

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 2nd MEETING OF THE SMSF AUDITOR INDEPENDENCE TASKFORCE

21 August 2012 3.00 – 4.20 PM

Teleconference

1. Present and Apologies

Present

Mr Channa Wijesinghe (Chairman), Mr Reece Agland, Mr Michael Davison, Mr Sharif Eldebs, Ms Liz Guist, Ms Sharyn Long, Mr Paul Meredith (alternate for Mr Andrew Stringer), Ms Susan Orchard, Mr Denis Pratt, Ms Shirley Schaefer and Ms Liz Westover.

In Attendance

Ms Cath Mulcare (APESB Board member), Mr Craig Angove (ASIC Observer), Ms Larissa Evans (ATO Observer), Mr Tony Xinis (ATO Observer), Mr Keith Reilly, Mr Robert Nickel and Ms Margareth Lioe.

Apologies

Mr Robert Brown

2. Minutes of Previous Meeting

The minutes of the 1st SMSF Auditor Independence Taskforce meeting held on 13 March 2012 was accepted with minor editorial amendments.

3. JAB SMSF Independence Guide

Ms Liz Westover provided an introduction to the draft of SMSF chapter of the JAB Independence Guide which provide guidance to the Members of the accounting bodies on SMSF auditor independence issues. Specific examples and common scenarios have been introduced in the draft chapter that represent typical practical scenarios faced by SMSF auditors. Ms Westover requested feedback from the taskforce in order to enhance the final document.

Taskforce discussion on proposed SMSF examples in the JAB Independence Guide

- An auditor cannot audit an SMSF where they have also materially prepared the accounts for the SMSF

The Chairman informed the taskforce of the context in which paragraph 290.171 of the Code should be used. Paragraph 290.171 assumes a certain level of management or client involvement. However, in most instances the actual level of involvement of the SMSF trustees on the preparation of financial statements may be limited.

- An auditor cannot audit an SMSF where their staff have prepared the accounts

A taskforce member noted the use of categorical statement in the guide which is inconsistent with the requirements of the Code. Para 290.171 allows staff to prepare accounts provided that threats have been reduced to an Acceptable Level. The taskforce was of the view that further examples will be required to clarify this issue particularly in the case of sole practitioners.

- Example 2 – Carrying out the accounting/tax role and audit function in the same firm

A taskforce member enquired on whether an auditor can perform the role of a tax agent. The taskforce was of the view that APES 110 allows an auditor to be a tax agent provided that the tax services provided is in compliance with Section 290 of the Code.

- Example 4 – Relationships between auditors and referral sources

The taskforce noted that the JAB Independence Guide has a new section dealing with referral fees in the SMSF context. As per email received by Mr Robert Brown, all taskforce members were of the view that referral fees is a growing area of concern to the SMSF industry and agreed that it needs to be addressed.

- Example 5 – Firms offering financial advisory services

A taskforce member raised concerns on example 5 of the draft that refers to firms providing financial advisory services to SMSF clients. It was established that self review threat may exist when firms providing financial advisory services to SMSF clients also offers audit services to the same clients. A taskforce member was of the view that the Independence Guide should avoid imposing prescriptive requirements and to make appropriate reference back to the Code as necessary. Another taskforce member supported this view and suggested that an explicit explanation about each actual threat may minimise confusion surrounding the subject matter. It was recommended that further examples be incorporated in the draft Independence Guide to clarify this issue.

4. Way Forward

The Chairman informed the taskforce of the four options available on the way forward of this project. The general consensus of taskforce was to wait for the release of the final version of the SMSF chapter of the JAB Independence Guide. If any independence gaps or inconsistencies are identified between the Code's independence requirements and the SMSF chapter of the JAB Independence Guide, then the taskforce may consider recommending to APESB to incorporate specific SMSF provisions into the Code to enhance the understanding of SMSF auditors of the requirements of the Code. An example of such consideration would be to incorporate the treatment of provision of bookkeeping services as an AUST paragraph to the Code so that the independence requirements of the Code are made clear to auditors auditing SMEs.

The taskforce members were also informed that a guidance note approach may not work due to the very nature of it being guidance and potentially undermining the requirements of the Code.

The Chairman informed the taskforce that Treasury has been informed of the progress and the taskforce will need to finalise its recommendations as soon as possible due to the 31 January 2013 deadline.

Ms Westover will circulate the final version of the JAB Independence Guide for the taskforce's consideration by early September 2012.

5. Closing of Meeting

The meeting was closed at 4.20 PM.