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SMSF auditor number (SAN) misuse

What SMSF auditors need to know about SAN misuse and how to report it.

Last updated 2 April 2025

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What is a SAN?


Approved self-managed super fund (SMSF) auditors who register with the Australian Securities & Investment Commission (ASIC) are provided with an SMSF auditor number (SAN). Each SAN is unique to the individual who applied to be an auditor.

A SAN is included in each SMSF annual return, to identify who audited the fund prior to SMSF annual return lodgment.


What is SAN misuse?

SAN misuse occurs when a SAN is included in the SMSF annual return but either:

- an audit has not been completed by the auditor with that SAN
- the SMSF annual return was lodged prior to the completion of an audit.

We may refer a tax agent to the [Tax Practitioners Board](#)  (TPB) if we find that they have purposefully:

- included an incorrect SAN in an SMSF annual return
- lodged an SMSF annual return prior to completion of an audit.

The TPB may take action for breach of the [Tax Agent Services Act 2009 \(TASA\) Code of Professional Conduct](#) . These actions can

include:

- a written caution
- an order
- suspension or termination of registration.

We may also take action against SMSF trustees who have deliberately misused a SAN.

Checking the client list

You can request a list of all SMSFs that reported your SAN.

You can use this list to compare it to your own record of completed audits. You should contact us as soon as possible if you:

- identify a fund on the client list that you didn't audit
- audited a fund but the date is incorrect
- audited a fund that doesn't appear on the client list.

To request a list or to report any SAN misuse, contact us via the **secure mail** function in Online services for business.

When an audit complete advice (ACA) has been lodged and it matches the details in the SMSF annual return, we don't need to ask auditors to confirm the same details in the client list. Therefore, the list will only contain funds where:

- we find discrepancies between auditor details in the SMSF annual return and an ACA
- no ACA has been lodged to confirm that an audit was completed.

Audit complete advice

We use the ACA to gain assurance that:

- an SMSF has been audited
- the correct SAN was reported on the SMSF annual return
- the audit was completed prior to lodgment.

We recommend auditors lodge an ACA immediately after completing an audit, unless a bulk ACA template is used.

Instructions for lodging an ACA (including using the bulk ACA template) can be found at [Approved SMSF auditors in Online services for business](#).

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SMSF auditor reporting requirements

SMSF auditor reporting requirements for both the ATO and the SMSF trustee.

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ATO reporting requirements

During a self-managed super fund (SMSF) audit, you need to advise us if you believe a [reportable contravention](#) of the *Superannuation Industry (Supervision) Act 1993* (SISA) or the *Superannuation Industry (Supervision) Regulations 1994* (SISR):

- has occurred
- is occurring, or
- may occur.

You do this by lodging an Auditor/actuary contravention report (ACR) within 28 days of completing the audit.

Reportable contraventions

You must report contraventions resulting from an event. An event is an action or inaction by the trustees that may lead, or has led, to one or

more contraventions.


Not all contraventions need to be reported. To work out the contraventions you must report, apply the reporting criteria provided in **Completing the Auditor/actuary contravention report**.

If you discover a matter that doesn't have to be reported but you believe the information will help us with our regulatory role, you can provide this information in the 'other regulatory information' section of the ACR.

Once we receive the ACR, we'll review the contravention and other information we hold to decide what further action we will take.

Lodging an ACR

You can lodge your ACRs electronically through **Online services for business**.

If you're unable to lodge online, for example if you are an actuary, you can order a paper form *Auditor/actuary contravention report* (NAT 11239) on the [ATO Publication Ordering Service](#) .

Cancelling an ACR

When you have made a genuine error on a lodged ACR, you can request a cancellation of the ACR. Genuine errors include:

- lodging under the wrong fund ABN
- providing incorrect information about the contravention.

If the matter has been reported correctly but you've received new information, you should lodge a revised ACR. For a step-by-step guide, see **How to complete the report**.

We can only accept a cancellation request from the approved SMSF auditor who lodged the ACR.

To request a cancellation of a lodged ACR, you'll need to provide the following information to us in writing:

- self-managed super fund's ABN
- date the ACR was lodged and year of audit
- reasons the ACR needs to be cancelled.

You can also use the secure mail messaging service in **Online services for business** to request a cancellation.

We'll respond within 28 days.

Failure to lodge an ACR

If you fail to lodge an ACR as required, we can impose a penalty of 50 penalty units on you.

We can also apply penalties if you haven't informed us and a trustee about a matter which must be reported, but you tell another auditor you have.

Reporting requirements to trustees

If you have been appointed as an SMSF auditor, you must give the trustees an [independent auditor's report \(IAR\)](#) on the fund's operations for the financial year.

You must tell the trustees in writing if you believe that a [contravention](#) of the SISA or the SISR:

- has occurred
- is occurring, or
- may occur.

You also need to advise trustees about whether the financial position of the fund is about to become unsatisfactory. You can do this by issuing a management letter to the trustee.



By notifying the trustees as soon as you identify a contravention, they can respond to the issue and, if possible, rectify, or have a plan in place to rectify, the issue before you finalise the audit.

Independent auditor's report

As an approved SMSF auditor, you are required to complete the audit and provide the audit report to the trustees within 28 days of receiving all relevant documentation.

If you request information relevant to the audit from the trustees, they must provide it to you within 14 days of your written request.

The independent auditor's report outlines:

- the SMSF trustees' responsibilities
- the auditor's responsibilities, consistent with the [Australian Auditing Standards](#)  and [Standards on Assurance Engagements](#) 
- your opinion on whether the financial report fairly represents the financial position of the fund and its operational results, in Part A: **Financial audit of an SMSF**
- your opinion on whether the trustees of the fund have complied with the listed provisions under the SISA and the SISR, in Part B: **Compliance audit of an SMSF.**

You must report using approved form **Self-managed superannuation fund independent auditor's report (IAR)** (NAT 11466-07.2019).

When is the financial position of the fund unsatisfactory?

If the SMSF is an **accumulation fund**, its financial position is unsatisfactory if, in the opinion of the auditor, either the:

- fund's assets are inadequate to cover the total of the benefit accounts of the fund members
- value of fund assets is inadequate to cover the value of the fund's liabilities in respect of benefits accrued to fund members.

If the SMSF is a defined benefit fund, the test is whether the value of fund assets is inadequate to cover the value of the fund's liabilities in respect of benefits vested in the fund members.


QC 45568

Financial audit of an SMSF

SMSF auditors must conduct a financial audit of an SMSF's financial reports and express an opinion in Part A of the IAR.

