

**Thesis Report**  
**on**  
**“Process of Auditing for Self-Managed Superannuation Fund: A case study”**

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Sonargaon University (SU)

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# Letter of Transmittal

January 10, 2026

To,

Prof. Md. Al-Amin Molla

Professor

Dean, Faculty of Business

Sonargaon University (SU)

**Subject: Submission of Thesis Report on “Process of Auditing for Self-Managed Superannuation Fund: A case study”.**

Respected Sir,

With humble honor and respect, I am submitting my thesis report on “Process of Auditing for Self-Managed Superannuation Fund”. As per partial accomplishment of the requirements for the MBA degree, this thesis has been carried out under your supervision.

This comprehensive analysis of the SMSF audit process serves as a valuable component of my MBA 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

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## Student's Declaration

I, Rowshan Tahia Chowdhury, at this moment, declares that the presented report of “Process of Auditing for Self-Managed Superannuation Fund” 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  
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Sonargaon University (SU)

## Letter of Authorization

It is to be certified that this Thesis report titled “Process of Auditing for Self-Managed Superannuation Fund” 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.

---

Prof. Md. Al-Amin Molla  
Professor  
Dean, Faculty of Business  
Sonargaon University (SU)

## Acknowledgement

I would like to express my sincere gratitude to my thesis supervisor Prof. Md. Al-Amin Molla, Professor, Dean, Faculty of Business, at Sonargaon University. His patience, enthusiasm, cooperation, and suggestions made me present this thesis 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 “Auditing procedure of self-managed super fund.” 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 thesis 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, compliance with regulations, and potential risks related to investment concentration. I gained valuable skills in auditing techniques, SMSF knowledge, financial analysis, and risk assessment. This thesis has equipped me for future roles in the financial services industry.

This report consists of eight chapters. Chapter one introduces the study, including objectives, methodology, and limitations. Chapter two reviews existing literature on SMSFs, covering performance, governance, and audit challenges. Chapter three presents the conceptual framework and hypotheses. Chapter four explains auditing principles and SMSF audit procedures. Chapter five analyzes SMSF data through a case study, while chapter six discusses key findings. Chapter seven provides recommendations, and the final chapter concludes the study with overall insights.

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.

# Contents

<b>1</b>	<b>Chapter - Introduction</b>	<b>8</b>
1.1	Induction . . . . .	8
1.2	Objective and questions of the study . . . . .	9
1.3	Methodology and data collection . . . . .	10
1.4	Limitations of the study . . . . .	10
<b>2</b>	<b>Chapter - Literature Review</b>	<b>12</b>
2.1	Overview of Self-Managed Superannuation Funds (SMSFs)? . . . . .	12
2.2	SMSF Performance and Investment Behavior . . . . .	12
2.3	Governance and Trustee Decision-Making . . . . .	12
2.4	Risk, Diversification, and Asset Allocation . . . . .	13
2.5	Audit and Compliance Challenges . . . . .	13
2.6	Performance Variability and Risk Exposure . . . . .	13
2.7	Research Gap . . . . .	14
2.8	Summary . . . . .	14
<b>3</b>	<b>Conceptual Framework and Hypotheses</b>	<b>15</b>
3.1	Conceptual Framework . . . . .	15
3.2	Hypotheses Development . . . . .	15
3.3	Justification of the Framework . . . . .	16
<b>4</b>	<b>Research Methodology</b>	<b>17</b>
4.1	General Definition of Auditing . . . . .	17
4.2	Purpose of Auditing . . . . .	17
4.3	Different types of Auditing . . . . .	18
4.4	Self-Managed Superannuation Fund (SMSF) Audits: A Categorization . . . . .	19
4.5	Auditing Procedure of Self-Managed Superannuation Funds . . . . .	19
<b>5</b>	<b>Chapter - Data Analysis and Results</b>	<b>21</b>
5.1	Analyzing an SMSF Data: A Case Study . . . . .	21
5.1.1	Engaging with the Client . . . . .	21
5.1.2	Screening of Financial Reports . . . . .	21
5.1.3	Analyzing The financial statement with supporting . . . . .	26
<b>6</b>	<b>Chapter - Discussion &amp; Findings</b>	<b>29</b>
6.1	Key Findings . . . . .	29
6.2	Findings on overall financial: . . . . .	30
6.3	Findings on Compliance: . . . . .	31

**7 Chapter - Recommendation 32**  
7.1 Investment Diversification . . . . . 32  
7.2 Assessing and Improving SMSF Governance . . . . . 32  
7.3 Audit opinion for XYZ SMSF . . . . . 33

**8 Chapter - Conclusion 35**

# 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** 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 - Literature Review

### 2.1 Overview of Self-Managed Superannuation Funds (SMSFs)?

**Self-Managed Superannuation Funds (SMSFs)** play an increasingly important role in Australia's retirement system, offering individuals greater autonomy and control over investment decisions compared to APRA-regulated funds. Existing literature highlights that SMSFs differ significantly in governance structure, trustee involvement, risk exposure, and performance outcomes. Researchers have examined SMSFs from multiple perspectives, including financial performance, trustee behavior, asset allocation strategies, and regulatory compliance, providing a broad foundation for understanding their effectiveness and associated challenges.

