

**Senate Select Committee on
Superannuation and Financial Services**

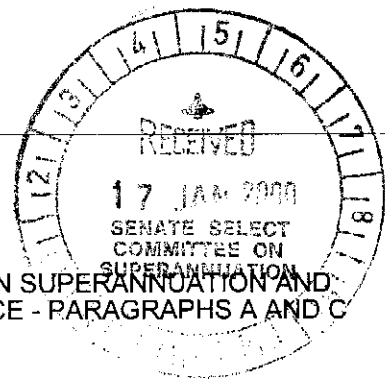
**Main Inquiry
Reference (a) + (c)**

Submission No. 8

Submittor: Mr David N. Coogan
Institute of Chartered Accountants
Level 16
330 Elizabeth Street
MELBOURNE VIC 3000

Nugent, Greg (SEN)

From: Susan Orchard [imojs@enternet.com.au]
Sent: Wednesday, 5 January 2000 3:00 PM
To: superannuation senate committee (E-mail)
Cc: Keith Reilly (E-mail); David Coogan (E-mail)
Subject: SUBMISSION TO SENATE SELECT COMMITTEE ON SUPERANNUATION AND FINANCIAL SERVICES ON TERMS OF REFERENCE - PARAGRAPHS A AND C



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Please find attached The Institute of Chartered Accountants of Australia's submission to the Senate Select Committee on Superannuation and Financial Services.

Regards
Susan Orchard
Superannuation Technical Consultant
The Institute of Chartered Accountants in Australia

5 January 2000

The Secretary
Senate Superannuation and Financial Services Select Committee
Parliament House
Canberra ACT 2600

SUBJECT: SUBMISSION TO SENATE SELECT COMMITTEE ON SUPERANNUATION AND FINANCIAL SERVICES ON TERMS OF REFERENCE - PARAGRAPHS A AND C

This submission is made by The Institute of Chartered Accountants in Australia (The Institute). The Institute is one of Australia's peak professional bodies and our members represent many of Australia's peak business and finance professionals. These members act as advisors and key decision-makers in all facets of the superannuation industry.

The submission below represents the views of The Institute and has been prepared based on input from a variety of members in their capacity as employers, trustees, service providers and fund members of funds of all sizes.

The submission addresses paragraphs (a) prudential supervision and consumer protection for superannuation, banking and financial services and (c) enforcement of the Superannuation Guarantee Charge of the Committees terms of reference.

PRUDENTIAL SUPERVISION AND CONSUMER PROTECTION FOR SUPERANNUATION, BANKING AND FINANCIAL SERVICES

1. Consumer Protection

The Institute of Chartered Accountants in Australia support to a large extent the underlying policy objectives of the proposed regulatory framework for financial products contained in CLERP 6. We have provided our feedback on the proposed amendments to the consumer protection regime in our submission to the Treasury Financial Service Project Team.

2. Prudential Supervision

APRA Supervision

Superannuation funds supervised by APRA vary in size from small funds with a single member to funds with thousands of members. The common denominator of funds with less than 5 members is that they have an approved trustee appointed which provides administration and reporting services. A common feature of the larger funds is that there is an independent administrator who performs administration on behalf of the funds. The administrator not only provides administration services but also assists trustees in managing the fund in accordance with legislative requirements. This includes the provision of advice and information on legislative change and complying manual and automated systems.

We have considered the approach proposed by APRA for the supervision of conglomerates and believe that a similar risk based approach could be applied to the supervision of funds with approved trustees and larger funds administered by an administrator. This would involve a review of the processes applied by the administrator on a global basis with a reduced scope review of the individual funds administered. This will assist with keeping the costs of regulation down while ensuring members assets are protected. We understand that this type of approach has been used by APRA in the past.

Auditors

The Institute sees the role of the auditor as an important part of the regulatory framework for superannuation funds and supports the ongoing co-operation between the profession and the regulator.

The Institute believes that a systems based approach can be applied to the audit of APRA small funds which use the same trustee, systems and trust deed. This will assist in the control of the costs associated with the administration of these funds.

ENFORCEMENT OF THE SUPERANNUATION GUARANTEE CHARGE

1. ANAO Report 16 1999-2000

The Institute agrees in principle with the recommended improvements to the Superannuation Guarantee contained in the Australian National Audit Office Audit Report.

2. Change in payment frequency

There have been a number of recommendations from industry participants that the SG contribution frequency be reduced from yearly to monthly. The Institute does not support these calls as we believe this will be difficult to achieve for many small and medium size businesses. We feel that the provisions of the SG Act which enable quarterly remittance of contributions should be implemented if a more frequent remittance schedule is adopted.

We invite you to consider the issues above and would appreciate the opportunity to further explain issues raised in this submission. Should you wish to discuss any of the matters raised further, please do not hesitate to contact me on (ph) 03 9286 8732, (fax) 03 9286 8165, (email) david.n.coogan@au.arthurandersen.com <mailto:david.n.coogan@au.arthurandersen.com>, or Susan Orchard on (ph) 03 9555 4079, (fax) 03 9555 4084, (email) imojs@enternet.com.au <mailto:imojs@enternet.com.au>.

Yours sincerely

David N. Coogan
Chairman National Superannuation Committee
The Institute

5 January 2000

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Senate Superannuation and Financial Services Select Committee
Parliament House
Canberra ACT 2600

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