

**Australian Securities and Investments Commission**  
**Superannuation Industry (Supervision) Act 1993 — Section 128Q — Determination**

1. The Australian Securities and Investments Commission makes this instrument under subsection 128Q(1) of the *Superannuation Industry (Supervision) Act 1993*.
2. All approved SMSF auditors must comply with the following competency standards.

Dated this 12<sup>th</sup> day of December 2012

Signed by Stephen Yen PSM  
as a delegate of the Australian Securities and Investments Commission



ASIC

Australian Securities & Investments Commission

## Competency standards for approved SMSF auditors

### Introduction

#### Title

1. This instrument is ASIC Class Order [CO 12/1687].

#### Commencement

2. This instrument commences on 1 July 2013.

#### Guide to this instrument

3. These are the competency standards that an approved SMSF auditor must comply with under subparagraph 128F(c)(i) of the *Superannuation Industry (Supervision) Act 1993* (the *SIS Act*). They specify the competencies that such an auditor is required to have in all of the following areas:
  - (a) client acceptance and retention;
  - (b) engagement planning;
  - (c) controls, evaluation and testing;
  - (d) substantive testing;
  - (e) forming an opinion;
  - (f) documentation.

### Understanding of legislative and other requirements

4. An approved SMSF auditor must understand all of the following:
  - (a) the *SIS Act* and the *Superannuation Industry (Supervision) Regulations 1994* (*SIS Regulations*) as they apply to a self managed superannuation fund (*SMSF*) and to an approved SMSF auditor;

- (b) any auditing standards (*ASAs*) made by the Auditing and Assurance Standards Board (*AUASB*) under section 336 of the *Corporations Act 2001 (Corporations Act)* and related guidance issued by the AUASB, that are applicable to the duties of an approved SMSF auditor under the SIS Act;
- (c) any auditing and assurance standards (*ASAEs*), formulated by the AUASB under section 227B of the *Australian Securities and Investments Commission Act 2001 (ASIC Act)* and related guidance issued by the AUASB, that are applicable to the duties of an approved SMSF auditor under the SIS Act;
- (d) *APES 110 Code of Ethics for Professional Accountants (APES 110)* issued by the Accounting Professional & Ethical Standards Board Limited in December 2010 as it applies to audit and assurance engagements in relation to SMSFs;
- (e) any accounting standards made by the Australian Accounting Standards Board (*AASB*) under section 334 of the *Corporations Act* or formulated under section 227 of the *ASIC Act*, that are applicable to financial reporting in relation to a SMSF.

Note 1: An understanding of the accounting standards includes an understanding of the valuation of assets, tax effect accounting and disclosure of financial information.

Note 2: An understanding of the SIS Act and SIS Regulations as it applies to SMSFs includes an understanding of the provisions relating to all of the following:

- (a) contributions;
- (b) benefits;
- (c) investments; including:
  - (i) in-house assets;
  - (ii) loans;
  - (iii) borrowings;
  - (iv) investment restrictions;
- (d) record keeping;
- (e) sole purpose of an SMSF;
- (f) trustees;
  - (i) structure;
  - (ii) residency;
- (g) reporting.

## Task specific knowledge requirements

5. An approved SMSF auditor must understand the matters referred to in paragraphs 17, 28, 29, 36, 45 and 52 in relation to each task in respect of which they are specified.

Note 1: An auditor will generally need to perform the tasks when deciding to undertake or undertaking an audit and assurance engagement in relation to a SMSF. Whether an auditor needs to perform any particular task in connection with an engagement or proposed engagement is a matter that the auditor will need to determine having regard to the circumstances.

Note 2: The tasks are not intended to be a substitute for an audit or assurance program required by the relevant the auditing and assurance standards, nor for the need to understand and apply the relevant requirements of the ASAs, ASAEs, APES 110 and the SIS Act and SIS Regulations.

## A. Client acceptance and retention

### Tasks

#### A.1 Planning

6. Identify the criteria for the client acceptance/retention decision on a potential/existing SMSF audit and assurance engagement (the *engagement*).

