

A few minutes with...

JO HEIGHWAY

When Jo Heighway picked up two of the NSW Business Chamber's most prestigious awards in 2010, it validated the director and founder of SMSF Outsource Solutions' long-held view of the critical importance of audit independence in the SMSF space. She takes time to discuss the significance of the awards with **Darin Tyson-Chan** and the need for the auditing profession to change its image.



How did your involvement in the SMSF sector come about?

I accepted a cadetship with Deloitte when I was 17 years old, straight out of school, and I was assigned to the audit division. As part of the role we audited some of the larger superannuation funds and some excluded funds. From that experience I learned a lot about superannuation, the way it should work and what risks were involved. Afterwards I moved back to the [NSW] Central Coast, which is where I'm from, and started working for a chartered accounting firm and because of my experience at Deloitte, I was seen as a superannuation specialist and put into a super audit role. So I spent about seven years auditing SMSFs from within accounting firms as the super audit expert. The establishment of SPAA (Self-Managed Super Fund Professionals' Association of Australia) and other things that happened along the way made me realise how valuable that specialisation was and how big the sector would become, which is why I continued along that path.

So when did you start your own practice?

I started the practice in January 2005. When I was working for the other accounting firms I noticed how reliant they were on individuals with expertise in one area. Over time I started realising how valuable independence in the superannuation audit process was, so I began trying to provide this service to other accounting firms from within the firms I was working for. In doing so I learned a lot of lessons, including that accountants don't like referring work to other accountants because of the competitive threat. It didn't take me long to realise that providing a superannuation

auditing service to other accountants from within a practice that also had other services wasn't going to work. I also realised my career goal of becoming a partner in a firm was not going to happen because a lot of firms didn't see the potential in super fund audit. So I decided to start my own independent audit practice from scratch. I ended up getting to audit 15 funds referred to me from a financial planner who performed super fund administration and just grew from there.

Has your practice grown mainly from referrals then?

It's grown in a lot of different ways. I was lucky enough to know Meg Heffron (SMSF specialist and Cooper review panellist) quite well so quite early on I knocked on her door and asked to be put on Heffron's audit panel. I ended up doing about 20-something audits for them in the first year as a result of them giving me a go. I also went around calling anyone I knew in the Central Coast area that had an accounting practice and was looking after some SMSFs. I basically ran by the rule that if you don't ask you don't get and I still use that rule today. So I gradually built up my client base and I think by the second year we were auditing about 100 funds. Over time we became Heffron's preferred audit supplier and about 18 months ago became its sole audit supplier. This relationship has helped us grow as it has enhanced our reputation and profile and now we service over 2000 clients across Australia.

Your business's rate of growth actually earned you an award didn't it?

Yes, we won the NSW Business

Chamber's Excellence in Small Business Growth Award. We were entered in this category because in 2009, which was a very tough financial year for many businesses, we grew the number of funds we service from 634 to 1450 funds. We had a fantastic year due to all of our various business relationships.

But that wasn't the only award you won was it?

We also won the NSW Business Chamber's President's Prize. This prize is awarded to a business that has shown excellence in all aspects of the business. As part of the submission process for the Small Business Growth Award we had to explain what our strategies were and all of the different things we'd done in achieving our growth. It helped in showing all the different areas we'd focused on, including who our suppliers were, what our capacity was, how we managed our human resources, and the way we used IT to increase our productivity. We had to go into a lot of detail and the NSW Business Chamber must have thought we'd shown excellence in all aspects of the business because that's what the President's Prize is for.

You have a heavy involvement with SPAA, being the chair of the Central Coast chapter of the association. How did that come about?

I joined SPAA in 2003 and was very excited because we finally had a professional body to recognise us and our special needs in the industry. I mean I'm a chartered accountant, I've gone through university and the CA (chartered accountants) program, and worked in super the whole time without seeing any opportunities to get specialist education. Also superannuation didn't feature at all throughout my degree or the CA program. Following on from that over the last few years I started getting more interested in different SPAA committees. I won the 2009 SPAA CEO scholarship, which gave me the opportunity to complete a professional certificate in self-managed super through the University of Adelaide. That increased my profile within SPAA and they invited me to sit on the national conference committee. It was really enjoyable because I got to say what I

wanted at the conference from both an auditor's and an individual's point of view. I'd been involved in the Hunter Region SPAA committee as a board member but I knew we had such a huge number of accounting firms on the Central Coast so I thought why not try to set up a chapter. Surprisingly the level of awareness of SPAA was not that high in the area.

As the chapter chair do you see your main role being to promote SPAA in the locality?

I've got a few goals to achieve. Because I'm growing a specialist business I've got a lot of young trainees who I want to be the best SMSF practitioners in the country. So being able to provide local education and having people like Brian Bendzulla, Peter Bobbin and Peter Burgess coming in to Gosford to train my staff in particular is one of the goals. Networking and raising the brand awareness of SPAA is another important goal because there is no use having an SSA (SMSF specialist adviser) or an SSAud (SMSF specialist auditor) qualification if no-one knows what it is.

Getting back to your awards, will they help you raise the public awareness of SPAA and your practice as well?

I hope so. I was so shocked on the night I can hardly remember what I said when I received the awards. But it dawned on me backstage how exciting it is for the SMSF industry that a specialist practice and someone who has dedicated 15 years of their career to SMSFs could achieve that level of success and recognition. It's wonderful because there is so much negative publicity about self-managed funds. Even as a young accountant you're told to know a bit about everything and not to specialise, so I thought it was good justification to say specialisation is well and truly valuable.

As an auditor are you still battling the perception that what you do is just a mandatory function that doesn't add value?

There is still a negative attitude towards the audit function and I don't think the auditing industry has helped itself in that regard. A lot of audit presentations I've been to began with an apology for the boring subject matter. I will know when there is a real change in attitude when

the first question asked of me is not how much the audit costs. So often that is the first and sometimes the only question. But we are really the safety net and the quality control, and a very important part of risk management. It's amazing what a set of expert eyes can pick out and how much money they can save in terms of excess contributions, pension errors and even rectification. A lot of accountants undertake rectification steps when they are not necessary and they can really create a lot of costs.

What's the biggest change you've seen in the sector?

I think technology and the amount of information availability now and the resulting increase in knowledge of clients as a whole. Also having to constantly be aware of what your competitors are doing in terms of technology and figuring out how to keep up with the demands of it and how to deal with capacity issues has been significant. Competition between sectors is only going to put more pressure on the SMSF industry to find good software and real-time reporting that helps us stand out. The significant growth of the sector in itself has also been a big change. To have around 430,000 SMSFs in Australia now has challenges in itself and I think that's been remarkable.

If you could change one thing about the SMSF space, what would it be?

My main focus would be on the perception of auditors and if I could change anything it would be the way we've represented ourselves. The lack of understanding even in the SMSF industry of how important having good relationships with auditors is still disappoints me. At most national conferences there is still no audit stream and it really is a struggle to get any education for auditors that goes beyond how to audit a fund and here's the program so go away and tick and flick it. I can't really complain about the amount of legislative change and the upheaval it has caused because that's what makes us as auditors valuable and I think a lot of those changes have been positive for the industry. 📍