Saul SMSF

30 August 2018

Mr. Robert Jeremenko
Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuation@treasury.gov.au

Dear Mr Jeremenko,

SUBMISSION ON 3 YEARLY AUDIT CYCLE FOR SOME SELF MANAGED SUPER FUNDS

In response to your call for submissions on the proposed 3 yearly audit cycle for some SMSF funds, we undertook a survey amongst 260 SMSF industry professional including 157 Accountants and 127 Auditors, who work on the front line of SMSF administration, accounting and auditing.

Widespread concern among industry professionals

In addition to answering 30 questions about the proposed legislation change, respondents were offered the opportunity to add comments to most questions. Overwhelmingly, we received *over 1,700 comments* from these industry professionals, largely expressing concerns about how such legislation would be implemented.

Repeatedly, the comments express concern among Accountants that errors will not be picked up for three years, which will create retrospective accounting re-work and potential infringements. Please see comments listed on pages 10 – 47 of the attached Survey Report Summary Appendix.

We think you will agree that the engagement of survey respondents in this large quantity of comments represents widespread concern on both the benefits and efficacy of the proposed legislation.

Fundamental lack of support for proposed legislation change

Statistically, the survey results demonstrated that:

- 93% of respondents do not support the proposed three-yearly audit cycle for eligible funds
- 94% believe there is a greater risk of contraventions by Trustees
- 90% anticipate a greater opportunity for SMSF funds to be misused and misappropriated
- 78% think there will be increased time, cost and regulatory burdens on SMSF trustees
- 75% think that SMSF operating costs will increase
- 71% think that SMSF audit costs will increase rather than decrease with the proposed change
- Only 5% think that the SMSF audit costs will decrease
- 84% believe that the integrity of the SMSF sector will decrease.

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Please see complete analysis in the attached Survey Summary Report (pages 4 – 9). These results demonstrate a fundamental lack of industry support for the proposed legislation change.

Protection of vulnerable trustee's super retirement benefits

Considering the current inequity in superannuation balances for women and that many SMSFs are "mum and dad funds" where one spouse may dominate the decision-making process in the SMSF, the absence of an annual audit may remove the opportunity to detect early misappropriation of a vulnerable member's funds. We asked respondents if the proposed three-yearly audit cycle would weaken protection for women's retirement savings in SMSFs:

- 65% of respondents said women's protection would be weakened.

Please see Question 11 in the attached Survey Summary Report (page 6). These results demonstrate that the absence of an annual audit provides an increased risk that one member will take advantage of another member.

Challenging the premise underpinning the proposal

With respect to Treasury's assertion that 1.6% of SMSFs have Audit Contravention Reports lodged with the ATO (2016), and the assumption that therefore the risk of contraventions is low enough to reduce the audit cycle to three-yearly, we refer you to our benchmarking audit data of $6.284bn of SMSF assets (see pages 2 - 3 of attached Summary Report).

This SMSF audit data suggests that the risks of contravention are much higher than what is visible to Treasury:

- The percentage of Audit Contravention Reports (ACR) in our sample increased to 2.8% in 2017
- The number of ACRs recorded by the ATO is significantly lower than our sampling from $6.284bn of audit data
- The number of Management Letters (which are an indicator of the health of an SMSF fund, though not a reportable breach) was as high as 24% in 2017.

With regard to risks of contravention, we suggest firstly that the low ACR rate seen by Treasury does not represent the full rate of contraventions that auditors alert accountants to, nor the number of Management Letters that assist accountants and trustees to remediate potential contraventions throughout each financial year. We suggest that without annual audits, there will be a much higher rate of contraventions that otherwise would be picked up early at an annual audit.

Furthermore, we understand that the proposed change was intended to reduce SMSF operating fees to trustees. However, our audit data shows that:

- Audit fees represent as little as 0.03% of total SMSF assets
- Audit fees have in fact decreased over the last 3 years
- Audit fees represent 2.95% of SMSF operating expenses with other operating costs such as financial planning, administration, accounting etc. totalling 97.05%

In addition to this historical data, 71% of survey respondents anticipate that the proposed legislation will increase rather than decrease audit costs.

Mr Jeremenko, we respectfully put it to you that annual SMSF audits offer value to accountants, trustees and taxpayers in terms of protection, and as such should not be considered a cost centre. We strongly recommend that the proposed legislation is not passed.

Yours faithfully,

Saul SMSF

David Saul CA

Director

SMSF Industry Survey Summary Report August 2018

Proposed 3 Year SMSF Audit Cycle

The 2018 Federal Budget proposed the SMSF audit cycle be extended to 3 years for funds with good compliance history, starting from 1 July 2019. Treasury has asked for industry consultation.

Prepared by David Saul CA, SSA, BFA (UNE)

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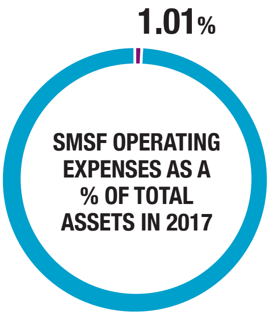
SECTION A

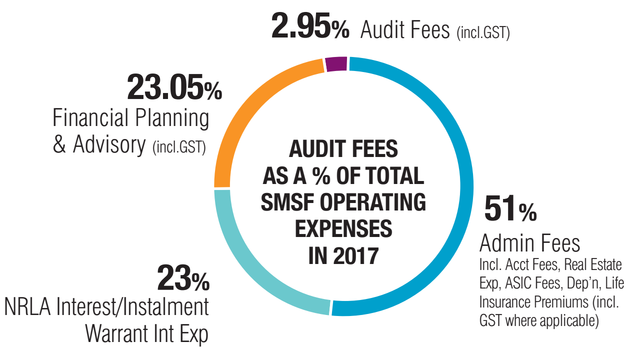
Benchmark Analysis of Operating Costs of SMSFs

This audited data was collected from Saul SMSF's self-managed super funds, with total assets of $6.225 Billion, covering the period 1 July 2014 to 30 June 2017. This data is processed by Saul SMSF, whom maintains a specialisation in SMSF performance and audit analytics. The self-managed super funds analysed in this data, cover a wide range of demographics and SMSFs considered simple in nature to those which are highly complex.

Key Findings

- Audit fees represent 0.03% of total SMSF assets.
- Audit fees have decreased over the last 3 years.
- Audit fees represent 2.95% of SMSF operating expenses with other operating costs such as financial planning, admin, accounting etc. totalling 97.05%.
- Overall operating expenses represent 1.01% of total SMSF assets.
- Management Letter issues and Qualified Audit Reports have both increased over the last 3 years.
- The number of Audit Contravention reports lodged with the ATO is significantly fewer than the number of Qualified Audit Reports.
- The percentage of Audit Contravention Reports increased to 3% in 2017 and this sample is higher than the 1.6%[3] quoted by Treasury as a reason for reducing the audit cycle.





SMSF Audit Data

KEY AUDIT STATS	2015		2016		2017	
Average Audit Fee (incl. GST)	$655.30		$605.72		$570.29	
Total Management Letter issues[1] as a % of no. of audits		18%		18%		24%
Total Qualified Audit Reports as a % of no. of audits		4%		4%		10%
Total ACRs[2] as a % of no. of audits		2.6%		2.5%		2.8%
ASSETS		**As a % of Total Assets**		**As a % of Total Assets**		**As a % of Total Assets**
Cash, FIS, Term Deposits	$405,144,252	27%	$514,720,568	25%	$686,316,724	25%
Listed Equities	$474,108,011	31%	$650,671,398	32%	$807,571,696	30%
Managed Investments	$259,262,210	17%	$331,703,752	16%	$451,370,825	17%
Unit Trusts (Widely Held)	$93,833,836	6%	$127,901,110	6%	$131,770,037	5%
Unit Trusts (Closely Held)	$23,654,726	2%	$31,267,677	2%	$67,134,960	2.5%
Unlisted Company Shares	$10,047,829	1%	$13,306,311	1%	$27,427,351	1%
Real Estate	$209,770,642	14%	$325,531,284	16%	$474,867,583	17%
Life Ins. Policies/P'ships	$3,478,316	0.2%	$7,408,907	0.4%	$20,579,700	0.8%
Ih-House Assets	$2,044,909	0.1%	$7,333,773	0.4%	$2,289,708	0.1%
Other (incl. Sundry Debtors, Tax Assets)	$29,172,637	2%	$40,660,312	2%	$53,737,249	2%
TOTAL ASSETS	**$1,510,517,368**		**$2,050,505,092**		**$2,723,065,833**	
CREDITORS		**As a % of Total Assets**		**As a % of Total Assets**		**As a % of Total Assets**
Permitted Gearing	$31,717,840	2%	$54,771,207	3%	$64,866,349	2%
Other Creditors	$8,150,523	0.5%	$14,019,157	0.7%	$15,924,102	0.6%
TOTAL CREDITORS	**$39,868,363**	3%	**$68,790,364**	3%	**$80,790,451**	3%
EARNINGS		**%** Excluding Pensions, Rollovers, Contributions		**%** Excluding Pensions, Rollovers, Contributions		**%** Excluding Pensions, Rollovers, Contributions
Net Member Benefits Y/E	$1,470,649,005		$1,981,714,728		$2,642,275,382	
Net Member Benefits O/B	$1,349,127,408		$1,988,418,432		$1,804,202,413	
NET EARNINGS	**$90,412,996**	7%	**$58,972,316**	3%	**$203,807,906**	11%
EXPENSES ANALYSIS		**As a % of Total Assets**		**As a % of Total Assets**		**As a % of Total Assets**
TOTAL SMSF OPERATING EXPENSES	**$17,178,163**	1.14%	**$21,533,654**	1.05%	**$27,125,465**	1%
EXPENSES REPRESENTED BY:	**As a % of Total Expenses**	**As a % of Total Assets**	**As a % of Total Expenses**	**As a % of Total Assets**	**As a % of Total Expenses**	**As a % of Total Assets**
Financial Planning & Advisory (incl.GST)	19%	0.22%	20%	0.21%	22%	0.22%
Audit Fees (incl. GST)	4%	0.04%	4%	0.04%	3%	0.03%
Admin Fees Incl. Acct Fees, Real Estate Exp, ASIC Fees, Dep'n, Life Insurance Premiums (incl. GST where applicable)	64%	0.73%	61%	0.64%	52%	0.52%
NRLA Interest/Instalment Warrant Int Exp	13%	0.15%	16%	0.17%	23%	0.23%

1 Management Letter – Indicator of the health of fund, though not a reportable breach.
2 ACR – Audit Contravention Report lodged with ATO.
3 ACRs lodged in 2016 as referenced by Treasury July 2018.

SECTION B

Views of SMSF Industry Professionals and Stakeholders

Saul SMSF conducted a survey to seek the views of SMSF industry professionals and stakeholders to understand the impact of the Federal Government's proposed Three-Yearly Audit Cycle for Self-Managed Superannuation Funds. This survey sought to understand:

- How will audit costs and fees change for SMSFs?
- Would less frequent auditing weaken protection for vulnerable SMSF trustees?
- What impact might this have on integrity of the SMSF sector?

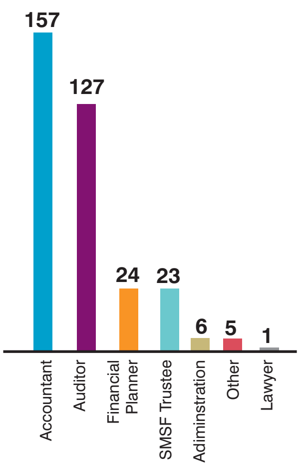
Key Findings:

260 survey respondents answered 30 questions and submitted some 1,700 comments, with the following key findings:

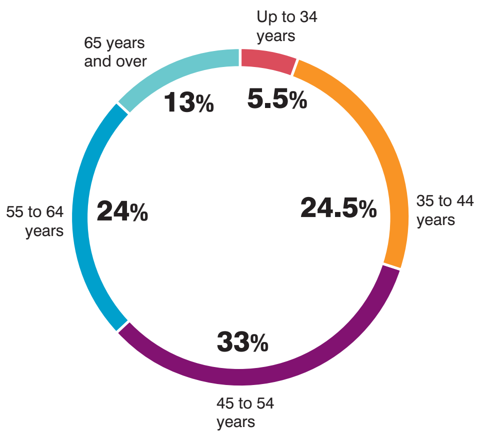
- 93% do not support the proposed three-yearly audit cycle for eligible funds with a history of good record keeping and compliance.
- 94% believe that there is a greater risk of contraventions by Trustees if audits are only conducted under a 3 yearly audit cycle.
- 90% anticipate a greater opportunity for SMSF assets to be misused and misappropriated.
- 75% think that SMSF operating costs will increase.
- 84% believe that the integrity of the SMSF sector will decrease.
- 90% think that SMSF auditor numbers will be reduced.

Number of respondents: **260**

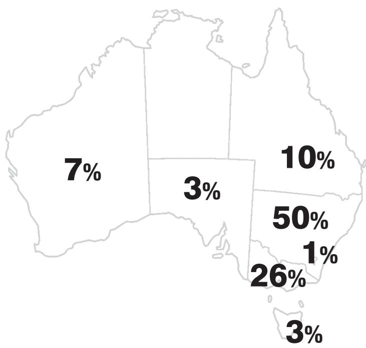
Industries represented by respondents*



Age groups of respondents



Location of respondents



*Some respondents are represented in more than one industry

Q04 Do you support the change of the annual audit requirement to a 3 yearly cycle for eligible funds with a history of good record keeping and compliance?

Q05 Do you think SMSF audits will be more complex when they occur after 3 years?

Q06 Do you think the change to a 3 yearly audit cycle will increase the time spent by advisors, accountants and administrators? (e.g. tracking eligibility criteria, responding to Trustee record keeping queries, attending to SIS compliance obligations and dealing with multiple years audits in the 3rd year).

Comments

Eligibility needs to be assessed each year. In the 3rd year 3 audits need to be done. Likely to spend more time asking a client to clarify transactions that took place up to 4 years ago.

It will be more difficult to have continuity and timely access to information over the three year window. Trustees will not be as familiar with questions related to years earlier and may find it difficult to keep track of information an auditor may routinely keep annually on file.

3 audits have to be done at the one time. Errors which may have occurred will not be picked up until the time of audit. This will lead to increase in penalties and funds could be made non-compliant.

Q07 Does the 3 Yearly Audit Cycle represent an increased compliance burden on:

	YES	NO
SMSF Trustees	76%	24%
SMSF Advisors	73%	27%
SMSF Accountants	85%	15%
SMSF Administrators	78%	22%
SMSF Auditors	90%	10%

Comments

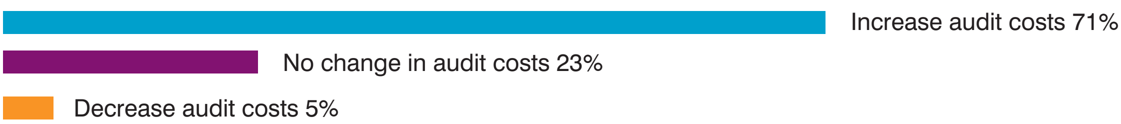
If yes, why?

In most cases the risk of non-compliance going undetected is increased.

Instead of sorting out problems on a timely basis. The three year cycle will lead to a "bulge" in problems.

For auditors it creates more inherent risk not seeing a client for every 3 years. A lot can happen in 3 years. With the auditor not being involved for three years, it puts pressure on everyone else to keep things compliant.

Q08 Keeping in mind that SMSFs eligible for the 3 Yearly Audit Cycle, will need to have 3 years of audits performed in the 3rd year, how do you think this will impact overall audit costs?



Comments

Auditing over a three year time cycle has got to be more difficult and time consuming.

I cannot see how costs will not increase, because I feel the scope of the work has just been made more complex.

As auditors will exit the industry due to seasonal workflow issues, combined with more time spent on each job over 3 years, inevitably will have an adverse impact on audit costs.

Q09 In your opinion, which areas have had the greatest impact on SMSF operational costs: (On a scale of 1 to 6, with 1 having greatest impact and 6 having least impact)

	1	2	3	4	5	6
Audit Fees	10.82%	6.93%	5.19%	8.23%	29.00%	39.83%
Administrator/Accounting Fees	8.62%	19.40%	23.71%	23.28%	21.12%	3.88%
Investment & Platform Fees	22.62%	27.60%	16.74%	18.10%	8.14%	6.79%
Financial Advice Fees	33.62%	28.51%	16.60%	8.94%	8.09%	4.26%
Insurance Premiums	4.31%	11.21%	25.43%	28.02%	16.81%	14.22%
Government Regulation of SMSFs	20.88%	7.63%	15.26%	11.65%	16.87%	27.71%

Q10 Considering the 3 Year Audit Cycle and the requirement not to have an audit performed during this time, do you think this presents an opportunity for SMSF assets to be misused or misappropriated? (e.g. early release schemes, lending to related parties and/or other poor trustee behaviour)

Comments

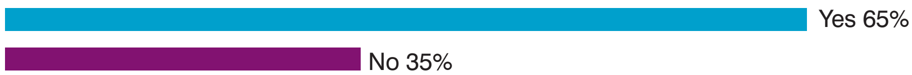
If yes, why?

The annual audit keeps compliance front of mind while administering the SMSF. If the importance of the audit is downgraded then the importance for continuing compliance will be eroded.

The longer time goes by the harder it is to identify & rectify issues.

Without constant supervision, the risk of malfeasance with SMSF funds significantly increases.

Q11 Considering the current inequity in superannuation balances for women and that many SMSFs are "mum and dad funds" where one spouse may dominate the decision-making process in the SMSF, the absence of an annual audit may remove the opportunity to detect early misappropriation of a vulnerable member's funds. Do you think the proposed 3 Year Audit Cycle weakens protection for women's retirement savings in self-managed super funds?



Comments

Decision dominance could lead to misuse of funds which could be especially difficult in a marriage breakdown period.

It weakens the entire system irrespective of gender.

There is no doubt that the absence of an annual check and balance provides an increased risk that one member will take advantage of another member.

Q12 Do you think there is a greater risk of contraventions by Trustees if audits are only conducted under a 3 Yearly Audit Cycle?

Comments

For those who like to break the rules, e.g. unlawfully withdrawing money from their SMSF, it will be more tempting and easier to do if they know they have 3 years before the next audit.

Absolutely. It is the annual audit that the Trustees are wary of, as they know this picks up any issues/errors. Again, if these are unchecked for 3 years this increases the risk of error, detection of error and rectification of error.

Less interaction could lead to more contraventions.

Q13 Given the weaknesses exposed in the recent Banking Royal Commission and poor behaviours identified by some financial advisors, do you think it is appropriate to reduce audit frequency to a 3 Yearly Audit Cycle?

Comments

No, audits should be done on a timely basis - every year!

An audit by an independent auditor is another layer of control and it is better to do this annually than to only do this every 3rd year.

An audit provides a level of protection - protecting both trustees and vulnerable member(s). Removing this is not a good idea.

Q14 Do you think the 3 Yearly Audit Cycle will result in increased scrutiny by the ASIC and/or the ATO?

Comments

Neither organisation has the resources or the skill to increase any level of scrutiny.

ASIC and ATO have relied on auditors for their reporting. If audits are reduced to every three years they will lack data and information with which to act.

Lack of resources will remain their issue and they will continue to rely on the auditors to police the compliance of SMSFs.

Q15 If compliance failures emerge from the 3 Yearly Audit Cycle, do you think this will result in further regulatory requirements imposed on the SMSF sector?

Comments

This would seem a backward way to address compliance issues. Why not just keep the annual audit cycle?

Probably, but by then it will be too late and the job will be too hard.

I think if it does get introduced and leads to increased compliance failures then the policy is a clear failure and should be scrapped.

Q16 Do you think further regulation of the SMSF sector will reduce red tape and operating costs?

Comments

Any regulatory interference inevitably leads to higher costs of compliance.

Regulation now results in red tape and operating costs - further regulation will create further costs.

Increased regulation will be complimented by increased operational costs.

Q17 The 3 Yearly Audit Cycle requires SMSF Trustees to take greater responsibility of audit compliance. In effect, SMSF Trustees are being required to become "professionally skilled" in SMSF audit compliance. Do you think the 3 Yearly Audit Cycle represents increased time, cost and regulatory burdens on SMSF Trustees?

Comments

Most Trustees do not have the professional skills to become skilled in SMSF compliance.

Most trustees do not fully understand how SMSF's operate including SIS Act and Regulations.

It is likely to lead to other costs increasing as SMSF Trustees do not have the knowledge or the time to maintain compliance.

Q18 Do you think the 3 Yearly Audit Cycle represents a further regulatory burden on related SMSF professionals?

Comments

It is not worth staying in the SMSF audit space if this becomes law. The work will be irregular, the responsibility higher and the risk does not justify the reward.

Much harder to do three years all at once. The audit may have to deal with more than one accountant (if the SMSF changed accountants/ advisers in the three-year period). Potentially more breaches to deal with etc.

Makes auditors job harder and will ultimately not reduce the cost of audits for SMSF's.

Q19 How do you think the 3 Yearly Audit Cycle will impact SMSF operating costs?

Q20 What impact do you think the 3 Yearly Audit Cycle will have on integrity of the SMSF sector?

Q21 Do you expect your current SMSF Auditor to remain the same if the 3 Yearly Audit Cycle is implemented?

Q22 Do you think the 3 Yearly Audit Cycle will impact SMSF auditor viability?

Comments

Many SMSF auditors may consider leaving the industry due to lack of work.

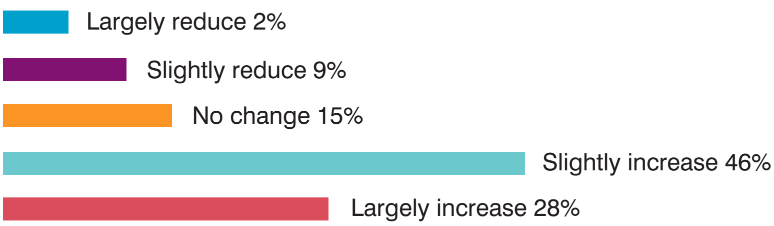
The flow of work will be inconsistent and staffing will become an issue.

Many small auditors may be forced to shut doors as they will not be able to maintain their staff, rent and software.

Q23 Under 3 Yearly Audit Cycle proposal, do you think SMSF auditors will be likely to invest in specialist SMSF auditor training and/or maintain professional qualifications?

Q24 Do you think the 3 Yearly Audit Cycle will reduce SMSF auditor numbers?

Q25 How do you think SMSF audit costs and fees will change for SMSFs that move to 3 Yearly Audit Cycles?



Q26 Do you think the 3 Yearly Audit Cycle will create consolidation in the SMSF audit industry?

Q27 Do you think consolidation of the SMSF audit industry will reduce SMSF audit independence?

Q28 Do you think consolidation of the SMSF audit industry will undermine SMSF integrity?

Q29 Do you think a reduction in SMSF integrity could lead to further regulation on SMSFs?

APPENDIX

Comments

The 260 respondents made over 1700 comments, which are listed below:

Q06. Do you think the change to a 3 yearly audit cycle will increase the time spent by advisors, accountants and administrators? (E.G. Tracking eligibility criteria, responding to trustee record keeping queries, attending to SIS compliance obligations and dealing with multiple years audits in the 3rd year).

With the complexity and the enormous amount of grey areas I can see auditors telling accountants and clients they need to go back and amend the last two years. The amount of garbage understanding on super is apparent just by googling property investment forums. It is almost scary right now some of the stuff happening.

Needing to self assess eligibility will add extra time. It may only be 5 minutes per client but when you multiply that out over a whole client base we'll lose a day of time to the change (for larger firms it would be days).

Standards will need to be maintained across each of the three years. This will increase the costs of reviewing retained information as to its accuracy and compliance with possible changes in the law over the three year period. The situation would be similar to preparing a raft of prior year tax returns.

Record retention for three years is going to cause problems with banks, stock brokers, fund managers etc. Trustees are going to have to keep better records and for longer.

Just have a look at the auditing standards and you'll understand why.

It doesn't make sense to put something off for three years when it could be done each year. A major concern is around large assets and ownership compliance, what if they are sold and the money taken personally, the member could tell the accountant they still have the asset when in reality they sold it and the money went to a personal account. The accountant is not an auditor and most likely would not check for this. This is just an example. I believe the 3 year gap will leave the super funds open to manipulation.

The passage of time leads to "forgetfullness" regarding issues.

The auditor will need to review the three years in order to be confident in the job. It will be more difficult to have continuity and timely access to information over the three year window. Trustees will not be as familiar with questions related to years earlier and may find it difficult to keep track of information an auditor may routinely keep annually on file. An auditor will need to reinvent the wheel as for a new audit engagement which will add costs.

Doing three years at once will mean more time to be spent. Also access to records might be harder over three year cycle at end of cycle. Things might change during three year cycle which might need earlier attention.

