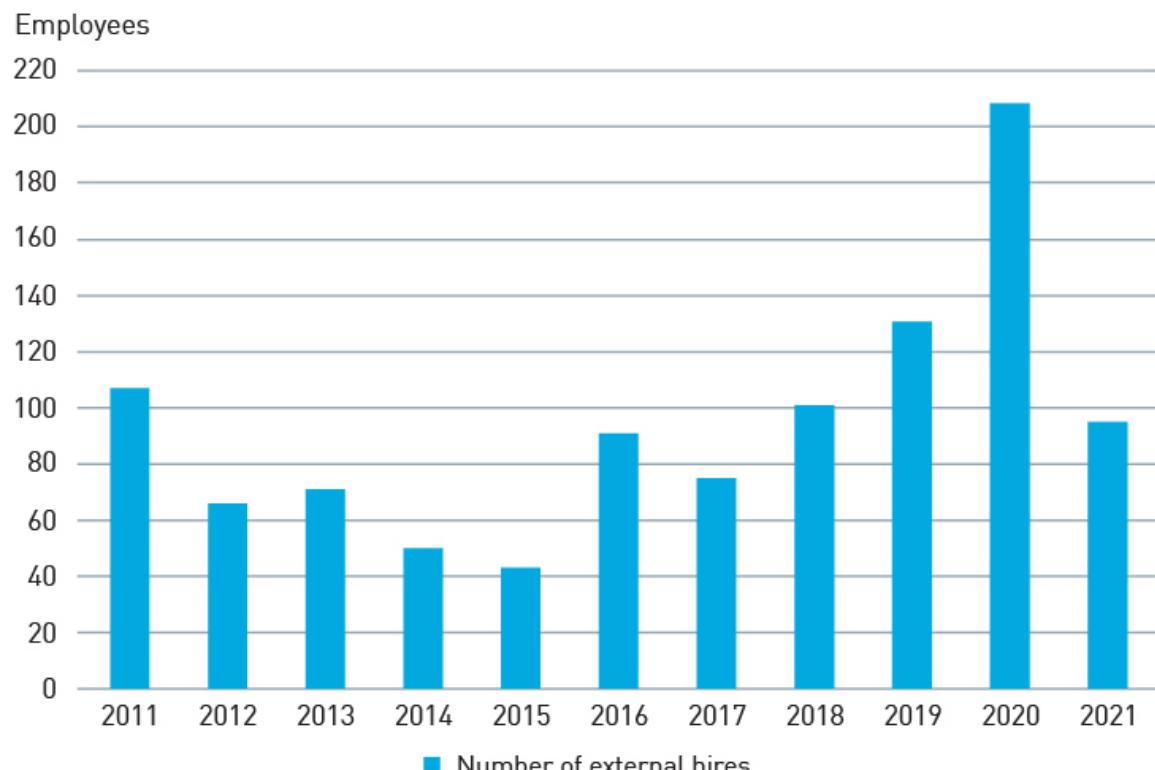
*Full-time equivalent employees by level and gender as at 30 June 2021*

	Female	Male	Total
Level 1	22.0	19.7	41.7
Level 2	47.9	40.0	87.9
Level 3	94.7	104.9	199.6
Level 4	148.7	190.2	338.9
Level 5	33.8	68.5	102.3
General Manager	12.4	15.0	27.4
Executive Director	3.0	3.0	6.0
APRA Member	1.0	2.0	3.0
<b>Total (FTE)</b>	<b>363.5</b>	<b>443.3</b>	<b>806.8</b>

APRA is focused on maintaining a highly skilled workforce with a combination of supervisory and financial services industry expertise. This is essential for a supervision-led regulator such as APRA, which relies on the judgement and experience of its employees to achieve sound prudential outcomes.

In 2020/21, the build-up in APRA staffing evident in prior years had largely concluded. Nevertheless, APRA hired 94 new employees during the year including 16 graduates.

*Figure 3 – External recruitment*

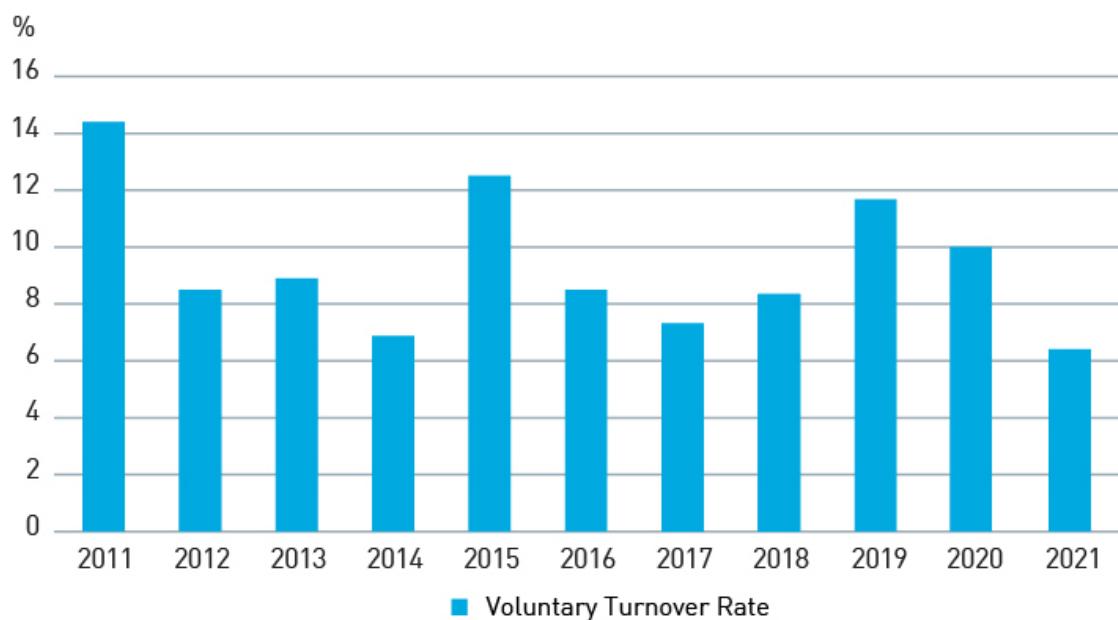


#### *External recruitment in 2020/21 by level and gender*

	Female	Male	Total
Level 1	8	9	17
Level 2	1	2	3
Level 3	10	14	24
Level 4	23	19	42
Level 5	4	3	7
General Manager	1	0	1
Executive Director	0	0	0
<b>Total</b>	<b>47</b>	<b>47</b>	<b>94</b>

APRA's voluntary turnover decreased from 10.1 per cent in 2019/20 to 6.5 per cent during 2020/21.

*Figure 4 – Voluntary turnover rate*



#### **Talent and development**

The ongoing development and wellbeing of staff continued to be a major priority for APRA in 2020/21, ensuring the organisation was able to continue to deliver its mandate to maintain and safeguard the resilience of the Australian financial system through a challenging period.

Building organisational and individual capabilities continued apace throughout 2020/21, with opportunities for learning and development made available in varying modes, from face-to-face (where possible) and remote, as well as hybrid options. APRA instigated a specific program of onboarding new hires commencing their employment in a virtual environment.

APRA also continued to promote the ongoing learning and professional development of its staff through specialised online training and development offerings.

In 2020/21, in response to the stress created by the COVID-19 pandemic, APRA increased the range of wellbeing programs and resilience training offered to its staff, and expanded the range of resources for leaders and team members to support working in a largely remote environment.

Building leadership capability remained an important priority for APRA during the year, despite the disruptions of the pandemic. In addition to the ongoing delivery of APRA's leadership programs online, there was a greater focus on leading for wellbeing, the neuroscience of leading, and ensuring leaders and managers are skilled to lead a high-performance organisation through effective coaching and feedback. Development also focused on inclusive leadership to support the organisation's goal of strengthening inclusion and diversity at APRA through a leader-led approach.

In 2020/21, the Supervision Training Academy continued to train and upskill APRA's supervisors. APRA has also broadened its training and development offerings for supervisors by using more diverse and specialised digital platforms, as well as traditional face-to-face learning where possible.

Support for employees undertaking postgraduate study continued in 2020/21, with 25 employees participating in the studies support program.

#### *Learning and development activities*

Key training metrics	2019	2020	2021
Training spend per employee	\$2,438	\$2,624	\$2,102
Percentage of employees provided with training	100	100	100
Training sessions per employee	10.3	12.6	10.7
Training days per employee	3.0	2.2	2.5
Number of internal courses offered	211	283	324
Employees undertaking formal post-graduate studies	42	45	25

#### **APRA and diversity**

APRA believes that to successfully fulfil its mandate, every employee should have the opportunity to reach their true potential. In practice, this means creating and cultivating an environment where every employee, regardless of background or personal circumstances, feels valued, included and able to contribute fully to the work and social life of the organisation.

*Diversity and inclusion characteristics across employees (by total headcount)*

	Female	Male	ATSI <sup>1</sup>	CALD <sup>2</sup>	PWD <sup>3</sup>
Level 1	22	21	0	1	0
Level 2	51	40	0	24	1
Level 3	100	105	1	60	0
Level 4	159	196	0	88	2
Level 5	35	70	0	23	1
General Manager	13	15	0	4	0
Executive Director	3	3	0	1	0
APRA Member	1	2	0	0	0
<b>Total</b>	<b>384</b>	<b>452</b>	<b>1</b>	<b>201</b>	<b>4</b>

<sup>1</sup> Aboriginal and Torres Strait Islanders (ATSI)

<sup>2</sup> Culturally and Linguistically Diverse (CALD)

<sup>3</sup> People with Disabilities (PWD)

### *Key initiatives in 2020/21*

In 2020/21, APRA's newly formed Inclusion and Diversity Council (IDC) sought to renew the organisation's Inclusion and Diversity Strategy to drive continuous improvement and expand visibility and accountability.

To measure progress and identify priority areas for action, a survey was conducted across all staff. The survey indicated significant progress had been made against APRA's inclusion targets from the 2016 strategy, as well as in fostering an inclusive culture more generally.

In 2020/21, the IDC has focused on developing a new Inclusion and Diversity strategy with a clear focus on metrics and actions designed to achieve meaningful progress against renewed and ambitious targets. Under the vision "Stronger Together", the new strategy seeks to build on gains in key streams such as LGBTIQ inclusion and gender diversity, while focusing more attention on intersectionality, as well as key target areas such as accessibility, to progress towards greater inclusion at all levels.

In a move to further embed accountability and drive meaningful change, an important shift has been to have Executive Directors sponsor APRA's diversity activity streams. The APRA Chair chairs APRA's Inclusion & Diversity Council.

A new Family and Domestic Violence Policy was launched in September 2020. This policy enables any employee who may be experiencing domestic and family violence to access additional support mechanisms, including paid leave entitlements.

APRA has improved LGBTIQ inclusion over the past three years by benchmarking against the Australian Workplace and Equality Index (AWEI), participating in the Rainbow Regulators'

Mardi Gras events and hosting numerous speakers for events throughout the year such as Wear it Purple Day.

In November 2020, APRA launched its Innovate Reconciliation Action Plan, incorporating stretch commitments that include:

- developing and implementing a cultural awareness campaign for employees; and
- initiatives to support Aboriginal and Torres Strait Islander involvement in the financial sector.

In March 2021, APRA released new Gender Affirmation guidelines to promote improved understanding of gender affirmation, provide support to individuals who are affirming their gender and offer guidance to leaders and colleagues. APRA has also begun to offer an indeterminate/intersex gender choice when recording employee demographic data.

APRA's gender diversity targets 40 per cent women at all levels. In 2020/21 the proportion of women in senior roles (Level 5 and above) has increased from 36 per cent to 37 per cent in 2021. At the General Manager level, women now make up 46 per cent, and at the Executive Director level, 50 per cent.



## CHAPTER 5 – STATUTORY REPORTING REQUIREMENTS

APRA reports in accordance with the following Commonwealth legislation and other requirements:

- *Australian Prudential Regulation Authority Act 1998*;
- *Environment Protection and Biodiversity Conservation Act 1999*;
- *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*;
- *Freedom of Information Act 1982*;
- *Public Governance, Performance and Accountability Act 2013*;
- *Work Health and Safety Act 2011*;
- Commonwealth Fraud Control Framework; and
- Requirements for Annual Reports for Departments, Executive Agencies and other Non-corporate Commonwealth Entities.

### ***Australian Prudential Regulation Authority Act 1998 (APRA Act)***

Section 59 of the APRA Act requires APRA to report on:

- the activities of persons conducting investigations under Division 2 of Part II and section 61 of the *Banking Act 1959*;
- the activities of Banking Act statutory managers (within the meaning of the *Banking Act 1959*);
- the activities of Insurance Act statutory managers (within the meaning of the *Insurance Act 1973*);
- the activities of Life Insurance Act statutory managers (within the meaning of the *Life Insurance Act 1995*);
- the operation of Division 2AA (Financial Claims Scheme for account-holders with insolvent ADIs) of Part II of the *Banking Act 1959*;
- the operation of Part VC (Financial Claims Scheme for policyholders with insolvent general insurers) of the *Insurance Act 1973*;
- the number of times during the year that APRA determined, under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001*, a reporting standard that is not a legislative instrument; and
- the exercise during the year of APRA’s powers under Part 15 of the *Retirement Savings Accounts Act 1997* (RSA Act) and Part 29 of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

During 2020/21, APRA appointed investigators under Division 2 of Part II of the *Banking Act 1959* in relation to five entities. There was one appointment under the *Banking Act 1959* continuing from the previous year.

APRA did not appoint statutory managers under the *Banking Act 1959*, *Insurance Act 1973* or *Life Insurance Act 1995* during 2020/21. There were no appointments continuing from the previous year.

There were no schemes in operation under Division 2AA of Part II of the *Banking Act 1959*.

On 15 October 2009, the Minister made a declaration under section 62ZZC of the *Insurance Act 1973* that Division 3 of Part VC of that Act applied in relation to one general insurer<sup>58</sup>. One payment was made from the Financial Claims Scheme Special Account in 2020/21 to satisfy claims against this general insurer.

