

Approved SMSF auditor checklist

What we look for when auditing the auditor

Last modified: 10 June 2022

This is a detailed checklist of the main issues we look for when auditing or reviewing a self-managed super fund (SMSF) auditor. This includes your audit processes and documentation, and completion of the [SMSF independent auditor's report \(IAR\)](#) (NAT 11466-07.2019).

Table 1: SMSF auditor – *Superannuation Industry (Supervision) Act 1993 (SISA)* and *Superannuation Industry (Supervision) Regulations 1994 (SISR)* obligations

Auditor obligations	Details	Response	Guidance and references
Auditor independence	Has the auditor complied with the independence standards of APES 110?	Yes or no	This is a requirement under paragraph 128F(d) of the SISA and regulation 9A.06 of the SISR.
Australian Auditing Standards (ASAs)	Has the auditor complied with the ASAs?	Yes or no	This is a requirement under subparagraph 128F(c)(ii) of the SISA.
Standards on Assurance Engagements (ASAEs)	Has the auditor complied with the ASAEs?	Yes or no	This is a requirement under subparagraph 128F(c)(iii) of the SISA.
Competency standards	Has the auditor complied with the competency standards determined by the Regulator?	Yes or no	This is a requirement under subparagraph 128F(c)(i) and section 128Q of the SISA. See ASIC Class Order [CO 12/1687] Competency standards for approved SMSF auditors.
Professional indemnity (PI) insurance	Evidence of current compliant PI insurance policy?	Yes or no	This is a requirement under paragraph 128F(b) of the SISA and regulation 9A.05 of the SISR.
Continuing professional development (CPD)	Has the auditor undertaken the prescribed CPD and kept a written record (for example, a written log)?	Yes or no	This is a requirement under paragraph 128F(a) of the SISA and regulation 9A.04 of the SISR.
Fit and proper	Is the auditor considered fit and proper to be an SMSF auditor?	Yes or no	If no, record the behaviours or actions that led to your assessment. For example, the auditor is bankrupt, a disqualified trustee, did not communicate in a timely manner with the regulator, or has a criminal conviction. If the auditor is not fit and proper to be an SMSF auditor, the ATO can refer their details to the Australian Securities and Investment Commission (ASIC). Refer to Practice Statement Law Administration PSLA 2018/1 SMSFs – referral of approved SMSF auditors to ASIC.

Table 2: Auditor independence standards – scenarios (all references are to APES 110 unless otherwise specified)

Details	Response	Guidance and references
<p>Did the auditor audit their own or an immediate family member's fund?</p> <p>Immediate family member means a spouse (or equivalent) or dependant.</p>	Yes or no	<p>Not permitted.</p> <p>See paragraphs R510.4, R521.5 and R523.3.</p> <p>See also paragraph 46 of GS 009 and section 8.4 of the Guide.</p>
<p>Did the auditor, audit team member or their firm (or a network firm) audit the fund of an individual they have a close business relationship with?</p>	Yes or no	<p>Not permitted – unless any financial interest is immaterial, and the business relationship is insignificant.</p> <p>See R520.4 and paragraphs 520.3 A1 to 520.4 A1.</p> <p>See also paragraph 46 of GS 009 and section 8.4 of the Guide.</p>
<p>Did the auditor audit the fund of a partner or employee of the firm (or a network firm)?</p>	Yes or no	<p>Not permitted.</p> <p>See paragraph R523.3.</p> <p>See also paragraph 46 of GS 009 and section 8.4 of the Guide.</p>
<p>Did the firm (or a network firm) assume a management responsibility for the fund?</p>	Yes or no	<p>Not permitted.</p> <p>See paragraphs R600.7, R600.8 and 600.7 A1 to 600.7 A4.</p> <p>See also: paragraph 48 of GS 009 and sections 8.4 and 8.5 of the Guide.</p>
<p>Where the auditor is a sole practitioner:</p> <p>Did the auditor (or their employees) provide accounting or bookkeeping services to a SMSF audit client?</p>	Yes or no	<p>Not permitted – even if the services are 'routine or mechanical' as there are no safeguards available or capable of being applied.</p> <p>See subsection 601; paragraphs R601.5 and 601.5 A1.</p> <p>See also sections 8.4 and 8.5 of the Guide (scenario 3).</p>
<p>Where the auditor is a member of a firm:</p> <p>Did the auditor, their employees or the firm (or a network firm) provide accounting or bookkeeping services to a SMSF audit client?</p>	Yes or no	<p>Not permitted unless:</p> <ul style="list-style-type: none"> ■ the services are 'routine or mechanical', and ■ the firm addresses any independence threats created by providing the services that are not at an acceptable level (by applying appropriate safeguards). <p>See subsection 601; paragraphs 600.7 to R600.8, 601.4 A1, R601.5 and 601.5 A1.</p> <p>See also paragraphs 46 and 48 to 50 of GS 009 and sections 8.4 and 8.5 of the Guide (scenarios 1 to 3).</p>
<p>Was the auditor or their firm involved in a reciprocal auditing arrangement where:</p> <ul style="list-style-type: none"> ■ two auditors audit each other's SMSF, or ■ two auditors (who are also accountants) prepare the financial statements for a number of SMSFs and agree to audit each other's clients? 	Yes or no	<p>Not permitted – in situations where two auditors agree to audit each other's SMSF.</p> <p>Other arrangements may give rise to independence threats that must be evaluated and addressed if they are not at an acceptable level.</p> <p>See Part 4A; section 410.</p> <p>See also paragraph 54 of GS 009 and section 8.5 of the Guide (scenarios 8 and 9).</p>
<p>Do the fees generated from multiple SMSF audit clients referred from one source represent a large proportion of the firm's total fees?</p> <p>Do the fees generated by a firm from an SMSF audit client represent a large proportion of the revenue of one partner or office of the firm?</p> <p>See Reciprocal auditing arrangements and referral source issues.</p>	Yes or no	<p>Independence threats are created that must be evaluated and addressed if not at an acceptable level.</p> <p>See Part 4A; paragraph 410.3 A1 to AUST 410.3.1 A1.</p> <p>See also paragraph 53 of GS 009 and section 8.5 of the Guide (scenarios 6 and 10).</p>

