

FINANCIAL AUDIT REQUIREMENTS

You must conduct your financial audit in accordance with the Australian Auditing Standards (ASAs)[External Link](#) issued by the Auditing and Assurance Standards Board (AUASB).

The relevant auditing standards are outlined under GS 009: Auditing Self-Managed Superannuation Funds (PDF 1.39MB)[This link will download a file in the AUASB Guidance StatementsExternal Link.](#)

When undertaking the financial audit you should:

- prepare and document the audit plan in writing, which details the approach to be undertaken
- identify the nature, timing and extent of audit procedures used to address the risk that financial statements are materially misstated
- gather appropriate evidence to support assertions for material account balances and transactions in signed financial statements. This includes evidence that assets are valued at market value and any non-arm's length income has been identified

conduct testing of the assertions made in the signed financial reports about the:

- existence of assets, entitlements and liabilities
- occurrence of transactions
- completeness of transactions, events and assets being recorded
- ownership, rights and obligations the SMSF has for assets, entitlements and liabilities
- accuracy and valuation of data amounts recorded
- classification of relevant events to correct accounts

review the fund's tax calculation and allocation of any tax expense or benefit to the member's accounts. This includes checking whether the fund has:

- correctly classified income (for example, correctly report income as ordinary, statutory, exempt current pension income or arm's length/non-arm's length income)
- incurred any deductions claimed
- any imputation credits, carried forward losses and other offsets attributable to the fund
- correctly classified the tax status of contributions

complied with regulatory laws that may otherwise impact their ability to claim concessional taxation treatment

document your conclusions, opinions and judgments based on the evidence obtained. There should be sufficient audit working papers to allow another auditor who has had no previous involvement with the audit to understand the work performed and the opinion reached

form an opinion about the fair presentation of the financial report based on evidence gathered and checks performed. Your opinion should be reported in the approved Self-managed superannuation fund independent auditor's report (NAT 11466) form for the relevant reporting period.

Last modified: 04 Mar 2019QC 45564

COMPLIANCE AUDIT MINIMUM REQUIREMENTS

s 17A	Does the fund meet the definition of a SMSF in accordance with the requirements of s 17A of the SISA?
	<p>The auditor should obtain evidence that the fund meets the definition of an SMSF by checking:</p> <ul style="list-style-type: none"> • the trust deed • current number and names of members • type of trustee • relationships between members (eg relatives or not employees) • names of individual trustees or directors of corporate trustee • details of legal personal representatives where relevant.
s 35AE	Have the trustees kept and maintained accounting records for a minimum of five years?
	<p>The auditor should obtain evidence that accounting records are in writing in English by:</p> <ul style="list-style-type: none"> • sighting the written accounting records relevant to the year under audit • seeking written confirmation from trustees that these accounting records are kept on file for at least five years (in trustee representation letter).
s 35B	Have the trustees prepared and signed the fund's financial statements?
	<p>The auditor should obtain evidence that accounting statements are prepared, signed by at least two of the individual trustees or two directors of the corporate trustee (unless a single member & director fund) and kept for at least five years by:</p> <ul style="list-style-type: none"> • sighting the accounting statements • seeking written confirmation from trustees that accounting statements are kept on file for at least five years (in trustee representation letter).
s 35C(2)	Have the trustees provided the auditor with necessary documents to complete the audit within 14 days
	<p>The auditor should document any requests made for information and the amount of time before they receive a response, if a response is received at all. When requesting documents, the auditor should remind trustees of the importance of providing documents in the required timeframe, because failure to do so is a reportable contravention.</p>
s 52(2)(d), 4.09A	Are the assets of the SMSF separate from any assets held by the trustee personally or by the employer sponsor?
	<p>The auditor should obtain evidence that the fund's money and assets are held separately by:</p> <ul style="list-style-type: none"> • sighting asset ownership documents, including bank statements, to verify SMSF assets are held in the name of trustees on behalf of the fund (eg R & J Smith as trustees for the Smith SMSF or R Smith Pty Ltd as trustee for Smith SMSF) and not in the name of the trustees alone • where State law prevents ownership in the SMSF's name, checking for alternative documentation that protects the fund's assets (eg declaration of trust) • reviewing transactions on bank statements to ensure fund money is not mixed with money belonging to related parties of the SMSF.
s 62	Has the fund been maintained for the sole purpose of providing benefits to any or all members upon their retirement, upon reaching a prescribed age, or the dependents of a fund member in the case of the member's death before retirement?
	<p>The auditor should:</p> <ul style="list-style-type: none"> • check that the trust deed established the fund solely for the provision of retirement benefits for fund members and their dependants in the case of the member's death before retirement • consider transactions to ensure they have been entered into with the sole purpose of providing benefits to members in retirement and not to provide a current day benefit before a condition of release has been met. • indicators that a fund might not be meeting the sole purpose test could include investments acquired or contracts entered into that appear to provide minimal returns for the fund, or investments where members are able to presently use or benefit from an asset or receive some additional personal benefit from the investment (for example the fund invests in a sports club that provides members with free use of facilities). Another indicator would be if the fund is running an active business.
s 65	Did the trustees loan monies or provide financial assistance to any member or relative of a member at

