



Media Statement

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Self Managed Superannuation Funds' Auditors – Who's checking?

An Australia-wide survey has found that beneficiaries of Self Managed Superannuation Funds (SMSF) could be left financially exposed by an oversight by their respective auditors.

Recent research by Landgate, Western Australia's Land Information Authority responsible for the land title registry indicated that potentially, more than half of SMSF auditors were not routinely checking the titles to SMSF property assets.

Landgate Executive Director Paul Whyte said that with property often representing a significant and material percentage of an SMSF portfolio value, the exposure for SMSF beneficiaries through this auditing oversight could be sizeable.

"SMSFs are generally recognised as one of the fastest areas of growth in the superannuation industry," Mr Whyte said.

"Unsurprisingly, the Tax Commissioner is targeting SMSFs to ensure compliance with the strict preservation and sole purpose rules."

Mr Whyte said the Australian Auditing and Assurance Standards Board recommended the title deed to property assets be checked and verified on an annual basis and re-valued every three years.

"The Landgate research suggests that only about 40 per cent of auditors are completing an annual check while less than 30 per cent are checking the title on the same three year cycle which is recommended for re-valuations," Mr Whyte said.

"Of greater concern to SMSF beneficiaries is that the balance of the SMSF auditors only checks the title deed at the time of the original contract, so potentially leaving a long term exposure for property assets to become encumbered.

"The implications in this area of audit and assurance can be far reaching."

In all Australian States and Territories, the title deed to a property cannot show that property's owner as being a trust. In general, one of the trustees' names has to appear as the title holder.

Therefore, unless a caveat or declaration of trust is placed on the title, it is possible for a rogue trustee to dispose of the asset (or borrow against it) to the detriment of the other beneficiaries.

Mr Whyte said audit standards were designed to check and provide assurance in this area.

“If the auditor is only checking the title every 36 months the property might have been encumbered (contrary to SMSF rules) for a considerable period,” Mr Whyte said.

“Consequentially, the SMSF could lose the concessional tax treatments which apply to super and the funds represented by the property assets could be at risk.

“Landgate strongly recommends an annual check of the title to property and the lodgement of a caveat or declaration of trust to more completely protect SMSF beneficiaries.”

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