Due to growing costs and increasing workload, smaller accounting practices might wish to outsource SMSF administration, writes OLIVIA LONG.

It is no longer viable or profitable for smaller accounting firms to undertake their own self-managed super fund (SMSF) accounting and compliance work because of increasing cost factors facing the industry.

At a glance, these factors include the associated costs of human resourcing and additional staffing requirements, the ever-increasing demand for qualified accounting staff, ongoing issues with staff retention (particularly with Generation Y's supposition to change employment every few years) and increasing labour costs.

The SMSF industry is constantly changing, and the necessity to keep abreast of these changes and have informed staff that can cater to clients' needs involves significant investment – both time and financial. Staff turnover can severely hamper that investment; when they leave, the knowledge usually leaves with them.

Most small practitioners are busy simply handling their day-to-day client work, and finding time to keep abreast of the practical application of changes to SMSF accounting is difficult.

One of the most prominent reasons to outsource SMSF work is that administrators are in a better position to process transactions throughout the year rather than after the end of the financial year in arrears, as most accountants tend to do. This provides SMSF trustees with much easier access to information such as contributions and pensions figures in order to monitor and satisfy minimum/maximum pension withdrawals and ensure contribution limits are not breached.

It also enables clients to make use of web technology to assist them with running their SMSF.

There are also a number of risk factors involved in undertaking SMSF work and not being a specialist SMSF accountant. Some of these risk factors include death of a member, excess contributions, and a general lack of knowledge and information about SMSF compliance.

It is important for accountants to realise they are responsible for maintaining and ensuring the validity of Nomination of Beneficiary and other related documents, should a SMSF member die. If there is no formal nomination in place, the accountant could face potential legal action imposed by the member's family, seeking claim of the death benefit payout.

This is only one example of compliance requirements for SMSFs, for which accountants may not even realise that they are responsible. It goes to show, to minimise risk - it's a better option to outsource your SMSF work.

There has also been an increasing demand from the Australian Tax Office to implement independent auditing processes on accountants' own SMSF work. There may be information that a practice is not aware of, and when it comes to auditing their own work, this inadvertently puts them at risk of signing off on incorrect accounts.

Another high area of risk surrounds excess contributions. When the Government introduces new contribution limits for those members that hold more than $500,000 in their account, super splitting is likely to be a greater focus for SMSF trustees. The demand for interim information will continue to be a priority as complexity with SMSF strategies develop.

Further changes impacting on small accounting practices are the proposed SuperStream changes, effective July 2013.

Any accountant wishing to process SMSF accounts will need appropriate specialist SMSF software as it will be mandatory that rollovers to SMSFs from the Australian Prudential Regulation Authority accounts happen electronically. This seemingly simple change will have a significant effect on smaller firms who will be required to upgrade their software and staff expertise in order to establish and thereafter administer a SMSF.

There are a number of SMSF 'outsource' administrators, both local and offshore, who can provide such a service. In many cases, the practitioner remains the sole point of contact with the client and continues to manage the client relationship – simply utilising the administrator essentially as an in-house junior staff member by scanning and sending the file through once a year for processing.

Other firms have pursued the 'white labelling' route, and have decided to provide their clients with a full administration service with online reporting, whilst maintaining their branding. This is starting to prove a more popular option – with clients and their accountants enjoying the benefit of up-to-date information.

The competitive rates now offered in this space mean most practitioners can continue to charge their standard SMSF fees to their clients. They can even choose to maintain the role of the independent auditor, should they wish.

Given the number of risk factors involved, it makes sense to follow the increasing trend amongst Australian accounting practitioners to outsource their SMSF work.

By Olivia Long is the chief executive officer of SuperGuardian.