



SMSF auditors

SMSF auditors have a critical role in maintaining the health and integrity of the sector through the annual audit.



We're updating this information

We're currently updating this topic to make it easier for you to find the information you need. During this time, you might find some links are broken. We're working to resolve these and any other issues as quickly as possible. Thank you for your patience.

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SMSF auditor professional requirements

Ongoing professional requirements and obligations you need to meet as an SMSF auditor.

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Conducting SMSF audits


To conduct self-managed super fund (SMSF) audits, you must:

- be registered with the Australian Securities & Investments Commission (ASIC) as an [approved SMSF auditor](#)
- have a valid [SMSF auditor number](#) (SAN)
- meet ongoing obligations as prescribed by the
 - Superannuation Industry (Supervision) Act 1993 (SISA)
 - Superannuation Industry (Supervision) Regulations 1994 (SISR)
- comply with your [ongoing ASIC obligations](#) .

Complying with SISA and SISR requirements

Under section 128F of the SISA, you are required to:

- complete the continuing professional development (CPD) requirements as prescribed in [regulation 9A.04 of the SISR](#)
- hold professional indemnity insurance at the level prescribed in [regulation 9A.05 of the SISR](#)
- comply with the applicable [auditing and assurance standards](#)  issued by the Auditing and Assurance Standards Board.

Under [regulation 9A.06 of the SISR](#), you are required to comply with the auditor independence requirements specified in [APES 110 – Code of Ethics for Professional Accountants \(including Independence standards\)](#). 

You must also comply with any conditions that ASIC has imposed on your SMSF auditor registration under section 128D of the SISA.

Auditor independence



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

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Auditor independence

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


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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.

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SMSF auditor independence compliance focuses

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

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Our compliance approach for independence

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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.

Our compliance approach for SMSF auditors

Our compliance approach for approved SMSF auditors and when we undertake reviews and audits.

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Our compliance approach

Our compliance approach is designed to:

- support self-managed super fund (SMSF) auditors
- identify and address high-risk SMSF auditors.

Where we decide to take compliance action, we may:

- send targeted information and advice through electronic and paper mailouts
- review and audit SMSF auditors
- refer auditors to the Australian Securities & Investments Commission (ASIC).

Reviews and audits

We undertake reviews and audits of approved SMSF auditors where we:

- have information showing there are matters of concern
- want to provide assurance that an auditor is complying with their obligations.

An audit is more comprehensive than a review. For example:

- a review may investigate a single issue, such as independence
- an audit will examine all of an auditor's professional obligations.

Our reviews and audits will:

- review your audit processes and performance to identify issues
- check you are complying with your **professional requirements** and **reporting requirements** under super laws
- test whether you are correctly applying super laws
- identify areas where you need support or education.

In most cases, our initial contact will be informal. We will advise you of:

- the purpose and scope of the review or audit
- what action you need to take
- your rights.

If you are selected for an audit, we will ask for:

- copies of your audit working papers
- any other documents or evidence relevant to your assessment of the fund's compliance with super laws.

We will tell you which audit working papers, supporting evidence and other documents we require during the interview.

To help you prepare for an audit or review, see **what we look for when auditing an SMSF auditor**.

When an organisation is responsible for many SMSF audits, we will review and test internal controls to give us assurance that the large number of SMSF audits are undertaken satisfactorily.

At the end of a review or audit we may take one or more of the following actions:

- no further action
- provide education
- escalate to audit (reviews only)
- apply penalties

- referral to the Tax Practitioner's Board
- referral to ASIC.

We refer approved SMSF auditors to ASIC:

- if you do not respond to our request for information and documentation
- for consideration and possible enforcement action in accordance with practice statement *PS LA 2018/01 Self-managed superannuation funds - referral of approved SMSF auditors to ASIC*.

