Internship Report

On

Process of Auditing for Self-Managed Superannuation Fund: A study on

1Superfund

Submitted To:

Department of Business Administration

Faculty of Business

Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of

Bachelor of Business Administration

Submitted By:

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Program: Bachelor of Business Administration

Major: Accounting

Department of Business Administration

Sonargaon University (SU)



Sonargaon University (SU)

Dhaka- 1215

Date of Submission: September 09, 2024

Letter of Transmittal

September 09, 2024

To,
Dr. Md. Masud Rana
Associate Professor & Head
Department of Business Administration
Sonargaon University (SU)
Subject: Submission of Internship Report on "Process of Auditing for Self-Managed Superannuation Fund: A case study ".

Respected Sir,

With humble honor and respect, I am submitting my internship report on "Process of Auditing for Self-Managed Superannuation Fund: A study on". As per partial accomplishment of the requirements for the BBA degree, this internship has been carried out under your supervision.

This comprehensive analysis of the SMSF audit process serves as a valuable component of my BBA coursework. Through this project, I have gained a deeper understanding of the specialized accounting principles and regulatory framework governing Self-Managed Superannuation Funds (SMSFs). I believe this report accurately reflects contemporary trends in SMSF auditing, encompassing financial statement analysis, investment portfolio evaluation, compliance with Superannuation Industry Supervision (SIS) regulations, and effective risk management strategies.

In completing the report, I tried my best to blend all my knowledge and imparted every available detail and attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Sincerely,

_____

Rowshan Tahia Chowdhury
BBA2202026052
Department of Business Administration
Sonargaon University (SU)

Student's Declaration

I, Rowshan Tahia Chowdhury, at this moment, declares that the presented report of "Process of Auditing for Self-Managed Superannuation Fund: A study on" was uniquely prepared by me while working with 1Superfund Firm as Audit Associate.

I also confirm that the report is only prepared for my academic requirement, not for any other purpose. It might not be used in the interest of the opposite party of the corporation.

Rowshan Tahia Chowdhury
BBA2202026052
Department of Business Administration
Sonargaon University (SU)

Letter of Authorization

It is to be certified that this Internship report titled "Process of Auditing for Self-Managed Superannuation Fund: A study on" is the bona fide work of Rowshan Tahia Chowdhury, who carried out the research under my supervision. Certified further that to the best of my knowledge, the work reported herein does not form part of any other project report or dissertation based on which a degree or award was conferred on an earlier occasion on this or any other candidate.

_____

Dr. Md. Masud Rana
Associate Professor & Head
Department of Business Administration
Sonargaon University (SU)

Acknowledgement

I would like to express my sincere gratitude to my internship supervisor Dr. Md. Masud Rana, Associate Professor & Head, of the Department of Business Administration, at Sonargaon University. His patience, enthusiasm, cooperation, and suggestions made me present this internship report to produce in the present form. His brilliant, skillful supervision enriched this study higher than I expected. I could not remain any more without giving heartfelt thanks to my supervisor for his painstaking supervision throughout the study period. This research work would not have been possible without his stimulation, inspiration, and cooperation.

Further, yet importantly, a sense of respect goes to my Supervisor, Fakrul Iqbal, one of the signing partners of our firm, for his powerful support in helping me to collect information and regular encouragement in every step to put me in the present stage. Similarly, other associates are also subject to special thanks for their inspiration and cooperation in my study.

I am also thankful to all other officers and employees of 1Superfund, whose extended cooperation helped me prepare the report.

I also would like to thank all my respected teachers in the Department of Business Administration who directly and indirectly provided me with inspiration and valuable suggestions during this study.

Executive Summary

This report is based on “Process of Auditing for Self-Managed Superannuation Fund: A study on”. I am working as an audit associate in 1superfund.1superfund is a Australia-based advisory firm company, so its head office is located at Sydney, Australia. My internship at 1Superfund provided invaluable experience in auditing Self-Managed Superannuation Funds (SMSFs). I conducted financial statement analysis, reviewed supporting documentation, assessed regulatory compliance, and identified areas for improvement. Key findings included a healthy financial position, compli-ance with regulations, and potential risks related to investment concentration. I gained valuable skills in auditing techniques, SMSF knowledge, financial analysis, and risk assessment. This internship has equipped me for future roles in the financial services industry.

The first chapter of this report consists of an introductory part of this report, the second chapter includes an overview of 1Superfund where I am currently working as Audit Associate. The third chapter is the General definition, purpose & process of self-managed super fund, the fourth chapter is Auditing process deep look with a XYZ super funds data, the fifth chapter is Findings (positives & negatives), the sixth chapter is Recommendations, and in the seventh Conclusion.

To understand the whole process, data collection was made through interviews with Colleagues, Annual reports, the Company website, my last few years’ practical experiences with 1Superfund, and learning the standards from books and a few websites.

The company (1Superfund) should focus on diversification of its work ground. They are known to be specialized in SMSF audit. There is a big market for Tax return, bookkeeping, compliance. Though doing audit remotely is new to Bangladesh. They sometimes struggle to get sufficient Associates. Those who love to take challenges are getting interested in 1Supewrfund. If you are not a tech lover or quick learner, you might struggle a lot.