#### A.2 Evidence gathering

7. Gather evidence related to the client acceptance/retention decision.
8. Gather information about the fund to ensure that the approved SMSF auditor is able to make an objective assessment regarding auditor independence, and also assess whether the approved SMSF auditor has the knowledge and skill required to undertake the engagement adequately.
9. This information will include both of the following:
  - (a) details of fund trustees – used to assess auditor independence matters;
  - (b) details of fund investments – used to determine whether there are complex issues related to the types of investments and compliance (*SIS Act compliance*) with the SIS Act (including compliance with the Regulations as required by that Act) in relation to which the approved SMSF auditor may not have the skills and experience required for the engagement.

#### A.3 Evidence evaluation

10. Evaluate the evidence related to the client acceptance and, or, retention decision.
11. Evaluate the information and document any difficulties which may be encountered in the engagement and their potential resolution.
12. This information will include both of the following:
  - (a) any identified independence issues and how they may be mitigated;
  - (b) the steps the approved SMSF auditor has taken to ensure they have the skills required to address complex issues which may exist.

#### A.4 Decision making

13. Decide whether to accept or reject a particular engagement.
14. Make an objective decision regarding the appropriateness of accepting an appointment giving appropriate regard to any independence matters, potential risks, and the approved SMSF auditor's skills and knowledge.
15. Implement appropriate safeguards that will mitigate identified independence threats to an acceptable level.

16. Decline the engagement where the approved SMSF auditor is unable to satisfy the independence requirements, including where appropriate safeguards are not able to be implemented.

Note: Approved SMSF auditors are required to be independent of their clients both in appearance and in fact. The concept of professional independence is fundamental to compliance with the principles of integrity and objectivity, which are consistent with objective and impartial judgement. Approved SMSF auditors need also to be mindful of independence issues arising during the conduct of the engagement. If the latter arises care needs to be taken to either implement appropriate safeguards, or ultimately resign from the engagement if no safeguards are appropriate. Approved SMSF auditors need to be particularly aware of the advocacy threat created where he or she has provided advice in connection with a transaction, and decline the engagement where independence is impaired, or perceived to be impaired.

### **Related knowledge requirements**

17. Approved SMSF auditors must understand all of the following in relation to the tasks specified in paragraphs 6 to 16:
- (a) ethical requirements (especially independence);
  - (b) financial audit and compliance assurance engagement requirements;
  - (c) the terms of the engagement;
  - (d) SIS Act compliance.

## **B. Planning**

### **Tasks**

#### B.1 Planning

18. Identify the engagement objectives and any risks to be addressed during the engagement.
19. The engagement plan should, at a minimum address the risks, and the nature and extent of the planned audit work, in relation to the fund's financial statements and the trustee's compliance with the provisions of the SIS Act and Regulations identified in the report required under section 35C of the SIS Act.
20. The plan must be tailored to suit the engagement being undertaken.

#### B.2 Evidence gathering

21. Gather evidence relevant to the development of the engagement plan.
22. This evidence includes the trust deed, the fund's investment strategy, financial statements and minutes and other relevant supporting documents.

B.3 Evidence evaluation

23. The gathered documents must be reviewed to identify any potential high risk engagement areas and the detailed documentation which will be required in connection with the performance of the engagement.

B.4 Decision making

24. Determine an appropriate materiality level.
25. Decide on the preferred engagement approach, based on the knowledge gained and the risks identified.
26. Decide on the preferred engagement approach to be undertaken in respect of SIS Act compliance.
27. Document the engagement plan.

**Related knowledge requirements**

28. Approved SMSF auditors must understand the requirements of auditing and assurance standards addressing engagement planning in relation to the tasks specified in paragraphs 18 to 27, including all of the following:
  - (a) understanding the entity and its environment and assessing the risks of material misstatement;
  - (b) consideration of fraud in an audit of financial statements;
  - (c) materiality;
  - (d) procedures in response to assessed risks.
29. Approved SMSF auditors must understand the requirements of the SIS Act (including the Regulations) in relation to the tasks specified in paragraphs 18 to 27.

