

SMSF Audit

ASIC To audit a self-managed superannuation fund (SMSF) you must be registered as an 'approved SMSF auditor'. ASIC has responsibility for registering approved SMSF auditors. The requirements for registration are imposed by the Superannuation Industry (Supervision) Act 1993 (SIS Act) and Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations). The Australian Taxation Office (ATO) has responsibility for monitoring the conduct of SMSF auditors and may refer an auditor to ASIC to consider taking further action, such as cancelling or suspending registration or imposing registration conditions.

To be registered as an approved SMSF auditor with ASIC, you must meet the following components:

- Be an Australian resident,
- Do not have certain disqualifications or suspensions in force,
- Be a fit and proper person to registered as an approved SMSF auditor and capable of performing the duties of an approved SMSF auditor,
- Have adequate and appropriate PI insurance,
- Pass a competency examination, Examination addressing competencies is prescribed in ASIC Class Order [CO12/1687],
- Have the required level of practical SMSF auditing experience, and
- Have the prescribed qualifications.

Ongoing SMSF auditor registration requirements include completion of 120 hours of continuing professional development over each three-year period, which must include 30 hours of development on superannuation and at least 8 hours of development on auditing SMSF's.

Further information explaining how to apply for registration as an approved SMSF auditor and the requirements for registration is found in the published ASIC Regulatory Guide 243 *Registration of self-managed superannuation fund auditors*.

Trust Records

Members of Professional Accounting Bodies in Public Practice – Client Monies

APES 310 Client Monies (APES 310) specify a Member in Public Practice's (Member) professional and ethical obligations a) when the Member deals with client monies (holding, receiving or disbursing in a trust account or in a client bank account); or b) when the member acts as an auditor of client monies.

In Queensland accountant's trust accounts are also covered by the *Trust Account Act 1973* (Act) and the Trust Accounts Regulation 1999. Under the Act, there are specific requirements for establishing and appointing an auditor. After establishment of the trust account, the trustee (public accountant) must appoint an auditor to the trust account and advise the supervising entity (Department of Justice and Attorney-General) in writing within 30 days of such appointment. Refer to section 14 (1) and 14 (2) of the Act.

Members who hold a certificate of public practice of Institute of Public Accountants (IPA), Institute of Chartered Accountants Australia and New Zealand or CPA Australia are able to undertake a trust account audit for another accountant. Under Section 15 of the Act, **an IPA member** is also required to have completed a tertiary course of study in accounting with an auditing component from an institute prescribed under the Corporations Act, Section 1280(2).

Where the Member who is dealing with client monies does not have to maintain a trust account and can only co-authorise transactions in a client bank account in conjunction with the client, then the Member can engage an Auditor of Client Monies to perform a limited assurance engagement.

An Auditor of Client Monies shall perform an assurance engagement in accordance with Auditing and Assurance Standards (ASAE 3100 *Compliance Engagements*).

Real Estate and other Agents trust account requirements

Real estate and other Agents (including residential letting agents, auctioneers, commercial agents and debt collection agents) must have its trust accounts audited each year within four months after the end of the audit period.

Agents that receive trust money must establish and maintain a trust account that complies with the *Agents Financial Administration Act 2014*, *Agents Financial Administration Regulation 2014* and *Motor Dealers and Chattel Auctioneers Act 2014*.

All trust account audit results must be lodged with the Office of Fair Trading. Audits of trust accounts are performed in accordance with Australian Standards on Assurance Engagements, ASAE 3000 *Assurance Engagements* and ASAE 3100 *Compliance Engagements*

Under Section 29 of the *Agents Financial Administration Act 2014* audits of trust accounts can be performed by either:

- A registered company auditor, or
- Be a member of the of the Institute of Public Accountants with the designation MIPA or FIPA, a member of CPA Australia with the designation CPA or FCPA or a member of Chartered Accountants Australia and New Zealand with the designation CA or FCA. This is a QLD requirement only.

Examination of a law practice's trust records Queensland

Under section 268 of the *Legal Profession Act 2007*, each law practice that received or held trust money during a year (ending 31 March) must have its trust records externally examined within 60 days after the end of the period (and lodge with the QLD Law Society).

To be eligible as an examiner the *Legal Profession Regulation 2007* section 65 states a person must be an member of the Institute of Public Accountants with the designation MIPA or FIPA, a member of CPA Australia with the designation CPA or FCPA or a member of Chartered Accountants Australia and New Zealand with the designation CA or FCA, hold a professional practice certificate and have completed a tertiary course in accounting with an auditing component as per Corporations Act S1280(2A). Alternatively, the examiner may be a registered company auditor under the Corporations Act.

Incorporated Association – QLD

Incorporated associations that are also registered with the Australian Charities and Not-for-profits Commissions (ACNC) will benefit from an exemption which allows them to report only to the ACNC provided they satisfy the following conditions:

- satisfy an ACNC annual reporting requirement,
- include their Queensland registration number (their IA number) on their ACNC Annual Information Statement,
- are not part of an ACNC group reporting arrangement, and
- do not have the ACNC withhold publication of financial data.

However, if the organisation conducts certain games under the *Charitable and Non-profit Gaming Act 1999* or operates gaming machines, the association must continue to submit audited annual returns to the Office of Liquor and Gaming Regulation.

Where an incorporated association does not benefit from the exemption to report to the ACNC, the following will apply. For information on the audit of those associations benefiting from the exemption, refer to the section below **Charities regulated by the ACNC**.

Under the *Associations Incorporation Act 1981* there are three different reporting levels for an incorporated association that determines whether an audit, review or verification is required. The three reporting levels are:

Large association - the association satisfies one of the following criteria:

- Current assets are more than \$100,000; or
- Total revenue is more than \$100,000;

Large associations must have the financial statements audited by either a qualified auditor or certified accountant.

