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Stronger Super Consultation,  
SMSF Working Group,  
Mr. Graham Meyer,

Via e-mail: [StrongerSuperSMSFs@treasury.gov.au](mailto:StrongerSuperSMSFs@treasury.gov.au)

Dear Mr. Meyer,

**RE: SMSF AUDITOR REGISTRATION**

I wish to make a submission in relation to the ASIC registration for SMSF auditors.

By way of background, I have personally specialised in SMSF auditing through a dedicated SMSF audit practice for the past 8 years, and prior to that I have worked on SMSF audits since commencing in a chartered accounting firm in 1993.

Please find below a summary of my thoughts on each particular topic:

**1. Competency Requirements**

You note in the issues paper that the ATO identified a number of auditors who had files with little or no evidence that an audit was performed. I do not believe increased competency requirements will deter these auditors. These are professional, educated auditors who have chosen not to prepare an audit file. I would have thought that this situation would warrant disqualification by the ATO, and severe disciplinary action by the relevant professional body, and I'm hoping the ASIC registration process is not designed to address the worst performing auditors (where no audit is done).

The ASIC registration process and focus on improved competency should address the lack of knowledge in the legislative requirements and independence issues raised by the ATO.

On page 4 of the issues paper, I note the following options:

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### Option 1

This option proposes the requirement that an SMSF auditor must be a registered company auditor along with the requirement to attend an SMSF course run at a post graduate level. To my knowledge being a registered company auditor does not make you competent in undertaking an audit of a SMSF. Of course it would go without saying that a registered company auditor should have a good understanding of the auditing standards and related requirements, however compliance with applicable legislation makes up a significant portion of the expertise required to audit a SMSF.

I don't believe attending a training course will provide sufficient knowledge on the legislative requirements alone to allow a registered company auditor to carry out the audit of a SMSF in isolation.

I don't believe that being a registered company auditor would improve SMSF auditor competency.

The key to achieving improved competency is experience. Training is a requirement of course to keep abreast of changes and requirements, however to ensure an auditor is competent in a particular field, they must be experienced in that field.

### Option 2

This option proposes that an auditor must have a minimum relevant tertiary qualification which includes an audit component, satisfy an ASIC approved competency test and attend an SMSF course run at a post graduate level.

This would reduce the current minimum requirements for SMSF auditors, which requires not only a minimum relevant tertiary qualification, but membership to one of the relevant professional bodies. To allow an individual who has completed a university degree with an audit subject to be eligible to sit an ASIC approved competency test would reduce the quality of auditors, not improve it.

As noted above, I do not think attendance at an SMSF post graduate course would provide sufficient understanding of the legislation applicable to allow a university graduate to undertake a SMSF competently, professionally and in compliance with Australian auditing standards.

The key to achieving improved competency is not to reduce the minimum education requirements.

### Option 3

This option again requires minimum tertiary qualifications, which as noted above is a reduction in the education requirements when compared to the current minimum SMSF approved auditor requirements.

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I believe an hours based test to ascertain if an applicant has relevant experience in working on SMSF audit files is a very relevant test to have. Consideration should be given to both minimum hours and the level of work required in those minimum hours (such as the hours spent in a manager role or partner role for example).

I believe the current minimum education standards should be retained, and not lowered. If the objective is to increase competency, then lowering the education standards will not achieve this.

The key to ensuring only competent auditors are ASIC registered is to ensure they have adequate experience in auditing SMSF.

## **2. Eligibility Requirements**

### **Insurance**

I agree that insurance should be a minimum requirement to be eligible to audit SMSF.

Consideration must be given to how a tertiary qualified individual will obtain insurance for SMSF audits when they are not a member of a professional body.

### **Residency**

Whether the signing partner is a resident to me has no impact on the quality of work being performed, as the audit work may very well have been undertaken offshore.

Perhaps if residency is an issue or concern, then a requirement could be introduced that audit work is undertaken only in Australia.

### **Fit and Proper**

I agree with points one to eight.

I'm not sure the suggested requirement to have up to date taxation returns for the auditor bears any correlation between that task and the ability to carry out an audit of an SMSF competently.

I don't necessarily agree that a non-lodged personal taxation return means you are no longer a fit and proper person.

## **3. Information to be Provided at Registration**

I have no comment on the suggested administrative requirements, other than those noted above.