Trustees will forget what happened, misplace documentation, different rules will no doubt apply as government love to change super laws yearly.

In general, trustees do compliance poorly and rely on advisors heavily. No audit req may mean they feel they don't "need" help every year.

The risk that any breaches will not get rectified as some trustees may think that there is no urgency. It would be more difficult for the auditor to deal with a three year cycle audit.

3 Audits have to be done at the one time. Errors which may have occurred will not be picked up until the time of audit. This will lead to increase in penalties and funds could be made non-compliant.

Clients have enough difficulty in remembering things for annual audits. I worry that audits every three years will lead to huge amounts of questions and missing documentation.

More documents to work with in the file. Trustees have a tendency of misplacing records that will mean we will have to wait for replacement documents to be sourced, increasing audit time involved. That we have to go through the 3 year history in preparing our audit report.

Each year is closed and rolled over, accountants traditionally have to act as auditor to collect data on file, prepare audit files, which adds costs each year, or alternatively the auditor requisitions vouchers and records years later adding delays obtaining missing documents, investment vouchers, that are traditionally not kept well but accessible 12 months after financial year end when platform, wrap accounts, and COMMSEC dividends and holding statements are accessible. Further each year has to be audited successively, adding delays, and where errors are discovered and carried forward, must be captured, compounded, and rectification action instituted. And it is not the 3rd year, it is usually the fourth year that three years accounts are audited if in one package. If two years provided on a timely basis, then there is a further delay waiting six months after year end when the third year is supplied to the auditor.

Loss of records by clients resulting in additional time spent on job. Not detecting or addressing breaches in a timely manner. Mistakes made by trustees cannot be addressed or rectified in a timely manner noting some rectifications have time limits. Confirmations and bank records for prior years are often hard to get and would require additional time to verify assets and follow up.

There will be more work to audit.

Keep it simple we have a set of annual finacial statements and SMSF fund tax return that is audited with comparatives. The auditor is going to have to review all three in the third year to give clearance in the selected third year.

3 Years of data... Too long for trustees to potentially lose paperwork or forget... Just because a SMSF has a good compliance history with the ATO does not mean that their accounts / paperwork is squeaky clean perfect. It is often that the accountant has been on their case trying to keep them compliant.

There will be no reduction in time because the same amount if work will be required to audit each of the 3 years with the increased complexity of access to and retention of records and remembering the applicable legislation for the year being audited.

Errors and breaches will possibly not be picked up in the initial two years of the cycle.

Dealing with multiple years and tracing back transactions from 3 years ago. Some trustees can't manage 12 months of paperwork let alone three years and to remember what occurred three years ago for them is a long time.

It depends if you are still doing 3 years at once or auditing every third year accs only if you need to do 3 years at once it is a poor idea.

As a SMSF auditor it will give you a massive unworkable workload in the third year which would mean I would not be recommending it to my clients. As a result, it would be meaningless exercise. In addition, if a matter went undetected in the first year it would create a problem which would be hard to adjust.

The concepts around this are too loose and it is dangerous to leave the decision in trustees' hands. Extending the audit cycle will create incentives for trustees to engage in non-compliant behaviour during the cycle, but have issues 'rectified' before the 3 yearly audit is due. It is difficult enough for trustees to locate appropriate documentation to support fund transactions under the annual audit model. A 3 year cycle will grow the difficulty exponentially, increasing both administration and audit fees. In all cases of multiple year audits that our firm has conducted to date, the aggregate audit cost has been more than what it would have been if each annual audit had been completed on time and then those costs aggregated. Where there are errors or other misstatements in financial statements in year 1 or 2 of the cycle then it is possible that those financials would have to be redrawn for the relevant year(s) and those subsequent – along with amended regulatory return lodgements. This results in additional costs for administrators and auditors at the very least – most of whom would not be willing to bear the cost themselves and so would pass increased costs on to the trustees. Where contraventions of the legislation and regulations occur, multiple years adds a layer of complexity.

Poor record keeping by trustees will result in additional time spent to satisfy complex compliance obligations that a large number of clients don't appreciate. Apathy could result in more auditor contravention reports that could swamp the ato.

Our practice records more time and subsequently an increased audit fee is charged when we do 3 years of audits at once. In 25% increase in annual fee.

You've answered your own question: we will need to track eligibility criteria, respond to trustee record keeping queries, deal with record keeping issues/missing records (difficult to get missing records after 2-3 years), dealing with audit queries relating to "year 1 " transactions.

Because the government has made changes that are now more complex then 2007 pre howard rbls, one must keep track of contributions, 3 year roll forward contributions, tbar etc there is extreme scope for mistakes each year, best to iron them out as you go.... Or resimplify things like Howard did and I'm all for 3 year audits.

Tracking eligibility will be a nightmare for accountants to navigate, along with all the other live-reporting they are now required to monitor, trustees won't understand the criteria, trustees will not keep good records and won't be able to find the documents when needed if allowed to take 2 years off, auditors will be unable to assist accountants with solutions/remedies in a timely fashion etc.

The longer the time period the more difficult it is for clients to keep and provide records. It reduces the ability of trustees to make rectification payments within a short space of time for errors.

Trying to get some trustees to respond to awnsers.

The complexity will increase with the chance of legislative changes in potentially all 3 years. Costs would increase to the trustees as auditors will need to increase charge charges to make up for downtime in the years between audits. Costs of breaches will increase where a breach is say in the first year and it is not corrected till 3 years later with increase interest charges and penalties. Auditors will have the issue of staff retention and not having consistent year to year work.

It is hard enough to get clients to retain information for 1 year. In my opinion, having been an auditor for over 30 years it is going to be a disaster. Stop it now is my warning !

Probably, though it depends precisely what has to be audited - e.g. Compliance or financial at a certain date. Documentation, such as investment purchase docs will have to be kept available for longer, but overall the process should be easier.

When tracking down information from 3 years ago it will be more time consuming, clients will lose information, will not remember what happened 3 years ago. When there are problems and the auditor finds these problems another 3 years may have passed since the problem arose and this could cost trustees even more time and penalties.

To do a 1yr audit properly is time consuming to extend this to a 3yr audit will make it harder to comply especially if an reportable event happened in the 1st or 2nd year and is still not rectified by the 3rd year. It has a snowball effect.

Over a period of time it is likely that trustees attention to record keeping requirements, currency with regulatory change, record retention are more likely to become problematic and time taken to perform audits will increase rather than decrease. Because clients have difficult keeping record for 12 month let alone 3 years or longer. Getting details from outside sources will also be more difficult. A breach made in the first year of the audit may not be able to be addressed.

Overall I don't think it'll make any real difference with the possible exception of funds with identified compliance issues, which will simply take longer to resolve. For the average fund you'll just spend three times as long every three years instead. So what's the point!!!!

Trustees tend to misplace documents after 12 months.

We as auditors will need to review the entire 3 years, including trust deed changes along the way, valuations etc. Should a problem arise it will be become increasingly difficult to recreate or obtain missing documentation etc and there is no chance of rectifying an issue that happens in year one and continues throughout the 3 year period.

It will certainly lead to increased audit time and therefore audit fees. Some SMSF trustees will consider this an opportunity to be a little less compliant.

Clients will be slacker with record keeping - so will accounting staff. Result = poor or incorrect outcomes of the 3-yearly audit and more stress to try and get across the line. Explaining to clients why things haven't been done properly in the prior 2 years = bad client satisfaction result.

Errors tend to multiply as time goes by and they get harder/impossible to fix.

Will need to manage and maintain additional records for extended periods of time to minimise chance the "client' can't recall circumstances behind decisions / actions.

Always harder to do more than 1 year before the previous one is audited.

Auditor must 'fill the gaps' of the intervening years to determine the integrity of the assets and content of the member funds and compliance with the law. Significant risk that the auditor will be forced to qualify opening balances at commencement of the new audit cycle.

Trustees cannot keep adequate records for one year, can you imagine for three years.

The majority of SMSF trustees are small business or people with limited experience in managing compliance issues and so keeping records and meeting the obligations of trustee will become an issue without regular surveillance and assistance.

I think the tasks above make it self explanatory.

Longer time period between addressing issues such as ascertaining the reason for transactions or tracking down the required supporting information.

Trustees have trouble remembering what happened 12 months ago, let alone 3 years. Reviewing three years worth of data and transactions will take longer than for one year.

Increased chance of trustee not keeping all the record required for the audit. If 1 year, trustee can be easy to contact the services provider to obtain a replacement of document.

The sample size is considerably greater and the scope for trustees to deliberately breach rules and have it rectified by 3 years end is greater.

The advisors, accountants and administrators will have additional requirement to track the eligibility for the 3 year audit as well as ensuring no SIS breaches occur during the 3 years between audits. They are also going to need to make sure they question every transaction and decision to ensure that any question asked by the auditor in relation to the 3 year period is readily accessible.

Attendance to SIS compliance obligations requires consideration of all transactions from the preceding audit date. Financial and compliance audit procedures build on prior year audited data and minor compliance breaches in a preceding year can magnify becoming serious breaches if not identified and rectified in a timely manner.

Advisors accountants and trustees will have to spend more time ensuring that all compliance issues have been monitored and adhered to.

Errors or mishandling will compound year-on-year, and what may be a small issue in year 1 is a major compliance breach or taxation issue by year 3, especially when dealing with pensions, any changes to members/trustees or relatively new trustees who may be still learning what they can & cannot do.

Trustees rely heavily on professionals to guide and keep them on track with all the ongoing changes in compliance and rules.

I will still have to audit 3 years to ensure compliance with SIS requirements and opening balances. What about members balances etc.

Trustees often, and usually lack administrative skills required to comply with statutory requirements. The annual audit process reminds trustees of their obligations.

Asking clients for information from 3 years ago or more is going to be difficult.

My concerns surround the ability and timeliness of tracking eligibility criteria, responding to trustee record keeping queries, attending to SIS compliance obligations and dealing with multiple years audits in the 3rd year.

Many minor changes made annually as a result of the audit will compound and likely become material over 3 years then require amended financials and tax returns. Also many accountants use the audit process as a review if there is no audit they will have to more thoroughly review files which will cost more in accounting fees.

Confirming opening balances will be impossible.

The errors and or omissions will be more difficult to fix.

Any problems errors are going to have to be addressed in the 3rd year which will make the audits more complicated.

There is still an obligation to lodge an annual tax return. Good, ethical accounting firms will still prepare the annual financial statements and tax returns in the same manner they do now, which is to virtually perform the audit themselves and at the very least identify areas of non compliance and advise both the trustee and auditor with a view to stop repetition plus help facilitate a speedy and trouble free audit. Hence the checks and balances will still be adhered to at the accountant level.

To ensure a fund complies, accountants/advisors/administrators needs create a system to track eligibility, possibly require a checklist to ensure all SIS rules have been complied with (which auditors normally would have done) as a record keeping tool to support our files as to the eligibility of audit not required.

Especially if there are any legislative changes during the cycle.

In practice records and memories can be lost.

Lack ok proper documentation and accountability from trustees, tracking eligibility criteria, responding to trustee record keeping queries, attending to SIS compliance obligations and dealing with multiple years audits in the 3rd year.

Difficult going back and trying to work out what happened.

I feel this is a ridiculous proposition and I stand to gain nothing from it, in fact it would cost me personally ~$1k less (assuming the increased cycle didn't increase the audit cost; hard to think it couldn't given the time that will be spent on it). It gives rise to festering issues that could have been inoculated much sooner. I can't for a moment imagine why this could be considered a good idea!

Auditors will still need to audit the 3 year period. If there are issues then its too long after the event before the auditor will pick it up and ability to rectifiy is diminished.

Going back historically to recover records typically takes longer no matter how good the record keeping may be.

To go back 3 years to respond to a query will be more time consuming than just one year.

The nature of the work requires annual attention.

Time spent administering system and chasing old information.

Missing documents and chasing up information going back 4 years.

The time spent in the 3rd year will be as long as the time saved, but due to the need to look at three years at once I would expect it would take longer.

It can be hard enough to get answers & supporting evidence for transactions in the past year, let alone 3 years ago.

Record keeping issues, tracking, fixing multiple year errors, gathering info.

It will be more difficult to track transactions for a 3 year period and if necessary have corrective action taken.

Advisers will not be able to rely on auditors picking up issues so they and accountants will need to do more to keep tab on SMSF clients.

Too easy to misplace invoices etc and forget what amounts were paid for by the fund or member.

Eligibility needs to be assessed each year. In the 3rd year 3 audits need to be done. Likely to spend more time asking a client to clarify transactions that took place up to 4 years ago.

Yes, because those trustees who are compliant and work with their accountant and auditor will continue to have annual audits and the cowboys who just sneak through the eligibility criteria but are their own worst enemy will go for triennial audits.

Trustees will get slack with their record keeping to provide to us. All our previous training for good record keeping will be reversed. Providing 3 years of work to the auditor in 1 year will not save us time. Innocent errors will take longer to pick up and rectify. Accountants aren't allowed to audit funds they administer so why must they now be responsible for picking up SIS breaches.

A significant amount of additional time will be spent on recurring rectification matters that would have been fixed up in an annual audit.

Opening balance must be correct - which means auditors have no option to review all the three years irrespective. If suppose in second year - there needs to be changes re financial accounts or SIS act etc, auditor again has to do everything for all the years. This will increase the costs etc.

1. Accessing information from 3 years earlier will be more difficult than accessing information from only 1 year ago. 2. Assessment of eligibility for 3 year audits will add an additional level of administration compliance 3. Identification and rectification of breaches which may have occurred 3 years earlier will be (by definition) delayed 4. Requests to trustees in respect of information from 3 years ago will more likely result in less timely, and accurate, responses from the trustees.

Trustee knowledge of unusual transactions will be weaker over a 3 year timeframe. This will add time to the process. Auditor will still have to review 3 years of activity.

When corresponding with trustees, we'll need to be even more careful about what we say as it will depend largely on a set of financials that has not been audited and confirmed. When issues do go wrong as well, there is a 3 year window where these issues can escalate.

Clients are not organised. Furthermore, a small problem becomes a big problem. My expectation is delinquencies in lodgements will significantly increase because the problem becomes too big to manage and a client will avoid thinking about it.

You are essentially auditing at least 2 years of financials since you cannot rely on opening balances which will need to have audit checks performed on them.

Likely to be compliance obligations missed by the trustee leading to time and effort to correct - good records and evidence not likely to be maintained by the trustee or lost leading to difficulties to conduct the accounting and audit - difficulties will arise as to how to conduct an audit in compliance with auditing standards (which have been written for an annual audit).

Good record keeping record does not mean that there have not been issues in the past that have been rectified as part of the audit process. I envisage potentially having to go back up to 3 years in order to obtain an understanding of what has occurred and whether there is actually a compliance breach.

Accountants and administrators will have to spend additional time checking financial statement and compliance matters that are normally addressed as part of the annual audit.

Dealing with transactions that are older increases the time spent, trustees memories decrease as time goes on etc. In particular this will be an issue where clients change accountants - will need to potentially facilitate audits for years we did not compile the financial statements.

Just coming to terms with a fund that you only see every three years will take additional time and the fact that you lose any reference to what went on last year and the records may not be that easily accessible if you want the trustee to get something from 3 or 4 years ago.

Each audit every 3 years will require a review of transactions potentially dating back up to 3.5 years or more. Remembering older transactions will require clients and their providers to apply more time to searching for documentation to provide for audit purposes on these transactions. Overall this will result in an increase in time spent and therefore cost.

Treasury's implicit assumption is that everything is ok. The purpose of an audit is to take the opposite approach - that is, to assume everything is not ok and then progressively compile evidence that things are ok. That's why we request source documents from trustees and ask them to explain transactions that occur during the year.

Trustees, accountants and auditors will still be required to sift, sort and balance accounts to insure compliance for years 1, 2 & 3, which will take more time than if carried out each year if a compliance issue is detected, say in year 1, like any error/fault the longer it goes undetected the more difficult & expensive it becomes to rectify.

It will end up costing more in the long run for the trustees.

Harder to find information, harder to remember and harder to fix any problem.

More work will be required.

Every audit will have to be qualified on the basis that you are unable to verify opening balances. This will required the standard unqualified audit report to be modified and then you have to explain the qualification to the client. If you were to verify the opening balances then this is going to take additional time which you then have to explain to the client why your fees are higher than normal. You are also going to have to review 3 years of transactions to ensure compliance with SISa & SISr during the period since the previous audit.

Following up on queries and documentation in practice is more difficult the longer it goes back.

Undertaking an audit for a period of three year at one time will be no quicker than doing 3 separate audits, requesting information or documents that are over 3 years old will become more difficult to get and any errors found that have to be corrected in the earlier years will mean that later year will also have to be corrected.

Client may not keep record, might not remember transactions, 3 year of financials, opening balances to audit.

Duplication of enquiry for advisors, accountants and administrators. SIS compliance obligations not identified timely.

We may need to spend more time. It is also possible for trustees and members to commit breaches of the SIS if not monitored or educated on their responsibilities.

Especially when you audit a fund for the first time from a previous auditor that has not had one done in the 3 year cycle.

For the reasons you state above.

During three years there can be change to regulations, laws, compliance will be hardest to review as you are reviewing three years, further trustees or members will have free hand in using funds for personal use and then rectify by the time of audit.

The accountant will need to act like an auditor as trustees will be more relaxed about the SIS rules and regulations during the years the fund is not audited. The auditor will also spend a lot more time completing that one audit for the 3 years.

It will be more difficult and complex to deal with issues identified by audit that represent a 3 year accumulation.

Additional time taken to chase up documentation, records of trustees, cost of employment of audit staff as more casual related employment will be occurred, very difficult and prohibitive in a regional setting (warrnambool).

Record keeping by some SMSF isn't good so it can be hard at times to track what happened 2-3 years ago were as 12 months is still in people's minds.

Will simply increase the workflow by having to provide three years at once and if need to chase up any info from client it will be that much harder than on an annual basis.

Because its hard enough to track records down 10 months after year end let alone 24+ months!!

Gathering correct documentation for audits is often difficult even when it relates to the last financial year. Waiting 3 years may lead to more records being misplaced given the time lag. The threat of the auditor often motivates trustees more than the mere accountant. Given that the audit is not longer looming each year, clients may become complacent in their obligations. More time spent by us reinforcing the importance of the fund being maintained well. If a breech is found by an auditor that the accountant overlooked, it may be over 3 years old before it is identified ... By which time financial rectification may be impossible. The time spent to fix an error will be compounded by its seriousness.

More information will be required by the auditor for the preceding 2 years but will be less time than have 3 annual audits.

Auditing 3 years at once will be more time consuming, particularly in relation to SIS compliance. When an issue is identified in year 1 and not addressed, this will ultimately carry forward to subsequent years.

No in most instances however yes if there is an issue.

Dealing with events that have occurred 3 years ago will be difficult for trustees. Will create problems when trying to locate paperwork.

Because trustees will demand that administrators will identify all relevant events that impact on the application of the 3 year cycle.

We will be required to do 3 times the work. Further to this, issues that crop up in year 1 won't be rectified until after year 3. In my experience, the broad majority of trustees are uninformed around a lot of the SIS rules and one of the great things about chatting to them (either through emails or the provision of a management letter each year) is to nip any issues in the bud without delay. The proposed 3 year audit cycle is no doubt going to lead to many issues being exacerbated because of the reduction in auditor/trustee communication.

If an audit is not conducted every year there is a chance that a breach might not be fixed until the fourth year when an audit has to be completed, which will be more time consuming for accountants and auditors and more costly for clients.

Just will be.

Due to the longer time frame between audits the collection of data, maintenance of records etc. Will not be as regular and therefore there is an opportunity for misplaced information requiring further investigation, interaction with trustees/ members.

Maintaining the records and reproducing them when required 3 years later may prove problematic for some.

A lot can go wrong in three years - which will be nearly four years by the time things are actually submitted for audit. Information from the first year will be more difficult to obtain due the lapse of time and memory. Compounding effect of errors in the first two years on the situation in the third year.

Trustees are struggling to present documentation for previous year, how is it going to be easier for past 3 years.

It will be more difficult to obtain records after three years - many clients can't put them together for one year.

More details are going to be required from all parties to ensure that the information is there for the auditor to check.

Due to having to deal with issues that may be up to 3 years old, and the potential impact these issues will have on the subsequent years.

Will be hard to get accountants to fix breaches. What if min pension not met or NCC cap breaches. Will be a disaster.

Responding to auditor queries and sourcing information after such a long time, possibly needing to amend 3 years SMSF accounts and returns, etc.

Those professional will have to do a compliance review before lodging tax returns.

You will still need to complete a full audit on each year starting on the last year audited you cant audit or place any reliance on a financial year that hasnt been audited. Plus if something happens in the first year we cant pick up the error until 3 years later. All this will change is cash flow. The audit fees will be the same because you need to complete the audit on the same three years hence spend the same amount of time. Documentation will also be harder to received from a client from 3 years ago compared to 1 year. 1 Year is hard enough.

Will be far more contraventions.

Likely that retrieving information from trustees records (or memories) for things that occurred 3+yrs ago will be more time consuming.

All records will need to be easily accessible for potentially 3 years after the relevant event. If something can not be located then it will be much more difficult to find. Trustees and administrators will need to remember what has happened up to 3 years ago.
Keeping track of ongoing compliance will be more difficult.

It's bad enough now sorting one years transactions. If audits go to 3 year cycles then there needs to be some system of annual interim audits where the final statements are only required every 3 years.

Simply checking back 3 years on a question will require more time. Extra time also needed to gather and maintain records over the 3 year period.

If the client change accountant during the year, we can guarantee there won't have any information missing.

To me we are doing three years work in one so all that happens is if there is a mistake missed in one year it will have a flow on effect in each of the other years.

Yes, trying to locate documents from 3 years ago, will probably take more than 14 days.

Still the same amount to be reviewed. More time for things to go wrong, then you have multi years to resolve issues and run fowl and breach rules. Its dangerous for SMSF trustees.

Having to explaining the 3-year requirements to trustees and track the cycles. A three yearly cycle will mean the chance for identifying and rectifying errors early is greatly reduced. The legislation is complex so it is easy for clients to make an inadveretent error. An annual audit increases the chances of early intervention and ensuring an error does not recur. Auditors will need to spend more time in the year 3 audit years, as they need to consider the ramification of unaudited opening balances.

Eligibility criteria are not likely to be well understood by trustees, they will need to seek expert advice to determine if they are eligible for 3 year cycle rather than annual audit. Not all accountants are able to accurately identify SIS compliance breaches, this may not be deliberate, but often accountants are generalist and do not have the specialist superannuation knowledge to be able to accurately identify & interpret SIS law. Doing audits every 3 years, will mean that the accountants/administrators will spend more time fielding queries from the auditors. Expect documentation provided will not be sufficient to provide sufficient appropriate audit evidence. Trustees often struggle to provide documentation that is 12 - 18months old, let alone providing documentation going back up to 4 years.

It is tough enough choosing 12 months worth of data from most trustees.

Its hard enough doing only one year at a time.
Keeping records and coating them on 3 year cycle will be harder and more time consuming especially when something goes missing. An annual cycle helps everyone to keep on top of things.

Trustees have issues keeping clear details after one year much less three. Harder to resolve issues three years down the track.

3 years is a long time to commit wrong doing hide it and close the fund down!

Possibly. If a fund is put in for audit and it relates to three years ago, then going back and reviewing what happened three years ago, answering queries etc will add to the time spent. If there is a problem and it has not been discovered and it occurred three years ago then the next 2 years will also have problems.

Multiyear audits may make it more difficult for historical queries to be answered. Also trustees will have less of an annual feedback on compliance issues.

Checking 3 years of activity.

It will be a nightmare just to work out who is and who isn't supposed to be audited.

Because we will be auditing 3 years of work so it may be more difficult to find information, if trustee have done the wrong thing then they have been able to hide for longer and if a mistake then the trustee has 3 years to keep making errors whether deliberate or by accident.

If non-compliant funds then will have to spend a great deal of extra time in resolving & trying to correct positions & transactions which have been incorrectly treated in the previous non-audited years. Non-compliance could lead to loss of exempt status, in some instances & maybe with retrospective consequences. Problems which appear for funds that have been wound up in the third year of the cycle could see dramatic consequences with dire financial consequences, in some instances.

Records are 3 years old vs 1 year, more time to continue down the wrong path, actual work to be done basically unchanged.

The older the records are of missing supporting evidence, the harder they seem to are for trustees to locate or provide. I.E. It may not be possible to provide records of bank or trading accounts that were closed. Or the srn or hin of holdings held 3 years ago to be able to get confirmation from share registries.

If an annual audit is not prepared then the process to verify opening balances will be more involved. The conservative approach would be to qualify the audit report which would then impact on the "clean" audit status for the 3 year cycle.

