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10 November 2023

Australian Accounting Standards Board (AASB)
Email: standard@aasb.gov.au
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Dear AASB,

RE: AASB Invitation to Comment (ITC) 54 relating to Post-implementation Review of AASB 1056 *Superannuation Entities* and Interpretation 1019 *The Superannuation Contributions Surcharge*

Aware Super welcomes the opportunity to provide feedback on AASB's invitation to comment on the Post-implementation Review of AASB 1056. We support AASB's objective of assessing whether AASB 1056 remains appropriate and whether Interpretation 1019 is still relevant in achieving a transparent and comparable financial reporting information from application of these standards.

Our feedback on five of the topics is provided below:

Topic 1: Level of reporting and sub-fund reporting

We believe the existing requirement in AASB 1056 is sufficient and that the disaggregation of the data at the sub-fund level would unnecessarily complicate reporting, leading to additional cost, without adding value to users of the financial statements.

Funds generally disaggregate their reporting between defined contribution and defined benefit segments where applicable. Further disaggregation of the risks and benefit arrangements within these two categories would be largely irrelevant to the users of the financial statements as a whole. To provide relevant information, fund members already receive tailored information on the performance and risks of their holdings in investment options via statements (periodic and exit), which are supported by the relevant product disclosure statements.

Further, if sub-fund reporting was required, the cost of preparing the additional reporting would ultimately be borne by members which would not be aligned to the 'Best Financial Interest Duty' as it would not provide any additional relevant information to members that they don't already receive.

In addition, differences in the interpretation of what constitutes a "sub-fund" could lead to inconsistent reporting, hindering the comparability of information across funds.

Topic 2: Statement of changes in members benefits

The statement of changes in members benefits provides information of how balances attributed to members change within the Fund. The current disclosures, that are based on application guidance paragraphs 18-20, already provide clear and transparent report on how changes in members' benefits are determined and allocated, thereby making information easy to compare with other superannuation entities.

Topic 3: Classification/disclosure of revenue and expenses

The current reporting requirements are fit-for-purpose, with AASB 1056 currently providing clear guidance on the classification and disclosure of income and expenses item, making information across the industry comparable and easy for users to understand.

Separately to the requirements under AASB1056, trustees are required to provide itemised expenses to members as part of the Annual Member Meeting (AMM) reporting requirements, and to Australian Prudential Regulation Authority (APRA) as part of the recently introduced forms under the Superannuation Data Transformation project. Further, APRA is currently consulting on proposals to publish this expense data captured as part of the APRA reporting forms which would make the information transparent to broader stakeholders.

Therefore, requiring further disclosure in the statutory financial statements would duplicate the existing expense reporting requirements, resulting in additional cost which would ultimately be borne by members and therefore would not be aligned to the 'Best Financial Interest Duty'.

Topic 4: Fair value asset and liability measurement

The current requirements under AASB1056 with regards to the fair value measurement of assets and liabilities are appropriate. As noted in the consultation paper, the challenge around the timing of the fair valuation of assets are not unique to AASB1056 and equally impact entities applying AASB 13 *Fair Value Measurement*.

In addition, APRA have been active in issuing a revised prudential standard and practice guidance in respect to Investment Governance (Superannuation Prudential Standard 530) which provides further clarity for trustees to ensure valuation practices are appropriate.

Topic 6: Subsidiaries

The current practice under AASB1056 of accounting for “operating" subsidiaries (that is, subsidiaries that provide services to funds that are not in the nature of investments) is appropriate. The current requirement takes into consideration the materiality of the subsidiaries which are typically immaterial at the fund level. Therefore, if the exception was removed and funds were required to prepare line-by-line consolidations for these subsidiaries, it is unlikely to that the reporting would be significantly different from the current single-line consolidation performed currently.

Further, funds are already required to disclosure relevant information to users via the related party disclosures in the financial statements. Therefore, requiring a line-by-line consolidation would incur additional cost that would ultimately be borne by members. Given the unclear benefit, this would therefore not be aligned to the ‘Best Financial Interest Duty’.

Yours sincerely,

James Osborn
Deputy Chief Financial Officer