Appendix 1

(Ref: Para. 63)

EXAMPLE OF AN ENGAGEMENT LETTER FOR THE AUDIT OF A SELF‑MANAGED SUPERANNUATION FUND

*The following example engagement letter is for use as a guide only, in conjunction with the considerations described in GS 009, and may need to be modified according to the individual requirements and circumstances of each engagement.*

To [the Trustees/Directors of the Corporate Trustee] of [name of SMSF]

[The Objective and Scope of the Audit]

You have requested that we audit the [name of SMSF]’s (the Fund):

1. financial report, which comprises the [statement of financial position/statement of net assets] as at [date] and the [operating statement/statement of changes in net assets] for the [period] then ended and the notes to the financial statements; and
2. compliance during the same period with the requirements of the *Superannuation Industry (Supervision) Act 1993* (SISA) and *SIS Regulations (SISR)* specified in the approved form auditor’s report as issued by the Australian Tax Office, which are sections 17A, 35AE, 35B, 35C(2), 62, 65, 66, 67, 67A, 67B, 82‑85, 103, 104, 104A, 105, 109 and 126K of the SISA and regulations 1.06(9A), 4.09, 4.09A, 5.03, 5.08, 6.17, 7.04, 8.02B, 13.12, 13.13, 13.14 and 13.18AA of the SISR.[[1]](#footnote-2)

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our engagement will be conducted pursuant to the SISA with the objective of our expressing an opinion on the financial report and the Fund’s compliance with the specified requirements of the SISA and SISR.

[The Responsibilities of the Auditor]

We will conduct our financial audit in accordance with Australian Auditing Standards and our compliance engagement in accordance with applicable Standards on Assurance Engagements, issued by the Auditing and Assurance Standards Board (AUASB). These standards require that we comply with relevant ethical requirements, including those pertaining to independence, and to plan and perform the audit in order to obtain reasonable assurance as to whether the financial report is free from material misstatement and that you have complied, in all material respects, with the specified requirements of the SISA and SISR.

The annual audit of the financial reports and records of the Fund must be carried out during and after the end of each year of income. In accordance with section 35C of the SISA, we are required to provide to the trustees of the Fund an auditor’s report in the approved form within the prescribed time as set out in the SISR, 28 days after the trustees have provided all documents relevant to the preparation of the auditor’s report.

**Financial Audit**

A financial audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. A financial audit also includes evaluating the appropriateness of the financial reporting framework, accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial report. Due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that some material misstatements may remain undiscovered.

In making our risk assessments, we consider internal controls relevant to the Fund’s preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal controls. However, we expect to provide you with a separate letter concerning any significant deficiencies in the Fund’s system of accounting and internal controls that come to our attention during the audit of the financial report. This will be in the form of a letter to the trustees.

**Compliance Engagement**

A compliance engagement involves performing assurance procedures to obtain evidence about the Fund’s compliance with the provisions of the SISA and SISR specified in the ATO’s approved form auditor’s report.

Our compliance engagement with respect to investments includes determining whether the investments are made for the sole purpose of funding members’ retirement, death or disability benefits and whether you have an investment strategy for the Fund, which has been reviewed regularly and gives due consideration to risk, return, liquidity, diversification and the insurance needs of members’. Our procedures will include testing whether the investments are made for the allowable purposes and in accordance with the investment strategy and legislative requirements. Our engagement does not include providing an opinion on the appropriateness of investments for fund members.

[The Responsibilities of the Trustees]

We take this opportunity to remind you that it is the responsibility of the trustees to ensure that the Fund, at all times, complies with the SISA and SISR as well as any other legislation relevant to the Fund. The trustees are also responsible for the preparation and fair presentation of the financial report.

Our auditor’s report will explain that the trustees are responsible for the preparation and the fair presentation of the financial report and for determining that the accounting policies used are consistent with the financial reporting requirements of the SMSF’s governing rules, comply with the requirements of SISA and SISR and are appropriate to meet the needs of the members.[[2]](#footnote-3) This responsibility includes:

* Establishing and maintaining controls relevant to the preparation of a financial report that is free from misstatement, whether due to fraud or error. The system of accounting and internal control should be adequate in ensuring that all transactions are recorded and that the recorded transactions are valid, accurate, authorised, properly classified and promptly recorded, so as to facilitate the preparation of reliable financial information. This responsibility to maintain adequate internal controls also extends to the Fund’s compliance with SIS including any Circulars and Guidelines issued by a relevant regulator to the extent applicable. The internal controls should be sufficient to prevent and/or detect material non‑compliance with such legislative requirements;
* Selecting and applying appropriate accounting policies;
* Making accounting estimates that are reasonable in the circumstances; and
* Making available to us all the books of the Fund, including any registers and general documents, minutes and other relevant papers of all trustee meetings and giving us any information, explanations and assistance we require for the purposes of our audit. Section 35C(2) of SIS requires that trustees must give to the auditor any document, relevant to the conduct of the audit, that the auditor requests in writing within 14 days of the request.