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How to conduct the financial audit of an SMSF

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

When conducting the financial audit of an SMSF, (Part A of the audit report), you should:

- prepare and document the audit plan in writing, detailing the approach taken
- 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, including evidence that
 - assets are valued at market value
 - any income derived or expenses incurred by the fund are on an arm's length basis
- 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, including checking whether the fund has
 - correctly classified income (for example, correctly reported income as ordinary, statutory, exempt current pension income, arm's length or 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 tax treatment
- document your conclusions, opinions and judgments based on the evidence obtained with audit working papers that 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 fund's financial report based on your evidence gathered and checks performed
 - report your opinion in the approved Self-managed super fund independent auditor's report (IAR) (NAT 1146).

QC 45564

Compliance audit of an SMSF

SMSF auditor requirements for conducting Part B:
Compliance audit and our minimum expectations of audit checks.

Last updated 28 May 2025

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Requirements for conducting the compliance audit


SISA: compliance audit checks

SISR: compliance audit checks

Requirements for conducting the compliance audit

As an approved self-managed super fund (SMSF) auditor, you must possess the required capabilities and competencies to conduct a compliance audit of an SMSF. This includes having full knowledge of the relevant legislation and its application to SMSFs.

You must conduct your compliance audit in accordance with the [Standards on Assurance Engagements \(ASAE\)](#)  produced by the Auditing and Assurance Standards Board.

The relevant ASAEs are outlined under [Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds \(PDF, 1.38 MB\)](#) .

Based on your audit, you must be assured the trustees of the fund have met the requirements set out in super laws. When doing the compliance audit, you must:

- consider materiality and risk
- obtain sufficient and appropriate evidence on which to base your conclusions
- test identified contraventions against the **Auditor/actuary contravention report (ACR) reporting criteria**
- document your conclusions, opinions and judgments in writing to keep as part of your audit working papers
- include sufficient audit working papers to enable another auditor who has had no previous involvement with the audit to understand the work performed and the opinion reached
- report your professional opinion in the approved **Self-managed superannuation fund independent auditor's report (IAR) form** (NAT 11466)
- notify the trustee in writing and report to us in the ACR if you form the opinion that a contravention of a matter specified in the ACR may:
 - have occurred
 - be occurring, or
 - occur in the future.

SISA: compliance audit checks

The following sections provide guidance on the audit checks and evidence that would be needed to support your audit opinion in relation to the super laws listed in:

- the *Self-managed superannuation fund independent auditor's report* (IAR)
- tables 1A and 1B of the **Auditor/actuary contravention report instructions**.

This guidance does not replace or limit any professional obligations or standards that you are required to meet.

You must consider the circumstances of your client when planning an SMSF audit. In some circumstances, you will need to collect additional evidence and perform additional tests.

Section 17A: definition of an SMSF

Check if the fund meets the definition of an SMSF by collecting evidence and checking the:

- trust deed
- current number and names of members
- type of trustee
- relationship between members (for example, no member of the fund is an employee of another member, unless they are relatives)
- names of individual trustees or directors of corporate trustees
- details of legal personal representatives where relevant.

Further details about the definition of an SMSF can be found in **SMSFR 2010/2 *Self Managed Superannuation Funds: the scope and operation of subparagraph 17A(3)(b)(ii) of the Superannuation Industry (Supervision) Act 1993***.

Section 35AE: accounting records

Check accounting records are:

- kept in Australia
- written in English or in a form that allows easy translation to English

- kept on file for at least 5 years (by sighting historical records or seeking written confirmation from the trustees).

Section 35B: accounts and statements

Check the accounts and statements (an operating statement and a statement of financial position) have been:

- signed by the required number of trustees or directors of the corporate trustee as indicated for each financial year below
 - 2020–21 and earlier financial years
 - corporate trustee with a single director – one director
 - corporate trustee with multiple directors – at least 2 of the directors
 - individual trustees – at least 2 of the trustees
 - 2021–22 and later financial years
 - corporate trustee with one or 2 directors – all of the directors
 - corporate trustee with 3 or more directors – at least half of the directors
 - individual trustees with 2 trustees – all the trustees
 - individual trustees with 3 or more trustees – at least half of the trustees
- kept for at least 5 years (by sighting historical records or seeking written confirmation from the trustees).

Section 35C(2): giving documents to auditors

Check the trustees have responded to your written requests for documents within 14 days and that you have kept a record of any:

- written requests to the trustees for documents relevant to the audit
- advice you sent to the trustees reminding them they must provide the requested documents within the required timeframe of 14 days and failure to do so is a reportable contravention.

Section 62: sole purpose test

Check the fund complied with the sole purpose test by confirming the:

- trust deed established the fund solely for the provision of benefits for fund members (upon their retirement or turning 65 years old) and their dependants (in the case of the member's death before retirement)
- fund's activities and transactions were entered into with the sole purpose of providing benefits to members in retirement (or their dependants upon their death) and not to provide a present-day benefit before a condition of release has been met.

Make and document enquiries about the purpose of activities that have a risk of having a purpose that breaches the sole purpose test, such as:

- investments acquired, transactions or contracts entered into that provide
 - minimal or no returns for the fund
 - a current or additional personal benefit to members
- an active business run by the SMSF.

Further details about the sole purpose test can be found in **SMSFR 2008/2** *Self Managed Superannuation Funds: the application of the sole purpose test in section 62 of the Superannuation Industry (Supervision) Act 1993 to the provision of benefits other than retirement, employment termination or death benefits.*

Section 65: loans or financial assistance to members

Check the fund has not lent money or provided financial assistance to members and relatives by:

- examining bank statements and seeking explanation from trustees for any unusual transactions, including transfers of money to members or relatives
- 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 the investment is owned by the fund and 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 personal borrowing

Further details about the prohibition of loans and financial assistance to members can be found in *SMSFR 2008/1 Self Managed Superannuation Funds: giving financial assistance using the resources of an SMSF to a member or relative of a member that is prohibited for the purposes of paragraph 65(1)(b) of the Superannuation Industry (Supervision) Act 1993*.

Section 66: acquisitions from related parties

Check whether the fund has acquired assets from related parties by:

- identifying the parties involved in fund acquisitions
- obtaining evidence of the parties to acquisitions, including sighting minutes of meetings regarding the purchase, invoices or contracts of sale.

If there is a related-party acquisition, check whether it is:

- an excepted acquisition
- acquired at market value.

Further details about the prohibition on acquisitions from related parties can be found in *SMSFR 2010/1 Self Managed Superannuation Funds: the application of subsection 66(1) of the Superannuation Industry (Supervision) Act 1993 to the acquisition of an asset by an SMSF from a related party*.

Section 67, 67A and 67B: borrowings

Check whether the fund has any borrowings by examining financial statements, documents and bank statements to check for overdrafts, loans or unusual contractual terms or transactions.

