



Project Plan

Project ID: 2010
Approved: April 2011
Updated: July 2011

Project title: Revision of GS 009 *Auditing Self-Managed Superannuation Funds*

Project objective(s): FRC Strategic Direction
(e) The AUASB should continue to develop auditing and assurance standards other than for historical financial information as well as developing and issuing other guidance on auditing and assurance matters [...].

Priority: Medium

Issues/reasons:

- Since Guidance Statement GS 009 was issued in October 2008, the AUASB has issued a new suite of clarity standards which need to be incorporated in the revised GS 009.
- GS 009 also needs to be updated to accommodate the Australian Taxation Office (ATO) requirements applicable in 2010/11.
- Concurrent changes made in GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* also need to be addressed in the revised GS 009.
- Changes to the Superannuation Industry (Supervision) Act 1993 (SISA) and the Superannuation Industry (Supervision) Regulations 1994 (SISR) need to be incorporated in GS 009.
- The experience of practitioners in using GS 009 can also be addressed as part of this revision.

Project Objectives

To revise GS 009 *Auditing Self-Managed Superannuation Funds* (October 2008) to anchor to the requirements of the clarity standards, accommodate ATO changes, reflect concurrent changes made in GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*, incorporate changes to SISA and SISR and address the experience of practitioners in using the Guidance Statement since it was issued.

Stakeholders

- (a) Self-Managed Superannuation Funds' (SMSF's) auditors.
- (b) Relevant regulatory bodies:
 - ATO
 - Australian Securities and Investment Commission (ASIC)

- (c) Relevant member bodies for user entities or service organisations:
 - Self-Managed Super Fund Professionals' Association of Australia (SPAA) – members are auditors of SMSFs which are typically user entities.
- (d) Accounting bodies – ICA, CPA Australia & IPA – representing practitioners.

Background

Guidance Statement GS 009 *Auditing Self Managed Superannuation Funds* was issued in October 2008 to replace GS 009 *Auditing Self-Managed Superannuation Funds*. GS 009 provides guidance to auditors conducting the audit of a SMSF's special purpose financial report and the audit of a SMSF's compliance with the SISA and the SISR. SMSFs are primarily governed by the requirements of the SISA, SISR, the Income Taxation Assessment Acts 1936 & 1997 (ITAA) and the fund's governing rules, which include the trust deed and applicable case law.

Clarity Standards

Standards have been revised and reissued as part of the clarity project in October 2009. These revisions include a revised audit approach, new report titles and report formats.

ATO requirements

GS 009 has several references to the ATO, its main regulatory body of SMSFs. The ATO updates the SMSF audit report and the Auditor Contravention report on an annual basis. It also issues rulings and interpretative decisions to assist stakeholders with complex areas of the SISA and SISR.

Concurrent changes made in GS 007

GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* (March 2008) will be updated to anchor to the requirements in ASA 402 and ASAE 3402 and to reflect the terminology, audit approach and report titles used in those standards. Control objectives / service areas will also be revised and additional guidance provided on IDPS schemes.

Changes to SISA and SISR

There were no major changes to SISA and SISR but SMSF auditors will need to comply with two additional existing regulations from SISR:

- *Reg 5.03 (Investment Returns)*
 - (1) The trustee of an accumulation fund or an approved deposit fund that maintains reserves must determine the investment return to be credited or debited from time to time to a member's benefit (or benefits of a particular kind) in the fund, having regard to:
 - (a) the return to the fund on investments; and
 - (b) the extent to which the costs of the fund exceed (or fall below) the aggregate of the costs charged to member's benefits under regulation 5.02; and
 - (c) the level of the reserves of the entity.

