

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 1st MEETING OF THE SMSF AUDITOR INDEPENDENCE TASKFORCE
13 March 2012 2.00 – 3.00 PM
Teleconference

1. Present and Apologies

Present

Mr Channa Wijesinghe (Chairman), Ms Shirley Schaefer, Ms Liz Guist, Ms Sharyn Long, Mr Sharif Eldebs, Mr Andrew Stringer, Ms Liz Westover, Mr Reece Agland, Ms Susan Orchard, Mr Robert Brown, and Mr Denis Pratt.

In Attendance

Ms Cath Mulcare (APESB Board member), Mr Craig Angove (ASIC Observer), Ms Larissa Evans (ATO Observer) and Mr Robert Nickel.

Apologies

None

2. Taskforce process and key dates

A brief discussion was held on the project plan, taskforce process and APESB working procedures.

Mr. Andrew Stringer (ICAA) noted that the Joint Accounting Bodies (JAB) Independence Guide would be available in the near future and will be made available to the taskforce in due course. The Chairman noted that current plan is to provide an update on the project to the May 2012 APESB Board meeting.

3. Discussion of APES 110 in the context of SMSF Auditor Independence and Stronger Super reforms

• **APES 110 Auditor Independence requirements**

The Chairman stated that the auditor independence requirements in APES 110 are applicable for Members who perform SMSF audits. A Taskforce member was of the view that the requirements in APES 110 relate more to corporate financial statements. Another Taskforce member clarified that section 290 of APES 110 deals with historical financial information and therefore it can be applied to SMSF audits.

• **Proposed auditor registration with ASIC and ATO's update on Auditor Independence issues**

The ATO Observer stated that it was the ATO's position that the Code covers SMSF but that there needs to be further guidance for audit practitioners applying the independence requirements of APES 110 in the SMSF context. The ASIC Observer noted that Treasury has requested the APESB to consider whether the Code had sufficient requirements and guidance in the SMSF audit context.

Thereafter the Taskforce discussed the auditor independence requirements in the Code, specifically 290.171 which discusses the circumstances in which an auditor can provide accounting services to an Audit Client who is not Public Interest Entity.

- **Potential SMSF specific independence gaps to be addressed**

The Taskforce discussed SMSF specific independence gaps that require attention. Some taskforce members noted that there is a perception that to date the regulator's focus has been on disciplining SMSF auditors who have not performed appropriate audit work and that they are leaving the monitoring of independence issues to the professional bodies.

The Taskforce noted that this may be contributing to an "expectation gap" as members are overlooking independence issues since they are not being regularly queried, investigated or disciplined on this aspect.

The Taskforce agreed that a co-regulatory environment is a suitable framework to deal with SMSF auditor independence issues and where there are potential independence gaps those gaps can be addressed through communication and collaboration between the regulators, APESB and the professional bodies. The Taskforce also agreed that as a first step a review of the revised JAB Independence Guide should be performed.

- **Independence Guide from Joint Accounting Bodies with SMSF examples**

Mr Andrew Stringer stated that the JAB are looking to circulate the Independence Guide for comments to the taskforce in the near future and that further work will be done prior to that to strengthen the SMSF section of the JAB Independence Guide to ensure that there are no significant independence gaps.

5. Way Forward

Mr Andrew Stringer or Ms. Liz Westover will provide the Taskforce with a copy of the JAB Independence Guide in due course.

Technical Staff will establish contact with Treasury to understand their views and continue to monitor the regulatory environment for further developments.

Technical Staff will convene the next Taskforce meeting in due course.

6. Closing of Meeting

The meeting was closed at 3.00 PM.