### 2.2 SMSF Performance and Investment Behavior

Prior studies indicate that SMSFs often demonstrate performance outcomes that vary depending on market conditions and trustee investment strategies. Bird et al. (2018) emphasize that SMSF trustees are primarily motivated by the desire for control and flexibility in managing retirement savings, which influences their asset allocation decisions and risk tolerance. The study suggests that trustee-driven investment decisions may lead to varying financial outcomes depending on the level of financial literacy and access to professional advice [1]

Further evidence on SMSF performance is provided by Mihaylov, Obaydin, and Zurbruegg (2024), who analyzed financial data from over 394,000 SMSFs during the 2021–2022 financial year. Their findings reveal that SMSFs outperformed APRA-regulated funds during a period of financial market contraction, with a median rate of return of  $-1.0\%$  compared to  $-5.1\%$  for APRA funds. The researchers attribute this relative resilience to SMSFs' tendency toward defensive asset allocations and a higher concentration in domestic equities [2]

### 2.3 Governance and Trustee Decision-Making

Governance is a critical factor influencing SMSF performance and compliance. Bird et al. (2018) note that trustee knowledge, experience, and engagement significantly impact fund outcomes, particularly in relation to investment decisions and regulatory compliance. Trustees who actively seek professional financial advice tend to demonstrate better diversification and risk management practices[1]

Similarly, Colbeck's thesis highlights that governance practices within SMSFs are strongly influenced by trustees' financial literacy and their understanding of regulatory obligations. The study emphasizes that weak governance structures and limited oversight can increase the likelihood of compliance breaches and financial mismanagement, underscoring the importance of audit mechanisms in safeguarding fund integrity .

## **2.4 Risk, Diversification, and Asset Allocation**

Asset allocation remains a key determinant of SMSF performance. Mihaylov et al. (2024) report that SMSFs often demonstrate a home bias by investing heavily in domestic equities while underweighting international assets. While this approach may limit diversification, it can also result in stronger performance during periods when domestic markets outperform global markets [3]

Colbeck's research further suggests that trustees frequently adopt conservative investment strategies, including higher allocations to cash and low-risk assets, to preserve capital. However, excessive conservatism may reduce long-term growth potential, highlighting the need for balanced investment planning.

## **2.5 Audit and Compliance Challenges**

The literature consistently emphasizes the importance of auditing in ensuring SMSF compliance and transparency. Bird et al. (2018) argue that regular audits play a critical role in maintaining accountability and minimizing regulatory breaches. However, they also note that audit effectiveness depends on the quality of documentation and trustee cooperation [1]

Colbeck's thesis further identifies challenges faced by auditors, including incomplete financial records, limited trustee awareness of compliance requirements, and time constraints in audit procedures. These issues highlight the need for stronger governance frameworks and improved trustee education to enhance audit efficiency and compliance outcomes .

## **2.6 Performance Variability and Risk Exposure**

Although SMSFs have demonstrated strong performance in certain periods, studies also reveal greater variability in returns compared to APRA-regulated funds. Mihaylov et al. (2024) report a wider dispersion of SMSF performance outcomes, indicating higher exposure to investment risk due to heterogeneous trustee strategies and decision-making capabilities [2]

## 2.7 Research Gap

While previous studies provide valuable insights into SMSF performance, governance, and investment behavior, limited research focuses on the practical auditing process and real-world challenges faced by auditors. Existing literature primarily examines aggregate performance data rather than detailed audit procedures or case-based evaluations. This study seeks to address this gap by analyzing SMSF auditing practices from a practical perspective, drawing on **thesis** experience and real case analysis.

## 2.8 Summary

Overall, the literature indicates that SMSFs offer potential benefits in terms of performance flexibility and trustee control, but they also present challenges related to governance, compliance, and risk management. Trustee expertise, asset allocation strategies, and audit effectiveness emerge as critical factors influencing SMSF success. These findings provide a foundation for developing the conceptual framework and hypotheses of the present study.