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1 Chapter - Introduction

1.1 Induction

Self-Managed Superannuation Funds (SMSFs) have gained significant traction in Australia, offering individuals greater control over their retirement savings. However, this increased autonomy comes with heightened responsibilities. Fund trustees must ensure that the fund's financial records are accurate, its investments adhere to superannuation laws, and the fund's operations are conducted ethically. This is where the expertise of an SMSF auditor becomes indispensable.

The auditing of SMSFs is guided by the Australian Auditing Standards (ASAs), developed and maintained by the Auditing and Assurance Standards Board (AUASB). These standards establish the framework for conducting thorough and reliable audits of SMSFs' financial reports. Auditors must adhere to these standards to ensure the quality and credibility of their work.

The oversight of SMSFs involves a collaborative effort between the Australian Taxation Office (ATO) and the Australian Securities and Investments Commission (ASIC). The ATO primarily focuses on the fund's tax compliance, ensuring that it accurately reports its income and deductions and pays the correct amount of tax. ASIC, on the other hand, safeguards the integrity of the financial markets and protects investors. It monitors SMSFs for compliance with corporate laws, investigates any irregularities, and takes appropriate actions if necessary.

Together, these regulatory bodies play a vital role in maintaining the integrity of the SMSF system and protecting the interests of fund members. By working in conjunction with auditors who adhere to the ASAs, the ATO and ASIC help to ensure that SMSFs are operated in a transparent, accountable, and compliant manner.

SMSF audits play a pivotal role in safeguarding the integrity of these funds. They provide an independent assessment of the fund's financial statements, ensuring that they accurately reflect the fund's financial position and performance. By undergoing regular audits, SMSF trustees can demonstrate to members, regulators, and other stakeholders that the fund is being managed responsibly, identify and address governance weaknesses, reduce the risk of legal penalties and financial losses arising from non-compliance, and gain insights into the fund's performance.

SMSF audits s are conducted by qualified auditors who are typically registered with the Australian Securities and Investments Commission (ASIC). The audit process involves a thorough examination of the fund's financial records, including income statements, balance sheets, and

cash flow statements. Auditors also review the fund's investment strategy, governance arrangements, and compliance with superannuation laws.

1.2 Objective and questions of the study

The primary objective of this study is to provide a comprehensive overview of the auditing process for Self-Managed Superannuation Funds (SMSFs) in Australia. The study aims to shed light on the specific steps involved, the regulatory framework that governs these audits, and the challenges and best practices associated with this specialized area of auditing. Thus, the primary question of this paper includes:

1. **What are the key steps involved in auditing an SMSF?**
   This question explores the specific procedures and techniques that auditors employ when examining SMSF financial statements and records.
2. **What are the primary regulatory requirements for SMSF audits?**
   This question delves into the relevant Australian legislation, regulations, and accounting standards that govern SMSF audits
3. **What are the unique challenges and complexities associated with auditing SMSFs?**
   This question examines the specific issues and obstacles that auditors may encounter when auditing SMSFs, such as the small size of many SMSFs, the potential for conflicts of interest, and the complexities of SMSF investment strategies.
4. **How do auditors ensure the quality and independence of SMSF audits?**
   This question explores the measures that auditors take to maintain the quality and objectivity of their work, including adherence to professional standards, quality control procedures, and independence requirements.
5. **What are the potential consequences of non-compliance with auditing standards or regulations for SMSFs?**
   This question examines the potential penalties, sanctions, and legal implications that may arise from non-compliance with auditing standards or regulations

This comprehensive report offers a deep dive into the practical complexities of auditing **Self-Managed Superannuation Funds (SMSFs)** in Australia. By meticulously examining the step-by-step procedures, the intricate regulatory landscape, and the unique challenges auditors encounter, this study seeks to bridge the divide between theoretical knowledge and the realities of real-world SMSF audits.

1.3 Methodology and data collection

The preparation of this report is based on the experience gained during the work at 1superfund, as well as the guidance and assistance provided by senior colleagues and supervisors. The methodology of this study focuses on the sources used to collect the necessary data, which are described below:

Data Sources: Data for this study was collected from both primary and secondary sources, providing a comprehensive foundation for analyzing and linking practical and theoretical knowledge.

Secondary Sources:

- **Australian Auditing Standards (ASAs):** These standards provide a framework for conducting high-quality audits in Australia.
- **Superannuation Legislation:** Relevant Australian laws and regulations governing SMSFs were examined to understand compliance requirements.
- **Academic Literature:** Research papers and textbooks on SMSF auditing were consulted to gain insights into best practices and emerging trends.
- **1Superfund Internal Documents:** Internal guidelines, policies, and procedures related to SMSF audits were reviewed.

Primary Sources:

- **Personal Experience:** The researcher's direct experience as an SMSF audit associate at 1Superfund, including involvement in various stages of the audit process.
- **Review of Audit Files:** Examination of audit working papers, financial statements, and other relevant documentation from completed SMSF audits.
- **Interviews with Colleagues:** Discussions with colleagues at 1Superfund to gather insights into different approaches and challenges in SMSF auditing.

By combining primary and secondary sources, this study was able to provide a comprehensive and in-depth analysis of SMSF auditing procedures, drawing on both theoretical knowledge and practical experience.

1.4 Limitations of the study

- **Limited Scope:** This study focused on the general process of auditing SMSFs. It did not delve into specific industry sectors, fund sizes, or complex audit scenarios.

