



ASIC
Australian Securities &
Investments Commission

Accounting for your super: Super fund financial reporting and audit 2025-26

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About this report

This report summarises findings from our surveillance of registrable superannuation entity (RSE) financial reports and audits in 2025-26. It highlights areas where RSEs and auditors can improve the quality of their financial reporting and audits.

This report will be of interest to preparers, reviewers and users of financial information – for example, auditors, audit firms, audit committees, superannuation trustees, members, accountants and professional accounting bodies.



STATEMENTS CONTENTS

Executive summary	3
Financial reporting surveillance	7
Audit surveillance	13
Responses to our surveillance findings	19
Appendix 1: Additional information	21
Appendix 2: Accessible version of Figure 1	23
Key terms and related information	24

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents: consultation papers, regulatory guides, information sheets and reports.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

Executive summary

Further improvement needed in superannuation financial reporting and audit practices

This is the second year of ASIC's dedicated surveillance into the financial reporting and audit of registrable superannuation entities (RSEs). In 2025, we published Report 816 *Accounting for your super: ASIC's review into the financial reporting and audit of super funds* ([REP 816](#)), which outlined our findings from the first year of the surveillance. In REP 816 we called on superannuation trustees and auditors to strengthen their financial reporting and audit practices.

This report builds on that work by reporting the findings from our 2025-26 surveillance activities. Although some auditors have enhanced their audit procedures, our findings are similar in nature to those we reported last year. We are disappointed and remain concerned about how valuation risks are assessed and addressed for unlisted investments. The persistence of these findings highlights that both superannuation trustees and auditors must take further action.

Given the importance of RSE financial reports and audits, we are reporting our findings separately and in advance of our annual public report covering our financial reporting and audit surveillance findings more broadly. We will publish that report later in October.

Superannuation affects every Australian

Superannuation is central to the long-term financial security of most Australians and is a major part of the national economy and capital markets. RSEs manage significant retirement savings on behalf of Australians. The value of superannuation assets continue to increase rapidly. As at June 2026, there were nearly \$4.8 trillion funds under management, including \$3.4 trillion in superannuation funds regulated by the Australian Prudential Regulation Authority (APRA): see APRA, [Quarterly superannuation performance statistics highlights - June 2026](#), 31 August 2026. The majority of these APRA-regulated fund assets are held by RSEs whose financial reports and audits are regulated by ASIC.

Given the scale and importance of these assets, reliable financial information about them is critical. Australians depend on superannuation trustees and auditors for this information.

Accurate investment valuations are particularly important as they directly affect members' account balances, reported investment returns, fees charged and retirement outcomes. In periods of market volatility, timely and accurate investment valuations are crucial in ensuring informed decision making by members.

Valuation and audit risks in private market assets and unlisted investments

Superannuation funds continue to increase their exposure to private markets and other unlisted investments, including those that are externally managed. As these allocations grow, the reliability of valuations becomes increasingly important.

Unlike listed investments, private market assets and unlisted investments are often difficult to value and may rely on significant judgement, assumptions and estimates. They may also involve complex

investment structures with limited transparency over the underlying assets. This complexity can be exacerbated where investments are externally managed, as the additional management layer (or layers) further reduces transparency over how investments are valued.

These challenges highlight the importance of strong governance by RSEs and of high-quality independent audits in safeguarding members' retirement savings, supporting fair outcomes for members and maintaining confidence in the integrity of the superannuation system.

We reviewed financial reports and audits to ensure compliance with Australian standards and the Corporations Act

We reviewed 42 RSE financial reports in 2025-26. These financial reports represented the remainder of the population of the RSEs that we did not review last year. Following our reviews, we made inquiries with nine RSEs to obtain further information about their financial reports.

We also conducted audit surveillances of six RSEs, selecting at least one audit file from each of the five large audit firms that collectively audit the majority of all RSE financial reports. Our surveillances focused on the valuation and disclosure of investments and member liabilities.

We conducted our surveillance activities to assess whether:

- › RSE licensees prepared their financial reports in accordance with Australian accounting standards
- › auditors of RSE financial reports conducted their audits in accordance with Australian auditing standards, and
- › the financial reports and audits complied with the Corporations Act.

We note that APRA Prudential Standard [SPS 530](#) *Investment governance* and APRA Prudential Guidance [SPG 530](#) *Investment governance* are designed to ensure that a superannuation trustee, consistent with its obligation to act in the best financial interests of beneficiaries, prudently selects, manages and monitors investments on behalf of beneficiaries. For the purposes of this report, 'investment governance' relates to the subset of investment related activity affecting financial reporting and audit.

Our surveillance findings on unlisted investments and member liabilities

Financial reporting surveillance

From our financial report reviews and surveillances, we found:

- › RSEs often relied on external fund managers to provide fair value information for externally managed unlisted investments, which may limit their ability to review and challenge significant valuation assumptions and estimates
- › four RSEs did not adjust member liabilities in a timely manner following significant investment write-downs, and
- › fair value hierarchy disclosures continue to contain only high-level descriptions and references to external pricing sources.

Audit surveillance

From our audit surveillances we found:

- › for externally managed investments, three auditors did not adequately test the reliability of prices provided by external fund managers, or test the methods, assumptions and data used for the valuations, and
- › for internally managed investments, two auditors did not obtain sufficient appropriate audit evidence for the valuations.

