

Self-managed superannuation fund independent auditor's report

! This approved form is effective for reporting periods starting on or after **1 July 2013**. You may use this report for audits completed for earlier periods – however, you must take care to comply with the auditing standards and legislation that applied to that earlier period.

! This report will only be reissued when changes are made.

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Australian Government
Australian Taxation Office

OUR COMMITMENT TO YOU

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information in this publication and it turns out to be incorrect or misleading, and you fail to comply with the law as a result, we must still apply the law correctly. However, we will take the fact that you followed our information into account when deciding what action, if any, we should take.

If you make an honest mistake in trying to follow our guidance in this publication and you fail to comply with the law as a result, we will take the reason for the mistake

into account in deciding what action to take.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at ato.gov.au or contact us.

This publication was current at July **2014**.

WHO SHOULD COMPLETE THIS REPORT?

You should use this report if you:

- are an approved self-managed superannuation fund (SMSF) auditor
- have been appointed by a trustee of an SMSF to give a report on the operation of that fund for the income year.

An approved SMSF auditor is an auditor who is registered with the Australian Securities & Investments Commission (ASIC). ASIC issues each approved SMSF auditor with an SMSF auditor number (SAN). You must include your SAN when completing this report.

INDEPENDENCE

SMSF auditors must comply with prescribed independence requirements as set out in the Accounting Professional and Ethical Standards Board's pronouncement, APES 110 *Code of Ethics for Professional Accountants*.

Some threats to independence can only be eliminated or reduced to an acceptable level by declining or removing yourself from the audit engagement – this includes an engagement to audit the fund where you:

- are a trustee or director of a corporate trustee or a member of the fund
- are a relative or close associate of a trustee or director of a corporate trustee or a member of the fund
- personally have prepared the accounts and the statements for the fund being audited.

⚠ The audit report now includes a specific commitment that the auditor has complied with auditor independence requirements prescribed by the *Superannuation Industry (Supervision) Regulations 1994* (SISR).

Further guidance on auditor independence and adherence to APES 110 is available in the Joint Accounting Bodies¹ publication *Independence Guide* as well as in the AUASB's *Guidance Statement GS 009 Auditing Self Managed Superannuation Funds* on their website auasb.gov.au

Field Code Changed

PROFESSIONAL OBLIGATIONS

⚠ Professional obligations of approved SMSF auditors prescribed by the *Superannuation Industry (Supervision) Act 1993* (SISA) include:

- complying with competency standards for approved SMSF auditors issued by ASIC
- complying with applicable auditing and assurance standards issued by the Auditing and Assurance Standards Board (AUASB)
- continuing professional development requirements prescribed in the SISR
- the requirement to maintain adequate professional indemnity insurance prescribed in the SISR in respect of SMSF audits
- complying with the auditor independence requirements prescribed in the SISR
- where applicable, professional accounting associations' mandatory competency requirements for members who conduct SMSF audits, including the need for relevant members to hold a certificate of public practice.

➡ Further details about SMSF auditor registration and obligations are available on the ASIC website at asic.gov.au/smsf-auditor

¹ CPA Australia, the Institute of Chartered Accountants Australia and the Institute of Public Accountants.

WHAT IS AN SMSF INDEPENDENT AUDITOR'S REPORT?

You must give the SMSF trustees a report on the operation of the SMSF, in the approved form. This is called the *Self-managed superannuation fund independent auditor's report*. Go to page 6 of this publication for a copy of the report.

This report can only be used for SMSFs and former SMSFs.

An SMSF must have four or fewer members, all of whom are either trustees, or directors of the corporate trustee.

SMSFs that have ceased to meet the SMSF definition must do one of the following:

- restructure to meet the definition of an SMSF
- appoint a registrable superannuation entity licensee
- wind up the fund.

If there is a change in the APRA fund type or in the associates of the fund, a *Change of details for superannuation entities* (NAT 3036) form must be lodged with us.

HOW DO YOU COMPLETE THIS REPORT?

Approved SMSF auditor details

Provide your details as the approved SMSF auditor, including your:

- name
- business name
- business postal address
- SMSF auditor number (SAN), issued by ASIC

SMSF details

Provide details of the SMSF you are auditing, including:

- its name as it appears on the trust deed
- its Australian business number (ABN) or tax file number (TFN)
- its address
- the year of income you are auditing.

