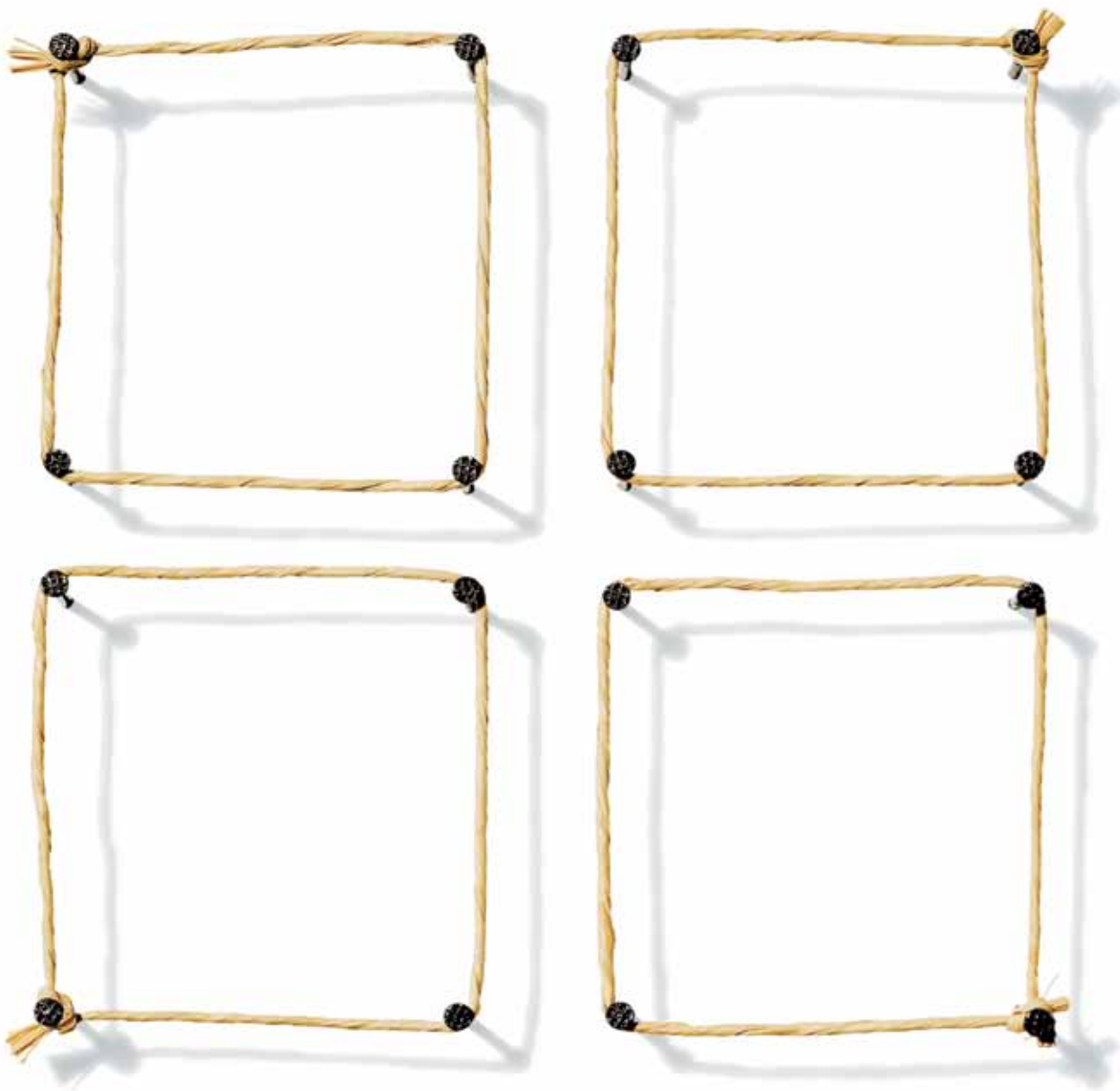




Guidelines

Providing explanations of data – superannuation

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Purpose

This document assists APRA-reporting entities explain data to APRA. It describes the information APRA expects reporting entities to provide in their explanations and how to correct submitted data.