RSEs and auditors need to improve their practices around unlisted investments

CALL TO ACTION

- › **Superannuation trustees need to maintain robust governance and strengthen controls to ensure that valuations provided by external fund managers are reliable and support the accurate and timely measurement of members' balances.**
- › **RSE auditors need to strengthen audit quality by obtaining persuasive audit evidence and exercising appropriate professional scepticism when auditing valuations of unlisted investments.**
- › **Superannuation trustees and RSE auditors need to work together to improve audit quality, address practical challenges in accessing underlying asset information, and support auditors in obtaining sufficient appropriate audit evidence to form opinions on investment valuations.**

Future surveillance

We will continue to focus on RSE financial reports and audits as part of our 2026-27 surveillance program.

Given the close interlinking between the superannuation industry and managed investment schemes (schemes) through investments, in 2026-27 we will review scheme financial reports and audit files.

We will continue to engage with industry to lift the standard of financial reporting and audit practices, particularly in relation to the valuation of unlisted investments.

We will:

- › review the financial reports of 20 RSEs and 20 schemes
- › undertake 4 RSE audit surveillances and 4 scheme audit surveillances
- › monitor the progress of auditors' remedial actions to the findings from our 2025-26 RSE audit surveillances and report on the outcomes in our 2026-27 surveillance report, and
- › continue to investigate potential breaches of the *Corporations Act 2001* (Corporations Act) and consider taking regulatory action, including issuing audit deficiency reports, and enforcement action.

Everyone preparing or auditing financial reports should:

- › refer to the focus areas for our 2026-27 financial reporting and audit surveillance program: see Media Release ([26-098MR](#)) *ASIC sets financial reporting, audit and sustainability focus areas for FY 2026-27* (18 May 2026), and
- › carefully consider the findings in both [REP 816](#) and this report.

Financial reporting surveillance

In our 2025–26 financial reporting surveillance program, we:

- › reviewed the financial reports of 42 RSEs for the years ended 31 December 2024 and 30 June 2025, and
- › made inquiries with 9 RSEs about their financial reporting, 5 in relation to fair valuation of investments and 4 in relation to member liabilities.

Our surveillance program focused on the valuation and disclosure of investments and accounting for member liabilities. Accurate and timely valuation of investments, and good-quality disclosures, are critical to enhancing transparency and promoting member confidence in the financial information about their superannuation fund. This also applies to member liabilities, which are the amounts that members are entitled to (generally equivalent to member account balances).

We have summarised our findings and what RSEs are required to do in Table 1.

Table 1: Summary of financial reporting surveillance findings

What we found	Areas for improvement
When valuing externally managed unlisted investments RSEs often relied on external fund managers to provide fair value information.	RSEs are required to measure investments at fair value in accordance with applicable accounting standards and comply with APRA valuation governance requirements. RSEs can take the following practical steps to meet fair value measurement and valuation governance requirements: › Don't rely solely on valuation outcomes provided by external fund managers. › Obtain independent expert valuations for unlisted investments where practicable. › Obtain sufficient information to understand the underlying assets and key drivers of value within investment structures. › Ensure valuation oversight processes are capable of identifying significant valuation risks and issues.
Four RSEs did not adjust member liabilities in a timely fashion following significant investment write-downs.	RSEs are required to: › accurately measure member liabilities based on members' accrued benefits › assess whether information received after the reporting date constitutes an adjusting event, and › clearly document and disclose the basis for significant accounting judgements and conclusions relating to the measurement of member liabilities.
Fair value hierarchy disclosures continue to contain only high-level descriptions and references to external pricing sources.	RSEs are required to disclose information that is sufficient to enable members and other users of the financial statements to assess the valuation techniques and inputs used to develop fair value measurements.

Fair valuation of investments

'Investments' comprise substantially all the assets on the balance sheet of RSEs. RSEs may invest directly or indirectly through an external fund manager.

RSEs must measure investments at the reporting date in accordance with Australian Accounting Standard [AASB 13](#) *Fair value measurement*. AASB 13 defines 'fair value' as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Fair value can be determined using quoted prices in active markets or other appropriate valuation techniques. These valuation techniques often require significant judgement and assumptions, particularly for unlisted investments where there are few or no observable inputs.

It is critical that fair value measurements are reasonable, as investment valuations directly affect members' account balances and reported investment returns, particularly during periods of market volatility.

AASB 13 establishes a framework for measuring fair value and assessing the inputs and valuation techniques used in determining fair values. As the accounting standards are principles based, AASB 13 does not contain prescriptive requirements to obtain independent expert valuations or review detailed valuation models provided by external fund managers. However, RSEs remain responsible for ensuring that fair values reported in their financial reports are measured in accordance with applicable accounting standards. Depending on the nature and complexity of an investment, this may require obtaining and critically assessing information from external fund managers, independent valuation experts or other relevant sources.

[SPS 530](#) sets out the requirements for an RSE to have an adequate valuation governance framework, which consists of the structures, processes, procedures and controls necessary to identify and manage valuation risk of investments.

[SPG 530](#) sets out expectations where an RSE relies on valuations prepared by external managers. The RSE is expected to demonstrate how:

- › its initial due diligence and ongoing monitoring support its reliance on those valuations
- › the external manager's valuation methodologies, sources of information and valuation frequency are consistent with the RSE's expectations and arrangements, and
- › it has appropriately identified and managed any conflicts of interest or other material risks arising from valuations provided by external managers.

These expectations recognise that while the RSE may outsource some valuation activities, responsibility for investment governance and valuation oversight remains with the RSE.