Details	Response	Guidance and references
<p>Did the auditor audit the fund of:</p> <ul style="list-style-type: none"> ■ a close family member (parent, child or sibling who is not an immediate family member), or ■ an individual they have a close personal relationship with (individual who is not an immediate or close family member)? 	Yes or no	<p>Independence threats are created that must be evaluated and addressed if not at an acceptable level.</p> <p>See paragraphs 521.3 A1 to 521.3 A2, 521.6 A1 to 521.7 A3 and 510.10 A5 to 510.10 A12.</p> <p>See also paragraph 47 of GS 009 and section 8.4 of the Guide.</p>
<p>Did the auditor or their firm provide taxation and/or financial planning services to the SMSF trustees?</p>	Yes or no	<p>Preparing the SMSF annual return will not generally create independence threats.</p> <p>However, other tax and financial services may be prohibited, or create independence threats that must be evaluated and addressed if not at an acceptable level.</p> <p>See subsection 604.</p> <p>See also paragraphs 51 and 52 of GS 009 and section 8.5 of the Guide (scenarios 4 and 11).</p>
<p>Did the auditor audit a SMSF client of a former firm they previously provided non-assurance services to?</p>	Yes or no	<p>Independence threats may be created that must be evaluated and addressed if not at an acceptable level.</p> <p>See section 120.</p> <p>See also section 8.5 of the Guide (scenario 5).</p>
<p>Does the auditor have a long association with a SMSF audit client?</p>	Yes or no	<p>Independence threats may be created that must be evaluated and addressed if not at an acceptable level.</p> <p>See section 540; paragraphs 540.3 A1 to R540.4.</p> <p>See also section 8.5 of the Guide (scenario 13).</p>
<p>Was a specialist firm engaged to provide accounting or bookkeeping services for a SMSF, in a situation where the specialist firm (or a network firm) conducts the fund's audit?</p>	Yes or no	<p>These arrangements create independence threats that must be evaluated and addressed if not at an acceptable level.</p> <p>See Part 4A and subsection 601.</p> <p>See also sections 8.4 and 8.5 of the Guide.</p>
<p>Has the auditor's firm entered into an audit pooling arrangement with other firms?</p>	Yes or no	<p>These arrangements may create independence threats that must be evaluated and addressed if not at an acceptable level.</p> <p>See section 120.</p>
<p>Were there any other independence issues?</p>	Yes or no	<p>Consider whether there are independence threats not covered by the above scenarios that need to be evaluated and addressed.</p> <p>See Part 4A.</p>

Table 3: SMSF auditor – Australian auditing standards (ASA)

