

17 April 2015

Mr Pat Brennan
General Manager, Policy Development
Policy, Statistics and International Division
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

via email: superannuation.policy@apra.gov.au

Dear Mr Brennan

Consultation on superannuation data collection for the Australian Bureau of Statistics (ABS)

We refer to the above consultation and the supporting draft reporting standards which were released on 27 January 2015. We understand that the Australian Prudential Regulation Authority (APRA) is coordinating this consultation on behalf of the ABS.

Vision Super is fully supportive of reporting appropriate quality data to the regulators. However, given the work that has occurred between APRA and the ABS to consolidate the data collected from the superannuation industry over the last decade, together with the Government's focus on red tape reduction and the interaction of the proposed ABS reporting forms with the superannuation prudential standards, we are concerned and surprised by the nature and extent of the proposed ABS reporting forms.

Vision Super participated in the consultation roundtables held by APRA/the ABS regarding the proposed ABS forms. Our comments are set out in Appendix A and reflect the discussions during the Melbourne consultation roundtable and cover the following:

1. Consequences of the inclusion of the ABS reporting forms within the APRA reporting regime;
2. The duplication of the data being collected by APRA and the ABS;
3. The Government's red tape reduction regime;
4. Quality of the draft instructions issued to assist with the preparations of the ABS reporting forms; and
5. Other comments.

Please note that we have not provided detailed comments on each of the forms due to the time and resource constraints.

If you have any queries or require any further information, please email Noelle Kelleher at nkelleher@visionsuper.com.au or call her on (03) 9911 3141.

Yours sincerely



Noelle Kelleher
Chief Financial Officer

Appendix A

Consultation on superannuation data collection for the Australian Bureau of Statistics (ABS)

Vision Super participated in the consultation roundtables held by APRA/the ABS regarding the proposed ABS forms. Our comments are set out below and reflect the discussions during the Melbourne consultation roundtable and cover the following:

1. Consequences of the inclusion of the ABS reporting forms within the APRA reporting regime;
2. The duplication of the data being collected by APRA and the ABS;
3. The Government's red tape reduction regime;
4. Quality of the draft instructions issued to assist with the preparations of the ABS reporting forms; and
5. Other comments.

Background

For the purposes of this consultation, we note the following:

- While the proposed forms are often referred to as the 'ABS reporting forms', these proposed forms will form part of the APRA reporting regime and each form will be issued as an APRA reporting standard under section 13 of the Financial Sector (Collection of Data) Act 2001 (the FSCODA).
- When the FSCODA was introduced, its Explanatory Memorandum (EM) indicated that the FSCODA was an opportunity to coordinate and rationalise the data collected. In addition, a complete reassessment of the data requirements of APRA, the Reserve Bank of Australia (RBA) and the ABS was to be undertaken with a view to rationalise the data collected and to use, wherever possible, the same conceptual framework.
- A Tripartite Data Committee (TDC) was established in 2002 consisting of APRA, the RBA and the ABS. This tripartite committee was established to facilitate ongoing co-operation on statistical issues, including any changes to reporting requirements to meet industry and international standards. Up until the December 2004 quarter, the ABS collected information from superannuation funds via a "Survey of Superannuation Funds". In December 2004 the ABS replaced the Survey of Superannuation Funds with data sourced from the APRA collections.
- The ABS lodged a submission with APRA in November 2012 in response to the discussion paper released by APRA on 19 September 2012 regarding "Reporting Standards for Superannuation Consultation". In that submission, the ABS made the following comments:
 - The ABS saw the review of reporting standards as an opportunity to strengthen the quality of statistics available to policy makers and analysts, and to further consolidate with APRA the collection of data from regulated superannuation entities;
 - The tripartite arrangement entered in between APRA, the RBA and the ABS enabled a single collection point for common data requirements, through collections undertaken by APRA;
 - The ABS sees the revised reporting standards as an opportunity to further consolidate the collection of data from regulated superannuation entities with the APRA collections. The aim of the ABS was to work towards further consolidation of the statistical reporting within the APRA data collections;

- Many of the ABS's National Accounts requirements were met by the draft reporting standards, including most of the counterparty and instrument classifications; and
- The ABS would work with APRA to reduce the reporting burden on companies providing the data.
- The current Federal Government embarked on a 'red tape reduction' program upon its election. As part of this program, the Government has established a "regulator performance framework", and introduced the "Australian Government Guide to Regulation".

