

File Name: 2015/17

10 June 2015

Manager
Financial System Assessment Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: supervisorylevies@treasury.gov.au

Dear Manager

RE: Proposed financial industry levies for 2015-16

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in relation to the consultation paper: *Proposed financial industry levies for 2015-16* (Consultation Paper).

About ASFA

ASFA is a non-profit, non-politically aligned national organisation. We are the peak policy and research body for the superannuation sector. Our mandate is to develop and advocate policy in the best long-term interest of fund members. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90 per cent of the 12 million Australians with superannuation.

General comments

ASFA does not oppose the recovery through the supervisory levy of expenses incurred by the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Taxation Office (ATO) and the Department of Human Services (DHS), to the extent that these are relevant and attributable to the supervision of superannuation funds. We consider it important that the Government agencies that regulate our superannuation funds are well resourced to conduct their supervisory activities.

ASFA does, however, have a number of significant continuing concerns in relation to the methodology and process used to determine the annual supervisory levies which have not been addressed, or addressed fully, in the Consultation Paper.

Executive Summary

ASFA's concerns in relation to the proposed levies can be summarised as follows:

1. Lack of transparency regarding the costs to be recouped via the levy - the Cost Recovery Implementation Statement (CRIS) to be published by APRA by 30 June 2015 should be sufficiently detailed as to allow stakeholders to assess the appropriateness of the levies imposed on regulated industries. In future, APRA should ensure that any updated CRIS is available for stakeholders to consider as part of the annual levy determination process.
2. Application of SuperStream component only to APRA-regulated superannuation entities:
 - Treasury and the ATO should provide detailed support for the amount of the proposed SuperStream component and properly account for the expenditure of previously raised levies.
 - The levy imposition arrangements should recognise that the beneficiaries from the SuperStream changes are not limited to APRA-regulated superannuation funds and their members. In particular, Treasury should reinvestigate options to subject SMSFs to the SuperStream component of the levy, and consider whether a portion of the SuperStream component reflecting the benefits delivered to non-levied entities, such as employers, should not be met out of consolidated revenue.
3. Cost recovery in accordance with Government guidelines:
 - The CRIS to be published by APRA by 30 June 2015 should include sufficient information for stakeholders to ascertain the appropriateness of the proposed levy collections to recover the costs of activities undertaken by the ATO and DHS.
 - Prior to any decision being made regarding adoption of a full cost recovery model for ASIC, Treasury should release sufficient information to enable stakeholders to understand the costs incurred by ASIC in respect of each regulated industry and ASIC's current and future resourcing needs in relation to those industries.
4. Funding of the Superannuation Complaints Tribunal (SCT) - the amount of funding allocated to the SCT from the levy should be separately identified. In addition, Treasury and ASIC should urgently review the SCT's funding needs to ensure it is adequately resourced to address its workload and meet its statutory objectives.
5. Stability of funding – while a three-year funding model for regulators should be adopted as recommended by the Financial System Inquiry (FSI), there should not be any net increase in the regulatory charge imposed on the APRA-regulated superannuation industry, given the substantial sums already recouped via the supervisory levy.
6. Minimum and maximum amount for the restricted component - both the CRIS to be issued by APRA, and the annual consultation papers, should include meaningful detail about the manner in which these amounts have been determined. In addition, the minimum and maximum amounts should strive to reflect the actual minimum and maximum costs of supervising the entities in the relevant industries.
7. Timing of annual consultation papers - Treasury should recommend that Government changes the time at which levies are set, to enable an extended consultation period. In the meantime, Treasury should ensure that the annual consultation paper is released with, or as soon as possible after, the Budget, to maximise the consultation period.

Our concerns are set out in more detail below.

Detailed comments

1. Lack of transparency regarding the costs to be recouped via the levy

In submissions on supervisory levies over the last several years, ASFA has highlighted the lack of transparency in the process by which the levies are determined and allocated, particularly in relation to the costs that are sought to be recovered by the superannuation supervisory levy. We have more recently raised our concerns in this area as part of our response to the Financial System Inquiry, which has made a number of recommendations regarding funding and oversight of regulators.