	<p>The auditor should obtain evidence that the fund has not lent money or provided financial assistance to members and relatives by:</p> <ul style="list-style-type: none"> • examining bank statements for any transfers of money to members or relatives and seeking explanation from trustees for any unusual transactions • checking details of all loans by the fund (including parties to the loan, loan term, interest, repayments) • checking any transactions with related parties for financial assistance to members or relatives • reviewing asset ownership to ensure that a charge or other form of security has not been taken over any of the SMSF's assets to secure a member's or relative's borrowing. If the auditor has reason to suspect this may be happening, they should consider further checks, such as: <ul style="list-style-type: none"> o property title search to check for encumbrances on real property o the Personal Property Securities Register for other parties registering interests against other SMSF assets.
s 66	Did the trustees acquire any assets not listed as an exception under section 66 from any member or
	The auditor should check whether the fund has acquired any assets from related parties by identifying the parties involved in fund acquisitions. Obtain evidence of the parties to acquisitions including sighting minutes of meetings regarding the purchase, invoices or contracts of sale.
<i>s 109</i>	(Sole purpose) If there is a related party acquisition , the auditor should check whether it is: <ul style="list-style-type: none"> • an excepted acquisition • acquired at market value
s 67	Did the trustees of the fund borrow any money or maintain an existing borrowing, other than as allowed by the specific borrowing exceptions under the legislation?
	The auditor should check whether the fund has any borrowings by examining financial statements, documents and bank statements, checking for overdrafts, loans or unusual transactions.
s 67A & 67B	Did the fund comply with the limited recourse borrowing arrangement rules when borrowing to purchase single acquirable asset or replacement assets?
	<p>If there is a borrowing, the auditor should:</p> <ul style="list-style-type: none"> • seek explanation from the trustees • check the reason for the borrowing • determine whether it is allowed under the borrowing rules • examine the trust deed to determine if the fund is permitted to borrow. <p>If the fund appears to have a limited recourse borrowing arrangement under section 67A the auditor should check:</p> <ul style="list-style-type: none"> • that the trust deed and the investment strategy allow for limited recourse borrowing arrangements • the loan documents to ensure there is limited recourse available to the lender • the deed of the bare trust • that the asset is a type that can be acquired by the fund. <p>If there is a replacement asset the auditor should check that it is allowed to be treated as an acquirable asset under section 67B.</p>
s 82 to s 85	(In-house assets)
s 82	Did the total of in-house assets exceed 5% of the market value of the fund's total assets at year end?

	<p>The auditor should first determine if there are related party investments by:</p> <ul style="list-style-type: none"> • sighting financial statements, bank statements and any other relevant supporting documents such as share and unit certificates, loan and lease documents • checking related entity financials etc, the proportion of shares/units held in the related entity and whether SMSF trustees or related parties hold a controlling interest or can significantly influence decisions of the entity (for example majority shareholding, directors or voting interest). <p>If there are related party investments, the auditor should check if:</p> <ul style="list-style-type: none"> • any related party investments or assets meet the definition of in-house assets (loans to, investments in and leases to related parties) • any in-house asset exceptions apply. <p>If there are in-house assets, the auditor should calculate the market value ratio of the in-house assets. If the ratio exceeds 5% the auditor should sight the written plan the trustees have to dispose of the in-house assets to reduce the ratio to less than 5%.</p>
s 83	Did the trustees acquire an in-house asset that caused the total of in-house assets at the time of acquisition to exceed the 5% in-house asset ratio limit?
	<p>The auditor should check whether the fund made any acquisitions during the year. If there were acquisitions the auditor should obtain evidence of the identity of the parties that the fund acquired assets from to determine if any of the assets acquired were in-house assets by:</p> <ul style="list-style-type: none"> • sighting financial statements, bank statements and any other relevant supporting documents such as share and unit certificates, loan documents or lease documents to check for related party investments • checking the proportion of shares/units held in the related entity and whether SMSF trustees or related parties hold a controlling interest or can significantly influence decisions of the entity (eg majority shareholding, directors or voting interest). <p>If there were acquisitions of in-house assets, the auditor should obtain evidence to determine whether the acquisition of the asset occurred at a time when the market value ratio of in-house assets was in excess of 5% or whether the acquisition caused the market ratio of the in-house assets to exceed 5%.</p>
s 84	Reasonable Steps to comply with in-house asset rules
	<p>Where a fund has in-house assets, the auditor should obtain evidence that the trustees have taken all reasonable steps to comply with in-house asset rules by checking that the trustees:</p> <ul style="list-style-type: none"> • ensured market value of in-house assets did not exceed 5% of total fund assets • did not intentionally acquire in-house assets which caused the in-house percentage to be exceeded • made a written plan to dispose of excess in-house assets where the market value ratio of in-house assets exceeded 5%. <p>The auditor should consider checking that trustees have documented their plans with regard to in-house transactions by sighting:</p> <ul style="list-style-type: none"> • relevant minutes of trustee meetings
s 85	Schemes designed to circumvent in-house asset rules
	<p>When examining fund transactions, the auditor should check for schemes designed to circumvent in-house asset rules by:</p> <ul style="list-style-type: none"> • sighting bank statements and relevant supporting documents for transactions • considering the relationship between the fund and the parties to the transactions • checking that trustees have not entered into transactions through third parties that were designed to ultimately benefit a related party of the fund. <p>The auditor should also check that the trustees have:</p> <ul style="list-style-type: none"> • not artificially reduced the fund's in-house asset ratio by undervaluing in-house assets and over-valuing other fund assets.
s 103	Did the trustees keep minutes of all meetings?
	<p>The auditor should obtain evidence that minutes and decisions are documented and kept on file as required by:</p> <ul style="list-style-type: none"> • sighting meeting minutes and records of decisions relevant to the year under audit • seeking written confirmation from trustees that these minutes and records are kept on file for at least 10 years (in trustee representation letter).
s 104	Have the trustees provided representation that all records relating to appointment of trustees/directors have been maintained for at least 10 years?

