HAVE WE NOT LEARNT ANYTHING THAT HAS COME OUT FROM THE ROYAL COMMISSION INTO BANKING? Let us now remove some of the controls we have within the SMSF industry and wait for the train wreck to happen. Fraught with danger.

1. Our past experience of completing multiple year audits proves that compliance costs (audit fees), will increase NOT decrease due to issues obtaining information going back beyond 3-4 years. Especially I do not believe that the SMSF will benefit from any savings of audit fees, because either the auditor will audit 3 years at the one time or only audit one year and qualify the report in relation to brought forward balances, members statements. Providing an audit opinion via a 3 year audit cycle on the compliance of a SMSF fund with regards to SIS and well as taxation legislation is unreasonable given the governments propensity to change legislation in this area. Auditing a fund every three years would attract higher audit fees due overall. There would also be a greater risk of documentation not being available at the time of audit.

2. Specialist SMSF audit firms workflow will be impacted leading to some firms closing down or moving offshore to lower quality and less accountable audits. The remaining firms will have a higher workload and will naturally charge higher fees.

3. Although the number of ACR is below 2% this does not take into account the potential contraventions or errors that are rectified during the audit by Auditors instructing Accountants to amend financial accounts and tax returns. I know in my business it would easily be over 10% of audits (much higher in the case of small Sole Practioner firms). The ATO would be unaware of this and no credit is ever given to the Auditors who are doing the right thing. The current annual contact with between the auditor/trustee/adviser helps to minimise issues and ensure that trustees are educated in a prompt manager thus reducing the risk of non-compliance in the future.

4. Clarification should be made regarding the year ended 30th June 2019 - is this year to be audited as usually or does it form part of the 1st triennial audit?

5. The discussion paper regarding which SMSF funds are eligible and will continue to be eligible for triennial audits is confusing. No doubt this will increase compliance costs. I believe that maintaining the status quo ensures that smaller non-reportable issues are rectified as trustees are advised during the audit each year. I feel that a move to 3 yearly audit cycle will create a larger issue for funds that may have had a small non-reportable issue in the past that could have been rectified earlier.

6. Who decides whether or not a SMSF fund is eligible for triennial audits? Surely not the Trustees as they may an incorrect assessment based on assumed cost saving or cost delaying that is not discovered until the next audit.

5. Regarding the transitional arrangements these should be delayed for another year so the start date is 1st of July 2020 to give stakeholders more time to plan and adjust. Ideally it should be the AUDITORS who decide as it is their workflow that will be seriously impacted.

6. It should also be OPTIONAL to either stay annual or enter triennial audit cycles. Most Accountants that I have spoken to prefer the STATUS QUO.

7. FINALLY the best outcome would be for this proposed legislation that was announced prematurely and without consulting stakeholders, to be revoked. I do not believe the proposed proposed legislation has highlighted what RED TAPE will be reduced and demonstrated item by item how the COMPLIANCE BURDEN on trustees will be reduced. Since when has COMPLIANCE been a burden when it is there to safe guard the members interests. This seems an issue that has totally been forgotten. So, we want to have a mess in the Self Managed Superannuation industry similar to what has been discovered with the Royal Commission Enquiry into Banking?

NOT A GOOD IDEA, YOU ARE PUTTING THE KIDS IN CHARGE OF THE LOLLY SHOP.

Campbell McCart

SMSF Super Auditors

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