If there is a borrowing, obtain evidence (including loan documents) and perform testing to determine:

- the reason for the borrowing
- whether it is allowed under the borrowing exceptions
- whether the trust deed permits the fund to borrow.

If the fund has a limited recourse borrowing arrangement (LRBA) under section 67A, check the:

- asset is a type that can be acquired by the fund
- trust deed allows for LRBAs and the investment is in line with the fund's investment strategy
- loan documents ensure there is limited recourse available to the lender should the fund default on the borrowing
- deed of the holding trust (also known as the custody deed or the bare trust deed)
- express terms of any guarantee arrangements limit the rights of the guarantor to rights relating to the asset that is the subject of the arrangement.

If there is a replacement asset, check that it is allowed to be treated as an acquirable asset under section 67B.

Further details about borrowing restrictions for SMSFs can be found in:

- *SMSFR 2009/2 Self Managed Superannuation Funds: the meaning of 'borrow money' or 'maintain an existing borrowing of money' for the purposes of section 67 of the Superannuation Industry (Supervision) Act 1993*
- *SMSFR 2012/1 Self Managed Superannuation Funds: limited recourse borrowing arrangements – application of key concepts.*

Section 82, 83, 84 and 85: in-house assets

Check if the fund had at any time in the year, and the end of the previous year, related-party investments, loans or leases by sighting financial statements, bank statements and any other relevant supporting documents such as share and unit certificates, loan documents or lease documents.

If the SMSF invested in related parties, determine whether the investment meets the definition of an in-house asset, and whether any exceptions apply, by checking:

- the proportion of shares or units held in the related entity
- whether SMSF trustees or related parties hold a controlling interest or can sufficiently influence decisions of the entity (for example,

directors, significant share or unit holding, casting votes or control over the day-to-day operations of the entity)

- the related entity's financial statements, including whether it has borrowed, its dealings are at arm's length, and distributions are paid as they fall due.

Calculate the market value ratio of the in-house assets at the end of the income year, the end of the previous income year and whenever an in-house asset was acquired during the income year.

Further information about in-house assets can be found in:

- *SMSFR 2009/4 Self Managed Superannuation Funds: the meaning of 'asset', 'loan', 'investment in', 'lease' and 'lease arrangement' in the definition of an 'in-house asset' in the Superannuation Industry (Supervision) Act 1993*
- *SMSFR 2009/3 Self Managed Superannuation Funds: application of the Superannuation Industry (Supervision) Act 1993 to unpaid trust distributions payable to a Self Managed Superannuation Fund*
- *SMSFD 2008/1 Self Managed Superannuation Funds: how does the happening of an event in sub-regulation 13.22D(1) of the Superannuation Industry (Supervision) Regulations 1994 affect whether a self managed superannuation fund's investments in related companies or unit trusts are in-house assets of the fund*
- *SMSFD 2007/1 Self Managed Superannuation Funds: when is a dividend or trust distribution 'received' before the end of 30 June 2009 for the purposes of paragraph 71D(d) of the Superannuation Industry (Supervision) Act 1993.*

Section 82: in-house assets – market value ratio

If the market value ratio exceeded 5% at the end of the previous income year:

- obtain evidence of a written plan to dispose of excess in-house assets by the end of the current year
- seek evidence that the written plan has been carried out.

Section 82 is breached if the trustees fail to make or carry out the section 82 written plan by the end of the year following the year in which the market value ratio exceeds 5%. Exceeding the market value

ratio for the first time in the year being audited is not a breach of section 82 but:

- may be a breach of sections 83 and 84
- may lead to a breach of section 82 in the following year
- is a significant matter that should be communicated to the trustees.

Section 83: in-house assets – acquisition

Check any acquisitions by the fund (including the creation of loans and leases) to confirm whether the:

- acquisition was of an investment, loan or lease that was an in-house asset
- market value ratio of the fund exceeded 5% at the time of the acquisition
- acquisition caused the market value ratio to exceed 5%.

Section 84: in-house assets – take reasonable steps to comply

Check the trustees have taken all reasonable steps to comply with the in-house asset rules.

Where you have identified a breach of sections 82 or 83, you should consider whether the trustees had taken all reasonable steps to avoid the breach.

Trustee documents, including minutes of meetings, may contain further evidence about the acquisition and disposal of in-house assets.

Section 85: in-house assets – anti-avoidance

Check fund transactions (including transactions entered into through third parties) for schemes intended to circumvent the in-house asset rules by:

- sighting bank statements and other relevant supporting documents for transactions, including the methods for valuing assets
- considering the relationship between the fund and the parties to the transactions.

Section 103: record keeping – minutes

Check minutes of trustee meetings are retained on file for at least 10 years by:

- sighting meeting minutes and records of decisions relevant to the year under audit and retaining these on the audit file
- seeking written confirmation from trustees that these minutes and records are kept on file for at least 10 years.

Section 104: record keeping – change of trustees

Check the trustees keep and retain records for at least 10 years of all trustee consents to their appointment as a trustee of a superannuation entity or as a director of a corporate trustee of a superannuation entity and all changes of trustees, or directors of the corporate trustee, by:

- sighting records of trustee changes and consents relevant to the year under audit and retaining a copy of these on the audit file
- seeking written representations from trustees that these records are kept on file for at least 10 years.

Section 104A: record keeping – trustee declarations

Check that a trustee declaration has been signed and has met the record keeping requirements. Trustees and directors appointed after 30 June 2007, or that have taken an education course to comply with an education direction, must keep their completed declaration for as long as it is relevant to their fund or for at least 10 years (whichever is longer). 'As long as it is relevant' means at least while an individual is appointed a trustee or director of the corporate trustee of the fund. You need to:

- sight a signed trustee declaration for each person that was required to sign one and retain a copy of these on the audit file
- seek written representations from trustees that the trustee declarations are kept in line with record keeping requirements.

Section 105: record keeping – member or beneficiary reports

Check the fund has kept and retained all member or beneficiary reports for at least 10 years by:

- sighting any member or beneficiary reports relevant to the year under audit
- seeking a written representation from trustees that the reports are kept on file for at least 10 years.





Section 109: investments made and maintained on an arm's length basis

Check the fund's investments are made and maintained on an arm's length basis by examining:

- 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.

Section 126K: disqualified persons

Check no trustee, or director of a corporate trustee, of an SMSF is a disqualified person by:

- seeking a written representation from each trustee or director that they are not a disqualified person
- searching:
 - our [Disqualified Trustees Register](#)  to see if an individual has previously been disqualified by us
 - the Australian Financial Security Authority [Bankruptcy Register](#)  for insolvency and bankruptcy information
 - the Australian Securities & Investment Commission (ASIC) [Banned and disqualified register](#)  for individuals that are banned and disqualified from managing a corporation
 - ASIC's [Published Notices](#)  for notices showing that a provisional liquidator or restructuring practitioner has been appointed to the fund's corporate trustee.

