

SUBMISSION

Submission to the
Australian Accounting
Standards Board: ITC 54 -
Post-implementation
Review of *AASB 1056*
Superannuation Entities
and *Interpretation 1019*
The Superannuation
Contributions Surcharge

10 November 2023

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The Australian Accounting Standards Board
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Lodged online via the “Current Projects – Open for Comment” page of the AASB website

10 November 2023

Dear AASB

ITC 54 - Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge (Consultation)

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this feedback in response to your consultation on ITC 54 - the *Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge*.

ABOUT ASFA

ASFA is a nonprofit, non-partisan national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$3.3 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing over 90 per cent of the 17 million Australians with superannuation.

GENERAL COMMENTS

Thank you for the opportunity to provide feedback on the Consultation.

Our member organisations have indicated that, from a technical standpoint, they have no concerns with the application of AASB 1056, nor with the application guidance in Appendix B accompanying AASB 1056.

They have also noted from their observation of General-Purpose Financial Statements (GPFS) prepared by Australian superannuation entities, that there is a great level transparency and comparability resulting from the application of the AASB 1056 requirements.

SPECIFIC COMMENTS

Our member organisations have provided the following comments with respect to specific topics included in ITC 54.

Topic 1: Level of sub-fund reporting

Members are of the view that sub-fund reporting is not aligned to the objective of providing information that is useful to members and users of superannuation entities' GPFSs.

They believe that including detailed information on sub-funds could create confusion for super fund members and users of the GPFS when it comes to understanding the overall performance of the entity and make it difficult to compare the GPFSs of superannuation entities. Furthermore, the preparation and audit of GPFSs that include sub-fund information would impose increased costs, that would be borne by the members of the entity and may not produce a commensurate benefit.

Topic 2: Statement of changes in member benefits

The statement prepared by superannuation entities to align to the AASB 1056 requirements includes key movements of the defined benefit liability balance, provides useful information to the users of the GPFS and members, and gives a basis for comparison with other superannuation entities.

In addition, quantitative and qualitative disclosures are included in the GPFS which provides users with information on key drivers relating to 'net changes in defined benefit'.

Our member organisations have indicated that any requirement to disclose additional line items in the statement of changes in member benefits will be of little additional benefit to users but, due to the need to source additional actuarial information, will result in higher costs.

Further, our member organisations have noted that, under AASB 1056, current and deferred tax directly relating to items that are credited or charged to member liabilities (e.g. tax on contributions) are presented in the statement of changes in member benefits. By way of contrast, income tax expense and/or tax benefits relating to those items is included and presented in the income statement.

As the tax disclosures - and the amounts to which they relate - are not aggregated in the financial statements, it is necessary to add the components in order to determine the fund's overall effective tax rate. This potentially may lead to readers of the financial statements misinterpreting the effective tax rate.

Topic 3 Classification/disclosure of revenue and expenses

Member organisations have indicated that AASB 1056.9 and AASB 1056.AG29 are clear and specific on the classification and disclosure of key income and expenses line items by superannuation entities when preparing their GPFS.

In accordance with the requirements of Regulation 2.10 of the *Superannuation Industry (Supervision) Regulations 1994*, specific expenses incurred by the trustee on behalf of the superannuation entity are also included in the superannuation entity's Annual Members' Meeting (AMM) Statement, which includes an itemised list of expenditure with respect to related parties, marketing and sponsorships. This information is made available to all superannuation entity members one week prior to the AMM.

Any requirements to disclose specific expenses in the GPFS that already are disclosed in the AMM Statement will create duplication of information and result in unnecessary costs to members. Furthermore, as part of Phase 2 of the APRA Super Data Transformation Program, in the coming months APRA is expected to issue further reporting requirements with respect to related parties.

Our members have suggested that the AASB should revisit proposed revenue and expense reporting changes to AASB 1056 after the International Accounting Standard Board (IASB) releases its new IFRS accounting standard that potentially could replace IAS 1. The new standard aims to provide further clarity on the categories of revenue and expenses required to be disclosed in the statement of profit and loss, as well as general principles for aggregation and disaggregation of information in financial statements, expected to be effective for periods commencing on or after 1 January 2027.

Topic 6: Subsidiaries

Our member organisations have indicated that the presentation of consolidated financial statements for superannuation entities using the four-column format, and including investment management and service subsidiaries that are not material, will increase the difficulty of interpreting the financial information, be confusing for users and members and increase the risk of misinterpretation.

This is especially the case where members and the users of GPFs are interested in the overall performance of the superannuation entity. Member organisations have submitted that the concept of a 'consolidated' and an 'unconsolidated' view is not very practical and will add little useable information for members and other users of the GPFs.

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Should you have any queries with respect to this, please contact me on (03) 9225 4021 or via fgalbraith@superannuation.asn.au.

Yours sincerely

Fiona Galbraith
Director, Policy