What we found

We made inquiries with five RSEs and reviewed their approaches to valuing selected unlisted investments. Our sample included both internally and externally managed investments. We requested information on valuation methodologies, valuation models, key assumptions and supporting documentation.

For some investments, RSEs provided valuation reports or valuation models that enabled us to review the methodologies, assumptions and judgements used in determining fair value. However, for most externally managed unlisted investments, RSEs advised that they did not have access to detailed valuation reports or valuation models prepared by external fund managers and were therefore unable

to provide this information. In many cases, this meant that RSEs relied primarily on oversight, governance and monitoring processes and other review procedures rather than direct assessment of the underlying valuation models and assumptions.

We requested information on 33 investments that we selected from the RSEs' portfolio holdings disclosures – 13 were internally managed and 20 were externally managed. For seven of the investments (four internally managed and three externally managed), the RSEs were able to provide us with either a valuation model or an independent valuation report. For the remaining 26 investments, RSEs were unable to provide these valuation documents.

It is common for RSEs to invest through external fund managers, particularly for unlisted investments. In these circumstances, RSEs generally relied on valuation oversight and governance processes. These processes included operational due diligence, annual questionnaires and attestations, comparison of reported asset values to the latest available audited financial information, and monitoring valuation movements against benchmarks or predefined thresholds.

Our review highlighted the large extent to which RSEs rely on valuations provided by external fund managers, particularly for unlisted investments. Lack of access to the detailed assumptions, methodologies and valuation models supporting those valuations limits RSEs' ability to identify valuation risks and independently review and challenge significant valuation estimates. Robust valuation governance and effective oversight, review and challenge processes are therefore important tools for RSEs. This is particularly the case when valuations involve significant judgement or unobservable inputs.

RSEs also need sufficient visibility over the underlying assets that make up an investment, particularly where they hold investments through multiple layers of funds or investment structures. Focusing solely on the valuation of a higher-level fund is likely to limit the ability to understand the key assumptions, risks and valuation drivers affecting the underlying assets.

The level of transparency and information available to RSEs varied considerably across the investments selected for review. RSEs remain responsible for the fair values reported in their financial reports. It is therefore important that their existing review and oversight processes provide sufficient information and insight to support critical assessment and challenge of valuations provided by external fund managers. Our review indicates that, overall, there is scope for RSEs to strengthen these processes to better address the valuation risk for unlisted investments.

Improving fair value measurement

RSEs are required to ensure that investments reported in their financial reports are measured at fair value in accordance with AASB 13. They are also required to comply with applicable valuation governance requirements under SPS 530.

The points below are practical steps that RSEs can take, and are not intended to be an exhaustive list of actions to meet the fair value measurement requirements and support compliance with the valuation governance requirements:

- › **Do not rely solely on valuation outcomes provided by external fund managers** and maintain an appropriate level of independent review and challenge, particularly for large investments or valuations involving significant judgements. This may include reviewing valuation methodologies, key assumptions, significant judgements and other available supporting information, and ensuring that sufficient information is provided by external fund managers to enable this.
- › **Obtain independent expert valuations for unlisted investments where practicable**, particularly for investments that are significant, risky or complex, or where the investment's valuation involves

a high level of judgement. RSEs should also consider whether the arrangements with external fund managers allow for appropriate access to any independent expert valuations.

- › **Obtain sufficient information to understand the underlying assets and key drivers of value within investment structures** – Greater visibility over underlying investments helps RSEs assess the reasonableness of significant valuations, identify potential valuation risks and exercise effective oversight of investments managed by external fund managers.
- › **Ensure valuation oversight processes are capable of identifying and responding to significant valuation risks and issues** – This includes periodically assessing whether their review and challenge processes are effective in identifying any material errors, inappropriate assumptions or other valuation risks affecting investments managed by external fund managers.

Accounting for member liabilities

Member liabilities represent the amounts members are entitled to and generally reflect members' account balances. As member liabilities are a significant balance in an RSE's financial report, it is important that they accurately reflect members' accrued benefits at the reporting date.

What we found

We reviewed the accounting treatment of member liabilities for four RSEs that held unlisted investments and experienced significant write-downs. In these cases, the RSEs reduced the values of the affected investments in their financial reports to reflect the write-downs. However, they did not recognise the corresponding reduction in member liabilities until a later period. The RSEs also deferred the related reductions to member account balances disclosed in member statements. This resulted in a timing mismatch between the accounting treatment of the investments and the related member liabilities.

The RSEs noted that they received the investment information used to value the investments after the reporting date. They wrote down the investment valuations in the financial reports. However, the corresponding adjustments to member liabilities were not recognised, as the reduction had not been processed to member accounts as at the reporting date.

We had concerns with this approach.

In our view, if an RSE receives information after the reporting date that provides evidence of conditions that existed at that date, they must adjust the amounts recognised in their financial statements to reflect the information. If this results in a material adjustment to the value of an investment that affects members' accrued benefits, the RSE must recognise the corresponding adjustment to member liabilities at the reporting date.

We consider that the accounting treatment adopted by the RSEs reviewed resulted in their financial reports overstating member liabilities and understating net assets. In some cases, this resulted in the reporting of significant negative net asset positions. The member balances reported in annual member statements were also impacted, reducing transparency for members who rely on the statements to understand the value and performance of their superannuation benefits. The delay in adjusting member liabilities and corresponding member account balances can also have other important impacts beyond the financial report, as member account balances can determine the amount of fees charged and minimum pension payments.

