12th August 2026

Mr Bryce Williamson
Director
Responsible Business Conduct Unit
The Treasury
Langton Crescent
Parkes ACT 2600

Email: DPCDConsultations@treasury.gov.au

Dear Mr Williamson

SMSF ASSOCIATION SUBMISSION: REGULATION OF ACCOUNTING, AUDITING AND CONSULTING FIRMS IN AUSTRALIA

The SMSF Association welcomes the opportunity to provide this submission in response to the *Regulation of accounting, auditing and consulting firms in Australia* consultation.

The SMSF Association supports proportionate reform to address identified gaps in the oversight and monitoring of firms that provide audit services. While quality management and professional obligations already apply, firm-level accountability should be strengthened through a targeted registration model that applies to all relevant audit firms, regardless of structure, and requires ongoing compliance with international quality management and independence obligations.

Importantly, this model should be scoped to avoid duplication or unintentionally capturing other audit activities. This includes the exclusion of Authorised Audit Companies (AACs), which are already registered with ASIC and subject to existing requirements, and SMSF auditors, who do not audit reporting entities and are already subject to oversight by the Australian Taxation Office (ATO) and enforcement action by ASIC.

Any new obligations must also be proportionate to the nature, scale and complexity of the firm, balancing improved compliance outcomes with the cost and complexity that will flow through to reporting entities.

We are also concerned that regulatory responses often focus on increasing penalties and consequences after harm has occurred. While appropriate sanctions are important, prevention and early intervention are more effective in improving conduct and reducing public and market harm. They will also reduce resulting investigation and enforcement costs, which are ultimately borne by ASIC-regulated entities under the Industry Funding Model (IFM). For a new registration model to be effective, it must support proactive and ongoing monitoring that identifies non-compliance early, before issues become systemic or material.

While a number of other options are canvassed, we do not support their implementation at this time. If the options we support are implemented effectively, they should sufficiently address the issues identified. Further regulation should only be considered if these measures prove inadequate.

A summary of our responses to the proposed options is provided in Attachment 1, and our detailed responses to the consultation paper are contained in Attachment 2.

If you have any questions about our submission, please do not hesitate to contact Keddie Waller, Head of Professional Standards, via email at keddiewaller@smsfassociation.com.

Yours sincerely,

Keddie Waller

Keddie Waller
Head of Professional Standards

About the SMSF Association

The SMSF Association is the peak body representing the self-managed superannuation fund (SMSF) sector, which comprises more than 1.2 million SMSF members and a diverse range of financial professionals. The SMSF Association continues to build integrity through professional and education standards for practitioners who service the SMSF sector. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial advisers, tax professionals and actuaries. The SMSF Association also represents SMSF trustee members and provides them with access to independent education materials to assist them in the running of their SMSF.

ATTACHMENT 1

SMSF Association response to consultation paper options

Option	SMSF Association response
Option 1A: Require reporting entities to obtain audit services only from audit firms licensed by ASIC, with quality management and ethical obligations imposed as ongoing conditions of holding their licence	Support firms that provide audit services to reporting entities being required to register with an appropriate regulator and comply with firm-wide obligations as a condition of registration
Option 1B: Require RCAs to comply with professional conduct obligations as an ongoing obligation of registration	Do not support
Option 1C: Require all partners of multidisciplinary firms to meet 'fit and proper person' requirements to maintain audit firm registration	Do not support
Option 2A: Prohibit reporting entities from engaging their auditor for non-audit services	Do not support
Option 2B: Achieve operational separation within existing structures	Do not support
Option 2C: Mandate structural separation	Do not support
Option 2D: Broader reform	Do not support
Option 3A: Impose new governance requirements on large audit firms	Do not support
Option 3B: Reduce the partnership limit for accounting firms and require a percentage of partners to be registered to deliver regulated services	Do not support
Option 3C: Require reporting entities to obtain audit services only from an authorised audit company	Do not support
Option 4: Mandate the frequency of audit reviews, increase the level of surveillance, and publish findings	Support in principle

Option 5A: Introduce civil penalties for contraventions of auditor requirements	Support, with proportionate penalties applying to individuals, AACs and registered audit firms, as supported in Option 1A.
Option 5B: Enhance administrative powers of ASIC	Support
Option 5C: Improve CADB's disciplinary capability	Support
Option 6A: Additional reporting obligations for reporting entities regarding auditor tenure	Support
Option 6B: Mandatory periodic tendering for audit services	Support
Option 6C: Mandatory audit firm rotation	Do not support

ATTACHMENT 2

1. Ensuring accountability within the audit sector

Option	SMSF Association response
Option 1A: Require reporting entities to obtain audit services only from audit firms licensed by ASIC, with quality management and ethical obligations imposed as ongoing conditions of holding their licence	Support firms that provide audit services to reporting entities being required to register with an appropriate regulator and comply with firm-wide obligations as a condition of registration
Option 1B: Require RCAs to comply with professional conduct obligations as an ongoing obligation of registration	Do not support
Option 1C: Require all partners of multidisciplinary firms to meet 'fit and proper person' requirements to maintain audit firm registration	Do not support

While there are quality management and professional obligations that apply to firms that provide audit services, there is a gap in the oversight and enforcement of these obligations that needs to be addressed.

