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## APESB - Fee referral provisions in the Code – ED 03/21

Sir/Madam,

I am writing to express my concerns over the fee related provisions of the proposed new standards which have a perhaps unintended impact on firms that only do SMSF Audits. I understand that the fee related provisions largely arose in response to the numerous 'audit exchange programmes' that have arisen where-by firms effectively swap SMSF audits between each other as part of a pool. These exchange programmes have adapted again to get around the fee related provisions. They are guaranteeing that a firm will meet these provisions by an algorithm that distributes the audits between participants.

As a result, a specialised audit practice like my own who is in a growth phase is left to bear the brunt of these proposals. We only do SMSF audits so are truly independent and have always been. We are unable to participate in the audit exchange programmes as we do not do in-house audits.

As a relatively new firm, I currently find myself with two clients over the 20% of total fees with a number of smaller clients making up the rest of my business. I am always looking to grow my business but the reality is that growth will likely be made up of smaller clients and therefore any re-balancing will take time. Most practices with a large number of SMSFs are participating in the 'audit exchange programmes' so we will not get any work from them. I am therefore looking at having to spend a significant amount of time and cost to get peer reviews over a sample of my audit files. I don't believe this will change any of the opinions my firm has issued.

As a smaller, audit only firm, we are more risk averse than a large accounting firm. I am unable to spread the risk of an incorrect opinion over a large fee base of audit and non audit clients. My ACR 'run rate' is well above the 2% which I understand the ATO looks at. In fact, if you were to look at our ACR profile over the life of our firm you would see that we have done significant work across our entire client base to identify and raise issues (most not picked up by previous auditors) and then to work with the clients to fix these issues. This is surely the best outcome for the regulator and the Trustees.

The message the proposed fee referral provisions send to someone like me is that you don't want SMSF only audit firms to exist and that you want to enable large firms to continue to dominate the



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market by creating 'false independence' through auditor exchange programmes. I don't believe this is what was intended by the fee proposal provisions but it is the result. I hope that you value the existence of audit only firms who by their very nature are significantly more independent than other firms. They always have been and always will be.

I would appreciate these concerns being taken into account. Please contact me if you would like to discuss further.



Kind regards,

Lee Evans  
Director  
The SMSF Audit Office Pty Ltd