- **Confidentiality Restrictions:** Due to confidentiality agreements and privacy regulations, access to certain proprietary data and case studies was limited. This may have affected the depth of analysis in some areas.
- **Changing Regulatory Landscape:** The superannuation landscape is constantly evolving, with new regulations and guidelines being introduced. This can make it challenging to provide a comprehensive overview of the auditing process.
- **Complexity of SMSF Structures:** SMSFs can vary significantly in size, structure, and investment strategies. This diversity can make it difficult to provide a one-size-fits-all approach to auditing.
- **Time Constraints:** The limited timeframe for this research may have constrained the ability to explore certain aspects of SMSF auditing in greater depth.

By acknowledging these limitations, the study provides a more balanced perspective and highlights areas for future research.

2 Chapter - Internship on 1Superfund

2.1 Brief about the organization

1Superfund is a leading fintech platform revolutionizing the way individuals manage their SelfManaged Superannuation Funds (SMSFs). Founded by visionary entrepreneur Fakrul Iqbal, the company leverages technology to streamline SMSF setup, accounting, auditing, and compliance processes.

Key Features:

- **Online Platform:** 1Superfund offers a user-friendly online platform that connects professionals and users based on their expertise and asset class.
- **Innovative Solutions:** The platform provides innovative tools and features for SMSF setup, accounting, auditing, and compliance.
- **Cost-Effective:** 1Superfund aims to reduce the costs associated with SMSF management, making it more accessible to a wider range of individuals.

1Superfund's innovative approach and commitment to simplifying SMSF management have made a significant impact on the industry. The company's focus on technology, user experience, and affordability has positioned it as a leading provider of SMSF solutions.

2.2 Services of the firm

1. **Establishment of SMSF and Governance:**
   - **Trustee Appointment:** Assisting in the selection and appointment of trustees, ensuring they meet the eligibility criteria and understand their responsibilities.
   - **Documentation:** Preparing essential legal documents, including the trust deed, member appointment documentation, and establishment resolutions.
   - **Regulatory Compliance:** Guiding clients through the process of establishing an SMSF and ensuring compliance with ATO regulations.
2. **Financial Management and Reporting:**
   - **Accounting**: Maintaining accurate financial records, preparing financial statements, and ensuring compliance with accounting standards.
   - **Tax Returns:** Preparing and lodging annual income tax returns on behalf of the SMSF, optimizing tax efficiency.

- **Member Statements:** Providing regular updates to SMSF members, including annual member statements detailing fund performance and transactions.

3. **Investment Management:**

   - **Investment Strategy:** Assisting clients in developing personalized investment strategies aligned with their financial goals and risk tolerance.
   - **Portfolio Management:** Actively managing SMSF investments to maximize returns and minimize risks.
   - **Asset Allocation:** Advising clients on the appropriate allocation of assets across different asset classes.

4. **Audit and Compliance:**

   - **Annual Audits:** Arranging independent audits by ASIC-registered SMSF auditors to ensure compliance with superannuation laws and regulations.
   - **Regulatory Updates:** Keeping clients informed of changes in superannuation legislation and ensuring adherence to new requirements.
   - **Risk Management:** Identifying and mitigating potential risks associated with SMSF investments and operations.

5. **. Estate Planning:**

   - **Succession Planning:** Assisting clients in developing estate plans to ensure a smooth transition of SMSF assets upon their death or incapacity.
   - **Beneficiary Nominations:** Ensuring that beneficiaries are correctly nominated and updated as needed.

6. **Technology Solutions:**

   - **Online Platform:** Providing a user-friendly online platform for managing SMSFs, streamlining processes and improving efficiency.
   - **Digital Tools:** Utilizing technology to automate tasks and enhance the overall SMSF management experience.

7. **Member Education:**

   - **Workshops and Seminars:** Offering educational workshops and seminars to help SMSF members understand the complexities of superannuation and make informed decisions.
   - **Resources:** Providing access to educational materials, articles, and guides on SMSF management.

8. **Customer Support:**
    - **Dedicated Support:** Offering personalized support and assistance to clients throughout their SMSF journey.
    - **Accessibility:** Ensuring easy access to information and services through various channels, including online platforms and phone support.

By providing a comprehensive range of services, 1Superfund aims to simplify the process of managing an SMSF and help clients achieve their financial goals.

2.3 Human Resources of the Organization

Remote Work Culture: 1Superfund likely employs a remote work model, offering flexibility and work-life balance for its employees.

Skilled Workforce: Given its focus on technology and financial services, 1Superfund likely attracts and retains a skilled workforce with expertise in accounting, finance, and technology.

Employee Development: To maintain a competitive edge, the company may invest in employee development programs, training, and certifications.

2.4 Mission

- To make SMSF compliance accessible and affordable for everyone.
- To simplify the complex processes involved in SMSF management, utilizing technology to streamline operations.
- To empower individuals to take control of their retirement savings through efficient and transparent SMSF management.

2.5 Culture and Benefits

We prioritize fostering a positive and supportive work environment where our employees feel valued, respected, and empowered to thrive. We believe in continuous learning and growth, encouraging our team members to share knowledge and skills with one another. By investing in our employees' development, we aim to create a strong and knowledgeable workforce that can drive the company's success and contribute to the growth of the industry

- **Collaborative Environment:** Based on industry trends and the importance of teamwork in the financial services sector, 1Superfund likely fosters a collaborative and supportive work environment.