While pooled superannuation members currently pay millions of dollars in levies each year to fund the regulatory process, the industry currently has very little awareness of how those levies are allocated between, and utilised by, the relevant agencies.

The breakdown provided to the industry during the annual levy determination process is at the very highest level, simply identifying a total allocated to each agency. No detail is typically provided to indicate how those amounts relate to the various activities conducted by each agency. In fact, the level of information provided to the industry during the levy setting process has in fact been reduced in recent times – for example, by the omission, in the consultation papers for the 2014-15 and 2015-16 levies, of any specific funding allocation for the SCT (see 4. below for further comments on this point).

This lack of transparency over levies has led to concern that the superannuation industry might effectively be cross-subsidising other participants in the financial services industry, which are not subject to the levy regime.

The issue of transparency was acknowledged in the Australian National Audit Office's recent performance audit of the determination and collection of financial sector levies by APRA and the Treasury¹ (ANAO Audit Report) and Treasury's response to its recent consultation on financial industry supervisory levy methodology² (Treasury Response Paper).

The ANAO Audit Report noted that, at that time, APRA had not published a Cost Recovery Impact Statement (CRIS) in relation to its industry levies since 2006-07. We note that APRA did publish a Cost Recovery Implementation Statement (also abbreviated to 'CRIS') at the end of June 2014.

Regrettably, the timing of publication of the CRIS meant that it was not available when industry was considering proposed levies for 2014-15. In addition, the level of detail contained in that CRIS was significantly less than industry had anticipated – in fact, ASFA questions whether it could be said to comply with the government guidelines that applied at that point in time. In ASFA's view, publication of the CRIS did not materially advance the industry's understanding of the cost recovery model adopted by APRA and provided little genuine transparency about how levies are utilised.

For example, we note that the 2014-15 CRIS is a single document covering all supervisory levies collected by APRA from regulated industries, across a number of separate levy-collection regimes. Financial estimates and financial performance figures are provided only at the highest, aggregate level – they are not broken down between the regulated industries and/or sectors.

¹ Australian National Audit Office: The Auditor-General Audit Report No. 9 2013-14 - Performance Audit: Determination and Collection of Financial Industry Levies – Australian Prudential Regulation Authority, Department of the Treasury

² The Treasury: The Financial Industry Supervisory Levy Methodology Review, Response Paper, 16 April 2014

Due to the limited information that is made available regarding the utilisation of levies, it is not possible for industry to assess whether the regulators and agencies have delivered value for money. In ASFA's view, this represents a significant shortfall in holding the regulatory process to account.

We understand from the Consultation Paper that APRA intends to release an updated CRIS by 30 June 2015, to provide further transparency around the cost of APRA's activities³. It is unfortunate that this CRIS was not made available in time to enable its consideration as part of this consultation.

We note that this updated CRIS will be required to comply with revised Cost Recovery Guidelines⁴ (CRGs) that came into effect on 1 July 2014. We accordingly anticipate that the 2015-16 CRIS will provide a significantly increased level of transparency regarding the costs that are sought to be recovered through the levy.

Recommendation 1:

- a) The CRIS to be published by APRA by 30 June 2015 should provide sufficient detail to allow stakeholders to assess the appropriateness of the levies imposed on regulated industries.
- b) In future years, APRA should time the publication of any updated CRIS to ensure that it is available for stakeholders to consider as part of the annual levy determination process.

2. SuperStream levy component

ASFA has for some years expressed concern about the calculation of the amount to be recovered via the SuperStream component and the fact that recovery is sought only from APRA regulated funds. Each of these concerns has been raised in prior submissions on the levy.

