



29 April 2022

Chief Executive Officer  
Accounting Professional & Ethical Standards Board Limited  
Level 11  
99 William Street  
MELBOURNE VIC 3000

Email: [sub@apesb.org.au](mailto:sub@apesb.org.au)

Dear Sir/Madam,

**SMSF ASSOCIATION SUBMISSION – APES 110 EXPOSURE DRAFT 01/22**

The SMSF Association welcomes the opportunity to provide this submission in response to the APES Board's revised exposure draft 01/22 regarding auditor independence and fee dependency on a referral source. We also thank the APES Board for their engagement and considered approach following the original ED 03/21 consultation.

We note that this consultation seeks feedback on the *“potential action to be taken where the threshold and cumulative time period are met.”*

The proposed AUST R410.14.2 lists three options for consideration:

1. A review (performed by an appropriate reviewer as per proposed paragraph 410.14 A7);
2. A review (as per ASQM 2); or
3. A compliance engagement audit (as per ASAE 3100)

The engagement partner, an office of the Firm or the Firm expressing the opinion are required to determine whether any of the actions listed above *“might be a safeguard to reduce the threats to an acceptable level.”*

We note while the total fees in respect of multiple audit clients referred from one source may exceed the proposed threshold, this is not an absolute indication of the auditor's independence or lack thereof. It is just one factor to consider when assessing the independence risk if there is fee dependency on a referral source.

With this in mind, we support all three options listed above being made available to the engagement partner or audit firm. This provides flexibility for the auditor to apply their professional judgement, given their own circumstances, and their need to comply with the other obligations that apply under other provisions.

It also aligns this standard with the auditor's existing obligations under ASQM 1 and 2 (which replaces the current ASQC 1) and ASAE 3000 and 3100.



We also recommend the inclusion of a short paragraph that acts as an alert. Noting that despite the timing of the application of the threshold test in AUST R410.14.2, auditors must be alert to and consider the risks to impence when accepting audit engagements from a referral source.

If you have any questions about our submission, please do not hesitate to contact us, and we thank you again for the opportunity to provide this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Peter Burgess', written over a faint circular watermark or background.

Peter Burgess  
Deputy CEO/Director of Policy and Education  
SMSF Association

#### **ABOUT THE SMSF ASSOCIATION**

The SMSF Association is the peak body representing SMSF sector which is comprised of over 1.1 million SMSF members who have more than \$820 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.