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File Name: **2012/79**

10 December 2012

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Australian Securities & Investment Commission  
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Dear Mr Niven,

Thank you for the opportunity to comment on Consultation Paper (CP 192) *Competency standards for auditors of self-managed superannuation funds*.

### **About ASFA**

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. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds (SMSFs) and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

### **General Comments**

At the outset ASFA supports the reforms around the SMSF sector in particular those that focus on the SMSF approved auditor. Having said as much, ASFA has the following specific comments on the appendix attached to the draft class order:

#### Section A: Client acceptance & retention

- Generally there seems to be an increased level of information that the auditor is required to get and consider at this point in the audit engagement. It almost appears that the auditor is required to identify the compliance risk issues with the engagement as part of client acceptance.
- While ASFA accepts that understanding the client is important, the existence of contraventions/breaches should not necessarily prevent the auditor from accepting the engagement (the auditor may very well choose not to), but the existence of contraventions, unless they represent fraudulent activities, should not prevent engagement.
- Paragraph 8 – talks about “*difficulties which may be encountered in the engagement and their potential resolution*”. ASFA believes that ASIC needs to ensure that they are not inferring that the auditor should be involved with resolution of compliance breaches. It is not the auditors job to resolve or provide advice on resolution of contraventions – it is the auditors role to report only.
- Sub paragraph 9(b) – ASFA is unsure why evidence evaluation regarding client acceptance should include steps the auditor has taken to ensure that they have skills etc (for complex issues). Nevertheless ASFA believes it appropriate to include information that show that the auditor has the appropriate skills & expertise to conduct the audit in the first place (that is – a competent SMSF auditor should be able to address complex issues).

- Paragraph 13 – the notes to this paragraph talk about the need to decline the engagement where independence is impaired or “perceived to be impaired”, but there is no further guidance on this. ASFA recommends that this section will be better served by a specific reference to independence guidelines or specific examples.

#### Section B: Engagement Planning

- Paragraph 16 – this appears to only address the risks and the nature and extent of audit work around compliance with the *Superannuation Industry (Supervision) Act* (SISA) and the *Superannuation Industry (Supervision) Regulations* (SISR). Even though the previous *Section A: Client acceptance and retention* at point 14 makes mention of the financial audit, this section only refers to SIS. ASFA recommends further reference to the financial audit requirements in this section.

#### Section C: Controls evaluation & testing

- Sub-paragraph 33(c) – ASFA is unsure why there is a specific reference to controls over banking & finance. The Auditing and Assurance Standards Board (AuASB) Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* already require the auditor to consider controls under ASA 315 and to consider fraud under ASA 240 *The Auditor’s Responsibility to Consider Fraud in an Audit of a Financial Report*. The inclusion of specific reference to controls over banking and finance is an additional requirement and ASIC needs to make it clear why such a requirement is needed notwithstanding already existing requirements.

#### Section E: Forming an Opinion

- Sub-paragraph 49(b) – ASFA seeks further clarification from ASIC as to what it means by voluntary reporting requirements under the *Superannuation Industry (Supervision) Act* (SISA) and the *Superannuation Industry (Supervision) Regulations* (SISR). ASFA believes that the reporting requirements under SISA and SISR are mandated. All contraventions need to be reported to the trustees (this is not voluntary), prescribed contraventions need to be reported to the Australian Taxation Office (ATO) (also – not voluntary). ASFA recommends further clarity here.

#### Section F: Documentation

- Paragraph 50 – introduces the concept of a “peer” as the benchmark for sufficiency of work papers. Peer is not defined anywhere. The auditing standard (ASA 230 *Audit Documentation*) requires sufficient documentation/working papers to be retained to allow an “experienced auditor” to understand the work performed, conclusions reached & issues raised. The standard defines an ‘experienced auditor’ as –
  - an individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:
    - (i) Audit processes;
    - (ii) Australian Auditing Standards and applicable legal and regulatory requirements;
    - (iii) The business environment in which the entity operates; and
    - (iv) Auditing and financial reporting issues relevant to the entity’s industry

ASFA recommends that the word “peer” is too nebulous and should be replaced with the above definition from ASA 230.

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We thank you for providing us with the opportunity to make this submission and to participate in the consultation process.

If you have any queries or comments regarding the contents of our submission, please contact our Policy Communications and Reporting Manager, Tony Keir on (02) 8079 0815 or via e-mail to [tkeir@superannuation.asn.au](mailto:tkeir@superannuation.asn.au)

Yours sincerely

Fiona Galbraith

Acting General Manager, Policy and Industry Practice