## 3 Conceptual Framework and Hypotheses

### 3.1 Conceptual Framework

A conceptual framework explains the relationship between key variables of a study and provides a structured way to understand how different factors influence the research outcome. In the context of this study, the conceptual framework focuses on how various auditing-related factors affect the **effectiveness and quality of SMSF audits**.

This study assumes that effective SMSF auditing depends on several independent variables, such as regulatory compliance, auditor competence, internal control systems, and quality of documentation. These factors collectively influence the **dependent variable**, which is the overall quality and reliability of SMSF audit outcomes.

#### Independent Variables

- **Regulatory Compliance:** Compliance with Australian Auditing Standards (ASAs), Superannuation Industry (Supervision) Act (SISA), and ATO guidelines.
- **Auditor Competence and Independence:** Professional expertise, experience, ethical standards, and independence of the SMSF auditor.
- **Internal Control and Governance Practices:** Effectiveness of trustee oversight, segregation of duties, investment strategy implementation, and record-keeping practices.
- **Quality of Financial Documentation:** Accuracy and completeness of financial statements, supporting documents, bank statements, valuation reports, and member records.

#### Dependent Variable:

- **Effectiveness of SMSF Audit Process:** Accuracy of audit opinion, compliance assurance, risk identification, and reliability of financial reporting.

### 3.2 Hypotheses Development

Based on the objectives of the study and the conceptual framework, the following hypotheses have been developed:

#### H1:

There is a significant positive relationship between regulatory compliance and the effectiveness of the SMSF audit process.

**H2:**

Higher auditor competence and independence lead to improved quality and reliability of SMSF audit outcomes.

**H3:**

Strong internal control and governance practices positively influence SMSF audit effectiveness.

**H4:**

Accurate and complete financial documentation significantly improves the efficiency and accuracy of SMSF audits.

**H5:**

The complexity of SMSF investment structure has a significant impact on the audit process and audit risk assessment.

### **3.3 Justification of the Framework**

The conceptual framework and hypotheses are developed based on:

- Australian Auditing Standards (ASAs)
- SMSF regulatory requirements under ATO and ASIC
- Practical audit experience gained during the thesis at 1Superfund
- Prior academic and professional literature on auditing and compliance

This framework supports the findings of the study by logically linking audit procedures, governance practices, and regulatory requirements with audit quality and compliance outcomes.

## 4 Research Methodology

### 4.1 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.

### 4.2 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.

### 4.3 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.

#### **4.4 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.

#### **4.5 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 inquires 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.

## 5 Chapter - Data Analysis and Results

### 5.1 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.

#### 5.1.1 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.

#### 5.1.2 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
		\$	\$
<b>Assets</b>			
<b>Investments</b>			
Real Estate Properties ( Australian - Residential)	2		
27-29 Crestwell Close Burpengary		500,000.00	500,000.00
<b>Total Investments</b>		<u>500,000.00</u>	<u>500,000.00</u>
<b>Other Assets</b>			
Bank Accounts	3		
Westpac Bank A/C 46 0333		66,689.44	45,425.77
Westpac Bank A/C 55 2496		1,628.31	1,962.49
Sundry Debtors		2,759.90	2,759.90
<b>Total Other Assets</b>		<u>71,077.65</u>	<u>50,148.16</u>
<b>Total Assets</b>		<u>571,077.65</u>	<u>550,148.16</u>
Less:			
<b>Liabilities</b>			
Amounts owing to other persons			
LRBA - <del>D.G. Learning Trust</del>		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
<b>Total Liabilities</b>		<u>46,157.79</u>	<u>59,496.45</u>
<b>Net assets available to pay benefits</b>		<u>524,919.86</u>	<u>490,651.71</u>
Represented By :			
<b>Liability for accrued benefits allocated to members' accounts</b>	4, 5		
<del>Heading, Damian Noel</del> Lindsay - Accumulation		341,254.23	322,887.67
<del>Heading, Judy Bernice</del> - Accumulation		183,665.63	167,764.04
<b>Total Liability for accrued benefits allocated to members' accounts</b>		<u>524,919.86</u>	<u>490,651.71</u>