- **Employee Recognition:** The company have programs in place to recognize and reward employee achievements, such as performance bonuses, promotions, or employee of the month awards.
- **Benefits Package:** 1Superfund likely offers a competitive benefits package to attract and retain top talent. This could include health insurance, retirement plans, paid time off, and other perks.

At 1Superfund, we believe in creating an excellent culture and working environment for our employees. We understand that our team members are the backbone of our company, and we strive to create a place where they can thrive.

2.6 My duties and responsibilities

As an Audit Associate at 1superfund specializing in SMSF audits, my main responsibilities will include:

- Planning and executing SMSF audits
- Reviewing financial statements and investments
- Assessing tax compliance
- Ensuring governance and trustee compliance
- Preparing audit reports and recommendations
- Staying updated on industry standards and regulations

3 Chapter Auditing & The Process

3.1 General Definition of Auditing

Auditing is a systematic and independent examination of financial statements and related operations to provide assurance that they are presented fairly and in accordance with established criteria. It involves gathering and evaluating evidence to determine if the financial information is reliable and free from material misstatements.

In essence, auditing is a process of verification and validation that provides stakeholders with confidence in the accuracy and integrity of financial information.

3.2 Purpose of Auditing

The primary purpose of financial auditing is to provide assurance that financial statements are presented fairly and in accordance with established accounting standards. This serves several important objectives:

Investor Protection: By verifying the accuracy and reliability of financial information, auditing helps protect investors who rely on these statements to make informed decisions about investments.

Lender Confidence: Lenders use audited financial statements to assess the financial health of a company before providing loans or credit.

Regulatory Compliance: Many industries and jurisdictions require companies to have their financial statements audited to ensure compliance with relevant laws and regulations.

Internal Control Assessment: Audits can also help identify weaknesses in a company's internal controls and recommend improvements to prevent fraud and errors.

External Accountability: Audited financial statements provide an external perspective on a company's financial performance, which can help hold management accountable for their stewardship of resources.

3.3 Different types of Auditing

Auditing can be classified into several categories based on its purpose, scope, and the nature of the entity being audited. Here are some common types:

Based on Purpose:

Financial Auditing: This is the most common type, focusing on the financial statements of an entity. It assesses whether the statements are presented fairly and in accordance with applicable accounting standards.

Operational Auditing: This type evaluates the efficiency, effectiveness, and economy of an entity's operations. It identifies areas for improvement and helps to ensure that resources are being used optimally.

Compliance Auditing: This type determines whether an entity is complying with applicable laws, regulations, and contractual agreements. It helps to identify and address non-compliance issues.

Based on Scope:

Integrated Auditing: This type combines financial and operational auditing, providing a comprehensive assessment of an entity's performance.

IT Auditing: This type focuses on the information technology systems and controls of an entity. It ensures that IT systems are secure, reliable, and compliant with relevant standards.

Performance Auditing: This type evaluates the effectiveness of government programs and initiatives. It assesses whether programs are achieving their intended objectives and whether resources are being used efficiently.

Based on Nature of Entity:

Financial Statement Audits: These audits are performed on entities that prepare financial statements, such as corporations, partnerships, and non-profit organizations.

Government Audits: These audits are performed on government agencies and departments to ensure that public funds are being used appropriately.

Non-Profit Audits: These audits are performed on non-profit organizations to ensure that their financial resources are being used for their stated purposes.

Internal Audits: These audits are performed by an entity's own internal audit department to assess its operations, controls, and risk management.

These are just a few of the many types of auditing that exist. The specific type of audit needed will depend on the unique circumstances of the entity being audited.

3.4 Self-Managed Superannuation Fund (SMSF) Audits: A Categorization

SMSF audits primarily fall under the category of financial statement audits. This type of audit focuses on ensuring that the financial statements of the SMSF are presented fairly and in accordance with applicable accounting standards.

3.5 Auditing Procedure of Self-Managed Superannuation Funds

Auditing SMSFs is a crucial process to ensure that the fund's financial statements are accurate, reliable, and comply with relevant laws and regulations. The audit process typically involves the following steps:

1. **Planning and Engagement:**
    - Initial Meeting: The auditor meets with the SMSF trustees to discuss the scope of the audit, the fund's activities, and any specific areas of concern.
    - Risk Assessment: The auditor identifies potential risks and areas of focus for the audit.
    - Engagement Letter: A formal engagement letter is issued outlining the scope of the audit, the auditor's responsibilities, and the fees to be charged.
2. **Understanding the SMSF:**
    - Review of Fund Documents: The auditor reviews the SMSF's trust deed, investment strategy, and other relevant documents.
    - Inquiries of Management: The auditor inquiries about the fund's operations, investment policies, and risk management practices.
3. **Testing Controls:**

- Internal Controls: The auditor tests the SMSF's internal controls to assess their effectiveness in preventing and detecting errors and fraud.
- Segregation of Duties: The auditor evaluates whether there is adequate segregation of duties to minimize the risk of fraud.