Referral to ASIC

We work closely with ASIC on auditor compliance. We will refer an approved SMSF auditor to ASIC if we believe that the auditor:

- has failed to perform their duties under the *Superannuation Industry (Supervision) Act 1993* (SISA), or other laws
- has breached a provision of the SISA or *Superannuation Industry (Supervision) Regulations 1994* (SISR)
- is not 'fit and proper' to be an approved SMSF auditor.

PS LA 2018/1 Self-managed superannuation funds - referral of approved SMSF auditors to ASIC explains in further detail how we decide whether to refer an SMSF auditor to ASIC.

ASIC may take action against a person who is an approved SMSF auditor, including:

- imposing a condition on an auditor's registration
- varying a condition on an auditor's registration
- accepting an enforceable undertaking
- cancelling an auditor's registration
- suspending an auditor's registration
- disqualifying a person from being an approved SMSF auditor.

What we look for when auditing an SMSF auditor



The SISA and SISR legal obligations, auditing requirements and documents we look for when auditing SMSF auditors.

Compliance penalties for SMSF auditors [>](#)

Penalties can be imposed on SMSF auditors if they contravene the Superannuation Industry (Supervision) Act 1993 (SISA).

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What we look for when auditing an SMSF auditor

The SISA and SISR legal obligations, auditing requirements and documents we look for when auditing SMSF auditors.

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Overview and reference documents







This page lists the main issues we look for when auditing or reviewing a self-managed super fund (SMSF) auditor.

This includes:

- your audit processes and documentation
- completion of the SMSF independent auditor's report (IAR) (NAT 11466).

This checklist is also available as a PDF download to keep with your documents: [SMSF Auditor checklist \(PDF, 159KB\)](#) 


The tables reference the following legislation and guidance:

- Superannuation Industry (Supervision) Act 1993 (SISA)
- Superannuation Industry (Supervision) Regulations 1994 (SISR)
- Auditor independence
- Accounting Professional & Ethical Standards Board (APESB)
 - [APES 110 Code of ethics for professional accountants \(including independence standards\) \(2018\)](#)  (APES 110)
 - [APESB Independence Guide – Fifth edition, May 2020 \(PDF 1.56MB\)](#)  (the Guide)
- Auditing and Assurance Standards Board
 - [Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds](#)  (GS 009)
 - [Australian Auditing Standards](#)  (ASAs)
 - [Standards on Assurance Engagements](#)  (ASAEs)
- ASIC Class Order CO 12/1687 [Competency standards for approved SMSF auditors](#)  (for audits prior to 1 April 2023).

General SISA and SISR obligations

Table 1: SMSF auditor obligations under the *Superannuation Industry (Supervision) Act 1993 (SISA)* and *Superannuation Industry (Supervision) Regulations 1994 (SISR)*

Required compliance	References
Auditor independence standards of APES 110	SISA: paragraph 128F(d)

	SISR: regulation 9A.06
Australian Auditing Standards (ASAs)	SISA: subparagraph 128F(c)(ii)
Standards on Assurance Engagements (ASAEs)	SISA: subparagraph 128F(c)(iii)
Competency standards	SISA: subparagraph 128F(c)(i) and 128Q ASIC Class Order CO 12/1687 Competency standards for approved SMSF auditors 
Evidence of current compliant professional indemnity (PI) insurance policy	SISA: paragraph 128F(b) SISR: regulation 9A.05
Undertake prescribed continuing professional development and keep a written record	SISA: paragraph 128F(a) SISR: regulation 9A.04
Fit and proper to be an SMSF auditor	SISA: paragraph 128P(1)(a) PS LA 2018/1

Auditor independence scenarios

SMSF auditors cannot participate in the arrangements specified in *Table 2: Auditor independence scenarios that are not permitted*.

