**NSW Audit – PPC/My public Accountant**

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**SMSF Audit**

ASIC registration of SMSF Auditors.

As of 1 July 2013 all SMSF auditors must be registered with ASIC. Components to registration include:

* Fit & proper person test – must not have serious criminal or fraud conviction, not be a bankrupt;
* Tertiary education in accounting (includes TAFE Advanced Diploma) being a three year qualification in accounting;
* Must have an audit subject as part of their underlying degree or as part of professional program or SPAA Advanced Auditor course;
* Have done 300 hours experience in SMSF audits in last 3 years; and
* Sit a competency exam.

Members with overseas qualifications will need to have their qualifications assessed. IPA can do the assessment of a member’s overseas qualification.

**Trust Account Audit**

*Accountant’s Trust Accounts*

APES 310 *Dealing with Client Monies* relates to monies coming into control of a Member in Public Practice (the Member) which are the property of a client to which the Member has no present entitlement. The Member may deal with client monies through a trust account or a client’s bank account. Members who hold a certificate of public practice of IPA, CPA and CAANZ are able to undertake a trust account audit for another accountant.

*Solicitor’s Trust Account NSW*

A law practice must have its trust records externally examined by an external examiner appointed in accordance with the *Legal Profession Uniform General Rules 2015*. To be eligible as an external examiner a person must be an IPA, CPA or CAANZ member holding a certificate of public practice or a registered company auditor, and must have passed an education course set by Law Society of NSW.

An external examination covers a law practice’s trust records from the beginning of April to the end of March in the following year. A report on the examination must be lodged with the Law Society of NSW by the end of May.

If you meet the eligibility requirements and are interested in attending a future education course to become an external examiner, or if you have any other enquiries, email the Trust Accounts Department at [tad@lawsociety.com.au](mailto:tad@lawsociety.com.au?subject=External%20Examiners).

*Real Estate Agent Trust Account NSW*

A real estate agent must have its trust accounts audited each year within three months after 30 June by an approved auditor.

An audit of a real estate agents trust account can be conducted by a qualified auditor. A qualified auditor is defined under s115(1)(b) of the Property Stock and Business Agents Act 2002 as a Registered Company Auditor or a member of IPA, CPA or CAANZ who holds a certificate of public practice.

Travel Agent Trust Account

Since 1 July 2013, travel agents are no longer required to lodged audited annual financial returns to the Travel Compensation Fund (TCF). A voluntary industry accreditation scheme has been introduced by AFTA Travel Accreditation Scheme.

**Incorporated Association - NSW**

The *Associations Incorporation Act 2009* (the Act) divides incorporated associations into two tiers, Tier 1 and Tier 2.

Tier 1 associations are defined in clause 7 of the *Associations Incorporation Regulation 2010* as associations whose:

* Total revenue more than $250,000; or
* Current assets more than $500,000.

Tier 1 associations are required to submit audited financial statements each year to the members at the AGM.

Tier 2 associations are required to submit a summary of their financial affairs to the AGM and are classified as Tier 2 or small where the associations:

* Total revenue are $250,000 or less; or
* Current assets are $500,000 or less.

Under Section 52 of the Act an auditor of a Tier 1 association need not be a registered company auditor provided that the person appointed is:

* a member of the IPA, CAANZ or CPA and holds a public practice certificate issued by one or more of these bodies, or
* the Auditor-General of the Commonwealth of Australia or of a State or Territory.

For an audit carried out by a non-registered company auditor, the auditor's report must record whether the auditor is a member of The CAANZ, CPA Australia or the IPA and holds a public practice certificate issued by one of those bodies.

**Audit of Proprietary Company**

A large proprietary company is required to have its financial report audited (by a Registered Company Auditor), unless ASIC grants relief. A proprietary is defined as large for a financial year if it satisfies at least two of the following paragraphs:

* the consolidated revenue for the financial year of the company and any entities it controls is $25 million or more;
* the value of the consolidated gross assets at the end of the financial year of the company and any entities it controls is $12.5 million or more; and
* the company and any entities it controls have more than 50 employees at the end of the financial year.

Otherwise the company is classified as a small proprietary company and is not required to prepare a financial and consequently, an audit is not required. However, if the small company is foreign controlled company (and an exemption is not obtained) or if ASIC or shareholders representing at least 5% of the voting shares deem it necessary, the company must follow the requirement to prepare a financial report and have it audited.

