

What's new in superannuation reporting?

Reporting update
26 July 2023, 23RU-10



New reporting and auditing requirements for registrable superannuation entities effective from 1 July 2023

Highlights

- Who are in scope
- What are the reporting requirements
- What are the auditing requirements
- What are your next steps

New reporting and auditing requirements

From 1 July 2023, Registrable Superannuation Entities (RSEs) are subject to the financial reporting and auditing requirements in Chapter 2M of the Corporations Act.

RSEs are required to:

- prepare financial report, annual directors' report, and remuneration report (collectively "reports") in accordance with the Corporations Act;
- lodge the reports with ASIC within 3 months from reporting year end; and
- make the reports publicly available on the RSE's website.

The remuneration report applies to the key management personnel (KMP) of the RSE. Information about the compensation of each KMP such as how compensation is determined and details about any share-based payments is also included in the remuneration report.

The RSE licensee appoints an individual auditor, audit firm or audit company to perform an audit of RSE's financial report and remuneration report in accordance with Australian Auditing Standards.

RSEs also have the obligation to retain financial records for seven (7) years.

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New financial reporting and auditing requirements

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July 2023

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What's the issue

- From 1 July 2023, Registrable Superannuation Entities (RSEs) are subject to the financial reporting and auditing requirements in Chapter 2M of the Corporations Act.
- For purposes of Chapter 2M of the Corporations Act 2001, RSEs include:
 - ✓ Regulated superannuation funds
 - ✓ Approved deposit funds
 - ✓ Pooled superannuation trusts

Self-managed superannuation funds, exempt public sector superannuation schemes, excluded approved deposit funds and small APRA funds are not RSEs for Chapter 2M reporting purposes.



What's the impact

- RSEs are required to prepare and lodge the annual financial report, the directors' report for the year and the auditor's report of the financial report and the remuneration report with ASIC. These reports are to be made publicly available on the RSE's website.
- The directors' report includes the remuneration report. The remuneration report applies to the key management personnel of the RSE.
- The RSE licensee appoints an individual auditor, audit firm or audit company to perform an audit of RSE's financial report and remuneration report in accordance with Australian Auditing Standards.
- RSEs have the obligation to retain financial records for seven (7) years.
- Failure to comply with financial reporting and record keeping obligations is considered an offence.



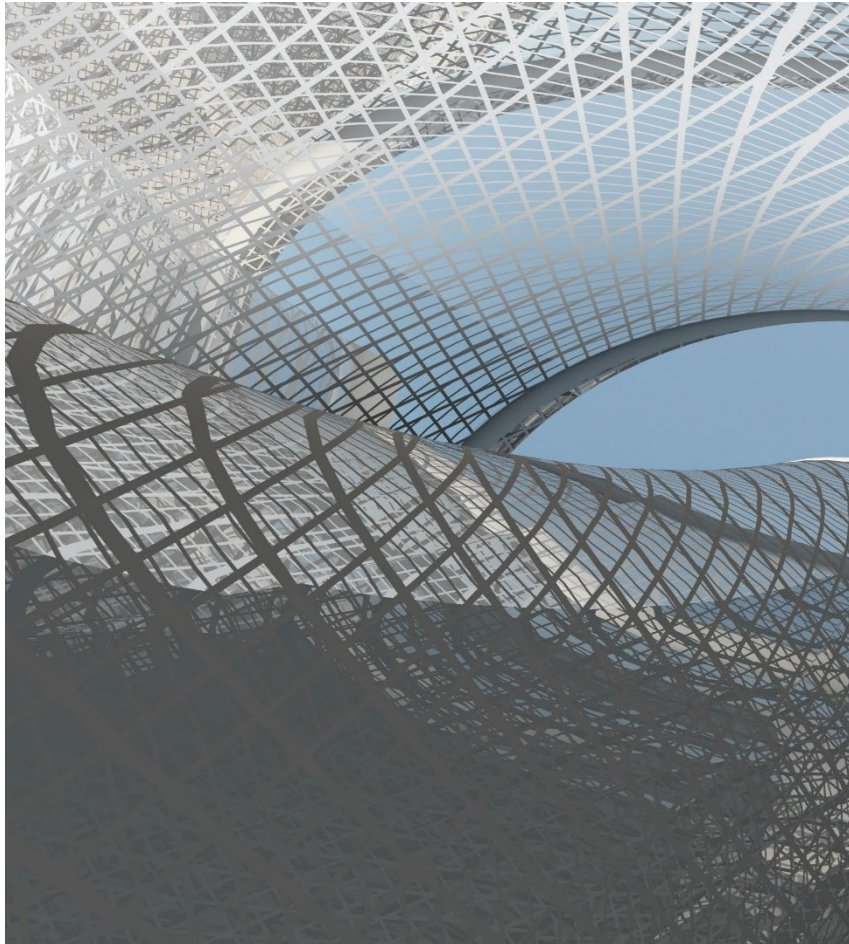
What's next

- Identify information gaps to prepare for reporting for annual periods beginning on or after 1 July 2023 under the Corporations Act.
- Implement systems, processes, and controls to capture any new information needed to comply with new reporting requirements.
- Identify directors and key management personnel of the RSE.
- Implement mechanisms to ensure compliance with reporting deadlines and information is available publicly within the relevant required timeframes.
- Prepare pro-forma of new reports (e.g. remuneration report).