We are continuing our inquiries with the relevant RSEs regarding the application of Australian Accounting Standard [AASB 1056](#) *Superannuation entities* and Australian Accounting Standard [AASB 110](#) *Events after the reporting period* in these circumstances.

Improving measurement and reporting of member liabilities

To ensure they appropriately measure and report member liabilities, RSEs must:

- › **accurately measure member liabilities based on members' accrued benefits** at the reporting date, including adjusting for the impact of material valuation adjustments recognised in their financial reports (see [AASB 1056](#) at paragraphs 15–17)
- › **assess whether information received after the reporting date constitutes an adjusting event** and consider the implications for both asset values and related member liabilities (see [AASB 110](#) at paragraphs 3(a) and 8–9), and
- › **clearly disclose the basis for significant accounting judgements and conclusions** relating to the measurement of member liabilities, particularly where there is uncertainty regarding the timing of recognition of significant valuation adjustments (see Australian Accounting Standard [AASB 101](#) *Presentation of financial statements* at paragraphs 122 and 125).

Disclosure of the fair value hierarchy

Fair value hierarchy disclosures help users and members understand the level of judgement and estimation uncertainty involved in valuing investments. Under [AASB 13](#), investments are categorised into one of three fair value hierarchy levels. The levels are based on the lowest level of observability of inputs that are significant to the measurement of the investment's fair value: see Table 2. This information helps members and other users understand the nature and extent of the inputs used in fair value measurements and the level of judgement and estimation uncertainty involved.

Table 2: Criteria in AASB 13 for categorising investments into fair value hierarchy

Fair value hierarchy level	Lowest level of inputs that are significant to the valuation of the investment
Level 1	Quoted prices in active markets for identical assets
Level 2	Observable inputs other than quoted prices included in Level 1
Level 3	Unobservable inputs

What we found

Fair value hierarchy disclosures continue to rely on high-level descriptions and references to external pricing sources. The disclosures had limited detail on valuation techniques, unobservable inputs and look-through assumptions for Level 2 and Level 3 assets. As a result, it can be difficult for members and other users of financial reports to understand the degree of judgement and estimation uncertainty underlying some fair value measurements.

Improving fair value hierarchy disclosures

AASB 13 requires RSEs to disclose information that enables members and other users of their financial statements to assess the valuation techniques and inputs used to develop fair value

measurements and the level of the fair value hierarchy within which those measurements are categorised.

To help meet this requirement, RSEs can provide more information about the factors affecting classification outcomes, including valuation techniques and inputs used for underlying investments within investment structures and the judgements made regarding the observability of key inputs.

Audit surveillance

Audit quality plays a critical role in ensuring the accuracy of financial information reported by superannuation funds and in supporting confidence in the protection of members' retirement savings.

We conducted six RSE audit surveillances across five audit firms – BDO, Deloitte, Ernst & Young (EY), KPMG and PricewaterhouseCoopers (PwC). The surveillances focused on the valuation and disclosure of investments totalling \$275 billion.

Our surveillances covered RSEs with 30 June 2025 year ends. The RSEs were of varying sizes, investment portfolios and levels of portfolio diversification. In forming our views and conclusions, we considered the auditors' risk assessments and the specific circumstances of each engagement. Our findings are based on an assessment of the totality of the audit evidence obtained and the procedures performed, rather than just one procedure.

Auditors' procedures often did not sufficiently address the valuation risks associated with unlisted investments and were not adequate to obtain sufficient appropriate audit evidence. We have summarised our specific findings and what auditors are required to do in Table 3.

Table 3: Summary of audit surveillance findings

What we found	Areas for improvement
For externally managed investments, three auditors did not adequately test the reliability of prices provided by external fund managers, or test the methods, assumptions and data used for the valuations.	Auditors must obtain persuasive audit evidence when: › performing substantive procedures, and › they assess the risk of misstatement to be high or significant.
For internally managed investments, two auditors did not obtain sufficient appropriate audit evidence for the valuations.	Auditors must assess, test and challenge the reasonableness of any key judgements, assumptions and data used in the valuation.
One auditor had insufficient audit documentation of the explanations and supporting evidence for valuation differences.	Auditors must ensure that they include sufficient documentation in the audit file.

Strengthening audit approach

Auditors must obtain sufficient appropriate audit evidence, in accordance with the auditing standards, to have reasonable assurance that investment valuations are not materially misstated in the context of the financial report as a whole.

Auditors need to critically reassess their approach to auditing unlisted investments and implement robust audit procedures to provide confidence that these valuations are reasonable and that members are not adversely affected.

RSEs often value investments in unlisted schemes using redemption prices from the external fund managers. The fund managers may determine these redemption prices using significant judgements and assumptions, complex models or unverified data. It is therefore critically important for RSE auditors

to obtain adequate independent assurance that the redemption prices for the schemes' investments appropriately reflect the value of the underlying investments or assets.

Assurance about investment valuations

What we found

Compared with last year, most auditors had enhanced their audit procedures by obtaining audited 30 June 2025 financial reports for unlisted schemes (where those financial reports were available, which is not always the case). This improved the quality and reliability of the audit evidence supporting year-end valuations and reduced the risk associated with relying on prior-year or otherwise outdated audited accounts.