APRA did not determine any reporting standards under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* during 2020/21 that were not legislative instruments.

APRA did not exercise its powers under Part 15 of the RSA Act in 2020/21.

APRA exercised its powers under Part 29 of the SIS Act during 2020/21 in relation to particular entities or persons as set out below:

*Exemptions exercised under the SIS Act*

Instrument Number	Date	Provision of SIS Act / regulations exempted
A6 of 2020	08/09/2020	r. 6.17(2)
A7 of 2020	11/08/2020	s. 93(3)
A8 of 2020	19/08/2020	revocation of A34 of 2006
A9 of 2020	16/10/2020	r. 7.04
A10 of 2020	28/10/2020	r. 9.04D(1)
A11 of 2020	17/11/2020	r. 6.17(2)
A1 of 2021	19/01/2021	r. 6.17(2)
A2 of 2021	17/02/2021	s. 93(3)
A3 of 2021	16/04/2021	r. 9.04D(1) & 9.04I(1)
A4 of 2021	10/06/2021	s. 29E(5A)
A5 of 2021	16/06/2021	s. 29E(5A)
A6 of 2021	30/06/2021	s. 29E(5A)
A7 of 2021	18/06/2021	s. 29E(5A)
A8 of 2021	17/06/2021	s. 29E(5A)
A9 of 2021	23/06/2021	s. 29E(5A)
A10 of 2021	29/06/2021	s. 29E(5A)
A11 of 2021	24/06/2021	r. 13.17A

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<sup>58</sup> Australian Family Assurance Limited (in liquidation).

*Modifications exercised under the SIS Act*

Instrument Number	Date	Provision of SIS Act / regulations modified
A1 of 2021	15/01/2021	r. 1.03(1)
A2 of 2021	17/02/2021	revocation of A8 of 2017 & A2 of 2020
A3 of 2021	13/04/2021	schedule 7 to the regulations
A4 of 2021	29/03/2021	schedule 1 to the regulations
A5 of 2021	19/05/2021	r. 1.03(1)
A6 of 2021	03/06/2021	r. 1.06
A7 of 2021	03/06/2021	r. 1.06
A8 of 2021	04/06/2021	r. 1.06
A9 of 2021	03/06/2021	r. 1.03(1)

## *Environment Protection and Biodiversity Conservation Act 1999*

APRA's Environmental Policy Statement reinforces its commitment to operating in an ecologically sustainable manner. APRA actively takes steps to reduce its environmental impact and adopts environmentally friendly options where practical. Measures include: sensor-controlled lighting; energy-efficient power management settings on office equipment; recycling of paper, cardboard, office furniture and printer cartridges; reducing waste; the use of mobile devices and 'follow-me' printing; and fostering employee awareness of environmental issues including considering the need to print documents.

## *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*

APRA is dedicated to ensuring it continues to create an environment that fosters inclusivity and respect for all its employees. Diverse and inclusive teams are critical for APRA's success as they broaden the range of thinking that supports strong judgments, which are the foundation of supervisory authorities. Further information on APRA's Inclusion and Diversity initiatives can be found in the section titled '*APRA and diversity*' in Chapter 4.

## Fraud preventions and controls

### Commonwealth Fraud Control Guidelines

The Chair of APRA certifies that he is satisfied that:

- a fraud risk assessment and fraud control plan has been prepared and complies with the Commonwealth Fraud Control Guidelines;
- appropriate fraud prevention, detection, investigation, recording and reporting procedures are in place to meet the specific needs of APRA (subject to the below); and
- while all reasonable measures to appropriately deal with fraud relating to APRA have been taken, APRA has self-identified areas for improvement and planned activities to uplift.

## *Freedom of Information Act 1982*

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. APRA displays a plan on its website showing what information it publishes in accordance with the IPS requirements.<sup>59</sup>

## *Work Health and Safety Act 2011 (WHS Act)*

APRA has continued to strengthen its Work Health and Safety (WHS) policy with an increased focus on employee wellbeing, risk management and reporting. This has been crucial with the COVID-19 pandemic, amplifying the need for a strong focus on employee health and wellbeing.

APRA has continued to respond in a risk-based manner, with WHS risk assessments being conducted to determine the appropriate approach to ensure the safety and wellbeing of employees.

### **WHS response to COVID-19**

The WHS Risk Assessment identified key risks that had the potential to impact APRA's key objective of 'maintaining the health, safety and wellbeing of all employees and contractors whilst working remotely and in the return-to-office approach'. The key risks covered the spectrum of psychological and physical health as well as leadership and change management.

Controls to address COVID-19 key risks included:

- detailed monitoring of potentially impacted employees and establishing a framework to be able to respond effectively to an instance of COVID-19 in the workplace;
- all employees being kept fully informed through a regularly updated information page, FAQs and weekly communications from the Chair;
- the opportunity for employees to raise concerns about their remote working arrangements and ergonomic conditions, followed up by virtual ergonomic assessments where required;
- adapting policies to enable greater flexibility to support family/personal responsibilities and workload, and the creation of new/additional policies to enable an appropriate and ongoing response to COVID-19 in the workplace;
- the delivery of regular wellbeing workshops focusing on supporting yourself, parenting during a pandemic and supporting family overseas during COVID; and
- the delivery of a series of leadership sessions targeted at supporting leaders through the change in working arrangements.

To monitor employee engagement and wellbeing while working remotely, APRA conducted regular pulse surveys of its employees. The results of these surveys (contained in Chapter 3)

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<sup>59</sup> <https://www.apra.gov.au/freedom-of-information>

helped shape APRA's ongoing wellbeing initiatives and approach to hybrid working and returning to the office following lockdowns.

APRA was able to continue to offer access to various initiatives to support employee wellbeing, including the annual flu vaccination which was provided through the Pharmacy Guild of Australia to enable employees to receive their flu vaccination at a location near their home or office.

In addition, there was a strong emphasis on supporting positive mental health with increased engagement through APRA's partnership with external providers in delivering targeted workshops to strengthen resilience in challenging times. APRA continued to promote Employee Assist (APRA's employee assistance provider) and its Wellbeing Ambassador network.

### **WHS Committee**

The WHS Committee is an integral part of APRA's internal governance system, and is the principal forum for oversight on all WHS matters. It is responsible for monitoring the effectiveness of WHS control measures.

The role of the Work Health and Safety Committee has been updated, with strengthened membership and updated terms of reference to reflect these changes.

### **WHS outcomes**

APRA's risk management strategies have successfully mitigated any risks or hazards that may have resulted in notifiable incidents, investigations relating to undertakings, or provisional improvement notices.

There were no new workers' compensation claims accepted by Comcare in the 2020/21 financial year.

## **Other reporting requirements**

### **Accountable Authority during the current reporting period (2020/21)**

Mr Wayne Byres, as Chair of APRA, was the accountable authority during 2020/21. Mr Byres commenced as Chair on 1 July 2014 and his current term of office runs until 30 June 2024.

### **Advertising and market research**

Under the *Commonwealth Electoral Act 1918*, APRA is required to report annually on amounts paid to advertising agencies, market research and media advertising organisations relating to electoral expenditure.

In 2020/21 APRA has not incurred any advertising or market research expenditure in relation to an election.

Separately, during 2020/21 APRA incurred employment advertising expenditure relating to the following executive recruitment organisations:

*Advertising expenditure*

Supplier	Amount (Excl. GST)
Mediabrand Australia Pty Ltd T/As Universal McCann	\$67,357.93

Outside of the above, APRA did not conduct any specific advertising campaigns during 2020/21.

**Auditor-General activities**

The Australian National Audit Office (ANAO) undertook the required statutory financial audit of APRA for 2020/21.

**Capability reviews**

APRA was not subject to any external capability reviews in 2020/21.

**Collective agreements and common law contracts**

All employees are appointed under the APRA Act.

As at 30 June 2021, there were 693 employees covered by the terms of the APRA Employment Agreement 2018. The APRA Employment Agreement 2018 commenced on 9 December 2018 for a three-year term, with a nominal expiry date of 8 December 2021.

APRA's 142 senior employees were covered by common law agreements.

APRA applies a total remuneration package (TRP) approach whereby all salary, superannuation and 'salary-sacrifice' benefits are included in an employee's TRP.

*TRP ranges for non-executive employees as at 30 June 2021*

	Level 1	Level 2	Level 3	Level 4
Maximum	\$72,536	\$109,254	\$158,362	\$225,153
Minimum	\$49,885	\$65,551	\$95,063	\$135,046

**Commonwealth Ombudsmen**

The Commonwealth Ombudsman did not undertake any investigation into APRA's conduct in 2020/21.

## **Commonwealth procurement rules**

The APRA Chair's Finance Instructions and Finance Policies (CFIs) and associated operational procedures, ensure that APRA's procurement process complies with the Commonwealth Procurement Rules (CPRs). In particular, they ensure that the core procurement principle of value-for-money is observed.

APRA conducts its procurement processes within the CPRs, including but not limited to:

- engaging indigenous suppliers for procurements between \$80,000 and \$200,000 as required under the Indigenous Procurement Policy;
- conducting open tenders for procurement activities of more than \$200,000 (unless otherwise exempted under the CPRs);
- reporting all procurements over \$10,000 on AusTender; and
- providing a link on APRA's website to the AusTender report on all purchases over \$100,000.

In 2020/21, APRA had no AusTender-exempt contracts. As required under the CPRs, all APRA competitively tendered contracts over \$100,000 provide for the Auditor-General to have access to the contractor's premises.

## ***Procurement initiatives to support small business***

APRA supports small business participation in the Commonwealth Government procurement market. Small and medium enterprises (SME) and small enterprise participation statistics are available on the Department of Finance's website:

<https://www.finance.gov.au/government/procurement/statistics-australian-government-procurement-contracts->

APRA's procurement activities that support small business are consistent with paragraphs 5.5, 5.6 and 5.7 of the CPRs and include:

- using the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000;
- prequalified panels with SME providers;
- payments via electronic systems; and
- meeting the objective of paragraph 5.6 of the CPRs on sourcing over 10 per cent of procurements through SME providers.

## **Consultancies**

APRA's CFIs and associated operational procedures, include specific provisions on consultants.

APRA engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or solutions to assist in APRA's decision-making. Prior to

engaging consultants, APRA considers the skills and resources required for the task, the skills available in-house, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with legislation, CPRs and internal policies.

During 2020/21, APRA entered into a total of two new consultancy contracts involving a total expenditure of \$1,040,322. Information on the value of contracts and consultancies is available on the AusTender website: [www.tenders.gov.au](http://www.tenders.gov.au)

*Expenditure on Reportable Consultancy Contracts*

	Number	Expenditure \$ (GST incl.)
New contracts entered into during the reporting period	2	1,040,322
Ongoing contracts entered into during a previous reporting period	1	121,000
Total	3	1,161,322

*Expenditure on Reportable Non-Consultancy Contracts\**

	Number	Expenditure \$ (GST incl.)
New contracts entered into during the reporting period	147	26,568,781
Ongoing contracts entered into during a previous reporting period	105	208,544,726
Total	252	235,113,507

\* This table shows the total value of ongoing contracts that were entered into prior to this financial year. This includes multi-year contracts such as property leases and IT services and systems.

*Organisations Receiving a Share of New Reportable Consultancy Contract Expenditure*

Name of Organisation	Expenditure \$ (GST incl.)
KPMG (ABN 51 194 660 183)	50,820
Korda Mentha Pty Ltd (ABN 36 220 576 038)	989,502

*Organisations Receiving a Share of New Reportable Non-Consultancy Contract Expenditure\**

	Expenditure \$ (GST incl.)
Microsoft Pty Ltd (ABN 29 002 589 460)	1,832,059
Macquarie Telecom Pty Ltd (ABN 21 082 930 916)	1,607,916
Fifth Logic Pty Ltd (ABN 51 618 825 442)	1,598,994
Oracle Corporation Australia Pty Ltd (ABN 80 003 074 468)	1,360,575
Fifth Logic Pty Ltd (ABN 51 618 825 442)	1,173,906

\* This table shows the top five new contracts entered into during the 2020/21 financial year. There were two separate contracts for one vendor. Contract details are also available on AusTender.

## **Consultative arrangements**

APRA consults extensively with regulated entities, industry bodies and other interested parties prior to finalising prudential policies, including new or amended prudential standards and reporting standards, as well as formal prudential guidance.

During 2020/21, APRA released one updated prudential standard and four reporting standards and undertook 16 consultations across the prudential and reporting framework across all regulated industries.

APRA complies with the Government's policy on best practice regulation. During 2020/21, APRA finalised one Regulation Impact Statement. In addition, APRA developed 14 preliminary assessments and, following advice from the Office of Best Practice Regulation (OBPR), one regulatory impact analysis.

## **Courts and tribunals**

During 2020/21, there were no judicial decisions that had, or may have, a significant effect on APRA's operations. There were no court decisions relating to enforcement action taken by APRA during the year.

## **Executive remuneration**

APRA's Board members' remuneration is determined by Remuneration Tribunal determinations. The Senior Executives are remunerated through a common law contract and APRA's remuneration policies. All employees have a fixed salary component as their primary income with a discretionary bonus ('at risk' component) which is based on performance and in line with APRA's performance policy. All decisions relating to Executive remuneration are governed by the APRA Board. The Executive Committee approves remuneration adjustments for all other employees.

*Remuneration for key management personnel earned in 2020/21*

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Base salary <sup>1</sup>	Bonuses	Other benefits and allowances <sup>2</sup>		Superannuation contributions	Long service leave <sup>3</sup>		
Wayne Byres	Chair	703,111	0	63,886	113,165	(29,776)	0	0	850,386
Helen Rowell	Deputy Chair	664,717	0	0	25,000	(4,096)	0	0	685,621
John Lonsdale	Deputy Chair	615,167	0	2,610	90,035	12,041	0	0	719,853
Geoff Summerhayes	Member	338,371	0	2,361	23,902	2,000	0	0	366,634

<sup>1</sup> Differences between the key management personnel figures and those provided by the Remuneration Tribunal are related to leave earned, taken and revalued during the year.

<sup>2</sup> Other benefits and allowances include fringe benefits relating to motor vehicles and parking.

