

31 October 2012

Ms Louise Lilley  
Benefits and Regulation Unit  
Personal and Retirement Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

By email: [strongersuper@treasury.gov.au](mailto:strongersuper@treasury.gov.au)

Dear Louise,

### **Exposure Draft regulations – SMSF Auditor Registration**

CPA Australia and the Institute of Chartered Accountants in Australia (“the Institute”) welcome the opportunity to make the following comments in relation to the draft regulations for SMSF auditor registration.

CPA Australia and the Institute represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

CPA Australia and the Institute are broadly supportive of the measures contained in the draft regulations. However, we make the following comments to ensure the best outcomes are achieved and help enable a smooth transition into the new SMSF auditor regime.

We also take this opportunity to raise our ongoing concerns regarding the non-provision of registrant’s details to the professional bodies to which they belong. We believe the provision of this information is a vital measure to ensure the success of the new SMSF auditor regime. The professional bodies are best placed to provide targeted communication and education to their members and drive audit quality across the board. Without these details, we may be hindered in our activity which ultimately may impact on the government’s objectives of ensuring high quality audits of SMSFs.

If you have any questions regarding this submission, please do not hesitate to contact Paul Drum (CPA Australia) at [paul.drum@cpaustralia.com.au](mailto:paul.drum@cpaustralia.com.au) or Liz Westover (the Institute) at [liz.westover@charteredaccountants.com.au](mailto:liz.westover@charteredaccountants.com.au).

Yours sincerely



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## Specific comments

### Part 9 A – Approved SMSF auditors

#### 9A.01 – Qualifications

CPA Australia and the Institute are supportive of the qualification requirements set out in this draft regulation.

There are however a number of points we would make in relation to this.

- 1) Any amendment or addition to the study of audit requirement, as set out in the regulations would need to be clearly demonstrable as being of an equivalent content and level to those currently referred to in the regulations. That is, a *course of study* would be required that is the equivalent of a University graduate or post-graduate level. It would not be appropriate to include any qualification that was not backed by a mandatory course of study.
- 2) We suggest amendment of the wording of the draft regulations to reflect an “accounting or related” degree. We note that referring to an accounting degree may be too narrow a requirement. The majority of our collective members would have undertaken a commerce, business, economics or finance degree which we consider to be appropriately ‘related’ for membership purposes. Amending the words to include “or related” will ensure it is clear that these types of degrees are appropriate for the purposes of these regulations also.
- 3) We support the use of the ASIC discretionary powers to accept other qualifications (or combination of qualifications) to demonstrate satisfactory education. However, we make the point that such discretionary powers must be in relation to a qualification associated with a course of study.
- 4) As the foundation educational requirement, we believe broad study of audit is appropriate. We do not believe that this should be narrowed to SMSF audit only. The three professional accounting bodies require their members to undertake specific SMSF audit training prior to commencing SMSF audit activity.
- 5) We take this opportunity to reiterate that we expect a reasonably significant number of our members will be seeking the ASIC discretionary powers to meet this requirement. Many experienced members who attained their qualification at a time when it was not mandatory may not have studied audit, or hold a university degree.

#### 9A.02 – Practical experience

The draft regulations state that the required 300 hours of practical experience must be under the direction of an approved SMSF auditor. While we support the requirement for *sign off* by an approved SMSF auditor, the draft regulations may be problematic, particularly in the transitional phase. It may prove difficult for the entire period to be supervised by a person who is an approved SMSF auditor. At present there are no approved SMSF auditors to be supervising other auditors. Therefore, during the transitional phase, the 300 hours would be contingent on the registration date of the supervisor, rather the person seeking recognition for their experience.

We suggest the wording be amended to reflect that supervision may involve a time period when the supervisor was not an approved SMSF auditor but they were at the time of signing off.

There is a risk that not clarifying this situation may result in a significant time lag in new auditors entering the registration regime. With a growing number of SMSFs seeking audit services and an expected decline in the number of available auditors as a result of the new registration regime, it will be important to ensure there are no inappropriate obstacles preventing new auditors being able to register.

#### 9A.03 – Continuing professional development requirements

CPA Australia and the Institute support the need for ongoing professional development. CPAs and Chartered Accountants are professionally obliged to meet CPD requirements consisting of 120 hours per triennium. As part of the competency requirements for SMSF auditors, members carrying out

SMSF auditors must undertake specific superannuation and audit training as part of their overall CPD requirements.

Specifically, they must meet the following training requirements:

Initially (prior to conducting SMSF audits)	Undertake a course in the audit of SMSFs Typically this course is one day in duration and covers auditing standards, auditing procedures and superannuation compliance issues.
Ongoing	30 hours per triennium (as part of overall 120 hours) comprising the following as a minimum: <ul style="list-style-type: none"> <li>• 8 hours of superannuation training (not necessarily just SMSF audit)</li> <li>• 8 hours of financial statement or compliance audit training</li> <li>• 4 hour of financial accounting training</li> </ul> The balance to be made up from any of these categories as necessary.

We believe the above requirements are the appropriate standard for SMSF auditors across the industry. These standards were introduced for members of the three professional accounting bodies in July 2008 and currently apply to 95% of all SMSF auditors. We encourage regulations to reflect the standards already in place to further avoid any confusion or misunderstanding.

We appreciate the intention of the draft regulations to include a specific eight hour requirement for SMSF audit. However, we believe that the requirements outlined above provide a more balanced approach allowing auditors flexibility to seek training opportunities that better reflect their own professional needs. For example, the Joint Accounting Bodies' requirements include eight hours for compliance audit training. While most auditors will seek to meet this requirement in the SMSF specific field, they may also require broader audit training in matters that are not necessarily SMSF specific, such as materiality, engagements, verification, audit standards, independence, valuations etc. Furthermore, the specific nature of the eight hours SMSF audit training requirement proposed in the draft regulations may restrict the auditor's ability to undertake appropriate training across matters in the broader superannuation industry.

We make the observation that commentary from within the industry, including the regulators often refers to the focus of auditors needing to be on SIS compliance issues – we believe that the existing CPD requirements for our members provide better flexibility to accommodate this focus. A requirement for specific SMSF audit training may not provide the appropriate flexibility.

We believe that in order to facilitate a smoother transition to the SMSF auditor regime, the use of the existing competency requirements for CPD is warranted. We do not believe there is a compelling reason to move away from this requirement particularly, as ASIC is expected to broadly adopt these competency requirements as the competency standard for SMSF auditor registration.

In relation to clause (4), we would suggest calendar year be amended to financial year to better align with other requirements in the accounting and finance world.

#### 9A.05 – Auditor independence requirements

CPA Australia and the Institute are supportive of the legislative requirements to adhere to APES 110 Code of Ethics for Professional Accountants. This standard is already a requirement for our members and we believe it appropriate for application to all auditors in the SMSF industry regardless of their membership of a professional accounting body.

**Division 14.1 – Transitional arrangements arising out of *Superannuation Laws Amendment (Capital Gains Tax Relief and Other Efficiency Measures) Act 2012***

*14.01 – Applications as approved SMSF auditor before 1 July 2013*

CPA Australia and the Institute support the inclusion of Registered Company Auditors in the transitional arrangements for registration prior to 1 July 2013. We note that RCAs who are members of the three professional accounting bodies are still required to meet the competency requirements for SMSF auditors, including educational and CPD requirements.