4. **Substantive Procedures:**

   - Financial Statements: The auditor examines SMSF's financial statements, including the balance sheet, income statement, and cash flow statement.
   - Investment Transactions: The auditor tests the accuracy and completeness of investment transactions, including purchases, sales, and valuations.
   - Contributions and Withdrawals: The auditor verifies the accuracy and timing of contributions and withdrawals.
   - Tax Compliance: The auditor ensures that the SMSF is complying with relevant tax laws and regulations.

5. **Forming an Opinion:**

   - Evaluation of Evidence: The auditor evaluates the evidence gathered throughout the audit to form an opinion on the fairness of the SMSF's financial statements.
   - Audit Report: The auditor issues an audit report expressing their opinion on the financial statements.

   Key Considerations:

   - Independence: The auditor must be independent to ensure objectivity and credibility.
   - Scope: The scope of the audit may vary depending on the complexity of the SMSF's investments and operations.
   - Frequency: SMSFs are generally required to undergo annual audits.

By following these steps, auditors can provide assurance that SMSFs are being managed in accordance with the law and that their financial statements are reliable.

4 Chapter - Case Study of a SMSF

4.1 Analyzing an SMSF Data: A Case Study

To provide a concrete illustration of the auditing process and decision-making, I have selected a real-world Self-Managed Superannuation Fund (SMSF) as a case study. While specific details have been anonymized to protect confidentiality, this case study offers a comprehensive overview of the steps involved in conducting an SMSF audit.

4.1.1 Engaging with the Client

- **Initial Meeting:** Meet with SMSF trustees to discuss the audit scope, expectations, and the SMSF's operations.
- **Engagement Letter:** Upon meeting we provide a formal agreement outlining the audit terms, responsibilities, and fees.
- **Data Access Agreement:** Obtain the trustees' consent to provide necessary financial records for the audit. and then the audit procedure started actually.

4.1.2 Screening of Financial Reports

To plan effectively, we must thoroughly review the financial reports. I have analyzed our client's data from fiscal years 2021-2022 and 2022-2023. Here are the annual reports for one of the SMSF, which contain:

1. Statement of Financial Position
2. Statement of Comprehensive Income
3. Member Statements

Detailed Statement of Financial Position

As at 30 June 2023

	Note	2023	2022
		$	$
Assets			
Investments			
Real Estate Properties (Australian - Residential)	2		
27-29 Crestwell Close Burpengary		500,000.00	500,000.00
Total Investments		500,000.00	500,000.00
Other Assets			
Bank Accounts	3		
Westpac Bank ~~A/C 46 0333~~		66,689.44	45,425.77
Westpac Bank ~~A/C 56 2496~~		1,628.31	1,962.49
Sundry Debtors		2,759.90	2,759.90
Total Other Assets		71,077.65	50,148.16
Total Assets		571,077.65	550,148.16
Less:			
Liabilities			
Amounts owing to other persons			
LRBA - ~~D & L Harding Trust~~		31,451.24	47,897.00
Sundry Creditors		10,594.45	4,631.30
Income Tax Payable		3,467.10	5,704.15
PAYG Payable		645.00	1,264.00
Total Liabilities		46,157.79	59,496.45
Net assets available to pay benefits		524,919.86	490,651.71
Represented By :			
Liability for accrued benefits allocated to members' accounts	4, 5		
~~Harding, Damian Noel~~ Lindsay - Accumulation		341,254.23	322,887.67
~~Harding, Lady Barrie~~ - Accumulation		183,665.63	167,764.04
Total Liability for accrued benefits allocated to members' accounts		524,919.86	490,651.71

Figure 1

Detailed Operating Statement

For the year ended 30 June 2023

	2023 $	2022 $
Income		
Interest Received		
Westpac Bank ~~A/C 45 8883~~	497.21	19.27
Westpac Bank ~~A/C 50 2496~~	13.78	0.18
	510.99	19.45
Property Income		
27-29 Crestwell Close Burpengary	18,925.92	17,415.00
	18,925.92	17,415.00
Contribution Income		
Personal Contributions - Concessional		
~~Damian Noel Lindsay Harding~~	15,450.00	23,757.25
~~Jody Bernice Harding~~	15,450.00	23,757.25
	30,900.00	47,514.50
Expenses		
ASIC Fees	290.00	276.00
ATO Supervisory Levy	259.00	259.00
	549.00	535.00
Property Expenses - Agents Management Fees		
27-29 Crestwell Close Burpengary	1,648.69	1,532.47
	1,648.69	1,532.47
Property Expenses - Council Rates		
27-29 Crestwell Close Burpengary	1,981.54	1,881.58
	1,981.54	1,881.58
Property Expenses - Insurance Premium		
27-29 Crestwell Close Burpengary	2,446.42	2,026.75
	2,446.42	2,026.75
Property Expenses - Interest on Loans		
27-29 Crestwell Close Burpengary	2,154.24	2,927.48
	2,154.24	2,927.48
Property Expenses - Repairs Maintenance		
27-29 Crestwell Close Burpengary	0.00	82.50
	0.00	82.50
Property Expenses - Sundry Expenses		
Property Expenses - Water Rates		
27-29 Crestwell Close Burpengary	1,175.77	1,016.09
	1,175.77	1,016.09
Investment Losses		
Unrealised Movements in Market Value		
Real Estate Properties (Australian - Residential)		
27-29 Crestwell Close Burpengary	0.00	(219,700.52)
	0.00	(219,700.52)
Changes in Market Values	0.00	(219,700.52)
Total Expenses	10,021.66	(209,632.65)
Benefits accrued as a result of operations before income tax	40,315.25	274,581.60
Income Tax Expense		
Income Tax Expense	6,047.10	8,232.15
Total Income Tax	6,047.10	8,232.15
Benefits accrued as a result of operations	34,268.15	266,349.45