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What's in this publication

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Who are in scope?

02

What are the reporting requirements?

03

What are the auditing requirements?

04

What are your next steps?

01 Who are in scope?

- ▶ Under Schedule 6 to the *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* (the Act), registrable superannuation entities (RSEs) are now subject to the financial reporting and auditing requirements in Chapter 2M of the Corporations Act, which are the requirements applicable to public companies and registered schemes. Schedule 6 also repealed certain SIS Act provisions and regulations mainly to avoid duplication.

- ▶ The amendments will apply to:

- ✓ regulated superannuation funds
- ✓ approved deposit funds
- ✓ pooled superannuation trusts

- The amendments will **not** apply to:

- ✗ exempt public superannuation schemes
- ✗ excluded approved deposit funds
- ✗ small APRA funds
- ✗ Self-managed superannuation funds

- ▶ The financial reporting and audit requirements will be **effective for financial years commencing on or after 1 July 2023**.

For RSEs with 30 June financial reporting year end, the first annual report to be lodged with ASIC and made publicly available will be for the year beginning 1 July 2023.

02 What are the reporting requirements?

● High ● Moderate ● Low
Extent of change

RSEs are required to prepare and lodge the annual **financial report**, the **directors' report** for the year and **the auditor's report** with ASIC. These reports are to be made publicly available on the RSE's website.

▶ Financial report ●

The financial report for a financial year consists of:

- The financial statements for the year
- The notes to the financial statements, and
- The directors' declaration on the financial statements and the notes.

What is a Directors' Declaration?

It is a resolution of the directors on whether in the Directors' opinion:

- there are reasonable grounds to believe the RSE will be able to pay its debts as and when they become due and payable
- the financial statements and notes comply with Australian Accounting Standards and the Corporations Act 2001 and give a true and fair view of the financial position and the performance for the financial year.

This declaration is dated on the date the resolution is made and is signed by a director.

Who is a director?

Section 345AAC of the Corporations Act defines "director of a registrable superannuation entity" as:

- If the RSE licensee for the entity is a constitutional corporation or a body corporate – a director of the constitutional corporation or body corporate; or
- If the RSE licensee for the entity is a group of individual trustees – each of those trustees.

02 What are the reporting requirements?

● High ● Moderate ● Low
Extent of change

▶ Annual Directors' Report ●

The Annual Directors' Report will include information about:

- review of operations and the results of those operations;
- details of any significant changes in the state of affairs;
- principal activities and any significant changes in the nature of those activities during the year;
- details of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect:
 - i. operations in future financial years; or
 - ii. results of those operations in future financial years; or
 - iii. state of affairs in future financial years;
- likely developments in operations in future financial years and the expected results of those operations;
- remuneration report;
- independence declaration under section 307C of the Corporations Act; and
- payments to the auditor for non-audit services.

▶ Remuneration report ●

The remuneration report is separately and clearly identified as such in the Annual Directors' Report, consistent with the requirements of Part 2M.3.04 and Section 300C of the Corporations Act.

The requirement to prepare the remuneration report repeals the requirement in 29QB of the SIS Act which requires certain remuneration information of executive officers or individual trustees of an RSE licensee be made publicly available on an RSE's website.

Who are key management personnel?

The Corporations Act refers to the definition in Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

02 What are the reporting requirements?

● High ● Moderate ● Low
Extent of change

▶ Remuneration report ●

The remuneration of each KMP member is disclosed separately. The following is an illustrative remuneration table for payments and benefits.

Key Management Personnel	Short term				Post-employment benefits		Other long-term employee benefits	Termination benefits	Share based payments
	Cash salary, fees and short-term compensated absences	Profit sharing and other bonuses	Non-monetary benefits	Other short term employee benefits	Pension and superannuation benefits	Other post-employment benefits			
Director 1	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx
Director 2	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx
Chief Executive Officer	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx
Chief Financial Officer	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx
Chief Investment Officer	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx
Other members of KMP	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx	\$xx

The table includes any payment, benefit or compensation received by the KMP relating to work performed for the RSE from any related party of the RSE .

The Act also requires the disclosure of consideration received by a newly appointed KMP for agreeing to hold the KMP position.



A KMP may receive remuneration based on the price or value of shares or units of the RSE licensee or a related body corporate of the RSE licensee in relation to services provided as a KMP of the RSE. Such share-based payments should be included in the remuneration report.

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02 What are the reporting requirements?