Medium association - the association satisfies one of the following criteria, either:

- Current assets are between \$20,000 and \$100,000; or
- Total revenue is between \$20,000 and \$100,000;

Medium associations must have the financial statements either verified or audited unless specifically required under another law for example, *Collections Act 1966*, *Gaming Machine Act 1991* or the *Charitable and Non-Profit Gaming Act 1999*, to have an audit conducted.

The records can be audited or verified by a:

- Certified accountant, or
- Registered company auditor (as per Associations Incorporation Regulation 1999, section 9B), or
- Another approved person as approved by Office of Fair Trading.

Small association - where the association's assets **and** revenue is less than \$20,000 the president or Treasury must verify the financial statements. An audit or review is not required unless:

- members specifically request for one to be performed, or
- specifically required under another law (for example *Collections Act 1966*, *Gaming Machine Act 1991* or the *Charitable and Non-Profit Gaming Act 1999*).

A certified accountant is a member of the Institute of Public Accountants with the designation MIPA or FIPA, a member of CPA Australia with the designation CPA or FCPA or a member of Chartered Accountants Australia and New Zealand with the designation CA or FCA.

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.

From financial years commencing on or after 1 July 2019, a proprietary company is defined as large for a financial year if it satisfies at least two of the below criteria:

- the consolidated revenue for the financial year of the company and any entities it controls is \$50 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 \$25 million or more, and
- the company and any entities it controls have 100 or more employees at the end of the financial year.

Large proprietary companies must prepare and lodge a financial report and a director's report for each financial year. The accounts must be audited unless ASIC grants relief.

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.

Companies Limited By Guarantee

Companies that are limited by guarantee that are a registered charity with the Australian Charities and Not-for-profits Commissions (ACNC), must meet the requirements of the *ACNC Act 2012* and comply with the governance standards in the *ACNC Regulation 2013*. Therefore, a number of provisions of the Corporations Act that would otherwise apply to companies limited by guarantee, do not apply to registered charities.

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 of the company 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 Institute of Public Accountants, Chartered Accountants Australia and New Zealand or CPA Australia, in public practice can undertake the review of Tier 1 (where required) or Tier 2 Company Limited by Guarantee. An audit of Tier 2 or Tier 3 Company Limited by Guarantee entities must be conducted by a registered company auditor.

A company limited by guarantee that is registered as a charity does not have to report annually to ASIC but must submit an Annual Information Statement to the ACNC with a financial report if the charity is medium or large. A medium or large charity must meet all ACNC requirements, (see Audit of Charities requirements below).

Charities regulated by the ACNC

Charities are regulated by the Australian Charities and Not-for-Profit Commission (ACNC). Under the Australian Charities and Not-for-profits Commission Act 2012 (Cth) (*ACNC Act 2012*) charities reporting requirements are dependent on their classification as either small, medium or large charities. For reporting periods starting from 2022 Annual Information Statement, charity sizes are:

- **Small charities** (annual revenue* is less than \$500,000) - need to submit an Annual Information Statement.
- **Medium charities** (annual revenue* is \$500,000 or more but less than \$3 million) - must submit an Annual Information Statement and a financial report** that is either reviewed or audited. A charity's governing document or grant funding agreements may state whether its financial report needs to be reviewed or audited.
- **Large charities** (annual revenue *is more than \$3 Million) - must submit an Annual Information Statement and a financial report** that is audited.

*Revenue is total income and includes a charity's ordinary activities such as grants from government, foundations, private (or any other sources), donations, fees for provision of services, sale of goods, interest earned on investments, in-kind donations and royalties.

**Financial reports must be either Special purpose financial statement (if not a [x]), or General Purpose Financial Statement – Reduced/Simplified Disclosure Requirements (Tier 2), or General Purpose Financial Statement (Tier 1).

Where a charity receives a one-off donation (for example a large bequest), it may change size for one reporting period. If the charity is likely to return to its original size in the following reporting period, it can apply to keep the original charity size for the reporting period.

Small charities do not need to be audited unless the charity's governing document requires a review or audit. The audit of a medium or large charity must be conducted by a registered company auditor or an authorised audit company. A review of a medium company can be conducted by a member of the Institute of Public Accountants, Chartered Accountants Australia and New Zealand or CPA Australia, in public practice.

Co-operatives – QLD

Under the *Co-operatives National Law Act 2020*, co-operatives financial reporting requirements are dependent on their size as either small co-operatives or large co-operatives:

- Small co-operatives – has not issued shares to more than 20 prospective members or where it has done this, amount raised by issuing those shares does not exceed \$2 million and no securities on issue to non-members and it satisfies at least two of the following criteria:
 - consolidated revenue is less than \$8 million for the financial year;
 - consolidated gross assets are less than \$4 million at the end of the financial year;
 - has fewer than 30 employees at the end of the financial year.
- Large co-operatives – a large co-operative must satisfy two of the following criteria in a financial year:
 - consolidated revenue of \$8 million or more;
 - consolidated gross assets of \$4 million or more;
 - has 30 or more employees.

A small co-operative does not require a review or audit, unless the co-operative is required to as specified in the co-operative's rules or directed either by its members or the Registrar. Small co-operatives must provide to its members within five months of the end of the co-operative's financial year, a report including an income and expenditure statement, a balance sheet, a statement of changes in equity and a cash flow statement (only required if consolidated revenue is \$750,000 or more or if consolidated gross assets is \$250,000 or more).

A large co-operative must have an audit and the auditor must be a registered company auditor. Large co-operative's are required to report to members within five months after the end of the financial year.