

SUPERKNOWHOW

Required Documents to Audit an SMSF

1. Signed Establishment Documents:

- Establishment Minute (where fund set-up in last 10 years)
- ATO Trustee Declarations (where fund set-up or new trustee/director added in last 10 years)
- Trustee Consents (where fund set-up or new trustee/director added in last 10 years)
- Member Applications (where fund set-up or new member joined in last 10 years)

2. Other Compliance Documents:

- Latest signed Trust Deed
- Investment strategy in place from 1 July for the year of audit, along with any other strategies put in place after this date NB: Please refer to the comments about Investment Strategies below.
- Where the fund has a corporate trustee, a recent ASIC Annual Review or extract that confirms the directors of the company. There is no need to provide a new report each year, as long as the directors have not changed. We can see on the ASIC website whether the relevant form for changing the directors has been lodged.
- Where the fund has property, a recent title search NB: Refer to the comments about Property below.
- Where the fund has a Limited Recourse Borrowing Arrangement, a copy of both the Loan Agreement and LRBA Deed.

3. Last Year's Financial Statements (where we did not audit the fund in the prior year):

- Statement of Financial Position, Operating Statement, Investment Summary, Member Statements and Annual Return
- Signed Trustee Declaration
- Signed Annual Minutes
- Signed Auditor's Report
- Auditor's Management Letter where one was issued
- Auditor Contravention Report where one was issued

4. This Year's Financial Statements (for funds on Class these should not be provided, as we run all required Class reports ourselves):

- Statement of Financial Position, Operating Statement & Member Statements
- Trial Balance and General Ledger
- Annual Return
- Investment Summary, Income, Realised Gains, etc
- Tax Reconciliation Report

5. This Year's Documents:

- All Bank Statements. NB: Please refer to the comments about Class Data Feeds below.
- Rollover Benefit Statements or equivalent extracts from Superstream processing in Class from 1 October 2021
- ATO notices relating to release of benefits, for example Div293 tax or equivalent extracts from Superstream processing in Class from 1 October 2021
- PAYG Payment Summary Statements where not lodged using Class Super
- Notice of intent to claim deduction for personal super contributions (Section 290-170) NB: Can be provided with the Financials/Tax Return as long as the documents are dated appropriately.
- Investment Statements:

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- Managed Fund/Wrap/Platform Annual Statements
- ASX Listed Securities: Summary of Holdings from Broker, CHESS Holding Statements or HIN/SRNs and postcodes to log into share registries. NB: Please refer to the comments about Class Data Feeds below.
- Private Unit Trust/Company Financial Statements. Please note that we may require a title searches, bank statements, loan statements, etc, in relation to the investments held by the unlisted investment
- Loans made by the fund: Please provide the Loan agreement. Confirmation of continued existence of the loan may be required from the borrower of the loan.
- Collectibles, Personal Use Assets and Other Physical Assets: Recent Photographs
- Where the documentation that we are after cannot be provided please let us know what other documentation may be suitable to be able to confirm the existence of the asset, evidence of its ownership by the fund, and confirmation of its market value.
- Income Statements, for example:
 - Managed Fund/Wrap/Platform Tax Statements
 - ASX Listed Securities: We do not need to see dividend/distribution/interest statements where processed using Class Super's Generate Income function, however please provide any Tax Statements used for processing.
- Real Estate: Rental Statements where rented through real estate agent or Lease Agreements where rented privately. If rented to a related party, please ensure an independent valuation is provided with the lease agreement to confirm that the lease is at market value.
- Purchase/Sale Documents, for example:
 - Investment Confirmations/Applications
 - ASX Listed Securities: PDF listing of trades from broker or individual Contract Notes. NB2: Please refer to the comments about Class Data Feeds below.
 - Real Estate: Contract of Sale and Settlement Notices
- Majority of Invoices for Fund and Investment related expenses. NB: For audits of funds on the Class Super system our Auto Review file will indicate in yellow any expenses that we are likely to check. Where a fee is recurring and no invoice is issued, please provide a copy of the agreement for the fee.
- Member insurance policy schedules
- Tax Agent Portal Print Outs for both the Income Tax Account and Integrated Client Account
- Actuarial Certificate where required
- Please note that the above list is not exhaustive, and only caters for the normal kinds of investments that we see. We may require additional information to cover some of the non-standard investments.

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Comments about Class Data Feeds:

As a result of Class Super receiving ASAE 3402 assurance for its data feed system, we no longer need to see bank statements where all of the following conditions are met:

- We have a bank statement on file to confirm the current holder of the account,
- The bank account was on a data feed in Class for the full financial year,
- There has been no manual change to the data that has been received, and
- The feed balance data is showing as correct.
- The bank account was not closed during the year.

This also holds true for broker transactions in that we will no longer need to see contract notes or broker transaction summaries for trades have come through on the data feed and no manual changes have been made. Broker holding summaries should still be provided to ensure that in specie transfers and corporate actions have been accounted for.

Comments about Property:

The first year we audit the fund with property, you will need to provide a recent Title Search for each property. Alternatively you can ask us to purchase one, which we will add \$60+GST per title search to your invoice. There is no need for you to provide a new title search each financial year unless there has been a change to the title, or the search on file is more than 3 years old and we do not have a way of verifying that there have been no changes to it.