Because if an issue arises in y1 of the 3 year cycle and its not picked up until y3 there is a greater chance of ATO audit for non compliance and a greater likelihood of having to lodge acrs with no rectification.

Issues that might be easily dealt with in isolation will become more onerous and difficult to readily obtain information and rectify where appropriate.

Record keeping queries.

It is already difficult in a lot of cases to get required documentation from trustees a 3 year cycle will make this task more difficult and time consuming.

Q07. Does the 3 yearly audit cycle represent an increased compliance burden on: SMSF trustees; SMSF advisors; SMSF accountants; SMSF administrators; SMSF auditors.

Because what would be a simple amendments will now involve complete revisions. Work which was at the front of someone's mind will now be a distant memory.

For accountants and administrators policing the change will take time (per q6). I'm assuming processes may need to change for funds eligible for the 3 year cycle. I'm also assuming there won't be any meaningful change in the way a file is prepared, it is possible that I may be wrong about this. For example if the changed process means that we can take certain items on faith from a client and not require documentation for everything that could save time (I'm assuming this won't be the case).

Increased costs of retention of records. Need to accommodate diminishing recollection of relevant events over a three year period.

More diligence and understanding will be required by trustees who are generally not specialists in the area of SMSF governance. Issues will be harder to rectify if they are two or three years old.

It can be hard enough to get all the right documents for one year let alone 3 years of documents two or three years later. Some accountants may not review super fund performance each year in between so the trustees really don't have any idea how it is performing. They may not want to pay the money to a adviser so won't be proactive in protecting the member balance with a yearly review.

Having to address issues that could be 3 years old.

All parties will need to be more vigilant and detailed in their processes to be able to give the compliance tick of approval with confidence.
Greater onus for longer period. And what if trustees / accountants / administrators / auditors change over the period?

Trustees will wait till year three to get their stuff together - so it will be one big whack of work at once.

In most cases the risk of non compliance going undetected is increased.

Increased cost if mistakes are not picked up until 3 years later.

Instead of sorting out problems on a timely basis. The three year cycle will lead to a "bulge" in problems.

An audit is normally a yearly event. It allows for mistakes to be highlighted early before they can be compounded. SMSF auditors will resign from the industry as they perceive extra risk to the auditor may now exist. SMSF accountants will find it more difficult to explain the process to the trustees and have them administer it. SMSF trustees will lose vital documents and make the audit process harder.

Compressed 3 year audits in 4th year (on three year audits) in one year means longer time to audit each year consecutively, time delays waiting on trustees to address audit queries and missing vouchers, backtracking archived or non existent information from wrap providers, change of staff, etc.

If funds are not audited then more time will need to be spent by the above to make sure client affairs are compliant no time will be saved by auditors as they will still need to audit the three years in the cycle in accordance with the audit standards.

A transaction might need to be follow up that happened in year 1 of the cycle more compliance time.

There will be more work to audit and greater need for checking/rectifying over 3 yrs especially if trustees commit breaches early on.

Obviously, dependant on the level of activities and volume of transactions of the SMSF. Property valuations are on a three yearly cycle what's the bet they don't line up the SMSF auditor.

Same reason as q6.

Most persons involved have an ongoing yearly input with no expected changes. It will be the auditor who gets the problems.

Inadvertent errors by the trustees may cause compliance breaches and these may be harder to rectify with the less frequent oversight of the auditor.

Smaller amount of time spent annually and to correct any breaches in a timely manner than looking at three years on transactions.

There is no detail having to audit three year old data is ridiculous.

Similar to previous answer.

Trustees struggle to keep adequate records under the current annual audit system. Along with the potential for misstatements in financials and the revision/amendments, and the incentives for trustees to manipulate the system through 'just in time' rectification, the costs borne by the identified parties above are likely to increase as a result of the extra time spent on the compliance work.

Trustees, advisors and administrators are not responsible for compliance so they won't care. The buck end with the auditor who has to sign off.

More pressure on service providers other than auditors. Auditors pick up problems early on a yearly audit cycle. Service providers need to become auditors as well on non-audit years.

Advisors don't care they are in it for a dollar, look at royal banking commission, AMP charging for advice to dead people and people who didn't even have an advisor, trustees think they know what the are doing but normally don't... That leaves it for administrators/accountants and then the auditor to clean the mess.

Having to monitor the eligibility criteria and chase up 3 years of documents for those that drop in and out of the system.

Need to go back over 3 years. If problems arise they may not be discovered for 3 years.

Additional work if errors are found.

The complexity will increase with the chance of legislative changes in potentially all 3 years. Costs would increase to the trustees as auditors will need to increase charge charges to make up for downtime in the years between audits. Costs of breaches will increase where a breach is say in the first year and it is not corrected till 3 years later with increase interest charges and penalties. Auditors will have the issue of staff retention and not having consistent year to year work.

Difficulty in obtaining relevant information and retaining records.

Though not overall when compared with annual audits. Auditors may actually test transactions instead of 100% audit of transactions as happens with smaller annual audits. May prove more profitable for audit firms if they go about it the right way.

Accountants will still have to prepare financial statements every year so no change to them, auditors will need to audit 3 years at once so will actually take longer then doing one year at a time.

Each year needs to be examined closely.

Retention of additional records is problematic and presenting them in an orderly manner for a 3 year period is likely to be less organised.

For the same reasons as given in the last answer.

For auditors, it creates more inherent risk not seeing a client for every 3 years. A lot can happen in 3 years. With the auditor, not being involved for three years, it puts pressure on everyone else to keep things compliant.

Trustees tend to misplace documents after 12 months.

Again, the entire period needs to be looked at not just the last of the 3 years.

Potentially more time consuming to rectify non compliance issues occurring in a three year cycle.

Reason in question 6.

It will take up to 3 years to find errors which means added costs and difficulty in fixing problems.

Trustee: will struggle to keep 3 years of records advisor: will give the problem to accountant accountant: will be first line of queries from the auditor administrator: unlikely impact as should be processing as they go so unlikely to impact auditor: having to trace events, and in effect will 9 times out of 10 be issuing non-compliance reports due to 3 years of issues not being dealt with in an appropriate time frame.

Sorting 3 years out at one time is harder than one at a time.

See answer to question 6. Burden on others will not change - they still have to comply with the law.

More record keeping to keep records in line over the three years, need to keep up to date with all the regulatory reporting from trustee and accountant point of view. Administrators need to ensure all up to date all the time.

Because of the length of time between audits retaining records and documentation in an orderly fashion will be an issue. Furthermore, legislative changes or ATO changes in guidelines or rulings will be a real problem for the administrators.

A lot of mistakes and non compliance can compound over 3 years.

Continual review of the fund to make sure it meets the requirements for a three year audit.

Due to more transactions.

SMSF advisers, accountants and administrators are going to need to ensure they collect all information relevant to the SMSF's eligibility for the 3 year audits as well as transactions and events that have occurred during this time. SMSF auditors are going to need to audit 3 years at a time which, although creating some efficiencies, will create a significantly increased burden in relation to having to audit transactions and events that potentially occurred 4 years prior.

Record retention and administration becomes more complex, client administration also becomes more time intensive.

All parties will have increased compliance monitoring costs and a three year audit will be more costly than annual cycles due to time lapse in documentation/explanation of transactions.

Trustees may not see any difference (ignorance is bliss), but for all the professionals it will mean more regular scrutiny, particularly on those assisting trustees with administration to ensure any errors/mishaps are caught early and dealt with quickly without waiting for an audit. For auditors, unravelling 3 years worth of errors/mishaps can take much longer and they may feel more pressure to check absolutely everything as they only have this one in 3 years opportunity to ensure everything is right - it won't be sampling anymore but checking every transaction.

Having to answer questions in year 3 about transactions that occured in year 1 is going to be a difficult process for most of the people in the SMSF industry.

Advisors will need to actually deliver proper service and charge appropriately for it.

There will be an increase in compliance burden on all of the above parties as they all will need to ensure they remember all the transactions in the fund, keep records and ensure timely lodgements etc. In the past the ATO didn't pursue late lodgers of SMSFs and when they started too, the ATO realised how many funds had not lodged their audited SMSF returns on a timely basis. With all the current checks and balances in place more funds have become compliant then they would have been if the 3 year cycle was implemented.

There will remain the compliance issues for maintaining documentation. What if an error is detected 3 years later by the auditor.

Trustees are generally mum and dad investors, placing reliance on their professionals. Professionals are reliant on the trustees retaining/sending the documents in promptly and in full. Auditors usually request documents that is not always relevant to the "financial" audit, or tax preparation, and is usually not retained, nor required by the tax professionals, and usually the trustee has then not considered it relevant.

I think the compliance burden will be the same, but will shift from annual compliance around accounts/audit to ongoing compliance around eligibility, confirmations and opening balances. It will certainly be more difficult as the compliance requirements will be harder to certify.

How accurate are the financials at time of advice.

Overall change will impact all of the above to retain and have easier accessible records for the 3 year period.

Everyone is going to have to be on the ball to ensure no issues arise which could cause serious problems when picked up in the third year. The risk is increased.

Can only really answer for myself as an accountant.

Trustees, advisors, accountants and administrators need to ensure fund is compliant every year and/or be more mindful of becoming aware of compliance issues as no auditor is appointed every year and may overlook compliance issues. Auditors will also have to review all years to ensure no compliance issues for every year.

Need to look at a 3 year period.

Often compliance issues are discussed with the auditor to ensure compliance which will not occur within the 3 year audit process putting increased scrutiny on accountants and advisors.

Compliance breaches left to fester for 3 years will require more time and input from all participants, including the ato.

Records won't be current so more work to do.

Period is too long and ability to spread workload is impossible to manage. Do you think full time auditors are going to work 1 year out of 3?

Unfortunately, the audit process was a check on whether advisors etc were doing there job properly. That will now fall onto the trustees as it is there responsibility.

Accounts & taxation returns will need to be completed each year, however, audits will be completed at the end of three years. Rectification of any compliance issues could be potentially delayed over a longer time frame, and if a significant issue - the cost of rectification and potential penalties could be higher as a result.

As per prio question and also how do you rectify a problem identified during the 3 years audit in a timely manner?

Doing one year is hard enough, spare the thought of every 3 years, what a disaster that will be !!!

Difficulty spreading workload and hiring extra casual staff at higher rates during peak time.

Monitoring who and when audit due, and reviewing the three years.

Record keeping, correct cut-offs, 30 june asset valuations and supporting evidence.

I truly believe it is just pushing all the work done over three years into one. It will be more onerous to collate all the information and respond to issues.

Your basically doing the work but only getting compensated once every 3 years.

SMSF auditors will likely need to do a lot of time reconstructing accounts and fixing errors in earlier years.

All are ultimately exposed if mistakes are made. The audits for the 3 years will still need to be done just with a bigger time lag which is dangerous to all involved.

Accountants and auditors will have far more work trying to find information going back three years to explain transactions that occurred. Trustees often have difficulty finding bank statements just for the one year, let alone 3 years.

Trustees sometimes make innocent errors and can rectify these currently in a timely manner. It is not up to the accountants/advisors etc to pick up SIS breaches as we are not currently allowed to audit our own funds we administer. Trustee errors might take a long time to be found out and fixed and we might need to amend tax returns from prior years. How will auditors handle changes in work flow and their own trained staffing requirements if it audit work will fluctuate so much.

A 3 year audit cycle puts more of a burden on the auditor to perform 3 years of work in one engagement and then rectify errors that may have continue to have occurred. There is also a possibility that an error on 1st July 2018 would not be identified until May 2022 as the accounts would not be required to be audited until the end of the 2021 financial year. This will increase the complexity of rectifications due to the time since the event occurred.

There is no more annual job. It will be three job in one year.

Because they will still be required to prepare annual financial statements, and tax returns (annual returns) for tax purposes. This compliance requirement is currently when the audit is performed. Under the proposal, it appears that the audit of the already prepared financial statements will be delayed - so the trustees in particular will be required to attend to the accounting and tax compliance each year (and spend the same amount of time as is currently required to attend to the accounting, tax and audit requirements), to achieve only 2 of the 3 compliance requirements, and then 3 years later will be required to commit additional compliance time and activity to attendance to the audit.

I assume unaudited accounts will still be processed annually - so it is only the audit process which will be impacted.

Trustees may not think they will have an increased compliance burden but in the end through practice, I believe it will. If an auditor is competent, when they get the 3rd year's financials to audit, they will need to first agree the opening balances. If there has been no audit for 3 years, I believe they will still need to go through the prior years to ensure the financials are sound, just so that they can confirm the opening balances. As accountants and advisors, we tend to rely on these audited financials as well particularly around the transfer balance cap and the ability to make contributions. It may also make trustworthy trustees who don't do the wrong thing in their funds, become more lenient as they are not subject to the same rigid testing.

Poor information retention. Lost information. Problems grow put of control.

As mentioned above, you need to still perform audit procedures on opening balances so that you can rely on them.

Have to keep even better records than before; will need to ensure they "remember" what they did three years ago; backtracking transactions that happened three years ago is ridiculous.

Likely to be compliance obligations

missed by the trustee leading to time and effort to correct - good records and evidence not likely to be maintained by the trustee or lost leading to difficulties to conduct the accounting and audit - difficulties will arise as to how to conduct an audit in compliance with auditing standards (which have been written for an annual audit) - there will be no change in administration or accounting responsibilities as these obligations re record keeping still stand.

The need for trustees to be better prepared with their record keeping, for advisors, accountants and administrators the need to check if the fund has a trigger event which it needs to have an audit for and the possibility of having to amend accounts for matters picked up as part of the audit.

Dealing with transactions that are older increases the time spent, trustees' memories decrease as time goes on etc. In particular, this will be an issue where clients change accountants - will need to potentially facilitate audits for years we did not compile the financial statements.

The risk of error and something wrong will increase uncertainty and therefore to mitigate the risk, everyone will be paying more attention and spending greater time which will ultimately cost the trustees more.

The time spent searching for documentation may be increased.

Asking SMSF trustees, many of whom are elderly, for documents or explanations that are up to 4 years old will add stress to them, the administrators and the auditors. SMSF professionals will have to consider staffing and training to cope with workflow that is even more uneven than it is now.

Trustees, accountants and auditors will still be required to sift, sort and balance accounts to insure compliance for years 1, 2 & 3, which will take more time than if carried out each year if a compliance issue is detected, say in year 1, like any error/fault the longer it goes undetected the more difficult & expensive it becomes to rectify.

Trustees, and specifically retirees, will face the burden of gathering 3 year's worth of information in a small time frame, which will consequently have a flow on effect to SMSF administrators through more unnecessary time and costs spent on the job.

The onus of making sure what you do and what you advise is going to be acceptable to an auditor in 3 year's time.

Accountants will likely have to ascertain eligibility. Auditors will have more work to do as they have to do three years' work plus there may be breaches that occurred in the intermittent years of no audit which will be more difficult to deal with.

Trustees have enough problem with understanding all the changes in SISA so to get them to make a judgement on whether an audit is required or not just adds to the burden. The alternate to the trustees making this call is that the advisors, accountants or administrators will be charged with this burden - what happens if they get it wrong and the trustees are hit with penalties for failure to have the fund audited in the right timeframe (will our PI premiums go up because of the increased exposure).

Generally, it may be an increase in one year but not others. Overall not sure if it will be more efficient.

Issues that affect the fund may only be found after the 3 years that relate to the 1st or 2nd year. The self-assessment burden as to the funds compliance and illegibility to the 3 year audit will become an issue.

If the accountant change, more open ended work, might have to go back and amend.

Refer above duplication of enquiry and lag in timeliness of record review (by audit), once on completion of annual return and again on completion of audit. SIS compliance obligations not identified and addressed timely. Increased pressure on auditors to issue unqualified opinion, leading to increased time spent on supporting compliance opinion.

The trustees may not know their obligations and we will all be playing catch up.

Multiple issues in one audit and also if compounding breaches.

Review every detail of three years of compliance work. Important things can go oversight.

Trustees, advisers, accountants and administrators will need to fill that hole left from a compliance point of view. Record keeping will be more critical by all parties. The auditor will have a tough time basically looking at 3 years for the one audit.

The complexity of dealing with say 3 year of breaches will be more difficult and more frequent due to a lack of audit each year.

Frequent interaction between trustees, accountants and auditors works best in understanding and resolving SFSM issues. Auditor input to such matters well after the fact makes any corrective action untimely.

Making sure records are maintained for the 3 year period and kept together. If the SMSF doesn't need an audit then the accounting may slip as they may think it doesn't matter until the 3 year mark then finding it harder to get the information that they need. It could also cause problems if there are issues in the fund that aren't picked up quickly that could have ramifications for all involved.

Burden on having to remember what happened 3 years ago. Need to keep 3 years' paperwork in "current" file as opposed to being able to archive older information. Much prefer to have an annually occurring engagement to a larger one every three years - not a smooth nor efficient workflow.

Keeping track of records, ensuring compliance, rectifying breaches in a timely manner, accessing benefits in error, ensuring efficient audits. Generally, it's a really stupid idea.

Auditors will need to use judgment in assessing what information they need to review in the 2 years preceding the year of audit.

Due to the length of time in between events.

Timing. Trustees struggle with requests on transactions that occurred 3 months prior - they will struggle on transactions from up to 3 years ago!

The trustees and administrators will have less burden because they will not be required to follow up on valuations however, for the advisors, they may find it will be greater compliance because they may find more errors that have been continued for 3 years before the trustees find out about it, property prices changes in the property cycle, and if properties have been sold during that time, there may be compliance errors which are not found until after sale. A possibility that a complying fund becomes non complying. Furthermore, there may be values (up or down) that make the members account values significantly different and this is an issue when members exit the fund or new members come into the fund.

It is difficult to remember, follow-up, rectify or update a transaction that may have happened 100 days ago. A problem in year 1 in carried forward for another 2 years.

On the whole, I believe the 3 year audit cycle will increase the compliance burden on all bar SMSF trustees. The issue is going to be if the advisors/accountants aren't having regular communication with auditors then the risk of SIS breaches is going to increase substantially. There may be an increased requirement on advisors/ accountants to significantly increase their skillset to advise fund trustees of potential issues within the 3 year cycle effectively increasing the cost/compliance burden on these professionals. Once SMSF auditors receive the audits every 3 years there is no doubt going to be some serious compliance issues with a lot of funds.

They need to be more diligent and it will become more time consuming of breaches occur. It will compromise the compliance status of the SMSF industry.

Essentially the people preparing the financial statements for the fund will have to put on an auditor hat as well and be prepared to advise clients of potential issues.

More paperwork and following up.

The annual audit can provide an overview that can assist administrators with another set of eyes to identify potential problems. Also to identify an issue in year 3 may mean the previous 2 years financials/tax need to be changed.

All of the above will be required to be more vigilant and assume some responsibility to detect errors when they occur and fix them - no different to now really but the lack of a more frequent audit will mean the other players have to take on some of the task the auditor has had.

It will be more difficult to obtain records after three years - many clients can't put them together for one year. - Especially if there is a change of any of these during the 3(+) years.

All parties are required to do more work, and as it is in human nature everyone will leave it to the last minute and this will create more work for all parties.

More time when breaches occurs to fix multiple years to be represented.

Potentially, each will be working on outdated and possibly incorrect data, until confirmed by the auditor.

Non-auditors will need to do compliance work. Trustees will need to be more aware of trigger events.

If there are issues then the auditor has to pick them up at the end of three years.

Doing 3 years work at once will create long delays, complications and difficulty in locating historical records.

Try getting documentation from a client from three years ago. What happens if an error happens first year. The fund is non-compliant for 3 years compared to 1 if the auditor shows the trustee and they fix the error.

Far more work to be checked.

They will need to keep track of which funds have been audited and possibly have a larger audit in the 3rd year.

SMSF trustees etc. Will not have the benefit of an audit process keeping them on track on an annual basis.

Audit is often seen as an oversight function to ensure compliance with SIS and that the accounts are presented fairly. The trustees and administrators will have no comfort there are no issues because the audit may not be done for at least 3 years. Mistakes can inadvertently be made resulting in accounting errors or SIS breaches. These errors will be more timely and costly to fix potentially three years after the breach.

For auditors, it will take more time to review 3 years' records and has high chance to identify potential the compliance breaches. For those funds with good track records, accountants and administrators have done major parts of compliance check every year.

All parties advising in the SMSF area will need to implement additional systems to ensure that SMSFs are compliant as the risk will increase.

Checking 3 years worth of transactions won't be fun! Even the best clients will have to search back 3 years to find documentation.

The requirement to maintain 3 years of "open" documents and ledgers will require more effort. Closing off after the audit of a year allowed that year to be archived. Now 3 rather than one year will be required to be open.

If breach in first year, may not rectify until 4th year of audit. SMSF trustees may incur ATO penalties/fines for 3 years.

Having to explaining the 3-year requirements to trustees and track the cycles. A three yearly cycle will mean the chance for identifying and rectifying errors early is greatly reduced. The legislation is complex so it is easy for clients to make an inadvertent error. An annual audit increases the chances of early intervention and ensuring an error does not recur. Auditors will need to spend more time in the year 3 audit years, as they need to consider the ramification of unaudited opening balances.

Recalling the rules applicable to the relevant year.

SMSF trustees and advisors/accountants will need to ensure that their SIS compliance knowledge is increased. They will need to be specialists in this field. They will need to monitor SMSF activities on a more regular basis to ensure that contraventions are identified earlier. While it could be argued that they should already be doing this, there is clearly a reliance on the SMSF auditor to be the 'gatekeeper' of the SMSF industry. The ATO have always relied upon SMSF auditors to undertake this function. Without annual SMSF audits, the regulator may also find that they need to increase their compliance review activities to ensure early identification of SIS compliance or tax compliance breaches, something they don't currently have the resources for.

It's obvious, isn't it??

SMSF trustees will forget then responsibilities over 3 years whereas 12 months' cycle reminds them. Advisors will be giving advice sometimes based on out of date or inaccurate information.

Records may not support actions undertaken!

A three year cycle does not equate to just doing the last years audit. I would think they would need to audit all three years. What happens if a client goes to another firm? So potentially it can affect all.

More work involved.

It will be a nightmare just to work out who is and who isn't supposed to be audited.

Totally unworkable & inadvisable position to take with possible need for retrospective action. How could this be proposed when there are currently problems with some funds being poorly administered now & with current annual auditing?

Same requirements, done once every 3 years, or working out if it needs to be every 3 years, older base information.

It puts much more risk with trustees, accountants and advisors to maintain compliance for a 3 year period. It will not create more risk for auditors as they simply verify facts and information. However, where this information is not a available or compliance matters have raised this will increase the number of qualified opinions, management letter points and ACR's.

Compliance issues not discussed/reported/rectified in a timely manner. Potential for increased penalties imposed - will they be imposed from date of reporting or back dated? Potential for trustees to take advantage of no audits to circumvent SIS legislation. Attempting to source historical information re asset valuations will be time consuming adding costs to the audit process.

Because all parties have to be more on top of what they are doing so that they don't fall foul of the rules. The annual audit gives the trustees particularly peace of mind knowing that they are operating their fund within the rules.

Q08. Keeping in mind that SMSFs eligible for the 3 yearly audit cycle, will need to have 3 years of audits performed in the 3rd year, how do you think this will impact overall audit costs?

Not sure.

It should actually increase costs but there will be huge pressure for the auditor to eat them, and create auditor shopping. It will also significantly increase accounting costs as we will have to go back and try and remember small details years after the work is done rather than weeks after. Some savings in time should be realised.

If this is the case i'm actually not sure. I don't do audits anymore but I presume non-annual audits are a relatively rare phenomenon in general. I can't imagine there would be any time savings initially but maybe the audit profession will work out efficiencies as time goes on.

Sourcing independent confirmation from fund managers, banks and valuers will be more time consuming. Issues uncovered in early years of the triennium will be more difficult to correct and will need to be carried through year by year. This will require restatement of accounts well after the event.

Due to extra time having to go back and forth getting documents. It doesn't make sense if the trustees are providing the documents to the accountant to prepare financials each year that the audit doesn't happen while things are fresh in the accountants' mind.

At best there will be no change in audit costs. I think that audit costs will increase particulary for funds that have issues that have to be addressed.

There is more risk in a three year audit for the auditor and this will reflect in the costs. Many smaller operators will drop out of the sector which will lead to less competition and more costs for audits.

More work to be done to comply.

I think this is obvious - CPI increases plus tracking law changes etc.

Fees will be charged applicable at the time of the audit which will most likely be higher.

Auditing over a three year time cycle has got to be more difficult and time consuming.

I cannot see how costs will not increase, because I feel the scope of the work has just been made more complex.

Merely adds three years fees in one, increased time delays, open and closing files adds to costs, and is not efficient.

May lead to increase in time required to complete the three years particularly if breaches occur in the first year and are not addressed. Cannot see that a three year cycle will save time or costs as the same work will be required to complete each year.

At the end of the day costs only go up the local council has increased commercial / industrial rates by 8.5%.