2.1 Lack of transparency over calculation of the SuperStream component

ASFA has commented extensively on the lack of meaningful detail about the activities being funded by the SuperStream component – for example, the various activities being performed, the anticipated deliverables, the basis on which expenditure has been incurred, and a breakdown of past and anticipated costs.

As in prior years, the Consultation Paper includes only a very high level list of the activities to be undertaken by the ATO, with no indication of how the levy collection is to be allocated between those activities. No additional information has been forthcoming over the last year to help industry understand how the SuperStream component has been calculated, and how a projected recovery of this magnitude - \$422 million over the period 2011-12 to 2017-18 - is to be justified.

We note that in December 2013 the present Government announced that it will not proceed with a number of SuperStream initiatives announced by its predecessors, including 'auto-consolidation' of inactive accounts. While we presume that the reductions made in the 2014-15 Consultation Paper to the funding and levy collection figures for the period 2014-15 – 2017-18 are attributable to the abandonment of these initiatives, this has not been confirmed.

³ The Treasury: Proposed Financial Industry Levies for 2015-16, p. 1

⁴ Department of Finance: Australian Government Cost Recovery Guidelines, July 2014 – third edition

2.2 Lack of transparency over expenditure of the SuperStream component

As ASFA has noted previously, the SuperStream component of the levy is based on *anticipated* expenditure. Good practice dictates that where amounts have been raised with respect to anticipated expenditure, evidence should be provided to those paying the levy that it has been fully applied to those activities and not underspent or misapplied.

In our view, the need to apply such a process is heightened where the amounts involved are significant, as is the case here. At \$61.8 million for 2015-16, the proposed SuperStream component is almost equivalent to the ongoing costs attributable to the superannuation industry for APRA, ASIC, the ATO and DHS combined (\$62.2 million), and is more than double the costs of APRA's ongoing prudential supervision of the superannuation industry (\$29.5 million).

ASFA is concerned that this basic practice of accounting for past expenditure has not been undertaken with respect to the 2014-15 SuperStream component as part of the 2015-16 levy proposal. Instead, the Consultation Paper merely notes that an amount of \$1.0 million in over-collected levies will be returned to the superannuation industry through the 2015-16 levies, without indicating whether any portion of that amount relates to the SuperStream component of the levy.

2.3 Application of SuperStream component only to APRA-regulated superannuation entities

ASFA has previously noted that Self Managed Superannuation Funds (SMSFs) will benefit from the SuperStream initiatives through more efficient rollover processes from other funds and also more efficient mechanisms for receiving contributions from employers who do not have a direct connection with the SMSF trustees. Despite this, SMSFs are not required to contribute toward the ATO's cost of implementing SuperStream in the same manner as APRA-regulated funds.

ASFA considers that the levy amount recovered from APRA-regulated funds should relate to the SuperStream activity directly attributable to APRA-regulated funds. The implementation of SuperStream applies across the whole system, including the SMSF sector. We can see no reason why the SMSF levy legislation cannot be amended to allow a levy to be applied.

A further unresolved issue regarding the SuperStream component is its application only to superannuation entities, and by default their members. One of the key goals of SuperStream, and in particular the establishment of infrastructure to support the implementation of the contributions and payments data standards, is to simplify the employer process for paying contributions. In ASFA's view, consideration should be given to whether, given the benefits delivered to non-levied entities such as employers, a portion of the SuperStream component should be met out of consolidated revenue.

Recommendation 2:

- a) Treasury and the ATO should provide detailed information supporting the amount of SuperStream component sought to be recovered via the supervisory levy and properly account for the expenditure of previously raised levies.
- b) The levy imposition arrangements should recognise that the beneficiaries from the SuperStream changes are not limited to APRA-regulated superannuation funds and their members. In particular, Treasury should reinvestigate options to subject SMSFs to the SuperStream component of the levy, and consider whether a portion of the SuperStream component reflecting the benefits delivered to non-levied entities, such as employers, should not be met out of consolidated revenue.

