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DIY SUPER JOHN WASILIEV

Auditing is one service you can't do yourself

If they consider they have the expertise, anyone who is really serious about taking charge of their own superannuation can set up their own fund, run the administration and investment side and even prepare their own tax returns rather than ask one of the numerous professionals involved in this area to perform these tasks.

However, you can't conduct your own audit, although trustees can appoint a separate fund auditor to one who may be suggested by their accountant or adviser.

The job of auditing a DIY fund must be done by an approved auditor who is either officially registered as such or is a member of a recognised accountancy organisation. This could be either the Institute of Chartered Accounts, the Australian Society of Certified Practising Accountants, the National Institute of Accountants, the National Tax and Accountants Association or the Association of Taxation and Management Accountants.

It is the duty of the fund auditor to check and draw to the attention of trustees any concerns they have about the financial position of a fund or the rules and regulations that funds must comply with.

If there are compliance breaches, auditors must report these to fund trustees and the Australian Taxation Office, the regulator of DIY super.

FAQ

What do auditors check in a DIY fund?

They check that investments actually belong to the fund and are in the fund's name, something the Australian Taxation Office is cracking down on. An auditor will check that investment values are correct, which may be simple with shares but more complicated with assets such as a property. Auditors must also check that a fund has not borrowed any money or offered any assets as security for a loan, plus a range of other compliance issues.

A comment in last weekend's column from a reader who said he paid $350 for a fund audit attracted several responses. More than one reader asked how an auditor could carry out a proper and effective audit for such a fee, given the extensive requirements of the superannuation regulations.

Graeme Colley, superannuation manager at the ING's DIY fund administration subsidiary Super Concepts, says it is possible that a small fund that has few investments and with few transactions every year may face a $300 to $400 audit expense.

Super Concepts, he says, farms out the audits of its 3000 DIY funds to a panel of independent auditors and provides them with standardised information about investments and other fund activities to make their job easier and less time-consuming. Auditors can charge about $220 an hour and how long it takes them to audit a fund will depend on the information they have been given.

"The auditors know the process for each of our funds, which helps to keep the costs down," Colley says. However, it is generally the case that the more investments and the more transactions a fund carries out, the more expensive the audit.

If a fund invests actively and makes many changes, the annual audit expense could be $1000 to $1500, although that is likely to be well outside the normal range.

Adelaide-based DIY administrator Super Guardian links the combined administration-audit fees it charges to the number of investments in a fund.

For a fund with up to 10 investments, it charges an annual $1550 with an extra $400 for every additional 10 investments up to 40. A fund with 40 to 50 investments pays $3550 and beyond that fees are negotiable.

wasiliev@yoursuper.net