We also observed that some auditors improved their approaches by performing more comprehensive audit procedures. However, for three of the six audit surveillances, we have identified concerns similar to those identified last year: see pages 12–18 of [REP 816](#). The procedures auditors performed:

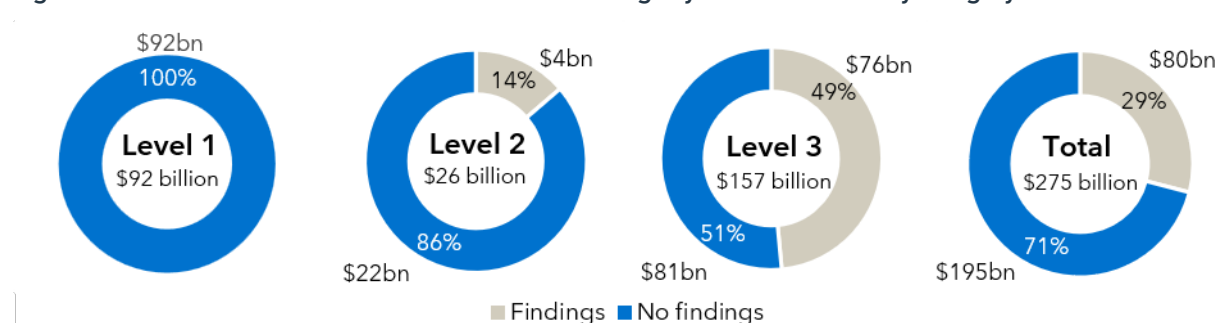
- › did not sufficiently address the valuation risks associated with unlisted investments, and
- › were not adequate to obtain sufficient appropriate audit evidence to support the year-end valuations.

Of the six RSE audit surveillances we conducted:

- › we had no findings for two (Deloitte and KPMG) and one documentation-only finding for one (BDO). These three auditors performed sufficient audit procedures, including obtaining audited financial reports for the unlisted schemes, with the same reporting date as the RSEs, to support the year-end valuations, and
- › we had findings relating to the audit of unlisted investment valuations for three (two from EY and one from PwC). While we acknowledge that audited financial reports with the same reporting date as the RSE are not always available, we raised concerns that the auditors had not obtained sufficient appropriate audit evidence to support the valuations, having regard to the audit procedures performed and the valuation risks identified.

The findings relate to \$80 billion of unlisted investments, which is 29% of the \$275 billion of investments covered by our six RSE audit surveillances. These unlisted investments include \$67 billion in externally managed investments and \$13 billion in internally managed investments. Figure 1 shows the total value of the investments we reviewed and the \$80 billion of investments with findings across each fair value hierarchy level.

Figure 1: Value of investments reviewed and ASIC findings by fair value hierarchy category



Note: See Table 4 for the data shown in this figure (accessible version).

Valuation of externally managed investments

For three audit surveillances, the auditors did not adequately test the reliability of the prices provided by external fund managers, or test the methods, assumptions and data used for the valuations of externally managed investments. We are concerned that the auditors did not obtain sufficient appropriate audit evidence to support the value of \$67 billion in externally managed unlisted investments (including \$6 billion in private credit investments).

The audit procedures performed varied across the three audit files. Not all auditors used all of these procedures, and not all concerns apply to all auditors. Our findings in each audit file are based on an assessment of the totality of the audit evidence obtained and the procedures performed.

In particular, some auditors relied on:

- › confirmations from external fund managers, without obtaining a sufficient understanding of, or adequately testing, the valuation methodologies, assumptions and underlying data used by the fund managers. These confirmations may only establish that the RSE has correctly recorded the valuation originally provided by the external fund managers in its books and records. However, they do not provide sufficient appropriate audit evidence that the valuation was properly determined by the external fund managers. In addition, for some samples, one of the auditors did not adequately investigate or explain discrepancies in unit holdings and unit prices between the RSE's records and the fund managers' confirmations
- › back testing (by comparing prior-year audited net asset values to those reported in external fund managers' statements). While this procedure may provide valuation evidence at a point in time, the audited financial reports were between 6 to 12 months old at the reporting date. Therefore, the procedure did not provide sufficient audit evidence to support the year-end valuation or the reliability of year-end valuations provided by external fund managers
- › unit price movement analysis (by comparing annual unit price movements to market benchmarks). In some cases, the auditor did not adequately demonstrate a clear link between the underlying unlisted investments and the market benchmarks selected, or that the benchmarks were relevant and appropriate for the purpose of the analysis. For unlisted investments with high or significant valuation risk, this procedure may provide corroborative evidence but may not constitute sufficient appropriate audit evidence to support the year-end valuation, and
- › liquidity testing and testing of completed purchase and sale transactions without adequately evidencing how the auditors:
 - performed the liquidity testing, or
 - assessed whether the prices determined by external fund managers appropriately reflected the value of the underlying assets at the reporting date.

Externally managed unlisted investments make up a significant amount of RSEs' portfolios and have a direct impact on reported net assets and members' account balances. Given this, these findings may undermine confidence in the accuracy of investment values reported in RSE financial reports and member balances.

Improving the audit of externally managed investments

Auditors must obtain sufficient appropriate audit evidence to support the valuation of investments and respond appropriately to identified valuation risks. This includes complying with all relevant auditing standards, including Australian Auditing Standard [ASA 315 Identifying and assessing the risks of material misstatement](#), Australian Auditing Standard [ASA 330 The auditor's responses to](#)

assessed risks, Australian Auditing Standard [ASA 500](#) *Audit evidence*, Australian Auditing Standard [ASA 505](#) *External confirmations* and Australian Auditing Standard [ASA 540](#) *Auditing accounting estimates and related disclosures*.

