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Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Jimmy Chee Kheong Chong
15A Steyning Way
WESTMINSTER WA 6061

Dear Sir/Madam,

Response to government's proposal for three yearly audit cycle for some self-managed superannuation funds.

1. How are audit costs and fees expected to change for SMSFs that move to three-yearly audit cycles?

The audit fees are not expected to be reduced by this proposal. It will take the same amount of time for auditors to perform the work whether it on yearly basis or every three years. In my opinion this is a dumb proposal and potentially dangerous and over-complicating a process that has always been simply auditing the financial statements and Self-managed Annual Return (SAR) prepared by an accountant/trustee every year. If the auditor had any questions, we can email the accountant and they still can remember what happened in this particular transaction because it is fresh in their memory. Moving to a three year cycle, it will probably take a longer time because the accountant has to go through three years of his/her workpapers and files to respond to the auditor's query. Not only it increases accounting fees, it potentially takes longer to complete the audit because the auditor has to pick up the audit file again, find the point where the audit is left off, regain the flow of thought and understanding if the transaction is a contravention or not. Why change a system if it is not broken? If trustees want cheaper audit fees, they can shop around and search the internet for SMSF auditors for quotes/rates.

2. ***Do you consider an alternative definition of 'clear audit reports' should be adopted? Why?***

I think the definition of clear audit report is good and simple. The issue I have is letting Trustees self-assess if they qualify for three yearly audit cycle. Some trustees are educated and are financially savvy. However some are not and it worries me these people who have no idea about what they are doing. Especially the self-lodgers who may have cash only but in the next six months decide to lend funds to another entity or invest in a property scam and we don't know that is a contravention until the fund is audited in the third year. If these self-lodgers had accountants preparing the SAR, the accountants could have warned them it is illegal and pass the file to the auditor. But this means extra cost for the Trustees because they have to pay accounting fees on top of audit fees.



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3. What is the most appropriate definition of timely submission of a SAR? Why?

The definition of timely submission of SAR should be 15 May YYYY. Keep it constant and fixed so as not to over-complicate things.

4. What should be considered a key event for a SMSF that would trigger the need for an audit report in that year? Which events present the most significant compliance risks?

- LRBA
- Real property purchase during year
- Commutation and commencement of Pension
- Loans to related parties
- Loans to non-related parties
- Death of member
- Wind-up
- Roll-out member balance

5. Should arrangements be put in place to manage transition to three-yearly audits for some SMSFs? If so, what metric should be used to stagger the introduction of the measure?

How about tagging the self-assessment to funds under \$100,000 in the first year, then under \$500,000 in the second year and \$500,000 plus in the third year. I think certain firms will face staffing issues, job capacity issues and the number of hours need to complete audits. These are unnecessary disruption to their business.

6. Are there any other issues that should be considered in policy development?

What is the goal of this policy? Reduction in fees? If trustees wanted to reduce audit fees, they could shop around and ask for quotes/rates. This three-yearly audit cycle is a farce and making things more complicated for trustees, accountants and auditors. It is more paperwork for trustees to self-assess or accountants helping trustees self-assess if for the three year audit cycle. More time needed to respond to auditor queries because the accountant/trustee could not remember what this transaction is for. More time means more fees.

Please don't hesitate to contact me at [REDACTED] if you have any queries.

Yours faithfully,

Jimmy Chee Kheong Chong CA