It is crucial that entities submit relevant, timely and accurate data to APRA. APRA's data collections ultimately contribute to a more stable, competitive and efficient financial system. In particular, they are a vital input into supervisory action plans. The data are also collected on behalf of the Reserve Bank of Australia and Australian Bureau of Statistics. About 80 per cent of data collected by APRA are shared with other agencies. The statistics APRA publishes, based on the data reporting by entities, inform many decision-makers in the Australian financial system, including policy-makers, other regulators, market analysts, researchers and senior management of financial institutions.

By following the guidance in this document, reporting entities can be confident that their explanations will be acceptable to APRA. This will reduce the follow up required by APRA and reporting entities and, ultimately, the reporting burden on entities.

Background

All APRA-reporting entities, including APRA-regulated and registered financial entities, submit data to APRA via D2A. APRA uses validation rules within D2A to validate these data. Entities are expected to correct any reporting errors identified by these rules.

There are two types of D2A validation rules: mandatory and confirmation rules. Mandatory rules identify data, within D2A, that contain mathematical errors and discrepancies or factual inconsistencies. Entities must correct all data that fail mandatory rules to submit data via D2A. Confirmation rules identify data, within D2A, that indicate reporting errors or require explanation. Entities are expected to correct or explain data identified by confirmation rules within D2A. Examples of mandatory and confirmation rules are provided in Appendix A.

In addition to D2A validation rules, APRA also validates data after they are submitted by entities. These post-submission data quality checks identify data inconsistencies that are not highlighted by the D2A validation rules. APRA advises entities of the data identified by these checks outside D2A. Entities are expected to correct (via D2A) or explain data identified by these checks.

These guidelines describe acceptable explanations for data identified by APRA, whether by confirmation rules within D2A or post-submission checks. If an entity's explanation is not acceptable, APRA will contact the entity for further clarification.

APRA expects entities to respond promptly to requests for explanations of data or corrections of data via D2A.

APRA will protect entities' explanations of data pursuant to section 56 of the *Australian Prudential Regulation Authority Act 1998*.

Should entities have questions about any data validation rules or checks, they should contact APRA via superstatistics@apra.gov.au.

Acceptable Explanations

For an entity's explanation of data that is not an error to be accepted by APRA, the explanation must be sufficient, accurate and complete. In particular, it must explain why the data is not an error.

APRA will consider explanations to be acceptable if they are clear and concise, and:

- explain how an event, such as market activity or a strategic decision, affected the data;
- include relevant values and dates. If the data reflects purchases or divestments, the explanation should include details of these transactions; and
- demonstrate that the data are consistent with the relevant reporting instructions or accounting standards.

Examples:

1. Error text:

'Contribution surcharge' (SRF 100, item 4.2) decreased over the quarter. Note that all items should be reported on a YTD basis. Please check and verify the figure reported.

Acceptable explanation:

The fund received a refund from the ATO of \$125,000, relating to overpayment of the contribution surcharge in previous years, therefore -125k was reported at this item.

2. Error text:

Please confirm that 'Contribution tax' (SRF 100.0, item 4.1) for the entity is less than 15 per cent of 'Employer contribution' (SRF 100.0, item 1.1). Employer contributions are taxed at 15 per cent.

Acceptable explanation:

The difference between the contributions tax reported and 15 per cent of employer contributions is attributable to the tax deduction available to the Fund for death and disability premiums for the year. We can confirm that the contributions tax reported reflects the net contributions tax payable after an allowance for this deduction.

3. Error text:

There has been a significant movement out of total NMV of 'Wholesale trusts' (SRF 110, item 3.7.3). Please check the data and explain the movement.

Acceptable explanation:

The fund restructured its investment operations over the quarter and all investments that were through wholesale trusts are now through life offices.

4. Error text:

'Investment management fees' (SRF 100, item 17.1) decreased over the quarter. Note that all items should be reported on a YTD basis. Please check and verify the figure reported.

Acceptable explanation:

The fund pays investment management fees at the end of the year based on performance and estimates of these fees are accrued over the year. Due to the decline in market conditions these estimates decreased over the quarter. This resulted in a decline in the YTD 'Investment management fees'.