As part of our audit process, we will request from the trustees written confirmation concerning representations made to us in connection with the audit.

Our auditor’s report is prepared for the members of the Fund and we disclaim any assumption of responsibility for any reliance on our report, or on the financial report to which it relates, to any person other than the members of the Fund, or for any purpose other than that for which it was prepared.

[Independence]

We confirm that, to the best of our knowledge and belief, the engagement team meets the current independence requirements of the SISA and SISR, including APES 110 *Code of Ethics for Professional Accountants* *(including Independence Standards)*,in relation to the audit of the Fund. In conducting our financial audit and compliance engagement, should we become aware that we have contravened the independence requirements, we shall notify you on a timely basis.

[Report on Matters Identified]

Under section 129 of the SISA, we are required to report to you in writing, if during the course of, or in connection with, our audit, we become aware of any contravention of the SISA or SISR which we believe has occurred, is occurring or may occur. Furthermore, you should be aware that we are also required to notify the ATO of certain contraventions of the SISA and SISR that we become aware of during the audit, which meet the tests stipulated by the ATO, irrespective of the materiality of the contravention or action taken by the trustees to rectify the matter. Finally, under section 130, we are required to report to you and the ATO if we believe the financial position of the Fund may be, or may be about to become unsatisfactory.

You should not assume that any matters reported to you, or that a report that there are no matters to be communicated, indicates that there are no additional matters, or matters that you should be aware of in meeting your responsibilities. The completed auditor’s report may be provided to you as a signed hard copy or a signed electronic version.[[3]](#footnote-4)

[Compliance Program]

The conduct of our engagement in accordance with Australian Auditing Standards and applicable Standards on Assurance Engagements means that information acquired by us in the course of our engagement is subject to strict confidentiality requirements. Information will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent. However, our audit files may be subject to review as part of the compliance program of a professional accounting body or the ATO. We advise you that by signing this letter you acknowledge that, if requested, our audit files relating to this compliance engagement will be made available under these programs. Should this occur, we shall advise you. The same strict confidentiality requirements apply under these programs as apply to us as your auditor.

[Limitation of liability][[4]](#footnote-5)

As a practitioner/firm participating in a scheme approved under Professional Standards Legislation, our liability may be limited under the scheme.]

[Fees]

We look forward to full co‑operation with [you/your administrator] and we trust that you will make available to us whatever records, documentation and other information are requested in connection with our audit.

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

[Other]

This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our financial audit and compliance engagement of the [name of SMSF].

[Insert here or attach any additional matters specific to the engagement, such as business terms and conditions, as appropriate.]

Yours faithfully,

...............................

Name and Title

Date

Acknowledged on behalf of the trustees of [name of SMSF] by (signed).

...............................

Name and Title

Date

1. These sections and regulations need to be amended if there are any changes to the sections and regulations in the ATO approved form auditor’s report. [↑](#footnote-ref-2)
2. If the SMSF is a reporting entity, or from 1 July 2021 has a new or amending trust deed that requires the preparation of financial statements in accordance with AAS, this sentence requires amendment to read: “Our auditor’s report will explain that the trustees are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards.” [↑](#footnote-ref-3)
3. The auditor should retain an original hard copy in the working papers. [↑](#footnote-ref-4)
4. Applicable to participants in a limitation of liability scheme. Accounting Professional and Ethical Standard APES 305 *Terms of Engagement*, issued by APESB (revised August 2019), which is applicable to members of the professional accounting bodies in Australia in public practice, requires participants in a limitation of liability scheme under Professional Standards Legislation to advise the client that the member’s liability may be limited under the scheme. A new Professional Standards Scheme commenced across Australia on 23 December 2019, replacing the previous Scheme, which concluded on 22 December 2019. [↑](#footnote-ref-5)