

Factsheet: Offshore Auditing - Why We Won't

It seems more and more firms are choosing to offshore accounting work and we've noticed more doing that with their SMSF audit work. Apart from our pride in having all our operations conducted in Australia, we see that "off shoring" any part of the SMSF audit process creates a risk to the important role that your SMSF auditor provides.

We've been in the SMSF audit space since 2000 and during that time we have noticed a dramatic increase in the number of companies providing SMSF audit services. This increase has been fuelled by the rising number of Australians deciding to set up their own SMSF in order to take control of their superannuation.

With more auditors servicing funds, it has become a very competitive area and in order to gain a price advantage many companies have moved their audit function to overseas auditors. Although there are potential cost savings due to lower labour rates overseas, offshoring presents three key challenges that we see as problematic.

Loss of Control

While there is a legal requirement for an auditor to be registered with ASIC and a resident of Australia, it is possible to get some of the work done overseas and then the final audit signed off by an Australian based registered auditor. We believe that a SMSF auditor should oversee the entire audit of each fund and has an obligation to do so. Our registered SMSF auditors are assisted by accountants who are under their direct supervision and we go to considerable lengths to ensure anyone assisting with an audit is a qualified accountant and receives the ongoing training that is needed to keep up to date and fully understand the Australian superannuation system.

Delegating parts of each audit to offshore staff is a risk we wouldn't take. Even if offshore processing could be relied upon to pick up any discrepancies, the process would not be as seamless as conducting the full audit ourselves.

Also, we like being able to pick up the phone and chat directly to the accountant for the SMSF or the trustee to clarify areas that need attention. Further we want to be on hand whenever we are needed.



SMSF Audits

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Potential Impact on Quality

The second issue around quality could indirectly and directly impact all of our clients. The ATO has made it clear that they assess the quality of an audit based on whether the auditor should have picked up any problems and flagged them for the attention of the ATO as well as addressing the issues with the trustees and in most cases resolving and correcting the issue immediately. Not detecting issues raises concerns about audit quality and is likely to result in funds that are being audited by firms with known quality issues coming in for closer inspection by the ATO.

Security

The third issue of security was highlighted by a recent case of a Citibank employee in Manila selling credit card details to a Sydney based crime syndicate. While these cases are relatively rare, given the sensitive nature of the information we deal with we aren't prepared to risk client details being sent overseas. Some of this material is only dealt with once a year, so potentially any criminal activity could occur and not be picked up until a year later, when the fund is audited again.

Because of these issues offshoring any aspect of an SMSF audit is not an approach that we feel comfortable with. While it would seem on the raw numbers that we could reduce the cost of our audit fees by doing this, we feel that the risks to our clients' funds, the sensitive nature of the data we handle and our reputation with the ATO are too compelling to ignore.

So how do we compete? We've worked on hiring experienced auditors who know what they're doing and therefore, audit each fund efficiently. We've also improved our processes and systems to reduce costs. In addition, we rarely find anything that we haven't come across before, due to our extensive expertise in this area. This means that we know how to handle the vast majority of situations without spending valuable time researching what to do.

The end result is that we've been able to competitively price our services without exposing our clients to unnecessary risk. Sometimes taking a contrary approach can be a better option!



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HOW CAN OUR TEAM AT SMSF AUDITS HELP YOU?

The SMSF Audits team's extensive experience means we can assist with advice regarding all SMSF issues. We have assisted a large number of SMSF Trustees deal with compliance issues and still retain their complying status.

We can provide technical information and articles for any of your technical events and seminars and newsletters or email alerts.

We have also assisted numerous Trustees in negotiating a compliance plan with the ATO and have successfully had penalties reduced and remitted.

Our website has a lot of useful information www.smsfaudits.net

We have a tax specialist on our staff who can prepare and lodge private ruling requests for you or your clients and who can assist with any ATO tax review or audit.

SMSF Audits is about more than just cost effective audits. We provide complying, timely audits and offer support to solve potential problems. Let us be your competitive advantage.

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