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1 April 2010

By e-mail

Mr Ian Ross
Director SMSF Auditor Compliance
Australian Taxation Office
Perth

ian.ross@ato.gov.au

Dear Mr Ross,

Re: Review of the self managed superannuation fund independent auditor's report (NAT 11466) publication

ASFA is a non-profit, non-political national organisation whose mission is to advance effective retirement outcomes for members of superannuation funds through research and advocacy. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds as well service providers some of whom deal with self managed superannuation funds (SMSFs) has as members over 90% of the approximately 12 million Australians with superannuation.

Our Constitution requires that we promote and protect the interests of superannuation funds, their trustees and their members. As such we conduct extensive research, engage our membership in debate and offer what we believe is sound public policy which rises above vested interests.

ASFA supports the objective that all Australians should be members of superannuation funds that are appropriate to their needs for retirement savings and which are cost effective. ASFA views SMSFs as a legitimate part of the superannuation landscape.

ASFA along with the Australian Taxation Office (ATO) has been concerned about the quality and skill of some SMSF auditors. Regarding this point ASFA supports the ATO in its efforts to educate and enforce standards upon auditors some of whom audit so few funds a year that continuing professional development is neglected. The ATO's efforts in this regard to take action against under performing SMSF auditors are noteworthy. So too is the ATO's delivery of auditing tools such as e-SAT and publications designed to inform and instruct not just SMSF auditors but the greater SMSF community.

ASFA has the following comments to make in regard the review of the current self managed superannuation fund independent auditor's report.

Commencement date for the new standards

As noted in your e-mail the Australian Auditing Standards Board (AuASB) has introduced some changes to the audit standards that apply from 1 January 2010. While most SMSF audits will only

need to adopt these standards for the financial year ending 30 June 2011, we note that those SMSFs established between 1 January 2010 and 30 June 2010 will need to be audited in accordance with the new standards.

This means that auditors may need to deal with two sets of standards up to 30 June 2010. Although not a huge issue, the instructions supporting the independent auditor's report will need to make this point clearly.

Auditor independence

The ATO's and industry's concerns with SMSF auditor independence are well documented. ASFA has raised this issue on many occasions.

The new standard being applied by the AuASB also includes a new quality control standard (ASQC 1) regarding independence that will be legally enforceable under the Corporations Act. This means that SMSF audit firms will need to obtain written advice from all their staff that are required to be independent, that they have complied with the firm's independence policies and procedures. Audit plans also require documentation that states that ASQC 1 has been complied with.

ASFA supports ASQC 1 and recommends that this new standard be highlighted in the reviewed document.

Should you have any queries do not hesitate to contact Tony Keir, Senior Policy Adviser, on 02 8079 0815.

Yours Sincerely



David Graus
General Manager Policy and Industry Practice