Table 2: Auditor independence scenarios that are not permitted

Auditor independence scenario	References
The auditor audited their own or an immediate family member's fund.	APES 110: paragraphs R510.4, R521.5 and R523.3 GS 009: paragraph 46 of GS 009

	The Guide: section 8.4
The auditor audited the fund of a partner or employee of the firm (or a network firm).	APES 110: paragraph R523.3 GS 009: paragraph 46 The Guide: section 8.4
The auditor, audit team member or their firm (or a network firm) audited the fund of an individual they have a close business relationship with (unless any financial interest is immaterial, and the business relationship is insignificant).	APES 110: paragraph R520.4, 520.3 A1 to 520.4 A1 GS 009: paragraph 46 The Guide: section 8.4
The firm (or a network firm) assumed a management responsibility for the fund.	APES 110: paragraph R600.7, R600.8 and 600.7 A1 to 600.7 A4 GS 009: paragraph 48 of GS 009 The Guide: sections 8.4 and 8.5
Where the auditor is a sole practitioner, the auditor (or their employees) provided accounting or bookkeeping services to an SMSF audit client.	APES 110: subsections 601, R601.5 and 601.5 A1, 8.4 The Guide: section 8.5 (scenario 3)
Where the auditor is a member of a firm, the auditor, their employees or the firm (or a network firm) provided accounting or bookkeeping services to an SMSF audit client, unless: <ul style="list-style-type: none"> the services are routine or mechanical, and the firm addresses any independence threats created by providing the services that are not at an acceptable level (by applying appropriate safeguards). 	APES 110: subsection 601, paragraphs 600.7 to R600.8, 601.4 A1, R601.5 and 601.5 A1 GS 009: paragraphs 46 and 48 to 50 The Guide: sections 8.4 and 8.5 (scenarios 1 to 3)

The auditor or their firm were involved in a reciprocal auditing arrangement .	APES 110: part 4A, section 410 GS 009: paragraph 54 The Guide: section 8.5 (scenarios 8 and 9)
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The following arrangements in *Table 3: Auditor independence threats that must be evaluated and addressed* create independence threats that the auditor must evaluate and address if not at an acceptable level.

Table 3: Auditor independence threats that must be evaluated and addressed

Auditor independence threats	References
The fees generated from multiple SMSF audit clients referred from one source represent a large proportion of the firm's total fees; or the fees generated by a firm from an SMSF audit client represent a large proportion of the revenue of one partner or office of the firm.	APES 110: part 4A, paragraphs 410.3 A1 to AUST 410.3.1 A1 GS 009: paragraph 53 The Guide: section 8.5 (scenarios 6 and 10)
The auditor audited the fund of: <ul style="list-style-type: none"> a close family member (parent, child or sibling who is not an immediate family member), or an individual they have a close personal relationship with (individual who is not an immediate or close family member). 	APES 110: paragraphs 521.3 A1 to 521.3 A2, 521.6 A1 to 521.7 A3 and 510.10 A5 to 510.10 A12 GS 009: paragraph 47 The Guide: section 8.4
The auditor or their firm provided taxation and/or financial planning services to the SMSF trustees.	APES 110: subsection 604 GS 009: paragraphs 51 and 52

	The Guide: section 8.5 (scenarios 4 and 11)
The auditor audits an SMSF client of a former firm they previously provided non-assurance services to.	APES 110: section 120 The Guide: section 8.5 (scenario 5)
The auditor has a long association with an SMSF audit client.	APES 110: section 540; paragraphs 540.3 A1 to R540.4 The Guide: section 8.5 (scenario 13)
Other independence issues not already covered by the above scenarios.	APES 110: part 4A

Australian Auditing Standards requirements

This table references auditor requirements that we check under Australian Auditing Standards (ASAs) and includes some references to the SISA.

Table 4: Australian Auditing Standards (ASA) requirements

Australian Auditing Standard	Auditor requirements	What we check
Audit strategy and plan (ASA 300)	Evidence of an audit strategy and audit plan on file (as separate documents or combined). Audit strategy and plan were adequate. Comprehensive audit checklist.	An audit strategy on file that sets the scope, timing and direction of the audit. An audit plan on file describing the nature, timing, and extent of planned risk assessment.