SISR: compliance audit checks

Sub regulation 1.06(9A): pension payments

Obtain evidence that the fund has rules for pension payments as set out in SISR sub-regulation 1.06(9A) and that the fund complies with the rules (that is, payments are made at least annually and the minimum required payment has actually been paid to the member during the year) by examining:

- the trust deed
- bank statements for payments
- actuarial certificates, where relevant
- member records evidencing pension payments
- any amounts accrued as pension payments.

Regulation 4.09: investment strategy

Review the fund's investment strategy for evidence the trustees have formulated and implemented an investment strategy that:

- considers the whole of the fund's circumstances
- considers investment risk and returns, diversity, liquidity and the ability to discharge liabilities as they fall due
- considers the insurance needs of members
- is regularly reviewed.

Generally, the investment strategy is in writing. If there is no written investment strategy, obtain a written description of the investment strategy with sufficient detail to enable you to confirm compliance with regulation 4.09.

Evidence the investment strategy has been reviewed may be found in:

- an updated investment strategy
- notations on the current investment strategy
- information contained in minutes of trustee meetings.

Check the investments of the fund to confirm the trustees have implemented the investment strategy.

Regulation 4.09A: separation of assets

Check the fund's money and assets are held separately from money and assets held personally by the trustees or a standard employer-sponsor by:

- sighting asset ownership documents, including bank statements, to verify SMSF assets are held in the name of trustees on behalf of the fund (for example, R & J Smith as trustees for the Smith SMSF or R Smith Pty Ltd as trustee for the Smith SMSF)
- checking for alternative documentation that protects the fund's assets (for example, a valid declaration of trust) where State law prevents ownership in the SMSF's name
- reviewing transactions on bank statements to ensure fund money is not mixed with money belonging to related parties of the SMSF.

Where there has been a change in trustees, obtain evidence that ownership documents reflect the change.

Regulation 5.03: investment returns

Check the investment returns (including those from reserves) are allocated to each member's account in a fair and reasonable way by:

- checking details of the reserve account
- reviewing earning allocations to each member's account to determine if they are reasonable given the circumstances
- sighting the member records and accounts.

Further details about SMSF reserves can be found in **SMSFRB 2018/1** *The use of reserves by self-managed superannuation funds*.

Regulation 5.08: minimum benefits

Check that minimum benefits have been maintained by:

- sighting member accounts and records that evidence pension or lump sum payments
- verifying any loans to members are genuine loans supported by appropriate documentation and transactions (e.g. regular repayments)
- checking whether members receiving payments have met a condition of release.

Regulation 6.17: restriction on payments

Check any payments were cashed, rolled over or allotted in accordance with the SISR rules by obtaining and evaluating evidence that the:

- payments were only paid to members who were eligible to receive those payments under the SISR and the fund's trust deed (based on age, cessation of employment, death, terminal medical condition, temporary or permanent incapacity, compassionate grounds, severe financial hardship, or transition-to-retirement)
- trustees have complied with the SuperStream rules in the SISR for rollovers to and from an SMSF from 1 October 2021, as a failure to comply is a contravention of regulation 6.17.

Further details about checking an SMSF's compliance with the SuperStream rules can be found in **SuperStream SMSF rollovers and auditor reporting obligations**.

Regulation 7.04: acceptance of contributions

Test the trustees were able to accept contributions by checking:

- the trust deed of the fund
- members' ages and employment status
- the type and source of contributions (this could include **downsizer contributions** for members over the eligible age)
- timing and amount of contributions
- the member's TFN was quoted to the trustee within 30 days of receiving the contribution if not already provided to the fund.

If a contribution was accepted that was inconsistent with the requirements of SISR regulation 7.04, check if the trustees have returned the amount to the entity or person who made the payment.

Regulation 8.02B: assets must be valued at market value

Check the trustees have valued all fund assets at market value when preparing the accounts and statements for the fund each income year.

Check the trustee's valuation of the fund's assets by:

- obtaining evidence from the trustees to confirm what method of valuation they used to value assets
- obtaining the supporting documentation that the trustees relied on when verifying market value of their fund's assets
- assessing whether the evidence that the trustees relied on is objective and supportable
- sighting third-party financial statements to verify that assets such as units in unit trusts, shares and loans are valued at market value, which includes checking that the entity is a going concern and that the assets are recoverable.

Further details about checking a fund's compliance with regulation 8.02B can be found at [Guide to valuing SMSF assets and Verifying the market value of fund assets](#).


Regulation 13.12-13: recognition, encouragement or sanctioning of assignments and charges

Check and confirm the trustees have not recognised, encouraged or sanctioned an assignment of, or a charge over, a member's super interest by seeking written confirmation from trustees.

If you become aware of any assignment of, or charge over, super interests, you must obtain relevant evidence.

Regulation 13.14: charges over assets

Check the trustees have not given a charge over or in relation to a fund asset by obtaining:

- written representations from the trustees
- annual property title searches for real properties
- searches of the [Personal Property Securities Register](#)  for interests registered by other parties against SMSF assets.

Regulation 13.18AA: collectables and personal use assets

Check the collectables and personal use asset rules have been met by sighting:

- insurance documents to check that assets were insured within 7 days of acquisition and insured in the fund's name
- written records of the decision for storage of collectable and personal use assets
- written evidence from the trustees that the asset is not used by, or leased to, a related party or stored in the private residence of a related party
- lease agreements for terms and conditions to determine if lessees are related parties of the SMSF.

If the **collectable** or **personal use asset** is sold to a related party, obtain evidence that the asset was transferred at market value as determined by an independent qualified valuer.

QC 45566

Verifying the market value of fund assets

Approved SMSF auditor obligations for verifying SMSF asset valuations, including modifying an IAR and lodging an ACR.

Last updated 2 April 2025

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Valuation overview

Your obligations

Audit evidence to verify market value

Reporting obligations when insufficient evidence is provided

Valuation overview

Trustees of self-managed super funds (SMSFs) must:

- **value all fund assets** at market value when preparing the financial statements and accounts for their fund each year, for the income year 2012–13 and any later years of income. This is to comply with regulation 8.02B of the *Superannuation Industry (Supervision) Regulations 1994 (SISR)*
- if required, provide all relevant, objective and supportable evidence and documents, in accordance with our **Valuation guidelines for self-managed super funds**, to their approved SMSF auditor to substantiate the valuation, upon request in accordance with section 35C(2) of the SISA.