Will end up just been 3 x yearly fee. So, no saving over the 3 year period.
One audit every three years would be 2/3 the cost of three audits, assuming nothing is amiss.

In all cases of multiple year audits that our firm has conducted to date, the aggregate audit cost has been more than what it would have been if each annual audit had been completed on time and then those costs aggregated.

25% increase in costs our practice has estimated.

Much harder and more time-consuming to deal with queries relating to "year 1" in the 3rd year. And what happens if the client had accountant 1 for year 1, but accountant 2 for years 2 and 3. If the auditor has queries, they then need to contact two accountants to get the answers.

How does the auditor check contributions in the previous 2 years...

Much more difficult to resource, it's already very seasonal, but tripling the workload will mean more expensive casual/ short term staff needed, training will be costly for short term staff.

Auditors will have the issue of staff retention and not having consistent year to year work. Staff are already hard to come by for audit, and if they have inconsistent work years they will be inclined to leave the industry.

I would expect costs to increase due complexity and time wasted trying to obtain appropriate audit evidence. The worst idea the government could has dreamed up.

Knowing accountants, it is unlikely to change the costing, though competition may help this. The interesting thing is that all funds who qualify will only have to have an audit every 3 years. That means every third year SMSF auditors will not be able to sleep as they will be working 24 hours a day to get the work done and the other 2 years will be working an average of 3 hours a day. Surely some scheduling should be factored in? And no I am not an SMSF auditor.

No change as will still need to check 3 years worth of transactions.

The cost of an audit covering 3yrs would be much higher than 3x a 1yr audit due covering all compliance issues or legislative changes over that period.

Instead of say $500 a year, it will just be $1500 every three years!

Trustees tend to misplace documents after 12 months.

Staff salary in year 3 is higher than year 1, ensure all compliance in terms of act and regulations for 3 years, if hasn't been kept in line from year 1, will flow through to each year etc.

At best audit costs won't change however there is high probability of them increasing.

Decrease only in terms of the compliance aspect.

Doing 3 years of audits in 1 sitting can only increase the cost of the audit. The administrative part of the audit is performed by admin staff on tiny charge out rates so no savings there, just more pressure on the auditor to test balances over 3 years.

Any efficiencies gained by not duplicating the planning process will be countered by the work that will be required on transactions and events that may be potentially up to 4 years in the past.

An unwarranted increase in time and costs.

Expectation that costs will increase as trustee documentation and explanations will be potentially affected by time lapse.

The time required to assess transactions from 2 years previously will add significantly to the overall time required to complete an SMSF audit.

3 Years worth of audits should be cheaper as the audit process is risk based in any event. Should make it easier for auditors to do their jobs properly for a fair fee rather than for a fee below cost.

More time will have to be spent of going through the transactions for 3 years and ensuring all of them have supporting documents. If relevant documents are not available it may be difficult to obtain them again as some of those businesses may no longer be around (they have been wound up or change in management etc.)

I will still have to audit 3 years to ensure compliance with SIS requirements and opening balances. What about members balances etc.

There is a large potential for an eligible SMSF to inadvertently make a significant mistake in year 1, which may not be identified until year 3. There is the propensity for documentation to not be retained, and any administrative or otherwise errors made in year 1, will need to be changed through 3 sets of financial statements.

Together with the eligibility criteria issues, doing 3 years in one time will make documentation sourcing more difficult.

Would expect that additional time would be required to obtain all the records for the three year period.

Staff retention may be an issue and specialist audit firms may struggle to survive the wait unless they can add alternative income sources to their service offerings. This may lead to a decrease in supply and hence price increases.

I don't expect audit costs to be down by 67% but some repetition will be eliminated. I would anticipate that audit costs would be down by around 50%.

I suspect the volume of work to increase. We all know trustees have the responsibility to ensure their fund is in good shape, but to me this feels much like going to the doctor every other year for cancer treatment; more regular treatment could prevent serious complications.

It will just mean every 3 years they will get 3 times the annual audit fee bill.

Auditors will leave the market so becomes more expensive.

Given that on most audits there are always issues to be resolved, yes, they will go up. If it is a clean audit for the 3 years then costs are likely to go down.

A disaster !!!!

Unfortunately, some will drive the average fees down for all.

Most definitely the cost/time to complete an audit where there are queries or contraventions will increase, but trustees will be reluctant to pay a higher audit fee.

There is a possibility of an increase in cost if rectification issues are identified and 3 year's worth of accounts are required to change.

The costs will increase because the amount of time and effort involved in sourcing information, and receiving responses to queries, from 3 years ago will far outweigh the cost savings proposed to be achieved in respect of audit secretarial compliance (sending one bank audit confirmation letter covering 3 years, arranging a single trustee rep letter covering 3 years etc.).

Fee rates go up every year, and as the time is likely to be same or more then the later year fee rates will be higher than might have applied in earlier two years.

Overall I think SMSF's will have to pay the same amount of audit fees across the 3 years but there is also the possibility for audit issues to arise that have escalated over 3 years to also increase audit costs where these issues could have been resolved in 1 year.

We often have delinquent clients with several years of audits come to us for completion all at once. Our experience is, we always hope for an economy of scale, but it never occurs. It is lost in the chasing up of old records from those previous years.

The audit profession has used automation and data feeds and scale to efficiently conduct and price audits. A change in the dynamics and competition will impact the cost of an audit.

Unlikely to change overall cost as the same work needs to be done. Any increases will likely be around sourcing records going back over 3 years.

The same amount of work will have to be performed but as costs generally increase from year to year you are deferring those costs to a later year when they will be higher.

The risk return ratio is out of whack with the 3 year cycle. There is significantly more risk signing off on an audit 3 - 4 years after the fact and this needs to be compensated. Let alone the risk from a mistake compounding in year 1 into year 3.

Auditors will have to increase fees to cover the costs of additional time spent on jobs.

Trustees, accountants and auditors will still be required to sift, sort and balance accounts to insure compliance for years 1, 2 & 3, which will take more time than if carried out each year if a compliance issue is detected, say in year 1, like any error/fault the longer it goes undetected the more difficult & expensive it becomes to rectify.

As auditors will exit the industry due to seasonal workflow issues, combined with more time spent on each job over 3 years, inevitably will have an adverse impact on audit costs.

An audit covering a 3 year period will have to cost more than one covering 12 months.

It is harder to go back and audit prior years. More work is required. Information will not be as readily available as when you are auditing just the prior year.

Will all the paperwork be available?

There will be no saving in time - it may even cause issues that could make the audit more complex.

Potential to increase costs or no change due to question 7 comments. Lag in timeliness of record review and referral of enquiries to trustees, advisors and accountants. SIS compliance obligations not identified and addressed timely. Increased pressure on auditors to issue unqualified opinion, leading to increased time spent on supporting compliance opinion. Workflow management change required will increase staff costs due to increased seasonality of work, and legislatively australia does not have other like jurisdictions with such a superannuation industry, so that experienced staff can be accessed for busy years. This may also impact on quality of work.

It will still need to be done on yearly basis under current law and may be too late if breaches are uncovered.

Definitely have to increase costs of the audit to cover the extra time required to conduct an adequate audit.

It will make staffing very difficult for a surge in work every 3 years.

I think any efficiencies associated with combining multiple years at once will be offset by challenges and time consumed in dealing with 2+ year old transactions where memory and clarity has been lost.

Increased cost of audit employment, greater difficulty obtaining requisite documentation for the audit.

Obviously, it would only be incurred every 3 years however I think it would depend on the fund if doing 3 years' audit in 1 would gain some efficiencies or if it could possibly cause more issues.

Time spent & workflow pressures will increase.

The work will still need to be done for each year, so I cannot see any cost savings.

Same level of work basically needs to be done. Maybe some minor efficiencies.

Going back three years is much harder than just completing each year as it incurred.

On the whole I think some funds will have cheaper audits where they strictly adhere to the SIS rules and maintain good records, however, I expect other funds will have more expensive audits due to the fact that audit issues will be allowed to fester & exacerbate over the 3 year cycle.

If no breaches occur and no changes to assets or member status occurs then perhaps no change i.e. Yr. 1 Cost x 3 however a change to assets, liabilities, member status, contributions, borrowings will change the construct of a fund and worst case create a breach or management issue that if left unchecked would compromise the compliance status of the fund. This will increase the complexity of the audit.

There will be more work as a result of the need to review 3 years records. Any cost benefit from no audit in year 1&2 will not be passed onto the client only absorbed in improved margin by the accountant/ administrator.

At best, probably no change ...... Possible increase if fund goes back for amendments to a few years.

Getting information from the first year of audit in that cycle will be more difficult particularly in the early days of the change over as trustees will need to be educated on what they need to keep and do.

The costs will increase as we will need to spend more time on audit and if errors are found these will need to be investigated, calculated and corrected which will take time if in the first year of the audit cycle.

More risk and time for auditors.

More expensive to complete aged audits than current year audits.

Just accrued three-year worth of fees. Big hit on trustees' cash flow.

No change to a potential increase, as if there is a compliance issue detected in the first year and it has not been rectified by the trustees then there could be a recurring error for the subsequent two years.

Definitely will be an increase if an error is found or a breach of the SIS act - has the potential to affect the accounts and audits going forward. Potentially increase costs as I can envisage it being problematic to ensure all documentation is received. What if there is a query from 3 years ago - will the trustees have the relevant information or if they have to contact an external person (e.g. Company secretary to confirm a share holding balance).

It is reasonable to think the costs will increase. But the increase should be less than 3 times as the paper work and administration of audit are not repeated by 3 times.

Auditors will need to satisfy themselves with the opening balances substantiation and 3 years of compliance review.

Time required to check back over 3 years and chasing info from accountants who will not have it readily available will mean costs rise. There will also be a base cost of maintaining staff and skills that will be amortised. This will not go down.

Auditor will take more risk and spend more time to dig information 3 years ago. Just not practical for both the client and the auditor.

Audit firms will have geared up to handle a current workflow, so have a fixed cost base. If the 3 year cycle is introduced it will result in spikes in workload and revenue from year-to-year, effecting profitability/ viability of the auditor's business, so some firms may choose to quit the market. Those remaining in will need to rebalance and plan their resourcing, but ultimately there could be fewer firms providing audit services so the price may increase. In any event, other firms may decide they will continue to do "interim" audit work in the intervening years, and charge a fee not dissimilar to the current fee. In our experience clients are unconcerned about audit costs, as it is relatively modest in the context of the advantages smfs's offer.

While there may be some SMSFs that experience a small reduction in audit fees. The more likely scenario is that the auditor will spend more time on an audit. I would expect that in the majority of cases sufficient documentation would not be initially provided and auditors may need to make multiple requests for sufficient appropriate audit evidence. This could extend the amount of time it takes to complete the audit and is likely to result in SMSF audits being 'put down' and 'picked up' multiple times - this always increases costs. This doesn't even take into account the additional time that auditors will need to spend if they identify previously unidentified contraventions - it always takes more time to review/investigate contraventions. Where these contraventions may be several years old, it will take even longer time by the auditor to accurately review/investigate these contraventions.

You will be hitting SMSF's with a large fee every three years rather than an annual cost.

It will depend on how good the records are that the trustee/administrator maintains in that period and what errors may be made during the period.

The number of super auditors and skilled auditors will drop as 3 years is a long time between meals!

Unsure.

There will be some efficiency gains from doing 3 years at once but there is the risk of past issues remaining uncorrected therefore increasing complexity and cost.

The total cost of a 3 yr. Audit will be approx. 80% Of the cost of 3 x 1 yr. Audits. Marginal saving only.

We will have to ask clients to go back and provide a very wide range of documents over the last 3 years, when they are used to just providing one years information at a time. This will waste time going backwards and forwards trying to get all of the information.

Is it wise to lump the funds with the combined cost of 3 years of audit into the one year. I am sure that fund administrators would not see that as an advantage.

It will likely be more time consuming to obtain all relevant information. It is very rare to receive an audit file that includes all required information and common to have to request missing items.

Conservative approach would be to do an interim annual review to verify opening/ closing balances so the audit costs would decrease slightly in the first two years of the cycle and then the third year would be a full audit with an increase in fees.

SMSF auditors, which are decreasing number, will have an increased workload and will hence he in higher demand and will hence increase fees. The cost of issues rolling into future years will add costs to the audit.

Q10. Considering the 3 year audit cycle and the requirement not to have an audit performed during this time, do you think this presents an opportunity for SMSF assets to be misused or misappropriated? (e.g. Early release schemes, lending to related parties and/or other poor trustee behaviour)

Yes through ignorance and opportunity.

Anything with less scrutiny will open up the opportunity for people so inclined to flaunt the rules. It's already happening per ATO commentary about early access, this will potentially be a green light for early access promoters.

Allows more time to rectify miscreant behaviour before audit.

The annual audit keeps compliance front of mind while administering the SMSF. If the importance of the audit is downgraded then the importance for continuing compliance will be eroded.

Absolutely lending to members, sale of assets and funds going to personal accounts.

The temptation for misuse is there due to lack of detection for several years which affords time for issues to be "covered up".

It goes without saying.

Opportunity to do things and not be looked at for more than two years after the event.

Trustees will think they have two more years to sort it out - by which time it is fixed so the impact of any ACR will be much reduced.

Trustees in some personal financial difficulties may get tempted to misuse the fund's assets.

The trustees could withdraw funds and use personally until the time to prepare the accounts.

It is too tempting for trustees when they think they have three years to fix things.

Breach of in-house asset rules, access of SMSF investments to members. Will allow bad trustees to have access to the SMSF investments under dubious circumstances, will not protect members benefits, significant potential to breach the sole purpose test.

Inadvertent or deliberate error, misappropriation not detected increases risk of loss of assets, inappropriate investments increases risk of losses, increased risk of lending to related parties leads to failure to detect, increased contingent tax liabilities, etc.

Trustees will be aware that they can possibly take advantage of doing the wrong thing knowing they will not be detected or reported for three years.

Yes easily.

Anything can happen in the 3 + yrs. To audit time before breaches can be identified, reported and rectified.

Some trustees will think that they have more time to put the money back.

Assuming the trustees and accountants know what is permitted and what is not permitted there should be no changes. When these persons are ignorant and the auditor is used to identify problems is when an increased risk of inappropriate behaviour.

See it annually so three years gives them more of a chance to do it without regular guidance and accountability.

I think people would tend to think that you would not pick up.

On many occasions in the past we have experienced clients who submit their superannuation fund information to accountants late (and sometimes very late). There is, without exception, an underlying reason for this – compliance issues in the funds. I expect the move to a 3 year audit cycle would not only replicate, but exacerbate, this situation.

Auditors work with trustees to ensure continual compliance. Without that regular interaction trustees may become lax and take risks thinking that they can sort out problems in the third year.

Accidentally on purpose ... "Lending" money to a related party happens pretty regularly. These are often small amounts and repaid by the time the audit happens. The auditor may then not report it (if it was a small-ish amount and it was repaid). Or, even if it is reported the ATO takes no action because it was repaid. If audits are only done every 3 years "small-ish" amounts are likely to be much larger, i.e. Much harder for trustees to correct.

Absolutely, some clients will take an opportunity so long as that third year its squared off... This idea is absurd and thought off by bureaucrats that have never been in the industry or have never audited and found the myriad of errors that you have to deal with and rectify.

We already see it with trustees holding off lodging for a number of years.

In house asset rules.

Related party loans and investments will be a real problem if they are picked up down the line, as well as investments in unlisted companies/trusts which have a high risk of being lost (see Bear v Cam case).

I can almost guarantee this will happen...... Please book mark this comment so I can refer back to it when the bad stories appear.

No more than now. It may have an effect on identifying problems, but they should be identified as part of the annual accounts and tax process.

Yes what happens when they take money out illegally and just deposit it back before the 3rd year is this a breach if we just audit the 3rd year, also will take longer to identify the breach e.g. 3 - 4 years after breach occurred.

Without threat of an audit each year it is possible that poor trustee behaviour could result because if the problem is picked up by the accountant, the trustee thinks they do not have to deal with the problem until the audit is due.

More so increases the risk of inadvertent error complicated by the requirements to rectify non-compliance errors over extended periods of time with the risk that the errors continue for an extraordinarily long time.

As they have 3 years before any action is taken.

Absolutely. Goes without saying!

Trustees can not be trusted to do the right thing.

Quite possible to use the system re loans, early release etc. Etc. Etc. With rectification prior to the end of the 3rd year etc.

Trustees may see it as an opportunity to be not so SISa compliant.

Less frequent intervention by professional advisers to correct and educate trustees about engaging in the right sort of behaviour and not the wrong sort.

The longer time goes by the harder it is to identify & rectify issues.

Simply won't be picked up in time. Thus, creating opportunity.

Obvious.

Trustee's currently abuse the current annual audit system, if they know it is 3 years they will take full advantage.

The fact that trustees will see that they have 3 years to rectify any breaches will lead to increase in lending to related parties, early release and timeliness of payments on rent contributions etc. The vast majority of trustees have little understanding of the audit process and the fact that these breaches will be detected.

There will be no accountability in the in-between years.

This is clearly and obviously, a risk.

Annual audits keep trustees in line & make sure the fund remains compliant.

The breach will not be discovered until 3 years later.

Pretty obvious isn't it.

In some cases, SMSF trustees are likely to believe that as long as any breach is rectified prior to the 3rd year audit then there would be no issues. The annual audits enable any potential breaches to be identified, reported (where required) and rectified in a timely manner whereas these breaches may be ongoing for up to 4 years before being identified.

No timely overview by qualified professionals leading to significant delays in the identification / rectification of issues.

SMSF trustees are self-regulated during this period which may lead to misuse of funds for personal needs without accountability over a three year period.

Potentially less oversight, especially when not using an accountant or administration service, therefore audit may be only oversight to catch errors/mishandling.

Without constant supervision, the risk of malfeasance with SMSF funds significantly increases.

This a yes and no answer, there is no greater risk as those that will misuse it now will continue to misuse them. In any event the only change will be that the audit will pick it up later and the regulator enforce penalties later there by increasing the size of the penalty. The regulator will need to be strong and enforce things properly.
As there is lack of checks and controls in place trustee could see it as an opportunity to misuse its investments etc. Their accountants may not pick these up as they just take transactions at face value rather than ensuring that there is correct supporting documents in place and it is not the accountants to be interim 'auditors' of the fund.

Trustees are not always aware of their responsibilities and having access to assets without regular audits will increase the potential misuse of assets.

Trustees may become lapse, I am a good trustee I don't need to worry now for three years. In the mean time, anyone within or associated to that fund may see the opportunities. There is the propensity for a good trustee to now "bend the rules" so long as its fixed by the third year - leading to temptation.

Breaches would not be detected and corrected on a timely basis.

Of course, trustees who want to game the system will see this as an opportunity.

Trustees can have little to no contact with a professional adviser for to 3 years could easily allow unscrupulous parties to do irreversible damage and avoid detection for a prolonged period of time.

There is still an obligation to lodge an annual tax return. Good, ethical accounting firms will still prepare the annual financial statements and tax returns in the same manner they do now, which is to virtually perform the audit themselves and at the very least identify areas of non-compliance and advise both the trustee and auditor with a view to stop repetition plus help facilitate a speedy and trouble free audit. Hence the checks and balances will still be adhered to at the accountant level.

I think it may result in unintentional error not identified in a timely manner and rectified.

Based on past history of general compliance activities threat of an audit keeps trustees in check.

Potential for occurrences to arise and be corrected in 3 year phase without qualification.

Illegal early access will occur in years 1 & 2 with the money put back (if possible) in year 3 is the most likely occurrence.

Plenty of things will be innocently or conveniently overlooked in a year in my estimation, however 3 years would almost entice them to be swept under the carpet for later; human nature being what it is.

Time between mal event and scrutiny will be greater, hence risks higher. Innocent errors by trustees will compound more overtime including penalties and interest.

3 Year timeframe anything can happen. Auditors need to be able to pick up the issue at the earliest point to have any success or rectification.

Not everyone is honest and people get desperate financially from time to time.

Most trustees try and do the right thing. However, compliance breaches are relatively common, particularly when trustees/members have financial difficulties, or misunderstand the legislation. A small portion of trustees/members may feel that they have time to rectify the breach prior to the third year. Whether they can actually do so may be a different matter. But mostly my concern is that the breach will continue for an extended time period prior to rectification.

Past experience doing multiple year audits.

Of course it does - no question. Honest, trustworthy trustees will always be so. Dishonest ones will always be tempted by slackening of regulations.

Those who want to misuse SMSF will be more able to. Though it is more likely that unintended beaches will occur and not be corrected early.

Yes, I suppose it does. Lending to members is already the consistently number one issue with funds.

Even if the trustees don't set out to deliberately misuse fund assets they will accidentally take funds from the wrong bank account or invest in assets which are non-compliant.

Trustees might be tempted to do this if they have cash flow problems in other areas of their life thinking they have 3 yrs. To give the money back or be deemed non-compliant.

Trustees will the ability to misappropriate funds and they will not be audited and reported to the ATO until 4 years later. A misappropriation in July won't need to be audited until may almost 4 years later.

Of course - if funds are accessed inappropriately, the trustees/members will be aware that the early access will not be identified, or required to be corrected, for up to 3 years. The more important concern is not where funds are deliberately applied incorrectly, but where trustees may be targeted by 'advisers' who become aware that the SMSF will not be required to be audited for 3 years, and so where advantage may be sought to be taken of the trustee by directing funds to less secure investment strategies.

Things go wrong all the time so 3 years means it will take longer to rectify.

If trustees aren't going to be watched closely then I think of course you are going to get people who will flaunt this and misuse their fund's assets before 'rectifying' these issues in the third year. It makes it easier when the trustees have direct access to the money and hold control.

But no more than the risk that already exists.

There are enough instances of SMSF assets being misused or misappropriated with annual audits so I would assume that it will only be worse with a 3 year audit cycle.

Easy to hide illegal transactions.

As an auditor, I see many funds that misuse super fund monies.

Clients make mistakes, intentional or otherwise, as it is. Under this regime these mistakes will go unchecked, will probably be repeated and potentially unable to be rectified come the audit.

The temptation is there for businesses that are struggling to dip into their super fund even if for a short period of time knowing that it won't be audited for 3 years so they have use of the funds for a greater period of time. There is also opportunity for funds and members to understate asset values so that they can contribute additional funds to super and thus get around the contribution caps.

No, the rules don't change, but where issues do occur it could take longer to identify and be more complex and expensive to correct.

Most trustees will behave, but with less or no scrutiny for 3 years - some trustees who get into trouble will undoubtedly dip into the fund. With less scrutiny, the temptation to do it will be bigger and unfortunately, some will succumb.

Potentially a fund could be in contravention in the first of the 3 year cycle and this would not be picked up until the audit is undertaken and the time frame available to rectify the contravention is greater which could have ramifications for the fund 3 years on.

Loans to related parties principally.

Longer periods between audits increases to the possibility of accidental &/or intended inappropriate behaviour.

Would not underestimate the creativity of some of these trustees.
Unintentional errors will have to wait 3 years to get picked up.

Absolutely yes, because trustees can misuse and “rectify” within the time period with much less scrutiny. Auditors will not be able to address breaches as readily. Less opportunity to educate trustees on correct compliance, particularly new trustees. Poor trustee behaviour will increase as a result.

Human nature is to take advantage of the situation so the scheme promoters will have a field day as they will be able to get away with the schemes for 3 years.

It is a longer period of time to have things occur and not be detected and rectified.

Trustees may intentionally contravene the SIS act or misuse assets of the fund with the intention of correcting the contravention before the audit in the 3rd year.

Trustee is aware they have a three-year window prior to discovery or correction.

As SMSF funds are an easily accessible asset when in preservation.

All of the above problems and use of lrba’s at real risk.

They get misused in an annual audit cycle.

I can imagine trustees really trying to take advantage of this change and disregard the rules because they know there will be no auditor to report it.

Misuse the SMSF in the year that it is not audited.

It will take 3 years for breaches to be identified, reported and rectified.

Matters will not be picked up and addressed until well after the fact, perhaps making rectification more difficult. Trustee education from audit process will be untimely. It could encourage misuse and then concealment / fix up prior to audit.

ATO has viewed the auditor as the ‘watch dog’ and this is fair comment. Whilst it has not been a complete inhibitor to poor trustee behavior it has been a deterant, and has also provided SMSF accountants and advisors with an additional leverage to encourage appropriate behaviour by trustees.

I think it creates that risk that people will try to sneak things in during the year in the hope that it won’t get picked up at the end. Also, the trustees won’t be monitored as closely leading to opportunities for things to go wrong.

The more “dubious” SMSF trustees and / or members will have a longer time span before their actions / transactions are reported on.

Because there are some people who if they are not regulated cannot be trusted!

Trustees could potentially think that they could “get away” with non-compliance if the audit is 3 years away and then reinstate the fund before the audit.