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#### 4. Continuing Professional Development Requirements

Our current CPD requirements, if complied with, should provide adequate training to ensure auditors remain competent and up to date.

To improve competency, it comes down to policing these CPD requirements. By actively policing the requirements, this will encourage those auditors not meeting their CPD requirements to ensure they do.

#### 5. Auditor Registration Fees

Without knowing what the planned or proposed fee will be, I can not really comment. I accept there will be a fee to implement and manage the ASIC SMSF auditor registration, however I'm hoping it will be commercially set and reflective of the process.

I don't believe auditors who do the right thing now should be overly burdened with excessive registration fees and additional requirements.

The registration process should be designed to encourage those auditors not complying with existing requirements to comply.

#### 6. Transitional Period

I believe a six month registration period is acceptable, although ASIC will need to have sufficient resources to ensure the application assessment does not take an excessive amount of time. Applicants should not have to endure lengthy delays and should be informed on when they can expect an answer from ASIC on the success, or otherwise, of their application.

Consideration should be given to the time frame for an application that may be rejected to ensure the applicant has sufficient additional time to meet the requirements.

Consideration should also be given to grounds for reapplying where an auditor has been disqualified or deregistered.

#### 7. Annual Reporting

The suggestion that auditors must submit an annual compliance certificate appeared burdensome initially, however on reflection, this requirement would ensure ongoing CPD hours are maintained, and should assist in maintaining the standards the ASIC registration process is trying to achieve on an ongoing basis, rather than in just the initial registration period.

I don't believe a rolling calendar year registration process will increase the need for reminder notices. If an auditor requires a reminder notice, it won't matter that the registration process is a rolling 12 month period or a rolling calendar year period.

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**8. Access to the Register**

I have no objection to the list of ASIC approved auditors being made public. If it is made public I believe it will strengthen the importance of the registration process and inform SMSF trustees on who can undertake their audit.

**9. Rejection of Application/Deregistration**

As long as there is due process for reviewing and assessing applications, at which point presumably any rejection would be substantiated by valid reasons, then I have no issue with the rejection process.

For any deregistration / disqualification again I would expect due process, and that consideration be given to all relevant factors before a decision is made.

I would expect there to be a set criteria of requirements against which the review of an auditor's behaviour or work would be assessed, and there would be known factors that would result in the penalty of disqualification.

I believe there needs to be a range of penalties to make the regulation fair and workable.

**10. Independence**

It has been noted that independence will be raised in a separate issues paper to be discussed at a later point, and I would like to be kept informed of the release of this paper.

I would however like to initially comment that independence is a significant issue where SMSF audits are concerned, and the recommendation in the Cooper Review that auditors be independent of other services provided by partners within the firm would go a long way to improving independence and therefore the competency with which an audit is done.

I understand the frustration of experienced practitioners and registered company auditors and the perception (and perhaps the reality) that the requirements to audit a SMSF will be stricter than the competency and experience required to audit a listed company. However we must remember that the audit of the listed company is always done in compliance with the requirements, and great care is taken by those auditors in ensuring they are independent and competent, and that the audit of the listed company is done correctly. Unfortunately the same can't be said for all SMSF auditors, hence the need for improved competency.

**In Summary:**

I agree that auditor competency needs to be improved. I don't believe lowering the education requirement will achieve the outcome of improved competency.

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I appreciate that it is a challenge to increase competency when we already have in place ongoing minimum training in audit and SMSF specific courses for SMSF auditors.

To me, the answer to improve competency in this area is to require minimum experience combined with ongoing training, and to police it further. There must be penalties for those auditors who are failing the existing professional requirements.

Unfortunately a poor auditor can still satisfy the proposed ASIC registration requirements, pass a competency test and meet the minimum training requirements. But they will not be competent. Some auditors will still choose to do a substandard job. To improve an auditors desire to increase their competency and comply with the requirements, there must be a sufficient penalty to deter poor behaviour.

I believe appropriate penalties for failing the current obligations will result in improved competency, without the need for overly costly and time consuming registration requirements.

If you have any questions regarding the above, or would like to discuss my position or comments in further details, please don't hesitate to contact me. I am extremely keen to be involved as much as possible in the discussion and design of the ASIC registration process.

Yours faithfully,



**Belinda Aisbett**  
Director  
Super Sphere Pty. Ltd.

*Liability limited by a scheme approved under Professional Standards Legislation.*