- (2) Subject to the member-protection standards, regulation 5.01B and Division 6.1, the trustee of a regulated superannuation fund or an approved deposit fund must determine the investment return to be credited or debited to a member's benefits (or benefits of a particular kind) in a way that is fair and reasonable as between:
- (a) all the members of the fund; and
 - (b) the various kinds of benefits of each member of the fund.
- *Reg 1.06(9A) (Pensions)*

(9A) Rules for the provision of a benefit (the pension) meet the standards of this subregulation if the rules ensure that payment of the pension is made at least annually, and also ensure that:

 - (a) for a pension in relation to which there is an account balance attributable to the beneficiary -- the total of payments in any year (including under a payment split but excluding amounts rolled over) is at least the amount calculated under clause 1 of Schedule 7; and
 - (b) for a pension that is not described in paragraph (a):
 - (i) both of the following apply:
 - (A) the rules do not provide for a residual capital value, commutation value or withdrawal benefit greater than 100% of the purchase price of the pension;
 - (B) the total of payments in any year (including under a payment split but excluding amounts rolled over) is at least the amount calculated under clause 2 of Schedule 7; or
 - (ii) each of the following applies:
 - (A) the pension is payable throughout the life of the beneficiary (primary or reversionary), or for a fixed term of years that is no greater than the difference between the primary beneficiary's age on the commencement day and age 100;
 - (B) there is no arrangement for an amount (or a percentage of the purchase price) prescribed by the rules to be returned to the recipient when the pension ends;
 - (C) the total of payments from the pension in the first year (including under a payment split but excluding amounts rolled over) is at least the amount calculated under clause 2 of Schedule 7;
 - (D) the total of payments from the pension in a subsequent year cannot vary from the total of payments in the previous year unless the variation is as a result of an indexation arrangement or the transfer of the pension to another person;
 - (E) if the pension is commuted, the commutation amount cannot exceed the benefit that was payable immediately before the commutation; or
 - (iii) the standards of subregulation (2) are met; or

- (iv) for rules in existence at the date of registration of the Superannuation Industry (Supervision) Amendment Regulations 2007 (No. 3), the standards of subregulation (2) would be met, except for the circumstances in which those rules allow for either or both of the following:
- (A) the pension to be commuted;
 - (B) the variation or cessation of pension payments in respect of a child of the deceased; and
 - (C) the pension is transferable to another person only on the death of the beneficiary (primary or reversionary, as the case may be); and
 - (D) the capital value of the pension and the income from it cannot be used as a security for a borrowing.

Risks/Issues

1. To ensure that changes to GS 009 are minimised to ensure no unnecessary costs are incurred by practitioners and in turn business in modifying the engagement approach to address any amendments.
2. To ensure that the experience of SMSF auditors in using GS 009 to date are canvassed and are then considered in revisions recommended for the Guidance Statement.

Action Plan

Clarity Standards

GS 009 needs to be updated to anchor to the requirements of the clarity standards and to reflect the terminology, audit approach and report titles used in those standards.

ATO requirements

GS 009 needs to be updated to reflect the ATO requirements applicable in 2010/11 including changes to the SMSF audit report, changes to the Auditor Contravention Report, and new draft ATO rulings and interpretative decisions.

Concurrent changes made in GS 007

GS 009 needs to be updated to accommodate changes in GS 007, including the requirements in ASA 402 & ASAE 3402, the changes to service areas (if applicable) and the additional guidance on IPDS schemes.

Changes to SISA and SISR

GS 009 needs to be updated to accommodate Regs 5.03 & 1.06 (9A).

Experience of practitioners

A PAG consisting of SMSF expert auditors will be created and the major issues encountered since the issue of GS 009 in October 2008 will be discussed, and the suggestions considered in the revised version.

Resources

Project Manager to undertake in conjunction with PAG.

Timetable

| Date | Description |
|--------------|--|
| 7 June 2011 | PAG meeting |
| 25 June 2011 | Detailed PAG feedback due |
| 1 July 2011 | Updated ATO audit report to be finalised |
| 15 July 2011 | Updated Auditor Contravention Report to be finalised |
| 20 July 2011 | AUASB Technical Group to finalise changes to GS 009 |
| 25 July 2011 | AUASB Board to approve revised GS 009 |
| August 2011 | AUASB to issue revised GS 009 |

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