For a few trustees this will be seen as an opportunity to access funds illegally.

Larger window of time without compliance issues being rectified.

People who are desperate will see it as an opportunity to buy themselves some time - i.e. Bail out their business or personal financial situation thinking they can square it up within 3 years (typically they can’t).

It is known in the industry that advice has been given to trustees to take money from the SMSF, some through ignorance, some through misappropriation and that the ATO are not keeping up with following them up now. A three year cycle will only create a delay in following up these funds where there will be no chance of recuperating the funds hence providing more government pensions for these members later on down the track.

Lending to related parties.

No doubt. The threat of trustees being reported to the ATO in a timely fashion is one of the greatest deterrents of this type of behaviour. A lot of things can happen in 3 years.

Not deliberately of course ;)

It provides opportunity and potential financial benefit to misuse assets during the 3 year term.

Without a high level of compliance knowledge amongst the administrator, an error could fester for 3 years.

Poor trustees will always be poor trustees but this will encourage bad behaviour. Increased opportunity to do something wrong with the intention of fixing it before the audit.

Because the clients may ‘forget’ to rectify any issues they created.

Assets could be misused for a “small” period and then rectified and if not investigated/audited correctly could be missed.

Greater time between independent reviews provides more opportunity.

Withdrawal of funds by trustees pre-preservation age.

We could expect some trustees to be misled, or to decide themselves, that they have a 3 year window to hide any non-compliance activity.

Delayed scrutiny will enable misuse of assets and cash.

Take the money and leave the country. No one will know for three years.

The trustees will not be so responsible.

No one policing compliance.

Opportunistic trustees know that an audit will not occur for 2 to 3 years - without that oversight they will be more tempted to do things they know they should not be doing.

I believe accountants are on the same side of auditor to identify the breach at earlier stage. But trustees and administrators may have chance to misuse the 3 years’ audit window to breach and rectify the breaches to take advantage of the cycle.

Some trustees may be tempted to breach the law short term as there will be no audit certification for 3 years, if they do not have financial advisers or accountants/administrators to keep an eye on the fund’s transactions.

Most clients do the right thing but you will get the odd client that will demand this concession and then take advantage of the situation.

Some trustees will make errors or be tempted. If they know they won’t get checked for 3 years they will be more tempted.

In the overwhelming majority of cases there would be no deliberate contravention, but most trustees are “mums & dads”, so it is easy to make inadvertent errors given the complexity of the rules. A 3-year cycle provides much more scope for an error to remain undetected, uncorrected or repeated, whereas under the current cycle they tend to be identified and corrected on a reasonably timely basis.

The cat's away the mice shall play.

Without someone 'watching' trustee behaviour they may be more likely to just 'borrow' or temporarily use the SMSF for business/personal support. Knowing that they will 'fix' the problem before the audit is conducted. What is more concerning (as those that game the system deserve no sympathy) is those trustees that 'make mistakes' and do not correctly identify the mistake (at all or on a timely basis). These trustees could be adversely impacted for a mistake, by way of tax penalties or admin penalties. If the mistake had been identified sooner, the resultant penalties may be able to be averted or at the very least better mitigated.

The risk of trustees either intentionally or unintentionally misusing SMSF assets increases with less scrutiny.

It will be at least 3 years before the breaches are identified and thus making rectification more difficult and probably time consuming.

Strongly agree. Superannuation funds will be improperly accessed and spent.

It is just plain common sense that this is what will happen.

There is always an element that will do this either by design or by desperation. With a three year cycle a situation may be considerable worse before it is discovered.

No accountability.

If a trustee/member is going to be dishonest then they are going to be dishonest. The accountant/administrator should pick this up when they prepare the accounts and should be working with the client to rectify any breaches.

It presents an opportunity, however as these are funds with good compliance records then it seems only a small number of funds will take the opportunity.

Increased temptation to abuse the system if trustees know no-one is signing off on the fund for another 3 years.

There are dodgy trustees out there who will take advantage of this, trust me.

If the trustee knows no audit for 3 years then then will be more inclined to do the wrong thing if that way inclined.

Most definitely & if for no other reason, should not be entertained as so many trustees/administrators are unaware of their governance obligations.

Much longer before bad behaviour identified, more likely for people to think there is no oversight at all.

No incentive to comply with rules. Would be very tempting for people with a migrate to place SMSF monies in personal offset account if there is no regulation or check.

Greater risk that trustees will breach rules in year one and then tidy up by year three. If an auditor identifies a compliance issue they may be required to bring this to the attention of the ato, however in many instances these matters are often addressed directly with the trustee first.

This could be deliberate or a genuine mistake by a trustee, but unless checked and corrected each year, could result in more ATO audits and non-complying funds.
Trustee behaviour/related party loans.

Q11. Considering the current inequity in superannuation balances for women and that many SMSFs are "mum and dad funds" where one spouse may dominate the decision-making process in the SMSF, the absence of an annual audit may remove the opportunity to detect early misappropriation of a vulnerable member's funds. Do you think the proposed 3 year audit cycle weakens protection for women's retirement savings in self-managed super funds?

Same risk of misappropriation exists within a 12 month time frame.

More time to devise a scheme.

Based on your comment yes. I've never really considered that as an issue and have never encountered that (yet).

Your question is the answer.

I think the rick will be similar as we are looking at things after the event.

Not only members' interests, but other members of the fund who sometimes are not as actively involved as they should be.

Audit confirmation processes to confirm pension payments, co-signed evidentiary written investment strategies that are not checked annually increases risk that trustees including women are not aware of their balances, payments and investments that they are obliged under SISA to be aware of.

Possibly but do not see that this is a widespread problem.

If you empower women to take responsibility as a trustee you empower the nation.

In the funds that I handle I do not see much evidence of this scenario.

Reasons referred to earlier.

Possibly but not necessarily.

In the event of a dispute, the courts will likely set aside any inequity. Misappropriations could happen at any stage.

I spent 100% of my time on SMSFs. In my experience, it is incorrect to assume that in a "mum and dad" fund, the woman is always the weaker party. But it is correct that in any SMSF, there is usually one member who dominates the decision-making process. The 3-year audit therefore weakens the protection for the other member(s).

That's drawing a long bow....

Most definitely.

What a loaded biased question. It does not weaken a woman's protection any more than it dos a child's or other spouse's protection.

As most men have higher balances they tend to make the most decisions.

Not all men are the dominant party, it could work out the other way around.

It weakens the entire system irrespective of gender.

Yes but no. In many instances where there is only one decision-maker, this is a conscious choice from the other party who is just not interested in dealing with the admin work and so defers and assumes their spouse is looking after everything and "doing the right thing". It's as true for men as it is for women.

Why is this a gender issue? Why are women more vulnerable than men? Is there another political agenda here?

As per argument above.

I think it weakens protection for most members irrespective of gender.

Weakens all trustees' decision making processes.

If they only 'check in' every 3 years it's just not often enough.

Decision dominance could lead to misuse of funds which could be especially difficult in a marriage breakdown period.

This question is not really even an issue as many funds use the balances to their advantage. Recent rule changes putting in caps will definitely assist member with lower balances so I think it won't disadvantage them.

This is absolutely a good point, however, with the rise in women in professionals, it may also work the other way, where mum is the accountant, and dad the tradie, with mum doing all the administrative work.

That's a push type question that could be seen to undermine the objectivity of the survey results.

You are kidding, right? What evidence do you have to support your implied contentions that; (a) male SMSF trustees are dominating & unethically opportunistic (b) women SMSF trustees are vulnerable (c) annual audits are currently protecting vulnerable women's super-balances from domineering unethically opportunistic male trustees.

Will usually be addressed by the accountant/advisor.

I often find woman to be the most active trustees of female/male trustee relationship but do appreciate the potential for abuse for either party that has a less active role.

Reduces member protection regardless of gender.

Weakens SMSF's generally not just women.

I have seen a SMSF fund held by husband & wife, where the husband managed the investments, at marriage breakdown he accessed all the cash in the fund. I am unaware of whether this breach was rectified.

What a stupid question that assumes women don't take the role of trustee seriously.

This seems like a loaded self-interested question. I don't see this in my practice.

Without a doubt.

From personal experience, I don't see this as much of an issue.

Don't know.

Not sure.

Why is it relevant anyway, except for broken families.

Yes, very definitely. In my experience 90% of decisions relating to fund investments are made by "dad" and the resolution signed by "mum" without actually knowing what it all means. Often these are highly speculative investments in foreign or unlisted entities.

Possible, but unlikely to make a material difference.

I don't think this topic is relevant.

Simply weakens the entire system, not just women's retirement balances.

It weakens protections for all members in general, no need to play the sex card here David.

I don't think the audit cycle will change this.

Absolutely. Too many funds are dominated by one member.

Weakens everyone's protection not only women.

Well the issue of inequity of superannuation balances for women is widely attributed to gender pay gap. But what if above is said true, then yes, vulnerable members (not just women), will be effected by this policy through lack of oversight and accountability.

If someone is going to misappropriate funds then they will do it.

It removes the opportunity to detect misuse and misappropriation period, regardless of sex of member.

It's not necessarily a gender issue but weakens protection for all members with lower balances. I don't appreciate this issue being made into a gender debate.

The husband is very often the dominant member/trustee in the fund.

I have not seen any evidence of this.

The audit management letter opportunity to point out potential issues will be lost and this will cause an increase in problem funds.

If the male partner deliberately or accidentally breaches laws it will continue for 3 years instead of 1 year.

I hadn't really thought about this side of things but it could if 1 person is making detrimental decisions.

For a small % of funds this will be an issue.

Technically both trustees are signing the accounts so all members should be able to see what's happening - although the quality of many accountants reporting is so poor any member would struggle to understand what the fund is invested in.

For the obvious reasons.

There is no doubt that the absence of an annual check and balance provides an increased risk that one member will take advantage of another member.

Particularly if they are not business or financial savvy, and don't understand what the fund is all about.

Clearly removes annual checks.

Not sure about women in particular but it will increase the opportunity for things in general to be done wrong - deliberately or otherwise. Given some members are more vulnerable than others it logically follows that there will be an increase in harm done to this type of member.

There will be greater reliance on the accountant to pick up such activity.

Misallocations should be rectified.

For mum and dad funds there is no vulnerable party. The family law system fixes that. If there is no dispute between a couple then there is no vulnerable party.

Maybe - I think the statement/question is way too broad to give a definitive answer.

Even with yearly audit, there is no sign of fixing such issue. I don't think 3 year cycle will do any different.

Don't just make this about women issue this is a member issue.

I do not believe gender is of any relevance in this instance.

While it may be a factor, I do not think it is an overriding reason.

Strongly agree. We need more regulation in this area not less.

Changing the audit cycle will not impact this. I don't believe the current audit of funds offers any protection in this regard. All trustees should sign every document and be involved in all decisions

I don't think it's right to say women's SMSF balances are more at risk than men because of a 3 year audit cycle, just equally at risk!

General weakening but probably exposes women more than men.

The majority of women are unfamiliar with their obligations as a trustee.

It's not just women though, there are many SMSFs where the female is the decision maker in the fund - all vulnerable members are at a greater risk without annual audits.

Q12. Do you think there is a greater risk of contraventions by trustees if audits are only conducted under a 3 yearly audit cycle?

Both deliberate and accidental

Accountants preparing the accounts may not be auditor qualified and may not even know the contraventions and let something through that is a contravention.

Trustees weren't being looked at so often. Trustees might also change over the period.

See prior comments.

As already stated, trustees think that they will have three years to fix any problems instead of having only one year.

Absolutely, in fact I believe this will encourage / enable trustees to create contraventions at the start of the cycle and have them corrected just before the 3 year cycle ends with the ATO not likely to take action.

SISA and ATO rules are complex, that even trained practitioners are having trouble grasping. Trustees are vulnerable to contravention by default trying to comply with complex rules and regulations, such as the contribution caps, the bring forward rules, the mandatory reporting guidelines of the transfer balance accounts tbar when there are changes to pension accounts.

It could be 3.5 Yrs. Before detected.

Reasons referred to earlier.

On many occasions in the past we have experienced clients who submit their superannuation fund information to accountants late (and sometimes very late). There is, without exception, an underlying reason for this – compliance issues in the funds. I expect the move to a 3 year audit cycle would not only replicate, but exacerbate, this situation.

From experience, contraventions often occur inadvertently. The earlier it is detected, the better it is. Depending on the seriousness, it could avoid the fund being made non-compliant when dealing with it so long after the fact.

A big yes here.

For those who like to break the rules, e.g. Unlawfully withdrawing money from their SMSF, it will be more tempting and easier to do if they know they have 3 years before the next audit.

Absolutely, just like you know that you shouldn't be speeding but many people do otherwise the state govt revenue coffers for speeding wouldn't exist if people always do the right thing.... It's human nature this 3 year cycle is absolutely stupid and absurd.

We already see it with trustees holding off lodging for a number of years - red flag to an auditor - why have they held back - sure enough there is a story that goes with it.

For sure based on experience in doing 1 year audits. Please for the sake of SMSF's dump this crazy idea.

The vast majority try to do the right thing at all times.

Naturally people will think if they do not need an audit they can get away with more.

Yes, many contraventions are unintentional and can be easily rectified if noticed soon enough, usually detected by a competent professional advisor. 3 Years later is a little late and the undetected problem compounds and becomes something the auditor cannot cover in their management letter only.

Obviously!!!!

Lack of oversight may tempt more trustees knowing that an audit is up to 3 years away.

No if they are properly advised.

Purely from an ignorance level, let alone a temptation level that they can get away with it. It will lead to a - it doesn't matter attitude for some.

But there is greater risk of repetition of the accountant doesn't detect it, or the "threat" of audit doesn't force the trustee to correct it.

Only where the annual accounts and tax returns are prepared by unethical, or poorly trained, or non-proactive accountants - probably those offshore ones engaged by financial planners.

In my experience contraventions are usually minor and are discovered and corrected before the audit process begins - that depends on the quality of accounting services.

There will be no opportunity for auditors to resolve issues prior to an acr being lodged as currently many issues are cleaned up prior to the audit being finalised.

Innocent or malicious, the longer there is to get away with it the more likely it is to occur imho.

Many trustees' require professionals to guide them through complex legislation, regulations and rules.

If there is little or no scrutiny trustees will take advantage of this. Past multiple year audit show misappropriation of funds or iha loans to members.

Significant increase and greater impact.

Mistakes and misconceptions likely to increase.

Both by innocent error or by design. Trustees who might normally be compliant may be prepared to take a risk if the audit is 3 years away.

I assume the accountant preparing the accounts is competent. If the trustee prepares accounts themselves then they wear the risk.

Contraventions are unlikely to be rectified as soon as they are since for instance, they could occur in the 2 years before the fund is audited again.

Less interaction could lead to more contraventions.

If a trustee is in trouble, they will look to easy funds first. It's their money - isn't it!

Potentially.

If a contravention occurs in year 1 after the last audit, it will not be picked up until 3 years later. The contravention may be unintentional or due to changes in the SMSF laws.

The average SMSF trustee does not have the professional training and expo-tees of a professorial accountant to ensure a non-compliance event does not occur.

Sums up all of the above questions.

Much easier to misuse funds when no-one is regularly auditing. It is the annual audit that keeps trustees in line.

How can you expect people to change their habits if they aren't told what they are doing is wrong?

Trustees often inadvertently contravene and this is discovered during the audit and then corrected. In a 3 year cycle the contraventions can continue for 3 years before being discovered.

A greater risk of inadvertent contraventions not detected by accountants and advisors.

Definitely as mentioned above the auditor won't have that opportunity to raise issues before they become contraventions.

Accountants don't focus or prioritise SIS act and regulation compliance until preparing for audit.

Each annual audit cycle often represents an opportunity for further trustee education in relation to matters that may lead to breaches.

Audit provides an additional encouragement for good behaviour via the requisite auditor management letters to trustees.

This provides the opportunity to go unwatched for 3 years. The consequences are too far away to worry about.

Definitely.

An annual audit reminds the trustees that an audit is required and anything picked up in one year can be addressed in a timely manner.

It's the 'bad' trustees who will find it easier to avoid consequences.

In my experience contraventions happen when records have not been completed and very seldom are they singular; usually two years or more have passed and both years have contraventions so I can only assume that if audits were only completed every 3 years, then this would increase the years of contraventions.

Less accountability as issues only picked up after 3 years.

No doubt.

Compounding effect of errors occurring in year 1 that remain uncorrected for 2 or 3 years will mean contraventions are larger in size and more material in nature.

Less review by auditors.

Contraventions will not be identified in a timely manner. So, will be amplified each year.

Opportunistic trustees as discussed in question 10. Contravention may occur in first year and continue for the next two years whereas if audit conducted annually it would occur in first year and then should be rectified after this.

Trustees may not consult accountants and advisers on investment or other transactions (e.g.borrowings, withdrawal) they wish to undertake during the period of 3 year non-audit time and this will put them at a greater risk of making mistakes.

Clearly yes. In the overwhelming majority of cases there would be no deliberate contravention, but most trustees are "mums & dads", so it is easy to make inadvertent errors given the complexity of the rules. A 3-year cycle provides much more scope for an error to remain undetected, uncorrected or repeated, whereas under the current cycle they tend to be identified and corrected on a reasonably timely basis.

Refer earlier comments. The risk of contraventions via 'mistakes' I think is a significant risk. All trustees will at some time make an inadvertent mistake. Where these mistakes/contraventions are not identified early, they could compound into larger contraventions, be repeated and be seen by the regulator as inappropriate trustee behaviour.

Strongly agree. That is so obviously the outcome of this appalling decision.

Lack of awareness of trustees' governance obligations & in some instances, total disregard for guidelines.

Less likely to ask for advice of an auditor.

This is a no brainer. Majority of compliance issues are addressed or resolved as part of audit process and therefore don't result in an ACR.

Absolutely. It is the annual audit that the trustees are vary of, as they know this picks up any issues/errors. Again, if these are unchecked for 3 years this increases the risk of error, detection of error and rectification of error.

Q13. Given the weaknesses exposed in the recent banking royal commission and poor behaviours identified by some financial advisors, do you think it is appropriate to reduce audit frequency to a 3 yearly audit cycle?

Regularity of review is one of the best ways of minimizing unacceptable behaviour. A.T.O. Would seem to adopt this approach in much of its own monitoring systems.

Three years is too long without intervention.

This is a dumb idea not thought through properly and will create a very unstable SMSF industry.

This is a bad proposal for effective financial prudence.

See above.

Financial planners have shown that they simply cannot be trusted to do the best for their clients. Yearly checks are a must.

Why did we as auditors have to become ASIC registered. It makes a mockery of the process. Self regulation is not always effective. An annual audit puts some control in the process. By going to the 3 year audit the control has been removed.

No, audits should be done on a timely basis - every year!

Any bank affiliated or sponsored SMSF needs to be audited with a different set of guidelines than currently deemed by ASIC as bank behaviour has been disgraceful.

Often it is the accountant or auditor who notice something not right.

With the SMSF focus in the last several years being squarely on maintaining and improving the integrity of the sector, especially given the sectors growth rates in terms of number of SMSFs and the dollars invested, it is surprising (and difficult to reconcile) that a proposal to lengthen an audit cycle would even be proposed.

Financial advisors are the biggest culprits in financial losses suffered.

An audit provides a level of protection - protecting both trustees and vulnerable member(s). Removing this is not a good idea.

Bring back the accountant's exemption. Stop protecting the banks and institutions like AMP who made the govt remove it.....

Auditors give an expert, independent, professional perspective to the SMSF industry. Only in recent years with registration of auditors and some recent ATO audit activity has the industry been strengthened with the tick and flickers being kicked out. Now we are gaining some professional respect in the industry and we have our legs cut out by government saying we are unnecessary to keep integrity in the SMSF industry.

Auditors need to pick up mistakes in the first year and every year, 3 years is not a good idea.

Exactly big disaster pending.

What effect will the audit cycle have on investment advice? If it is given by a licensed adviser, the auditor cannot comment on it anyway because he is not qualified to do so except in exceptional circumstances.

As per royal commission you need the safeguard of an audit.

I think it's amazing that you can have a banking royal commission on one hand, but propose something like this on the other hand. Bizarre!

All the reasons stated above.

Audit oversight is one of the important cornerstones that are relied upon by regulators. Certain financial institutions and advisors appear to be proven a lack of governance when it comes to other people's money.

Will highlight more clearly advisors\administrators who are not properly advising their clients.

In fact the opposite where an audit can help to ensure compliance, however to be fair some of the findings would not have been picked up by auditors as well as they don't have that level of expertise nor are they expected to.

If the advisors are behaving this way - why would mum and dad with no professional knowledge or training know any better.

Not related.

Given the legislated ability of poorly trained snake oil salesmen financial planners to hijack the SMSF market from a by and large ethical accounting profession and hand the work over to unaccountable offshore labour, I think it is absolutely asking for trouble. The funds and the embezzlers can be a long way away in 3 years, probably working in the london branch of a big 4 bank.

It is quite obvious that poor behaviours mentioned were never picked up by auditors. I believe that independence of auditors is important. I have seen a few "in-house" which fell short of good practice.

Not all advisers are white shoe wearing failed used car salesmen. Tbh i'd be surprised if, other than inappropriate advice to establish, that advisers play much role in the delinquency of SMSF trustee custodianship.

Currently however, these financial houses and advisors behave without impunity, so the audit cycle is of no concern to them and will not have a bearing on any changed behaviour.

The proposal is only for SMSF's and the trustees are best equipped to look after their own funds. The annual audit process hasn't stopped poor behaviour by advisors - not a well thought out question.

Less scrutiny means greater risk as shown by the RC.

Partly not good to slacken the regulation, but worse still is the message this sends.

A huge majority of my past acrs arose from inappropriate advice from financial planners.

Non-accounting financial advisers tend to not really understand the area and their mistakes will take longer to fix.

2 Different issues but still support 1 year audits.

The issue was not financial advisers but people advising funds be established without a sounds basis, mostly by non-financial advisers, according to the findings.

It's nuts.

Accountants/auditors & administrators keep having to pay for the sins of the financial planning industry as well have additional compliance costs and licencing to bear. This has to stop.

The royal commission shows the need for tight compliance measures.

The sooner issues are discovered the easier to rectify or alert authorities.

It is again resulting in a delay in uncovering poor behaviours by various parties.

It seems to me that auditors and accountants are the ones who try to correct some of the issues created by institutions. Left unchecked more and more issues will arise.

Whilst we do not make recommendations on the appropriateness of investments in the audit of the fund as part of the audit management letter we can point out issues such as liquidity concerns and other matters which will affect the ability of funds to be able to meet its obligations.

Financial advisers and the like will exploit the lag in supervision.

This is where the confusion lies. On the one hand you have banks and financial firms get caught red-handed for poor financial management and advice by the brc, yet on the other hand, the govt wants less oversight and accountability by introducing this 3 year audit cycle.

More important than ever to keep annual audits.

Is it an auditor responsibility to assess the behaviour of financial advisors?

An audit by an independent auditor is another layer of control and it is better to this annually than to only do this every 3rd year.

The industry historically has less issues than industry funds and retail funds as it is fully transparent. This will only raise more issues that may be too late?

It's crazy. The rule makers have lost touch with SMSF's. They bring out more rules with contributions, 1.6M pension cap and then propose to reduce a level of regulation. There are no positives for this proposed change.

The poor behaviour needs to be picked up as soon as possible especially in light of the issues identified with financial advisors.

There are so many other areas that ten government could have chosen to reduce compliance costs rather than changing the need for an annual audit. e.g. Reduce need for actuarial certificates when the accountants have already done the calculations themselves. Lack of poor planning on government & ATO's behalf, for instance not combining in the 2017 tax return the reporting of transfer balance accounts (could have easily been included in the 2017 tax return with minor changes to form) rather than having to prepare & lodge a separate tbar! Change that only need a real property valuation every three years unless starting a pension or similar event or a member leaving/joining fund. Who did the government ask about such an "improvement" in regulatory burdens - lack of common sense to think this would be the best option & lack of industry consultation yet again.

Audit often reveals illegal practices by advisors that trustees may be unaware of.

It goes directly against what is needed.

Two wrongs don't make a right. It is proof that you cannot self audit or self-regulate and there must be separation of power between professionals so that poor behaviour can be picked up quickly and efficiently. The political push for a royal commission only came about with a system that had identified the problems and consumers complaints. We need to have a system that works for the integrity of the funds to be maintained for the purpose that they were set aside for, retirement and to save the government social benefits for the aged.

This is a massive red flag for me. This is just going to open up the door to unscrupulous advisors to misappropriate client funds knowing they aren't going to get caught for 3 years at the very least. In that time, a lot can happen to those client funds.

If financial advisers are at least partly at fault for contraventions within super funds it will not just be the trustees with an increased opportunity to misappropriate funds or break rules.

Risk is increased greatly.