⚠ If you are auditing more than one SMSF, you must use a separate report for each SMSF.

If you are auditing more than one year, you must use a separate report for each year.

Part A: Financial report

Provide the title of statements you have audited. Include a summary of significant accounting policies and any other explanatory notes.

Provide the year of income you are auditing.

You can add any additional material or notes on the lines provided.

Provide details if, in your opinion:

- the financial position of the fund may be, or may be about to become, unsatisfactory
- the financial report does not fairly present the financial position of the fund
- the financial report has not been presented in accordance with
 - Australian accounting standards
 - relevant statutory requirements
 - other requirements.

If you are satisfied the fund has met these requirements, leave this section blank.

New auditing standards commenced operation for reporting periods beginning on and from 1 January 2010. Where your audit is for such a period, include the basis of accounting statement indicated in part A of the report; if it is not, delete this paragraph.

Clearly indicate the audit opinion that applies and provide the year of income.

! Part A of the audit report contains the statement that the audit has been conducted in accordance with Australian Auditing Standards. This refers to the auditing standards issued by the AUASB.

Part B: Compliance

No sections can be removed from the approved form, however, you can add additional sections and regulations in the available space, if needed. Make sure all the sections and regulations you have tested are listed.

Provide details if you conclude that a material contravention of any of the sections or regulations listed has occurred.

If you are satisfied that the fund has not contravened any sections or regulations listed, leave this section blank.

! Part B of the audit report contains the statement that the audit has been conducted in accordance with applicable Standards on Assurance Engagements. This refers to those standards issued by the AUASB.

Signature

Sign and date the report.

LOGGING YOUR REPORT

You must give the SMSF trustees a signed and dated copy of this report within 28 days after the trustee of the fund has provided to you all documents relevant to

the preparation of this report. You should retain a signed and dated copy for yourself.²

! Do not send us a copy of the report.

OTHER REPORTING RESPONSIBILITIES

You must report to us using the *Auditor/actuary contravention report* (NAT 11239) if you:

- think the financial position of the fund may be, or may be about to become, unsatisfactory
- conclude that a contravention of the SISA or SISR specified in the contravention report may have occurred, may be occurring or may occur, and the contravention meets the prescribed reporting criteria.

You may also report anything else you consider will assist us in performing our duties under the SISA and the SISR.

! Electronic lodgement options are also available for the contravention report. The electronic Superannuation Audit tool (eSAT) is a free, downloadable application that has been specifically designed to help approved SMSF auditors fulfil their obligations, carry out the annual compliance audit and lodge an *Auditor/actuary contravention report* where required.

➤ MORE INFORMATION

For more information about auditing SMSFs or lodging contravention reports, refer to:

² An electronic copy can be provided to the trustees, providing its source and bona fides can be verified.

- *Approved auditors of self-managed super funds – role and responsibilities*
- *Completing the Auditor/actuary contravention report* (NAT 11299)
- Electronic Superannuation Audit Tool (eSAT) at ato.gov.au/eSAT

To obtain a copy of our publications or for more information:

- visit ato.gov.au/onlineordering
- phone us on **13 10 20**
- write to us at **PO Box 9990 in the capital city of your state or territory**

If you do not speak English well and need help from us, phone the Translating and Interpreting Service (TIS) on **13 14 50**.

If you are deaf or have a hearing or speech impairment, phone us through the National Relay Service (NRS) on the numbers listed below, and ask for the ATO number you need:

- TTY users, phone **13 36 77**. For ATO 1800 free-call numbers, phone **1800 555 677**.
- Speak and Listen users, phone **1300 555 727**. For ATO 1800 free-call numbers, phone **1800 555 727**.
- Internet relay users, connect to the NRS at relayservice.com.au

Field Code Changed



Self-managed superannuation fund independent auditor's report

! **You must use this format.** *You don't have to use this form, but you must not vary the wording except where the change does not change the meaning – for example, you can change a singular word into plural. Guidance is included in this form in italics. These can be removed from the final report.*

Approved SMSF auditor details

Name _____

Business name _____

Business postal address _____

SMSF auditor number (SAN) _____

Self-managed superannuation fund details

Self-managed superannuation fund (SMSF) name _____

Australian business number (ABN) or tax file number (TFN) _____

Address _____

Year of income being audited _____

To the SMSF trustees

To the SMSF trustees of

[SMSF name]

Part A: Financial report

I have audited the special purpose financial report comprising

[Insert the title of statements audited, including reference to the summary of significant accounting policies and other explanatory notes.]