		Audit procedures prepared and included in the audit file.
Engagement letter (ASA 210)	Evidence of a signed engagement letter covering the year of audit on file.	Complies with the auditing standards and is signed by both parties.
Representation letter (ASA 580)	Evidence of a representation letter signed by the trustees that covers all provisions of the SISA and SISR relevant to the year under audit (for example sections 103, 104 and 105 of the SISA and regulations 13.12 and 13.13 of the SISR).	Included in the audit file and signed by the trustees.
SMSF IAR (section 35C of the SISA)	Evidence of the signed SMSF IAR in the approved form. Part A or B modified if required.	The IAR contains all the SISA and SISR provisions relevant to the year under audit.
Management letter (ASA 260) Section 129 of the SISA	Evidence that a management letter was issued to the trustees where appropriate.	If any issues and or contraventions have been identified, they have been included in a management letter to the trustees.
Audit evidence (ASA 500)	Sufficient and appropriate evidence obtained to support the auditor's opinion, including opening balances.	Any deficiencies in evidence obtained or instances where the auditor had the evidence but did not evaluate it adequately.

	Adequately evaluated the audit evidence, including testing where data feeds or automation have been used (per ASAE 3402).	
Documenting the audit (ASA 230)	Adequately documented the audit to demonstrate relevant audit checks were undertaken and conclusions reached.	Audit notations, calculations, conclusions, and judgments made are documented in the audit file.
Auditor knowledge and understanding of risks (ASA 315)	The auditor demonstrated an appropriate level of knowledge and understanding to enable them to identify and assess risks during the audit of an SMSF.	Any deficiencies identified in relation to the auditor's skills or knowledge relevant to the SMSF audit.

SMSF audit requirements

All references in *Table 5: SMSF audit requirements* are SMSF auditor obligations under the *Superannuation Industry (Supervision) Act 1993* (SISA) and *Superannuation Industry (Supervision) Regulations 1994* (SISR).

Table 5: SMSF audit requirements

Category	What the auditor must confirm	Evidence and procedures
Assets exist	The assets reported in the financial statements exist.	Look for supporting documents including purchase contracts or invoices, physical

		verification when possible.
Ownership	The fund trustees own the assets reported in the financial statements and any income and expenses relate to the fund.	Look for title deeds, purchase contracts, invoices, trustee declarations, rental statements, insurance contracts.
Completeness	Fund transactions are complete and recorded in the correct period.	Cross-check bank statement transactions, invoices and receipts to the trial balance, ledger accounts and financial statements.
Classification	Transactions and events have been recorded in the correct accounts.	Cross-check asset documents (invoices, purchase documents, share and unit certificates, bank statements) with accounts in the financial statements.
Valuation	Assets, liabilities, and member entitlements are reported at the correct valuation.	<p>Check for independent market value documentation.</p> <p>For trustee valuations, check for evidence that the auditor obtained information from trustees supporting the valuation. This includes the method used and supporting documentation to</p>

		show it was based on objective and supportable data.
Definition (section 17A of the SISA)	The fund meets the definition of an SMSF.	<p>Check:</p> <ul style="list-style-type: none"> • the SMSF trust deed • trustee consent forms • trustee declarations • member accounts • directors of the corporate trustee (ASIC checks).
Fund accounts and statements (section 35B of the SISA)	Trustees have signed the fund's accounts and financial statements.	Check audit has been carried out on signed financials.
Sole purpose (section 62 of the SISA)	The fund meets the sole purpose test – no arrangements or investments have been entered into with the intent of providing a present-day benefit to members.	<p>Checks include:</p> <ul style="list-style-type: none"> • contracts • minutes • bank transactions • ledger accounts • rental statements • financial statements • the fund's trust deed and investment strategy.
Loans or financial assistance to members or	No loans or financial assistance have been provided to	Checks include any relationship between the fund and the borrower or