Annual.

It is normally the trustees that do naughty things not the advisors.

Even with yearly audit, I don't think auditor can change anything what financial advisers are doing.

There are many superannuation strategies implemented by financial advisers without proper consideration of client situations and investment decisions are still driven by the financial adviser's rewards.

Some of the fund trust the financial advisor. If the financial advisor does something wrong and there is no annual auditor, the mis-behaviours will only be found after three years which will be late.

A three year cycle flys in the face of common sense, professional training/qualifications and generally accepted audit practice. One of the benefits/control points of an audit is the mere knowledge that an audit will be conducted, irrespective of the quality and extent of that audit. If a trustee knows an audit will not be conducted for 3 years it removes this key control.

Superannuation law is complex. Even just understanding the contribution limits that apply can be difficult. Knowing what a client's tsb is and whether the fund can accept non-concessional contributions is likely to be an area of mistake in coming years. The tax consequences of getting this wrong can be significant, where expert advice might avert this. While an audit won't necessarily be able to change past events, earlier identification can stop 'repeated' mistakes being made and limit the tax impost.

Audits performed offshore should be banned!

I have never seen an auditor comment on the investments in a SMSF.

Compounds the current problem & poor practices of advisers.

Absolutely not! It beggars belief that this is even being considered.

Q14. Do you think the 3 yearly audit cycle will result in increased scrutiny by the ASIC and/or the ATO?

ASIC is dam near useless unless chasing late penalties and the ATO seems very reluctant to ever leave their building.

ATO and ASIC resources already seem quite stretched, if anything this would seem to be a way to reduce their workload.

I believe there will be more contraventions. As trustees think they will be able to get away from using super fund assets incorrectly.

The resources are not there to do this.

Not from ASIC, which is a toothless tiger, as highlighted by the Royal Commission. Maybe from the ATO, which needs to ensure compliance or change the taxes due for non-compliance.

They always look at things after the horse has bolted - they don't have the resources to do real time monitoring.

They may perceive a greater non-compliance.

ATO will most likely audit more SMSF funds.

Because trustees will take more risks.

No, they have limited resources.

ASIC and ATO traditionally are hopeless.

Lack of resourses.

Hopefully it does. Maybe a separate govt agency is required to monitor the banks and superannuation.

Only as I think that there will be more contraventions.

Regulators should be doing their job irrespective of the audit requirements. Admittedly audit notifications of breaches cause them to do additional work. It is just a timing difference as to when they get information.

They will be chasing up a lot of things that were not fixed on ongoing basis as is happening now.

They will probably scrutinise auditors more, rather than trustees.

ATO and ASIC do not have the resources to deal with it.

ASIC/ATO should increase scrutiny.

In my experience neither ASIC nor the ATO take much of an interest in SMSFs. I reported some local accountants who still provide SMSF advice despite not being registered. ASIC said it was not worthwhile taking any action. ASIC are also happy to let organisations like e-super continue to establish SMSFs. As for the ATO, one of my SMSF clients took all the money out of the SMSF to use in his business. The ato's idea of "action" was a recommendation that the SMSF be wound up. (The wife had no idea her husband had effectively stolen all her super.)

Probably that's why it makes auditing them a minefield, what about insurance premiums for the 2 year non-audited years....

Should it - no, but it probably will, though again the regulators have not covered themselves with glory in the Royal Commission.

Don't know what they will do.

I think it will lessen the amount of SMSF each year that they will scrutinise therefore leading to more funds being put under scrutiny.

It is my belief that these agencies are already stretched for staff as it is. This is why this proposal is so dangerous.

They rely on contravention reports and the ability of the professional accountants and auditors to ensure that the system works correctly. Lessen the reporting you weaken the system.

Neither organisation has the resources or the skill to increase any level of scrutiny.

Naturally, as those funds that may be compliant over an annual cycle may have one or two breaches that cause them to be non-compliant for a 3 year cycle, i.e. The matter was not addressed. Ultimately less funds will qualify for a 3 year cycle.

I believe that the increased audit cycle will lead to much more auditor contravention reports being lodged.

This depends upon what reaction the ATO has to annual reporting once the audit oversight is removed.

Insufficient resources to properly accomplish & manage this.

It should. SMSF auditors need greater level of scrutiny the standard of SMSF auditors working files is below par.

They don't have the resources.

We wouldn't be able to judge this.

Only if they going to be more resourced than they are now. Wait...Maybe the government will cut their funding because they'll achieve economies of scale being able to scrutinise 3 years in the one report.

I think it will result in increased issues of non-compliance but would be surprised if it created increased scrutiny.

Another opportunity for the ATO to impose costs on the taxpayers.

No idea.

They don't have the resources as in the past this was the auditors territory.

Who knows...

As errors, more likely and concern of chance to abuse will require more intervention by the regulators.

I think they will focus on late lodgers etc and see this 3 year group as a safe group which could lead to issues many years later.

After a short time, the ATO will see revenue decrease and start to wonder if maybe annual audits were a good idea.

They will only scrutinize it once there is a problem and this will be too late.

Hard to say, but one would expect that if the audit cycle is extended, the regulators will have to become more diligently involved.

ATO/ASIC will be conscious that there are extra risks by going to 3 year cycle - so they can put more resources into a review every 3 years.

The ATO for one will want to know if they are being cheated out of tax payments. Superannuation in general is a regulated scheme to save for retirement. Without doing an annual audit for SMSF', there will be very little regulation.

Because auditors aren't annually auditing.

I think this depends on how much discrepancies to the norm are detected by the regulators in years subsequent to the potential introduction of 3 yearly audits.

The ATO will be focussed on issues which are potentially 3 years old....

Have no reason to suspect that scrutiny will increase much above current levels.

It will certainly lead to more auditor contravention reports issued as breaches of legislation go undectected and therefore have to be reported once they are identified by the auditor in the 3rd year.

There will be more ACRs and consequential audits.

Both ASIC and ATO are underfunded.

There will be more chance of noncompliance events.

If they impose harsher penalties it will defeat the purpose of 3 year audit cycles.

ASIC and ATO have relied on auditors for their reporting. If audits are reduced to every three years they will lack data and information with which to act.

There will be concern that trustees are misappropriating assets during the non-audit years.

Because there will be increased opportunity for contraventions.

Both ASIC and ATO are resource constrained. I anticipate this will result in an increased strain on their resources vs increased scrutiny, which would require increased allocation to SMSF compliance monitoring.

Inadequate understanding by both regulators as evidenced by the Royal Commission.

How else are they going to find out on a regular basis.

They are not doing scrutiny for one year audit we don't expect them to do much.

Surely there are going to more issues arising so therefor the ATO/ASIC will need to increase the scrutiny.

Given this is a government initiated change surely they are comfortable with it & should not increase scrutiny!

They don't have the resources.

Any shortfalls in compliance will see the 3 year audit reduction removed causing further scrutiny by regulators.

If I was in charge of these organisations I would want to ensure one of largest areas under my control was properly policed. Extending time between audits increases risk that something may go wrong.

Improved technology and data matching.

Absolutely. The ASIC/ATO is going to have to be extra vigilant now they won't have comfort in the knowledge an annual audit has been conducted.

Given the productivity commissions recent witch hunt on SMSF's (it would seem there is a financial planning bias here) it is clear that there is some hidden agenda. Despite knowing that the date was flawed they continued with the reports release and undermined the viability of the SMSF structure. When breaches increase as a result of the 3 year cycle it will give government a greater opportunity to further discredit the SMSF industry.

Not during 1st 3 years otherwise, defeat the purpose of the proposed legislation. Once this has run its cause it will certainly increase scrutiny and likely result in a return to annual audits.

Lack of resources will remain their issue and they will continue to rely on the auditors to police the compliance of SMSFs.

Not sure.

Errors and mis use will require further scrutiny and also further legislative changes to the sector.

ASIC has more funding.

They are likely to be looking to ensure entitlement to move to/remain in the 3 yearly cycle is correctly applied.

There will be more ACR's lodged therefore the ATO will have to review more issues in more funds.

No serious regulator is interested in SMSFs. If they are in pension phase and pay no tax why bother with them, also it is the members money and not the publics.

Potentially more compliance breaches that will straddle multiple years.

ASIC/ATO do not have the audit report to rely on.

If it is established that SMSF superannuation non-compliance is increasing as a result of the 3 year audit free proposal, the government will aim to tighten the regulations further.

Neither regulator has the time or resources to increase scrutiny. That's why they rely on auditors.

They will be looking for little mistakes that can be fines.

Ultimately yes, as the chances of breaches of regulations can only increase, which will flow into reporting of these breaches by the auditor to the ATO.

I do not believe the regulators have the resources to effectively increase their scrutiny/review of SMSFs.

ASIC is the quintessential toothless tiger and don't have enough resources to deliver their mandate now let along give them additional responsibilities. The ATO is a little better but not that far behind but haven't got sufficient resources.

Only if and when issues start to appear.

Due to integrity and compliance problems.

Any government instrumentality is exposed to poor practices & procedures & those responsible are under resourced with result failure to adequately performance their required governance tasks.

Auditor should be the first level of review – therefore second level of review by government authorities will be increased

Not increased scrutiny as but increased work for which they don't have the resources.

I think the ATO will increase the annual review fees to cover increased costs in audits. I think ASIC scrutiny will increase due to some SMSF approved auditors will be at risk of losing approved auditor status for not meeting a certain number of audits per year.

Because there will be more ACRs that are not rectified on lodgement. This will result in more ATO scrutiny/audit activity.

Q15. If compliance failures emerge from the 3 yearly audit cycle, do you think this will result in further regulatory requirements imposed on the SMSF sector?

No as changes to super are more political than practical.

Maybe a return to audits every year.

Need to maintain the integrity of the SMSF system.

There is little or no reaction to compliance failures now. Why would there be any increase in regulatory requirements.

Anytime there is an increase in misappropriation in any area there is always an increase in regulatory requirements, as a way to stop the behaviour.

They will have to patch up the system.

It would be better all round to keep to a one year cycle.

That is always the government reaction to any failure - increased monitoring.

It would have that tendency.

In its usual fashion, the government will try to fix the problem (shut the stable door) by introducing harsher legislation for everyone.

It will be window dressing as an attempt to put some control back into the process.

Retirement investments income need to be protected.

Probably as requirements increase as years go by.

Normal reaction of legislators.

The government and ASIC never listen to anybody else's opinions. They are the source of all knowledge and no suggestions from normal people are ever considered. If one of their systems then fail they just impose more regulation to fix it. I believe the gov has been subject to intense lobbying and pressure from banks and insurance companies for a number of years for their own ends. They have to some extent controlled the go agenda to suit their own corporate needs. The gov has generally accommodated them via leg elation this may change after the Royal Commission.

That is a typical regulatory reactionary response, but it is difficult to predict the likely extent at this time.

The tax concessions could be seriously compromised. Everyone will then suffer.

It seems to me that it is mainly the industry and retail superfund sector who lobby against SMSFs. If a 3-yearly audit cycle results in increased compliance failures, these anti- SMSF groups will no doubt use it to lobby for greater regulation and greater restrictions on what SMSFs can and can't do.

The ATO and ASIC will react to bad press even though they have caused the issue, the public wouldn't know any different.

If the failures are public, the politicians will look to regulate - it is the only response they know whether appropriate or not.

Not sure what the future will hold.

Because it would show that the SMSF sector has a problem complying.

History.

Because this will require stricter regulations.

It will probably revert back to yearly with greater areas expected to be reviewed by auditors.

Of course. It's what happens. People not doing the right thing so treat the outcome not the cause.

Because the answer to every perceived problem with SMSF's leads to more regulation. It is a joke.

Possibly but see answer to question 14.

If compliance fails, why wouldn't there be additional regulatory requirements.

As there is limited for ASIC and ATO to monitor the funds the gov will have to resort to regulation to manage compliance.

Per above, less funds will qualify for 3 year cycle.

Regulations will have to be imposed to ensure the incentive for mischief is removed.

Public opinion will be damning.

Any delayed compliance breaches should bring a more stringent regulatory environment over the actions of all trustee including the better governed SMSFs.

And it should just like every other industry.

It may show the regulators that yearly audits is the best way to go.

If this does occur on a large scale - surely there will be a need to re-tighten the strings.

If they fail to comply, an additional rule won't improve the non-compliance surely.

Too much lobbying power from the big institutions wanting the government to drive investors out of SMSF and back to them in order to pick up the 1% fees pa they are currently missing out on. Do the math, big bucks eh?

SIS rules will be modified to curb bad trustee behaviour, once again penalising those doing the right thing.

I think if it does get introduced and leads to increased compliance failures than the policy is a clear failure and should be scrapped.

Public pressure.

Yes, especially if there is a change of government as the alp hate SMSF's and want everyone in an industry fund.

Nature of the ASIC and ATO beast.

It should but you don't know when politicians get involved.

Possibly.

Yes, if large problems occur we will likely see a lot more restrictions in the future.

That is there answer to their ineffective systems they implement

...Because compliance failures will have emerged. This is a very leading question.

If they find more issues they will tighten rules.

If it ain't broke, don't fix it.

Back to annual audits.

Potentially will result in the re-introduction of annual audits - wouldn't be the first time the government has gone back on not so popular introductions like RBL.

And auditors and accountants will be the ones who will be help accountable and greater regulatory control and cost imposed.

Any increase in non-compliance will allow the ATO to further regulate SMSF's.

To tighten up the gaps in the legislation or the wriggle room.

Potentially.

Who knows what the government will do? No-one seemed to see this coming.

Naturally, how else can the ATO bring the industry to heal!!

As above.

Which doesn't help SMSF's.

Additional compliance issues will be imposed to ensure funds comply with the SIS act & regs.

It is likely to result in disqualification of individual trustees.

Depending upon who is in govt at the time. Some govt's see SMSF as a rort.

Yes, in the long term.

Regulatory bodies and the government will have to respond, but that will be based on the level of oversight taken by the ATO - if the 3 year cycle is adopted does this mean greater staffing and oversight will be undertaken by the ATO for SMSF's - do they have the capacity to do this.? Some extent of user pays by trustees for the administration costs of their SMSF is reasonable given the tax concessions received.

Again, due to the government's poor planning.

Especially if an anti- SMSF government comes into power (labor).

Probably but by then it will be too late and the job will be too hard.

Yes. At the moment, it is a case of fixing something that ain't broke. Unfortunately, once these compliance failures emerge, which they will, then more regulation is going to be required which may result in a reversion to the annual audit cycle.

More than likely they will return to yearly audits.

Will be necessary to protect retirement savings.

Will become an excuse for SMSFs being a bad thing and that trustees cannot be trusted.

It's a circular issue - the ATO thinks SMSF need more regulation, government does the opposite.

As per above.

More breaches. More regulations.

The cynic in me has that as one of the reasons behind this proposal.

Legislators/ government will have to try to scale back the mischief.

Another figment of the medias imagination.

How much more regulation can there be?

The outcome is more likely to be more contraventions than more regulation.

Continued 'poor behaviour' by the SMSF sector will see increased lobbying by apra regulated funds to remove decision making processes from trustees. It will only add to their arguments that SMSFs are just a 'rort' to the super system and super should only be handled by large fund 'qualified professionals' (although not convinced that apra trustees are all qualified professionals).

Issue always provoke knee jerk reactions whether warranted or not.

Because they will realize they got it wrong.

I think an experience of compliance failures will at the least bring a reversion to annual audits.

Presumably / hopefully they will just scrap the 3 year cycle and revert to annual.

Unfortunately.

I expect all borrowings and related party investments will have to become prohibited over time due to the number of contraventions that will occur where these types of structures are not checked for compliance annually.

I think the ATO will require further reporting on the annual return regarding movement in account balances/asset amounts.

This would seem a backward way to address compliance issues. Why not just keep the annual audit cycle?

Q16. Do you think further regulation of the SMSF sector will reduce red tape and operating costs?

Not unless they take a huge chunk of it away. It is now band aids on top of band aids.

It would depend on what it was though.

Increased regulation always means increased compliance costs.

All regulations increase red tape, especially when the government states that they are reducing.

No, in fact I want to know what this red tape is and operating costs they continue to talk and how they can demonstrate they will be reduced. We live in a world of litigation that continually breeds more red tape.

ASIC fees will increase to provide funding for out of control banks.

Past experience is increased regulation results in increased red tape and increased costs.

The sector has too much regulation and a poor system of enforcement.

The system is so complicated now. It will result in more time spent.

Increased regulation means someone has to monitor compliance. This "work" results in increased costs. Take the new tbars as an example. We now have to report to the ATO when we set up a pension, pay a commutation etc. etc. The work that goes into a tbar takes time - clients have to pay for this, i.e. Increased costs.

Any further regulation increases red tape they go hand in hand.

More contravention reports to prepare, which will be charged to the client, which currently isn't charged.

Never. There is never any reduction of red tape and costs when government regulates.

With each change in legislation comes more red tape.

Only increase.

It will increase it due to the regulatory environment that will evolve.

Any regulatory interference inevitably leads to higher costs of compliance.

It was simplified and now going back to being more complex. SMSF only has high costs because there is so many layers. Financial planners take their cut, administrators take their cut and then you have the accountants to lodge and prepare financial statements for the SMSF and then they get audited. Remove the first two and the costs will drop significantly.

It's simple if the trustees find the red tape and costs too high they should not operate an SMSF.

When has further regulation ever reduced red tape, and it can only increase cost, to say otherwise is an oxymoron.

Regulation now results in red tape and operating costs - further regulation will create further costs.

How could it?

Not a chance.

Experience shows cost will increase.

Nothing seems to reduce these - they only seem to grow with the growth of asset balances in the sector. As the pool grows larger, the temptation for the sharks is greater, as it the temptation for treasury looking for a way to plug budget deficits.

The question is contradictory. Regulation = red tape.

There is too much regulation already and half of it makes no sense and does not weed out the culprits. e.g. Changing the audit cycle to 3 years will not reduce operating or compliance costs.

Increased regulation will be complimented by increased operational costs.

More regulation means more work meeting requirements for administrators/accountants and more checks for auditors.

In my mind, by definition, more regulation is more red tape.

Errors will occur, backdating will occur and the whole thing will be a fiasco.

Further regulation will probably increase costs.

They go hand-in-hand, i.e. The more regulation the greater the cost.

Further regulations never reduce red tape and costs.

Likely to increase costs and complexity.

In fact changes the last few years make little sense for people saving to be self sufficient of government.

Further regulation means increased costs.

The existing requirements are adequate, they just need to be enforced. An annual audit adds to this process.

If you are doing right thing and have simple investment strategy without expensive financial planning fees costs are small and little red tape required.

Depends. Open banking regulations should make admin easier. Likewise superstream extensions. Banning lrbas would also reduce complexity and costs.

Absolutely not. This will simply increase fund costs in other areas.

Since when does further regulation = less bureaucracy?

Possibly, if well regulated the scope for wrong-doing is diminished.

As above - increased excuses to interfere in management of SMSFs because of increased reporting of contraventions. Government will impose greater regulation to eliminate the bad behaviour and will require increased reporting.

How could it?

Further regulation increase red tape and operating costs.

Long audits higher fees.

These costs are likely to increase.

Further regulation never leads to reduced red tape, always the opposite.

Increased regulation is not going to meet government policy objectives of reducing costs and red tape. Increased regulation only ever increase the costs incurred as increased regulation is likely to make super law even more complex. Increased regulation / laws will likely come with even more 'grandfathered' arrangements and trustees will be even less likely to understand the multi levelled application of laws.

Unfortunately.

No it will increase it.

Q17. The 3 yearly audit cycle requires SMSF trustees to take greater responsibility of audit compliance. In effect, SMSF trustees are being required to become "professionally skilled" in SMSF audit compliance. Do you think the 3 yearly audit cycle represents increased time, cost and regulatory burdens on SMSF trustees?

Finding records 3 years back can be challenging unless a trustee is super organised.

No as most of them have no idea of what being a trustee involves.

If the trustee gets it wrong then the fines are enormous. They can't afford to get it wrong.

The responsibility will fall on them. I think they appreciate the annual tick of approval.

Your question is the answer.

See above.

But I do not think that the trustees of SMSF funds really understand this.

Yes, but they won't do it.

Refer to save our super article by a trustee and why he will continue having his SMSF audited annually. The trustees are aware of increased time, cost, pitfalls and errors are best detected and corrected soon after year end. Not three years down the track. An analogy might be a horse doctor brought in to consult of the health of a racer, not annually but every three years consecutively. In the third year, he may comment the horse has bolted, or died, but here is my fee for three years for health checks looking a the carcass and bones of a horse in the stable. Same applies to a superannuation fund in volatile times with financial risk, disreputable financial planners, etc. I could also add what happens to a fund where the trustees/members die in the third year. - There is no ability whatsoever to bring them back to life to recover the necessary information on their funds for the previous years left to audit. Add also that many funds may have property or related party investments that they do not control and no longer have access to the information to support an audit of related party transactions, such as valuation, existence, ownership.

Maybe depends on diligence of trustees.

And not all are equipped to handle it. They are good to a certain point but that is all.

Trustees are meant to have the required knowledge to carry out their duties on an ongoing basis independent of the audit.

I think that SMSF trustees will be unable to deal with these matters.

Many trustees would not accept accountability for this though. It is not their area of specialisation which is why they need to appoint appropriately qualified specialists in the first place.

Vast majority of trustees need to outsource this work due to complexities in the system. Those who really don't care much will let the fund operate for three or four years or maybe more and then wind up the fund.

Sensible trustees will pay their accountant to do the same as before and to check that all the records that the auditor will want are there - even if the audit won't happen until in three years' time. But I am sure there will be plenty of trustees who initially think they can now cut corners, cobble together accounts and lodge their own SMSF tax returns for a couple of years - and then get a rude awakening in year 3 and finding out it now costs more not less to get everything shop-shape again.

Absolutely not, you're talking about tradies, mums and dads who rely solely on accountants and auditors and to a lesser degree the corrupt financial planners....

And they won't understand it, they rely on professional accountants, that's why they go to one, rather than setting the fund up themselves, they honestly don't understand the SIS legislation and regs.

They have that responsibility now - why would it increase?

Most trustees do not have the professional skills to become skilled in SMSF compliance.

They simply won't comply or will continue to act in a manner in contravention of SIS until the accountant/auditor brings them into line every 3 years.

Yes and one that most trustees are not interested in or skilled enough to fulfil, given the many hours of training needed to reach that level of competence in the extremely complex rules, even for these who are already of a financial bent, let alone anyone else.

Trustees still have to comply with the law irrespective of a continuing audit.

Most trustees do not fully understand how SMSF's operate including SIS act and regulations.

Individual trustees or separate director trustees, who are already heavily burdened by the trustee responsibilities, will now need to spend greater time and effort simply to monitor compliance by each other instead of relying on the separate independent overview of an audit function.

Not if they get proper advice and follow it.

Mum and dad investors are not skilled professionals and they only (generally) deal with one fund. How can this possibly replace the skilled professionals dealing with hundreds of funds all day every day?

As mostly unsophisticated investors this will require the trustees to be fully aware of the SIS requirements to self-assess possible breaches.

There is technically no change to the trustees compliance and obligations, apart from assessing whether a 3 year audit is required.

Trustees often currently struggle to provide all the required information, to enable them to retain three years will result in a significant increase in time.

It should but many trustees remain blissfully unaware of their obligations and given the recent outcome of the mcgoldrick case they can now pursue other people for their failures.

It's a great idea as it stops auditors, accountants and advisers charging increased inflated prices on people who are saving for retirement. I recommend no audit be done. Just spot audits just like normal individual tax returns.

Please see my comments above regarding the requirement to produce annual tax returns and accounts. In addition, SMSF trustees already have the same obligations and responsibilities under the current regime.

Most trustees follow the advice of accountants and financial advisors so there won't be much change.

I don't believe they will do anything different than what they do now to overcome the non-audit process.

Increased regulatory burden.

Just look at the experience we have gone through with $1.6M roll backs and CGT relief !!!!!

Most trustees are not competent and leave it to the professionals.

Unclear.

The lack of annual contact with the auditor will encourage trustees to "self assess" in their own interest, not in the interest of complying with SIS legislation.

For all the reasons previously stated, the trustees will have to be as involved in the annual compliance as ever, but will also be required to respond to questions from up to 3 years prior.

There is a reason that the general population have advisors and accountants. It's because it's such a complex area that you need a professional to deal with it. If you want SMSF trustees to become 'professionally skilled', are you going to put a requirement of having to complete a course before becoming a trustee?

It is likely to lead to other costs increasing as SMSF trustees do not have the knowledge or the time to maintain compliance.

Whilst trustees are supposed to know how to run an SMSF, the reality is that accountants and auditors hold their hand and guide them through a myriad of legislation, which tends to change regularly.

Only where they change accounts within the 3 year cycle. Otherwise the extra time will be on the accountants who will need to revisit w/papers etc. For prior years.

