Senate Select Committee on Superannuation and Financial Services

Main Inquiry
Reference (a)

Submission No. 63

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25 JUL 2000

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21 JUL 2000
Senate Superannuation & Financial Services Committee

Ref: TB.APRA002.lj

17 July 2000

Senator John Watson
Chairman
Senate Superannuation and Financial Services Select Committee
Parliament House
CANBERRA ACT 2600

Dear Senator

SMALL APRA FUNDS (SAF's)

I have previously copied you in on submissions we have made on behalf of our clients in relation to the more onerous requirements placed upon them now that "excluded funds" is not a category of fund within SIS.

Attached for your update and information is a recent submission to APRA in relation to the type of reporting that is now (we believe inadvertently) required for these small funds. Such reporting is not required for SMSF's.

Yours faithfully,

Tony Brain

Tony Brain
Director – Superannuation Assurance and Advisory Services

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Ref: nburns.misc.4108.doc

6 July 2000

Mr Keith Chapman
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Dear Keith

Small APRA Funds – Regulation 8.01A

It has recently come to our attention that as a result of changes to SIS via Superannuation Legislation Amendment Act 3, small APRA funds (SAF's) are now required to prepare Statements of Cash Flows commencing with the 30 June 2000 reporting period.

We recently raised this matter with Louis Serrett of your office and felt it would be beneficial to summarise our main reasons for suggesting change in this area.

It is our view and shared by a number of our clients that the requirement to prepare a Statement of Cash Flows is both not required under Australian Accounting Standards and also not relevant to this type of fund as elaborated below:

a) **Australian Accounting Standards (AAS).**

Under Australian Accounting Standards a Statement of Cash Flows for a fund with only a few related members would not normally be required.

This is because AAS's allow preparers of financial statements to prepare special purpose financial statements where it is reasonable to expect there are no users of those statements who will be relying on these statements and the information contained within. This usually means those users are obtaining all necessary information via other sources and can generally command their information requirements.

It is our view that SAF's and the members within usually receive all such information via the existing reporting that is provided by most Approved Trustees.

Deloitte Touche Tohmatsu

6 July 2000

b) **Relevance**

One should also look at what is relevant when preventing financial information. Members of SAF's are principally interested in:

- investment performance and related transactions; and
- member balances

The Statement of Cash Flows does not add any further information of relevance.

In relation to accounting disclosure SAF's are no different to Self Managed Superannuation Funds (SMSF's). SMSF's are not required to prepare a Statement of Cash Flows.

In our experience that SAF members are all related just as must be the case for SMSF members. SAF members have simply chosen a more sophisticated style of "mum & dad" fund arrangement. The fact that the Trusteeship is with a more sophisticated arrangement, in our view actually means the quality and regularity of the member reporting is improved compared to a SMSF.

We would see any change being easily facilitated by:

- An APRA release exempting SAF's from Statements of Cash Flow; and/or
- Changing the exemptions within SIS so that funds with less than five members were no longer required to prepare Statements of Cash Flows.

We would appreciate your consideration of this issue. For our clients the matter is of some urgency as with the tighter reporting requirements in place, they need to reconfigure accounting systems to meet the cash flow requirements. This reconfiguration would not be a simple matter for most due to significant IT demands arising from other recent changes such as GST, CGT, PAYG, etc.

We suggest this is an opportunity for APRA to be seen to be responding to industry concerns and needs without compromising the prudential framework.

Please do not hesitate to contact either of Richard Rassi (02) 9322 7676 or Tony Brain (03) 9208 7149 to discuss further if you require.

Yours sincerely

Richard Rassi
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Tony Brain
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