



## **SMSF Audit**

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 be 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.

The Member who deals with client monies must appoint another Member who holds a certificate of public practice of Institute of Public Accountants, Institute of Chartered Accountants Australia and New Zealand or CPA Australia (Auditor of Client Monies) to undertake a reasonable assurance engagement of the Member's compliance with the requirements of APES 310 within 3 months of the applicable year-end date.

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*).

#### *Examination of a law practice's trust records (South Australia)*

Where the law practice deals with trust money's, the law practice must appoint a designated person for the purposes of the *Legal Practitioners Act 1981*, or a firm of public accountants with at least one designated person as a member, to be the external examiner. The Law Society of South Australia can designate a person to be appointed as an external examiner.

To apply to the Law Society of South Australia to be a designated person, the applicant must be a principal in an accounting practice in South Australia who has completed the conducted by the Law Society of South Australia and be a member of the Institute of Public Accountants, Chartered Accountants Australia and New Zealand or CPA Australia or a Registered Company Auditor.

The law practice must have its trust records for that year externally examined by an external examiner as soon as practicable after the end of the financial year.

Under section 39 of the *Legal Practitioners Act 1981*, the External Examiner's report is due on or before 31 October following the financial year to which the report relates.

#### *Land Agents*

Land Agents Act 1994 says land agents must have a trust account and this must be audited annually. Act defines auditor as a Registered Company Auditor or such other persons as set out in regulations as an auditor. Section 11 of the *Land Agents Regulation 2010* current regulations does not extend definition further to include a member of the IPA.

### **Incorporated Association**

South Australian charities that are registered with the Australian Charities and Not-for-profits Commissions (ACNC) and hold a Collections for Charitable Purposes no longer need to report annually to the South Australian, Corporate and Business Services (CBS). These entities are required to report annually to the ACNC and comply with all ACNC regulatory requirements.

Where an incorporated association is not a registered charity with 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**.

A prescribed association is defined under the *Associations Incorporated Act 1985* (the Act) as an incorporated association that had gross receipts in excess of \$500,000 per annum (Prescribed Association) in the association's previous financial year and is required to have their accounts audited.

Under Section 35(2)(6) of the Act, the auditor of a prescribed association must be either a:

- a) registered company auditor
- b) firm of registered company auditors
- c) member of Chartered Accountants Australia and New Zealand or CPA Australia, or
- d) person approved by the Corporate Affairs Commission

For CBS to consider an approval under d), the association would be required to provide, in writing, an explanation of the special circumstances which prevent them from engaging someone qualified as specified in (a) to (c) above. In addition, the proposed auditor would need to have significant experience in auditing, in particular entities that have had gross revenue in excess of \$500,000 in a financial year.

### **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 (AIS).
- **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 - SA

Co-operatives are regulated and supervised by the South Australian Consumer and Business Services under the *Co-operatives National Law (South Australia) Act 2013* (the Act) and *Co-operatives National Law (SA)*.

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:
  - i. consolidated revenue is less than \$8 million;
  - ii. consolidated gross assets are less than \$4 million;
  - iii. has fewer than 30 employees.

- Large co-operatives – a large co-operative must satisfy two of the following criteria in a financial year:
  - i. consolidated revenue of \$8 million or more;
  - ii. consolidated gross assets of \$4 million or more;
  - iii. has 30 or more employees.

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. 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.