They won't have a long stop taking care of the accountant to make sure it's all ok.

It will increase the burden but more than likely they will pass this onto professional advisors.

Yes, trustees will have to take greater responsibility and become more professional as their funds will only be audited ever 3 years so any issues may not be detected until the audit after the 3rd year.

The 3 year audit cycle does not provide for SMSF trustees to be supported timely with the required expertise in the application of compliance to their fund.

And many do no have the skills or capacity to undertake this role.

Yes as a lot of the trustees don't really understand what they are doing

But most trustees would expect their professional advisers to handle it on their behalf - they also expect the advisors to do it and no additional cost!

For the obvious answer.

Yes, I do. As you suggest SMSF trustees are no longer going to be able to rely so heavily on auditors and will be required to upskill themselves significantly in this area.

More training required, therefore greater anxiety for trustee, leading to more wind up's, less SMSF exist, and the enemy (fpa) then wins.

Probably not....Most actions are dealt with by administrators, not trustees.

The trustees are responsible for the fund. The audit cycle has no bearing on their responsibility.

In theory, it shouldn't because as trustees they should have this knowledge or have access (accountant) to someone with this knowledge. In reality they don't have the knowledge and don't often seek advice. Whether this will change I am not sure.

The new trustee may need further education. But the trustees with good track record will benefit from reduced audit fee and admin cost of accounting fee.

Trustees who rely on external advisers to run their SMSF funds will likely face additional costs as the role of the auditor will be assumed by the advisers to keep the fund in good shape. Those that self-manage their super fund will need to spend more time to be on top of legislation changes (e.g. Tbar compliance and reporting, lrba, etc.).

Trustees won't change, they are mostly "mums & dads" who are what they are. They don't understand the complex rules and these changes won't change that. These proposed changes are behind the scenes and they don't value or care about them.

Trustees will either need to invest in specialist knowledge themselves, or more likely seek additional support from other SMSF advisers.

Most SMSF trustees will do no more whether they are currently doing it correctly or not.

Most trustees rely on their adviser/accountant to assist them in this area.

Just increases risk of inadvertently doing the wrong thing.

In a lot of instances where the trustees are not competent to under their governance tasks. Who would be prepared to devote the time and cost in adequately educating those trustees who are ill equipped for their governance roles?
There will be an increased cost to the SMSF trustees - but I feel ultimately this will fall back on administrators/accountants as SMSF trustees are not properly skilled and/or want to be involved at that level.

SMSF trustees do not have this time nor qualification. That is why they pay advisors, so they get help to have the control they desire for their retirement savings.

Q18. Do you think the 3 yearly audit cycle represents a further regulatory burden on related SMSF professionals?

To cover off on risks more processes will need to be done.

All others involved will have greater burden and responsibility.

See above.

Harder to work with. It is not broken, why play around with it?

Absolutely. SMSF professionals have to pay annual subscriptions, maintain professional development and skills, and are starved for three years until the next cycle. The burden changes year to year, they have to pigeon hole which standards apply to the three years, adding complexity cost, and time in keeping abreast and applying those changes to past years under audit.
Especially auditors. They are diminishing in numbers.

SMSF are time consuming compared to other entities. If we are doing 3 years that triples the time.. And if there is a large number of SMSF all with the same 3 years in the same year that time burden will be huge.

Should be change irrespective of the audit regularity unless they are using the auditor to identify breaches.

It is not worth staying in the SMSF audit space if this becomes law. The work will be irregular, the responsibility higher and the risk does not justify the reward. The gov could send it time better calling for submissions on the audit process I think there may be some good suggestions.

Assisting trustees to have better record keeping; potentially helping screen which funds would be eligible; monitoring this on an ongoing basis, etc.

As an auditor, I foresee audit reports being qualified more frequently as the risks will increase.

Much harder to do three years all at once. The audit may have to deal with more than one accountant (if the SMSF changed accountants/advisers in the three-year period). Potentially more breaches to deal with etc. etc.

Absolutely.

Super changes almost yearly, if we constantly need to refresh from events 3 years in the past it's a waste of time for everyone involved.

Yes, much more difficult to obtain 3 years information to conduct an audit.

It shouldn't. We should be doing our best for our clients regardless anyway.

This will increase SMSF professionals time not decrease it.

It won't make things any easier, and will result in one much larger bill every 3 years. The amount of work and the fee will probably increase, or we will see the further rise on cheap auditors who can turn around an audit in 15mins for a cheap fee.

Same as answer to 17.

Dealing with information that is 'older' in most instances.

Just means they need to do their jobs properly.

Trustees will rely on them more to pick up and sort their issues as the auditor will only come in in the 3rd year.

The accountants and advisors will now be further burdened by having to ensure and identify these compliance issues as they arise to save their clients being burdened down the track from a 3 year audit.

I can only speak for myself as a CPA accountant. Nothing will change in the way we approach our work with SMSF clients. Please see previous comments regarding preparation of annual accounts and tax returns.

The answer is no unless the ATO and other regulatory bodies become over zealous.

Same comment as above - they won't do anything different.

I think it represents a greater potential for increased issues as previously mentioned.

Without a doubt it is unfair.

If two thirds (or even half) of my audit work disappears after July 2019 and I then have to catch up by auditing all three years for all those funds in 2022, I simply won't be able to survive either the initial loss of income or the additional workload in year 3.

Not further burden but same amount of burden over 3 years compressed into a single year.

There are numerous challenges with a 3 yearly audit cycle.

Accountants, administrators and financial advisors are going to be the gatekeeper. They will not be able to defer the hard question to the "auditor" to say no - they will have to do it themselves.

Trustees, accountants and auditors will still be required to sift, sort and balance accounts to insure compliance for years 1, 2 & 3, which will take more time than if carried out each year if a compliance issue is detected, say in year 1, like any error/fault the longer it goes undetected the more difficult & expensive it becomes to rectify.

Makes auditors job harder and will ultimately not reduce the cost of audits for SMSF's.

The trustees won't want to take on the extra burden so will pass it onto the advisors.

Having 3 years before you audit a fund and ensure its compliance over 3 years will create an additional burden especially where issues arise in earlier years and are uncorrected for later years.

Administrators cannot rely on external audit for detection and advice for compliance and accounting issues.

Completion of regulatory return at one point in time - audit including enquiry at another point in time.

On auditors, as the skilling up of staff will be greatly impacted, the ability to maintain staff in a 'business' that is eroding will be extremely difficult in our regional area.

100% It's just moving responsibility to administrators.

Once non-compliance funds increase in number and the funds show depleted values, it will be the accountants and auditors that will need to apply new laws and changes to modify the behaviour of these members and trustees.

The SMSF professional sector is well trained and has invested significant funds to support clients in doing the right thing. So, the regulatory burden remains the same. What it does do is put auditors out of business.

Creates greater risks.

Perhaps just shifts timing and approach.

Greater care requires.

SMSF professionals currently rely on auditor's annual check to ensure the funds under management comply with all regulations. This will need to assume the auditor's role during the time of no-audit to keep their funds compliant on an on-going basis.

Yes, in terms of resourcing and tracking the peaks & troughs of a 3 yearly cycle and the need to consider if and how to audit transactions that occurred more than 3 years earlier.

SMSF accountants/advisers will need to ensure that they have an appropriate level of superannuation specialist knowledge. They will need to be able to accurately identify the audit eligibility criteria, have a complete working knowledge of SIS requirements for SMSFs - something that is missing from many accountants/advisers who are not specialists but generalists.

When preparing accounts for a SMSF, we also review the compliance of the fund. When a fund goes to audit, any compliance issues should already be known, dealt with, or explained and a solution sort. Having the auditor's backing can sometimes assist the accountant to get things done, a three year cycle may mean some trustees believe that have more time to fix compliance issues.

Just an option which has not been given appropriate consideration, even just as a proposal. Should be immediately abandoned on the basis of those professionals in the industry having more knowledge of the area than the bureaucrats & politicians who propose the change.

See comments question 17.

Q19. How do you think the 3 yearly audit cycle will impact SMSF operating costs?

Not sure really.

Audits will be more time consuming when a breach is discovered in the early years of the triennium requiring backtracking and restatements of accounts.

Apart from increase in audit fees I can't comment on financial adviser fees.

It will flow through of course.

More time to do audit will increase costs of audit. Having to have all records for three years will increase costs.
See above.

More work for the accountant in year 3.

It will add to costs as per the previous comments I have made. Merely because of legislation changes, when they came into affect, reporting audit contravention reports, and diligence enquiries to either trustees or their professional accountants who may have changed, no longer accessible, etc.

Will not save any time. More time will be required to audit three years then doing a year at a time.

Same work over three years = same work over annually.

I expect audit fees to increase because of matters referred to earlier. I do not expect other costs to change because of 3 year audits.

At a minimum, audit costs are expected to increase. This is in line with our past experience where multiple year audits are completed concurrently for clients. Add into that the situation where financials may require amendment at some stage during the cycle (including subsequent years to the first year affected) means that costs will increase. Professionals are not expected to be willing to absorb those costs themselves but rather to pass the increased costs onto trustees.

I expect that the auditor will charge more for one 3-yearly audit than for 3 individual audits as it will take more time to deal with matters from three years ago - and potentially dealing with more than one accountant if there has been a change in the intervening three years.

If I have to do 3 years of audits and make up for downtime of staff - fees will go up accordingly.

Competition may reduce overall audit costs a fraction, but not to any significant extent.

Auditors will need to increase fees to cover 3 years of audit on one year so nil effect.

Audit fees would likely be much the same overall, but the in between years would put more work on accountants etc.

At best there will be no cost increase die to better use of technology but again they are more likely to increase.

As administrator and accountants will have to take on more work.

No only audit fees, but accounting fees will increase with them needing to provide the correct information for three years.

No impact at the accounting level. Possible increases at the audit level depending on disruption to job flow and personnel retention & management which could lead to a decrease in supply of auditors and hence price rises.

There would be less work for auditors.

Will reduce in between periods and be balanced by having the 3rd year audited.

And there will be terrible fee resistence from clients.

For reasons mentioned above.

In the event of issues identified in a non timely manner.

Unclear.

Additional costs will be absorbed by professionals for fear of losing clients.

Higher audit fees from more errors, contraventions and queries.

Due to charge rate movements.

Not sure that it will have a significant impact.

Will definitely increase the error rate and ACR rate and it is not free to fix errors or ACRs or pay extra tax or fines.

There is a possibility to decrease by the fact that 3 years worth of audits are done in one year, however this may be outweighed by the compliance reviews over the previous 3 years.

Trustees, accountants and auditors will still be required to sift, sort and balance accounts to insure compliance for years 1, 2 & 3, which will take more time than if carried out each year if a compliance issue is detected, say in year 1, like any error/fault the longer it goes undetected the more difficult & expensive it becomes to rectify.

There should be no material additional costs for 3 years of work at once as opposed to 3 individual years - the work and time will be the same.

Likely to increase or stay the same, due to market pressures.

More complex issues will be required to be dealt with and cost more to do so.

Audit costs will be more than 3 times the annual fee, compliance must be checked for the entire period of the 3 years and the capacity to understand the fund will be increased.

I think it will possibly increase as errors are more likely if left unmonitored.

The costs will at least stay the same or increase, I cannot see how the costs would decrease at all.

Auditors will likely charge 3x every 3 years. Administrators will take on additional responsibilities and increase costs. PI insurances will likely increase as trustees will attack advisers when things go wrong.

I think a minor saving (if any) in the audit area is going to be outmatched by increased costs in other (admin/advice) areas of the SMSF space as a result.

Depends.

Depends - if error found in first of three years, the three years' financials and tax returns will require amendment .... Who pays for that.

In the early years as trustees are educated on the information they will need to keep handy for longer. Greater costs associated with auditing the longer cycle.

All parties will be required to do more "regulatory" work and therefore all parties will charge for it when they can.

Cash flow impact, spending money you need to save to pay a fee that's three years in the future rather than investing it.

Increased audit costs. Potentially increase accounting costs.

Both audit fee and accounting fee are expecting reduce.

Our firm will probably continue with "interim" audit work in the intervening years, and charge a fee not dissimilar to the current fee. In our experience clients are unconcerned about audit costs, as it is relatively modest in the context of the advantages SMSF's offer.

See all comments above.

I have already been communicating this fact about increased costs to my clients.

May increase - what happen three years ago???

Logically because of the need to address back-dated information & provide supportive position to avoid fund's loss of compliance in the event of non-compliant transactions occurring early in the 3 year cycle.

Q20. What impact do you think the 3 yearly audit cycle will have on integrity of the SMSF sector?

Probably a higher proportion of funds that deliberately breach the rules.

I believe that the low compliance contraventions is because in Australia the Super sector is well regulated. And trustees know their decisions will be looked at by an independent party and there is less motivation for the trustee to misuse Super fund assets.

Greater opportunity for misuse of assets without detection.

For two years, there will be no supervision. Ideal for anyone who wants to something and escape scrutiny.

Where is the check and balance? Self-regulation is often open to abuse.

It will decrease integrity, result in losses, anger members and trustees and blame changes in compliance on a Liberal government Kelly O'Dwyer, and regulators who failed them in supervising and monitoring their accounts, yet as ASIC does now - charge a fee for no service, relying on auditors to charge fees in the third or fourth final year of audit.

More chance of things going wrong if not being addressed in a timely manner may lead to more fraud if not checked annually.

Breaches could be covered up not reported or missed.

Should have no change if majority of funds compliant and minimal are non-compliant. If delayed audits result in an increase in non-compliance then integrity may suffer.

Per the ATO website, annual audits support the integrity of the sector. That is correct as without an annual audit the entire system could collapse. Why would the government risk tax concessions being misused?

It's a stupid decision.

If not getting audited every year who can rely on the yearly financial statements in the years they are not audited.

Trustees may become complacent, trustees may become disconnected, and may see opportunities to use the funds inappropriately as no one is looking.

Additional regulation does not dissuade crooks from being crooks, they continue doing what they have always done. In NSW they regulated P plate drivers so that they couldn't have more than one passenger under the age of 21 in a car with them between 11pm and 5am. The ethical P platers shrugged their shoulders and complied. The idiots the regs were designed to impede just took their P plates off their vehicles!! Look at the regulation explosion after "storm"... And what has the Royal Commission exposed? More storms. The best way to improve the integrity of SMSF sector is get the financial planners out of it. What is the proportion of financial loss instigated around financial planners as opposed to accountants. No brainer really. The regulators need to concede that an SMSF is a structure, not a financial product, and stop forcing trustees to have to deal with financial planners for what is effectively accounting & tax compliance advice because that just increases their exposure to shonks and the associated financial risk.

For reasons mentioned above.

More chance for wrongs to occur or poor advice to be fixed.

Industry super funds will jump on any issues.

Highly likely that there will be less tax revenue from super funds with triennial audits due to nali not picked up etc.

Unless additional breaches are identified, in which case it will result in decreased integrity. The only certain outcome is that the 3 year audit cycle will not result in increased integrity.

Like I've said before, it will make trustworthy trustee's untrustworthy.

At the least, there will be no impact, however more likely to decrease integrity.

Opens the door to make mistakes with no consequences.

More likely that breaches would occur.

This measure will justify the industry fund's hatred of SMSFs even more as the few rotten eggs will certainly diminish the integrity of the sector.

Leaves the system more open to misuse.

People will make assumptions that the trustees of SMSFs are all doing the wrong thing because no one is looking at them.

There should be no impact on integrity.

This totally denigrates the value of the auditor in the compliance oversight of the fund.

I think it will cause more issues in the sector.

The current annual audit system operates well - why change it?

SMSFs are already being attacked. Reducing audit oversight will make them more of a target. Auditors - if independent - keep everyone honest and protect the sector.

There is no question that having a substantial amount of funds only undergo an audit every 3 years is going to increase the risk to the area substantially and decrease the integrity as a whole. It will provide many more opportunities for those who desire to ignore the rules in place.

Depends.

Ultimately this will lead to more contraventions and abuse.

Perhaps a hope more than reality.

People will get away with errors for longer.

Self-explanatory.

Can only increase the chance of a breach, inadvertent or otherwise, which could ultimately be very costly for members should a fund be deemed non-compliant or be subject to penalties.

It will decrease the integrity of the system. More trustees will be 'tempted' to game the system or not play by the rules, because they won't be caught. Even those trustees who do not intentionally breach the rules, could find that due to error or mistake they are considered to be inappropriate trustees.

Trustees will steal funds from SMSFs which is just obvious.

Deception, deceit & non-disclosure of non-compliant transactions may become a feature with the resultant impact of auditors being subjected to compromising positions.

Q21. Do you expect your current SMSF auditor to remain the same if the 3 yearly audit cycle is implemented?

May be consolidation.

I hope so, but I think this sector may fall apart.

I've spoken to them and they seem to be committed to remaining in the industry. They may need to diversify their services (e.g. No longer being specialists and performing tax work), that may affect speed of service.

The temptation will be there to move around.

Not necessarily.

No idea. But unlikely. Not enough audits in year 1 & 2 to make audit work viable.

Yes.

Don't know auditors will become choosy in accepting audits because they will avoid problematic SMSFs.

Certainly, hope so.

Fees will increase for reasons mentioned earlier.

I am currently a registered approved SMSF auditor and uphold high standards. Where there are additional incentives for trustees to do the wrong thing, but fix it all up before the audit comes around, there is arguably an added incentive to seek out auditors who may overlook some of those matters.

There will be an exit of auditors working on low volumes. This would then push up the price of audits as the pool of auditors will be smaller with less competition.

However, I think a lot of auditors will resign.

I am a RCA and SMSF auditor.

There may not be as much work in certain years for the SMSF auditor so staff changes may result.

The client is likely to forget who the auditor was.

Auditor skill levels may diminish.

Increased likelihood of audit shopping / client churn.

Unless someone cheaper comes along who gives me the opinion I want.

Opportunity for more automated audits, so will be more specialist SMSF firms dominating.

We use two financially, ethically and professionally strong audit firms. If there is a need to change either one as a consequence of these regulations then we are all doomed.

There will be less auditors so price will increase.

Dont know at this stage. Ask him.

Unknown.

I am the auditor and most of account information firm clients have indicated that they would do annual audits regardless as they see the value of early warning of issues.

Unclear.

I am an SMSF auditor!

Many smaller operators will leave the profession.

Likely to be reduction in the number of auditors in the sector.

Although resourcing every 3 years may cause an issue.

Specialist auditors will leave the industry leaving it to the outsourcers and the bottom dwellers to look after the integrity of the sector.

I am an auditor.

I expect an exist in SMSF auditors from the sector.

We are planning to have our funds audited every year regardless of the change as the change is ridiculous.

I am an auditor.

Same company but they will need to change massively (they will need to pivot in next few years anyway but this will expedite it).

Many good auditors will find other work and their auditing services will not be their main function. They will diversify. This could lead to less reliable auditors. However, there are still many accountants who are still internally auditing their funds and this needs to change.

SMSF auditors will not be able to remain in business. How can someone legitimately have a SMSF audit business and manage the capacity nightmare the three cycle process will represent.

Small audit providers will not be able to cope with regulatory changes, professional costs and lack of audits/ revenue) over a 3 year period

Hopefully they will be able to continue as it I don't know how they can do nothing for 3 years and then do triple the work in the following year.

Perhaps.

I hope so but how will his business cash flow be impacted if he only gets paid every 3 years.

However, this will depend on their ability to run office, systems and staff during the time of no-audit.

Yes, we are a large enough firm to redeploy some resources, but in any event, I expect we would continue conducting interim work. We would discuss our approach and logic with our clients and agree on such engagement terms. We have a very good relationship with our clients who appreciate the value of the audit and our work, so we don't see this as a problem in most cases. I can see smaller firms being impacted, as they may not have the ability to redeploy resources that they can't afford to carry in the non-audit years.

I expect my older colleagues will exit the system.

Don't really know - not sure about the answer to this question.

As a relatively small practice he is likely to cease auditing due to the irregular staffing requirement.

Value auditor's standards & practices.

Q22. Do you think the 3 yearly audit cycle will impact SMSF auditor viability?

Reduced volume of work will reduce the capacity to amortize audit costs.

The lack of fees for 2 years will make it hard for auditors to pay the cost of cpd hours needed for their licence. I don't know how the government can expect fees and cpd hours to be paid for if there are no audits for 2 years. There are a lot of business out there that just do Super audits, this is going to impact massively on their business which will affect employment and job flow.

Surely has to - if an auditor currently performs say 200 audits pa years 1 and 2 will result in no income. Year 3 will have time issues. That's if the auditor is still in the SMSF sector.

Small operators will go and do something else. This will lead to the bigger operators left behind and more costs to the SMSF funds, which defeats the purpose.

Some auditors might opt out, due to greater potential liability.

But I also think the sector needs a shake out - some SMSF auditors who are not RCA's really lack knowledge of the audit process.

As above at 22. Also, harder to retain staff with the knowledge.

The SMSF auditor will cease to exist if he has to defer income for three years, yet pays professional development fees, annual ASIC fees. Auditors paid a very high price under a higher bar under ASIC for the privilege of auditing self-managed superfunds, well above company auditors, so how do you expect them to stay in the industry if you starve them of fees for three years?

Auditors may not be viable if only get paid once every three years leading to exit from the industry.

Redefinition of audit standards, SIS act and regs is required to meet new 3 yr cycle.

Same repsonse as q18.

For a start probably due to work flow issues but over time will even out as new fund established and fund wound up.

Particularly if this is an area of speciality.

There are definite resourcing, workflow and timing implications that will have a negative effect. Also, consider that in recent years the introduction of ASIC registration and ongoing competency requirements has resulted in the exit of many previous SMSF auditors from the system (which was a positive). However this has also led to a consolidation in the sector to a point where there are many specialist SMSF audit providers and that is all they do. This proposal adversely affects their business model and could result in additional exits from the sector – but this time, not necessarily the ones that the regulators previously wanted to be gone.

Auditors with low volume of work will leave the industry. Operating costs will become unaffordable.

It will confuse the hell out of the sector, probably drive more out, less SMSF auditors in the end just means greater audit fees as lower supply, does the govt just want the big 4 and the boutiques to do them, is that the agenda?

We are a medium sized firm and having a 2 year gap has a massive impact - we are considering expanding into tax to weather the storm, when we really wanted to be specialists in the area.

Not if approached the right way.

Some SMSF auditors will leave the industry.

It may reduce the number of new SMSF auditor applications but because of the cost of cancelling your SMSF auditor registration the number of existing SMSF auditors should remain unchanged.

Some of the smaller operators in the market will probably have to close their doors as they won't be able to survive to year 3.

It will create a greater workload in the 1st of the 3 years with the majority of funds qualifying for the 3 year audit cycle with lesser numbers coming on line in years 2 and 3. It will see the domination of large audit firms and the use of overseas audit groups.

Particularly in the context of recent ASIC user pays funding moves.

Costs will increase causing undue emphasis on fee pressure instead of audit quality. Timing on audit portfolios will make it difficult to maintain appropriately trained staff if work volumes are unpredictable.

For some audit entities, this increased cost will not be difficult to bare, especially when it will be difficult to recover these fees from what are already fee sensitive clients.

And so it should - cheap large auditors would be impacted and hopefully a true market rate appears rather than an financial planner/advisor lead one.

Many SMSF auditors may consider leaving the industry due to lack of work.

As above - will become even more automated. Together with the rise in ASIC fees, a firm like ours with about 130 funds won't be able to justify this field of business.

If a firm deals primarily with the type of SMSF that will be able to utilise the 3 year cycle I would expect initial cashflow and staff retention issues.

Yes unless audits become independent. i.e. The accounting firm and/or financial planner should not be doing the audit. I don't think that the so-called "chinese wall" often exists in practice.

How would this be phased in - if everyone has the 3 year exemption then there will be a lot of loss of SMSF auditors in years one and two of implementation. Will also have an impact on staffing (retention).

Not sure, but shouldn't be a primary consideration anyway.

Higher cost.

There are a number of accountants who now only do SMSF audit work, for a sole practitioner this will be a financial burden.

Possibly for those that specialise in this area.

The 3 year audit cycle will be optional and I doubt trustee's will elect to opt in.

What do we do during the first 2 years?

Absolutely. SMSF audit firms provide a much needed specialist and independent service and will be severely impacted by the unwarranted change.

Will probably push out some practices that only do SMSF audits. These practices are truly independent.

Smaller auditors will find it harder to stay in business as their fees will fluctuate.

Yes, see 18 above.

Based upon all 3 years having to be audited, the fees are likely to remain the same (or increase as a result of 3 years of information having to be sourced and queried), but the income will be very lumpy to SMSF auditors, so will impact their viability (certainly in the first 2 years).

2 Years of suppressed fees, but then it will be back to business as usual.

Some won't be able to sustain a deferral of income and will limit ability to find SMSF audit resources.

