



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 (Victoria)

Under the *Legal Profession Uniform General Rules 2015 (Vic)* and the *Legal Profession Uniform General Rules 2015* (Uniform Rules), a law practice must have its trust records externally examined by 31 May each year if it has received or held trust money, excluding transit money. The law practices are required to notify the Law Society of the person appointed (or removed) as their External Examiner.

A person is qualified to be an External Examiner under Section 65 of the Uniform Rules, where they have successfully completed an approved course and are one of the following classes:

- Members of CPA Australia, Chartered Accountants Australia and New Zealand or the Institute of Public Accountants Australia, holding a Certificate of Public Practice, or
- Registered as auditors under Part 9.2 of the Corporations Act, or
- Employees or agents of the local regulatory authority (law society).

An External Examiner must complete the Legal Services Council approved External Examiners trust course conducted by the Law Institute of Victoria or NSW Law Society.

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 31 May each year.

If you have any other enquiries, email the Trust Accounts Department at trustgroup@lsbc.vic.gov.au.

Real Estate Agent Trust Account Victoria

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

An approved auditor is defined in s4(1) and s66 (1) of the *Estate Agents Act 1980* as a practising public accountant who is a member of the Institute of Public Accountants, Institute of Chartered Accountants Australia New Zealand or CPA Australia.

All real estate trust account audit results must be lodged with myCAV - Consumer Affairs Victoria (<https://www.consumer.vic.gov.au/licensing-and-registration/estate-agents/running-your-business/trust-accounts/auditing-trust-accounts>).

The audit of trust accounts are performed in accordance with Australian Standards on Assurance Engagements, ASAE 3000 *Assurance Engagements* and ASAE 3100 *Compliance Engagements*.

Consumer Affairs Victoria published an *Auditor's Guide* which provides information on conducting the audit.

Conveyancer Trust Account Victoria

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

An approved is defined in s83(1)(a)(i) of the *Conveyancers Act 2006* as a:

- practising public accountant who is a member of the Institute of Public Accountants, Institute of Chartered Accountants Australia New Zealand or CPA Australia,
- has successfully completed any courses of education required by the Director of Consumer Affairs Victoria (including a degree in commerce, accounting, business studies or a similar discipline from an Australian university or a foreign university) as defined under s90(1)(a) of the *Conveyancers Act 2006*,
- has completed or substantially assisted in carrying out the audit of the [trust records](#) of at least 2 (or such higher number as is prescribed) [licensees](#) or Australian legal practitioners in respect of any of the previous 3 financial years; or

- a person who is approved by the Director of Consumer Affairs Victoria.

The audit of trust accounts are performed in accordance with Australian Standards on Assurance Engagements, ASAE 3000 *Assurance Engagements* and ASAE 3100 *Compliance Engagements*.

Incorporated Associations - Victoria

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 continue to lodge the Annual Information Statement to the ACNC for each financial year and follow their regulatory requirements.

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**.

The *Associations Incorporation Reform Act 2012* (the Act), divides associations into three tiers for reporting purposes according to its total revenue as follows:

- Tier 1 associations are those whose revenue is \$250,000 or less,
- Tier 2 associations are those whose revenue is more than \$250,000 but less than \$1million,, and
- Tier 3 associations are those whose revenue is more than \$1million.

All Tiers

All tiers must prepare financial statements as soon as practical after the end of the association's financial year. The financial statements must be prepared in accordance with accounting standards and include an Income Statement, Balance Sheet, other statements as required by accounting standards (such as a cash flow statement) and notes to the accounts. Further, the financial statements must include details of any mortgages, charges and other securities affecting any property owned by the association.

The financial statements must be presented to members at the annual general meeting (AGM), which must be held within five months after the end of the financial year. The financial statements must be lodged within one month after the AGM, along with the appropriate signed declarations with

Tier 1 associations

Tier 1 associations do not need to have their financial statements externally reviewed or audited unless:

- its rules state otherwise (audit or review)
- a majority of members vote to do so at a general meeting (review only), or
- Registrar of Incorporated Associations directs them to do so.

Tier 2 associations

Tier 2 associations must have their accounts reviewed by an independent accountant. An independent accountant must be:

- a member, who holds a current public practice certificate (CPP holder), of the Institute of Public Accountants, the Institute of Chartered Accountants in Australia or CPA Australia, or

- any other suitably qualified person approved by the Registrar of Incorporated Associations for this purpose, such as a members of the Association of Taxation and Management Accountants holding a current practising certificate.

Tier 2 associations do not have to audit their accounts unless its rules require an audit.

Tier 3

Tier 3 associations must have their accounts audited by an independent auditor.

An association's financial audit must be done by:

- a registered company auditor (or authorised audit company), or
- a member, who holds a current public practice certificate (CPP holder), of the Institute of Public Accountants ,Institute of Chartered Accountants Australia and New Zealand or CPA Australia, or
- any other suitably qualified person approved by the Registrar of Incorporated Associations for this purpose.

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 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 now 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). From 2015 onwards the Annual Information Statement will include basic financial questions.
- **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 audit firm. 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 – Victoria

Co-operatives are regulated by Consumer Affairs Victoria. Victoria co-operatives are registered under the *Co-operatives National Law Application Act 2013* and the *Co-operatives National Law (Victoria) Local Regulations 2014*.

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 did not raise funds from the public issue of securities 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.
- All other co-operatives are large.

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. Large co-operative's are required to report to members within five months after the end of the financial year.