



Automation nation:

Why tech is the  
future of SMSFs



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Australia's SMSF auditing industry faces some big challenges. Misuse of funds, non-compliance and lack of independence have been just three focal points for the Australian Taxation Office over the last few years.

Factor in the potential for triennial audits, the race to the bottom on fees and ongoing resource struggles, and it becomes clear that auditors are in dire need of technological assistance on multiple fronts. In fact, technology can even help to address those fee issues, by improving the quality of audits (and therefore bolstering fees).

The right software, hardware and technology partner can make or break an SMSF auditing business. By improving efficiency and compliance through cutting-edge tech, auditors don't just survive - they thrive.

In this whitepaper, we will explore five key areas in which technology is revolutionising - or will revolutionise - the SMSF auditing industry.

## Challenges technology must overcome for SMSF auditors

Solutions are meaningless if they don't have a set goal. While it can be tempting for auditors to implement the newest technology simply because it is there, they must identify key challenges to their business model before embarking on a new process.

For Australian auditors, those challenges are likely to be:

- ▶ An ageing SMSF auditor population
- ▶ A lack of succession planning
- ▶ Training and human resource issues as roles change
- ▶ The 'race to the bottom' on audit fees
- ▶ Poor productivity or resistance to change

In short, the SMSF auditing industry needs to move forward faster. It needs automated processes, particularly around labour-intensive work, that free up staff for more valuable tasks and improve efficiency and productivity.

By sticking to traditional methods and processes, auditors put themselves at a disadvantage. Not just in terms of the competitive marketplace, but the very sustainability of their business. By embracing technology in the following areas, SMSF auditors can overcome these challenges and create a long-lasting business.



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## 1. Data processing and analysis

Automation has already taken parts of the SMSF auditing industry by storm, and those left behind will struggle to keep up.

For auditors, automation tools can process complex data in a matter of seconds. No more manual data entry or calculation, and no more labour-intensive mathematics to ensure compliance.

Apps like Evolv White can analyse structured data and perform relatively simple computing jobs. It can automate company and property searches, validations, exception reports, queries and annotations. In some cases, you can process an SMSF audit in under an hour. Work that is prone to human error is covered through automation, reducing some of the most critical risks that arise in the industry.

This gives auditors more time and resources to apply human judgment to key variables in an audit. By transforming roles affected by automated infrastructure, you can build a truly human-focused auditing process. This has the added benefits of healthier client interactions, more satisfied and engaged staff and an improved bottom line.

### Key Actions for Auditors:

- ▶ Identify your most labour-intensive work
- ▶ Implement automation tools to conduct these tasks
- ▶ Review and transform affected roles, refocusing human resources on client interaction, human judgement and more profitable services

## 2. Financial advice on SMSFs

While the role of the auditor is not to provide financial advice, this industry will nonetheless have a massive bearing on the way auditors conduct their work.

Look no further than the recent NSW court case of Ryan Wealth Holdings Pty Ltd v Baumgartner<sup>1</sup>, which saw the court rule against an auditor for not having passed judgment on a financial advisor's conflicts of interest.

Technology is set to streamline the way trustees seek advice - Canstar Australia already lists four automated services for self-directed investors.

While trends suggest it is largely millennials using these services, in time we can expect automated advice to spread. With it comes new auditing considerations like understanding algorithms, determining human liability for algorithm-generated advice, and reviewing liability agreements for companies that employ such technology.

### Key Actions for Auditors:

- ▶ Identify any clients utilising automated financial advice
- ▶ Compare / contrast actions with those not using automated advice
- ▶ Review key liabilities with regards to advice clients receive

<sup>1</sup>[https://www.caselaw.nsw.gov.au/decision/5bbae0e2e4b06629b6c627cb#\\_Toc527379679](https://www.caselaw.nsw.gov.au/decision/5bbae0e2e4b06629b6c627cb#_Toc527379679)

### 3. Fund transitions

Australians seeking to change super funds is a growing phenomenon.

The Royal Commission has seen a widespread trend in people reviewing their options, and likely seeking a new provider. For those who make the shift to SMSFs, technology is going to play a massive role.

A recent ATO round table saw much discussion of SuperStream and the way technology has enabled different funds to effectively speak to one another. This kind of synthesis, as well as funds using shared architecture or software, will enable a much faster, safer and more compliant facilitation of fund transitions. This can also make paper trails to auditors significantly easier to track.

#### Key Actions for Auditors:

- ▶ Identifying fund transitions with and without streamlined paper trails
- ▶ Explore integrations between your own software and SuperStream

### 4. Straight-through processing

One of the biggest breakthroughs in recent times has been the development of straight-through processing (STP).

By delivering information from client to customer in real time, we vastly improve this relationship. But beyond customer experiences, STP also brings us closer to the ideal of continuous auditing.

By this we mean continuous data analytics, software that does the aforementioned menial work constantly and delivering results in real time. This creates massive opportunities for identifying compliance problems early in the auditing process, and allows auditors to deliver results to trustees on a much shorter time frame. A continuous stream of data means auditors can continuously improve, rather than responding to outdated information or relying on months-old reporting.

STP also greatly enhances the customer experience, delivering real-time results and instant gratification.

#### Key Actions for Auditors:

- ▶ Identify potential for integration and condensing of back-office functions.
- ▶ Integrate and implement straight-through processing for better customer results.
- ▶ Continuously review existing systems, identifying efficiencies tasks ripe for automation

## 5. Customer access through portals

Advice, investment and auditing are all increasingly found online. To retain a competitive edge, service providers don't just need to have a basic web presence - they need one that greatly enhances the customer journey.

That means advanced web portals. The ability to host on your own domain, integrate all services into one platform and deliver results to trustees seamlessly will set many auditors and SMSF advisors apart from the competition.

This requires investment, but creating a journey with no distinct barriers between login and information, between desire and action, will build an engaging experience that keeps people coming back.

### Key Actions for Auditors:

- ▶ Identify siloed processes or systems and any third-party hosting
- ▶ Implement solutions like Evolv White to deliver a comprehensive web portal

## The role of the auditor in the digital age

Many SMSF auditors reading about technology advancements will, perhaps justifiably, be concerned about their own role in the industry. When software can operate the majority of tasks involved in an audit, is there room for the human touch?

***The answer is: always.***

Technology is only as good as its programming, and will always have limitations. No program will be able to accurately replace the humanity, judgment and pathos that auditors bring to their job. We expect staff to move into analytical, people-facing roles with greater frequency. In fact, technology is likely to free up SMSF auditors to address more of the pressing litigation concerns that currently affect the sector.



## For SMSF auditors, technology is what you make of it.



Technology has already revolutionised much of the financial services sector, including auditing. But with the threats of litigation and competition always on the horizon, it's critical that Australia's SMSF auditors continue to take steps to stay ahead of potential pitfalls.

This begins with simple automation and, realistically, has no end in sight. Every SMSF auditor must regularly take the time to review their software, their hardware and their very business model. Failing to continuously improve means failing to remain competitive.

Evolv Super has developed custom-built solutions for SMSF auditors, complete with a supporting framework and checklist to help auditors overcome each and every challenge they face.

To explore the horizons of your SMSF auditing potential, **contact the team at Evolv Super today!**

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