Figure 1

## Detailed Operating Statement

For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>Income</b>		
Interest Received		
Westpac Bank <del>A/C 45-8882</del>	497.21	19.27
Westpac Bank <del>A/C 50-2496</del>	13.78	0.18
	<u>510.99</u>	<u>19.45</u>
Property Income		
27-29 Crestwell Close Burpengary	18,925.92	17,415.00
	<u>18,925.92</u>	<u>17,415.00</u>
<b>Contribution Income</b>		
Personal Contributions - Concessional		
<del>Damian Noel Lindsay Harding</del>	15,450.00	23,757.25
<del>Jody Bernice Harding</del>	15,450.00	23,757.25
	<u>30,900.00</u>	<u>47,514.50</u>
<b>Expenses</b>		
ASIC Fees	290.00	276.00
ATO Supervisory Levy	259.00	259.00
	<u>549.00</u>	<u>535.00</u>
Property Expenses - Agents Management Fees		
27-29 Crestwell Close Burpengary	1,648.69	1,532.47
	<u>1,648.69</u>	<u>1,532.47</u>
Property Expenses - Council Rates		
27-29 Crestwell Close Burpengary	1,981.54	1,881.58
	<u>1,981.54</u>	<u>1,881.58</u>
Property Expenses - Insurance Premium		
27-29 Crestwell Close Burpengary	2,446.42	2,026.75
	<u>2,446.42</u>	<u>2,026.75</u>
Property Expenses - Interest on Loans		
27-29 Crestwell Close Burpengary	2,154.24	2,927.48
	<u>2,154.24</u>	<u>2,927.48</u>
Property Expenses - Repairs Maintenance		
27-29 Crestwell Close Burpengary	0.00	82.50
	<u>0.00</u>	<u>82.50</u>
Property Expenses - Sundry Expenses		
Property Expenses - Water Rates		
27-29 Crestwell Close Burpengary	1,175.77	1,016.09
	<u>1,175.77</u>	<u>1,016.09</u>
<b>Investment Losses</b>		
Unrealised Movements in Market Value		
Real Estate Properties ( Australian - Residential)		
27-29 Crestwell Close Burpengary	0.00	(219,700.52)
	<u>0.00</u>	<u>(219,700.52)</u>
<b>Changes in Market Values</b>	<u>0.00</u>	<u>(219,700.52)</u>
<b>Total Expenses</b>	<u>10,021.66</u>	<u>(209,632.65)</u>
<b>Benefits accrued as a result of operations before income tax</b>	<u>40,315.25</u>	<u>274,581.60</u>
<b>Income Tax Expense</b>		
Income Tax Expense	6,047.10	8,232.15
<b>Total Income Tax</b>	<u>6,047.10</u>	<u>8,232.15</u>
<b>Benefits accrued as a result of operations</b>	<u>34,268.15</u>	<u>266,349.45</u>

Figure 2

## Members Statement

~~Barbara Noel Lindsay Harding~~

46 Fleet Street  
Burpengary, Queensland, 4505, Australia

Your Details		Vested Benefits:	341,254.23
Date of Birth :	Provided	Total Death Benefit:	341,254.23
Age:	46	Current Salary:	0.00
Tax File Number:	Provided	Previous Salary:	0.00
Date Joined Fund:	<del>31/03/2014</del>	Disability Benefit:	0.00
Service Period Start Date:	16/10/2008		
Date Left Fund:			
Member Code:	<del>HARDAM00001A</del>		
Account Start Date:	31/03/2014		
Account Phase:	Accumulation Phase		
Account Description:	Accumulation		

Your Balance	
Total Benefits	341,254.23
<u>Preservation Components</u>	
Preserved	341,254.23
Unrestricted Non Preserved	
Restricted Non Preserved	
<u>Tax Components</u>	
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
<u>Increases to Member account during the period</u>			
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			
<u>Decreases to Member account during the period</u>			
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		Vested Benefits:	183,665.63
Date of Birth :	Provided	Total Death Benefit:	183,665.63
Age:	47	Current Salary:	0.00
Tax File Number:	Provided	Previous Salary:	0.00
Date Joined Fund:	31/03/2014	Disability Benefit:	0.00
Service Period Start Date:			
Date Left Fund:			
Member Code:	HARJOD00001A		
Account Start Date:	31/03/2014		
Account Phase:	Accumulation Phase		
Account Description:	Accumulation		

Your Balance	
Total Benefits	183,665.63
<u>Preservation Components</u>	
Preserved	183,665.63
Unrestricted Non Preserved	
Restricted Non Preserved	
<u>Tax Components</u>	
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
<u>Increases to Member account during the period</u>		
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		
<u>Decreases to Member account during the period</u>		
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

## **5.1.3 Analyzing The financial statement with supporting**

### **5.1.3.1 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)

### **5.1.3.2 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.

### **5.1.3.3 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)

### **5.1.3.4 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

### **5.1.3.5 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

## 6 Chapter - Discussion & Findings

### 6.1 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:

- **Investment 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.

## 6.2 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.

### **6.3 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.

## 7 Chapter - Recommendation

### 7.1 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.

### 7.2 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

## 7.3 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.

## 8 Chapter - Conclusion

My thesis 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 thesis 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 thesis 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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