3. Cost recovery in accordance with Government guidelines

3.1 *Recovery of other agency costs using APRA methodology*

In addition to the specific SuperStream component of \$61.8 million for 2015-16, the Consultation Paper sets out a total further recoupment of \$32.8 million of costs from the superannuation industry in relation to activities performed by agencies other than APRA.

The Consultation Paper indicates that \$17.9 million will be recouped for the ATO (in relation to administration of the Lost Member Register and Unclaimed Superannuation Money regime) and \$4.7 million for the Department of Human Services (in relation to administration of the early release of superannuation benefits on compassionate grounds). By deduction, it appears that \$10.1⁵ million will be recouped from the superannuation industry on behalf of ASIC, to cover costs related to the SCT as well as other activities.

ASFA notes that the ANAO, in its 2013-14 Audit Report, formally recommended that the Treasury and APRA consider, as part of their review of the financial industry levy methodology, the “appropriateness of applying the APRA financial levy methodology to calculate the levies collected by APRA on behalf of other Australian Government agencies”.⁶

This recommendation was acknowledged by APRA in its response to the ANAO Audit Report:

The ANAO’s observation confirms APRA’s view that the ‘shoehorning of non-APRA related levy collections (for example, the Superstream levy) into the existing levies methodology may generate suboptimal (in terms of equity) levy imposts upon individual or groups of institutions.

Reliance on the current APRA levies methodology for the collection of other proposed non-APRA-related levies may compound any distortion in individual levy outcomes.

As such, APRA will support the Treasury in investigating the development of separate models for non-APRA-related collection, subject to time and resourcing constraints.⁷

The Treasury Response Paper acknowledged the ANAO recommendation, and proposed reallocation of a number of other agency cost recoupments from the restricted component to the unrestricted component of the levy. While these proposed reallocations were reflected in the levies determined for 2014-15, Treasury has not otherwise commented on the appropriateness of continuing to apply the APRA levy methodology to other agency costs.

With a move in this year’s Consultation Paper toward full cost recovery for ATO and DHS activities, and the potential that a full cost recovery model might in future be adopted for ASIC, ASFA recommends that this matter urgently be given further consideration.

⁵ This figure is approximate - the itemised figures in the breakdown for superannuation on page 13 of the Consultation Paper do not sum precisely to the total provided.

⁶ Australian National Audit Office, op. cit., recommendation 2(c), paragraph 3.56

⁷ Australian National Audit Office, op. cit., p. 97

3.2 Activities undertaken by ATO & DHS

In 2014, the Treasury Response Paper drew these conclusions in relation to transparency of the levies methodology and process:

- There is a need to clarify when the levies are being used to recover costs in a manner consistent with the Government's CRGs and when they are not; and
- There should be increased transparency of how the costs of an activity are recovered through the levies process.⁸

As noted in the Consultation Paper, the activities funded through the financial institutions supervisory levies have now been examined, and it has been determined that the levies to fund the activities of ASIC, the DHS and the ATO "have not been collected in a manner wholly consistent with the CRGs"⁹.

As a result, the 2015-16 Budget provided for recovery of the full costs of administering certain superannuation-related programs conducted by the DHS and the ATO: early release of superannuation benefits on compassionate grounds, the Superannuation Lost Member Register, and the Unclaimed Superannuation Money framework. The levies proposed in the Consultation Paper duly reflect that decision. (We note that the Consultation Paper does not address the issue of full cost recovery for activities undertaken by ASIC – see 3.3 below in relation to this point.)

While the Consultation Paper states that the estimated cost to the ATO and DHS for undertaking these activities is \$17.9 million and \$4.7 million respectively, it provides no detail whatsoever to substantiate those figures – for example, no information as to the level of resourcing applied by the ATO and DHS to support those programs.

