

Obstacles in SMSF regulation: What affects technology in your practice?

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Executive General Manager  
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**Shelley Banton**  
Executive General Manager  
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Shelley is the Executive General Manager, Technical Services at ASF Audits. She is an SMSF audit specialist with extensive experience in superannuation, audit, finance and IT.

Shelley was previously a director at Super Auditors from January 2007 until the merger with ASF Audits in July 2017. She has successfully implemented IT projects for SMEs and has worked for large private sector corporations, such as Citibank and Perpetual Funds Management.

Shelley works with a team of SMSF professionals and provides technical and strategic advice to clients on SMSF compliance. She also writes articles for superannuation publications and is a regular presenter at peak industry SMSF conferences.




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Preparing for Technology



Survival of the fittest means learning a new skill set for SMSF auditors


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### What are SMSF Auditors Doing in Practice?

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### SMSF Auditor Registration: ASIC Class Order CO 12/1687

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- 1 Understanding of SIS
- 2 Relevant auditing standards
- 3 Accounting standards
- 4 Competencies
- 5 Tasks

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### What tasks can be automated?

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### Preliminary Work: 60% Can't Be Automated

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Required Docs/Action	Manual	Admin Platform	Audit Platform
Review fund structure	Yes	No	No
Review statutory & Perm docs	Yes	No	No
Check data feed status	Yes	?	?
Review fund members/trustees	Yes	No	No
ATO Trustee Declaration Form	Yes	No	No
Member/trustee applications	Yes	No	No
Audit setup & planning memorandum	Yes	Yes	Yes
Materiality	Yes	Yes	Yes
Review prior yr & opening bals	Yes	Yes	Yes
Engagement, Trustee Rep & Ethical Clearance Letters	Yes	Yes	Yes

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### Maintaining Professional Standards in the Automated Audit

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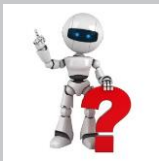
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### Balancing Technology with Professional Scepticism

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- Does it pass the "smell" test? ASA 200
- Front-of-mind at beginning, during and end
- Is the audit evidence reliable?
- The platform cannot "do it all"!
- Must demonstrate professional scepticism in workpapers

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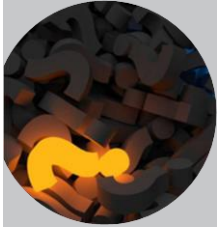
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### Is technology an excuse to cut corners?

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Data Feeds	Traditional Auditing Methods
<ul style="list-style-type: none"> <li>Cash</li> <li>Listed Shares</li> <li>Platforms</li> </ul>	<ul style="list-style-type: none"> <li>Everything else</li> </ul>

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### Aligning an Automated SMSF Audit with the Australian Auditing Standards

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- ASA 500 & ASA 230 requires the auditor to obtain sufficient and appropriate audit evidence on which to base their opinion
- ASA 402 discusses how the auditor is responsible for obtaining audit evidence
  - Type 1 report
  - Type 2 report
- GS007 provides guidance on how these reports can be used

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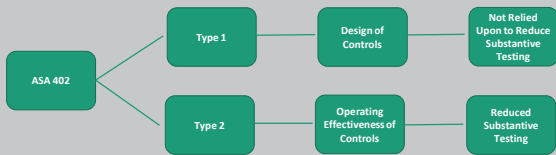
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### Aligning the Automated SMSF Audit with the ASA's

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### Automatic Verification of Data Feeds

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### Data Feeds Unplugged

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- What is the start date of the feed?
- Has the feed dropped out?
- Is the June 30 balance correct?
- Is the bank account in correct name?
- Is there a third party upload?

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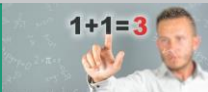
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### Addressing Automation Gaps: Risk and Compliance

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- ✓ Have you done your due diligence?
- ✓ SMSF Auditor must accept risks and benefits
- ✓ No guarantees or liability from vendor



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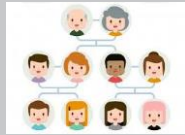
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### Checking for Compliance Gaps



- Low cost fee pressures
- Cutting Corners
- Ensure Regulatory compliance
- Complex related party transactions
- What can be automated?



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### Regulations not affected by technology



- In-house Assets
- Acquisition of Assets from related parties
- Arms Length Basis
- Separation of Assets
- Market Valuation
- Collectible & Personal Use Assets
- What can really be automated?

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### Ensuring Compliance with ATO & ASIC Requirements



ATO Referred 31 Auditors to ASIC	High Risk Issues	Low Cost Auditors	ASIC Outcome
<ul style="list-style-type: none"> <li>• Insufficient evidence</li> <li>• Independence issues</li> <li>• SPN failed mit value evidence</li> </ul>	<ul style="list-style-type: none"> <li>• Preparing accounts and audit</li> <li>• Audit related party fund</li> <li>• Lack of SIS knowledge</li> <li>• And ...</li> </ul>	<ul style="list-style-type: none"> <li>• Audit evidence gaps</li> <li>• No ACRs lodged</li> <li>• No written audit plan</li> <li>• No SMSP checklist</li> <li>• Lack of key docs</li> </ul>	<ul style="list-style-type: none"> <li>• Condition on registration</li> <li>• Variation on registration</li> <li>• Enforceable undertaking</li> <li>• Suspend or cancel regn</li> <li>• Disqualification</li> </ul>



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### Cam & Bear Pty Ltd vs McGoldrick [2016] NSWSC 1894

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Fund sues auditor for negligence

Auditor 2003-2008



Misrepresented assets in Financials

Relied upon liquidity of Fund and losses incurred



Personal friendship

Contributions made out to Lewis Securities



Definition of "Cash - LSL"

Auditor said CMA



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### Would Technology Have Made A Difference?



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What is cash?

- No data feed
- Professional obligations
- Regulatory compliance

Investigate

- Enquire
- Nature, existence, valuation
- Financials LSL Holdings P/L

Financial Statements

- Do they present fairly?
- Are assets classified correctly?
- Qualification?

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### Ryan Wealth Holdings Pty Ltd vs Baumgartner

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Matter of Trust

Unsophisticated investor with \$7million in SMSF  
 Long term relationship with solicitor  
 Financial adviser could invest funds after consultation  
 Invested in Unsecured loans and Unit Trusts (all adviser related!)

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### What Technology Have Made a Difference?

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### What is the Lesson?

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- Technology**
- Does not replace professional obligations
  - Beware of increased litigation from SMSF trustees/beneficiaries
  - Understand how the platform works
  - Do your due diligence
  - Sufficient audit evidence on file
  - Update audit manual for electronic evidence
  - Does not "do it all"
  - Relationship & Communication

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### Obstacles in SMSF Regulation – What Affects Technology in Your Practice?

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