<sup>3</sup> Long service leave balances include leave accrued in the year, write-backs and any revaluations.

*Remuneration for senior executives earned in 2020/21*

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of senior executives	Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave <sup>1</sup>	Average other long-term benefits	Average termination benefits	Average total remuneration
\$0 - \$220,000	7	94,368	5,941	0	14,559	(4,962)	0	0	109,906
\$270,001 - \$295,000	2	237,080	18,500	0	25,820	4,322	0	0	285,722
\$295,001 - \$320,000	3	257,950	9,000	0	33,860	4,227	0	0	305,037
\$320,001 - \$345,000	4	291,636	17,000	0	25,000	5,729	0	0	339,365
\$345,001 - \$370,000	8	307,955	19,250	0	25,000	5,875	0	0	358,080
\$370,001 - \$395,000	5	328,078	21,000	0	25,443	7,184	0	0	381,705
\$395,001 - \$420,000	1	209,729	0	0	24,999	6,025	0	163,028	403,781
\$445,001 - \$470,000	1	401,358	27,500	0	25,000	9,417	0	0	463,275
\$470,001 - \$495,000	2	427,608	21,000	0	25,000	6,975	0	0	480,583
\$495,001 - \$520,000	2	451,751	22,000	0	25,000	2,647	0	0	501,398
\$520,001 - \$545,000	2	470,298	24,750	0	25,000	10,495	0	0	530,543

<sup>1</sup> Long service leave balances include leave accrued in the year, write-backs and any revaluations.

*Remuneration for highly paid staff earned in 2020/21*

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of other highly paid staff	Average base salary	Average bonuses	Average other benefits and allowances <sup>1</sup>	Average superannuation contributions	Average long service leave <sup>2</sup>	Average other long-term benefits	Average termination benefits	Average total remuneration
\$230,001 - \$245,000	28	191,606	18,799	351	20,772	6,107	0	0	237,635
\$245,001 - \$270,000	45	209,964	17,659	255	23,607	4,589	0	0	256,074
\$270,001 - \$295,000	16	224,970	19,000	585	27,665	5,522	0	0	277,742
\$295,001 - \$320,000	6	242,230	23,330	0	22,793	13,461	0	0	301,814

<sup>1</sup> Other benefits and allowances include fringe benefits relating to motor vehicles.

<sup>2</sup> Long service leave balances include leave accrued in the year, write-backs and any revaluations.

### *Audit and Risk Committee Member Remuneration from 1 July 2020 to 30 June 2021*

Member	Annual (ex GST)	Paid (ex GST)
Sam Lewis (Chair)	49,200	49,200
Kate Hughes	40,000	30,000*
Chris Hall (from January 2021)	20,000	10,000*

\* Differences between annual payment rates and amounts actually paid relate to invoice timing differences.

### **Indemnities and insurance premiums**

APRA Members and officers are covered by the professional indemnity insurance cover of the Commonwealth-managed insurance scheme, Comcover. The generic terms and conditions of the insurance cover provided by Comcover to Commonwealth agencies are available on the Comcover website: [www.finance.gov.au/comcover](http://www.finance.gov.au/comcover). Under the conditions of the cover, APRA has an obligation not to disclose the nature and limits of liability and the amount of the premium.

### **Grant programs**

The Commonwealth Grants Rules and Guidelines require agencies to publish details of grants on their websites within 14 working days after the funding agreement for the grant takes place. APRA does not make any grants or run any grant programs.

However APRA does offer and participate in scholarship programs. Such programs are the University of New South Wales Cooperative Actuarial Scholarship and the Brian Gray Scholarship. Details of APRA's Scholarship programs are available on APRA's website: <https://www.apra.gov.au/grants-and-scholarships>

### **Legal services**

The *Legal Services Directions 2017* requires Commonwealth agencies to make publicly available information on records of their legal services expenditure for the previous financial year. During 2020/21, APRA's total expenditure on external legal advice and litigation services was \$2,467,691 (excluding GST).

### **Parliamentary committees**

Avenues through which APRA is accountable to the Parliament include Parliament's ad hoc and standing committees, and specific references on legislation or issues of particular interest to parliamentary committees.

During 2020/21, APRA Members and executives appeared at public hearings before the:

- Senate Standing Committee on Economics Legislation: Estimates hearings on 27 October 2020, 25 March 2021 and 2 June 2021;
- House of Representatives Economics Committee: Inquiry into APRA's Annual Report hearings held on 5 August 2020, 23 October 2020 and 29 March 2021;

- Inquiry into National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020;
- Inquiry into Treasury Laws Amendment (Your Future, Your Super) Bill 2021; and
- Senate Finance and Public Affairs Committee for their Inquiry into the lessons to be learned from the 2019-20 Bushfire Season.

During 2020/21, APRA made submissions to the following Parliamentary Inquiries:

- Senate Select Committee on Australia as a Technology and Financial Centre, 30 June 2021;
- Joint Standing Committee on Trade and Investment Growth's Inquiry into the prudential regulation of investment in Australia's export industries, 20 April 2021;
- Senate Economic Legislation Committee's Inquiry into the Treasury Laws Amendment (Your Future, Your Super) Bill 2021, 18 March 2021; and
- Senate Economic Legislation Committee's Inquiry into the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020.

Copies of opening statements delivered as part of APRA's appearances may be downloaded from APRA's website [www.apra.gov.au](http://www.apra.gov.au). Transcripts of APRA's Parliamentary appearances and copies of its submissions to parliamentary committees are available from the Parliamentary website [www.aph.gov.au](http://www.aph.gov.au).

### **Performance pay**

APRA has a fully discretionary performance pay system with aligned policy and guidelines around performance expectations.

In May 2020, in response to COVID-19, the Government instructed that within the APS:

- remuneration increases for the general workforce should be deferred for six months; and
- there should be a stay on remuneration increases and bonus payments for employees in the Senior Executive Service (SES).

Although not an APS agency, the APRA Members agreed that APRA should follow the Government's guidance around the deferral of remuneration increases for employees, while also observing the relevant clauses in APRA's Enterprise Agreement and Employment Contracts.

The effect of this decision was that remuneration increases for employees covered by the Enterprise Agreement (Levels 1-4) and Senior Managers, which would normally have taken effect in July 2020, did not take effect until January 2021. General Managers and Executive Directors received no remuneration adjustments or bonus payments related to the 2019/20 financial year.

For 2020/21, actual bonuses paid totalled \$8.7 million. Bonuses are only paid to eligible employees still in APRA's employment at the payment date.

## **Privacy Commission**

The Office of the Australian Information Commissioner (OAIC) conducted preliminary enquiries into a privacy complaint under section 42 of the *Privacy Act 1988*. However, the OAIC declined to investigate as they determined that APRA did not interfere with the individual's privacy.

The Privacy Commissioner made no determinations under section 52, nor did APRA seek any under section 73.

There were no adverse or favourable comments made by the Privacy Commissioner in respect of APRA's operations. Privacy enquiries relating to APRA sent by post should be addressed to:

Freedom of Information Coordinator  
Australian Prudential Regulation Authority  
GPO Box 9836  
Sydney NSW 2001

Or by phone: 02 9210 3000; fax: 02 9210 3424 or email: [foi@apra.gov.au](mailto:foi@apra.gov.au)

## **Responsible Ministers**

During the 2020/21 financial year, the Hon. Josh Frydenberg MP had portfolio responsibility for APRA as Treasurer of the Commonwealth of Australia.

In 2020/21, Senator the Hon. Jane Hume was the Minister for Superannuation, Financial Services and the Digital Economy.

## **Significant non-compliance with relevant financial laws**

During 2020/21 there were no incidents of material non-compliance with relevant financial laws.

## Employee statistics (by FTE)

*Ongoing employees 2020/21 by location*

	Male			Female			Indeterminate <sup>1</sup>			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
ACT	6.0	0.0	6.0	1.0	0.0	1.0	0.0	0.0	0.0	7.0
NSW	270.5	7.1	278.6	232.0	26.2	258.2	0.0	0.0	0.0	536.8
QLD	16.0	0.0	16.0	6.0	2.2	8.2	0.0	0.0	0.0	24.2
SA	4.0	0.0	4.0	5.0	0.9	5.9	0.0	0.0	0.0	9.9
VIC	36.0	2.9	38.9	28.4	4.9	33.3	0.0	0.0	0.0	72.2
<b>Total</b>	<b>332.5</b>	<b>10.0</b>	<b>343.5</b>	<b>272.4</b>	<b>34.2</b>	<b>306.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>650.1</b>

<sup>1</sup> APRA will report on this category in 2021/22

*Non-ongoing employees 2020/21 by location (Fixed-term, Senior Managers and above)*

	Male			Female			Indeterminate <sup>1</sup>			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
ACT	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
NSW	86.0	2.3	88.3	45.0	5.2	50.2	0.0	0.0	0.0	138.5
QLD	4.0	0.0	4.0	0.0	0.6	0.6	0.0	0.0	0.0	4.6
SA	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
VIC	5.0	0.6	5.6	6.0	0.0	6.0	0.0	0.0	0.0	11.6
<b>Total</b>	<b>97.0</b>	<b>2.9</b>	<b>99.9</b>	<b>51.0</b>	<b>5.8</b>	<b>56.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>156.7</b>

<sup>1</sup> APRA will report on this category in 2021/22

*Ongoing employees 2019/20 by location*

	Male			Female			Indeterminate <sup>1</sup>			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
ACT	5.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
NSW	282.0	7.4	289.4	229.0	25.8	254.8	0.0	0.0	0.0	544.2
QLD	6.0	0.0	6.0	7.0	1.6	8.6	0.0	0.0	0.0	14.6
SA	4.0	0.0	4.0	3.0	0.9	3.9	0.0	0.0	0.0	7.9
VIC	31.0	2.1	33.1	22.0	6.8	28.8	0.0	0.0	0.0	61.8
<b>Total</b>	<b>328.0</b>	<b>9.5</b>	<b>337.5</b>	<b>261.0</b>	<b>35.1</b>	<b>296.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>633.6</b>

<sup>1</sup> APRA will report on this category in 2021/22

*Non-ongoing employees 2019/20 by location (Fixed-term, Senior Managers and above.)*

	Male			Female			Indeterminate <sup>1</sup>			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	91.0	0.9	91.9	40.0	6.2	46.2	0.0	0.0	0.0	138
QLD	2.0	0.0	2.0	0.0	0.6	0.6	0.0	0.0	0.0	2.6
SA	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
VIC	5.0	0.6	5.6	6.0	0.0	6.0	0.0	0.0	0.0	11.6
<b>Total</b>	<b>99.0</b>	<b>1.5</b>	<b>100.5</b>	<b>46.0</b>	<b>6.8</b>	<b>52.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>153.2</b>

<sup>1</sup> APRA will report on this category in 2021/22

## Agency resources and expenses by outcome

Under the Requirements for annual reports for departments, executive agencies and other non-corporate Commonwealth entities, issued by the Department of Prime Minister and Cabinet, APRA must provide information outlining its various funding sources during the financial year and total expenses for each agency outcome. To this end, APRA's Agency Resource Statement and Expenses by Outcome Statement for 2020/21 are set out below.

### Agency resources statement

	Actual available appropriation  \$'000 (a)	Payments made  \$'000 (b)	Balance remaining  \$'000 (a)-(b)
<b>Ordinary annual services</b>			
Departmental appropriation	11,261	11,261	-
<b>Total</b>	<b>11,261</b>	<b>11,261</b>	-
<b>Total available annual appropriations and payments</b>			
	<b>A</b>	<b>11,261</b>	-
<b>Special accounts</b>			
Opening balance	72,828		
Appropriation receipts	(11)		
Special appropriation receipts	193,153		
Payments made	201,567		
<b>Total special account</b>	<b>B</b>	<b>265,970</b>	<b>201,567</b>
			<b>64,403</b>
<b>Total resources and payments</b>			
A+B	277,231	212,828	64,403
Less appropriation drawn from annual or special appropriations above and credited to special accounts	(11,261)	(11,261)	-
<b>Total net resourcing and payments for APRA</b>	<b>265,970</b>	<b>201,567</b>	<b>64,403</b>

## Expenses by outcome statement

Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, promotes financial system stability in Australia.

	Budget \$'000 (a)	Actual expenses \$'000 (b)	Variation \$'000 (a)-(b)
--	-------------------------	----------------------------------	--------------------------------

### Program 1.1: Australian Prudential Regulation Authority

#### Departmental expenses

Departmental appropriation <sup>1</sup>	4,577	11,261	(6,684)
Special accounts	200,858	185,113	15,745
<b>Total expenses for outcome<sup>1</sup></b>	<b>205,435</b>	<b>196,374</b>	<b>9,061</b>

	Actual 2020/21	Actual 2019/20	Variation
<b>Average staffing level (number)</b>	<b>789</b>	<b>734</b>	<b>55</b>

<sup>1</sup> Departmental appropriation combines 'Ordinary annual services (Appropriation Bill No.1)' and 'Revenue from independent sources'.