Your obligations

Approved SMSF auditors are responsible for:

- forming an opinion about whether the fund's assets have been reported at market value in its financial statements and accounts
- obtaining sufficient appropriate evidence to support their opinion of each asset.

In accordance with Auditing Standard ASA 500 *Audit Evidence*, you must:

- obtain sufficient appropriate evidence, either from the trustee or external sources, to form an opinion about whether the SMSF has complied with regulation 8.02B
- document the evidence and any judgments you make in your audit file.

Where you are unable to obtain sufficient appropriate evidence, you must:

- consider modifying the SMSF independent auditor's report (IAR)
- lodge an Auditor/actuary contravention report (ACR) when the reporting criteria is met.

It is not your role to:

- value fund assets
- determine the market value of assets.

Audit evidence to verify market value

Unlisted shares in companies, units in unit trusts and real property require extra attention when:

- verifying market value
- ensuring sufficient appropriate evidence is provided.

Unlisted shares in companies or units in unit trusts

Appropriate audit evidence for these asset classes to support the trustee(s) determination of market value may include:

- a qualified independent valuation of assets held in the company or unit trust
- evidence of how the market valuation was substantiated by the directors or trustees, including
 - objective and supportable data on which they relied
 - the valuation method they used
 - any assumptions made
- a property valuation when property is the only asset of the company or unit trust
- the date and price of the most recent sale and purchase of a share or unit between unrelated parties.

For the financial statements of the company or unit trust to be reliable evidence of its market value, they must:

- be signed and audited
- value the company or trust's assets at market value (and not at cost).

Real property

An independent valuation is one type of sufficient appropriate audit evidence that may be used to support the trustee(s) determination of market value.

When valuing real property, trustees may consider using a qualified independent valuer. This is especially the case when the property represents a significant proportion of the fund's value.

If trustees choose to do this, regulation 8.02B of the SISR does not require trustees to obtain an independent valuation from a qualified independent valuer each year. However, trustees must still consider if a previous valuation provided by a qualified independent valuer can be used to support the valuation of the asset each year.

Where a previous valuation provided by a qualified independent valuer is relied upon, other objective and supportable data is required to support the market value of a fund's real property in the current year.

Other forms of acceptable evidence for substantiating the market value of real property include:

- independent appraisals from a real estate agent (or kerbside)
- a contract of sale if the purchase is recent and no events have occurred to the property that could materially impact its value since the purchase
- recent comparable sales results
- a rates notice if consistent with other evidence on valuation
- the net income yield of commercial properties (though not sufficient evidence on their own and only appropriate when tenants are unrelated).

Generally, a single item of evidence listed above will not be sufficient on its own unless the property has been recently purchased by the fund.

We recommend obtaining a variety of sources of evidence to support compliance with regulation 8.02B.

For example, real estate agent appraisals stating what the property is likely to sell for based on sales in the area, without listing details of those sales, would generally not on its own be sufficient appropriate evidence.

The evidence supplied should also support a market value for the property as close as possible to 30 June. This is especially important where the market is potentially volatile.

Reporting obligations when insufficient evidence is provided

When you are unable to obtain sufficient appropriate evidence verifying the market value of a fund asset, you should consider whether to:

- modify your opinion in the IAR
- lodge an ACR.

Lodging an ACR

If you cannot obtain sufficient appropriate evidence to verify the value of an SMSF's asset, you must lodge an ACR if you believe:

- the values may be misstated, and
- it is likely that a contravention that meets the reporting criteria:
 - has occurred
 - may be occurring, or
 - may occur.

If you are unsure if this would be a reportable contravention, tell us about the lack of evidence at the 'Other Regulatory information' section (Section G) of the ACR.

Determining the contravention value for the ACR

If you cannot accurately determine the value of a regulation 8.02B of the SISR contravention, you can:

- report the asset value recorded in the fund's financial statements as the maximum value of the contravention
- add a description stating, because you had insufficient evidence to ascertain the value of the contravention, you have reported the total asset value recorded in the fund's financial statements as the maximum value of the contravention.

You may decide to report a different figure for the contravention. For example, you may decide to report the difference in the value reported in the financial statements and your own estimation of the market value of the asset. In this case, you should clearly state this in the event field, including:

- a description of the method used
- any assumptions made

- the data you relied on.

QC 60021

Contravention reporting for SuperStream rollovers

When to report contraventions of the SuperStream rollover rules and what audit evidence is required.

Last updated 2 April 2025

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Auditor obligations

Audit evidence required

Auditor obligations

Superannuation law requires trustee compliance with the SuperStream rollover rules for rollovers requested to and from a self-managed super fund (SMSF) from 31 March 2021.

Certain exceptions apply, including:

- in-specie rollovers
- transfers from foreign super funds
- rollovers from splitting contributions with spouses.

During the compliance audit of each fund, SMSF auditors must form a view about the fund's compliance with regulation 6.17 of the *Superannuation Industry (Supervision) Regulations 1994* (SISR). This regulation requires rollovers to comply with the regulations in Division 6.5 of the SISR.

You must report a contravention under regulation 6.17 of the SISR if:

- a rollover is requested from 1 October 2021
- an SMSF does not comply with the rules in Division 6.5 of the SISR when they make or receive a rollover (or attempted rollover)
- the contravention meets the ACR reporting criteria.

To report a contravention of regulation 6.17 of the SISR, follow the ACR reporting criteria.

Audit evidence required

You need sufficient, appropriate audit evidence to form an opinion on whether the fund has complied with SuperStream rules in Division 6.5 of the SISR.

When the SMSF is the transferring fund

You must obtain evidence confirming:

- The SMSF has received the rollover request electronically (regulation 6.33B). The electronic rollover request may have come from the member, receiving fund or the ATO. Evidence could include a
 - copy of the member's rollover request
 - printout of the 'initiate rollover request' (or equivalent) message from the receiving fund's SMSF messaging provider.
- Trustees requested any required information that was not included in the rollover request within 5 days of receiving the request (regulation 6.33C). Evidence could include
 - rollover request details
 - the communication sent to the member seeking additional information.
- The SMSF verified certain fund or member details through the **SMSF verification service** for rollovers between SMSFs (regulation 6.33E).
- The SMSF validated the member's tax file number using the **SMSFmemberTICK** service for rollovers out of the fund, where applicable.

- The rollover was paid, and information was given to the receiving fund through SuperStream (regulation 6.34). Evidence could include
 - bank account and transaction details
 - a printout of the 'rollover transaction request' (or equivalent) message from the transferring fund's SMSF messaging provider
 - a payment reference number (PRN).
- The rollover occurred no later than 3 business days after receiving the rollover request or, if applicable, the receipt of any required information obtained from the member after the initial rollover request (regulation 6.34A). Evidence could include
 - rollover request details
 - bank account and transaction details
 - additional information requested and provided.
- The SMSF provided the rollover information (including the PRN) to the receiving fund on the same day the rollover is made and made sure the rollover payment and information matches (regulation 6.34B).