[For example: 'the statement of financial position as at 30 June __ (year), and the operating statement, statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes' of the (name of superannuation fund) for the year ended 30 June __ (year)]

SMSF trustee's responsibility for the financial report

Each SMSF trustee (or director of corporate trustee) is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the SMSF's governing rules, the *Superannuation Industry (Supervision) Act 1993* (SISA) and the *Superannuation Industry (Supervision) Regulations 1994* (SISR). Each trustee is also responsible for such internal controls as they determine are necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

Approved SMSF auditor's responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted an independent audit of the financial report in order to express an opinion on it to the trustee. I have complied with the auditor independence requirements prescribed by the SISR and the competency standards set by ASIC.

My audit has been conducted in accordance with Australian Auditing Standards³. These standards require that I comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

³ The Australian Auditing Standards issued by the Auditing and Assurance Standards Board.

[Additional material may be inserted here at the discretion of the auditor.]

[Basis for Qualified/Disclaimer of/Adverse approved SMSF auditor's opinion]

[This section should be modified if the financial report does not fairly present the financial position of the fund, or if in the opinion of the approved SMSF auditor the financial position of the fund may be, or may be about to become, unsatisfactory or there are other conditions that warrant a qualification.]

[Qualified/Disclaimer of/Adverse] approved SMSF auditor's opinion

In my opinion, [except for the effects on the financial statements of the matter/s referred to in the preceding paragraph] the financial report:

[Select one option]

a) presents fairly, in all material respects, in accordance with the accounting policies described in the notes to the financial statements, the financial position of the fund at 30 June _____ and the results of its operations for the year then ended
[year]

OR

b) presents fairly, in all material respects, in accordance with the accounting policies described in the notes to the financial statements, the net assets of the fund as at 30 June _____ and the changes in net assets for the year then ended
[year]

OR

c) presents fairly, in all material respects, in accordance with the accounting policies described in the notes to the financial statements (and the SMSF's governing rules), the operations of the fund for the year ended 30 June _____.
[year]

[The following 'Basis of accounting' section is required if the audit report is for a reporting period commencing on and from the 1st January 2010, otherwise delete it.]

Basis of accounting

Without modifying my opinion, I draw attention to note [X] of the financial report, which describes the basis of accounting. The financial report has been prepared to assist (*name of superannuation fund*) meet the requirements of the SMSF's governing rules, the *Superannuation Industry (Supervision) Act 1993 (SISA)* and the *Superannuation Industry (Supervision) Regulations 1994 (SISR)*. As a result, the financial report may not be suitable for other purposes.

Part B: Compliance report

SMSF trustee's responsibility for compliance

Each SMSF trustee is responsible for complying with the requirements of the SISA and the SISR.

Approved SMSF auditor's responsibility

My responsibility is to express a conclusion on the trustee's compliance, based on the compliance engagement.

I have complied with the auditor independence requirements prescribed by the SISR and the competency standards set by ASIC.

My audit has been conducted in accordance with applicable Standards on Assurance Engagements, to provide reasonable assurance that the trustee of the fund has complied, in all material respects, with the relevant requirements of the following provisions (to the extent applicable) of the SISA and the SISR.

Sections: 17A, 35AE, 35B, 35C(2), 52B(2)(d)-52B(2)(e) 62, 65, 66, 67,67A, 67B, 69-71E, 73-75, 80-85, 103, 104A, 109, 126K

Regulations: 1.06(9A), 4.09, 4.09A, 5.03, 5.08, 6.17, 7.04, 8.02B, 13.12, 13.13, 13.14, 13.18AA

[Additional sections and regulations may be inserted here at the discretion of the auditor.]

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the SISA and the SISR for the year ended 30 June_____ [year].

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the SISA and the SISR apart from those specified. My procedures with respect to section 62 included testing that the fund trust deed establishes the fund solely for the provision of retirement benefits for fund members or their dependants in the case of the member's death before retirement; a review of investments to ensure the fund is not providing financial assistance to members, unless allowed under the legislation; and testing that no preserved benefits have been paid before a condition of release has been met.

