

Approved SMSF auditor checklist

What we look for when auditing the auditor.

Last modified: 02 Sep 2019

SMSF auditor – SISA/SISR obligations

Auditor obligations	Details	Response	Guidance/references
APES 110 Independence (compiled as at September 2017)	Did they audit their own or a relative's fund?	Yes/No	Not permitted – per section 290.104 and sections 290.126 to 290.131 of APES 110, see also Appendix 5 of GS009.
APES 110 Independence (compiled as at September 2017)	Did they prepare the fund accounts? or Where the auditor is a sole practitioner, did their employee prepare the accounts?	Yes/No	Not permitted – per sections 290.165 to 290.168 of APES 110, see also Appendix 5 of GS009.
APES 110 Independence (compiled as at September 2017)	Were they involved in a reciprocal arrangement?	Yes/No	These give rise to independence threats per sections 280.1, 290.126 and 290.130 of APES 110.
APES 110 Independence (compiled as at September 2017)	Were there any other independence issues?	Yes/No	For example: the auditor audits their business partner's SMSF, the auditor's reliance on one source for all of their SMSF audits, the auditor is also providing financial advice to the SMSF trustees (see Appendix 5 of GS009).
Professional indemnity insurance	Evidence of current compliant PI policy?	Yes/No	This is a requirement under section 128F(b) of the SISA.
Continuing professional development (CPD)	Evidence of CPD undertaken in a written log?	Yes/No	This is a requirement under section 128F(a) of the SISA
Fit and proper	Is the auditor considered fit and proper to be an SMSF auditor?	Yes/No	If not, list behaviours or actions that led to your assessment. For example, the auditor is bankrupt, a disqualified trustee, did not communicate in a timely manner with the regulator, has a criminal conviction. Refer to PSLA 2018/1 SMSFs – referral of approved SMSF auditors to ASIC.

SMSF auditor – auditing standards

Auditing standards	Auditor requirements	Response	Guidance/references
Audit Strategy and Audit Plan (ASA 300)	Evidence of an audit strategy and audit plan on file? (As separate documents or combined) The audit strategy and plan were adequate? Comprehensive audit checklist?	Yes/No	An audit strategy should be on file which sets the scope, timing and direction of the audit. The audit plan should also be on file describing the nature, timing and extent of planned risk assessment and audit procedures should be prepared and included in the audit file to comply with the auditing standards. While checklists are not compulsory under the auditing standards they are often used by auditors.
Engagement letter (ASA 210)	Evidence of a signed engagement letter covering the year of audit on file? (Paragraph 10 of ASA 210)	Yes/No	Included in the audit file, complies with the auditing standard and signed by both parties
Representation letter (ASA 580)	Evidence of a representation letter signed by the trustees that references 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)	Yes/No	Included in the audit file and signed by the trustees.
SMSF independent auditor's report (IAR) (s35C)	Evidence of the signed SMSF IAR in the approved form? Part A or B qualified	Yes/No	Check that the IAR contains all of the SIS provisions relevant to the year under audit..
Management letter (ASA 260) Section 129 of SISA	Evidence that a Management letter was issued to trustees where appropriate?	Yes/No	Any issues/contraventions identified and if so, included in a management letter to the trustees.
Audit evidence (ASA 500)	Evidence of sufficient appropriate evidence obtained to support the auditor's opinion including opening balances? Adequately evaluated the audit evidence including testing, where data feeds/automation has been used (per ASAE 3402).	Yes/No	Detail any deficiencies in evidence obtained or instances where auditor had the evidence but did not evaluate it adequately.
Documenting the audit (ASA 230)	Adequate documentation of the audit to demonstrate relevant audit checks were undertaken and conclusions reached have been noted?	Yes/No	Audit notations, calculations, conclusions, and judgements made need to be documented in the audit file.
Auditor knowledge and understanding of risks (ASA 315)	Has the auditor demonstrated appropriate knowledge and understanding sufficient to identify and assess risks during the audit of an SMSF?	Yes/No	Were any deficiencies identified in relation to the auditor's skills or knowledge relevant to the SMSF audit?