**Audit of Companies Limited By Guarantee**

Prior to the commencement of the *Corporations Amendment (Corporate Reporting Reform) Act 2010,* all companies limited by guarantee had to prepare a financial report which required an audit, because they were classified as public companies.

A three-tier differential reporting framework for companies limited by guarantee has been established.

* Tier 1 (annual revenue less than $250,000 and does not have deductible gift recipient status) - has no obligation to prepare a financial report or have its financial report audited, unless required to do so under its constitution or a member or ASIC direction;
* Tier 2 (annual revenue is $250,000 or more but less than $1 million or that have deductible gift recipient status) - must prepare a financial report which they could elect to be reviewed rather than audited;
* Tier 3 (annual revenue is more than $1 million) - must prepare a financial report and have it audited.

Members of the IPA in public practice can undertake the review of Tier 1 (where required) or Tier 2 Company Limited by Guarantee.

**Audit of Charities (other than Companies Limited by Guarantee)**

Charities are now regulated by the Australian Charities and Not-for-Profit Commission (ACNC). Under the Australian Charities and Not-for-profits Commission Act 2012 (Cth) (The ACNC Act) charities reporting requirements are dependent on their classification as either small, medium or large charities.

* **Small charities** (annual revenue is less than $250 000) - need to submit an Annual Information Statement (AIS). From 2015 onwards the Annual Information Statement will include basic financial questions.
* **Medium charities** (annual revenue is $250 000 or more but less than $1 million) - must submit an AIS and an annual financial report that is reviewed or audited.
* **Large charities (**annual revenue is more than $1 Million) - must submit an AIS and an annual financial report that is audited .

Therefore, small charities do not need to be audited unless their constitutions require an audit. Medium charities can elect to have a review instead of an audit and this review can be by a member of IPA, CPA or CAANZ in practice. Joint Accounting Bodies have released a guide to assist those undertaking reviews. Large charities have to have an audit and this must be by a Registered Company Auditor.

**Co-operatives - NSW**

Co-operatives are regulated and supervised by the NSW Fair Trading’s Registry Services. The [*Co-operatives (Adoption of National Law) Act 2012*](http://www.legislation.nsw.gov.au/maintop/view/inforce/act+29+2012+cd+0+N) (the Act) and associated Regulations applies in NSW from the date of commencement of the Act, being 3 March 2014. The NSW Co-operatives National Law consist of 4 pieces of legislation:

* [*Co-operatives (Adoption of National Law) Act 2012*](http://www.legislation.nsw.gov.au/maintop/view/inforce/act+29+2012+cd+0+N)
* [Co-operatives National Law (NSW) (CNL)](http://www.legislation.nsw.gov.au/fragview/inforce/act+29+2012+app.2+0+N?tocnav=y)
* [Co-operatives National Regulations (NSW) (CNR)](http://www.legislation.nsw.gov.au/sessionalview/sessional/subordleg/2013-601.pdf)
* [Co-operatives (New South Wales) Regulation 2014 (Local Regulations)](http://www.fairtrading.nsw.gov.au/biz_res/ftweb/pdfs/Cooperatives_and_associations/cooperatives/Coops_nsw_local_regs_legislation.pdf)

Co-operatives financial reporting requirements are dependent on their size as either small co-operatives or large co-operatives:

* Small co-operatives – a co-operative is classified as a small co-operative for a financial year if it does not issue shares to more than 20 prospective members exceeding $2 million or securities to the public and it satisfies at least two of the following criteria:
  1. consolidated revenue is less than $8 million;
  2. consolidated gross assets are less than $4 million;
  3. has fewer than 30 employees.
* Large co-operatives – a large co-operative must satisfy two of the following criteria in a financial year:
  1. consolidated revenue of $8 million or more;
  2. consolidated gross assets of $4 million or more;
  3. has 30 or more employees.

Co-operatives that issue securities to the public, regardless of size, will need to meet the reporting requirements of a large co-operative.

A small co-operative does not require an audit, unless the co-operative is directed to prepare audited financial statements or reviewed financial statements either by its members or the Registrar. A large co-operative must have an audit and the auditor must be a registered company auditor.