<p>relatives (section 65 of the SISA)</p>	<p>members or relatives of fund members.</p>	<p>receiver of financial assistance or loans, as well as whether loan is genuine – check:</p> <ul style="list-style-type: none"> • rental statements • bank statements of fund and borrower • accounts and financial statements and ledgers • investment strategy • minutes.
<p>Acquisitions (section 66 of the SISA)</p>	<p>Assets acquired were allowed to be acquired by an SMSF.</p>	<p>Check for:</p> <ul style="list-style-type: none"> • type of asset, relationship between the fund and seller • purchase contract • title deeds, acquired at market value.
<p>Borrowings (sections 67, 67A & 67B of the SISA)</p>	<p>No borrowings have been made by the fund unless they meet the borrowing exceptions. The borrowing exceptions include:</p> <ul style="list-style-type: none"> • certain short-term borrowings less than 10% of value of fund assets to pay beneficiaries (≤90 days) 	<p>Checks include:</p> <ul style="list-style-type: none"> • bank statement transactions • financial accounts and statements • ledgers • investment strategy • minutes. <p>For LRBAs, check:</p>

	<ul style="list-style-type: none"> • cover settlement of securities transactions (≤ 7 days) • pay super surcharge (≤ 90 days) • limited recourse borrowing arrangements (LRBAs) that meet the requirements in section 67A, and section 67B (for replacement assets). 	<ul style="list-style-type: none"> • that the asset was a single acquirable asset • purchase documents • holding trust deed • loan (limited in recourse) contracts • repayments • that related-party LRBAs meet the safe harbour provisions • for non-arm's length income (NALI).
In-house assets (sections 82 to 85 of the SISA)	The fund has no in-house assets (loans to, leases with or investments in related parties) or it has in-house assets that represent less than 5% of total fund assets.	<p>Checks include relationships between the fund and other parties to the arrangements.</p> <p>Look for:</p> <ul style="list-style-type: none"> • contracts • minutes • investment strategy • related entity's financials • unit or share register • certificates. <p>Calculate in-house asset percentage based on market values reported in the financial statements.</p>

		Check trustees used a reliable method to value assets at market value.
Trustee records (sections 103 to 105 of the SISA)	Trustees have kept and retained minutes of meetings, records of changes of trustees, signed trustee declarations (for new trustees and or directors after 30 June 2007), and member and or beneficiary reports.	Look for documentation confirming that the auditor checked this including representations by the trustees in the trustee representation letter.
Arm's length (section 109 of the SISA)	SMSF investments made and maintained on an arm's length basis.	Examine: <ul style="list-style-type: none"> • contracts • lease and loan agreements • financial accounts and statements • ledger entries • bank statements for transactions
Trustee disqualification (section 126K of the SISA)	No trustee, or director of a corporate trustee, of an SMSF is a disqualified person.	Look for documentation confirming that the auditor obtained a representation from the trustee(s), and directors of the corporate trustee, about their disqualification status and checked the: <ul style="list-style-type: none"> • ATO disqualified trustees register

		<ul style="list-style-type: none"> • Australian Financial Security Authority National Personal Insolvency Index • ASIC Banned and disqualified register • ASIC's Published Notices showing appointments of liquidators or restructuring practitioners.
Unlisted investments (potential in-house asset, sole purpose and arm's length issues)	Unlisted trust and unlisted company.	<p>Check relationship between:</p> <ul style="list-style-type: none"> • fund trustees • trustees of the unit trust • directors of the unlisted company. <p>Check documentation such as:</p> <ul style="list-style-type: none"> • financial statements (borrowings) • trust deed (type of trust – discretionary, fixed) • unit register (percentage of units held by the SMSF) • distribution statements • the SMSF's unit certificates