The points below are practical steps that auditors can take to comply with the auditing standards. They do not constitute an exhaustive list of audit procedures or auditing standards that the auditor can consider when auditing RSEs' externally managed investments.

When performing their risk assessment procedures, **obtain an understanding of the nature of the underlying assets**. This includes understanding the methods, significant assumptions and sources of data used in the valuation of those assets: see ASA 315.

When performing substantive procedures and where they assess the risk of misstatement to be high or significant, obtain persuasive audit evidence. Examples of this evidence include:

- › engaging early with the schemes or their auditors to **obtain audited financial reports**, where available, of the underlying schemes
- › **obtaining a look-through listing** of the underlying investments (directly or through RSEs), where available, and **engaging an auditor's expert to independently test the valuation** of selected significant underlying investments and the reliability and reasonableness of pricing information provided by external fund managers. This may include testing external fund managers' methods, assumptions and sources of data used in the valuation
- › if the auditor cannot access look-through information, **reassessing the risks** associated with these investments and designing and **performing additional substantive procedures** to obtain sufficient appropriate audit evidence that the valuation represented the fair value of the underlying assets at year end, and
- › **obtaining reliance from the work of other auditors**, where relevant, through agreed substantive audit procedures over the year-end investment valuations.

For more information on these practical steps, see [ASA 315](#), [ASA 330](#), [ASA 500](#), [ASA 505](#) and [ASA 540](#).

Note: Even when they obtain audit evidence from external sources (such as external confirmations), auditors are required to assess whether the source could lack objectivity, or if actual or perceived conflicts of interest exist (such as where valuations may influence financial interests) as these factors may affect the reliability of the evidence obtained. The risk associated with the reliability of investment valuations is elevated, particularly where there is no statutory requirement for unregistered (wholesale) schemes to prepare audited financial reports or where prior-year financial reports are unavailable.

Limited access to underlying information for externally managed investments

We have observed that auditors need to improve processes for when:

- › they face limitations in obtaining sufficient information from RSEs to perform detailed valuation testing, and
- › they are unable to access information directly from external fund managers (or via RSEs) due to legal, contractual or confidentiality restrictions.

Addressing these limitations is critical to obtaining sufficient appropriate audit evidence and supporting a robust and effective audit of unlisted investments.

Improving auditor access to underlying information

Auditors must obtain sufficient appropriate audit evidence to support the valuation of investments and respond appropriately to information limitations. This includes complying with all relevant

auditing standards, including Australian Auditing Standard [ASA 260](#) *Communication with those charged with governance*, Australian Auditing Standard [ASA 265](#) *Communicating deficiencies in internal control to those charged with governance and management* and Australian Auditing Standard [ASA 705](#) *Modifications to the opinion in the independent auditor's report*.

The points below are practical steps that auditors can take to comply with the auditing standards. They do not constitute an exhaustive list of audit procedures or auditing standards that the auditor can consider.

When there are limitations in obtaining sufficient appropriate audit evidence regarding valuations of significant unlisted investments and, therefore, assessing whether those valuations are reasonable and reliable:

- › **raise information access issues with the RSE** on a proactive and timely basis and seek to resolve them as early as possible through advance planning, and
- › **work collaboratively with superannuation trustees to establish appropriate processes**, information-sharing protocols, and legal mechanisms that facilitate access to relevant valuation information, including formal access rights, information request processes or contractual provisions.

When assessing the impact of information limitations on the audit opinion (i.e. when there is no other audited information and there is limited available information regarding the underlying assets, valuation methods, assumptions and inputs):

- › **understand** the nature of the limitation of scope and whether it results in an increased risk requiring further audit procedures
- › **assess** whether the limitation would result in a modified audit opinion, and
- › **report** matters to those charged with governance and APRA.

For more information on these practical steps, see [ASA 260](#), [ASA 265](#) and [ASA 705](#).

Valuation of internally managed investments

For two audit surveillances, we were also concerned that the audit procedures did not provide sufficient appropriate audit evidence for the valuation of \$13 billion in internally managed investments. In particular, some auditors relied on:

- › confirmations obtained from loan brokers without adequately understanding, assessing or testing how they determined fair value, or whether they had appropriately reflected the credit risk in the year-end valuation, and
- › obtaining the independent valuers' reports and assessing the professional competence and experience of the appointed valuers. The auditors and their experts reviewed the investment valuation reports, including the valuation methodologies, discount rates, terminal growth rates and valuation cross-checks. However, they did not adequately assess or challenge the reasonableness of long-dated cash flow forecasts and valuation inputs. They also did not adequately evaluate whether there was sufficient appropriate corroborative evidence to support these assumptions.

Improving the audit of internally managed investments

When auditing the valuation of internally managed unlisted investments, auditors must comply with ASA 540 and other relevant auditing standards in/when assessing, testing and challenging the reasonableness of any key judgements, assumptions and data used in the valuation: see [ASA 540](#) at paragraphs 22 and 24.

Better practices observed

We also observed the following better practices:

- › One auditor, when **testing the reasonableness of fair value movements in investments**, explained and demonstrated an understanding of the underlying assets held within a sampled scheme. Before benchmarking performance against relevant market data, the auditor considered the specific characteristics and composition of the underlying investments. This approach enabled a more meaningful assessment of whether the reported fair value movements were reasonable in the context of the RSE's actual investment exposures and market conditions.
- › One auditor, when **testing the valuation of internally managed investments**, obtained independent confirmations directly from the investees verifying the RSE's equity holding. They also assessed the accuracy of historical forecasts of dividend distributions, by performing look-back procedures and trend analysis (comparing actual dividend distributions with prior year's forecasts).