The most effective and efficient way to address this regulatory gap is to require firms that provide audit services to reporting entities to be registered and to meet ongoing obligations at a firm level to maintain their registration. This should include all entities, regardless of structure, such as partnerships and companies.

However, it should explicitly exclude AACs, as these entities are already registered with ASIC and every director of an AAC must be an RCA.

For the avoidance of doubt, it must also exclude SMSF auditors and firms that only provide SMSF audit services, as they do not audit reporting entities and are already subject to ongoing regulatory oversight by the ATO and enforcement action by ASIC.

The conditions of registration should include:

- compliance with quality management standards; and
- compliance with independence obligations.

Importantly, audit and assurance services are provided under an existing global framework and set of concepts, unlike other disciplines such as taxation, which are built on statutory obligations unique to Australia. As such, we should not reproduce or mirror new quality management and independence frameworks, as this would introduce duplication, complexity and unnecessary compliance costs.

Further, many firms that provide audit and assurance services operate both domestically and internationally. Aligning with international standards will avoid duplication and unnecessary costs for these firms and ensure they comply with the same standards as their global peers.

To achieve this, firms should be required to comply with *International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*[1] set by the International Auditing and Assurance Standards Board. Firms should also be required to comply with the international standard for independence, set by the International Ethics Standards Board for Accountants (IESBA) in the *International Code of Ethics for Professional Accountants, including International Independence Standards*[2]. It should be acknowledged that while there are Australian versions of these standards, they are primarily based on, and replicate, the international standards.

Firms should be required to comply with these obligations based on the nature, scale and complexity of their firm, allowing the obligations to be applied proportionately and balancing compliance costs with improved compliance outcomes.

While requiring firms that provide audit services to reporting entities to register will close a regulatory gap, this will only be effective if there is proactive and ongoing monitoring of compliance with these obligations.

A concerning trend in addressing compliance failures is to increase penalties and consequences after the fact, often when the damage has already occurred. This approach is often ineffective in preventing future poor conduct and results in significant investigation and enforcement costs after the fact. For example, we have seen significant increases in enforcement costs borne by ASIC-regulated entities under the IFM in other sectors currently licensed with ASIC.

If a registration model is adopted, and ASIC appointed as the regulator, its design and implementation must consider effective ongoing oversight to detect early non-compliance before issues become systemic and/or material. This also includes the design of the ASIC IFM to ensure firms do not unfairly incur duplicate costs, noting that auditors of disclosing entities and RCAs already pay IFM levies. This should include how the risk of smaller firms bearing what could potentially be significant enforcement costs resulting from larger firms can be mitigated if a proactive oversight model is not implemented.

As stated in the consultation, ASIC has an increasing regulatory remit and finite resources. If ASIC is appointed as the regulator for audit firm registration, this will add further regulatory responsibilities and pressure on the regulator. Given that audit and assurance is a global discipline with an

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[1] IAASB ISQM1 < https://www.iaasb.org/publications/international-standard-quality-management-isqm-1-quality-management-firms-perform-audits-or-reviews >

[2] IESBA International Code of Ethics for Professional Accountants < https://www.ethicsboard.org/publications/2025-handbook-international-code-ethics-professional-accountants >

established framework and concepts, consideration should be given to whether it should have its own regulator, similar to taxation.

The SMSF Association does not support Option 1B, as RCAs are already subject to regulatory oversight and obligations. We also do not support Option 1C, as there are already multiple definitions of fit and proper that individuals operating under multiple regulatory frameworks must comply with, and adding a new definition would only increase this complexity.

2. Managing structural conflicts of interest in multidisciplinary firms

Option	SMSF Association response
Option 2A: Prohibit reporting entities from engaging their auditor for non-audit services	Do not support
Option 2B: Achieve operational separation within existing structures	Do not support
Option 2C: Mandate structural separation	Do not support
Option 2D: Broader reform	Do not support

The SMSF Association does not support the implementation of any of the above options in addition to the implementation of Option 1A.

The consultation paper fails to articulate the clear benefits of these options when weighed against the potential impost on business operations, cost and complexity for firms providing audit services to reporting entities, as well as the flow-through costs for reporting entities themselves.

Further, the effective implementation and oversight of registered firms' compliance with quality management and independence standards should address the concerns raised in the consultation.

If the options we support are implemented effectively, they should sufficiently address the issues identified. Further regulation should only be considered if these measures prove inadequate.

3. Internal governance of audit partnerships

Option	SMSF Association response
Option 3A: Impose new governance requirements on large audit firms	Do not support
Option 3B: Reduce the partnership limit for accounting firms and require a percentage of	Do not support

partners to be registered to deliver regulated services	
Option 3C: Require reporting entities to obtain audit services only from an authorised audit company	Do not support

The SMSF Association does not support Options 3A, 3B or 3C.