Figure 2

Members Statement

~~Damian Noel Lindsay Herding~~
46 Fleet Street
Burpengary, Queensland, 4505, Australia

Your Details

Date of Birth :	Provided
Age:	46
Tax File Number:	Provided
Date Joined Fund:	~~31/03/2014~~
Service Period Start Date:	16/10/2008
Date Left Fund:	
Member Code:	~~HTRDAM00001A~~
Account Start Date:	31/03/2014
Account Phase:	Accumulation Phase
Account Description:	Accumulation

Vested Benefits:	341,254.23
Total Death Benefit:	341,254.23
Current Salary:	0.00
Previous Salary:	0.00
Disability Benefit:	0.00

Your Balance

Total Benefits	341,254.23
Preservation Components	
Preserved	341,254.23
Unrestricted Non Preserved	
Restricted Non Preserved	
Tax Components	
Tax Free	6,179.54
Taxable	335,074.69

Your Detailed Account Summary

	This Year	Last Year
Opening balance at 01/07/2022	322,887.67	152,835.93
Increases to Member account during the period		
Employer Contributions		
Personal Contributions (Concessional)	15,450.00	23,757.25
Personal Contributions (Non Concessional)		
Government Co-Contributions		
Other Contributions		
Proceeds of Insurance Policies		
Transfers In		
Net Earnings	6,157.57	150,590.90
Internal Transfer In		
Decreases to Member account during the period		
Pensions Paid		
Contributions Tax	2,317.50	3,563.59
Income Tax	923.51	732.82
No TFN Excess Contributions Tax		
Excess Contributions Tax		
Refund Excess Contributions		
Division 293 Tax		
Insurance Policy Premiums Paid		
Management Fees		
Member Expenses		
Benefits Paid/Transfers Out		
Superannuation Surcharge Tax		
Internal Transfer Out		
Closing balance at 30/06/2023	341,254.23	322,887.67

Figure 3.1

Members Statement

Jody Bernice Harding
46 Fleet Street
Burpengary, Queensland, 4505, Australia

Your Details

Date of Birth :	Provided
Age:	47
Tax File Number:	Provided
Date Joined Fund:	31/03/2014
Service Period Start Date:	
Date Left Fund:	
Member Code:	HARJOD00001A
Account Start Date:	31/03/2014
Account Phase:	Accumulation Phase
Account Description:	Accumulation

Vested Benefits:	183,665.63
Total Death Benefit:	183,665.63
Current Salary:	0.00
Previous Salary:	0.00
Disability Benefit:	0.00

Your Balance

Total Benefits	183,665.63
Preservation Components	
Preserved	183,665.63
Unrestricted Non Preserved	
Restricted Non Preserved	
Tax Components	
Tax Free	
Taxable	183,665.63

Your Detailed Account Summary

	This Year	Last Year
Opening balance at 01/07/2022	167,764.04	71,466.33
Increases to Member account during the period		
Employer Contributions		
Personal Contributions (Concessional)	15,450.00	23,757.25
Personal Contributions (Non Concessional)		
Government Co-Contributions		
Other Contributions		
Proceeds of Insurance Policies		
Transfers In		
Net Earnings	3,257.68	76,476.20
Internal Transfer In		
Decreases to Member account during the period		
Pensions Paid		
Contributions Tax	2,317.50	3,563.59
Income Tax	488.59	372.15
No TFN Excess Contributions Tax		
Excess Contributions Tax		
Refund Excess Contributions		
Division 293 Tax		
Insurance Policy Premiums Paid		
Management Fees		
Member Expenses		
Benefits Paid/Transfers Out		
Superannuation Surcharge Tax		
Internal Transfer Out		
Closing balance at 30/06/2023	183,665.63	167,764.04

Figure 3.2

4.1.3 Analyzing The financial statement with supporting

4.1.3.1 Assets

As the SMSF has investment in property and two bank accounts so we checked the related documents that include:

Bank Accounts:

- Bank statement from 1 July 2022 to 30 June 2023 (year-end figures)
- Account name on the Trustee, corporate trustee.

Property:

- Permanent documents- Contact of purchase, Settlement statement
- Independent valuation or Online valuation with Kerbside, as revaluation every year is a must.
- Lease agreement
- Rental statement
- Property related expense Invoice/ statement from managed fund
- Statutory Declaration
- Depreciation schedule if any
- Property confirmation of all information (name & address, financial value, Market value, rental income & let to related party or not)

4.1.3.2 Liabilities

In this there are limited recourse borrowing arrangements (LRBA), some payables and member accumulation balance. so, we checked the followings:

LRBA:

- Bare trust and if it has corporate trustee then ASIC statement & constitution.
- Loan statement from 1 July 2022 to 30 June 2023

Other payable:

Here there are tax expenses, sundry creditors and PAYG. As supporting we checked the General ledger to see the breakdown, PAYG installment report and tax activity statement for the period.

Member accounts-Liability

- We checked the Member statement opening & closing balance and other breakdown.