Comments

Our detailed comments are as follows.

1. Inclusion of the ABS report forms in the APRA reporting regime

During the Melbourne consultation roundtables, the ABS and APRA stressed that they did not envisage that the preparation of the proposed ABS forms would be onerous as the proposed forms are not required to be audited and 'best estimates' can be used to complete the forms.

As noted above, the proposed ABS forms will form part of the APRA reporting regime and each form will be issued as an APRA reporting standard. As a result, we believe that the completion of the proposed ABS forms:

- (i) Will require a significant amount of time and resources to be able to satisfy the quality control requirements in the proposed ABS reporting standards;
- (ii) Must occur within the same APRA reporting framework as all other APRA reporting forms for RSE licensees to be able to sign the annual SPS 220 risk management declaration; and
- (iii) Must be on a "careful estimates basis" by exception only.

Our comments in relation to each of the above are as follows.

Quality control

Each of the proposed ABS reporting standards indicates that "All information provided by an RSE licensee under this Reporting Standard must be subject to systems, processes and controls developed by the RSE licensee for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the RSE licensee to ensure that an appropriate set of policies and procedures for the authorisation of information submitted to APRA is in place."

While the proposed ABS forms are not required to be audited/tested by the RSE auditor as indicated in each of the draft reporting standards, the inclusion of the above wording means that the usual APRA quality control policy and procedures should be applied to the proposed ABS forms as applies to all other APRA reporting forms. We note that a number of other APRA reporting forms are not required to be audited, but the same quality controls are required for those forms as the audited APRA forms.

If there are meant to be quality control systems, processes and controls "for the internal review and authorisation of that information", these quality control systems, processes and controls need to apply equally to all forms regardless of whether a form is audited/tested/not audited/tested and whether the form is for use by the ABS or APRA (or a combination).

Therefore, we believe that completion of the proposed ABS forms will require a significant amount of time to be able to satisfy the quality control requirements in the proposed ABS reporting standards.

If a lower standard of quality control is required to complete the proposed ABS forms, the "quality control" requirement in the proposed ABS reporting standard needs to be modified. Simply removing the audit/testing requirement does not alter the quality control requirement in the proposed ABS standard.

Alternatively, the proposed ABS forms should not be part of the APRA reporting framework so that the usual APRA reporting quality controls do not have to be applied to the proposed ABS forms.

The RSE licensee's annual risk management declaration

Under Prudential Standard 220 - Risk Management (SPS 220), RSE licensees are required, on an annual basis, to provide APRA with a risk management declaration signed by two directors that satisfies the requirements set out in Attachment A to SPS 220 (refer para 33 of SPS 220).

This SPS 220 risk management declaration includes a statement that:

"

- (g) the RSE licensee has adequate reporting systems and internal controls supporting the preparation and reporting of accurate financial and statistical information to APRA; and
- (h) information provided to APRA accurately represents the transactions for the year and financial position at year end in accordance with the provisions of the SIS Act and FSCOD Act."

As noted above, the proposed ABS forms will form part of the APRA reporting regime and each form will be issued as an APRA reporting standard. As a result, the RSE licensees are required to consider the completion of these forms when they are considering whether they can make the declarations required in the annual SPS 220 risk management declaration.

For the RSE licensees to be able to sign the above declaration which include consideration of the proposed ABS reporting forms, we believe that completion of the proposed ABS reporting forms must occur within the same APRA reporting framework as all other APRA reporting forms.

If an RSE licensee is not required to consider the proposed ABS reporting forms as part of their annual SPS 220 risk management declaration, Attachment A to SPS 220 should be modified to expressly exclude the proposed ABS reporting forms from (g) and (h) of the statement. Simply removing the audit/testing requirement does not alter the requirement for the RSE Licensee to consider the proposed ABS reporting forms when the annual SPS 220 risk management declaration is made.

Alternatively, the proposed ABS forms should not be part of the APRA reporting framework so that the RSE Licensees do not have to consider the proposed ABS forms as part of the annual SPS 220 risk management declaration.

Use of "careful estimates" v. "exact values"

As indicated above, during the Melbourne consultation roundtables, the ABS and APRA stressed that 'best estimates' could be used to complete the proposed ABS forms.

However, the instructions for each of the proposed ABS reporting forms indicate that "careful estimates [can be used] where exact values are not available to the RSE licensee".