Note: We observed these practices in individual audit files and they reflect only part of the overall audit procedures performed. On their own, they are not sufficient to obtain appropriate audit evidence.

Audit documentation

What we found

In one of our audit surveillances, we found that the auditor could improve their audit documentation of:

- › the explanations and supporting evidence for differences identified in some samples between the RSE's values and the scheme's audited reports, and
- › their journal entry testing approach.

Our view is that this did not pose a risk of material misstatement in the audit, but it highlights that the auditor needed to improve their practices to ensure they comply with the documentation requirements under Australian Auditing Standard [ASA 230](#) *Audit documentation*.

Responses to our surveillance findings

Firm remedial actions

After we complete an audit surveillance, we either send the auditor a comment form (setting out our findings and the basis of our concerns) or take no further action where we have no findings.

If we issue a comment form, we require the auditor to provide a written response to our audit surveillance findings. This response must include an outline of their proposed remedial action or the reason for not remediating our findings. The action must be specific to the finding and cover the current and subsequent financial reporting period.

We have provided our findings – along with the auditors' responses and their proposed remedial action – to the relevant superannuation trustees.

After our 2025-26 surveillances, we issued four comment forms (with one finding per comment form) to four auditors from three audit firms. Although some auditors disagreed with our findings, they have all proposed remedial actions for our findings. The proposed remediation included actions the auditors would perform in both the current and subsequent financial reporting period, as well as actions at both the firm and file level.

We will monitor the auditors' progress on their remedial actions and report the outcomes in our 2026-27 surveillance report. ASIC has the power to issue an audit deficiency report if the auditor has not taken appropriate remedial action: see section 50C of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). We may also consider enforcement action if we see a significant breach of the Corporations Act.

Key file-specific remedial actions

Auditors committed to strengthening their execution of future audits by:

- › improving audit documentation to provide better evidence of the nature of the underlying assets, valuation methodologies, planning, risk assessments, audit responses and conclusions (three auditors)
- › obtaining and using additional sources of audit evidence where available, including audited financial reports, controls reports and current-year financial information (two auditors)
- › demonstrating an understanding of the underlying assets and enhancing procedures for investment valuations, including obtaining additional information from underlying funds (where available), and implementing more robust assessment of fair value evidence (two auditors)
- › expanding audit testing and corroborative procedures, including retrospective analyses and liquidity assessments (two auditors)
- › clearly demonstrating the assessment that prices obtained through third-party confirmations is reflective of fair value (one auditor), and
- › increasing transparency in audit reporting regarding significant investment valuation judgements (one auditor).

Key firm-wide remedial actions

Audit firms committed to improving audit quality by:

- › enhancing guidance, training and coaching on audit documentation, risk assessment and investment valuation audits (three firms)
- › improving audit approaches where audited financial information is unavailable, including greater use of retrospective reviews and back testing, valuation and difference analyses, and valuation governance information (two firms)
- › developing structured methodologies and workpaper templates to support risk assessment and audit procedures for investment valuations (one firm)
- › introducing stronger documentation requirements regarding the evaluation of experts, auditor challenge, valuation assumptions and audit conclusions (one firm)
- › providing guidance and coaching to support clearer documentation of auditors' challenge and evaluation of management expert evidence and conclusions reached in relation to key valuation assumptions (one firm), and
- › continuing to participate in industry initiatives and share surveillance findings to support stronger audit quality practices (two firms).

Regulatory guidance and developments

Information Sheet 222 *Improving and maintaining audit quality* ([INFO 222](#)) sets out our guidance on what we expect auditors to do to be proactive in taking steps to improve audit quality.

At a minimum, we expect auditors and audit firms to:

- › conduct internal quality reviews of audits and identify the root causes of our audit surveillance findings
- › implement action plans to address our concerns in a meaningful way and on a timely basis, and
- › ensure there is an adequate level of accountability within the firm for remediating findings. For example, linking findings to the remuneration of senior personnel where relevant.

We note that the AUASB presented a project plan to develop guidance on auditing the valuation of investments in unlisted externally managed schemes at its August 2026 Board meeting. The guidance is expected to provide greater clarity and consistency in the application of auditing requirements across the superannuation industry. This may help auditors address the challenges associated with obtaining sufficient and appropriate audit evidence over externally managed unlisted investments. We will work with the AUASB during the development of their guidance.

We will also work with APRA to enhance the quality of RSE valuation practices.

Appendix 1: Additional information

Roles and responsibilities

Superannuation trustee roles and responsibilities

The *Superannuation Industry (Supervision) Act 1993* (SIS Act), the Corporations Act and APRA Prudential Standards and Guidance set out superannuation trustee responsibilities. Superannuation trustees and preparers of RSE financial reports have a critical and ongoing role in supporting high-quality financial reports and audits.

Figure 2: Foundational elements to support high-quality financial reports



High quality and timely financial information supported by robust position papers, with appropriate analysis and conclusions referencing relevant accounting standards.



Robust investment governance frameworks for the selection, management and monitoring of investments. These frameworks include processes, procedures and controls necessary to identify and manage valuation risk of investments: see [SPS 530](#) and [SPG 530](#).



Adequate resources, skills and expertise in the reporting process. Comprehensive, timely position papers should support the conclusions reached, particularly in areas that have significant estimation uncertainty and judgement (e.g. asset values).