4.1.3.3 Income

Interest Received:

- Checked that the interest came from bank, so first see the breakdown on general ledger and then do sample test in bank statement.

Property Income:

- Rental statement from the real estate managed. If it is managed by a trustee, then do sample test on bank statement and with other supporting.

Contribution Income:

Here the contribution is only Personal concessional contribution, but it can be employer contribution, low-income contribution or non-concessional contribution, so we need to verify:

- Employer Contribution -ATO income report from ATO portal.
- Personal concessional Contribution-Intention to claim, signed by Trustee
- Non-concessional contributions-confirmation
- Rollover in & out- Rollover statement, signed by trustee
- Pension paid – pension minutes, signed by trustee
- Confirmation letters by us(including all contribution, pension. rollover, insurance premium and any other)

4.1.3.4 Expenses

Property Expenses:

If the rental statement outlines expenses, an invoice might not be required. Given that a real estate firm manages the property, it's typical for the trustee to lack invoices for all expenses. We will, however, investigate this further if feasible.

- Council rate & water rate Invoice
- Repair, management and other expense related invoice
- Insurance policy and invoice

Other Expenses:

- ASIC Invoice for ASIC fee
- supervisory Levy-tax return
- Tax expense- ATO activity statement & PAYG installment report

4.1.3.5 Others

Permanent Documents:

There are certain permanent documents created when the SMSF was established. We should review all of these to ensure they are agreed upon and signed.

- Trust Deed of the super fund
- If there are corporate trustee- Constitution
- Some Consent that signed
  - Consent of trustee
  - Consent of director- Corporate trustee & Bare trustee
  - Member Application
  - ATO trustee declaration

Yearly Documents:

There are some documents that Smsf needs to do during the period and signed by all members. These are:

- Investment strategy-defined % of investment and others.
- Meeting minutes & yearly resolution for the year
- ASIC statement for the year, to check the director

Other Documents:

There are some searches or documentation that need to verify, though it's very from fund to fund. These are:

- SMSF lookup & ABN lookup details
- Searching disqualified trustee register
- Property- Titel search
- Shares- Registry and sample test
- Actuarial Certificate

5 Chapter - Findings

5.1 Key Findings

Assets:

- **Property Investments:** The property investments appear to be well-documented, with supporting documents such as the purchase contract, settlement statement, and lease agreement. Though the property is not revalued we asked the client, but they did not. so we will take it into account.
- **Bank Accounts:** The bank accounts are appropriately held in the name of the SMSF or its corporate trustee. And received statement from 1 July 2022 to 30 June 2023.

Liabilities:

- **LRBA Arrangements:** The LRBA arrangements appear to follow relevant laws and regulations. It has bare trust, constitution for corporate trustee.
- **Payables:** The SMSF has various payables, including tax expenses, sundry creditors, and PAYG liabilities.
- Member Accounts: The member accounts are accurately recorded and reflect the correct balances cross-checked with Member statement.

Income:

- I**nvestment Income:** The SMSF generates income from both property investments and bank accounts. We received a rental statement from the real estate which seems to be appropriate.
- **Contributions:** The SMSF has received personal concessional contributions, which is the primary source of income.

Expenses:

- **Property Expenses:** The SMSF has incurred expenses related to property ownership, such as council rates, water rates, and management fees.
- **Other Expenses:** The SMSF has incurred expenses for ASIC fees, supervisory levies, and tax-related costs.

Permanent Documents:

- **Essential Documents:** The SMSF has the necessary permanent documents, including the trust deed, corporate trustee constitution, and member applications.
- **Consent Forms:** All required consent forms appear to be in place

Yearly Documents:

- **Regular Updates:** The SMSF has maintained up-to-date investment strategies, meeting minutes, yearly resolutions, and ASIC statements.

Other Documents:

- **Due Diligence:** The SMSF has conducted necessary searches and obtained supporting documents for investments and other transactions.

5.2 Findings on overall financial:

Financial Health: The SMSF has experienced a positive financial performance over the past year. The net assets available to pay benefits have increased from $400,951.71 in 2022 to 524,919.88 in 2023. This growth indicates a strong financial position and increased capacity to meet future obligations.

Investment Portfolio: The SMSF's investment portfolio is primarily concentrated in real estate properties, which constitute a substantial portion of its total assets. This investment strategy aligns with the predetermined percentage allocation specified in the SMSF's investment policy.

Liabilities: The SMSF's liabilities have increased from $60,496.45 in 2022 to 46,157.79 in 2023. This increase is primarily attributable to an increase in amounts owing to other persons.

Member Benefits: The liability for accrued benefits allocated to members' accounts has risen from $322,887.87 in 2022 to 341,254.23 in 2023. This increase reflects the growth in the SMSF's assets and the corresponding increase in the benefits that members can expect to receive upon retirement.

5.3 Findings on Compliance:

A comprehensive review of the SMSF's operations has determined that it is in complete adherence to all applicable Australian Tax Office (ATO) and Australian Securities and Investments Commission (ASIC) regulations. However, to ensure the accuracy and reliability of the SMSF's financial statements, it is strongly recommended that a professional valuation be conducted for the real estate properties held by the fund.

This valuation will provide a verifiable assessment of the properties' current market values, which is essential for accurate financial reporting and compliance purposes.