The Consultation Paper also provides no indication of the extent to which members of SMSFs might benefit from the levies paid by APRA-regulated funds to support the activities of the DHS. (We acknowledge that members of SMSFs will derive little benefit from the non-SuperStream activities of the ATO, as SMSF members are excluded from the lost member regime, and SMSFs are likely to have a low incidence of unclaimed superannuation. Our concerns regarding the benefit that SMSFs derive from the SuperStream component levied only on APRA-regulated funds are noted at 2. above.)

In the absence of more detailed information regarding the cost of the activities undertaken by the ATO and DHS, it is difficult for industry to ascertain the reasonableness of the proposed collection. ASFA strongly recommends that detailed information of this nature be included in the 2015-16 CRIS.

3.2 Activities undertaken by ASIC

As noted at 3.2 above, the Consultation Paper indicates that from 2015-16 onward, full cost recovery will be applied for superannuation-related activities undertaken by the ATO and DHS. While the Consultation Paper also notes that the levies to fund the activities of ASIC have not, to date, been collected in a manner wholly consistent with the CRGs, it does not indicate any proposed changes to the collection of levies in respect of ASIC for 2015-16.

⁸ The Treasury: Response Paper, op. cit., p. 2

⁹ Treasury: Proposed Financial Industry Levies, op. cit., p. 1

We note that in its Final Report, the FSI recommended that a full cost recovery model be adopted for ASIC¹⁰, but provided very little information as to the potential implications of such a model for regulated industries. In our response to that recommendation¹¹, ASFA indicated that we support, in principle, adequate and appropriate funding for ASIC, and we support the notion that all regulated industries should contribute to that funding via levies. However, we note that the superannuation industry already makes a substantial contribution toward the cost of its regulation by ASIC, via the allocation ASIC receives from the supervisory levies collected from APRA-regulated funds.

By process of deduction, \$10.1 million¹² of the \$28.2 million proposed ASIC component for 2015-16 levy is to be recouped from APRA-regulated superannuation entities. As is the case for the activities conducted by the ATO and DHS (see 3.2 above), no information has been provided to enable stakeholders to understand the manner in which the funding allocation for ASIC has been determined. In ASFA's view, it has certainly not been demonstrated that this allocation is inadequate to ASIC's regulatory activities in relation to superannuation.

We note our comments at 1. above regarding the lack of transparency and accountability around the process by which levies are determined, allocated between regulatory agencies, and utilised by those agencies. In our view, issues of transparency and accountability will be critical in the context of any future discussion of an alternate funding model for ASIC.

Recommendation 3:

- a) The CRIS to be published by APRA by 30 June 2015 should include sufficient information for stakeholders to ascertain the appropriateness of the proposed levy collections to recover the costs of activities undertaken by the ATO and DHS.
- b) Prior to any decision being made regarding adoption of a full cost recovery model for ASIC, Treasury should undertake to release information that is sufficiently detailed as to enable stakeholders to understand the costs incurred by ASIC in respect of each regulated industry and ASIC's current and future resourcing needs in relation to those industries.

4. Funding of the SCT

While the Consultation Paper notes¹³ that part of the levy collected on behalf of ASIC is used to defray the costs of operation of the SCT, it does not allocate a specific amount for that purpose. This is consistent with the approach taken in last year's consultation paper, but is a marked departure from earlier years when the consultation paper clearly indicated an amount of the ASIC component of the levy that was intended to provide funding for the operation of the SCT.

ASFA is of the view that the provision of specific and adequate funding to the SCT via the ASIC component is critical. ASFA is concerned that the level of funding provided to the SCT on an ongoing basis is not adequate to ensure that it can effectively deal with the volume of complaints received, within an appropriate timeframe.

¹⁰ Financial System Inquiry: Final Report, November 2014, recommendation 29

¹¹ ASFA: Response to the Financial System Inquiry Final Report, op. cit., p. 44-45

¹² This figure is approximate - the itemised figures in the breakdown for superannuation on page 13 of the Consultation Paper do not sum precisely to the total provided.

