

A practical guide to ensure your smsf audit complies with the Superannuation law.

Self-Managed Superannuation AUDIT FACTS



What you need to know **P.1**

Tips & Tricks **P.2**

Your Audit Relationship

The best and least painful audit is an open and honest one. If you find your auditor is intimidating, combative or just simply unhelpful then ask around. Our role as your auditor is to help you comply with the Superannuation law and our philosophy is to make audits a valuable exercise, rather than a witch-hunt.

Please contact David or Rob, on 1300 389 839 or david@yoursupersolutions.com.au, for further information.

What you need to know

As the trustee of a self managed super fund (SMSF) you have a responsibility to appoint an approved auditor to audit your fund each year. So who is an approved auditor and what exactly do they do?

Who is an Approved Auditor?

An approved auditor must be either registered as a company auditor with ASIC or a member of one of the professional accounting associations (Chartered Accountant, CPA or NIA members).

Can my accountant audit my SMSF?

Although your accountant could be qualified to perform your audit, the Auditing and Assurance Standards Board has stated that an accountant cannot perform both the accounting and audit of an SMSF and remain independent. The Tax Office will be targeting funds for review whose accountant also provides their audit services, with this information now required to be disclosed in Part I of your annual return. Smaller accounting firms must arrange for

client SMSF audits to be done by a third party. Relatives or other business associates of the accountant are also prohibited from auditing accounts prepared by the accountant.

What are the benefits?

A good quality audit will first and foremost provide comfort that your fund is complying with the law. If your fund is deemed non-complying it could have to pay 45% of its assets to the Tax Office. This is generally a cost which makes the risk of non compliance far too great to take. A good auditor will also help you correct errors, proactively manage emerging issues and assist you in negotiating your way forward with the tax office.

How do I find an Auditor?

Our recommendation would be to contact your accountant first. Your accountant will be able to recommend an approved and reputable auditor for your fund and often will coordinate the entire audit process for you.

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Tips & tricks for smsf trustees

Each year your fund is audited, and if managed well, your audit can be both useful and painless. To help you get the most out of your audit, we have included a few tips and tricks that our clients have found particularly handy.

How to save time and money

The key to a low cost and no fuss audit is communication and well organised documentation.

- If you are unsure of something discuss it with your auditor or SMSF accountant beforehand.
- Make sure you aren't missing anything. If you are, then track it down before it gets to the auditor.
- Your auditor doesn't need every receipt for every transaction (although your accountant may need these). Your auditor only needs to test a percentage of your transactions. Usually those over 10% of the account

balance.

- Ensure you have a documented investment strategy.
- Ensure you have minutes for significant decisions such as starting/stopping a pension.

What is a breach?

A breach occurs when a fund fails to comply with the Superannuation law.

Most common breaches

- Loans made to related parties
- More than 5% in-house assets (related party investments, with some exceptions)
- Assets not held in the correct name
- Documents requested by auditors were not provided

Did you know?

- Any real estate technically needs to be valued every year. Best practice will have a valuation by a registered valuer

every 3 years.

- If you rent a commercial property to a related party you will also need a market rental valuation. TIP: Get this done at the same time as your property valuation.
- You have to keep minutes for 10 years.
- You have to retain financial statements and tax returns for 5 years.
- Your auditor has to comply with Auditing Standards which only require material/significant breaches to be reported.

Reporting breaches

When a breach occurs, an auditor must report this to the ATO when the value of the breach exceeds \$30,000 or 5% of the value of the fund's assets.

Contact us

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