



SMSF Working Group

Issues paper on Approved Auditor Registration

March 2011

ISSUES

The Government announced that it will implement registration for SMSF approved auditors. The Australian Securities and Investments Commission (ASIC) will be the registration body and will be responsible for determining the eligibility, competency and independence requirements for registration. The Australian Taxation Office (ATO) will be responsible for policing the requirements and reporting any contraventions to ASIC for action.

Auditors play a crucial role in the regulation of the SMSF sector and, consequently, it is necessary that SMSF approved auditors have a high standard of competency. The Government recognises that many SMSF approved auditors have the skills and experience to produce high quality and accurate SMSF audits. However, when the ATO have undertaken compliance checks of high risk auditors they have identified areas of concern.

Issues that the ATO have identified with a number of auditors include:

- little or no evidence that an audit was performed;
- failing to adequately deal with independence obligations; and
- lack of knowledge in relation to the *Superannuation Industry (Supervision) Act 1993* and professional obligations.

The objective of auditor registration is to raise the standard of SMSF audit competency and ensure there are minimum standards across the sector. Registration will identify, formally recognise and enable the provision of tailored support to those SMSF approved auditors that are currently producing high quality audits. It will force those that lack the competency to conduct an SMSF audit to raise their standards or cease conducting SMSF audits.

It is acknowledged that professional associations may have a role to play in the auditor registration process. However, the purpose of this issues paper is to establish the foundations of auditor registration, including eligibility, competency and reporting requirements. Professional association involvement will be discussed at a later stage.

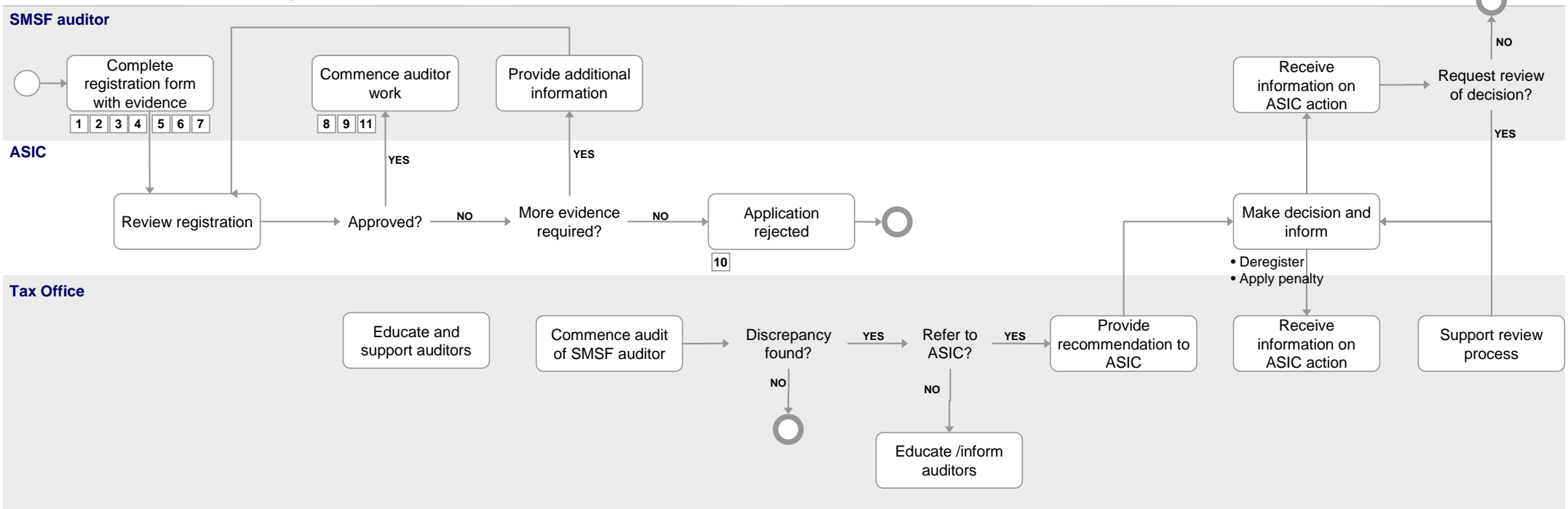
The issues papers sets out a proposed model for SMSF auditor registration, including option for discussion. In particular, feedback is sought on:

- competency requirements;
- eligibility requirements;

- information to be provided at registration;
- Continuing Professional Development (CPD) requirements;
- transitional period;
- annual reporting;
- access to the register; and
- rejection of application/deregistration.

A separate issues paper will be prepared on auditor independence and will be discussed at a later meeting.

SMSF auditor registration and review process



For consultation...

- 1 Competency requirements
- 2 Eligibility requirements
- 3 Information to be provided at registration
- 4 CPD requirements
- 5 Auditor registration fees
- 6 Transitional period
- 7 Professional associations involvement
- 8 Annual reporting
- 9 Access to register
- 10 Rejection of Application/Disqualification
- 11 Auditor independence

7 Professional associations involvement
A discussion paper will be issued at a later date

8 Annual Reporting
Approved auditors must submit an annual compliance certificate that includes:

- CPD hours, including how many on superannuation;
- declaration of fit and proper status;
- proof of PI insurance; and
- declaration of awareness of independence requirements and agreement to abide by them.

How many CPD hours should be required, including how many on superannuation?

