Thank you for the paper and the opportunity to respond.

My feedback on your consultation questions are:

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

   Given that all three years still need to be audited, albeit only every 3 years, I expect the cost reduction to be minimal. As an audit process, the costs are already very low. SMSF fees are impacted by Accounting, Admin fees etc, These may be 3 to 4 times higher, yet lodgement of annual returns has not been placed in the same cycle.

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

   Clear audit reports are impacted by materiality guidelines. Many issues may be raised by auditors that do not result in an ACR. The “key event” is that the SMSF sector receives billions of dollars in tax concessions that need to be monitored for a small compliance cost.

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

   Normal tax deadlines should apply.

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?

   A SMSF Trustee is generally someone that needs to rely on their accountants and advisors for 100% compliance. They tend to know what they can and cannot do, however this is also only as good as the advice they receive.

   Compliance risks will regularly occur. However, if these remain undetected, that is unreported by an ACR for many years, the tax avoidance cost could be significant.

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?

   The ability of an auditor to perform the process over 3 years will be complicated and inefficient. Therefore, I believe the audit cost will not significantly reduce.

   However, a suggestion may be to prioritise SMSF that have tax payables in the initial years, followed by those with refunds.

   A staggered approach based on compliance or event is very subjective.

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

   The protection of the governments significant tax concessions sectors is imperative. There are also many other sectors that receive concessions or tax exemptions that have a requirement to be monitored by audit. E.g. the not for profit sector, ACNC audits etc.

   SMSF is a highly complex and specialist area, and reducing the technical specialist service (i.e. the auditors input), will result in greater risk of fraud and error.

Please feel fre to get back to me if anythin above required further clarification.

Regards
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