For auditors doing less than 50 funds annually at the moment it is not worthwile in keeping up to date with cpe requirements etc if that number reduces by 2/3rds.

Potentially less work in the short-term but it should just be timing as the amount of work required is not less.

Specialist auditors are already looking at alternative income streams and leaving the sector. No-one can survive on very little cash for two years and then a big wad of it and then famine, famine, boom.

3 Years worth of audits in one year means a great workflow burden in that year and no workflow in the other 2 years. SMSF auditors would have nothing to do in those other 2 years and may not be in business to undertake the audits at the 3 year mark.

Trustees, accountants and auditors will still be required to sift, sort and balance accounts to insure compliance for years 1, 2 & 3, which will take more time than if carried out each year if a compliance issue is detected, say in year 1, like any error/fault the longer it goes undetected the more difficult & expensive it becomes to rectify.

Smaller auditors will exit the market. They may have an unsustainable business.

The flow of work will be inconsistent and staffing will become an issue.

Income stream change and resource management issues.

Very much so in the regional areas, will this result in even more inflitration of online or metro based auditors. Our ability to retain audit staff will be greatly diminished.

I think it would depend on if all there clients all of a sudden went onto the 3 year cycle leaving few audits to be done in the first year.

If that is their only source of professional income.

It will not be possible to complete all 3 year audits within a one year timeframe and what do the auditors do for the other 2 years? Is there a proposed staggered approach to implementation?

Change is hard. It harms the better quality specialist audit businesses more.

As stated above, SMSF auditors will diversify or become nonviable.

No doubt. It will definitely spell the end for a lot of professionals in this space.

Will just require greater management of who is audited when. Will need to stagger the funds audited with different start dates and years for each fund to allow time to do the audit for those needing 3 years done.

But only for some auditors.

Potentially - staffing problems, 'lumpy' income of auditor I do note that the 3 year cycle is not compulsory. Can continue to do it annually.

Many small auditors may be forced to shut doors as they will not be able to maintain their staff, rent and software.

Smaller auditors will struggle to retain staff if workloads become uneven.

For some, yes, although we are a large enough firm to redeploy some resources, but in any event I expect we would continue conducting interim work. We would discuss our approach and logic with our clients and agree on such engagement terms. We have a very good relationship with our clients who appreciate the value of the audit and our work, so we don't see this as a problem in most cases. I can see smaller firms being impacted, as they may not have the ability to redeploy resources that they can't afford to carry in the non-audit years.

If the SMSF auditor does not have other avenues of revenue, it will reduce their ability to operate an efficient & effective business. Downturn in viability will reduce their motivation for ensuring that they remain up to date with all superannuation law changes - which would further impact the quality of SMSF audits being conducted (a somewhat downward spiral).

Smaller firms will find it difficult to continue which will adversely impact on employment.

Likely to place untimely burdens in specific periods. If a lot of audits fall due in one year then potentially three times the time requirement for those audits covering three years work will disrupt other work of the auditors practice.

How do you operate a business once every 3 years.

Overall fees will remain nearly the same, audit only firms may experience scheduling issues if their 3 yr audits are not evenly spread.

Only initially, until the cycle reaches its third year but may be out of business by that time.

Possibly depending upon timing of audits and implementation of 3 year cycle.

Q23. Under 3 yearly audit cycle proposal, do you think SMSF auditors will be likely to invest in specialist SMSF auditor training and/or maintain professional qualifications?

Will have to maintain standards regardless of frequency. Some will leave the industry.

I would not become one, if I had the qualifications. If you have those qualifications there are easier ways to earn a living.

It will depend, the ones that leave the industry obviously won't maintain anything - could that then affect the viability of education providers?

Depends on how the cycle "bunches up" over the three year period.

How can they afford it if they are having no revenue coming in.

No more than currently.

I think a lot of smaller SMSF auditors will be questioning their direction right now and the investments they have made already which could be wasted.

Same as current.

They have to keep their ticket.

But only because they have to. I expect that many will give SMSF audits a miss.

Not sure.

Unlikely, they will simply resign, find other work, leave the industry. This is a specialized field with wider audit scope, risk as currently prosecuted in the courts.

Why invest time and money if not getting paid.

Hopefully they will.

No real idea as I am not an auditor. There is already a lot of training and CPE required.

I do not expect there to be any change in my training and qualifications as an approved SMSF auditor.

The good ones will, but there will be a reduced incentive to do so especially on a timely basis.

I am not an auditor, but I guess those firms with few SMSF clients may stop doing SMSF audits.

You have to train yearly anyway, if the rules change you still have to train…

As they would with any area of work.

You have to anyway to keep your qualifications.

We have no choice if we wish to maintain or registration.

May be a reduction in registered SMSF auditors.

Yes but more competition.

No change anticipated, I'm sure it will be rolled out progressively.

Certain audit firms with a small portfolio of SMSF may find it difficult to maintain audit training and quality which may cause them to leave the sector.

Proper registered company auditors do this anyway.

Why wouldn't you unless you will be leaving the game? As professional people we should all be committed to the principle of maintaining a high standard of competence. I fail to see how this piece of legislation would/could alter that in a true professional.

Some auditors may look to opt out.

But no more than now.

Required to as part of our SMSF auditor qualification.

Not sure, but they should be forced to maintain minimum standards.

No different.

Yes they will still need to, just to stay up to date, however they may reduce the level of CPD that they do on an annual basis.

Because they are professionals and have to stay up to date with their knowledge.

May lose some from the area.

Auditors will not reduce their skills or expertise as a result of the audit cycle.

What's the point if it's not viable.

Training yes - even if the cost is prohibitive they have to keep up CPE. Maintain? This change as well as the new govt fee to cancel SMSF auditor registration may make some auditors reconsider whether to stay in the field.

Some will, others will cut costs others will get out.

Some will some won't.

Yes because we are professionals but it will be hard to retain experienced auditors in the industry. Many smaller audit firms will disappear. Older auditors like me will probably retire. With hugely increased entry fees to the profession about to be charged by ASIC there will be very few new people prepared to take up SMSF auditing.

Less likely in the short term.

They are obliged to do pd to meet their registration obligations.

I think it will discourage people from becoming SMSF auditors. If there is no requirement to undertake the relevant training, people won't and I think that this will reduce competency of some auditors.

Because after the first 2 years of supressed fees, we will be back to normal turnover.

Less likely.

Only if they are doing large numbers of audits. The practice will likely become more specialised.

It is probably not worth it as who wants to work in this industry anymore?

Although I consider it would be preferable to undertake this training on an annual basis.

Its mandatory if they want to retain their licence.

Yes, however it will be increasingly difficult to maintain and train staff when workflow will be inconsistent year to year.

Less rather than not at all.

This is required to be maintained as part of registration.

But may reduce their investment in these areas.

Many SMSF auditors will no longer find the SMSF audit offerings to be viable.

Less training, possibly just in the year that more of their clients needed to be audited.

Will do so if they are professional.

Only because they have to.

It is a professional requirement in holding that licence.

It is still required to be an SMSF auditor.

Professional requirement. Still need to maintain knowledge or get out of industry.

If it happens they won't be paying professional association fees anymore as if it happens it means their associations have failed them.

This will definitely diminish as a result.

How can an auditor meet the professional qualifications set by ASIC if they are auditing no funds in yr1 & yr 2 and all of their funds in yr3?

Assuming they can continue to find a way to remain vulnerable. May well drive many small auditors out of the industry leaving fewer auditors.

I know that I will.

They will still have to.

Why would you train for a job for three years in the future - you want money now - how are you suppose to live.

Will likely lead to a decrease of auditors in the SMSF field.

The investment may not pay off if the income of the SMSF auditors will decrease in time.

Yes, for those who choose to continue providing these services. I expect many will choose not to.

See above specialist training is costly (not to mention the increased costs to become and cease to be a SMSF auditor) if this area of work is not providing sufficient revenue for an auditor they will only do the bare minimum of auditor training required as a complex area, regular training is required to stay on top of all SIS and tax changes in the SMSF industry.

Don't know the answer to this question.

Lack of return on the investment!

Still have to uphold standards.

Will be fewer, larger audit firms.

They will have to but more will exit the sector as a lot of work for little money.

Q24. Do you think the 3 yearly audit cycle will reduce SMSF auditor numbers?

Again how can auditors keep their business going with no fees for two years. And pay for CPD hours and registration fees.

Financial and economic considerations will force specialist auditors out of the sector.

Some will opt out, due to greater risks

associated with 3 year cycle. This might drive up costs for funds.

Just makes the landscape more difficult. I believe this will increase risk to auditor.

Very much so. It becomes non-viable, leaving only factories with low level expertise to audit. It is not inconceivable that auditors may reject and resign from clients because it is simply too difficult.

Some will get out of this space due to fee and decrease in work.

Possibly because of the erratic work flow in the first few years.

Consider that in recent years the introduction of ASIC registration and ongoing competency requirements has resulted in the exit of many previous SMSF auditors from the system (which was a positive). However this has also led to a consolidation in the sector to a point where there are many specialist SMSF audit providers and that is all they do. This proposal adversely affects their business model and could result in additional exits from the sector – but this time, not necessarily the ones that the regulators previously wanted to be gone.

Possibly, though not significantly. It will push a few to give up their licenses particularly if the new ASIC fee structure ever happens. Some will not want to be bothered with it as some of us could not be bothered registering in the first place because we did not enjoy the work enough.

I think it will reduce the number of SMSF auditor registration applications.

Half will get out of the industry because they will be without income for two years.

The smallest guys will likely have to close their doors as they won't be able to survive until year number 3.

Many smaller operators will not be able to survive and now be forced to pay a greater levy to exit the sector.

It may in the short term but there will be a huge increase in skilled auditors when the 1st 3 year audit is required.

And it should clean out the untrained auditors in the SMSF audit space. The ones that have never really be auditors but go the designation because they always did them.

Depends what proportion of the SMSF's will fall into the 3 year category. I would expect it to be high and hence there must be workflow and staff retention issues that could force some auditors out unless they can diversify their service offerings and income sources.

Less work, fewer people.

Might do initially, but ultimately they will still do roughly the same amount of work.

Some will be forced to leave or retire earlier than planned.

Don't know.

Added to increased ASIC costs the fall in income for small auditors will mean no money in it and they will get out.

As above.

But they will have to move into larger firms to ensure that they have a more regular flow of fees.

Possibly weed out those that don't do much as there will be less work in the short-term.

Reduce the specialist practices and it keep the generalists but overall the quality will reduce.

As it will be difficult to manage staff, workflows, regulatory expectations and cash flow some auditors will give up SMSF auditing.

Some may opt to discontinue SMSF audits.

I think some will get out of it due to the increased risks and the change in the revenue flows.

This will make it harder to be viable in this sector.

How could it not. There aren't many people/businesses that could survive where they derive revenue once every 3 years.

And this will be to the detriment of the industry. Fund audits will go to bigger organisations or worse still off shore.

Smaller independent auditors may lose significant turnover.

As above - smaller operators will not remain viable and will not invest in maintaining registrations or skills and will drop out.

Some will leave the industry due to the unknown of the costing and investment side.

Smaller auditors will move out of this space.

Will likely not be viable for some auditors.

Uneven workloads particularly at the start will make some small firms fold.

And therefore increase costs less competition.

See above. I believe many (mostly older) SMSF auditors will leave the industry.

Simple economics.

Will definitely lead to growth in larger audit firms at the expense of smaller. From a political point of view, that may be what the current federal government wishes. Government not supporting smaller accounting & audit firms in its current proposals.

Margins are already fairly low, it's probably the least lucrative profession compared to being an accountant or advisor.

Q25. How do you think SMSF audit costs and fees will change for SMSFs that move to 3 yearly audit cycles?

It should largely increase due to errors and extra time spent by auditors. It should if it does not, then they will not really be doing what is needed.

Really don't know.

More costs and liabilities to cover.

I would expect the process has become more complex so I would expect fees to increase to cover all the costs the auditor has to meet.

They will increase with further changes, lack of records, continuance of client staff, accountants, and errors detected in prior years that compound on a brought forward list.

3 X annual fees all paid in the one year.

For reasons mentioned earlier.

There will be less auditors who acn charge more audit fees are not an expenses that can be easily cut if the fees are too low the auditor will either 1) drop the service 2) offshore the service 3) do less work on the audits - finding less errors.

Unlikely to be a significant change. There may be some savings with the bucket shop auditors cutting each others throats with reduced fees, but that has ben happening any way over the last few years.

Fees will still be roughly the same eg. If cost $500 per year to do an audit. In year 3 if you need to audit 3 years worth of information the audit fee will be $1500.

No change overall that is (i.e. $1500 every 3 years e.g. Instead of $500 per year).

The average costs probably will not materially alter.

At best no increase but likely to result in an increase due to access to records and forming an opinion on compliance issues that may have arose 2 years earlier.

It may be a more costly exercise to audit a three year cycle fund as records and transactions become up to three years old.

It will probably mean the same fee for each of the three years, but deferred until year three.

The location of documentation, the communication re: transactions up to three years old, the correction of errors in the first year but not noted until year 3 will all increase audit costs.

They will definitely increase not sure by how much expect it will vary based on the funds.

There shouldn't be any difference but who knows. Prices always go up every year regardless.

Depends on the change to the supply of auditors over their 3 year cycle. A decrease in supply would increase the cost.

Depends upon if you are signing off on one balance sheet at the end of the 3 year cycle or treat each year an individual files to be audited.

Slightly reduce as there will be some time saving in doing three years worth of work at once. However if there is an issue at year one that is compounded at year two and three, then it is likely costs will go up.

For reasons mentioned above.

Some will go up others go down.

For the reasons stated previously.

There may be a slight increase due to the need to follow up prior year entries and source records. I envisage time delays in completing audits.

A bit less handling but still the same work to do and some transactions will be older, trustees memories not as clear etc.

Overall they will increase slightly as more funds will have mistakes and need to be corrected.

Require more time.

There should be no material change or possibly a slight increase.

No change or slight increase.

Just pay 3x every 3 years.

This will depend upon the number of non complying funds but based on the funds that remain complying, the audit fees will increase with natural inflation and operating costs but it will be all paid out in one year.

Longer time frame to audit so not just 3 years work in one but more difficulties in getting information. Also, fewer auditors will mean an increase in what those remaining can charge for their services.

Will take you slightly longer but if you are completing three years at once its all about cash flow.

Some of the auditors may not be able to survive for 3 years with no income and the no of the auditor will drop. Therefore, the survived auditor may ask for high fees.

Auditors will need to remain viable.

Again will depend on the records the trustee manages to maintain during the period.

Just a feeling.

Less auditors, more frequent changes in auditor by trustees (as only need one ever 3 years), 1st engagement is always the most time consuming and costly compared to future engagements from same trustee.

Q26. Do you think the 3 yearly audit cycle will create consolidation in the SMSF audit industry?

I think it will push firms back to arranging audit internally.

Larger scale and greater numbers will be required to smooth out the work flow. I expect to see more auditors with larger numbers of audits.

Some will opt out.

Not sure, presume not likely people want their SMSF.

I am unable to speculate.

Electronic audits will increase significantly.

Smaller auditors will not be as capable to cope.

May affect some doing a small number of funds but I do not expect any changes to affect my activities.

Consider that in recent years the introduction of ASIC registration and ongoing competency requirements has resulted in the exit of many previous SMSF auditors from the system (which was a positive). However this has also led to a consolidation in the sector to a point where there are many specialist SMSF audit providers and that is all they do. This proposal adversely affects their business model and could result in additional exits from the sector – but this time, not necessarily the ones that the regulators previously wanted to be gone.

I think that this may be the govt secret agenda.

Auditor numbers are dropping rapidly. It appears this type of legislation will probably help along with big audit firms more that the smaller audit firms.

Probably. Staffing will be the biggest dilemma and depending how it is brought in and the laws implemented will be the greatest impact.

More auditors will leave the industry so bigger companies will do more audits.

And probably offshoring will increase that will lead to decrease in audit quality.

The smaller auditors may be forced to relinquish portfolios which will be a real problem especially in regional areas.

It may be hard for a firm offering only SMSF audit services to continue with that single service business model. I would envisage merger with or acquisition by traditional broad service accounting firms.

I think smaller practitioners will drop out.

Dont know.

Small fish will be eaten by sharks who do audits in-house with little or no independence.

Smaller firms and specialists may no longer be viable.

Small auditors will be priced out.

Some of the big audit firms will mop up the little specialist auditors.

Possibly.

Small players will leave the industry and will be left with only larger audit companies.

Certain auditors will give up SMSF audits and larger firms will pick up the work.

But to what benefit. The big get bigger. We have seen the result of that with the banks?

By administrators yes.

Yes it will be totally un-viable for some SMSF auditors to continue, particularly in the regional areas and this will result in redundancies and unemployment of such professionals.

Not sure.

Will make them more robust. But let's be honest - so many accountants are still doing them behind chinese walls - so they won't change / merge.

It will create a fracture in the industry. The expertise that currently exists will be lost and the attraction to specialising in SMSF audit will diminish. The bigger end of town will ultimately benefit more from this proposed change.

Possibly.

The audit is a low price affair already. A true professional does not take the SMSF audit seriously as an income earner.

In reality will make it more difficult for the smaller auditors to continue.

It will have to in order for SMSF audit to remain a viable part of business.

This is not necessarily a good outcome.

Yes, not good for competition & opportunity for smaller audit practitioners.

Q27. Do you think consolidation of the SMSF audit industry will reduce SMSF audit independence?

Increased compliance costs will increase trustee pressure on auditors to reduce the extent of the audit and sign off without being completely satisfied that all the rules and regulations have been complied with.

Maybe hard to say at this stage.

If it happens.

Less auditors, much easier in theory for the auditor to compromised by fees being paid from the accountant who has a batch of SMSF.

Yes, if a bulk is coming from a single practice with dependence on that income for a source of living.

Wait and see.

Assuming still integrity in the audit side of the industry.

But will increase fees.

No doubt.

No more than now.

More consolidation will mean less auditors and less independence.

Those firms continuing in this space will face mounting costs pressure but should still maintain their independence.

But it may well reduce already poor levels of independence and quality.

How can it? It will likely increase given the advisors will need to deal with unrelated firms.

But automated processes will reduce the quality of audits.

We outsourced our SMSF audits over 13 years ago purely due to capacity and personnel constraints. Consequently there was an immediate reduction in; (a) the degree of difficulty in conveying unpalatable instructions to trustees, and (b) effort to justify 50:50 actions. The biggest impact was that compliance and client relationship were both enhanced. Hence I can only see a reversal if we were to go back to in house SMSF audit. Based upon this experience I believe that consolidation in the industry would reduce SMSF independence.

I believe independence should be demanded by regulation.

No I don't believe so.

Refer response to question 26 which makes this question redundant.

As above.

As stated before it will push out firms who only do SMSF audits and they are the truly independent ones.

Smaller SMSF auditors tend to have bigger independence issues.

The larger firms that provide accounting, financial planning and audit services all inhouse will benefit and this will lead to less independence.

Audit profession is conscious on the independence requirement. Some however do flaunt this.

If fewer auditors are doing more work then they are not as reliant on one source of income.

The threat of losing 3 years worth of audit fees for a swag of audits is a huge threat to independence. Losing 300 fund audits vs losing 100 is a big cash incentive to not qualify or complete an ACR.

Possibly.

Possibly.

If auditors comply there should be no issues.

Industry is not substantially concentrated and although it will consolidate it is likely to only impact on smaller operators.

Potentially yes.

But let's be honest - so many accountants are still doing them behind chinese walls - so they won't change / merge.

Larger independent firms may reduce staff .... But may pick up additional work with smaller operators leaving industry.

But this is a low issue.

The independence of the remaining SMSF audit firms should be independent unless all the smaller SMSF audit firms have closed and only large accounting firms provide the SMSF audit services.

If SMSF audit business become less viable it may lead to more firms abandoning SMSF audits as part of their suite of services and lead to more external (larger) audit practices being utilised.

As is evidenced by the Royal Commission, the bigger the more questionable as the business' ethics & practices.

Also quality as more 'mass audits' that rely on automation.

Q28. Do you think consolidation of the SMSF audit industry will undermine SMSF integrity?

Yes.. I understand an audit is normally an annual process. By going to 3 years it brings so many things such, as integrity, independence and ethics into question.

Unable to comment.

Accountants are professional people and will by and large respect the change.

See above.

It depends where the consolidation goes. My bet is most of it will head to india.

Poor quality audits, outsourced offshore are likely to increase.

Become a sausage factory and higher risk environment for manipulation and fraud. Auditors and ASIC and ATO will only realise an issue has arisen in 3 years time when the horse has bolted.

No more than now.

If SMSF audit industry comes down to 10 large companies the integrity will be undermined.

The argument would be that audit quality might improve with lesser SMSF auditor numbers out there.

Integrity of what? Question requires clarity.

Have a negative impact in the short term, but I don't expect a wholesale reduction in the integrity of the system.

No more than already exists.

Refer to answer 26.

As above .. Chinese walls syndrome.

But it will reduce competition, increase costs and make it hard for SMSF funds in rural areas to find an auditor.

I would like to think not, but reducing audit regularity can only result in SMSF integrity remaining the same (if no trustees use the concession to misbehave) or being undermined, so the answer has to be yes.

Lack of independence can create integrity issues. We see that with normal audits and the big 4.

If quality audits are threatened and independence threatened then it is going to be a bad day for the sector.

Possibly.

There should be no issues with integrity.

Potentially yes.

May have some effect, but not dramatic. As long as independent operators exist.

Feeling only.

Q29. Do you think a reduction in SMSF integrity could lead to further regulation on SMSFs?

Absolutely. This is a political band aid to “try and reduce costs”, that will be fixed with another band aid.

No idea. But it could be stopped by not going to a three year cycle.

Again, the government will try to fix the problem after the horse has bolted.
One would have to expect it would. More red tape, more operating cost.

Of course, government invents further regulation to keep public servants in office.

Integrity of SMSF is being challenged right now in the Royal Commission. New ways of auditing and scope of audits need to change.

Powers that be seem to be obsessed with increasing regulations and requirements.

One question asks if you think integrity will reduce, the next assumes it has. As I do not think integrity will reduce to any significant extent, this is a ridiculous question.

I do not believe that integrity should be compromised but should this happen then regulatory clampdown may be imposed on the sector.

Maybe. See my comment to q15 above. There are sufficient sanctions available under current legislation. Maybe its time to better resource the watchdogs and publicly flog a couple of miscreant SMSF trustees to get the message across.

Yes if there is a reduction in SMSF integrity.

Leading question which assumes a reduction in integrity.

In the long term.

If the stats show big issues then regulation will undoubtedly follow.

The government will have to respond to the mess.

Of course.

A reduction in integrity would result in greater regulations.

In the longer term.

Probable but it might be too late to save the whole industry. Then a government will come in and stop SMSFs from starting up and this is what the industry funds want.

Otherwise the integrity SMSF’s as a whole will be brought into question.

Would hope so.... Need to maintain integrity of system.

Other than the large industry and retail funds who gives a damn about SMSF integrity.

Yes, but it will take time.

See comments above.

Can I say that this is a ridiculous and pathetic decision by the government. It is just so obvious that going to a 3 yearly audit cycle will increase the incidence of fraud on SMSF funds which is counter to the purpose and intent of the SMSF regime which his to reduce the burden of retirees on the aged pension. I don’t agree with it at all. SMSF needs more regulation not less.

But nothing that couldn’t be dealt with under the current arrangements & lodgement requirements.

APPENDIX

Letter

The Three Year Audit Cycle

Dear Sir or Madam,

I am writing to you in my Capacity as a Chartered Accountant who is an SMSF auditor.

I am perplexed as to how Treasury and the ATO perceive that undertaking a three year audit cycle would protect both members of an SMSF or the revenue?

The Risk of an error or fraud being committed by some individuals will be greater than that relating to annual audits where breaches can be reported to the ATO if they are material.

For smaller audit firms doing SMSF audits there is also a risk that their audit divisions may need to close down if they can only work or bill their clients on a three year cycle.

It is difficult to perceive that there will be a cost saving to any of the SMSF's and in fact there may be a cost increase if each year has to be done on a three year cycle.

Mr David Saul has represented those of us who are members of the SMSF Association and has presented a survey indicating that the bulk of persons doing the survey do not see any great benefit to our clients .
In fact, we do see that the some individuals may take advantage of this change at the expense of the revenue.

We ask that you reconsider this proposal as we do not believe this is beneficial to government or to all of the members of Self Managed Superannuation Funds in Australia.

Reviews such as the Jeremy Cooper Review have all shown that most members are protective of their Superannuation savings such that most will never have to rely on Government in their retirement.

The Royal Commission has shown that Some Industry Funds and some retail Funds have far greater Risk than any SMSF run in Australia.

We ask you all to reflect on David Saul statistics and re-think the steps that you are contemplating.

Yours Sincerely,

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