The SMSF audit

SMSF audits	Documentation/evidence that the SMSF auditor has carried out the required audit verification checks to demonstrate that:	Response	Guidance/references
Assets exist	Evidence that the assets reported in the financial statements exist.	Yes/No	Look for supporting documents including purchase contracts/invoices, physical verification when possible.
Ownership	Evidence that the fund trustees own the assets reported in the financial statements and any income/expenses relate to the fund.	Yes/No	Look for title deeds, purchase contracts, invoices, trustee declarations, rental statements, insurance contracts
Completeness	Evidence that fund transactions are complete and recorded in the correct period.	Yes/No	Cross-check bank statement transactions, invoices and receipts to the trial balance, ledger accounts and financial statements.
Classification	Evidence that transactions and events have been recorded in the correct accounts.	Yes/No	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.	Yes/No	Independent market value documentation
Definition (s17A)	The fund meets the definition of an SMSF.	Yes/No	Check the SMSF trust deed, trustee consent forms, trustee declarations, member accounts, directors of the corporate trustee (mascot checks)
Fund accounts and statements (s35B)	Trustees have signed the fund's accounts and financial statements.	Yes/No	Check that audit has been carried out on signed financials.
Sole purpose (s62)	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.	Yes/No	Checks include contracts, minutes, bank transactions, ledger accounts, rental statements, financial statements and the fund's trust deed and investment strategy.
Loans to members or relatives (s65)	No loans or financial assistance have been provided to members or relatives of fund members.	Yes/No	Checks include any relationship between the fund and the borrower or receiver of financial assistance/loans – check rental statements, bank statements, accounts and financial statements and ledgers, investment strategy, minutes.
Acquisitions (s66)	Assets acquired were allowed to be acquired by an SMSF.	Yes/No	Check for type of asset, relationship between the fund and seller, purchase contract, title deeds, acquired at market value.
Borrowings (s67, 67A & 67B)	No borrowings have been made by the fund unless they meet the borrowing exceptions. The borrowing exceptions include: <ul style="list-style-type: none"> ■ certain short-term borrowings less than 10% of value of fund assets to pay beneficiaries (≤90 days) ■ cover settlement of securities transactions (≤ 7 days) ■ pay super surcharge (≤90 days) ■ limited recourse borrowing arrangements that meet the requirements in section 67A and section 67B (for replacement assets). 	Yes/No	Checks include bank statement transactions, financial accounts and statements, ledgers, investment strategy, minutes. For LRBA's, check that the asset was a single acquirable asset, purchase documents, holding trust deed, loan (limited in recourse) contracts, repayments. Check that related party LRBA's meet the safe harbour provisions and check for non-arm's length income (NALI).

The SMSF audit cont.

SMSF audits	Documentation/evidence that the SMSF auditor has carried out the required audit verification checks to demonstrate that:	Response	Guidance/references
In-house assets (s82 to 85)	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.	Yes/No	<p>Checks include relationships between the fund and other parties to the arrangements. Look for contracts, minutes, investment strategy, related entity's financials, unit/share register and certificates.</p> <p>Calculate in-house asset percentage is based on market values reported in the financial statements. Check trustees used a reliable method to value assets at market value.</p>
Trustee records (s103 to 105)	Trustees have kept and retained minutes of meetings, records of changes of trustees, signed trustee declaration, and member/beneficiary reports (for new trustees/directors after 30 June 2007).	Yes/No	Look for documentation confirming that the auditor checked this including representations by the trustees in the trustee representation letter.
Arm's length (s109)	SMSF investments made and maintained on an arm's length basis.	Yes/No	Examine contracts/lease/loan agreements, financial accounts and statements, ledger entries, bank statements for transactions.
Unlisted investments (potential in-house asset, sole purpose and arm's length issues)	Unlisted trust and unlisted company.	Yes/No	<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 ■ 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.	Yes/No	<p>Listed shares:</p> <ul style="list-style-type: none"> ■ Share certificates, a break-up of listed shares, dividend statements. <p>Real property:</p> <ul style="list-style-type: none"> ■ Residential or business real property? <p>Ownership and valuation - Title deeds/ declaration of trust and insurance documents, market value determination, supporting evidence.</p> <p>Arm's length - rental/lease documents for relationships between parties involved, evidence of rent received and whether it is at market rate.</p> <p>Use of assets – who is using and any current day benefit</p>
Investment strategy (r4.09)	The fund has a regularly reviewed investment 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.	Yes/No	Does the fund have a compliant investment strategy and has the fund adhered to that strategy? Check the financial statements, minutes and investment returns.

The SMSF audit cont.

SMSF audits	Documentation/evidence that the SMSF auditor has carried out the required audit verification checks to demonstrate that:	Response	Guidance/references
Separation of assets (r4.09A)	Fund money and assets are kept separate from those held personally by trustees.	Yes/No	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 (r8.02B)	Trustees have valued assets at market value in the financial statements.	Yes/No	Supporting evidence showing when and how the trustees valued assets at market value based on data that is supportable and objective. Any conclusions, judgements made have been documented in the audit file
Collectable and personal use assets (r13.18AA)	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 only sold to a related party at market price as determined by a qualified independent valuer).	Yes/No	Storage decisions documented, insurance documents, lease agreements, purchase, sales and evidence of market valuation reported in financials.
Benefit payments	Payments met the payment standards (eligibility of member, minimum benefit payments made).	Yes/No	Bank statements, ledger entries, financial statements, documents evidencing condition of release.
Exempt Current Pension Income (ECPI)	Any ECPI amount claimed is appropriate in the circumstances. (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).	Yes/No	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 amount of exempt income has been identified and that the income has been correctly treated for tax purposes.	Yes/No	Consider if non-arm's length income has been included or should be included.
Deductions claimed	Evidence of expenses incurred by the fund and payment has been provided.	Yes/No	Check expense summaries, copies of invoices, bank statements and ledger transactions.
Income	All income has been recorded appropriately and non-arm's length income identified.	Yes/No	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 to the ATO and the trustees

Auditor reporting	Conclusions	Response	Guidance/references
Financial position and fund compliance (ASA 700 and ASAE 3100)	Based on the auditing and assurance standards and the requirements under the SISA and the SISR, is the auditor's opinion expressed in Part A and Part B of the IAR appropriate in the circumstances?	Yes/No	Any material incorrect statements in the financial reports. Any unidentified or misidentified contraventions.
Contravention reporting (s129)	Auditor/actuary contravention report (ACR) lodged?	Yes/No	List any contraventions identified but not reported to the trustees and the ATO and the auditor's explanation.

Checklist of SISA and SISR obligations, auditing standard requirements and audit documentation.