Therefore, based on the instructions, the ABS forms should be completed using exact values and careful estimates should be used only where exact values cannot be determined (ie. by exception).

We believe that “careful estimates” should be defined as the term “careful estimate” is an unusual term. For example, we would not ordinarily expect the term “careful estimate” to have the same meaning as “best estimate”.

As indicated above, we also believe that there should be more clarity around the degree of accuracy required for the proposed ABS reporting forms. For example, the APRA/ABS during the Melbourne consultation roundtable suggested that the forms could be completed on a “best estimate basis” rather than on a “best estimate by exception basis”.

If the proposed ABS forms can be completed on a “best estimate basis”, the proposed ABS reporting standard and instructions need to be modified. Simply removing the audit/testing requirement does not mean that a ‘best estimate’ basis can be used.

Alternatively, the proposed ABS forms should not be part of the APRA reporting framework and the instructions to the proposed ABS forms should clearly indicate that a “best estimate basis” can be used. An alternate expression would be “reliably estimated” or “estimated reliably” which could be linked back to the AASB accounting standards.

If exact values should be used in the proposed ABS reporting forms, we believe that the instructions should include some guidance on the efforts required to determine an exact value or whether a “best estimate basis” can be used without undertaking any additional work to obtain exact values.

2. Duplication of data collected

We note that under the combined APRA reporting framework which will include the current APRA reporting forms and the original proposed ABS reporting forms, RSE licensees were going to be required to lodge two sets of balance sheet forms each quarter (being the current APRA balance sheet forms and the proposed ABS balance sheet forms) and two annual profit and loss (P&L) forms (being the current APRA P&L form and the proposed ABS P&L form).

In its letter to RSE Licensees date 2 April 2015, the ABS has indicated that it will:

1. Improve the alignment of the ABS reporting basis with the existing APRA reporting requirements by:
 - Applying the proposed ABS standards only to directly-held investments (ie. non-look through and no consolidation)
 - Requiring the proposed ABS standards to be completed according to the year of income of the RSE; and
 - Applying valuation principles specifically referenced to the Australian Accounting Standards.
2. Reduce the reporting requirements about non-residents members by:
 - Removing column 3 from the proposed SRS 730; and
 - Including an additional question in SRS 720.0.
3. Reduce the ABS duplication with the existing APRA reporting requirements by:
 - Using some of the information from SRS 330.0;
 - Transferring column 1 of SRS 730.0 to elsewhere in the APRA reporting regime either as a separate or existing reporting form; and
 - Requiring only RSEs with defined benefit members to complete the proposed SRS 730.0.

Vision Super welcomes some of the proposed changes outlined in the ABS's letter. However, we note that simply moving a question from one form to another does not reduce the work required to source the data. It simply relocates the data from one form to the other. In addition:

- Moving the question from a proposed ABS reporting form to an APRA reporting form, the concept of a "careful estimates" is completely lost; and
- Two sets of balance sheet forms for each quarter and two annual profit and loss (P&L) forms (if the RSE has defined benefit members) will be required – either on a standard-alone basis or within a number of shared forms.

Emphasis on consolidation of data collection

Given the emphasis there has been on the consolidation of data over the past decade and the ABS comments in its submission to APRA, we are disappointed at the duplication of data effectively being collected as a result of the requirement to submit forms that effectively are the balance sheets of the RSEs cut using two different data breakdowns.

We believe that, as a result of the two different data sets being required, there will be significant reconciliation time required to balance the two balance sheet forms against each other and to the total member accounts.

We request that APRA and the ABS agree that only a single set of balance sheet data be collected. We request that APRA and the ABS determine which balance sheet data set is the most imperative to collect. We then request that the APRA reporting forms be designed so that only a single set of balance sheet data is collected.

3. Government's red tape reduction regime

During the Melbourne consultation roundtables, the ABS indicated that the ABS reporting forms will be submitted using the same logistics as the standard APRA forms and that this was a "saving".

However, apart from using the same logistics (such as APRA's D2A data lodgement system), it was not envisaged that the ABS will use substantially the same data as APRA. Based on the ABS's April 2015 letter, it does not appear that the ABS will use much of the data currently being collected by APRA.

As indicated above, the current Federal Government embarked on a 'red tape reduction' program upon its election. As part of this program, the Government has established a "regulator performance framework", and introduced the "Australian Government Guide to Regulation".

