EVOLV – SUPER AUDITS REDEFINED

The audit evolution – are you ready for the automated SMSF audit?

It's all about embracing technology and other means to create efficiency

THE process of administering and auditing SMSF's in Australia is in the midst of a technology revolution.

Automation of processes has replaced the traditional manual entering of data, it's reporting and validation.

No longer do we need a paper based approach. It's now all about using technology to replace the performance of routine tasks which were previously done manually.

Cloud based servers are gaining recognition as an alternative to the traditional in house computer server.

Portals are almost essential to receive and send data securely, rather than transmitting sensitive data via emails.

Most modern SMSF administration software programmes can now receive data feeds. **A Data feed** is a mechanism for users to electronically receive structured data from data sources into a software program alleviating the need for manual data entry of bank accounts from financial institutions, managed funds and listed securities from share registries and authorised share broker sponsors.

Document management software now allows us to quickly access and view relevant supporting documents. Connectivity to accountants and administrators systems in sharing information creates immense time savings for auditors.

Digital signatures are now replacing the traditional signing processes, but the uptake in Australia is slow.

Superstream (the compulsory reporting of contributions and rollovers), electronic actuarial reports, automated property valuations and title searches are also changing the game.

These advances now result in "real time" data analysis, rather than the traditional "in arrears" annual reporting.

Has the SMSF **audit** profession seen a similar evolution in embracing technology?

For years auditors have adopted a "paper based" audit approach which is now becoming redundant.

A modern SMSF audit practice should have a fully integrated system beginning with a seamless transmission of data to and from accountants / administrators to the auditor, a purpose built platform to perform the audit, ending in an audit process which ensures quality, efficiency, value for money, the audit process must be consistently applied, and of course it must definitely be scalable.

It should look like this -

SaaS (software as a service), otherwise referred to as a cloud based server;

A secure client portal and website;

A workflow management system which can track and report on key information;

A document management system;

A fully interactive audit program -

It should be written using a robust programming language so that it is scalable to handle large volumes of SMSF audits;

It should be able to import the data file from all the major SMSF administration software programmes into it's own platform, thereby going way beyond being just an online audit checklist;

It should have in built data analytical review tools and calculators which analyse the imported data;

It should of course be enabled to receive data feeds from sources to the SMSF administration software programmes, for example from data aggregators.

Whilst Evolv has developed such a system, there aren't many other providers simply because they take time and are expensive to develop.

So what are the **risks** which we now need to be aware of?

Whilst data feeds are replacing manual data entry, certification of the verasity of the data feed by a suitably qualified reviewer is paramount. This means that the systems and controls which exist inside either the provider of the data feeder, or the SMSF administration software provider need to be certified annually to ensure that the provider meets with the provisions of Guidance Statement GS 007 issued by AUASB.

Without such certifications, and without performing additional sample testing using other means, auditors put themselves at risk of being sued.

Cloud based server providers also need thorough investigation to determine issues such as data privacy, security, retrieval upon moving to another provider, back up procedures etc.

Security of access to client's data via a website or portal should ideally be regularly tested by employing professionals to assess the likelihood of its penetration from the unwanted.

Security of portable devices used to access systems must be prioritised.

So where to now?

Whilst technology will never replace the professional skill and judgement which an auditor must possess, the efficiencies which automation can produce will shift the auditors focus from a financial based audit, to a "SIS / compliance based" audit review process.

The commodisation of the audit process will indeed result in audit fee reductions where efficiencies via technology uptake can be fully embraced.

The traditional audit practices who continue to use traditional audit methods will struggle to compete in pricing and scalabilty unless they embrace these technology changes.

Ron Phipps-Ellis is the managing director of Evolv – super audits redefined. Evolv is leading the audit industry in developing and embracing technology to create efficiency. To contact him, please call 1300 886 536, or go to **www.evolvsuper.com.au**

ATSA 2013 SESSION: Ron Phipps-Ellis will speak on the Evolution of Audits and How Technology is Changing the SMSF Audit Industry - Electronic automation is in, manual verification is out. It's all about SIS – on Monday 14th October from 5.05pm – 5.35pm in Stream 2.