	<p>The auditor should obtain evidence that records of all trustee or director of corporate trustee changes and trustee consents have been retained by:</p> <ul style="list-style-type: none"> • sighting records of trustee changes and consents relevant to the year under audit • seeking written confirmation from trustees that these records are kept on file for at least 10 years (in trustee representation letter).
s 104A	Have all trustees who became a trustee after 1 July 2007 signed and maintained a trustee declaration?
	<p>The auditor should obtain evidence that that all trustee declarations have been retained as required by:</p> <ul style="list-style-type: none"> • sighting a signed trustee declaration for each individual SMSF trustee or each director of the corporate trustee relevant to the year under audit • seeking written confirmation from trustees that the trustee declarations are kept on file for at least 10 years (in trustee representation letter). <p>Signing the trustee declaration applies to new trustees and directors from 30 June 2007 and trustees who have undertaken an education course in compliance with an education direction.</p>
s 105	Have the trustees provided representation that copies of beneficiary reports have been kept and retained.
	<p>The auditor should obtain evidence that the fund has retained all member or beneficiary reports as required by:</p> <ul style="list-style-type: none"> • sighting any member or beneficiary reports relevant to the year under audit • seeking written confirmation from trustees that the reports are kept on file for at least 10 years (in trustee representation letter).
s 109	Were all investment transactions made and maintained at arm's length, or if not, on terms no more
	<p>The auditor should obtain evidence that the fund's transactions are conducted at arm's length (particularly where there are dealings with a related party of the fund) by examining:</p> <ul style="list-style-type: none"> • financial statements and source documents • bank statements • supporting documents of transactions, such as leases, loan documents or purchase contracts to check for commercial terms and a market rate of return.
s 126K	Have the trustees provided a declaration or statement that there is no reason that would prohibit them
	<p>The auditor should obtain evidence that no trustee or director of a corporate trustee is a disqualified person by:</p> <ul style="list-style-type: none"> • seeking written confirmation from trustees that they are not disqualified persons (in trustee representation letter). <p>The auditor may consider further checks in some cases, for example, if the trustees refuse to provide written confirmation or there is reason to suspect they may be disqualified.</p> <p>Additional checks the auditor may consider include:</p> <ul style="list-style-type: none"> • company information with ASIC • insolvency or bankruptcy check with the Australia Financial Security Authority.
r 1.06(9A)	Were pension payments made at least annually, with the minimum amounts paid in accordance with Schedule 1.
	<p>The auditor should obtain evidence that the fund has rules for pension payments as set out in 1.06(9A) and that the fund complies with the rules (ie payments made at least annually and minimum required payment has actually been paid to the member during the year) by examining:</p> <ul style="list-style-type: none"> • the trust deed • bank statements for payments • actuarial certificates, where relevant • member records evidencing pension payments.
r 4.09	Does the fund have a complying investment strategy?

