



ABN 32 002 876 208

## Association of Taxation and Management Accountants

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### **Regulations relating to audits of SMSFs**

The Association of Taxation and Management Accountants (ATMA) in general supports the draft Regulations for self managed superannuation funds (SMSF) auditor registration released on 15 October 2012, by Treasury for public comment.

We welcome the opportunity to comment on the draft Regulations and we generally endorse the Governments review of this area.

The ATMA does not propose to make a detailed submission on all the draft regulations. Instead the ATMA has decided to make comment on the draft regulations that will impact on our members

The ATMA has the following comments to make.

#### **Approved auditors - Professional Accounting Bodies**

The draft Regulations at Schedule 1 [3] define an approved auditor and refer to Division 2 of Part 9.2 of the Corporations Act 2001. The final commentary is found in Regulation 2AC Australian Securities and Investments Commission Regulations 2001 (ASIC Regulations) to mean:

*"2AC Professional accounting bodies*

*For the definition of professional accounting body*

*in subsection 5 (1) of the Act, the following bodies are prescribed:*

- (a) CPA Australia;*
- (b) The Institute of Chartered Accountants in Australia;*
- (c) National Institute of Accountants".*

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#### ***The Small Business Professionals***

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Discussions at the Superannuation Reform Working Party indicated that the definition for an approved auditor would make reference to the approved auditors – professional organisations listed in the Superannuation Industry (Supervision) regulations 1994 at Schedule 1AAA (SIS Regulations Schedule).

It was the ATMAs understanding that the regulations would allow suitably qualified and experienced accountants who are not members of a RTAA to become registered SMSF auditors. It was our belief that the proposed regulations would open up the registration not only to the named bodies in the existing SIS Act but also to those non member persons who had previously been excluded under the SIS Act.

The draft regulations do exactly the opposite and exclude anyone who is not a member of the named 3 major professional bodies. We do not believe that this was the Governments intention.

The draft Regulations as currently drafted excludes the ATMA from meeting the requirements of the “approved auditor” definition. We recommend that the Government amend the definition for an approved auditor and to make reference to the SIS Regulations Schedule 1AAA and not the ASIC Regulations. Furthermore, we believe the ATMA as a current body approved under the SIS Regulations should be automatically included in this new legislation.

Please note that the 3 major Professional Accounting Bodies listed in the SIS regulations and the ATMA have been approved by the Professional Standards Council (PSC) and are also Registered Tax Agent Associations (RTAAs) with the Tax Practitioners Board (TPB) and yet the ATMA has been treated differently in the Regulations relating to audits of SMSFs.

The ATMA met all the conditions of the ATO (as the Regulator) in relation to the “Approved SMSF Auditor” requirements. The ATMA produced a course specifically to train those ATMA members who wished to become “ATMA Approved SMSF Auditors” This educational program was available not only to ATMA members but also to members of other professional associations. This program was well regarded within the profession and the ATMA was the first professional association to be approached by SPAA to be an approved educator to potential SPAA members. The ATMA was the first professional association to have its SMSF Auditor Workshop accredited by SPAA.

In order for an ATMA member to become “An ATMA Approved SMSF Auditor” under the current provisions a person must be:

1. A Member or Fellow of the ATMA
2. Completed an ATMA Public Practice Certificate (PPC) Workshop
3. Completed an ATMA SMSF Approved Auditor Workshop (every 3 years)
4. Hold professional indemnity insurance (1\$ million minimum)
5. Maintain the existing ATO Competency Requirements

The ATMA considers because the ATMA is an approved professional association under the existing system regulated by the ATO together with the fact that the ATMA is an approved association listed in Schedule 1AAA of the SIS Act that the ATMA should be included in the new regulations.

The 3 major accounting bodies and the ATMA have all adopted the mandatory requirements of the Accounting Professional and Ethical Standards Board (APESB) as set out in APES 110 Code of Ethics for Professional Accountants.

The ATMA and the 3 major accounting bodies are all subject to the requirements of the Professional Standards Council (PSC).

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For admission to the ATMA at the membership level of "Member" or "Fellow" a person must have completed an accounting degree program at an Australian University of at least 3 years duration. The program should include a course in audit.

The ATMA does not seek recognition for members that have completed a Certificate in Accounting from TAFE or a Registered Training Organisation. These members are admitted as "Associates" and are required to complete an upgrade program in order to advance in status within the ATMA. This level of membership is usually for the less experienced applicants and as such the ATMA does not consider this level of membership suitable for registration as a SMSF auditor under the proposed regulations.

New applicants to the ATMA may be eligible for admission at the "Associate" level and be required to complete some additional units at a tertiary institution in order to advance to "Member" or "Fellow" status within the ATMA. These units could include, audit procedures, tax administration, small business management, advanced tax planning, superannuation administration.

The ATMA has recently received approval from the Professional Standards Council (PSC) for the introduction of an approved scheme for limited liability. The expected commencement date is 1st January 2013.

The ATMA is in full agreement with Regulation (A.03 Continuing professional development requirements).

The ATMA is in full agreement with Regulation 9A.05 Auditor independence requirements.

#### ***Professional Indemnity Insurance***

As per the draft Regulations all SMSF auditors must have professional indemnity insurance. The draft Regulations prescribe a level of at least \$500,000.

The ATMA is of the view that a low level of coverage is prescribed in the Draft Regulations. The Tax Practitioners Board, the Professional Standards Council, and most Professional Associations prescribe a level of coverage of at least \$1 million.

The ATMA recommends that the level of coverage be increased to at least \$1 million to bring the draft Regulations into line with other Government authorities, Professional Associations and the Professional Standards Council (PSC).

The ATMA agrees with Regulation 9A.04 Professional indemnity requirements with the exception that the level of cover should be raised to a minimum of \$1 million.

#### **Conclusion**

If you wish to discuss this submission please do not hesitate to contact the writer on 02 9579 2256.

Yours faithfully



On behalf of ATMA  
Robert Duncan  
President ATMA