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To whom it may concern,

RE: Three-yearly audit cycle for some self-managed superannuation funds

I am a registered SMSF auditor. I support the concept of a three-year audit cycle.

Do not forget that while a three-yearly audit cycle is a so called 'red tape reduction measure' in many areas of SMSF law and regulations things are moving in the opposite direction. The new TBC rules are a good example. Complex, hard to follow, onerous and introducing a whole new tier of reporting and red tape. Such changes are negative factors for audit integrity, yet you seem to be legislating to reduce the level of audit review as if the opposite was true.

You must address and provide guidance on the three-year cycle. Auditing records once a year may in fact be easier than a three-year cycle if all that happens is you must still audit across three years but can elect to lodge one report. Doing that only achieves an outcome of submitting one, as opposed to three, audit reports. I would argue that 95% of an audit is not creating an audit report but the audit itself (the back-end work). If you are about reducing red tape you will not get far if you fail to create new auditing standards for a three-year cycle. For example, you only need to confirm asset values at 30 June of the last period not the two before? Materiality thresholds for a three-year audit of an SMSF. So, for example 5% over three years not 5% over one. Assets \$500,000, breach year one, \$20,000 (material?) year two \$20,000 (material or not?) Without some serious new audit guidelines that are detailed and concessional you are going to create three audits in one report and to top it all off introduce a new regime of three-year auditing concepts and ambiguities. Moreover, you also will have introduced a new compliance regime and rules on who does or does not qualify for the cycle based on events (more red tape, not less).

Industry disruption – work flow planning may be a problem for firms whose primary income are SMSF audits. They will need some type of lodgement programme to spread their work. The three-year audit cycle will do nothing to address the problem of audit independence and cheap audits.

If all that is going to happen is a change to one report every three years the three-year cycle will likely increase red tape not reduce it. Nothing has really changed. It only takes a few minutes to generate a templated audit report. Moreover, e-commerce means that most SMSF audits are all electronic, data collection, etc. There is not much time saving attached to uploading files once a year as opposed to three data sets uploaded once every three years.

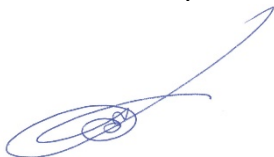
I think Treasury has missed the point and you are on a path to a very ill-conceived policy change that could see yet another layer of red tape and complexity in the SMSF sector.

My problem is I am an accountant, run a small business and see things through the prism of efficiency and simplicity. An SMSF with a good track record does not need to be audited! The tax agent (who is licenced, must meet education requirements; has fiduciary obligations to both the ATO and his or her client) checks off a list of events before lodging an SMSF return. Pass that check list and no audit is required. The ATO then selects (data mining and analysis means the ATO have good data sets) and notifies about 5-10% of all SMSF's each year to submit an SMSF audit. On that event an SMSF audit must be prepared and lodged. If that report results in an ACR the ATO can then require an audit for next year, take compliance action or whatever.

Problem with the tax agent gateway above is that it is too simple and far too much a reduction in red tape. Problem with the Treasury approach – more complexity and no reduction, most likely an increase in red tape. Solution is obvious but one assumes Treasury will go for the later because red tape means job, jobs. jobs.

So, in conclusion – I am an SMSF auditor and I support three-year audit cycles as I am almost certain it will allow me to bill my clients more and increase my profits.

Yours Faithfully,



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