# CHAPTER 6 – FINANCIAL STATEMENTS

## Contents \*

<b>Independent Auditor's Report</b>	<b>Page 89</b>
<b>Certification</b>	<b>Page 91</b>
<b>Primary financial statements</b>	<b>Page 92</b>
Statement of Comprehensive Income	Page 92
Statement of Financial Position	Page 93
Statement of Changes in Equity	Page 95
Cash Flow Statement	Page 97
Administered Schedule of Comprehensive Income	Page 98
Administered Schedule of Assets and Liabilities	Page 99
Administered Reconciliation Schedule	Page 100
Administered Cash Flow Statement	Page 100
<b>Overview</b>	<b>Page 101</b>
<b>1.Financial Performance</b>	<b>Page 102</b>
1.1 Expenses	Page 102
1.2 Own-Source Revenue and gains	Page 103
<b>2.Income and Expenses Administered on Behalf of Government</b>	<b>Page 104</b>
2.1 Administered - Expenses	Page 104
2.2 Administered - Income	Page 105
<b>3.Departmental Financial Position</b>	<b>Page 106</b>
3.1 Financial Assets	Page 106
3.2 Non-Financial Assets	Page 107
3.3 Payables	Page 110
3.4 Interest Bearing Liabilities	Page 111
3.5 Other Provisions	Page 112
<b>4.Assets and Liabilities Administered on Behalf of Government</b>	<b>Page 113</b>
4.1 Administered - Financial Assets	Page 113
4.2 Administered - Assets Held in Trust	Page 114
4.3 Administered - Payables	Page 114
<b>5.Funding</b>	<b>Page 115</b>
5.1 Appropriations	Page 115
5.2 Special Accounts	Page 117
5.3 Regulatory Charging Summary	Page 119
<b>6.People and relationships</b>	<b>Page 120</b>
6.1 Employee Provisions	Page 120
6.2 Key Management Personnel Remuneration	Page 121
6.3 Related Party Disclosures	Page 122
<b>7.Managing uncertainties</b>	<b>Page 123</b>
7.1 Contingent Assets and Liabilities	Page 123
<b>7.2 Administered - Contingent Assets and Liabilities</b>	<b>Page 124</b>
7.3 Financial Instruments	Page 125
<b>7.4 Administered - Financial Instruments</b>	<b>Page 126</b>
7.5 Fair Value Measurement	Page 127

<b>8. Other information</b>	<b>Page 128</b>
8.1 Calculation of APRA Special Appropriation	Page 128
8.2 Current / non-current distinction for assets and liabilities	Page 130
*Administered items are distinguished from departmental items throughout these financial statements by background shading.	



## INDEPENDENT AUDITOR'S REPORT

To the Treasurer

### Opinion

In my opinion, the financial statements of the Australian Prudential Regulation Authority (the Entity) for the year ended 30 June 2021:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Accountable Authority and Chief Operating Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

**Auditor's responsibilities for the audit of the financial statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

*S Bond*.

Sally Bond  
Executive Director  
Delegate of the Auditor-General

Canberra  
19 August 2021

## STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF OPERATING OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Prudential Regulation Authority will be able to pay its debts as and when they fall due.



**Mr Wayne Byres**  
Chair

17 August 2021



**Mr Steve Matthews**  
Chief Operating Officer

17 August 2021

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000	Original Budget \$'000
<b>Expenses</b>				
Employee benefits	1.1A	142,715	132,774	145,314
Suppliers	1.1B	34,033	44,333	41,144
Depreciation and amortisation	3.2	18,521	17,961	18,100
Finance costs	1.1C	859	1,011	877
Losses from asset disposals		98	47	-
Grants and scholarships		95	103	-
Write-down of computer hardware and office equipment		53	-	-
<b>Total expenses</b>		<b>196,374</b>	<b>196,229</b>	<b>205,435</b>
<b>Own-source revenue</b>				
Revenue from contracts with customers	1.2A	2,204	2,904	2,957
Other revenue	1.2B	981	1,339	1,620
Rental income		5	38	-
<b>Total own-source revenue</b>		<b>3,190</b>	<b>4,281</b>	<b>4,577</b>
<b>Net cost of services</b>		<b>193,184</b>	<b>191,948</b>	<b>200,858</b>
Revenue from Government	1.2C	185,731	188,086	186,200
<b>Operating deficit</b>		<b>(7,453)</b>	<b>(3,862)</b>	<b>(14,658)</b>
<b>Other comprehensive income</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Increase / (decrease) in asset revaluation reserve		(74)	42	42
<b>Total comprehensive loss</b>		<b>(7,527)</b>	<b>[3,820]</b>	<b>[14,616]</b>

The above statement should be read in conjunction with the accompanying notes.

## Budget Variances Commentary

### Expenses:

- Employee benefits are lower than budget due to an increase in the Government 10 year bond yield (used to value leave provisions) favourably reducing the employee year end leave balances, and reduced staff performance bonuses; and
- Supplier expenses are lower than budget due to deferral of some activities into the 2021-22 financial year.

### Own-source revenue:

- Revenue from contracts with customers is lower than budget due to lower cost recovery activities undertaken in the year; and
- Other revenue is lower than budget due to lower licensing and other fees received.

### Revenue from Government:

- Revenue from Government is lower than budget due to a small under-collection of Financial Institutions Supervisory Levies which is due to slightly lower than projected June quarter assets growth within the superannuation industry. This resulted in a minor under-estimate of the required levy rate for 2020-21.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000	Original Budget \$'000
<b>Assets</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3.1A	64,403	72,828	40,501
Trade and other receivables	3.1B	3,168	2,071	2,071
<b>Total financial assets</b>		<b>67,571</b>	<b>74,899</b>	<b>42,572</b>
<b>Non-financial assets</b>				
Property, plant and equipment <sup>1</sup>	3.2	59,089	69,685	57,762
Intangibles	3.2	42,273	37,604	53,727
Prepayments		4,885	3,756	3,756
<b>Total non-financial assets</b>		<b>106,247</b>	<b>111,045</b>	<b>115,245</b>
<b>Total assets</b>		<b>173,818</b>	<b>185,944</b>	<b>157,817</b>
<b>Liabilities</b>				
<b>Payables</b>				
Suppliers	3.3A	6,288	6,555	6,555
Other payables	3.3B	3,679	2,937	3,957
<b>Total payables</b>		<b>9,967</b>	<b>9,492</b>	<b>10,512</b>
<b>Interest bearing liabilities</b>				
Leases	3.4	44,308	52,232	43,327
<b>Total interest bearing liabilities</b>		<b>44,308</b>	<b>52,232</b>	<b>43,327</b>
<b>Provisions</b>				
Employee provisions	6.1	52,432	49,697	53,116
Other provisions	3.5	12,867	12,752	3,752
<b>Total provisions</b>		<b>65,299</b>	<b>62,449</b>	<b>56,868</b>
<b>Total liabilities</b>		<b>119,574</b>	<b>124,173</b>	<b>110,707</b>
<b>Net assets</b>		<b>54,244</b>	<b>61,771</b>	<b>47,110</b>
<b>Equity</b>				
Contributed equity		16,657	16,657	16,657
Retained surpluses		22,333	25,523	16,820
Asset revaluation reserve		254	7,591	7,633
Contingency Enforcement Fund		15,000	12,000	6,000
<b>Total equity</b>		<b>54,244</b>	<b>61,771</b>	<b>47,110</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Right-of-use assets are included in Property, plant and equipment.

## STATEMENT OF FINANCIAL POSITION - CONTINUED

as at 30 June 2021

### Budget Variances Commentary

#### Assets:

- Financial assets are higher than budget due to higher cash balances arising from lower expenditure on projects and other activities during the year, lower expenditure on intangible assets and a delay in finalisation of a legal settlement; and
- Non-financial assets are lower than budget due to software-related build activity deferred into the 2021-22 financial year.

#### Liabilities:

- Total liabilities are higher than budget due to a delay in the finalisation of a legal settlement.

#### Equity:

- The Contingency Enforcement Fund (CEF) is higher than budget due to a delay in finalisation of a legal settlement which will be applied to the CEF upon its completion; and
- The asset revaluation reserve is lower than budget, and retained surpluses are higher than budget due to a writeback of revaluation reserves for disposed and retired assets to retained surpluses.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	2021 \$'000	2020 \$'000	Original Budget \$'000
<b>Contributed equity</b>			
Opening balance	16,657	16,657	16,657
<b>Closing balance as at 30 June</b>	<b>16,657</b>	<b>16,657</b>	<b>16,657</b>
<b>Retained surpluses</b>			
Opening balance			
Balance carried forward from previous period	25,523	9,477	25,523
Opening balance adjustment due to AASB 15	-	(888)	-
Opening balance adjustment due to AASB 16	-	24,796	-
<b>Revised opening balance</b>	<b>25,523</b>	33,385	25,523
Transfer from / (to) Contingency Enforcement Fund	[3,000]	[4,000]	6,000
Deficit for the period	[7,453]	[3,862]	[14,658]
Transfer from / (to) Revaluation Reserve	7,263	-	[45]
<b>Closing balance as at 30 June</b>	<b>22,333</b>	25,523	16,820
<b>Asset revaluation reserve</b>			
Opening balance	7,591	7,549	7,591
Increase / (decrease) in asset revaluation reserve	[74]	42	-
Transfer from / (to) retained surpluses	[7,263]	-	42
<b>Closing balance as at 30 June</b>	<b>254</b>	7,591	7,633
<b>Contingency Enforcement Fund</b>			
Opening balance	12,000	8,000	12,000
Transfer from / (to) retained surpluses	3,000	4,000	(6,000)
<b>Closing balance as at 30 June</b>	<b>15,000</b>	12,000	6,000
<b>Total equity</b>			
Opening balance			
Balance carried forward from previous period	61,771	41,683	61,771
Opening balance adjustment due to AASB 15	-	(888)	-
Opening balance adjustment due to AASB 16	-	24,796	-
<b>Revised opening balance</b>	<b>61,771</b>	65,591	61,771
<b>Transfers between equity components</b>	-	-	(3)
Increase / (decrease) in asset revaluation reserve	[74]	42	-
Deficit for the period	[7,453]	[3,862]	[14,658]
<b>Closing balance as at 30 June</b>	<b>54,244</b>	61,771	47,110

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY - CONTINUED

for the year ended 30 June 2021

### Budget Variances Commentary

#### Retained surpluses:

- Retained surpluses are higher than budget due to writeback of revaluation reserves for disposed assets to retained surpluses, and a smaller deficit than budget; offset by
- A delay in an expected settlement of a legal claim, which will be funded by the Contingency Enforcement Fund (CEF) upon its conclusion.

#### Asset revaluation reserve:

- The asset revaluation reserve is lower than budget due to a writeback of revaluation reserves for disposed assets to retained surpluses.

#### Contingency Enforcement Fund:

- The CEF is higher than budget due to delays to an expected settlement of a legal claim.

# CASH FLOW STATEMENT

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000	Original Budget \$'000
<b>Operating activities</b>				
<b>Cash received</b>				
Appropriations		185,719	200,767	195,401
Rendering of services		2,103	4,380	4,187
GST received		5,110	6,099	5,314
Other		210	447	390
<b>Total cash received</b>		<b>193,142</b>	<b>211,693</b>	<b>205,293</b>
<b>Cash used</b>				
Employees		(139,316)	(126,077)	(140,877)
Suppliers		(35,309)	(39,545)	(55,157)
Interest payments on lease liabilities		(844)	(981)	(877)
GST paid		(5,456)	(271)	(300)
Section 74 receipts transferred to Official Public Account (OPA)		-	(11,410)	(9,201)
<b>Total cash used</b>		<b>(180,925)</b>	<b>(178,284)</b>	<b>(206,413)</b>
<b>Net cash from / (used by) operating activities</b>		<b>12,217</b>	<b>33,409</b>	<b>(1,120)</b>
<b>Investing activities</b>				
<b>Cash used</b>				
Purchase of property, plant and equipment		(2,209)	(3,908)	-
Purchase / development of software intangibles		(10,509)	(21,120)	(22,300)
<b>Net cash used by investing activities</b>		<b>(12,718)</b>	<b>(25,028)</b>	<b>(22,300)</b>
<b>Financing activities</b>				
<b>Cash used</b>				
Principal payments of lease liabilities		(7,924)	(7,231)	(8,905)
<b>Net cash used by financing activities</b>		<b>(7,924)</b>	<b>(7,231)</b>	<b>(8,905)</b>
<b>Net increase / (decrease) in cash held</b>				
Cash and cash equivalents at the beginning of the reporting period		(8,425)	1,150	(32,326)
<b>Cash and cash equivalents at the end of the reporting period</b>	3.1A	<b>72,828</b>	<b>71,678</b>	<b>72,828</b>
		<b>64,403</b>	<b>72,828</b>	<b>40,501</b>

The above statement should be read in conjunction with the accompanying notes.

## Budget Variances Commentary

Variance to budget for appropriations cash received and section 74 cash used reflect a change in process for 2020-21, where receipts are now not physically remitted to the OPA before they retained by the Agency.

### Total cash received:

- Appropriations are lower than budget due to the above noted change in process for the draw-down of remitted section 74 receipts; and
- Rendering of services are lower than budget due to less cost recovery activities and licencing performed in the year.

### Total cash used:

- Section 74 receipts transferred to the OPA are lower than budget due to the above change in process; and
- Suppliers and employees are lower than budget due to deferral of some project and regulatory activities into the 2021-22 financial year.

### Investing activities:

- Net cash used by investing activities is lower than budget due to deferral of project activities with asset build components into the 2021-22 financial year.

## ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000	Original Budget \$'000
<b>Net cost of services</b>				
<b>Expenses</b>				
Risk equalisation payments	2.1	<b>423,546</b>	472,666	450,000
Financial Claims Scheme payments	2.1	50	-	-
Lloyds Security Deposit (held in trust) interest expense	2.1	55	55	55
<b>Total expenses</b>	2.1	<b>423,651</b>	<b>472,721</b>	<b>450,055</b>
<b>Income</b>				
<b>Levy revenue</b>				
Risk equalisation levy collections	2.2A	423,546	472,666	450,000
Financial Institutions Supervisory Levies	2.2A	222,942	237,986	223,408
<b>Total levy revenue</b>		<b>646,488</b>	<b>710,652</b>	<b>673,408</b>
<b>Other revenue</b>				
Enforcement recoveries	2.2B	-	1,502	-
Lloyds Security Deposit (held in trust) interest income	2.2B	55	55	55
<b>Total other revenue</b>		<b>55</b>	<b>1,557</b>	<b>55</b>
<b>Total income</b>		<b>646,543</b>	<b>712,209</b>	<b>673,463</b>
<b>Surplus</b>		<b>222,892</b>	<b>239,488</b>	<b>223,408</b>

The above schedule should be read in conjunction with the accompanying notes.

### Budget Variances Commentary

The budgeted private health insurance industry risk equalisation levy is a broad estimate based on a historic growth profile. 2021 results, which are dependent on the spread of risk across the industry, came in lower than budget. The difference drives the overall magnitude of the risk equalisation levy collections and payments across the industry.

The Financial Institutions Supervisory Levies under-collection against budget is due to a lower than expected June quarter assets growth in the superannuation industry. This caused a small over-estimation in the size of the industry at the superannuation levy date and therefore a small under-estimation in the required levy rate.

## ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000	Original Budget \$'000
<b>Assets</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4.1A	785	835	835
Receivables	4.1B	<u>2,198</u>	<u>2,197</u>	<u>2,197</u>
<b>Total assets administered on behalf of Government</b>		<b><u>2,983</u></b>	<b><u>3,032</u></b>	<b><u>3,032</u></b>
<b>Liabilities</b>				
Lloyds Security Deposit (held in trust)	4.3	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
<b>Total liabilities administered on behalf of Government</b>		<b><u>2,000</u></b>	<b><u>2,000</u></b>	<b><u>2,000</u></b>
<b>Net assets</b>		<b><u>983</u></b>	<b><u>1,032</u></b>	<b><u>1,032</u></b>

The above schedule should be read in conjunction with the accompanying notes.

### Budget Variances Commentary

Financial assets are lower than budget due a payment made to a collapsed insurer claimant under the Financial Claims Scheme (FCS) during 2021. This is the final such payment in relation to the collapse of this insurer, and upon receipt of a final reimbursement from the liquidator the cash balance will be returned to the Commonwealth.

## ADMINISTERED RECONCILIATION SCHEDULE

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>Opening assets less liabilities as at 1 July</b>		<b>1,032</b>	1,035
Income		646,543	712,209
Expenses	2.1	(423,651)	(472,721)
<b>Transfers (to) / from the Australian Government:</b>			
Appropriation transfers from Official Public Account (OPA)		423,546	472,666
Appropriation transfers to OPA		(646,487)	(712,157)
<b>Closing assets less liabilities as at 30 June</b>		<b>983</b>	1,032

The above schedule should be read in conjunction with the accompanying notes.

### **Accounting Policy**

#### Administered Cash Transfers to and from the Official Public Account

Revenue collected by APRA for use by the Government rather than APRA is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by APRA on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

## ADMINISTERED CASH FLOW STATEMENT

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>Operating activities</b>			
<b>Cash received</b>			
Financial Institutions Supervisory Levies		222,941	237,989
Enforcement recoveries		-	1,502
Risk equalisation levy collections		423,546	472,666
<b>Total cash received</b>		<b>646,487</b>	<b>712,157</b>
<b>Cash used</b>			
Risk equalisation levy payments		(423,546)	(472,666)
Financial Claims Scheme payments <sup>1</sup>		(50)	-
<b>Total cash used</b>		<b>(423,596)</b>	<b>(472,666)</b>
<b>Net cash from operating activities</b>		<b>222,891</b>	<b>239,491</b>
<b>Cash to Official Public Account</b>			
Financial Institutions Supervisory Levies		(222,941)	(237,989)
Enforcement recoveries		-	(1,502)
<b>Total cash to Official Public Account</b>		<b>(222,941)</b>	<b>(239,491)</b>
<b>Net increase / (decrease) in cash held</b>		<b>(50)</b>	<b>-</b>
Cash at the beginning of the reporting period		835	835
<b>Cash at the end of the reporting period</b>	4.1A	<b>785</b>	<b>835</b>

This schedule should be read in conjunction with the accompanying notes.

<sup>1</sup> This is a final payment made to a collapsed insurer claimant under the Financial Claims Scheme (FCS) during 2021.

## Overview

### Objectives of the Australian Prudential Regulation Authority (APRA)

APRA is an independent statutory authority established for the purpose of prudential supervision of financial institutions and for promoting financial stability in Australia. APRA's role is to regulate relevant financial institutions through a robust prudential framework of legislation, prudential standards and guidance, which aims to ensure that risk-taking is conducted within reasonable bounds and that risks are clearly identified and well-managed. In performing and exercising its functions, APRA is required to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality, and, in doing so, to promote financial system stability in Australia. APRA is a not-for-profit entity.

APRA's activities contributing toward these outcomes are classified as either 'departmental' or 'administered'. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by APRA in its own right. Administered activities involve the management or oversight by APRA, on behalf of the Government, of items controlled or incurred by the Government.

APRA's continued existence in its present form and with its present programs is dependent on Government policy and on continuing appropriations from Parliament.

### Basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

### New Accounting Standards

All new, revised or amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on APRA's financial statements.

### Taxation

APRA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

### Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Administered Schedules and related notes. These administered items are distinguished from departmental items throughout these financial statements by background shading. Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

### Comparative reclassifications

Minor changes were made to the comparatives in both the Departmental and Administered financial statements as a result of the reclassification or merging of some line items. There was no change to the comparative operating surplus or net assets reported.

### Events after the reporting period

#### Departmental

There were no significant events occurring after the statement of financial position date that have the potential to significantly affect the ongoing structure or financial activities of APRA.

#### Administered

There were no significant events occurring after the statement of financial position date that have the potential to significantly affect the administered activities of APRA.

## FINANCIAL PERFORMANCE

This section analyses the financial performance of the Australian Prudential Regulation Authority for the year ended 30 June 2021.

### 1.1 Expenses

	2021 \$'000	2020 \$'000
<b>1.1A: Employee benefits</b>		
Wages and salaries	115,714	105,421
Superannuation		
Defined contribution plans	11,195	10,071
Defined benefit plans	1,109	1,167
Leave and other entitlements	13,485	14,764
Separation and redundancies	603	471
Other employee benefits	609	880
<b>Total employee benefits</b>	<b>142,715</b>	132,774

#### Accounting policy

Accounting policies for employee-related expenses are detailed in section 6: People and relationships.

### 1.1B: Suppliers

#### Services rendered

Professional services & consultants	11,717	20,732
Information, communication and technology	7,211	5,810
Contractors	6,973	8,193
Administrative	3,404	3,214
Property	2,486	2,500
Training and conferences	1,738	1,801
Travel	211	1,631
Other	7	5
<b>Total services rendered</b>	<b>33,747</b>	43,886

#### Other suppliers

Workers compensation expenses	203	194
Short-term leases and leases of low value assets	83	253
<b>Total other suppliers</b>	<b>286</b>	447
<b>Total suppliers</b>	<b>34,033</b>	44,333

#### Accounting policy

##### Short-term leases and leases of low value assets

APRA has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). APRA recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

	2021 \$'000	2020 \$'000
<b>1.1C: Finance costs</b>		
Interest on lease liabilities	844	981
Adjustment to discount on restoration provisions	12	69
Bond rate movement	-	(44)
Banking fees	3	5
<b>Total finance costs</b>	<b>859</b>	1,011

The above lease disclosures should be read in conjunction with the accompanying notes 3.4 and 3.5.

## 1.2 Own-source revenue and gains

	Notes	2021 \$'000	2020 \$'000
<b>1.2A: Revenue from contracts with customers</b>			
Rendering of services		2,204	2,904
<b>Total revenue from contracts with customers</b>		<b>2,204</b>	<b>2,904</b>
<b>Type of customer</b>			
Australian Government entities (related parties)		585	1,010
Non-government entities		1,619	1,894
<b>Total revenue from contracts with customers</b>		<b>2,204</b>	<b>2,904</b>
<b>1.2B: Other revenue</b>			
Licence fees from finance sector entities		468	631
Resources received free of charge		240	240
Fees from foreign bank representative offices		68	58
Other		205	410
<b>Total other revenue</b>		<b>981</b>	<b>1,339</b>

### Accounting policies

#### Rendering of services and other revenue

Revenue from rendering of services is recognised progressively as the services are provided to the customer where it can be demonstrated that:

- the customer simultaneously receives and consumes the services as they are provided;
- the services create an asset that the customer controls as the asset is created; or
- the services have no alternative use to APRA and an enforceable right to either a payment or the retention of a payment exists for work completed to date.

The amount of revenue recognised is determined by reference to progress made in satisfying any obligations that exist.

Where the criteria are not met to recognise revenue over time, revenue is recognised at a point in time once any performance obligations are satisfied and control has transferred to the customer.

Revenue and receipts from sources other than an Appropriation Act are classified as Section 74 receipts.

Receivables for services, which have 30-day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

#### Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. The resources received free of charge by APRA are audit services from the Australian National Audit Office (ANAO) of \$240,000 (2020: \$240,000).

### 1.2C: Revenue from Government

#### Appropriations:

Special appropriation	8.1	182,101	188,086
Departmental appropriation		3,630	-
<b>Total revenue from Government</b>		<b>185,731</b>	<b>188,086</b>

### Accounting policy

#### Revenue from Government

Amounts appropriated for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when APRA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

## INCOME AND EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT

This section analyses the activities that the Australian Prudential Regulation Authority does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

### 2.1 Administered - Expenses

	Notes	2021 \$'000	2020 \$'000
<b>Expenses</b>			
Risk equalisation levy payments	8.1	423,546	472,666
Financial Claims Scheme payments		50	-
Lloyds Security Deposit (held in trust) interest expense	4.2	55	55
<b>Total other expenses</b>		<b>423,651</b>	<b>472,721</b>
<b>Total administered expenses</b>		<b>423,651</b>	<b>472,721</b>

### Accounting policy

#### Expenses

Private health insurance risk equalisation expenses reflect amounts returned to relevant industry participants. These are recognised as administered expenses.

## 2.2 Administered - Income

	2021 \$'000	2020 \$'000
<b>Revenue</b>		
<b>2.2A: Levy revenue</b>		
Risk equalisation levy receipts	423,546	472,666
Financial Institutions Supervisory Levies and penalties (see Table 1) <sup>1</sup>	222,988	237,986
Supervisory Levy waivers (see Table 2)	(46)	-
<b>Total levy revenue</b>	<b>646,488</b>	<b>710,652</b>

### Accounting policy

#### Revenue

All administered revenues relate to the ordinary activities performed by APRA on behalf of the Australian Government. These revenues are not directly available to be used by APRA for its own purposes and are remitted to the OPA, or in the case of the private health insurance risk equalisation levies, returned to the relevant industry participants in accordance with the *Private Health Insurance (Risk Equalisation Policy) Rules 2015* (the Rules).

APRA undertakes the collection of certain levies on behalf of the Government. These comprise Financial Institutions Supervisory Levies, Financial Assistance Levies and late payment penalties collected under the *Financial Institutions Supervisory Levies Collection Act 1998*. Risk equalisation levy receipts are set to equalise risk across the private health insurance industry, and are returned to relevant industry participants in accordance with the Rules shortly after they are collected.

The Financial Institutions Supervisory Levies are set to recover the operational costs of APRA, and other specific costs incurred by certain Commonwealth agencies and departments. The proportion of total current year levies and penalties attributable to APRA is set out in Note 8.1.

Administered revenue arising from levies (including Financial Assistance Levies) is recognised on an accrual basis, in line with the Minister's regulations and determinations. The collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less, rather than more likely.

**Table 1: Financial Institutions Supervisory Levies revenue by type**

<b>Levy:</b>		
Superannuation funds	81,612	91,011
Authorised deposit-taking institutions	83,668	88,954
General insurers	27,741	31,583
Life insurers and friendly societies	22,132	20,239
Private health insurers	7,700	6,090
<b>Total Financial Industry Supervisory Levies</b>	<b>222,853</b>	<b>237,877</b>
<b>Late payment penalties:</b>		
Superannuation funds	135	109
<b>Total late payment penalties</b>	<b>135</b>	<b>109</b>
<b>Total current year financial industry levies and penalties</b>	<b>222,988</b>	<b>237,986</b>

<sup>1</sup> Financial Institutions Supervisory Levies are detailed in an annual consultation paper released by the Department of The Treasury. In addition, APRA publishes a Cost Recovery Implementation Statement in relation to its component of the Financial Institutions Supervisory Levies.

**Table 2: Levies and late payment penalties waived by type**

<b>Waivers:</b>		
Superannuation funds	(46)	-
<b>Total waivers</b>	<b>(46)</b>	<b>-</b>

Waivers of levy debts are recognised as an offset to invoiced revenue at the time of approval by delegated APRA officials. Waivers generally occur due to a change of status of a supervised entity during the year, resulting in the annual levy being wholly or partly waived.

### 2.2B: Other revenue

Enforcement recoveries	-	1,502
Lloyds Security Deposit (held in trust) interest income	55	55
<b>Total other revenue</b>	<b>55</b>	<b>1,557</b>
<b>Total revenue</b>	<b>646,543</b>	<b>712,209</b>

## FINANCIAL POSITION

This section analyses the Australian Prudential Regulation Authority's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee-related information is disclosed in the People and Relationships section (section 6).

### 3.1 Financial assets

	2021 \$'000	2020 \$'000
<b>3.1A: Cash and cash equivalents</b>		
Cash in special account	61,942	69,275
Cash on deposit	2,461	3,553
<b>Total cash and cash equivalents</b>	<b>64,403</b>	<b>72,828</b>

#### Accounting policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) Demand deposits in bank accounts that are readily convertible to known amounts of cash; and
- b) Cash in special accounts.

#### 3.1B: Trade and other receivables

##### Services receivable

Services receivable	2,395	1,563
<b>Total services receivable</b>	<b>2,395</b>	<b>1,563</b>

##### Appropriations receivable

Special appropriations receivable	11	-
<b>Total appropriations receivable</b>	<b>11</b>	<b>-</b>

##### Other receivables

GST receivable from the Australian Taxation Office	705	392
Other	57	116
<b>Total other receivables</b>	<b>762</b>	<b>508</b>
<b>Total trade and other receivables (gross)</b>	<b>3,168</b>	<b>2,071</b>

Less: impairment loss allowance

<b>Total trade and other receivables (net)</b>	<b>3,168</b>	<b>2,071</b>
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Credit terms for services rendered were within 30 days (2020: 30 days).

#### Accounting policies

##### Financial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest, that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

##### Impairment of financial assets

Financial assets are individually assessed for impairment at each balance date.

