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Dear Neil,

## **DISCUSSION PAPER: REPORTING STANDARDS FOR SUPERANNUATION**

CPA Australia welcomes the opportunity to comment on the Discussion Paper: Reporting standards for superannuation (DP). CPA Australia is one of the world's largest accounting bodies and represents the diverse interests of more than 139,000 members in finance, accounting and business in 114 countries throughout the world. Our vision is for CPA Australia to be the global professional accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

We commend the Australian Prudential Regulation Authority's (APRA) proposals to expand the current reporting requirements for superannuation entities as set out in the DP. These proposals represent an important step in improving the transparency of Australia's superannuation industry, as recommended by The Super System Review into the governance, efficiency, structure and operation of Australia's superannuation system.

CPA Australia's involvement and interest in the operation of the superannuation industry stems from our public interest remit and the significant involvement our membership plays in the industry. We recently conducted a research project that explored the effectiveness of reporting in the superannuation industry, with a published final report setting out our findings, recommendations and conclusions ([www.cpaaustralia.com.au/superreporting](http://www.cpaaustralia.com.au/superreporting)). We are pleased to note that many of our Report's recommendations, including our call for returns and costs disclosures, and information look-through, are presented as part of the package of proposals in the DP and in other proposals by government that address the Stronger Super reforms.

The need for enhanced levels of transparency in the superannuation industry is one of the key recommendations of our Report and the objectives of the DP build on this same ideal. Whilst APRA has indicated in the DP that it aims to publish much of the reported information, the specific details of what is to be published is not made clear. In order to achieve the objective of transparency, we believe it is essential for many elements of the information being collected to be made publicly available. Although some information will be published through mandated requirements elsewhere within the Stronger Super reforms such as the Product Dashboard, and investment asset disclosures, currently there are no means for the public availability of certain other information being collected through the reporting standards. For example the dis-aggregated disclosure of costs and fees at the entity level, sub-fund level and investment option level is necessary for members to fully comprehend the performance of their superannuation investment. Similarly, members would benefit from public disclosure of information in relation to detailed asset types within broader asset classes, to better understand the type of assets in which their superannuation is being invested.

Our comments to the specific proposals within the DP are provided in the attached appendix and are set out using the same section numbers as those used in the DP. If you require further information on any of our views, please contact Dr Mark Shying, CPA Australia by email at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alex Malley'. The signature is stylized with a large 'A' and 'M'.

Alex Malley FCPA  
Chief Executive Officer

cc: M Shying

## APPENDIX

### 3 RSE Licensee and RSE information

Proposed SRF 520.0 includes a requirement to notify APRA about whether or not a responsible person is fit and proper. In addition to confirmation in this regard, specific information about a responsible person's fit and proper status should also be provided, especially in relation to any conflicts of interest that may exist and how these have been assessed and managed. The compulsion placed on members to contribute into superannuation places a high degree of accountability on those charged with governance (trustees and directors) and validates the need for detailed disclosure in this regard.

Although the proposed Prudential Standard SPS 521 included a requirement to maintain and publicly disclose the conflicts management policy and a register of relevant duties and relevant interests as part of the entity's conflicts management framework this requirement has been removed in the final published standard. Whilst we note that there is an expectation that disclosure requirements in relation to conflicts of interest are now to be included within legislation, we believe it is important that APRA should include a requirement for disclosure of information in relation to conflicts of interest in the reporting standards for prudential oversight of the fitness and propriety of responsible persons. Also, if the information so collected is not publicly available through legislation as currently proposed, the information collected through the reporting standards should be made publicly available.

### 4 Financial position

As stated in the DP, AASB ED 223 proposes that superannuation entities prepare financial statements on a consolidated basis including controlled subsidiaries, resulting in the recognition and measurement of goodwill and non-controlling interests. The AASB has also issued ED 220 *Investment Entities* which is likely to have an impact on superannuation entities. ED 220 proposes that certain entities that meet the definition of "Investment Entities" will not consolidate controlled subsidiaries in their financial statements, on the basis that the presentation of the fair value of investments in financial statements would be more relevant information for users of these financial statements. It is also our view that including the fair value of investments in the financial statements of superannuation entities will provide more relevant information to users and accordingly, we do not support the consolidation approach for financial statements prepared by superannuation entities. Both ED 223 *Superannuation Entities* and ED 220 *Investment Entities* are in the process of being finalised by the AASB, and at the most recent board meeting held in October 2012, the board has decided to issue a further ED (expected by the end of 2012) on the Investment Entities standard, proposing additional disclosures to compensate for the loss of consolidated information. We would suggest APRA follow these developments, and reflect the financial reporting outcomes arising out of the AASB proposals within the final reporting standards.

#### 4.4.5 Member benefits

The DP proposes that the equity calculated in accordance with ED 223 should be presented as member benefits, which is made up of 'reserves', 'liability for member benefits' and 'unallocated contributions'. ED 223 proposes that obligations for defined contribution vested benefits and defined benefit accrued benefits be recognised as liabilities. As a result of the difference in approach between this DP (which considers the liability for member benefits to be part of equity) and ED 223 (which proposes the liability for member benefits to be recognised as liabilities), the proposed location of the liability for member benefits differs in the statement of financial position examples within ED 223, and this DP. It is our view that members would benefit from consistency in the presentation of key line items such as the liability for member benefits and accordingly we suggest the proposed presentation be aligned with the AASB proposals.

## **5 Financial performance and flows, and 6 Investments**

We support the proposals in the DP to require superannuation entities to disclose costs broken down into a number of new categories, and to disclose detailed information about investments on a look-through basis. In order to aid the objective of transparency we believe it is essential that APRA publish the detailed information it proposes to collect through the “Financial performance and flows” and “Investments” series of forms, where such information is not being made publicly available through other Stronger Super reform proposals currently under development. In relation to the information being reported on costs categories, we suggest that APRA should devote some attention to the variables entities use in calculating these costs categories and set some standard parameters to ensure that the costs categories are reported in a consistent and comparable manner.

## **8 Fees**

The proposals for disclosure of detailed fees at investment option level is restricted to MySuper products on the grounds that fees on choice products are charged differently based on a variety of factors and is unlikely to be comparable or meaningful to members. Whilst we acknowledge that achieving comparability may present challenges, we believe the objective of transparency is sufficiently important for the disclosure of such information in relation to choice products, and would provide information on an important measure of performance to members who have their superannuation invested in choice products. Accordingly, we suggest the proposals for disclosure of detailed fees at investment option level be extended to cover choice products also.