▶ Remuneration report ●

Corporations Regulations 2001 2M.3.04 includes detailed disclosure requirements for the remuneration report. This includes:

Terms and conditions

Where a KMP has been granted a cash bonus, performance-related bonus or share-based payment compensation, terms and conditions of each grant are also disclosed in the remuneration report. Information includes:

- grant date
- nature of compensation granted
- service and performance criteria used to determine the amount of compensation
- percentage of the bonus or grant that was paid or vested
- percentage of the bonus or grant that was forfeited by the member
- financial years for which future bonus or grant will be payable if the member meets the service and performance criteria
- estimates of the maximum and minimum possible total value of the bonus or grant (other than option grants) for future financial years.

Other disclosures

There are many detailed disclosure requirements.

For example, if during the year, a contract for services was negotiated between the RSE licensee and a KMP, information to be disclosed include:

- a) how the amount of compensation was determined; and
- b) how the terms affect compensation in future periods.

Another example is where an amount attributable to the service of a KMP is paid to an organisation or entity rather than to the KMP, disclose:

- a) the amount paid; and
- b) the name of the organisation or entity.

Details about share-based payments arrangements is also disclosed, where applicable.



The details in the remuneration report are to be determined in accordance with the requirements of any relevant accounting standards.

02 What are the reporting requirements?

● High ● Moderate ● Low
Extent of change

▶ Relevant sub-plan information ●

The Act also requires the trustee to make certain information relating to the RSE and any relevant sub-plan of the RSE publicly available on the RSE's website. This includes (not exhaustive):

- current trust deed
- governing rules
- rules relating to the nomination, appointment and removal of the trustee or a director of the trustee
- most recent actuarial report for each defined benefit fund including every defined benefit sub-fund in a defined benefit fund
- most recent Product Disclosure Statement, Supplementary Product Disclosure Statement or Replacement Product Disclosure Statement
- most recent Financial Services Guide
- register of relevant interests and the register of relevant duties provided by the trustee to the RSE
- if the trustee is a body corporate—the constitution of the body corporate.

▶ Record keeping ●

The Act amends the SIS Act requiring an RSE licensee to retain accounting records for a period of seven years, rather than five years. This amendment is not intended to have retrospective effect, and therefore applies to accounting records relating to a year of income beginning on or after 1 July 2023.



The Annual Directors' Report, audited financial report and auditor's report are required to be lodged with ASIC within 3 months from financial year end.

The reports and other fund information are made publicly available on the website within the relevant timeframe required by the Corporations Act for such information, on or after the day on which the reports are lodged with ASIC.

03

What are the auditing requirements?

● High ● Moderate ● Low
Extent of change

▶ Financial report and remuneration report are subject to audit ●

Auditing obligation

The RSE licensee appoints an individual auditor, audit firm or audit company to perform an audit of the financial report and remuneration report.

Auditor's reporting obligations

The auditor has an obligation to:

- issue an audit report of the financial report and remuneration report;
- report suspected contraventions of the Corporations Act to ASIC, including when the financial position of the RSE may be, or may be about to become, unsatisfactory;
- report suspected contraventions of the SIS Act to APRA; and
- publish an auditor transparency report.

The auditor confirms its independence in relation to the audit through the *Auditor's Independence Declaration* under section 307C of the Corporations Act.

▶ Independence and rotation requirements apply ●

The RSE and the appointed auditor are required to comply with the independence and rotation requirements in the Corporations Act which are largely consistent with APRA's auditor independence and rotation requirements.

What is in scope of the auditor's report?

The auditor forms an opinion on:

- whether the financial report is in accordance with the Corporations Act, including whether it complies with the accounting standards and gives a true and fair view of the entity's financial position and performance
- the auditor has been given all information, explanation and assistance necessary for the conduct of the audit
- the RSE licensee has kept financial records sufficient to enable a financial report to be prepared and audited
- the RSE licensee has kept other records and registers, as required by the Corporations Act
- whether the RSE remuneration report complies with the requirements under the Corporations Act.

04 What are your next steps?

► Increase capability of existing reporting systems, processes and controls to enable timely compliance with new reporting requirements

- Incorporate the new reporting requirements into existing reporting systems, processes and controls to ensure mechanisms are in place to support timely compliance with new requirements.

For example, preparation of remuneration reports generally involve the coordination between finance (i.e. typically the preparer of annual reports including the remuneration report) and human resources (i.e. owner of information about remuneration and remuneration arrangements).

► Identify and address information gaps

- Assess the new requirements against existing reporting requirements, and identify, for example, reports that will be prepared for the first time. Some reports may require information that is not currently captured.

For example, determination of who are the KMPs of an RSE may require judgement.

If the directors of the RSE licensee or trustee are considered KMP of the RSE, determining the remuneration of the KMP is likely to require an allocation of fees paid to the RSE licensee or trustee. The fees paid to the RSE licensee or trustee generally include compensation for all services provided to the RSE, including compensation for the role of KMP.

Get in touch

If you have any questions, speak with your KPMG team.

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