¹³ Treasury: Proposed Financial Industry Levies, op. cit., p. 7

We note that the SCT received an additional funding allocation in the May 2013 Budget, which allowed it to establish a 'Special Projects Complaints Resolution Team' to address a specific backlog of unresolved complaints. While the SCT has reported good progress in addressing that specific backlog, it has noted that funding to support that team was for a two-year period (2013-14 – 2014-15)¹⁴ only.

Notwithstanding the outcomes of this special project, ASFA members continue to raise with us their concerns regarding the time taken for the SCT to resolve complaints, which raises an obvious inference regarding the adequacy of the SCT's ongoing funding. The SCT is a service of critical importance to APRA-regulated superannuation funds and their members, and the time taken to resolve complaints is an issue which impacts on consumers' confidence in the superannuation system.

In this respect we note that ASFA members are reporting increased activity within some parts of the legal profession such that fund members are being actively encouraged to pursue litigation in respect of a benefit entitlement (particularly in relation to claims for insured disablement benefits) instead of following their fund's usual benefit claim and complaints process. The outcome of that claims and complaints process would typically involve a dissatisfied member complaining to the SCT and having their complaint heard without cost and without the need for legal representation. In contrast, where a member engages legal representation and pursues a claim through the courts, the costs involved may in some cases represent a material portion of any benefit ultimately paid out. ASFA, and our members, are deeply concerned that adopting this course may lead to sub-optimal outcomes for many fund members.

One of the reasons cited by some legal practitioners and law societies for the increased trend toward litigation is the time taken for fund members to achieve a resolution of their complaint through the SCT. ASFA accordingly urges ASIC and Treasury to urgently consider the adequacy of the funding provided to the SCT to ensure that it can conduct its ongoing operations in an effective and efficient manner, and fulfil its purpose of ensuring accessible, timely and fair resolution of complaints.

Recommendation 4:

- a) The amount of funding allocated to the SCT from the ASIC component of the 2015-16 supervisory levy should be separately identified.
- b) Treasury and ASIC should urgently review the SCT's funding needs to ensure it is adequately resourced to address its workload and meet its statutory objectives.

5. Stability of regulator funding – Financial System Inquiry recommendations

The Final Report of the FSI recommended that the regulators be provided with greater stability as to their funding, by adopting a three-year funding model¹⁵. In our response to this recommendation¹⁶, ASFA agreed that adoption of a three-year funding model would provide the regulators with much needed stability, and would allow them to plan their regulatory activities with more certainty.

However, we also noted and strongly endorsed the comment by the FSI Committee that regulatory costs "should be borne by those contributing to the need for regulation". ASFA considers that the fees paid by, and the levies collected from, the superannuation industry are appropriate for the level of regulatory services it receives.

¹⁴ Superannuation Complaints Tribunal, Annual Report 2013-14, p. 28

¹⁵ Financial System Inquiry: Final Report, op. cit., recommendation 28

¹⁶ ASFA: Response to the Financial System Inquiry Final Report, op. cit., p. 41-43

Accordingly, should a three-year funding model be adopted in future, ASFA does not consider that there should be any net increase in the level of regulatory charge imposed on the APRA-regulated superannuation industry.

Recommendation 5:

A three-year funding model for regulators should be adopted as recommended by the FSI, however this should not result in any net increase in the level of regulatory charge imposed on the APRA-regulated superannuation industry, given the substantial sums already recouped via the supervisory levy.

6. Minimum and maximum amount for the restricted component

ASFA agrees with the conceptual basis for making the distinction between the types of activities covered by the restricted and unrestricted component.

The setting of a minimum and maximum amount for the restricted component makes sense – a number of the costs of prudential supervision are fixed and those which are variable are not in direct proportion to fund assets. However, care needs to be taken to ensure that the minimum and maximum amounts are determined on an appropriate and equitable basis, and that they reflect the actual minimum and maximum costs of supervising entities, without cross-subsidisation.

