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ASFA SUBMISSION ON PROPOSED AUASB GUIDANCE STATEMENT: AUDIT IMPLICATIONS OF THE USE OF SERVICE ORGANISATIONS FOR INVESTMENT MANAGEMENT SERVICES

The Association of Superannuation Funds of Australia Ltd (ASFA) is pleased to make this submission to the Auditing and Assurance Standards Board (AUASB) on the Proposed AUASB Guidance Statement: *Audit Implications of the Use of Service Organisations for Investment Management Services* ("Proposed Guidance Statement"), provided for comment on 30 October 2007. This Guidance Statement will eventually replace AGS 1026 *Superannuation Funds - Auditor Reports on Externally Managed Assets*.

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. Our members, which include corporate, public sector, industry and retail superannuation funds, account for more than 5.7 million member accounts and over 80% of superannuation savings.

In this submission, we respond to the three questions posed on page 2 of the 30 October 2007 letter to Pauline Vamos.

Meeting the Needs of User Entities and Auditors

The 30 October letter asks whether the revised reports meet the needs of service organisations, user entities and their auditors.

In our discussions with representatives of the major accountancy and auditing firms there is a general view that the Proposed Guidance Statement better meets the needs of user entities (for example, superannuation fund trustees) and auditors. RSE Licensing by APRA has placed a greater expectation on superannuation fund trustees to be aware of the activities of their outsourced service providers. The proposed Guidance Statement should assist trustees in meeting those obligations.

Operative Date

The 30 October letter asks whether an operative date of reporting periods commencing 1 January 2008 is reasonable.

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ASFA would argue that an operative date for reporting periods commencing 1 January 2008 is not reasonable. This date would not provide time to properly implement any changes required to meet the new standard. The new standard may also impose additional costs on administrators and other service providers. The lack of lead time would have inhibited the ability of clients and service provider to negotiate any additional fees required to cover such costs.

We are aware that there is a more recent proposal to extend the operative a further six months, to reporting periods commencing 1 July 2008.

We would support a delay and would suggest consideration of the IFSA proposal that there be an 18 month transition period for prepare of new Control Reports and that the Guidance Statement has a commencement date of 1 July 2009.

Descriptions and Control Objectives

The 30 October letter asks whether the investment management services described and the minimum control objectives identified for each of those services in Appendix 2, Section B are appropriate.

For the most part, these descriptions and control objectives appear appropriate, though we do make the following suggestions.

1) Page 82 - We would suggest changing "Calculation and payment of benefits to members, beneficiaries and other superannuation funds" to include at the end of the sentence "and/or other third parties where applicable (e.g. financial hardship)".

2) Page 84 - We would suggest changing "Annual member statements issued, to members and Trustees, are accurate and complete and distributed on a timely basis" at D15 to remove the phrase "and Trustees" as they do not receive the member statements.

If you have any questions or comments on this submission, please feel free to me at the ASFA Secretariat on 02 9264 9300.

Yours sincerely,

Dr Brad Pragnell
Director, Policy and Best Practice

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