Both residential and commercial properties should be valued each financial year. For residential properties, you can use the RP Data free service through the Class system. In saying this, for us to accept the RP Data valuation as audit evidence of the market value, the Forecast Standard Deviation (FSD) for the valuation as shown in Class needs to be no greater than 10%. Where the FSD is greater than 10% or the valuation is unavailable through Class, then alternate methods are required such as online property valuations (e.g. Domain or RealEstate.com.au websites) or having a real estate agent provide an appraisal in writing. Please keep in mind the ATO's latest views on appraisals, which suggest the comparable sales data should be included on the appraisal to show how the value was determined, per <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditor-compliance/Verifying-the-market-value-of-fund-assets/#Auditevidencetoverifymarketvalue>

Prior to 2013 the industry standard was for commercial property to be revalued every 3 years. The introduction of Reg 8.02B and more rapid changes to market conditions in recent years require valuations to at least be reviewed annually to see if they are still at market rates, regardless of whether the property is residential or commercial. The trustee has to look to obtain objective supporting data to be able to confirm that it is unlikely that the property price has changed and if that information is not available then an appraisal or valuation may be required. We have seen that, for example, the effects of COVID in the latter part of the 2020 FY resulted in many property prices falling, and now the recovery in the latter part of the 2021 FY indicates that many properties will need to be revalued for 30 June 2021 even if they were only just revalued for 30 June 2020.

Comments About Providing Emails as Audit Evidence:

We have seen in recent years email correspondence increasingly being provided as audit evidence. It should be noted emails are generally considered low quality audit evidence as they are simple to modify, and therefore we will seek to obtain stronger forms of audit evidence where the size or risk of the item in question requires it. In situations where email correspondence is still considered to be the best available form of audit evidence, to be considered reliable it should come directly from the sender to either Super Know How or your firm. Any correspondence forwarded on from the trustees will not be considered acceptable.

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Comments about Investment Strategies:

The ATO has recently updated their website to provide what we feel is their most detailed guidance yet on what they feel is required of an investment strategy for it to comply with the requirements listed in SIS. As auditors, this is something that we have been looking at in more detail for several years now, and have been providing feedback to the trustees in our management letters where we feel that there may be an issue. We have highlighted some points from the ATO's guidance in the below paragraphs – in particular there are several situations that we have been mentioning to trustees in our management letters that the ATO has confirmed are not adequate, and the trustees will need to ensure that they update their investment strategy or we may be required to report the issue to the ATO in an Auditor Contravention Report.

Also note that the investment strategy provided should be dated, and strategies covering the period being audited need to be provided. Providing an investment strategy dated in May 2022 does not help confirm the trustees' compliance with the investment strategy rules for the 2021 financial year.

The full details on the ATO website can be reviewed here: <https://www.ato.gov.au/super/self-managed-super-funds/investing/your-investment-strategy/>

Item	The ATO Notes
The investment strategy must be in writing, and must be tailored in some way to the circumstances of the fund.	"Your SMSF investment strategy should be in writing. It should also be tailored and specific to the relevant circumstances of your fund rather than a document which just repeats the words in the legislation."
The investment strategy will need stated investment objectives as well as some indication of how the investments are expected to help meet those objectives.	"Your strategy should explain how your investments meet each member's retirement objectives."
The investment strategy should either include asset class ranges that are not all "0-100%", or must list the material assets that are to be held, or must include the reasons why such asset class broad ranges are required. The ATO has of course not provided any guidance on what good reasons are, and we feel that it should be easy enough for a trustee to select some kind of asset class ranges that are not all 0-100%. At the very least there will almost certainly be some asset classes that the trustee has no intention of investing in that could just be left as zeroes.	"When formulating your investment strategy, it is not a valid approach to merely specify investment ranges of 0 to 100% for each class of investment. You also need to articulate how you plan to invest your super or why you require broad ranges to achieve your investment goals to satisfy the investment strategy requirements." "broad investment ranges between 0 to 100% in a broad range of assets do not reflect proper consideration in satisfying the investment strategy requirements. Your strategy must articulate how you plan to invest your super in order to meet your retirement goals." "If you choose not to use allocated portions or percentages in your investment strategy, you should ensure material assets are listed in your investment strategy. You should also include the reasons why investing in those assets will achieve your retirement goals."

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Where there are additional risks due to the lack of diversification in the fund there must be a specific section in the strategy to indicate that the trustee has considered this risk and why they think the investment will still allow the fund to meet its return objectives and cash flow requirements.

“Investing the predominant share of your retirement savings in one asset or asset class can lead to concentration risk. In this situation, your investment strategy should document that you considered the risks associated with a lack of diversification. It should include how you still think the investment will meet your fund’s investment objectives including your fund’s return objectives and cash flow requirements.”

The standard templates that have historically been provided on establishing a fund are unlikely to be adequate, especially where they do not contain any asset class ranges.

“Take care when obtaining standard investment strategy templates as these may not satisfy the super rules. They must be appropriately tailored to your fund’s particular circumstances as discussed above and reviewed regularly as required by the super rules.”

Also note that the minute that is provided by Class is not an investment strategy itself. The standard document is purely a trustee minute confirming that there is an investment strategy being adopted (and a copy should be attached to the minute) and that the trustee has gone through the process of reviewing it and confirming that the requirements of SIS have been reviewed. We cannot accept this document by itself as an investment strategy.

Note that short term deviations from the strategy are acceptable where the trustee is aware of the deviation and is taking the appropriate action – such as the time between selling an investment and buying another.

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