Auditing standards	Auditor requirements	Response	Guidance and references
Audit Strategy and Audit Plan (ASA 300)	Evidence of an audit strategy and audit plan on file (as separate documents or combined)? Audit strategy and plan were adequate? Comprehensive audit checklist?	Yes or no	An audit strategy should be on file which sets the scope, timing and direction of the audit. The audit plan should also be on file describing the nature, timing, and extent of planned risk assessment. Audit procedures should be prepared and included in the audit file to comply with the auditing standards. While checklists are not compulsory under the auditing standards they are often used by auditors.
Engagement letter (ASA 210)	Evidence of a signed engagement letter covering the year of audit on file? (ASA 210)?	Yes or no	Check if included in the audit file, complies with the auditing standards and is signed by both parties.
Representation letter (ASA 580)	Evidence of a representation letter signed by the trustees that covers all provisions of the SISA and SISR relevant to the year under audit (for example sections 103, 104 and 105 of the SISA and regulations 13.12 and 13.13 of the SISR)?	Yes or no	Check if included in the audit file and signed by the trustees.
SMSF IAR (section 35C of the SISA)	Evidence of the signed SMSF IAR in the approved form? Part A or B modified?	Yes or no	Check that the IAR contains all the SISA and SISR provisions relevant to the year under audit.
Management letter (ASA 260) Section 129 of the SISA	Evidence that a management letter was issued to the trustees where appropriate?	Yes or no	If any issues and or contraventions have been identified, check if they have been included in a management letter to the trustees.
Audit evidence (ASA 500)	Sufficient and appropriate evidence obtained to support the auditor's opinion, including opening balances? Adequately evaluated the audit evidence, including testing where data feeds or automation has been used (per ASAE 3402).	Yes or no	Detail any deficiencies in evidence obtained or instances where the auditor had the evidence but did not evaluate it adequately.
Documenting the audit (ASA 230)	Adequately documented the audit to demonstrate relevant audit checks were undertaken and conclusions reached?	Yes or no	Audit notations, calculations, conclusions, and judgements made need to be documented in the audit file.
Auditor knowledge and understanding of risks (ASA 315)	Has the auditor demonstrated an appropriate level of knowledge and understanding to enable them to identify and assess risks during the audit of an SMSF?	Yes or no	Were any deficiencies identified in relation to the auditor's skills or knowledge relevant to the SMSF audit?

Table 4: The SMSF audit

SMSF audits	Documentation and evidence that the SMSF auditor has carried out the required audit verification checks to demonstrate that	Response	Guidance and references
Assets exist	Evidence that the assets reported in the financial statements exist.	Yes or no	Look for supporting documents including purchase contracts or invoices, physical verification when possible.
Ownership	Evidence that the fund trustees own the assets reported in the financial statements and any income and expenses relate to the fund.	Yes or no	Look for title deeds, purchase contracts, invoices, trustee declarations, rental statements, insurance contracts.
Completeness	Evidence that fund transactions are complete and recorded in the correct period.	Yes or no	Cross-check bank statement transactions, invoices and receipts to the trial balance, ledger accounts and financial statements.
Classification	Evidence that transactions and events have been recorded in the correct accounts.	Yes or no	Cross-check asset documents (invoices, purchase documents, share and unit certificates, bank statements) with accounts in the financial statements.
Valuation	Assets, liabilities, and member entitlements are reported at the correct valuation.	Yes or no	Check for independent market value documentation. For trustee valuations check for evidence that the auditor obtained information from the trustees supporting the valuation. This includes the method used and supporting documentation to show it was based on objective and supportable data.
Definition (s17A of the SISA)	The fund meets the definition of an SMSF.	Yes or no	Check: <ul style="list-style-type: none"> ■ the SMSF trust deed ■ trustee consent forms ■ trustee declarations ■ member accounts ■ directors of the corporate trustee (Mascot checks).
Fund accounts and statements (section 35B of the SISA)	Trustees have signed the fund's accounts and financial statements.	Yes or no	Check that audit has been carried out on signed financials.
Sole purpose (section 62 of the SISA)	The fund meets the sole purpose test – no arrangements or investments have been entered into with the intent of providing a present-day benefit to members.	Yes or no	Checks include: <ul style="list-style-type: none"> ■ contracts ■ minutes ■ bank transactions ■ ledger accounts ■ rental statements ■ financial statements ■ the fund's trust deed and investment strategy.
Loans or financial assistance to members or relatives (section 65 of the SISA)	No loans or financial assistance have been provided to members or relatives of fund members.	Yes or no	Checks include any relationship between the fund and the borrower or receiver of financial assistance or loans, as well as whether loan is genuine, check: <ul style="list-style-type: none"> ■ rental statements ■ bank statements of fund and borrower ■ accounts and financial statements and ledgers ■ investment strategy ■ minutes.