In particular, while we note that the Consultation Paper proposes a small increase in the minimum amount for the restricted component for a superannuation fund (from \$590 to \$1,000), it is not clear that the total levy paid by some smaller funds would in fact cover the cost of prudential supervision of those funds. Further, ASFA members have noted that while table 16 of the Consultation Paper shows a general decrease in levies paid by superannuation funds with differing asset bases since 2013-14, these do not appear to reflect economies of scale for larger funds – the proportion of the decrease in levies is significantly lower for the larger funds.

ASFA has, in a number of previous submissions on the levies, noted the lack of transparency around the calculation of the maximum levy amount. The Treasury Response Paper acknowledged industry's concerns that the annual consultation papers provide little explanation of the rationale for the setting of the minimum and maximum amounts, and indicated that the CRIS to be produced by APRA would provide more transparency regarding the calculation of the minimum and maximum amounts¹⁷. We note that the CRIS published in late June 2014 did not in fact include any such information.

Recommendation 6:

- a) There needs to be a clear and transparent methodology underpinning the basis on which the minimum and maximum amounts for the restricted component are set each year.
- b) Both the CRIS to be issued by APRA, and the annual consultation papers, should include meaningful detail about the manner in which these amounts have been determined.
- c) The minimum and maximums should strive to reflect the actual minimum and maximum costs of supervising the entities in the relevant industries.

¹⁷ Treasury: Response Paper, op. cit., p. 8

7. Timing of annual consultation papers

The ANAO Audit Report and the Treasury Response Paper noted stakeholders' concerns that the consultation period for proposed levies was insufficient to allow industry to provide considered responses. The ANAO Audit Report recommended that Treasury and APRA "provide additional time and opportunities for stakeholders to participate in the annual levies consultation process"¹⁸.

Industry was afforded 14 business days to respond on this year's Consultation Paper. This is slightly longer than the average of 10 business days noted by the ANAO, but in ASFA's view a minimum 4 week consultation period is generally required to allow a fully considered response. A longer period would be necessary when any significant change to the levy methodology was proposed.

Both the ANAO Audit Report and the Treasury Response Paper noted that the short period between the release of the Commonwealth Budget in May and finalisation of the levy determinations before the start of the next financial year constrains the potential consultation period. The ANAO Audit Report urged Treasury to endeavour to release the consultation paper on, or shortly after, Budget night if there are no fundamental changes to the levy arrangements. Treasury has conceded that "there may be scope to release the annual consultation papers closer to the release of the Budget"¹⁹.

The ANAO Audit Report further noted that:

- (i) Treasury could consider recommending to government that the setting of levies be moved to another time of year, to enable an extended consultation period.²⁰
- (ii) In a more fundamental change, an opportunity could be created for APRA, Treasury and relevant stakeholders to meet periodically outside the levies cycle to broadly consider and discuss levies and resourcing matters.²¹

ASFA strongly supports these suggestions and would welcome the opportunity to participate in discussions outlined at point (ii).

We note that the absence of any detailed information regarding the move to full cost recovery for the DHS and ATO activities makes it difficult to assess whether there has in fact been a change to the underlying levy methodology for 2015-16, or simply an increase in the quantum of levies to be collected using an unchanged methodology.

Recommendation 7:

- a) Treasury should recommend that Government changes the time at which levies are set, to enable an extended consultation period, and engage with stakeholders on levies matters outside the levies cycle.
- b) In the meantime, Treasury should ensure that the annual consultation paper is released with, or as soon as possible after, the Budget, to maximise the consultation period.

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¹⁸ Australian National Audit Office, op. cit., recommendation 1(a), paragraph 2.51

¹⁹ Treasury: Response Paper, op. cit., p. 6

²⁰ *ibid.*, paragraph 2.18

²¹ *ibid.*, paragraph 2.16

If you have any queries or comments in relation to the content of our submission, please contact Senior Policy Adviser, Julia Stannard, on (03) 9225 4027 or by email jstannard@superannuation.asn.au.

Yours sincerely

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