When the SMSF is the receiving fund

You must obtain evidence confirming:

- The SMSF used SuperStream to request the rollover from the transferring fund where the rollover request was received by the SMSF directly from the member (regulation 6.33A). Evidence could include a printout of the 'initiate rollover request' (or equivalent) message from the receiving fund's SMSF messaging provider.
- The rollover was allocated to the member within 3 business days after the fund received the rollover payment and the message contained all the required information to enable the rollover to occur (regulation 6.34D). Evidence could include
 - bank or member account and transaction details
 - a printout of the 'rollover transaction request' (or equivalent) message from the transferring fund's SMSF messaging provider.
- Where the rollover was made by the transferring fund to the receiving fund, the receiving fund is able to receive the rollover

information via their SMSF messaging provider and payment electronically to their account with a financial institution (regulation 6.34C).

QC 70324

Audit evidence for downsizer contributions

Required compliance evidence when an SMSF member has made a downsizer contribution during the income year.

Last updated 2 April 2025

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Checking downsizer contribution compliance

Contributions that aren't downsizer contributions

Checking downsizer contribution compliance

Members of self-managed superannuation funds (SMSFs) can make downsizer superannuation contributions of up to \$300,000 from the proceeds of selling their main residence.

When conducting an audit of an SMSF, SMSF auditors need to obtain sufficient and appropriate audit evidence to verify the fund has complied with the downsizer contribution requirements.

Auditors should check for and obtain evidence of the following:

- the SMSF trust deed allows the fund to accept a downsizer contribution
- the member had reached the following eligible age at the time the contribution was made, noting there is no maximum age limit
 - from 1 January 2023, 55 years old or older

- from 1 July 2022, 60 years old or older
- from 1 July 2018, 65 years old or older
- the member provided a tax file number (TFN)
- either an approved
 - **Downsizer contribution into super form**
 - form provided by the fund containing the key elements in the Downsizer contribution into super form
- the member signed and dated the approved form
- the contribution was made either at the same time or after the form was received by the fund and the contribution does not exceed the \$300,000 cap per member
- the member has not previously made downsizer contributions to the fund from a previous sale of property
- the contribution has been correctly allocated to the member's account.

You don't need to check if a member has met any other downsizer eligibility requirements. You can rely on the member's declaration "I meet all of the eligibility requirements to make a downsizer contribution" in the *Downsizer contribution into superannuation form* to confirm that a member has met other downsizer eligibility requirements.

Contributions that aren't downsizer contributions

Contributions that don't meet downsizer contribution requirements may still be accepted by the fund as personal contributions for the member. This is provided the contributions meet the acceptance of contribution rules in regulation 7.04 of the **Superannuation Industry (Supervision) Regulations 1994**.

If the contribution doesn't meet the rules, a contravention of regulation 7.04 occurs when the contribution is not returned within 30 days.

You must:

- report the contravention by completing the auditor contravention report (where the reporting criteria are met)
- notify the trustees with a management letter, and
- modify Part B of the Self-managed super fund independent auditor's report.

QC 67410

Providing SMSF audit documentation

SMSF audit documentation and supporting evidence SMSF auditors must provide to comply with auditing standards.

Last updated 2 April 2025

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Documentation requirements

Letter of audit engagement

Representation letter

Management letter

Working papers

Documentation requirements

As a self-managed super fund (SMSF) auditor, you must have sufficient documentation to support your audit findings and opinions. This includes:

- preparing and documenting your audit plan in writing, detailing the audit approach undertaken
- relevant audit evidence supporting the conclusions reached

- audit procedures undertaken to respond to the assessed risks
- the checklists you complete with relevant notation
- analysis undertaken
- records of discussions and correspondence with the trustees and others who were relevant in forming your opinion
- evaluation of evidence including
 - audit testing undertaken and results
 - summaries of reasoning on all significant matters that require professional judgment.

The ATO has published information on the evidence and documentation required for:

- verifying the market value of fund assets
- downsizer contributions
- an SMSF that is winding up.

Your audit file should include copies of the following documentation:

- letter of audit engagement
- representation letter
- management letter
- working papers.

Audit files should be kept separate from other files you may hold for the client.

All audit papers must be retained for at least 7 years from the date the auditor's report is signed.

Letter of audit engagement

This letter:

- is required under the auditing standards
- confirms your acceptance of the appointment as auditor for a specific year

- clearly states the scope of the financial audit and the compliance audit within superannuation laws
- should prevent any misunderstandings between you and the trustees about the audit.

Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds, issued by the Auditing and Assurance Standards Board (AUASB), states that the engagement letter is between the auditor and the trustees of the SMSF. It is not between the auditor and any party referring the arrangement such as an accountant or administrator.

The letter should be signed by the SMSF trustees.

Representation letter

This letter must include all representations required by the AUASB's auditing standards.

It should be signed by all trustees stating that, to the best of their knowledge:

- they have approved and acknowledge responsibility for financial statements
- the fund complies with super laws.

Management letter

If you notice areas of concern during the audit, provide trustees with a management letter that states your findings.

Working papers

Your working papers should record the:

- planning, nature, timing and extent of the audit procedures performed
- results of the audit procedures performed
- evidence obtained
- conclusions drawn from this evidence.

Working papers should:

- be able to be understood by another experienced auditor who has had no previous connection with the audit
- include your reasoning on all significant matters arising during the audit that require the exercise of judgment, together with your conclusions and recommendations
- confirm that the audit was performed according to the AUASB's Australian Auditing Standards and Standards on Assurance Engagements.

QC 45567

Auditing an SMSF that is winding up

Specific SMSF auditor requirements when auditing an SMSF that is winding up.

Last updated 2 April 2025

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Checking wind-up requirements

Reporting obligations

Checking wind-up requirements

As a self-managed super fund (SMSF) auditor, there are extra audit checks you need to consider when undertaking the final SMSF audit for a fund that is winding up.