		<ul style="list-style-type: none"> • bank statements • distributions paid or owed.
Other assets	Confirmation of assets held by the fund including purchase and sale documents, evidence of market value, investment returns and ownership.	<p>Look at the following:</p> <ul style="list-style-type: none"> • Listed shares – share certificates, a break-up of listed shares, dividend statements. • Real property – residential or business real property? • Ownership and valuation – title deeds, declaration of trust and insurance documents and market value determination supporting evidence. • Arm's length – rental and or lease documents for relationships between parties involved, evidence of rent received and whether it is at market rate. • Use of assets – who is using and any current day benefit.
Investment strategy	The fund has a regularly reviewed investment	Does the fund have a compliant investment strategy

(regulation 4.09 of the SISR)	strategy that considers the whole of the circumstances of the fund including risk, return, liquidity, diversity of investments and any insurance needs for the members.	and has the fund adhered to that strategy? Check the financial statements, minutes and investment returns.
Separation of assets (regulation 4.09A of the SISR)	Fund money and assets are kept separate from those held personally by trustees.	The fund trustee is recorded as the owner of the fund's investments, and all transactions in the fund's bank statements relate to the fund itself, including insurance policies.
Market value (regulation 8.02B of the SISR)	Trustees have valued assets at market value in the financial statements.	Supporting evidence showing when and how the trustees valued assets at market value based on data that is supportable and objective. Any conclusions or judgments made have been documented in the audit file.
Collectable and personal use assets (regulation 13.18AA of the SISR)	Collectable and personal use assets owned by the fund comply with the SISR. (Insured within 7 days of acquisition in the fund's name, not used by, leased to, or stored in the premises of a related party, and	Storage decisions documented, insurance documents, lease agreements, purchase, sales, and evidence of market valuation reported in financials.

	only sold to a related party at market price as determined by a qualified independent valuer).	
Contributions	Contributions met contribution acceptance standards (member's age, employment status, trust deed, TFN quoted).	Check for trustee minutes, bank statements, other documents evidencing contributions.
Benefit payments	Payments met the payment standards (eligibility of member, minimum benefit payments made).	Look for bank statements, ledger entries, financial statements, documents evidencing condition of release.
Exempt Current Pension Income (ECPI)	<p>Any ECPI amount claimed is appropriate in the circumstances.</p> <p>(The members and the benefit payments they received met eligibility requirements, minimum annual pension payments requirements were met, actuarial certificates were provided if required, and ECPI calculations are correct).</p>	Check calculations and note any discrepancies. Check for actuarial certificate if one was required to be obtained.
Tax calculation	Review the tax calculation to ensure the correct	Consider if non-arm's length income has been included

	amount of exempt income has been identified and that the income has been correctly treated for tax purposes.	or should be included.
Deductions claimed	Expenses incurred by the fund and payment has been provided.	Check expense summaries, copies of invoices, bank statements and ledger transactions.
Income	Non-arm's length income identified.	Check for sourcing documents such as lease agreements, loan agreements, bank confirmations, bank statements, income statements (trust distributions, dividends, rental statements), ledger transactions.

SMSF auditor's opinion and reporting requirements

All references in *Table 6: SMSF auditor's opinion and reporting to the ATO and the trustees* are requirements under the:

- Australian Auditing Standards (ASAs) made by the Auditing and Assurance Standards Board
- Australian Standards on Assurance Engagements (ASAEs) made by the Auditing and Assurance Standards Board
- *Superannuation Industry (Supervision) Act 1993* (SISA)
- *Superannuation Industry (Supervision) Regulations 1994* (SISR).

