

28 July 2022

Retirement, Advice and Investment Division
Treasury
Langton Cres
PARKES ACT 2600

Via email: superannuation@treasury.gov.au

Dear Sir/Madam

Consultation: Superannuation Annual Members' Meeting Notices – Exposure Draft Regulations (“Exposure Draft”)

CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) welcome the opportunity to provide comments on the above consultation.

CA ANZ and CPA Australia represent over 300,000 professional accountants globally. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Exposure Draft Explanatory Statement states that the purpose of these proposed rules is to keep “compliance costs low to preserve members’ money for retirement” by making the three following amendments to the required information to be supplied to members on the notice issued for annual member meetings:

- remove itemised disclosure of certain expenditure
- remove the double counting of certain expenditure
- align the definition of ‘related party’ to the definition in the Australian Accounting Standards.

CPA Australia and CA ANZ agree that the proposed amendments, if implemented, could in theory lead to lower administration costs. However, we do not believe that these amendments, when taken on their own, will necessarily lead to noticeably or materially lower fund operating costs and therefore higher member account balances.

Remove itemised disclosure of certain expenditure

We note that Australian Prudential Regulation Authority (APRA) *Reporting Standard SRS 332.0 Expenses*¹ (SRS 332.0) requires funds to report to APRA all payments to related parties. The RSE licensee cannot apply a materiality threshold to any expenses with service providers, including payments to a “related party”. Further, RSE licensees cannot apply a materiality threshold to a payment to a “related party” which involves marketing expenses, sponsorships and payments or donations to a range of organisations such as political parties. All payments described above to related parties must be reported to APRA.

¹ <https://www.legislation.gov.au/Details/F2021L01287>

The term “related party” in SRS 332.0 follows the definition of that term found in the *Superannuation Industry (Supervision) Act 1993* (“SIS Act”).

The SIS Act definition of related party contains the concept of a “connected entity”. SRS 332.0 requires RSEs to report items on a look through basis to the first entity that is not a related connected entity.

This SIS Act definition of related party is broader than that which is used in Australian Accounting Standard *AASB 124 Related Party Transactions* (AASB 124). See our comments below in regard to this proposal.

APRA has announced plans to publish all non-confidential data it receives from RSE licensees, including data provided under SRS 332.0. We welcome this announcement and believe it will help all RSE licensees to improve the operation of their superannuation funds.

It seems appropriate to us that the same information should be disclosed to superannuation fund members as that disclosed to the prudential regulator. Given that the prudential regulator publishes this information in a manner many members may not be able to readily access then it should be provided in published reports to help members understand their fund and prepare for their fund’s annual member meeting.

Remove the double counting of certain expenditure

We understand that in some cases this can occur under the current drafting of the regulations. We agree this should be eliminated but must be done with care to ensure that any change does not lead to reduced disclosure to members.

Align the definition of ‘related party’ to the definition in the Australian Accounting Standards

We agree with this recommendation with one caveat: as noted above, the definition of related party in the SIS Act is broader than that found in AASB 124. We believe that for the sake of simplicity and consistency it would be better to apply the AASB definition to all relevant provisions in the SIS Act and not just to one specific reporting regulation.

For further information in relation to our submission, please contact Richard Webb, Policy Advisor Financial Planning and Superannuation at CPA Australia at richard.webb@cpaaustralia.com.au or Tony Negline, Superannuation Leader at Chartered Accountants ANZ at Tony.Negline@charteredaccountantsanz.com.

Yours sincerely,

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Advocacy and Professional Standing,
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