Timely, clear, effective communication with the auditor, addressing risks affecting the information in the financial report.



Robust auditor selection processes with accountable procedures, appropriate audit fees and clear communication channels between the auditor and the audit committee.

Note: For more information, see Information Sheet 196 *Audit quality – The role of directors and audit committees* ([INFO 196](#)) and Information Sheet 223 *Audit quality – The role of others* ([INFO 223](#)).

Audit firm and auditor roles and responsibilities

The Corporations Act and Australian Auditing Standard [ASA 220](#) *Quality management for an audit of a financial report and other historical financial information* set out auditors' roles and responsibilities.

Figure 3: Foundational elements to support the delivery of high-quality audits



A system of quality management that complies with Australian Auditing Standard [ASQM 1](#) *Quality management for firms that perform audits or reviews of financial reports and other financial information, or other assurance or related services engagements*.



Transparency reports that are clear and concise and inform the market about the firm's audit quality.



Proactive communication of information access issues with RSEs and working collaboratively to facilitate access to relevant valuation information.

Note: [INFO 222](#) outlines considerations and examples of initiatives for audit firms to improve and maintain audit quality.

Consultation

We consulted an independent external panel who reviewed and provided feedback on drafts of this report. The external panel consisted of Mr Des Pearson AO, Ms Merran Kelsall AO and Ms Dianne Azoor Hughes. All panel members have extensive qualifications and experience in business, accounting and audit, and are considered independent of the audit firms and professional accounting bodies.

Appendix 2: Accessible version of Figure 1

This appendix is for people with visual or other impairments. It provides the underlying data for Figure 1.

Table 4: Value of investments reviewed and ASIC findings by fair value hierarchy category

Fair value hierarchy	Value	Findings	No findings
Level 1	\$92 billion	0% (\$0 bn)	100% (\$92 bn)
Level 2	\$26 billion	14% (\$4 bn)	86% (\$22 bn)
Level 3	\$157 billion	49% (\$76 bn)	51% (\$81 bn)
Total	\$275 billion	29% (\$80 bn)	71% (\$195 bn)

Note: This is the data shown in Figure 1.

Key terms and related information

Key terms

AASB	Australian Accounting Standards Board
AASB 13 (for example)	An accounting standard issued by the AASB (in this example numbered 13)
accounting standards	Standards issued by the AASB under section 334 of the Corporations Act
APRA	Australian Prudential Regulation Authority
ASA 220 (for example)	An auditing standard issued by the AUASB (in this example numbered 220)
ASIC	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
auditing standards	Standards issued by the AUASB under section 336 of the Corporations Act
auditor	An individual registered company auditor, the lead auditor (as defined under section 11F of the SIS Act and section 324AF(1) of the Corporations Act) of an audit firm, or the lead auditor of an audit company
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
fund manager	Means: › a responsible entity of a registered (retail) scheme, trustee of an unregistered (wholesale) scheme, or › in relation to valuation, a person (including an external investment manager) engaged to value scheme units, scheme underlying assets or unlisted investments
other auditor	An auditor, who is not the lead auditor, that undertakes work that the auditor may use
RSE	Registrable superannuation entity – has the meaning given in section 9 of the Corporations Act, when used in Chapter 2M. Note: In this report, ‘RSE’ may include the superannuation trustee or RSE licensee responsible for discharging the obligations of the RSE. Under sections 285(3A) and 345AAA of the Corporations Act, the RSE licensee is responsible for the obligations of the RSE
scheme	Managed investment scheme – has the meaning given in section 9 of the Corporations Act
scheme investment	Where an RSE holds a unit in a scheme and the scheme holds the underlying assets
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
superannuation trustee	A person or group of persons licensed by APRA under section 29D of the SIS Act to operate an RSE (also known as an ‘RSE licensee’)

Related information

Legislation

Australian Securities and Investments Act 2001, section 50C

Corporations Act 2001

Superannuation Industry (Supervision) Act 1993

Accounting, Auditing and Prudential standards

[AASB 13](#) *Fair value measurement*

[AASB 101](#) *Presentation of financial statements*

[AASB 110](#) *Events after the reporting period*

[AASB 1056](#) *Superannuation entities*

[ASA 220](#) *Quality management for an audit of a financial report and other historical financial information*

[ASA 230](#) *Audit documentation*

[ASA 260](#) *Communication to those charged with governance*

[ASA 265](#) *Communicating deficiencies in internal control to those charged with governance and management*

[ASA 315](#) *Identifying and assessing the risks of material misstatement*

[ASA 330](#) *The auditor's responses to assessed risks*

[ASA 500](#) *Audit evidence*

[ASA 505](#) *External confirmations*

[ASA 540](#) *Auditing accounting estimates and related disclosures*

[ASA 705](#) *Modifications to the opinion in the independent auditor's report*

[ASQM 1](#) *Quality management for firms that perform audits or reviews of financial reports and other financial information, or other assurance or related services engagements*

[SPS 530](#) *Investment governance*

[SPG 530](#) *Investment governance*

ASIC documents

[26-098MR](#) *ASIC sets financial reporting, audit and sustainability focus areas for FY 2026-27 (18 May 2026)*

[INFO 196](#) *Audit quality – The role of directors and audit committees*

[INFO 222](#) *Improving and maintaining audit quality*

[INFO 223](#) *Audit quality – The role of others*

[REP 816](#) *Accounting for your super: ASIC's review into the financial reporting and audit of super funds*