Table 6: SMSF auditor's opinion and reporting to the ATO and the trustees

Reporting	What we check
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Independent auditor's report	<p>Qualifications have been recorded for all identified:</p> <ul style="list-style-type: none"> • material misstatements in the financial reports • matters about which the auditor could not obtain sufficient appropriate audit evidence • material contraventions. <p>References: section 35C of the SISA, ASA 700, ASA 705, ASAE 3100 and ASAE 3000.</p>
Auditor / actuary contravention report (ACR)	<p>An ACR has been lodged within 28 days of completing the audit for all reportable contraventions that meet the ACR reporting criteria.</p> <p>Reference: section 129 of the SISA.</p>
Written advice to the trustees	<p>The trustee has been informed in writing of all identified contraventions.</p> <p>Reference: section 129 of the SISA.</p>

QC 60044

Compliance penalties for SMSF auditors

Penalties can be imposed on SMSF auditors if they contravene the Superannuation Industry (Supervision) Act 1993 (SISA).

Last updated 2 April 2025

Penalties can be imposed on SMSF auditors if they contravene the following sections of the *Superannuation Industry (Supervision) Act 1993* (SISA). Depending on the section that is contravened, the penalties can be either monetary or imprisonment.

Section 35C(6) – An auditor fails to provide the audit report to the trustees within the prescribed period.

Sections 129(3) – An auditor fails to inform trustees and the ATO of:

- contraventions identified during an SMSF audit, or
- the fund's unsatisfactory financial position identified during an SMSF audit.

Sections 129(3B) & (3C) – An auditor (the first auditor) is aware of a matter that must be told to the ATO and a trustee, and the first auditor:

- tells another auditor that they have told the ATO and a trustee about the matter, and
- has not told the ATO and the trustee about the matter.

Section 131B(2) – A person holds themselves out as an approved SMSF auditor and is not an approved SMSF auditor.

Section 131C – A person who is or acts as an approved SMSF auditor and has been disqualified or suspended by the Australian Securities & Investments Commission (ASIC).

QC 45576

Support for SMSF professionals

Resources, guidance and support services we offer self-managed super fund auditors and super professionals.

Last updated 2 April 2025

On this page

[ATO resources and support](#)


[Request non-binding advice](#)

[SMSF specific advice and services](#)

ATO resources and support

Our website guidance provides comprehensive information for self-managed super fund (SMSF) auditors and superannuation professionals. Visit ato.gov.au/smsfauditors for further information.

Trustee-specific SMSF web content also provides useful information for all stages of the SMSF lifecycle. View at ato.gov.au/smsf.

Visit [ATO Community](#) , our online peer-to-peer forum, to see and discuss what SMSF trustees and other professionals in the sector are talking about.

Catch up on SMSF webinar recordings on [ATOtv](#) .

Legal and technical guidance

Access guidance specifically for legal and *Superannuation Industry (Supervision) Act 1993 (SISA)* regulatory issues:

- Legal database
- Legal database ATO interpretative decisions
- Legal database Law administration practice statements
- Public rulings.

SMSF emails and newsroom updates

We encourage SMSF auditors and professionals to **subscribe** to our monthly **SMSF newsroom**. This provides:

- a wrap-up of our latest, published news
- useful resources and links
- reminders.

Request non-binding advice

If you're unable to resolve your query, you can request general non-binding advice on the SISA and *Superannuation Industry (Supervision) Regulations 1994* (SISR) requirements or SMSF administrative issues.

You do this through **secure mail** in:

- **Online services for business** if you're a business or SMSF auditor

- **Online Services for Agents** if you're a tax practitioner.

When you send your request:

- you will receive a receipt number through secure mail as acknowledgement of your request
- we may contact you by phone or secure mail if we need further information to help us respond to your request.

We aim to resolve requests within 28 days. However, it could take additional time when there is a high demand for our technical service.

If the issue you raise is particularly complex or very specific, in place of your request for non-binding advice we may ask you to request SMSF specific advice.

SMSF specific advice and services

Request for SMSF specific advice can help you understand how super law applies to a particular transaction or arrangement for an SMSF, including its investments or paying benefits.

The **SMSF voluntary disclosure service** allows you to engage early with us about unrectified contraventions.

QC 45577

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 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.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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