## 3.2 Non-financial assets

### Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

	Right of Use lease assets \$'000	Leasehold improvements \$'000	Computer hardware and office equipment \$'000	Total property plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total intangibles \$'000	Grand Total \$'000
<b>As at 1 July 2020</b>								
Gross book value	59,516	22,224	9,483	91,223	78,004	9,123	87,127	178,350
Accumulated depreciation, amortisation and impairment	(8,694)	(8,556)	(4,288)	(21,538)	(41,369)	(8,154)	(49,523)	(71,061)
<b>Net book value 1 July 2020</b>	<b>50,822</b>	<b>13,668</b>	<b>5,195</b>	<b>69,685</b>	<b>36,635</b>	<b>969</b>	<b>37,604</b>	<b>107,289</b>
<b>Additions:</b>								
By purchase	-	870	1,339	2,209	-	139	139	2,348
Internally developed	-	-	-	-	10,370	-	10,370	10,370
Reclassification	-	(199)	65	(134)	153	(19)	134	0
Write-back of previously capitalised Work-In-Progress	-	-	-	-	(68)	-	(68)	(68)
Revaluations and impairments recognised <sup>1</sup>	-	(1,477)	(4,717)	(6,193)	-	-	-	(6,193)
<b>Depreciation and amortisation:</b>								
Depreciation and amortisation expense	(8,946)	(2,312)	(1,356)	(12,615)	(5,510)	(396)	(5,906)	(18,521)
Revaluations and impairments recognised <sup>1</sup>	-	1,504	4,663	6,168	-	-	-	6,168
Reclassification	-	31	(31)	-	-	-	-	-
<b>Disposals:</b>								
Write-off (at cost)	-	-	(1,035)	(1,035)	(30)	(226)	(256)	(1,291)
Write-off (accumulated depreciation)	-	-	1,005	1,005	30	226	256	1,261
<b>Net book value 30 June 2021</b>	<b>41,876</b>	<b>12,085</b>	<b>5,128</b>	<b>59,089</b>	<b>41,580</b>	<b>694</b>	<b>42,273</b>	<b>101,362</b>
<b>Net book value as at 30 June 2021 represented by:</b>								
Gross book value	59,516	21,418	5,136	86,070	88,429	9,017	97,446	183,516
Accumulated depreciation, amortisation and impairment	(17,640)	(9,333)	(8)	(26,981)	(46,849)	(8,324)	(55,173)	(82,154)
<b>Net book value 30 June 2021 <sup>2</sup></b>	<b>41,876</b>	<b>12,085</b>	<b>5,128</b>	<b>59,089</b>	<b>41,580</b>	<b>693</b>	<b>42,273</b>	<b>101,362</b>

<sup>1</sup> \$53,000 of Property Plant & Equipment assets were assessed as being impaired at 30 June 2021, this amount has impacted the statement of comprehensive income as the related assets had not previously been revalued.

<sup>2</sup> \$26.7 million, \$1.7 million and \$0.8 million respectively of the net book value as at 30 June 2021 for Computer software internally developed, Computer hardware and Leasehold improvements relate to assets under construction.

#### Revaluations of non-financial assets

Revaluations are conducted in accordance with the revaluation policy stated in Note 3.2. In May 2021 a revaluation exercise was undertaken by an independent valuer and revaluation adjustments have been applied as appropriate.

No significant non-financial assets are expected to be sold, disposed of or retired within the next 12 months.

No material contractual commitments for the purchase of property, plant and equipment and intangible assets currently exist.

## 3.2 Non-financial assets - continued

### Accounting policies

Assets are recorded at cost on acquisition, except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

### Asset recognition threshold

Purchases of leasehold improvements and computer hardware / software are initially recognised at cost in the statement of financial position, except for purchases costing less than \$5,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to restoration provisions in property leases where there exists an obligation to restore the property to its original condition. These costs are included in the value of APRA's leasehold improvements with a corresponding provision for the restoration recognised.

### Lease Right of Use (RoU) Assets

Leased RoU assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by APRA as separate asset classes to assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

Following initial application, an impairment review is undertaken for any Right of Use lease asset that shows indicators of impairment and an impairment loss is recognised against any Right of Use lease asset that is impaired. Lease RoU assets continue to be measured at cost after initial recognition in the financial statements.

### Revaluations

Following initial recognition at cost, property, plant and equipment (excluding RoU assets) are carried at fair value, less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency such that the carrying amounts of assets do not differ materially from the assets' fair values at the reporting date. The regularity of independent valuations depend on the volatility of movements in market values for the relevant assets. APRA conducts such valuations usually every three years as at 30 June. A valuation exercise was undertaken in May 2021 (last valuation occurred in May 2020).

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus / deficit. Revaluation decrements for a class of assets are recognised directly in the surplus / deficit except to the extent that they reversed a previous revaluation increment for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

## 3.2 Non-financial assets - continued

### Depreciation

Depreciable computer hardware / software assets are written-off over their estimated useful lives to APRA using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2021	2020
Right of Use finance lease assets*	Lease term	Lease term
Leasehold improvements	Lease term	Lease term
Computer hardware, software & intangibles	3 to 5 years	3 to 5 years

\* The depreciation rates for RoU assets are based on the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term.

### Impairment

All assets were assessed for impairment as at 30 June 2021. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if APRA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### Derecognition

Leasehold improvements or computer hardware / software are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### Intangibles

APRA's intangibles comprise internally developed software and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Cloud-based Software-As-A-Service (SAAS) services, and the configuration work required to enable such services to integrate with existing infrastructure and software applications, are not considered capital expenditure. Such configuration work is expensed as it is incurred.

### Significant accounting judgements and estimates

Management performs a detailed review each reporting period to assess whether there are any indicators of impairment. This review involves the use of management judgement.

### 3.3 Payables

	2021 \$'000	2020 \$'000
<b>3.3A: Suppliers</b>		
Trade creditors and accruals	6,288	6,555
<b>Total suppliers</b>	<b>6,288</b>	<b>6,555</b>
Suppliers are expected to be settled in less than 12 months.		
<b>3.3B: Other payables</b>		
Salaries and wages	2,629	1,982
Unearned revenue	803	667
GST payable to the Australian Taxation Office	214	248
Other	33	40
<b>Total other payables</b>	<b>3,679</b>	<b>2,937</b>
<b>Total payables</b>	<b>9,967</b>	<b>9,492</b>

#### Accounting policy

##### Financial liabilities

APRA classifies its financial liabilities as 'payables'. Supplier and other payables are recognised at amortised cost.

Liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced.

### 3.4 Interest bearing liabilities

	2021 \$'000	2020 \$'000
<b>3.4: Leases</b>		
Lease liabilities	44,308	52,232
<b>Total leases</b>	<b>44,308</b>	52,232
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Within 1 year	8,619	8,768
Between 1 to 5 years	35,346	35,220
More than 5 years	2,207	10,952
<b>Total leases</b>	<b>46,172</b>	54,940

Total cash outflow for leases for the year ended 30 June 2021 was \$8,768,000. (2020: \$8,212,000)

#### Accounting policy

##### Leases

For all new contracts entered into, APRA considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or APRA's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

## 3.5 Other provisions

	Leasehold improvements provision for restoration \$'000	Legal costs provision \$'000	Total other provisions \$'000
<b>Carrying amount as at 1 July</b>	3,752	9,000	<b>12,752</b>
Additional provisions made upon revaluation	103	-	103
Annual adjustment to discount on restoration provisions	12	-	12
<b>Closing balance as at 30 June</b>	<b>3,867</b>	<b>9,000</b>	<b>12,867</b>

At 30 June 2021, APRA leased premises in Sydney, Melbourne, Brisbane, Canberra and Adelaide.

In the lease conditions of the Sydney (1 Martin Place), Melbourne and Adelaide locations there is a requirement for APRA, upon expiration of the lease, to restore the premises to the original condition they were in at the conclusion of the lease. For the other locations the requirement is to leave the premises in a clean & tidy condition at the end of the lease. APRA has made the required provisions to reflect the present value of these obligations.

### Significant accounting judgements and estimates

Estimated cost per square metre (\$ sqm) to restore the leased properties to the required condition are:

Sydney (1 Martin Place) - \$372 sqm; Sydney (9 Castlereagh Street) - \$75 sqm; Melbourne - \$300 sqm; Adelaide - \$150 sqm; Canberra - \$80 sqm and Brisbane - \$60 sqm.

A provision for legal costs was raised in 2020 following a federal court decision in relation to an enforcement action undertaken by APRA. During 2021 negotiations with the claimant progressed but final settlement of the matter has not yet been reached. A range of outcomes are possible, however the assessment by APRA is that it is prudent to maintain the provision at its current level. The quantum of the provision is not an indication of APRA's acceptance of the costs as presented. APRA continues to rigorously assess any claim made.

### Accounting policy

#### Leasehold improvements provision for restoration

Leasehold improvements provisions for restoration are initially measured at fair value, net of transaction costs. These are adjusted each year using an effective interest rate method to estimate the present value of the future obligation at the end of the reporting period. The effective interest rate is the rate that exactly discounts the estimated future cash payments at the end of the expected life of the provision.

The annual adjustment to the provision is recognised in the statement of comprehensive income as an expense or gain as required.

#### Legal costs provisions

Legal costs provisions reflect best estimates available at the time of the signing of the financial statements. These estimates may be derived from APRA's previous experience of court cases and costs incurred, or may be based on indications of claims received from counterparties. Final settlement amounts as such may differ to the amount provided.

Upon conclusion of a legal matter APRA may access its Contingency Enforcement Fund (CEF), if it meets the requirements of the fund (see Statement of changes in equity).

## ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE GOVERNMENT

This section analyses assets used to conduct operations and the operating liabilities incurred as a result of activities that the Australian Prudential Regulation Authority does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

### 4.1 Administered - Financial assets

	2021 \$'000	2020 \$'000
<b>4.1A: Cash and cash equivalents</b>		
Financial Claims Scheme	785	835
<b>Total cash and cash equivalents</b>	<b>785</b>	<b>835</b>

The Financial Claims Scheme cash balance relates to a failed insurer. A final payment to claimants was made in 2021. Once a final recovery from the Insurer's liquidator is made the residual amount will be returned to the Commonwealth. In the event of another institution failure requiring access to the Financial Claims Scheme the Government will provide the requisite funds to APRA to reimburse the claimants, as per the rules of the scheme. See note 7.2 for further details.

### 4.1B: Receivables

Lloyds Security Deposit (held in trust) <sup>1</sup>	2,000	2,000
Financial Assistance Levy	197	197
Financial Institutions Supervisory Levies	1	-
<b>Total receivables</b>	<b>2,198</b>	<b>2,197</b>

<sup>1</sup> See note 4.2 for further details.

### Receivables were aged as follows:

Not overdue	2,001	2,000
Overdue by:		
more than 90 days <sup>2</sup>	197	197
<b>Total receivables</b>	<b>2,198</b>	<b>2,197</b>

<sup>2</sup> There is no impairment allowance in 2021 (2020: Nil). The receivables greater than 90 days relate to the previous Financial Assistance Levy (FAL) that were charged to superannuation funds that were no longer APRA-regulated institutions at the levy date. This outstanding amount will be added to the next FAL and collected at that point.

## 4.2 Administered - Assets held in trust

### Monetary assets

The Lloyds Security Deposit is held by APRA in trust. Responsibility for the administration of the Lloyds Security Deposit was transferred from the Department of The Treasury to APRA on 26 May 2008. The purpose is to disburse amounts in accordance with section 92Q of the *Insurance Act 1973*.

	2021 \$'000	2020 \$'000
<b>Lloyds Security Deposit (held in trust)</b>		
Total amount held at the beginning of the reporting period	2,000	2,000
Receipts	(55)	(55)
Payments	55	55
<b>Total amount held at the end of the reporting period</b>	<b>2,000</b>	<b>2,000</b>
<b>Total</b>	<b>2,000</b>	<b>2,000</b>

The market valuation as at 30 June 2021 for the Lloyd's Security Deposit was \$1,989,140 (2020: \$2,016,142).

### Non-monetary assets

APRA has no non-monetary assets held in trust.

## 4.3 Administered - Payables

	2021 \$'000	2020 \$'000
<b>Other payables</b>		
Lloyds Security Deposit (held in trust)	2,000	2,000
<b>Total other payables</b>	<b>2,000</b>	<b>2,000</b>

## FUNDING

This section identifies the Australian Prudential Regulation Authority's funding structure.

