

## **MEDIA ALERT**

### **AUDITING OF SUPERANNUATION FUNDS NEEDS REFORM**

The Senate Select Committee on Superannuation and Financial Services today tabled a report that calls for more rigorous standards of auditing of superannuation funds.

The Committee Chairman, Senator John Watson, tabled the Committee's third report on prudential supervision and consumer protection for superannuation, banking and financial services. The report presents the results of a roundtable held last month with members of key professional accounting and auditing bodies, regulators and experts in the field.

"During our inquiry into the prudential regulatory framework, we became concerned that the standards of auditing, especially of superannuation funds, were not always as high as they could be," Senator Watson said.

"There is a gap between the community's expectations of auditors and what auditors actually do. We believe audit reports need to be able to be relied upon more widely than they currently are. In particular, they should be able to be relied upon to provide early warning of potential fund failure."

"Because superannuation is compulsory, it's in a different category from other investment options," Senator Watson said. "The standards which apply to superannuation fund management must be higher than those applying to other commercial investments where people have a choice."

Senator Watson acknowledged that most auditors of superannuation entities in Australia were performing at a high standard. The Committee also acknowledged that the professional accounting bodies seek to position themselves as leaders in finance, accounting and business advice and that they strive to maintain and enhance their high public standing. "However," Senator Watson said, "the Committee believes the profession must take a more forward-looking approach to improving the standards of auditing, and do much more to address the expectation gap, rather than explaining why the traditional role of auditors is limited."

The Committee's recommendations include strategies to:

- tighten the current reporting requirements under the SIS Act to require auditors to report directly to the regulator where a breach has occurred;
- ensure genuine auditor independence;
- expand the nature of audit reports by requiring the auditors to assess and comment on the fund's risk management and investment strategies in accordance with guidelines prepared by APRA;
- require a follow-up to qualified audit reports;
- provide increased assurance about the effectiveness of the governance arrangements in place by requiring large funds to undertake a prudential review every five years; and
- improve communication with fund members by routinely providing them with the auditor's reports.

Senator Watson said he believed that implementation of the Committee's recommendations would help to provide the community with greater assurance that their superannuation savings are safe and their retirement incomes assured.

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