These include checking that:

- any wind-up requirements in the trust deed have been met
- all members agreed to wind up in writing

- the financial statements correctly account for assets, liabilities, income, expenses and final allocations to and payments from member accounts
- no accrued income or expenses are overdue at the wind-up date apart from estimated tax accruals awaiting the SMSF's final tax assessment
- asset disposals occurred at market value based on verifiable evidence provided by the trustees
- market value of any collectables disposed of to a related party, including as an in-specie super payment, are supported by a written valuation from a qualified independent valuer
- benefits were only paid to
 - members who met a condition of release and they had provided written confirmation to the trustees
 - eligible beneficiaries, or
 - the legal personal representative of the member or beneficiary
- benefits were transferred to and received by a complying super fund for members who did not meet a condition of release
- where the fund's bank account remains open, for example to pay a final tax liability or receive a tax refund, you have written representation from the trustees confirming that any bank transactions occurring after the audit will comply with super laws
- bank transactions related to final tax liabilities or refunds are subsequently paid or transferred as prescribed in Part 6 of the *Superannuation Industry (Supervision) Regulations 1994*.

Reporting obligations

You should qualify your audit report if you either:

- find evidence of non-compliance with super laws
- haven't been provided with sufficient, appropriate audit evidence to support your opinion.

For example, if the trustees have left the SMSF's bank account open to receive the final tax refund or pay the final tax liability, your

qualification should say you are unable to verify the compliance of transactions occurring after the audit date because the fund's bank account has remained open.

If the SMSF has contravened reportable provisions of super laws, you must:

- complete and lodge an **Auditor/actuary contravention report**
- notify the trustees in writing.

Even when there is no evidence of non-compliance, it is good practice to provide a final management letter to the trustees reminding them of their remaining obligations to formally wind up the SMSF. These include:

- lodging the final SMSF annual return
- keeping the SMSF bank account open
 - to pay the final tax liability or receive a tax refund
 - until they have received confirmation from us confirming that their fund has been wound up
- keeping all records required under super laws, including those specific to fund wind-up, for at least 10 years following lodgment of the final SMSF annual return.

QC 58940

Auditor independence

What to understand about complying with independence requirements as an approved self-managed super fund (SMSF) auditor.

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On this page

Independence requirements

Independence requirements

SMSF auditors must comply with independence requirements as part of their professional obligations under the:


- Superannuation Industry (Supervision) Act 1993 (SISA)
- Superannuation Industry (Supervision) Regulations 1994 (SISR).

The independence requirements are set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (2018) ([APES 110](#) ) produced by the Accounting Professional & Ethical Standards Board. They are effective for all audits from 1 January 2020.

Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* also requires auditors to comply with the independence requirements of APES 110 when carrying out assurance engagements, such as the annual financial and regulatory compliance audit of an SMSF.

If you suspect a firm or network firm is not meeting the independence requirements, you can tell us by [making a tip-off](#).

Applying the conceptual framework

For each audit engagement, you must apply the conceptual framework set out in [APES 110](#)  when assessing independence. In broad terms, this involves:

- identifying any threats to independence
- evaluating whether those threats are at an acceptable level
- addressing any threats that are not at an acceptable level by taking appropriate action.

Threats to independence generally fall into one or more of the following categories:

- self-interest
- self-review

- advocacy
- familiarity
- intimidation.

APES 110 requires you to maintain both independence of mind and independence of appearance. In order to maintain independence of appearance it is not sufficient that you are able to form your conclusions with appropriate integrity, objectivity and professional scepticism. You must also decide whether a reasonable and informed third party would conclude that the arrangements resulted in unacceptable independence threats.

APES 110 contains specific standards in relation to some arrangements that give rise to independence threats. However, you must apply the conceptual framework to all arrangements that could threaten your independence, regardless of whether the arrangement is specifically discussed in APES 110.

You must address any threats that are not at an acceptable level by either:

- eliminating the circumstances (including interests or relationships that are creating the threats)
- applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level
- declining or ending the audit engagement (or the engagement for other services that is creating the threats).

Safeguards are actions, individually or in combination, that you take to reduce the threats to independence to an acceptable level. Whether a particular safeguard is effective will depend on the type and particular characteristics of independence threat that is being addressed.

You must document the independence assessments that you perform even where you conclude that the independence threats are already at an acceptable level. The documentation must describe:

- the nature of the threat
- your application of the conceptual framework and any other standards in APES 110 that apply to the arrangement
- your assessment of the level of threat

- any safeguards that you applied
- your rationale for concluding that the threat was at an acceptable level after the application of safeguards (if applicable).

Appropriate reviewer requirements

APES 110 suggests that having an 'appropriate reviewer' review the auditor's work may be an effective safeguard for some types of independence threat.

The term 'appropriate reviewer' is defined in APES 110 as meaning: a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided.

Appropriate reviewers also need to apply the independence standards to their reviews. Threats to the auditor's independence could also threaten the appropriate reviewer's activity. For example, another SMSF auditor working at the same firm who is considering acting as an appropriate reviewer:

- may also benefit from the fees generated by the large referral source
- is likely to experience the same self-interest and intimidation threats.

These threats might affect the internal reviewer's ability to perform reviews in an objective manner. Therefore, the appropriate action may be to engage another SMSF auditor external to the firm to conduct the review of the audits.

Appropriate reviewers need to assess:

- whether they can undertake reviews in an objective manner
- the nature and extent of procedures to be performed to reduce the independence threats to an acceptable level.

A sampling approach might be suitable in situations where independence threats arise from the auditor receiving a large proportion of their fees from the one referral source. In this case, we expect the reviewer's notes in the audit file explain:

- why sampling is an effective approach to the review

- what sampling methodology was applied.

If a sampling approach is adopted, we expect a risk-based selection of the sample of funds for review. It should be representative of all the SMSF audits, ranging from simple to complex funds. However, we would also expect the sample to include a significant proportion of the more complex funds where the auditor exercised a higher level of professional judgment when conducting the audit.

The auditor whose work was reviewed must receive and retain documentation from the reviewer that explains:

- the steps taken to complete the review
- the outcome of the review
- if they concluded the auditor's reports were appropriate.

SMSF auditor independence compliance focuses



Things we focus on when checking auditor compliance with independence requirements.

QC 65083

SMSF auditor independence compliance focuses

Things we focus on when checking auditor compliance with independence requirements.

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On this page

Our compliance approach for independence

Your own or your relative's SMSF

In-house audits

Fee dependence

Our compliance approach for independence

We investigate situations where SMSF auditors may not have complied with the independence standards in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (2018) ([APES 110](#) [↗](#)).

On this page we highlight some independence threats that we have investigated in our compliance work.

The Accounting Professional & Ethical Standards Board (APESB) provides further details, standards and guidance about the independence threats described on this page in:

- APES 110
- [APESB Independence Guide – Fifth edition, May 2020](#) ([PDF 1.56MB](#)) [↗](#).

Your own or your relative's SMSF

You can't audit a fund where you, or your immediate family member (spouse or equivalent or dependant) is a trustee, director of a corporate trustee or member of the fund. There are no safeguards that would reduce independence threats to an acceptable level.