**C. Controls evaluation and testing****Tasks**C.1 Planning

30. Understand internal control procedures in sufficient detail to be able to determine whether it may be appropriate to plan to rely on internal controls.
31. Identify and document procedures in place to safeguard the assets of the fund.

C.2 Evidence gathering

32. Gather evidence relevant to determining the effectiveness of operation of any control procedures on which reliance is planned.

33. This evidence includes the trust deed, financial statements and minutes and other relevant supporting documents.

C.3 Evidence evaluation

34. Evaluate the evidence gathered.

C.4 Decision making

35. Decide whether planned reliance on internal control procedures is appropriate.

**Related knowledge requirements**

36. Approved SMSF auditors must understand all of the following in relation to the tasks specified in paragraphs 30 to 35:
- (a) the requirements of ASAs regarding an understanding of the controls environment;
  - (b) the requirements of SIS Act (including the Regulations) in relation to controls;
  - (c) the importance of controls, particularly over banking and investment transactions.

**D. Substantive testing**

**Tasks**

D.1 Planning

37. Identify the nature, timing and extent of audit procedures necessary to gather evidence in support of the financial statement assertions for material account balances and classes of transactions.
38. Identify the nature, timing and extent of audit procedures necessary to gather evidence in support of the fund's compliance with the relevant sections of the SIS Act.

D.2 Evidence gathering

39. Financial statement – gather evidence to support of the financial statement assertions for material account balances and classes of transactions
40. SIS Act compliance – gather evidence to test the fund's SIS Act compliance.

D.3 Evidence evaluation

41. Document the results of the testing and conclude on the findings.

42. Conclusions must be supported by appropriate audit documentation.

#### D.4 Decision making

43. Consider whether sufficient appropriate audit evidence has been gathered in order to support the opinion.
44. Determine the further evidence required and the implications for the engagement plan.

### **Related knowledge requirements**

45. Approved SMSF auditors must understand all of the following in relation to the tasks specified in paragraphs 37 to 44:
  - (a) financial statement assertions;
  - (b) audit evidence;
  - (c) audit sampling;
  - (d) audit documentation;
  - (e) SIS Act compliance.

## **E. Forming an opinion**

### **Tasks**

#### E.1 Planning

46. Financial report – identify the nature, timing and extent of audit procedures necessary to forming an opinion on the financial report.
47. SIS Act compliance – identify the nature, timing and extent of audit procedures necessary to forming an opinion on the fund's SIS Act compliance.

#### E.2 Evidence gathering

48. Prepare a summary of the engagement findings relating to the financial report, as well as engagement findings relating to compliance matters.

#### E.3 Evidence evaluation

49. Form an opinion on the financial report, as well as on SIS Act compliance, using the information gathered during the engagement.

E.4 Decision making

50. Determine the appropriate form of auditor's report on the financial report.
51. Determine the appropriate form of auditor's report on compliance matters, and if any matters require reporting to the trustees or notification to the Australian Taxation Office.

**Related knowledge requirements**

52. Approved SMSF auditors must understand the requirements of SIS Act (including the Regulations) and the mandatory reporting obligations and voluntary reporting in relation to the tasks specified in paragraphs 46 to 51.

**F. Documentation**

**Tasks**

F.1 Engagement working papers

53. Create and retain engagement working papers sufficient to enable an experienced SMSF auditor who has had no previous involvement with the engagement to gain an understanding of the work performed and the opinion reached.
54. Auditors must document and be able to demonstrate the procedures adopted in order to be able to form an opinion on the financial report and on compliance matters. This includes that documentation of the nature, timing and extent of procedures performed identifying characteristics of the items or matters tested and who prepared and reviewed the audit work.

**Related knowledge requirements**

55. Approved SMSF auditors must understand the audit and assurance engagement documentation requirements of the relevant ASAs and ASAEs in relation to the tasks specified in paragraphs 53 to 54.

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