My procedures with respect to regulation 4.09 included testing that the fund trustee has an investment strategy, that the trustee has given consideration to risk, return, liquidity, diversification, the insurance needs of fund members, and that the fund's investments are made in line with that investment strategy. No opinion is made on the investment strategy or its appropriateness to the fund members.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit conclusion.

[Basis for Qualified/Disclaimer of/Adverse] approved SMSF auditor's conclusion]

[This section should be modified if, in the opinion of the auditor, a contravention of one of the provisions listed is material.]

[Qualified/Disclaimer of/Adverse] approved SMSF auditor's conclusion

In my opinion, [except for the matter/s referred to above] each trustee of (name of superannuation fund) has complied, in all material respects, with the requirements of the SISA and the SISR specified above, for the year ended 30 June ____.

[year]

Signature

Signature of approved SMSF auditor

Date

Appendix 1 – Explanation of listed sections and regulations in compliance report

This appendix is included to assist with the meaning of the legislation and regulations listed above

Section or Regulation	Explanation
S17A	The fund must meet the definition of an SMSF
S35AE	The trustees must keep and maintain accounting records for a minimum of five years
S35B	The trustees must prepare, sign and retain accounts and statements
S35C(2)	The trustees must provide the auditor with the necessary documents to complete the audit in a timely and professional manner; and within 14 days of a written request from the auditor
S52B(2)(e)	The trustee/director of a corporate trustee must not enter into a contract that would prevent/hinder them from exercising the powers of a trustee/corporate trustee
S62	The fund must be maintained for the sole purpose of providing benefits to any or all of the following: <ul style="list-style-type: none"> • fund members upon their retirement • fund members upon reaching a prescribed age • the dependants of a fund member in the case of the member's death before retirement
S65	The trustees must not loan monies or provide financial assistance to any member or relative at any time during the financial year
S66	The trustees must not acquire any assets (not listed as an exception) from any member or related party of the fund
S67	The trustees of the fund must not borrow any money or maintain an existing borrowing (not listed as an exception)
S67A & 67B	The fund must comply with the limited recourse borrowing arrangement rules when borrowing to purchase single acquirable asset or replacement assets (not listed as an exception to the borrowing rules)
S69-71E	The trustees must comply with the in-house asset rules (these relate to transactions of any kind with a related party of the fund)

S73-75	The trustees must comply with the rules relating to the valuation of in-house assets (arms-length market value)
S80-85	The trustees must comply with the in-house asset rules
S103	The trustees must keep minutes of all meetings and retain the minutes for a minimum of 10 years
S104A	Trustees who became a trustee on or after 1 July 2007 must sign and retain a trustee declaration
S109	All investment transactions must be made and maintained at arms-length – that is, purchase, sale price and income from an asset reflects a true market value/rate of return
S126K	A disqualified person cannot be a trustee, investment manager or custodian of a superannuation fund
Sub Reg 1.06 (9A)	Pension payments must be made at least annually, and must be at least the amount calculated under Schedule 7
Reg 4.09	Trustees must formulate, regularly review and give effect to an investment strategy for the fund
Reg 4.09A & S52B(2)(d)	The assets of the SMSF must be held separately from any assets held by the trustee personally or by a standard employer sponsor or an associate of the standard employer sponsor
Reg 5.03	Investment returns must be allocated to members in a manner that is fair and reasonable
Reg 5.08	Member minimum benefits must be maintained in the fund until transferred, rolled over, allotted (to the member's spouse) or cashed out in a permitted fashion
Reg 6.17	Payments of member benefits must be made in accordance with Part 6 or Part 7A of the regulations and be permitted by the trust deed
Reg 7.04	Contributions can only be accepted in accordance with the applicable rules for the year being audited
Reg 8.02B	When preparing accounts and statements required by subsection 35B(1) of SISA, an asset must be valued at its market value
Reg 13.12	Trustees must not recognise an assignment of a super interest of a member or beneficiary
Reg 13.13	Trustees must not recognise a charge over or in relation to a member's

	benefits
Reg 13.14	Trustees must not give a charge over, or in relation to, an asset of the fund
Reg 13.18AA	Investments in collectables and personal use assets must be maintained in accordance with prescribed rules