Independence threats will also arise if you audit a fund where a trustee, director of the corporate trustee or member is:

- a close family member (parent, child or sibling who is not an immediate family member)
- a person with whom you have a close personal relationship.

In each of these circumstances, you need to evaluate whether the independence threats are at an acceptable level and address those threats if possible.

Independence threats also arise if you audit an SMSF belonging to the auditor that audits your own SMSF. There are no safeguards that

would reduce the threats created by this reciprocal auditing arrangement to an acceptable level.

In-house audits

The term 'in-house audit' is not defined in [APES 110](#) [↗](#). However, it's commonly used to refer to a situation where an auditor:

- conducts an SMSF audit, and
- works for a firm or network firm that provides non-assurance services to the SMSF.

Independence threats may be created when non-assurance services are provided to an audit client by the auditor's firm or a network firm. APES 110 describes specific standards in relation to several different types of non-assurance services including where an auditor's firm or network firm:

- assumes [management responsibility](#) for an SMSF audit client
- provides [accounting or bookkeeping services](#) to an audit client
- provides [financial planning services](#) to an audit client.

Assuming a management responsibility

A firm can't assume management responsibility for an SMSF audit client. This applies to all non-assurance services. If a firm assumes any management responsibility for an SMSF audit client, they can't audit the SMSF under any circumstances.

Management responsibilities involve controlling, leading and directing an entity, including making decisions on its behalf, such as setting strategic direction. They're typically activities that require a decision to be made or judgment to be exercised by the people responsible for managing the entity.

Providing financial planning services

Independence threats may be created when you assess the outcomes of financial planning advice provided by your own firm.

In many cases, the threats will not be at an acceptable level. You may need to decline or end the audit or non-assurance service engagement where:

- the circumstances creating the threats are not able to be eliminated, and
- there are no appropriate safeguards that can be applied to reduce the threats to an acceptable level.

Providing accounting and bookkeeping services

Accounting and bookkeeping services include:

- preparing financial statements and accounting records
- recording transactions
- payroll services.

An auditor's firm or network firm can only provide accounting and bookkeeping services to an audit client in limited circumstances. Auditors must comply with the following requirements when providing accounting and bookkeeping services to an audit client:

- A firm or network firm can't assume [management responsibility](#) for an SMSF audit client. If they do, they can't audit the fund under any circumstances.
- If a firm or network firm has not assumed management responsibility for an SMSF audit client but provides accounting or bookkeeping services to that client, they cannot audit the fund unless both the following apply:
 - the services are [routine or mechanical](#)
 - the firm addresses any independence threats created by providing the service that are not at an acceptable level.

If a firm cannot meet the above requirements, they will need to decline or remove themselves from the audit or non-assurance services engagement.

Routine or mechanical test

Accounting and bookkeeping services that are routine or mechanical services:

- involve information, data or material in relation to which the client has made any judgments or decisions that might be necessary
- require little or no professional judgment by the firm.

APES 110 provides the following examples of services involved in preparing the fund's financial statements that are considered routine or mechanical:


- posting transactions coded by the trustee(s) to the general ledger
- posting journal entries approved by the trustee(s) to the trial balance
- preparing financial statements based on a trustee approved trial balance
- preparing related notes based on records approved by the trustee(s).

During their independence assessment for a client that has received accounting or bookkeeping services from their firm or a network firm, an SMSF auditor must obtain evidence that all of the accounting or bookkeeping services are routine or mechanical. This evidence could consist of trustee-coded transactions and approved trustee entries in the trial balance that the firm then uses to prepare proforma financial statements. The SMSF auditor must retain that evidence with the documentation of their independence assessment.

The complexity of the fund's investments (including the type and mix of assets) is not a sole determining factor when working out whether bookkeeping or accounting services are routine or mechanical. Even when a fund has simple investments (for example, term deposits and ASX listed shares), firms may still exercise professional judgment if they:

- code transactions and post them to the general ledger
- prepare the general ledger from source documents
- prepare journal entries and post them to the trial balance
- select accounting software for the client
- establish and maintain data feeds
- manage the fund's investments and compliance with the super laws.

Undertaking such activities are not routine or mechanical services. In many cases, they may also involve the firm assuming a management responsibility for the trustee(s).

Example 2 in Chapter 8 of the [Independence Guide \(PDF, 1.56MB\)](#)  describes how the complexity of fund investments affects the level of professional judgment required in preparing the fund's accounts.

Automating accounting services by using accounting software and data feeds isn't sufficient to make the services routine or mechanical. When establishing and maintaining data feeds or a client's accounts in accounting software, firms typically make decisions requiring:

- the exercise of professional judgment
- the assumption of management responsibilities.

Non-assurance services provided by other firms

In the following arrangements, the provision of non-assurance services may result in independence threats even though the non-assurance services are provided by a different firm.

Reciprocal arrangements (client swapping)

If your firm and another firm arrange to audit each other's SMSF administration, financial planning, accounting or bookkeeping clients, this may result in:

- fee dependence
- intimidation.

Audit pooling arrangements

Audit pooling arrangements involve a group of auditors entering into an arrangement to audit each other's SMSF clients. Audit pooling arrangements may not be effective in addressing independence threats if they result in the creation of networks of firms. Even if a network is not created there could be independence threats as a result of reciprocal arrangements with other members of the audit pool, or dependence on fees from other members of the audit pool.

Network firms

Having separate entities for assurance and non-assurance services may not be effective in addressing in-house auditing independence threats if the new firms continue to be part of the same network because they share, for example, common ownership, control and management, use a common brand name or share a significant part of their professional resources.

Outsourcing

Independence issues may exist where accounting or bookkeeping services are outsourced to another firm (whether located in Australia or offshore) if the audit firm has the overall responsibility for the provision of these services to the SMSF.

Clients of a previous firm

If you take on clients of a firm where you were previously a partner or employee (within 2 years), you need to consider the potential self-review and familiarity threats that may arise in taking on those clients. This is the case even if you are no longer associated with the firm. These threats might prevent you from appropriately evaluating the results of previous judgments made, or advice provided, when you worked for the firm.

Fee dependence

Independence threats arise where the total fees from SMSF audits from one referral source represent a large proportion of the total fees of your firm. Independence threats of this kind may occur where an accountant or SMSF administrator refers a large number of SMSF audits to a single SMSF auditor.

The dependence on the referral source and concern about losing those clients creates a self-interest or intimidation threat. The close working relationship between the auditor and the referrer can also result in familiarity threats.

Self-interest or intimidation threats also arise where an SMSF auditor is a partner in a firm and the fees generated from an SMSF audit client represent a large proportion of the revenue attributable to the auditor.

QC 103955

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

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