9 Access to register

Questions to guide the design of the register:

- How much detail is needed to correctly identify an auditor?
- What search functions should there be?
- Is there access to this register offline e.g. can they ring ASIC and request a hard copy of the register?
- Will system display registration number?

10 Rejection of Application/Disqualification
ASIC will reject an application where the applicant does not meet the initial requirements and will advise the applicant of why their application was unsuccessful. Applicants may reapply. (N.b. ASIC will have to look carefully at any re-applications for inconsistencies)

ASIC may suspend, impose additional education requirements on or disqualify an approved auditor where:

- they are no longer fit and proper;
- have performed an unsatisfactory audit; or
- don't meet ongoing CPD or annual reporting requirements.

ASIC will issue a 'show cause' notice to auditors before reregistering.

11 Auditor Independence
A discussion paper will be issued at a later date

SMSF auditor registration requirements

Option 1: Registered company auditors

- Registered Company Auditor; and
- attendance at an SMSF course at the post-graduate level run by a Registered Training Organisation (RTO)

Option 2: Relevant tertiary qualifications

- Relevant tertiary qualifications (accounting, commerce) which include an audit component; and
- ASIC approved competency test; and
- attendance at an SMSF course at the post-graduate level run by an RTO

Option 3: Hours of audit work done

- Relevant tertiary qualifications (accounting, commerce) which include an audit component; or recognised prior learning (RPL); and
- Hours based test to be determined; and
- attendance at an SMSF course at the post-graduate level run by an RTO.

Other requirements

Requirement	Information required at registration
Professional Indemnity (PI) insurance;	Proof of PI insurance or letter from employer stating that they are insured (where the firm self-insures);
Australian resident;	Proof of residency
Fit and proper, including: <ol style="list-style-type: none"> 1. No disqualification as SMSF trustee; 2. No disqualification as registered company director; 3. No cancellation or suspension as a registered company auditor; 4. No criminal conviction for dishonesty offences; 5. No banning from the financial services regime; 6. No disqualification as an SMSF approved auditor 7. No bankruptcy in the last three years; 8. No disqualification as Tax Agent or Registered Tax Practitioner; and 9. Up to date on tax returns. 	Declaration of fit and proper status for all, plus: <ul style="list-style-type: none"> • police check for dot point 4 • TFN and ABN for dot point 9

Questions for working group:

- How should prior learning be recognised?
- Is 1,000 hours over three years of audit experience appropriate?
- Can PI insurance be obtained outside a professional association?
- What recognised prior learning (RPL) should be recognised for registration requirements?

Administrative requirements

- Name
- Date of birth
- Country of birth
- Current residential address (not PO box)
- Current place of employment (not PO box), including name of employer
- Valid email address
- Phone details
- Role in their workplace

Registration, registration fee, annual fee and annual compliance certificate

REGISTRATION AND REGISTRATION FEE PERIOD

ANNUAL FEES AND ANNUAL COMPLIANCE CERTIFICATES

TRANSITIONAL PERIOD - SIX MONTH PERIOD FROM 1st JULY 2012:

The diagram shows a timeline from JAN 2012 to JAN 2013. Months are represented by boxes: F, M, A, M, J, J, A, S, O, N, D. A dark brown bar labeled 'REGISTRATION PERIOD' covers the months from July to December. A light brown bar labeled 'REGISTRATION FEE PERIOD' covers the months from July to January.

DESCRIPTION: The applicant has six months to make an application and pay the registration fee from 1st July 2012 until the 1st January 2013. A set fee will apply within that period.

OPTION ONE - ROLLING 12 MONTH REGISTRATION EXAMPLE:

The diagram shows a timeline from JAN 2012 to JAN 2013. Months are represented by boxes: F, M, A, M, J, J, A, S, O, N, D. Dark brown bars labeled 'REGISTRATION (ANNUAL COMPLIANCE CERT. REQUIRED)' are staggered, starting in July, August, September, and October. Light brown bars labeled 'REGISTRATION FEE (ANNUAL FEES REQUIRED)' are also staggered, starting in August, September, and October.

DESCRIPTION: Once applicant has registered, they are required to provide their annual compliance certificate and pay their annual fees on a specific date.

PROS: Easier to follow up on late annual fees and annual compliance certificates. More stable population.

CONS: Applications would all arrive at the same time and thus there would be a big work load.

OPTION TWO - ROLLING CALENDAR YEAR REGISTRATION EXAMPLE:

The diagram shows a timeline from JAN 2012 to JAN 2013. Months are represented by boxes: F, M, A, M, J, J, A, S, O, N, D. Dark brown bars labeled 'REGISTRATION (ANNUAL COMPLIANCE CERT. REQUIRED SEP)' are staggered, starting in August, September, and October. Light brown bars labeled 'REGISTRATION FEE (ANNUAL FEES REQUIRED SEP)' are also staggered, starting in September, October, and November.

DESCRIPTION: Once applicant has registered, they have the ability to provide their annual compliance certificate and pay their annual fees within a rolling 12 months.

PROS: A distributed flow of applications throughout the year.

CONS: Difficult to follow up on late annual fees and annual compliance certificates. Increases need for reminder notice.

Questions for working group:

- Is six months an appropriate transitional period?
- What occurs if an auditor misses their submission of annual fee or annual compliance certificate? Do they need to re-apply for registration? Is there a late fee? When would ASIC take them off?
- What should be the deadline for lodgment of the annual compliance certificate – 1 January or anniversary of registration?
- Would rolling 12 month registration prevent registration throughout the year? Is fee is pro-rated for part year?