SMSF audits	Documentation and evidence that the SMSF auditor has carried out the required audit verification checks to demonstrate that	Response	Guidance and references
Acquisitions (section 66 of the SISA)	Assets acquired were allowed to be acquired by an SMSF.	Yes or no	Check for: <ul style="list-style-type: none"> ■ type of asset ■ relationship between the fund and seller ■ purchase contract ■ title deeds ■ acquired at market value.
Borrowings (sections 67, 67A and 67B of the SISA)	No borrowings have been made by the fund unless they meet the borrowing exceptions. The borrowing exceptions include: <ul style="list-style-type: none"> ■ certain short-term borrowings less than 10% of value of fund assets to pay beneficiaries (≤ 90 days) ■ cover settlement of securities transactions (≤ 7 days) ■ pay super surcharge (≤ 90 days) ■ limited recourse borrowing arrangements that meet the requirements in section 67A, and section 67B (for replacement assets). 	Yes or no	Checks include: <ul style="list-style-type: none"> ■ bank statement transactions ■ financial accounts and statements ■ ledgers ■ investment strategy ■ minutes. For limited recourse borrowing arrangements (LRBAs), check: <ul style="list-style-type: none"> ■ that the asset was a single acquirable asset ■ purchase documents ■ holding trust deed ■ loan (limited in recourse) contracts ■ repayments ■ that related party LRBA's meet the safe harbour provisions ■ for non-arm's length income.
In-house assets (sections 82 to 85 of the SISA)	The fund has no in-house assets (loans to, leases with or investments in related parties) or it has in-house assets that represent less than 5% of total fund assets.	Yes or no	Checks include relationships between the fund and other parties to the arrangements. Look for: <ul style="list-style-type: none"> ■ contracts ■ minutes ■ investment strategy ■ related entity's financials ■ unit or share register certificates. Calculate in-house asset percentage based on market values reported in the financial statements. Check trustees used a reliable method to value assets at market value.
Trustee records (sections 103 to 105 of the SISA)	Trustees have kept and retained minutes of meetings, records of changes of trustees, signed trustee declarations (for new trustees and or directors after 30 June 2007), and member and or beneficiary reports.	Yes or no	Look for documentation confirming that the auditor checked this including representations by the trustees in the trustee representation letter.
Arm's length (section 109 of the SISA)	SMSF investments made and maintained on an arm's length basis.	Yes or no	Examine: <ul style="list-style-type: none"> ■ contracts ■ lease and loan agreements ■ financial accounts and statements ■ ledger entries ■ bank statements for transactions.

SMSF audits	Documentation and evidence that the SMSF auditor has carried out the required audit verification checks to demonstrate that	Response	Guidance and references
Unlisted investments (potential in-house asset, sole purpose and arm's length issues)	Unlisted trust and unlisted company.	Yes or no	<p>Check relationship between:</p> <ul style="list-style-type: none"> ■ fund trustees ■ trustees of the unit trust ■ directors of the unlisted company. <p>Check documentation such as:</p> <ul style="list-style-type: none"> ■ financial statements (borrowings) ■ trust deed (type of trust – discretionary, fixed) ■ unit register (percentage of units held by the SMSF) ■ distribution statements ■ the SMSF's unit certificates ■ bank statements ■ distributions paid or owed.
Other assets	Confirmation of assets held by the fund including purchase and sale documents, evidence of market value, investment returns and ownership.	Yes or no	<p>Look at the following:</p> <ul style="list-style-type: none"> ■ Listed shares – share certificates, a break-up of listed shares, dividend statements. ■ Real property – residential or business real property? ■ Ownership and valuation – title deeds, declaration of trust and insurance documents and market value determination supporting evidence. ■ Arm's length – rental and or lease documents for relationships between parties involved, evidence of rent received and whether it is at market rate. ■ Use of assets – who is using and any current day benefit.
Investment strategy (regulation 4.09 of the SISR)	The fund has a regularly reviewed investment strategy that considers the whole of the circumstances of the fund including risk, return, liquidity, diversity of investments and any insurance needs for the members.	Yes or no	Does the fund have a compliant investment strategy and has the fund adhered to that strategy? Check the financial statements, minutes and investment returns.
Separation of assets (regulation 4.09A of the SISR)	Fund money and assets are kept separate from those held personally by the trustees.	Yes or no	<ul style="list-style-type: none"> ■ The fund trustee is recorded as the owner of the fund's investments, and ■ all transactions in the fund's bank statements relate to the fund itself, including insurance policies.
Market value (regulation 8.02B of the SISR)	Trustees have valued assets at market value in the financial statements.	Yes or no	Supporting evidence showing when and how the trustees valued assets at market value based on data that is supportable and objective. Any conclusions, judgements made have been documented in the audit file.
Collectable and personal use assets (regulation 13.18AA of the SISR)	<p>Collectable and personal use assets owned by the fund comply with the SISR.</p> <p>(Insured within 7 days of acquisition in the fund's name, not used by, leased to, or stored in the premises of a related party, and only sold to a related party at market price as determined by a qualified independent valuer).</p>	Yes or no	Storage decisions documented, insurance documents, lease agreements, purchase, sales, and evidence of market valuation reported in financials.