5. Error text

There has been a significant movement out of total NMV of 'Direct holdings of property which is completed' (SRF 110, item 3.5.2). Please check the data and explain the movement.

Acceptable explanation:

The movement in the direct holdings of property during the quarter is a result of the following transactions:

- Disposal of ABC Office building (\$25,000,000)
- Disposal of XYZ Warehouse building (\$2,500,000)

6. Error text:

Where the fund uses a custodian (SRF 250.0, item 5.2), custodian fees should be reported (SRF 200.0, item 17.2).

Acceptable explanation:

The trustee pays the custodian fees. As this expense is not paid by the fund, it is not reported in this return.

7. Error text:

Please confirm that 'Contribution tax' (SRF 100.0, item 4.1) for the entity is less than 15 per cent of 'Employer contribution' (SRF 100.0, item 1.1). Employer contributions are taxed at 15 per cent.

Acceptable explanation:

As per S275 of the ITAA, the fund has transferred the contribution tax liability to ABC Pooled superannuation trust (ABN 11 111 111 111) which the fund has investments with. Therefore the fund has zero contributions tax.

Unacceptable Explanations

APRA will not accept an entity's explanation of data that is insufficient, inaccurate or incomplete. In particular, responses that do not contain any explanation of the data, or explanations that only comment on the value of the rule or check will not be accepted by APRA.

Examples of explanations that would not be accepted by APRA include:

- Incomplete explanations, such as:
 - verified/confirmed/amounts are correct;
 - supported by system reports;
 - no comment/nil; or
 - figure is based on data provided by the custodian.
- Comments on the value of the rules or checks.
- Explanations that only contain unnecessary or irrelevant information, such as who is to blame for the error or how the error progressed through the internal controls.
- Explanations that require further research. The explanation should explain the data without undue reference to other explanations provided elsewhere.

A rule may not identify an error – it may identify an unexpected or unanticipated result. If an entity has a question about a rule or suggestion to improve it, the entity should contact APRA for clarification before the data is due to be submitted.

Revising submitted data

A rule or check may identify inconsistencies between different periods' data. These inconsistencies may arise because the current period's data is correct but data submitted for the previous period was incorrect. In these cases, the entity must correct the previous period's data and resubmit them to APRA via D2A.

If the entity identifies errors in more than one period, it should contact APRA at superstatistics@apra.gov.au to agree remedial action.

Appendix A

Mandatory rules

Mandatory rules identify mathematical discrepancies or factual inconsistencies in data within D2A.

Examples of mandatory rules include:

- The sum of 'Net assets available to pay benefits at the end of the reporting period' (SRF 100.0, item 23) and 'Other items required to reconcile' (SRF 100.0, item 23.1) must equal 'Net assets available to pay benefits' (SRF 110.0, item 12).
- 'Net assets available to pay benefits' (SRF 110.0, item 12) must equal 'Total' (SRF 110.0, item 16).
- Only pooled superannuation trusts should report units issued (SRF 200.0, item 1.3).

Entities must correct all data that fail mandatory rules to submit data via D2A. Entities cannot provide explanations for data that fail mandatory rules.

If an entity is not able to resolve a mandatory rule, it should contact APRA via superstatistics@apra.gov.au.

Confirmation rules

Confirmation rules identify data, within D2A, that indicate reporting errors or unexpected or unanticipated results that require explanation.

Examples of confirmation rules include:

- 'Employer contributions' (SRF 100.0, item 1.1) decreased over the quarter. Note that all items should be reported on a YTD basis.
- 'Direct holdings in completed property' (SRF 110.0, item 3.5.2) did not generate any 'Property maintenance costs' (SRF 100.0, item 17.3).
- There has been a significant movement into total NMV of 'Individually managed mandates/portfolios' (SRF 110, item 3.7.1). Please check the data and explain the movement.

Entities are expected to correct or confirm and explain data identified by confirmation rules within D2A.



Telephone
1300 13 10 60

Email
contactapra@apra.gov.au

Website
www.apra.gov.au

Mail
GPO Box 9836
in all capital cities
(except Hobart and Darwin)