- **Risk Management:**
  Implement risk management strategies to mitigate potential risks associated with real estate investments.
- **Governance:**
  Review and update the SMSF's governance practices to ensure they are effective and up to date.
- **Record Keeping:**
  Maintaining accurate and complete records of all SMSF transactions and documents is essential for compliance, transparency, and effective financial management.

6 Chapter - Recommendation

6.1 Investment Diversification

To reduce risk and potentially improve returns, the SMSF should consider diversifying its investment portfolio beyond real estate and cash. This could involve investing in

- shares
- bonds
- managed funds
- Collectibles (Gold, Silver, Bitcoin)
- Unlisted trust/unsecured loan thought not recommended due to high risk.
- Alternative investments such as infrastructure, private equity, or commodities and many more

By spreading investments across different asset classes, the SMSF can reduce the impact of losses in any single investment and potentially capture gains from various market sectors. It's essential to carefully evaluate the risk profile of each asset class and ensure it aligns with the SMSF's overall investment objectives.

6.2 Assessing and Improving SMSF Governance

To ensure effective and up-to-date governance, the Harding SMSF should conduct a thorough review of its governance practices. This includes:

- **Trustee Meetings:**
  - Ensure that trustee meetings are held regularly and in accordance with the SMSF's trust deed.
  - Review the minutes of trustee meetings to assess the quality of discussions and decision-making.
  - Consider implementing a formal agenda and decision-making process for trustee meetings.

- **Record Keeping:**
  - Ensure that accurate and complete records are maintained for all SMSF transactions and activities.

- Review the SMSF's record-keeping practices to identify any areas for improvement.

■ **Conflict of Interest:**

- Implement procedures to identify and manage potential conflicts of interest among trustees and related parties.
- Consider adopting a conflict-of-interest policy

■ **Independent Advice:**

- Encourage trustees to seek independent advice when necessary, such as legal or financial advice.

■ **Professional Development:**

- Provide opportunities for trustees to undertake professional development to enhance their knowledge and skills.

■ **Stay informed & updated about regulatory changes**

- To ensure effective governance, the SMSF should regularly review and update its procedures, stay informed about regulatory changes from the ATO and ASIC, and seek professional advice when necessary.

By addressing these governance areas, the SMSF can strengthen its oversight and ensure that it is operating in compliance with relevant laws and regulations

6.3 Audit opinion for XYZ SMSF

Financial Report:

- **Unqualified Opinion:** The auditor issued an unqualified opinion, indicating that the financial report presents fairly, in all material respects, the financial position and operating results of the SMSF.

- **Compliance with Accounting Standards:** The financial report complies with the applicable Australian Accounting Standards.

- **Going Concern:** The auditor concluded that there are no material uncertainties related to the SMSF's ability to continue as a going concern.

Compliance Report:

- **Unqualified Opinion:** The auditor issued an unqualified opinion, indicating that the SMSF trustees have complied, in all material respects, with the relevant provisions of the Superannuation Industry Supervision Act (SISA) and the Superannuation Industry Supervision Regulations (SISR).

- **Compliance with Listed Provisions:** The SMSF has complied with the specified sections and regulations of the SISA and SISR.

The audit report concludes that the Super Fund is in sound financial condition and is in full compliance with all applicable Australian Tax Office (ATO) and Australian Securities and Investments Commission (ASIC) regulations.

However, it's important to note that this summary is based on the limited information provided.

By reviewing the complete audit report, stakeholders can gain a deeper understanding of the Super Fund's financial health, compliance status, and any potential areas for improvement.

7 Chapter - Conclusion

My internship at 1Superfund has been an invaluable experience, offering a thorough introduction to the auditing of Self-Managed Superannuation Funds (SMSFs). As an associate auditor, I participated in the entire audit process, from verifying financial statements to reviewing documents and ensuring regulatory compliance. This gave me a solid understanding of how SMSFs operate within the complex regulatory landscape and the critical role audits play in maintaining compliance.

One key takeaway was the importance of accuracy and attention to detail. Verifying financial statements required me to cross-check various documents, enhancing my analytical skills and ability to spot inconsistencies. I also encountered common areas of non-compliance, such as breaches of contribution limits and asset valuation discrepancies, underscoring the need for ongoing oversight in SMSFs. Additionally, I observed best practices in proactive fund management and financial planning.

I also contributed to improving audit efficiency by suggesting adjustments to the workflow and data management processes. These improvements streamlined our operations without sacrificing accuracy, reinforcing the value of innovation even in structured roles. Applying theoretical knowledge to real-world SMSF audits further deepened my understanding of auditing principles, bridging the gap between classroom concepts and practical execution.

One of the most rewarding aspects of my internship was the opportunity to apply theoretical knowledge to real-world cases. Working with actual SMSF clients provided me with hands-on experience and gave me a clearer understanding of how auditing principles translate into practice. By focusing on the data of a specific SMSF client as a case study, I was able to bridge the gap between classroom concepts and practical application. This allowed me to gain confidence in my ability to handle complex financial data and navigate the intricacies of auditing.

Overall, this internship has significantly expanded my knowledge of SMSF auditing, financial analysis, and compliance. It has equipped me with essential skills that I'm eager to apply in future roles within the superannuation industry. The experience has provided a strong foundation for my career in auditing and regulatory compliance.

*

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