SMSF audits	Documentation and evidence that the SMSF auditor has carried out the required audit verification checks to demonstrate that	Response	Guidance and references
Contributions	Contributions met contribution acceptance standards (member's age, employment status, trust deed, TFN quoted)	Yes or no	Check for trustee minutes, bank statements, other documents evidencing contributions.
Benefit payments	Payments met the payment standards (eligibility of member, minimum benefit payments made).	Yes or no	Look for bank statements, ledger entries, financial statements, documents evidencing condition of release.
Exempt Current Pension Income (ECPI)	Any ECPI amount claimed is appropriate in the circumstances. (The members and the benefit payments they received met eligibility requirements, minimum annual pension payments requirements were met, actuarial certificates were provided if required, and ECPI calculations are correct).	Yes or no	Check calculations and note any discrepancies. Check for actuarial certificate if one was required to be obtained.
Tax calculation	Review the tax calculation to ensure the correct amount of exempt income has been identified and that the income has been correctly treated for tax purposes.	Yes or no	Consider if non-arm's length income has been included or should be included.
Deductions claimed	Evidence of expenses incurred by the fund and payment has been provided.	Yes or no	Check expense summaries, copies of invoices, bank statements and ledger transactions.
Income	All income has been recorded appropriately and non-arm's length income identified.	Yes or no	Check for sourcing documents such as: <ul style="list-style-type: none"> ■ lease agreements ■ loan agreements ■ bank confirmations ■ bank statements ■ income statements (trust distributions, dividends, rental statements) ■ ledger transactions.

Table 5: SMSF auditor's opinion and reporting to the ATO and the trustees

Auditor reporting	Conclusions	Response	Guidance and references
Financial position and fund compliance reporting in SMSF IAR (section 35C of the SISA, ASA 700 and Compliance Engagements (ASAE 3100 and ASAE 3000)	Based on the auditing and assurance standards and the requirements under the SISA and the SISR, is the auditor's opinion expressed in Part A and Part B of the IAR appropriate in the circumstances?	Yes or no	Check for any: <ul style="list-style-type: none"> ■ material incorrect statements in the financial reports, and ■ unidentified or misidentified contraventions.
Contravention reporting (section 129 of the SISA)	Auditor/actuary contravention report (ACR) lodged? Trustees notified in writing (for example, via management letter)?	Yes or no	The ATO and the trustee must be informed of any reportable contraventions that meet the ACR reporting criteria via the ACR. The trustee must also be informed of all other contraventions.

Documents referenced by the checklist

This checklist references the following documents:

- [Auditor independence](#)
- Accounting Professional and Ethical Standards Board (APESB)
 - [APES 110 – Code of Ethics for Professional Accountants \(including Independence standards\) \(2018\) – effective 1 January 2020](#) (PDF 2.7MB) (APES 110)
 - [APESB Independence Guide – Fifth edition, May 2020 \(PDF 1.56MB\)](#) – download from the [APESB website](#) (the Guide)
- Auditing and Assurance Standards Board (AUASB)
 - [Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds](#) (GS 009)
 - [Australian Auditing Standards](#) (ASAs)
 - [Standards on Assurance Engagements](#) (SAEs)
- ASIC Class Order [[CO 12/1687](#)] Competency standards for approved SMSF auditors