### 5.1 Appropriations

#### 5.1A: Annual appropriations ('recoverable GST exclusive')

##### Annual appropriations for 2021

	Annual appropriation \$'000	Adjustments to appropriation <sup>1</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2021 (current and prior years) \$'000	Variance \$'000
<b>Departmental</b>					
Ordinary annual services	3,630	7,631	11,261	11,261	-
<b>Total departmental</b>	<b>3,630</b>	<b>7,631</b>	<b>11,261</b>	<b>11,261</b>	<b>-</b>
<b>Administered</b>					
Other services	-	-	-	-	-
New administered outcomes	-	-	-	-	-
<b>Total administered</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### Annual appropriations for 2020

	Annual appropriation \$'000	Adjustments to appropriation <sup>1</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2020 (current and prior years) \$'000	Variance \$'000
<b>Departmental</b>					
Ordinary annual services	-	11,410	11,410	11,410	-
<b>Total departmental</b>	<b>-</b>	<b>11,410</b>	<b>11,410</b>	<b>11,410</b>	<b>-</b>
<b>Administered</b>					
Other services	-	-	-	-	-
New administered outcomes	-	-	-	-	-
<b>Total administered</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> PGPA Act Section 74 receipts

## 5.1 Appropriations - continued

### 5.1B: Unspent annual appropriations ('recoverable GST exclusive')

	2021 \$'000	2020 \$'000
<b>Departmental</b>		
Appropriation Act (No. 1) 2020-21	-	-
Appropriation Act (No. 1) 2019-20	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 5.1C: Special appropriations applied ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2021 \$'000	2020 \$'000
<i>Australian Prudential Regulation Authority Act 1998 – section 50, Departmental</i>	Unlimited	To provide an appropriation for levy money received that exceeds the amount determined by the Minister under section 50(1) of the <i>Australian Prudential Regulation Act 1998</i> .	<b>182,101</b>	188,086
<b>Total</b>			<b>182,101</b>	188,086

## 5.2 Special Accounts

	APRA Special Account (Departmental) <sup>1</sup>		Financial Claims Scheme Special Account (Administered) <sup>2</sup>		Risk Equalisation Special Account (Administered) <sup>3</sup>	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Balance brought forward from previous period</b>	<b>72,828</b>	71,678	<b>835</b>	835	-	-
<b>Increases:</b>						
<b>Departmental</b>						
<b>Total departmental increases</b>	<b>193,142</b>	211,693	-	-	-	-
<b>Administered</b>						
Special appropriation for reporting period	-	-	-	-	423,546	472,666
FCS payment made in the reporting period	-	-	(50)	-	-	-
<b>Total administered increases / (decreases)</b>	-	-	(50)	-	<b>423,546</b>	472,666
<b>Available for payments</b>	<b>265,970</b>	283,371	<b>785</b>	835	<b>423,546</b>	472,666
<b>Decreases:</b>						
<b>Departmental</b>						
<b>Total departmental decreases</b>	<b>(201,567)</b>	(210,543)	-	-	-	-
<b>Administered</b>						
Repayments made from the Special Account	-	-	-	-	(423,546)	(472,666)
<b>Total administered decreases</b>	-	-	-	-	<b>(423,546)</b>	(472,666)
<b>Total balance carried to the next period</b>	<b>64,403</b>	72,828	<b>785</b>	835	-	-
<b>Balance represented by</b>						
Cash in APRA official bank accounts	2,461	3,553	-	-	-	-
Cash with the Official Public Account (OPA)	61,942	69,275	785	835	-	-
<b>Total balance carried to the next period</b>	<b>64,403</b>	72,828	<b>785</b>	835	-	-

## 5.2 Special Accounts - continued

<sup>1</sup> **Appropriation:** *Public Governance, Performance and Accountability Act 2013, section 80.*

**Establishing Act:** *Australian Prudential Regulation Authority Act 1998, section 52.*

**Purpose:** To pay the costs and other obligations incurred by APRA in the performance of its functions or the exercise of its powers; to pay any remuneration or allowances payable to persons appointed or engaged under the APRA Act; and to make any other payments that APRA is authorised or required to make under the APRA Act or any other law of the Commonwealth (refer subsection 54(1) of the *Australian Prudential Regulation Authority Act 1998*).

<sup>2</sup> **Appropriation:** *Public Governance, Performance and Accountability Act 2013, section 80.*

**Establishing Act:** *Australian Prudential Regulation Authority Act 1998, section 54A.*

There was one transaction debited to the Financial Claims Scheme Special Account in the current reporting period.

**Purpose:** To meet account-holders' entitlements under Subdivision C (Payment of account-holders with declared ADI) of Division 2AA of Part II of the *Banking Act 1959*; meet persons' entitlements under Division 3 (Early payment of claims) of Part VC of the *Insurance Act 1973*; pay APRA's agents or delegates amounts equal to the entitlements the agents or delegates meet on APRA's behalf or in the performance of APRA's delegated functions; and repayment of principal, interest and other costs connected with the borrowings under Part 5, Division 2 of the APRA Act (refer to section 54C of the *Australian Prudential Regulation Authority Act 1998* ).

<sup>3</sup> **Appropriation:** *Public Governance, Performance and Accountability Act 2013, section 80.*

**Establishing Act:** *Private Health Insurance Act 2007, section 318-1.*

There were 140 (2020: 146) transactions debited and credited to the Risk Equalisation Special Account in the current reporting period.

**Purpose:** To make payments to private health insurers in accordance with the *Private Health Insurance (Risk Equalisation Policy) Rules 2015* (refer to section 318-10 of the *Private Health Insurance Act 2007* ).

### Collapsed Insurer Special Account

**Appropriation:** *Public Governance, Performance and Accountability Act 2013, section 80 .*

**Establishing Act:** *Australian Prudential Regulation Authority Act 1998, section 54F .*

There were no transactions debited or credited to the Collapsed Insurer Special Account in the current reporting period, which keeps the account with a \$nil balance.

**Purpose:** To make payments to help meet a collapsed insurer's liabilities to the people insured under its complying health insurance policies that the collapsed insurer is unable to meet itself; to make payments by way of refund of amounts paid by way of the collapsed insurer levy or late payment penalty in respect of unpaid amounts of the collapsed insurer levy; and to meet APRA's associated administrative costs under subsection 54H(1) of the *Australian Prudential Regulation Authority Act 1998* .

## 5.3 Regulatory charging summary

	2021 \$'000	2020 \$'000
<b>Amounts applied</b>		
Departmental		
Special appropriations (including special accounts)	182,101	188,086
Departmental appropriation	3,630	-
Own source revenue	2,945	4,003
Administered	-	-
<b>Total amounts applied</b>	<b>188,676</b>	192,089
<b>Expenses</b>		
Departmental		
-	196,129	195,951
Administered	-	-
<b>Total expenses</b>	<b>196,129</b>	195,951
<b>External revenue</b>		
Departmental		
-	188,676	192,089
Administered	-	-
<b>Total revenue</b>	<b>188,676</b>	192,089

### Regulatory charging activities:

- Financial Industry Supervisory Levies
- Statistical information provided to RBA, ABS and the Department of Agriculture, Water and the Environment
- Licence fees and other charges
- Assessment of models-based capital adequacy requirements for ADIs - Basel II

Cost recovery implementation statements for the above activities, excluding charges to the RBA and ABS as these are intra-governmental, are available at:

<https://www.apra.gov.au/adis-fees-and-levies>

## PEOPLE AND RELATIONSHIPS

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

### 6.1 Employee provisions

	2021 \$'000	2020 \$'000
<b>Employee provisions</b>		
Leave	43,407	41,340
Other employee provisions	9,025	8,357
<b>Total employee provisions</b>	<b>52,432</b>	<b>49,697</b>

#### Accounting policies

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the balance date are measured at their nominal amounts.

##### Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The annual and long service leave liabilities are calculated on the basis of employees' remuneration at the estimated salary and superannuation rates that will be applied at the time the leave is taken during service rather than paid out on termination. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

##### Separation and redundancy

Provision is made for separation and redundancy benefit payments in cases where APRA has developed a detailed formal plan for the terminations, and has informed those employees affected that it will carry out the terminations.

##### Superannuation

Certain employees of APRA are members of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). The CSS and PSS are defined benefit schemes for the Australian Government. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

All other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

APRA makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. APRA accounts for the contributions as if they were contributions to defined contribution plans. APRA also makes employer contributions to defined benefit schemes for former employees of the Reserve Bank of Australia and State-based regulators respectively. These defined benefit liabilities are recognised in the financial statements of the relevant funds.

For all other employees, employer contributions are made to the PSS accumulation plan or other superannuation (accumulation) funds as nominated by the employee.

#### Significant accounting judgements and estimates

The employee leave provision has been determined by reference to standard parameters provided by the Department of Finance as well as an estimate of the proportion of leave likely to be taken in-service as compared to taken on termination. The leave taken was analysed given the current pandemic and reviewed against the estimated leave to be taken and factored into the calculation. The salary growth rate assumption used in the calculation was 3.5% (2020 : 3.5%).

## 6.2 Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In 2020/21 APRA has determined the key management personnel to be the Cabinet Ministers and the APRA Members.

The key management personnel remuneration reported here excludes the remuneration and other benefits of the Cabinet Ministers. Their remuneration and other benefits are set by the Remuneration Tribunal and are not paid by APRA.

The total number of key management personnel included in the table below are: 4 (2020: 4).

2020/21 APRA key management personnel	Position	Period
Wayne Byres	Chair	Full Year
Helen Rowell	Deputy Chair	Full Year
John Lonsdale	Deputy Chair	Full Year
Geoff Summerhayes	Member	1 July 2020 to 31 December 2020

Key management personnel remuneration is reported in the table below:

	2021 \$'000	2020 \$'000
Short-term employee benefits	2,390	2,847
Post-employment benefits	252	253
Other long-term benefits	(20)	182
<b>Total key management personnel remuneration expenses</b>	<b>2,622</b>	<b>3,282</b>

## **6.3 Related party disclosures**

### **Related party relationships**

APRA is an Australian Government controlled entity. Related parties to APRA are the key management personnel, including Cabinet Ministers and other Australian Government entities.

### **Transactions with related parties**

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Refer to Note 6.1 Employee provisions for details on superannuation arrangements in the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), and the PSS accumulation plan (PSSap).

APRA transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including the payment of workers compensation and insurance premiums. These are not considered individually significant to warrant separate disclosure as related party transactions.

## MANAGING UNCERTAINTIES

This section analyses how the Australian Prudential Regulation Authority manages financial risks within its operating environment.

### 7.1 Contingent assets and liabilities

#### Significant contingent assets

APRA has no significant contingent assets as at the balance date (2020: Nil).

#### Quantifiable contingencies (APRA departmental)

APRA has no quantifiable contingencies as at the balance date (2020: Nil).

#### Unquantifiable contingencies (APRA departmental)

APRA has no unquantifiable contingencies as at the balance date (2020: Nil).

#### Accounting policy

##### Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the *Statement of financial position* but are reported in this note. They may arise from uncertainty as to the existence of an asset or liability, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

## **7.2 Administered contingent assets and liabilities**

### **Unquantifiable administered contingencies**

APRA is responsible for the administration of the Financial Claims Scheme (FCS). The FCS provides depositors of authorised deposit-taking institutions (ADIs) and claimants of general insurers (GIs) with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959* the Scheme provides a mechanism for making payments to depositors under the Government's guarantee of deposits in ADIs. Payments are capped at \$250,000 per account holder per ADI. As at 31 December 2020, deposits eligible for coverage under the Scheme were estimated to be \$1.1 trillion, compared to \$950 billion as at 31 December 2019, reflecting overall deposit growth in the financial system.

Under the *Insurance Act 1973* the Scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed GI. It is not possible to estimate these claims.

In the very unlikely event of an ADI or GI failure, any payments made under the FCS would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

Under the FCS, any payments to account-holders with protected accounts or eligible claimants would be made from APRA's FCS Special Account. Under the legislation, initial amounts available to meet payments, in the event of activation, are up to \$20 billion per institution and up to \$100 million for administration.

It is not possible to estimate the amounts of any eventual payments that may be required in relation to either the ADI FCS or GI FCS and as such no amount is included in this note.

## 7.3 Financial instruments

	Notes	2021 \$'000	2020 \$'000
<b>7.3A: Categories of financial instruments</b>			
<b>Financial assets measured at amortised cost</b>			
Cash and cash equivalents	3.1A	64,403	72,828
Trade receivables	3.1B	3,168	2,071
<b>Total financial assets at amortised cost</b>		<b>67,571</b>	<b>74,899</b>
<b>Financial liabilities</b>			
<b>Financial liabilities measured at amortised cost</b>			
Trade creditors and accruals	3.3A	6,288	6,555
<b>Total financial liabilities at amortised cost</b>		<b>6,288</b>	<b>6,555</b>

### Accounting policy

#### Financial assets

In accordance with *AASB 9 Financial Instruments*, APRA classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- b) financial assets at fair value through other comprehensive income; and
- c) financial assets measured at amortised cost.

The classification depends on both APRA's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when APRA becomes a party to a contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

#### Financial assets at amortised cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

#### Effective interest method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

#### Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

#### Financial liabilities at amortised cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

## 7.4 Administered financial instruments

	2021 \$'000	2020 \$'000		
<b>7.4A: Categories of financial instruments</b>				
<b>Financial assets at amortised cost</b>				
Other receivables	2,000	2,000		
<b>Total financial assets at amortised cost</b>	<b>2,000</b>	<b>2,000</b>		
<b>Financial liabilities</b>				
<b>Financial liabilities measured at amortised cost</b>				
Trade creditors and accruals	2,000	2,000		
<b>Total financial liabilities measured at amortised cost</b>	<b>2,000</b>	<b>2,000</b>		
<b>7.4B: Net gains or losses on financial assets</b>				
There were no net gains or losses on financial assets.				
<b>7.4C: Net gains or losses on financial liabilities</b>				
There were no net gains or losses on financial liabilities.				
<b>7.4D: Fair value of financial instruments</b>				
	Carrying amount 2021 \$'000	Fair value 2021 \$'000	Carrying amount 2020 \$'000	Fair value 2020 \$'000
<b>Financial assets</b>				
Other receivables	2,000	1,989	2,000	2,016
<b>Total financial assets</b>	<b>2,000</b>	<b>1,989</b>	<b>2,000</b>	<b>2,016</b>
<b>Financial Liabilities</b>				
Trade creditors and accruals	2,000	1,989	2,000	2,016
<b>Total financial liabilities</b>	<b>2,000</b>	<b>1,989</b>	<b>2,000</b>	<b>2,016</b>

## 7.5 Fair value measurements

		Fair value measurements at the end of the reporting period	
	Notes	2021 \$'000	2020 \$'000
<b>Non-financial assets<sup>1</sup></b>			
Leasehold improvements	3.2	12,085	13,668
Computer hardware and office equipment	3.2	5,128	5,195
<b>Total non-financial assets</b>		<b>17,213</b>	<b>18,863</b>

<sup>1</sup> Of the total non-financial assets with fair value of \$17,213,000, \$3,898,000 was valued using a level 2 valuation basis and \$13,315,000 was valued using a level 3 basis.

A level 2 valuation basis utilises observable inputs and a level 3 valuation basis utilises unobservable inputs.

### Accounting policy

#### Fair value measurement

Following initial recognition at cost, leasehold improvements, computer hardware and office equipment are carried at fair value, less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency such that the carrying amounts of assets do not differ materially from the assets' fair values at the reporting date. The regularity of independent valuations depend on the volatility of movements in market values for the relevant assets. APRA conducts such valuations usually every three years as at 30 June. A valuation exercise was undertaken in May 2021 (last valuation occurred in May 2020).

## OTHER INFORMATION

### 8.1 Calculation of APRA Special Appropriation

The APRA Special Appropriation is calculated in accordance with the provisions of section 50 of the *Australian Prudential Regulation Authority Act 1998*.