	<p>The auditor should obtain evidence that the trustees have a regularly reviewed investment strategy that considers risk, return, diversity, liquidity and insurance needs of their members by sighting:</p> <ul style="list-style-type: none"> • the investment strategy or if the fund does not have a documented investment strategy seeking written confirmation from trustees (in trustee representation letter) that they have an investment strategy • the reviewed or updated investment strategy or sighting minutes of meetings where the investment strategy has been reviewed. <p>Check that trustees have invested in accordance with the investment strategy. Encourage trustees to document their investment strategy and its review.</p>
r 5.03	Have investment returns been allocated to members in a manner that is fair and reasonable?
	<p>The auditor should obtain evidence that the investment return from reserves is allocated to each member's account in a fair and reasonable way by:</p> <ul style="list-style-type: none"> • checking details of the reserve account • sighting the member records and accounts.
r 5.08	Were minimum benefits maintained appropriately?
	<p>The auditor should obtain evidence that minimum benefits have been maintained appropriately by:</p> <ul style="list-style-type: none"> • sighting bank statements for payments • sighting member accounts and records that evidence pension payments • checking whether members receiving payments have met a condition of release
r 6.17	Where benefits were paid during the year, were the payments in accordance with Part 6 of the SISR and
	<p>The auditor should obtain evidence that any payments were cashed, rolled over or allotted in accordance with the SISA rules. If there are members receiving payments, the auditor should obtain evidence that the payments were only paid to members who were eligible to receive those payments under the super law and the trust deed (based on age, cessation of employment, death, terminal medical condition, temporary or permanent incapacity, compassionate grounds, hardship, or transition-to-retirement).</p>
r 7.04	Were all contributions made in accordance with the conditions set down within Part 7 of the SISR?
	<p>The auditor should test that trustees were able to accept contributions by checking:</p> <ul style="list-style-type: none"> • members' ages and employment status • the type and source of contributions • timing and amount of contributions • that the member's TFN was quoted to the trustee within 30 days of receiving the contribution • that no single contribution exceeded the fund-capped contribution limit for a member during the year. <p>If a contribution was accepted that was inconsistent with the requirements of Reg 7.04, the auditor should check that the contribution or the excess amount above the cap was refunded within 30 days of the trustees becoming aware of it.</p>
r 8.02B	Have the fund's assets been valued at market value?
	<p>The auditor should determine how the trustees have valued assets and obtain evidence that assets are valued at market value in the fund's accounts and statements by:</p> <ul style="list-style-type: none"> • checking the notes to the accounts or asking trustees to confirm in a trustee representation letter when and how (what method of valuation) they valued assets • sighting any supporting documentation verifying market value of an asset
r 13.12	Did the trustees recognise, or in any way encourage or sanction, an assignment of a super interest of a member or beneficiary?
	<p>The auditor should obtain evidence that trustees have not recognised, encouraged or sanctioned an assignment of a member's super interest by seeking written confirmation from trustees that they have not (in trustee representation letter).</p> <p>If the auditor has reason to suspect this may be happening, they should consider further checks, such as:</p> <ul style="list-style-type: none"> • property title search to check for encumbrances on real property • the Personal Property Securities Register for other parties registering interests against other SMSF assets.

r 13.13	Did the trustees recognise, or in any way encourage or sanction, a charge over or in relation to a member's benefits?
	<p>The auditor should obtain evidence that trustees have not recognised, a charge over or in relation to a member's benefit by seeking written confirmation from trustees that they have not (in trustee representation letter).</p> <p>If the auditor has reason to suspect this may be happening, they should consider further checks, such as:</p> <ul style="list-style-type: none"> • property title search to check for encumbrances on real property • the Personal Property Securities Register for other parties registering interests against other SMSF assets.
r 13.14	Did the trustees give a charge over, or in relation to, an asset of the fund?
	<p>The auditor should obtain evidence that trustees have not given a charge over or in relation to a fund asset by seeking written confirmation from trustees that they have not (in trustee representation letter).</p> <p>If the auditor has reason to suspect this may be happening, they should consider further checks, such as:</p> <ul style="list-style-type: none"> • property title search to check for encumbrances on real property • the Personal Property Securities Register for other parties registering interests against other SMSF assets.
r 13.18A	If applicable, have the rules for for collectables and personal use assets been met?
	<p>The auditor should obtain evidence that the collectables and personal use assets rules have been met by sighting:</p> <ul style="list-style-type: none"> • insurance documents to check that assets were insured within seven days of acquisition • written records of the decision for storage of collectable and personal use assets. <p>If the collectable or personal use asset is leased, the auditor should obtain evidence that the rules have been met by:</p> <ul style="list-style-type: none"> • sighting lease agreements for terms and conditions to determine if lessees are related parties of the SMSF. <p>If the collectable or personal use asset is sold, the auditor should obtain evidence that the rules have been met by:</p> <ul style="list-style-type: none"> • sighting a valuation by an independent qualified valuer • checking whether the asset was transferred at market value as determined by the valuer.

Last modified: 04 Mar 2019QC 45566