The consultation paper fails to articulate the clear benefits of these options when weighed against the significant potential impost on business operations, cost and complexity for firms providing audit services to reporting entities, as well as the flow-on impact for reporting entities themselves.

As acknowledged in the consultation paper, the existence of a board and independent board members does not guarantee improved governance outcomes. Further, there will be significant costs to restructure some firms, as well as significant flow-on costs for reporting entities to end and re-engage existing audit arrangements.

We also note that ASIC has commenced Federal Court proceedings against the AAC and two auditors in relation to alleged serious audit failures linked to the First Guardian Master Fund[3]. While ASIC can take regulatory action against an AAC, this example also demonstrates that harmonising and applying consistent standards across entities does not, of itself, guarantee improved compliance.

4. Improving audit surveillance

Option	SMSF Association response
Option 4: Mandate the frequency of audit reviews, increase the level of surveillance, and publish findings	Support in principle

Further to our earlier comments and as acknowledged in the consultation paper, ASIC has a broad remit and its resourcing decisions are subject to trade-offs, not only within the auditing sector but across other sectors that it regulates. Consideration should therefore be given to the most appropriate regulatory model, including whether the audit and assurance sector should have its own regulator, similar to taxation.

Regardless of the regulator, we support proactive and early intervention to deter and prevent misconduct, rather than responding with investigation and enforcement after misconduct has occurred. This should include increased frequency of audit reviews and surveillance activity.

[3] ASIC sues Auditor and auditors over alleged First Guardian audit failures, 31 July 2026 < https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2026-releases/26-175mr-asic-sues-auditeo-and-auditors-over-alleged-first-guardian-audit-failures/ >

However, this must be balanced against the resulting costs that will be borne under the ASIC IFM, noting that in 2025–26 the estimated cost recovery amount for auditors of disclosing entities, for example, is expected to rise to $15.935 million, a 62 per cent increase on the previous financial year.

On the assumption that Option 1A is implemented, any changes to the current model of audit surveillance to improve outcomes must also be considered in parallel with the oversight and monitoring of registered audit firms to ensure holistic and effective regulatory oversight that improves audit quality.

5. Enhancing disciplinary processes and sanctions

Option	SMSF Association response
Option 5A: Introduce civil penalties for contraventions of auditor requirements	Support, with proportionate penalties applying to individuals, AACs and registered audit firms, as supported in Option 1A.
Option 5B: Enhance administrative powers of ASIC	Support
Option 5C: Improve CADB's disciplinary capability	Support

The SMSF Association supports enhanced disciplinary processes and sanctions.

The introduction of civil penalties for contraventions of audit obligations under the *Corporations Act 2001* should incentivise compliance and impose more appropriate sanctions aligned to the misconduct. The penalties should apply to RCAs, AACs and registered audit firms, as supported under option 1A, but should be proportionate having regard to both who the penalty is applied to and the misconduct, including resulting consequences.

We also support the enhancement of ASIC's administrative powers, which should complement existing disciplinary processes and provide ASIC with more timely mechanisms to prevent and respond to potential market harm. Importantly, the right to procedural fairness must be maintained for all regulated individuals and entities.

Expanding the Company Auditors Disciplinary Board's (CADB) role in applying sanctions should also support better compliance and improve regulatory outcomes. This includes extending CADB's powers to consider conduct-related matters for registered audit firms, as supported under option 1A.

While we also support extending these powers to ensure that CADB can issue interim suspension orders where there are concerns about public or market harm, transparency and consistency are essential to understand when and in what circumstances such powers will be applied.

It is also important that, if such powers are extended, CADB responds and acts in a timely and efficient manner in response to potential and identified misconduct.

6. Enhancing audit market dynamism for reporting entities

Option	SMSF Association response
Option 6A: Additional reporting obligations for reporting entities regarding auditor tenure	Support
Option 6B: Mandatory periodic tendering for audit services	Support
Option 6C: Mandatory audit firm rotation	Do not support

The SMSF Association supports the introduction of additional reporting obligations for reporting entities regarding auditor tenure. We believe this obligation should encourage reporting entities to consider the length of their auditor engagements and whether there is a potential impact on audit quality.

We also believe mandatory periodic tendering for audit services is another mechanism that will require reporting entities to give due consideration to the length of an existing relationship and ensure they are seeking audit services from the right firm, having regard to the nature, scale and complexity of the reporting entity.

However, if enhanced disclosure obligations and mandatory periodic tendering are implemented, we do not believe there is a need to also mandate audit firm rotation. Potential threats to independence through familiarity and conflicts of interest should be addressed by the requirement for firms to comply with quality management and independence obligations under option 1A.

Further, some reporting entities will have complex arrangements or operate in niche markets that require specialist audit expertise. If that capacity is not broadly available, mandatory rotation will likely result in rotation among only a few firms at best.