	2021 \$'000	2020 \$'000
<b>Table 1: Summary of APRA levy funding</b>		
Current year levies and penalties (see Note 2.2A, Table 1)	222,988	237,986
Risk equalisation receipts	423,546	472,666
Less: Waivers and doubtful debts (see Note 2.2A, Table 2)	(46)	-
<b>Net current year levies and penalties (see Table 2 below)</b>	<b>646,488</b>	710,652
Less: Amount retained in the Consolidated Revenue Fund (see Table 3 below)	(40,841)	(49,900)
Less: Risk equalisation payments to private health insurers	(423,546)	(472,666)
<b>Total APRA levy funding (see Table 4 below)</b>	<b>182,101</b>	188,086
<b>Table 2: Net current year levies and penalties by levy type</b>		
Superannuation funds	81,701	91,120
Authorised deposit-taking institutions	83,668	88,954
General insurers	27,741	31,583
Life insurers and friendly societies	22,132	20,239
Private health insurers	7,700	6,090
Risk equalisation receipts from private health insurers	423,546	472,666
<b>Total</b>	<b>646,488</b>	710,652
<b>Table 3: Amounts retained in the Consolidated Revenue Fund by levy type<sup>1</sup></b>		
Superannuation funds	(37,346)	(45,600)
Authorised deposit-taking institutions	(3,495)	(4,100)
General insurers	-	(100)
Life insurers and friendly societies	-	(100)
<b>Total</b>	<b>(40,841)</b>	(49,900)
<b>Table 4: Amounts of levy payable to APRA under the APRA Special Appropriation by levy type<sup>2</sup></b>		
Superannuation funds	44,355	45,520
Authorised deposit-taking institutions	80,173	84,854
General insurers	27,741	31,483
Life insurers and friendly societies	22,132	20,139
Private health insurers	7,700	6,090
<b>Total</b>	<b>182,101</b>	188,086
<b>This is represented by:</b>		
Special Appropriation	182,101	188,086
<b>Total</b>	<b>182,101</b>	188,086

<sup>1</sup> Including amounts as determined by the Minister in accordance with subsection 50(1) of the *Australian Prudential Regulation Authority Act 1998*.

<sup>2</sup> Table 4 above represents the total amount of levies payable to APRA for its operations.

## 8.1 Calculation of APRA Special Appropriation - continued

### Accounting Policy

APRA is funded primarily through levies imposed on the industries it supervises. These levies, known as the Financial Institutions Supervisory Levies, are administered transactions collected on behalf of the Government and paid into the Consolidated Revenue Fund (CRF). An amount equal to the net levy revenue, less an amount specified by the Minister in an annual determination made under subsection 50(1) of the *Australian Prudential Regulation Authority Act 1998 (APRA Act)*, is credited to the APRA Special Account as a Special Appropriation, in accordance with subsections 50(2), (3) and (5) of the APRA Act. The amounts specified in the Minister's Determinations are retained in the CRF to cover: the costs of activities of the Australian Taxation Office (ATO) for unclaimed monies, lost member functions and for the administration of claims for early release of superannuation benefits on compassionate grounds; the Australian Securities and Investments Commission (ASIC) in relation to the operation of the Superannuation Complaints Tribunal; the Australian Competition and Consumer Commission (ACCC) to investigate foreign exchange and specific competition issues in Australia's financial system and the Gateway Network Governance Body to facilitate transmission of SuperStream data.

APRA administers the collection of Financial Institutions Supervisory Levies and Financial Assistance Levies on behalf of the Government. While the revenues from Financial Institutions Supervisory Levies are in part used to fund the operations of APRA, they are not directly available to APRA for its own purposes upon receipt. The revenues from the Financial Assistance Levy are also not available to APRA for its own purposes. All administered collections are remitted to the Official Public Account with APRA's portion being transferred to its special account in accordance with annual determinations made by the Minister. Transactions and balances relating to levies are reported in Note 2.2: Administered - Income.

APRA also administers the Risk Equalisation Special Account whereby revenue collected by APRA for the purposes of risk equalisation across the private health insurance industry is treated by the Government as revenue and expenses. The transactions to and from this account are recorded within the Official Public Account (OPA) by way of notional receipts and payments.

## 8.2 Current/non-current distinction for assets and liabilities

### 8.2A : Current/non-current distinction for assets and liabilities

	2021 \$'000	2020 \$'000
<b>Assets expected to be recovered in:</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	64,403	72,828
Trade and other receivables	3,168	2,071
Intangibles	709	663
Prepayments	4,355	3,617
<b>Total no more than 12 months</b>	<b>72,635</b>	<b>79,179</b>
<b>More than 12 months</b>		
Property, plant and equipment	59,089	69,685
Intangibles	41,564	36,941
Prepayments	530	139
<b>Total more than 12 months</b>	<b>101,183</b>	<b>106,765</b>
<b>Total assets</b>	<b>173,818</b>	<b>185,944</b>
<b>Liabilities expected to be settled in:</b>		
<b>No more than 12 months</b>		
Suppliers	6,288	6,555
Other payables	3,679	2,937
Leases	7,924	7,924
Employee provisions	24,127	21,565
Other provisions	9,067	9,000
<b>Total no more than 12 months</b>	<b>51,085</b>	<b>47,981</b>
<b>More than 12 months</b>		
Leases	36,384	44,308
Employee provisions	28,305	28,132
Other provisions	3,800	3,752
<b>Total more than 12 months</b>	<b>68,489</b>	<b>76,192</b>
<b>Total liabilities</b>	<b>119,574</b>	<b>124,173</b>

**8.2B : Administered - current/non-current distinction for assets and liabilities**

	2021 \$'000	2020 \$'000
<b>Assets expected to be recovered in:</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	785	0
Receivables	1	-
<b>Total no more than 12 months</b>	<b>786</b>	<b>-</b>
<b>More than 12 months</b>		
Cash and cash equivalents	-	835
Receivables	197	197
Lloyds Security Deposit (held in trust)	2,000	2,000
<b>Total more than 12 months</b>	<b>2,197</b>	<b>3,032</b>
<b>Total assets</b>	<b>2,983</b>	<b>3,032</b>
<b>Liabilities expected to be settled in:</b>		
<b>More than 12 months</b>		
Lloyds Security Deposit (held in trust)	2,000	2,000
<b>Total more than 12 months</b>	<b>2,000</b>	<b>2,000</b>

## LIST OF REQUIREMENTS

The following list of mandatory annual reporting requirements, as outlined in the *Resource Management Guide No. 135 Annual Reports for Non-corporate Commonwealth Entities*, has been annotated with the location of the information in this Report.

<u>Part of Report</u>	<u>Description</u>	<u>Location or applicability</u>
	Letter of transmittal	Page 1
	Table of contents	Page 2
	Index	Page 135
	Glossary	Page 3
	Contact officer(s)	Page 138
	Internet home page address and internet address for report	Page 138
Review by Chair		Chapter 1
	Overview	Chapters 1-3
Overview of authority		Chapter 2 and 3
	Role and functions	Page 8
	Organisation structure	Page 11
	Outcome and program structure	Chapter 1 and 3
Report on performance		Chapter 3
	Review of performance in relation to programs and contribution to outcomes	Chapter 3
	Actual performance in relation to deliverables and KPIs	Chapter 3
	Narrative discussion and analysis of performance	Chapter 3 and 4
	Purpose of the entity as outlined in the corporate plan	Chapter 1 and 3
	Discussion and analysis of the Authority's financial performance	Chapter 5 and 6
	Authority's resource statement and summary resource tables by outcomes	Chapter 5
Corporate governance		Chapter 5
	Compliance with the Commonwealth Fraud Control Guidelines	Chapter 5
	Statement of the main corporate governance practices in place	Chapters 2, 4 and 6
External scrutiny		Chapter 5
	Significant developments in external scrutiny	Chapter 5
	Judicial decisions and decisions of administrative tribunals	Chapter 5

<u>Part of Report</u>	<u>Description</u>	<u>Location or applicability</u>
	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Chapter 5
Management of Human Resources	Assessment of effectiveness in managing and developing human resources to achieve the Authority's objectives	Chapter 4
	Statistics on staffing	Chapter 4 and 5
	Statistics on employees who identify as Indigenous	Chapter 4
	Enterprise or collective agreements, determinations and common law contracts	Chapter 5
	Performance pay	Chapter 5
Purchasing	Assessment of purchasing against core policies and principles	
Consultants	Tables showing consultancy arrangements and statement Chapter 5 confirming that information on contracts and consultancies is available through the AusTender website.	Chapter 5
Australian National Audit Office access clauses	Absence of provisions in contracts allowing access by the Auditor-General	Chapter 5
Exempt contracts	Contracts exempt from the AusTender process	Chapter 5
Financial statements		Chapter 6
Other information	Schedule 2 Part 4 of the <i>Work Health and Safety Act 2011</i>	Chapter 5
	Advertising and market research [Section 311A of the <i>Commonwealth Electoral Act 1918</i> ] and statement on advertising campaigns	Chapter 5

<u>Part of Report</u>	<u>Description</u>	<u>Location or applicability</u>
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i> )	Chapter 5
	Grant programs	Chapter 5
	Disability reporting	Chapter 5
	Information Publication Scheme statement	Chapter 5

# INDEX

## A

Accountable authority, 10, 13, 72, 89, 91

Agency resources, 85

APRA Members, 7, 9, 10, 54, 58, 59, 80, 81, 121

APRA's purpose, 8

Audit and Risk Committee, 54, 55-58

Audit and Risk Committee remuneration, 80

Australian Accounting Standards Board (AASB), 25, 27, 39, 95, 101, 125

Australian National Audit Office, 57, 73, 89, 103

*Australian Prudential Regulation Authority Act 1998*, 3, 8, 9, 10, 19, 68, 73, 116, 118, 128, 129

Australian Securities and Investments Commission, 3, 24, 26, 31, 37, 61, 129

Australian Taxation Office, 3, 28, 37, 106, 110, 129

Authorised deposit-taking institutions, 6, 8, 12, 16, 19, 21, 23-24, 26, 31, 33-36, 68, 105, 119, 124

## B

*Banking Act 1959*, 8, 31, 68, 118, 124

Basel III, 24, 119

Basel Committee on Banking Supervision, 57

Banking Executive Accountability Regime, 3, 31

## C

Capability Review, 23, 39, 45, 46, 73

Capital, 4, 5, 17, 21, 23-27, 30, 119

Commonwealth Fraud Control, 68, 70

Commonwealth Ombudsman, 73

Commonwealth Superannuation Scheme, 120, 122

Contingency Enforcement Fund, 61, 62, 93, 94, 95, 96, 112

Corporate Plan, 4, 13, 14, 15-20, 21-41, 42, 43, 49

Council of Financial Regulators, 3, 27, 32, 37, 54

COVID-19, 4-5, 13, 16, 20, 21-28, 30, 32, 35-39, 41, 43, 45, 53, 59, 65, 71, 81

Credit union, 8, 12

Cross-industry, 7, 27

## D

Data collection, 9, 12, 29, 31, 33, 38-39, 49

## E

Early release of superannuation, 28, 129

Employee statistics, 83

Enforcement, 6, 33-34, 43, 49, 50, 56, 59, 61, 62, 76, 93, 94, 95, 96, 98, 100, 105, 1112, 16-117, 121, 127

*Environment Protection and Biodiversity Conservation Act 1999*, 59, 61

*Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, 68, 70

Executive Committee, 55, 59, 76

## F

Financial Accountability Regime, 3, 31

Financial Claims Scheme, 3, 8, 19, 21, 34-36, 68, 69, 98, 99, 100, 104, 113, 117, 124

*Financial Institutions Supervisory Levies Collection Act 1998*, 60, 105

Financial Sector Assessment Program, 23

*Financial Sector (Collection of Data) Act 2001*, 68, 69

Financial Stability Board, 54,

Financial statements, 58, 87-131

*Freedom of Information Act 1982*, 68, 71

## G

General insurance, 5, 16, 19, 24, 27, 33, 36, 55

General insurer, 8, 12, 19, 36, 61, 68, 69, 105, 124, 128,

## I

*Insurance Act 1973*, 8, 19, 21, 59-60, 104, 123, 125

International activities, 13

International Association of Insurance Supervisors, 55

International Monetary Fund, 23

International Organisation of Pension Supervisors, 55

## J

Joint Forum Financial Conglomerates Committee, 55

## L

Life insurance, 5, 16, 19, 25, 33

*Life Insurance Act 1995*, 8, 68

Life insurer, 12, 25, 39, 105, 128

Liquidity, 7, 28

## M

Memorandum of Understanding, 3, 12, 37

Money Protection Ratio, 15, 16

MySuper Product Heatmap, 6, 18, 28,

## N

Non-operating holding companies, 12, 60

## O

Office of Best Practice Regulation, 23, 76

Organisation chart, 11

## P

Pandemic, 4, 5, 13, 20-24, 26, 27, 36, 37, 39 41, 59, 60, 65, 71, 120

Parliamentary committees, 80-81

Performance pay, 81

Private health insurance, 5, 8, 16, 16, 26, 27, 33, 38, 55, 60,

Private health insurers, 3, 8, 12, 16, 19, 27, 61, 105, 118, 128,

## R

Recovery planning, 34, 35,

Repayment deferral, 4, 24

Reserve Bank of Australia, 3, 21, 37, 38, 54, 119, 120

Risk equalisation, 61, 98, 100, 104, 105, 117, 118, 128, 129

Risk management, 9, 25, 27, 31, 56, 57, 58, 71, 72

Royal Commission, 6, 23, 29, 30, 31, 62

## S

Stress test, 21, 22, 24, 25, 26, 35

Superannuation, 3-6, 8, 12, 16-18, 21-23, 25, 27-30, 31, 33, 34, 35, 38-39, 55, 61, 62, 68, 77-79, 82, 92, 98, 102, 105, 113, 120, 122, 128, 129,

Member outcomes, 28-29

Registrable Superannuation Entity, 3, 8

*Superannuation Industry (Supervision) Act 1993 (SIS Act)*, 8, 68,

## T

Treasury, 27, 28, 31, 38, 53, 55, 81, 105, 114,

## W

*Work Health and Safety Act 2011*, 68, 71,

Work health and safety committee, 60, 72

## Y

Your Future, Your Super, 3, 28, 35, 81,

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