We note that in the ABS's public submission to the Productivity Commission Draft Report "Regulator Engagement with Small Business", the ABS does not consider itself to be a regulator and is listed by the RBA as "Australia's official statistical organisation and provides statistics on the Australian economy, including the national accounts, the consumer price index and labour market statistics". Therefore, it would appear that the ABS does not need to consider the government's red tape reduction regime.

However, the proposed ABS reporting forms are being included in the APRA reporting framework.

As a result, we believe that APRA should take the Government's red tape reduction regime into account when incorporating the proposed ABS reporting forms into the APRA reporting framework as ultimately APRA is responsible for the collection of data from the superannuation industry. In addition, APRA is also listed as a potential user of the proposed ABS reporting forms and therefore, these forms could be used for regulatory purposes.

We believe that APRA should consider how its current APRA reporting forms (eg. the balance sheet forms) can be amended to consolidate the information requirements of both APRA and the ABS. This would be consistent with the intentions of the FSCODA and the triparted agreement between APRA, the RBA and the ABS.

If the ABS information is more essential, altering APRA's own data requirements would minimise the impact of the proposed ABS reporting forms and would be consistent with the Government's red tape reduction requirements.

Regulation Impact Statement

We note that "The Australian Government Guide to Regulation" outlines ten principles for Australian government policy makers. This includes considering:

- Whether there is an overall net benefit of the proposed change;
- Whether the cost burden must be fully offset by reductions in existing regulatory burden;
- Preparing a Regulation Impact Statement (RIS) for every substantive regulatory policy change.

We believe that the proposed changes to the APRA reporting standards which includes the introduction of secondary ABS balance sheet/P&L forms which is inconsistent with the principles of consolidated data collection is a substantive regulatory policy change and a RIS should be prepared and released.

Cost of compliance

As highlighted in the Financial System Inquiry's – Final Report, unnecessary compliance costs and poor policy processes are a concern.

Since the introduction of the APRA reporting regime, we have allocated a full-time resource to support our APRA reporting framework which includes the completion of the APRA forms together with the development of relevant policies and procedures.

We anticipate that additional resources will be required to complete the proposed ABS reporting forms, together with appropriate reconciliations and review.

At the stage, we have not received a cost estimate from our custodian for the development of ABS reporting systems required to complete the proposed ABS reporting forms.

We note that third party suppliers have been approaching us asking if we were interested in purchasing a separate "ABS reporting module" to complete these proposed returns even though these returns are part of the APRA reporting regime.

4. Quality of the draft instructions issued to assist with the preparations of the ABS reporting forms

As previously discussed with APRA, we believe that the reporting instructions attached to each of the reporting forms can be simplified and made more user friendly and easier to understand. This would aid the completion and the review of the forms prior to lodgement via the D2A system.

This would include simplifying the layout of the instructions and the language used.

We have previously supplied both APRA and the ABS with a worked example of some simplified instructions and we are more than happy to work with APRA and the ABS in relation to the development of better quality/more user friendly instructions.

5. Other comments

Non-resident members

In relation to the proposed changes relating to non-resident members, we believe that the ABS is still requiring RSE licensees to report data relating to the non-resident members based on information that the RSE licensees do not have.

For the purposes of the proposed amendments, 'non-resident members' has been defined as being "member or beneficiaries of the fund who are not ordinarily domiciled in Australia. An RSE licensee does not hold and is not required to hold the residency status/domicile of its members. At best, an RSE licensee would hold a mailing/residential address for its members which may be an indicator of the residency/domicile of its members but in no way is evidence of the actual residency/domicile of the member.

We believe that the instructions should clearly indicate that an RSE licensee may use the member addresses it holds as an indicator of a member's domicile.

SRS 730.0 for RSE with defined benefit members

We welcome the proposed removal of SRS 730.0 for accumulation member only funds.

However, we are unsure why this requirement is required for those funds which have defined benefit members given that defined benefit arrangements are not the dominate superannuation arrangement in Australia.

Based on APRA's revised 2013 annual superannuation bulletin which was released in February 2014, only approximately 10% of members are entitled to a defined benefit which equates to approximately 16% of fund assets in total. The proportion of defined benefit arrangements has been decreasing in the Australian context for a number of years and we expect this to continue.

Given that defined benefits do not make up a significant portion of the Australian superannuation entitlements, we question whether it is necessary to collect the data in the draft ABS SRS 730.0 form and we believe that this form should be removed in its entirety.