

Self Managed Super Funds

Email: StrongerSuperSMSFs@treasury.gov.au

31 May 2011

Dear Sir/Madam,

Issues paper on Approved Auditor Registration

We appreciate the opportunity to respond to the Issues paper (the “Paper”) on Approved Auditor Registration in respect of SMSF Auditors.

We are supportive in principle of the introduction of measures relating to registration requirements which aim to improve the competency and skill set of SMSF Auditors and ensure that there are minimum standards across the industry.

The Australian Securities and Investment Commission (“ASIC”) is currently the body that registers registered company auditors (“RCA’s”) and requires RCA’s to submit periodic returns. Many SMSF auditors are also RCA’s. To make the process as efficient as possible and keep the administrative burden to a minimum we strongly recommend that the registration and reporting for both types of auditors be as aligned as possible.

Our specific comments are set out below.

Consistency with Registered Company Audit Requirements

There are a number of scenarios set out in the paper where the proposed treatment may result in inconsistencies and more onerous requirements than those already required by a RCA.

These include:

- The Annual reporting requirement. The proposed components of the annual compliance certificate include CPD hours, declaration of fit and proper, proof of PI and an independence declaration. We believe these requirements should be limited to those required as part of the annual return by an RCA, with emphasis on relevant SMSF experience. In particular, we are not supportive of CPD hours becoming reportable as part of the proposed annual report. CPD hours are a requirement of membership requirements to a Professional Accounting Body and should not be introduced as part regulatory reporting.
- Information recorded on the Register. In our opinion you should be able to search for a registered SMSF auditor either by registration number or by name. If the register is intended to operate differently to the existing RCA register, then we would need to understand the rationale behind its set up before being able to provide further feedback; and
- Late fees where an auditor misses the submission of their annual fee or annual compliance certificate. We also believe this should operate in the same way as for RCA's i.e. that a late fee should apply and the SMSF auditor should not have to apply for registration.

SMSF Auditor registration requirements

The Paper sets out 3 options for consideration, one of which would form the foundation of SMSF auditor registration. We propose the following elements should be considered in order to obtain registration:

1. Relevant tertiary qualifications (accounting, commerce) which include an audit component; and
2. Relevant prior experience of the practitioner measured in # of hours or # of engagements, OR
3. Attendance at an SMSF course at the post-graduate level run by a Registered Training Organisation

We believe that it may be appropriate to "grandfather" experienced auditors who have a level of experience in SMSF audits. This experience could be based on number of SMSF engagement completed or a proportion of their time spent on audits of SMSF's.

We foresee a number of practical issues that will need to be considered as part of the development of the registration process. In particular in relation to the SMSF course. These include:

- It may be impracticable for a Registered Training Organisation to deliver training to the many auditors who will seek registration
- If a training element is introduced consideration will need to be given to the coverage and quality of that training and the assessment of those completing that training
- The development of the training elements would need to take into account the needs of auditors seeking to commence practicing in this area as compared to those who have been practising in the area for many years.

As an additional comment in relation to the proposed ASIC approved competency test as set out under Option 2, we do not support the introduction of such a test. A set of competency requirements for SMSF auditors is currently a mandatory requirement for members of one of the three professional accounting bodies who sign audit reports for SMSF's. In our opinion this test should be continued to be managed by the professional accounting bodies. If ASIC introduced a similar requirement it may result in unnecessary duplication and confusion for practitioners.

Transition Period

We believe the primary consideration around the transitional period should be to allow for sufficient flexibility so that there is an adequate pool of resources available to perform SMSF audits which will depend on the model adopted for SMSF Auditor registration. In addition we are unsure how realistic a 6 month transition period is and whether this may be too short a timeframe to allow for completion of the SMSF Auditor registration process.

We would be pleased to discuss our comments with either yourself or other members of your team. If you wish to do so, please do not hesitate to contact me on (02) 9322 5060.

Yours sincerely,

Deloitte Touche Tohmatsu



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