



# ANNEXURE A:

## SPAA Accreditation Program SMSF Specialist Auditor™

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### Standards of Professional Conduct for SMSF Specialist Auditors™

Final Version July 2012

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## Section 1 – Introduction

### SPAA and the Industry

1. The **Self-Managed Super Fund Professionals' Association of Australia Ltd (SPAA)** is the peak professional body representing SMSF professionals throughout Australia. SPAA's objective is to continually improve the quality of professional services provided to the SMSF sector through the development of specialists. SPAA specialist members can either be SMSF Specialist Advisors™ or SMSF Specialist Auditors™ hereafter referred to as SMSF Specialist Advisors and SMSF Specialist Auditors.
2. SPAA is committed to being at the forefront of change by working proactively to raise practice standards in the SMSF sector and looking after the needs of those Australians who choose to manage their own superannuation. SPAA's commitment to its members exists regardless of their other professional affiliations or memberships. SPAA believes the ongoing governance of the SMSF sector will be enhanced by insisting on the highest professional standards in SMSF Audit.
3. The Patron of SPAA is a former Chief Justice of the High Court of Australia Sir Anthony Mason AC KBE. Sir Anthony has spoken of the need to lift the professional standards of practitioners and of SPAA's leading role in building integrity in the SMSF sector. In his speech to the SPAA National Conference in 2007, Sir Anthony said<sup>1</sup>:

*"In conclusion, I reiterate the importance of achieving high professional standards. The future of public confidence in the industry depends upon it. In this respect, I commend the work of the SPAA. It is working to support the attainment of high standards of integrity, professionalism and ethics across the industry. This it does by developing independent national professional standards and encouraging specialist categories of membership with an emphasis on maintaining skills and knowledge through continuing education. I conclude my remarks on this hopeful note."*

### SPAA Standards of Professional Conduct

4. These Standards of Professional Conduct apply to SMSF Specialist Auditors and are an additional requirement to those Professional Standards as set out in the SPAA Code of Professional Conduct and Disciplinary Procedures ('The Code'). As the SMSF Specialist Auditor is the 'gatekeeper' between the SMSF trustee and the regulator it is imperative the SMSF Specialist Auditor performs their duties to best practice standards to continue to build the integrity of the SMSF Industry.
5. Regulation 1.04 of the Superannuation Industry (Supervision) Regulations 1994 and Schedule 1AAA provide that the following persons are Approved Auditors of a SMSF:
  - a Company Auditor registered under the Corporations Act;
  - the Auditor-General of the Commonwealth, a State or Territory;
  - a member of CPA Australia;
  - a member of the Institute of Chartered Accountants in Australia;
  - a member of the National Institute of Accountants (now the Institute of Public Accountants);
  - a member or fellow of the Association of Taxation and Management Accountants;
  - a fellow of the National Tax and Accountants Association Ltd;
  - an SMSF Specialist Auditor of the SMSF Professionals' Association of Australia Ltd.
6. These Standards of Professional Conduct impose specific standards on SMSF Specialist Auditors in the work they undertake for SMSFs. These Standards are not designed to replace or alter any legal requirements, existing Codes of Conduct or other Professional Regulations imposed on SMSF auditors by the *Corporations Act 2001*, the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and *Regulations 1994* (SIS Regulations), Australian Auditing Standards, the Approved Auditors mentioned in paragraph 5 or other relevant parties. These provide additional standards and guidance specific to auditing a SMSF for SPAA members designated as SMSF Specialist Auditors.
7. SPAA expects SMSF Specialist Auditors to possess professional qualities and conduct themselves in an appropriate and credible manner at all times and in all dealings with trustees, members, advisors, regulators and the wider industry and public in general.
8. SPAA has endorsed the International Professional and Ethical Standards Board Codes of Conduct and Standards for the SPAA SMSF Specialist Auditors. Any similarity between the SPAA Standards of Professional Conduct for SMSF Specialist Auditors and Codes or Standards published by the Accounting Professional & Ethical Standards Board (APESB) through APES110 the *Code of Ethics for Professional Accountants* is unintentional and co-incidental.

<sup>1</sup> Sir Anthony Mason AC KBE, "Professionalism and Ethics: A Legal Perspective", 9 March 2007.

SPAA acknowledges that similarities may occur as these Standards are designed to achieve the highest quality professional standards and integrity for all SPAA Specialist Auditor members.

9. An SMSF Specialist Auditor is required to comply with the following Professional Standards:

<b>Integrity, Objectivity and Professional Behaviour</b>	An SMSF Specialist Auditor must be honest and must not allow bias, conflict of interest or undue influence of others to override his or her professional judgment. An SMSF Specialist Auditor must comply with relevant laws and regulations and should avoid any action that discredits the SMSF industry or the reputation of SPAA or its members.
<b>Professional Competence</b>	Fundamental to the concept of an SMSF Specialist Auditor is that they remain professionally competent at all times by acquiring and maintaining knowledge and skill to ensure that SMSF audits are conducted to the appropriate level. An SMSF Specialist Auditor should also be diligent and act in accordance with the SPAA Standards of Professional Conduct and other technical standards when providing SMSF audit services.
<b>Confidentiality</b>	An SMSF Specialist Auditor must respect the confidentiality of information acquired and not disclose this to third parties without proper authority or where a legal or professional obligation exists, such as under Sections 129 and 130 of the SIS Act.

### SPAA Professional Requirements

10. An SMSF Specialist Auditor must be of good fame, integrity and character, should not engage in any activity that impairs or might impair integrity, objectivity or the good reputation of SPAA or the SMSF industry.
11. No activity must be considered or undertaken that creates a conflict of interest with existing SMSF trustees, members or third party service providers associated with the trustees or members that may impair integrity and objectivity of an SMSF audit.
12. Situations or events that may threaten the SMSF Specialist Auditor’s compliance with professional standards include the following but are not limited to:
  - An SMSF Specialist Auditor being a trustee/member of an SMSF;
  - An SMSF Specialist Auditor holding an enduring power of attorney for a trustee or member of an SMSF;
  - An SMSF trustee being under an obligation (actual or implied) to act in accordance with the SMSF Specialist Auditor’s wishes;
  - An SMSF Specialist Auditor having a financial interest in an SMSF or jointly holding a financial interest with an SMSF that is also an audit client;
  - Where an SMSF Specialist Auditor is dependent on fees generated by a third party advisor to the SMSF and that third party advisor is in a position to influence the SMSF Specialist Auditor; or
  - Where an SMSF Specialist Auditor or an associate of the SMSF Specialist Auditor has a close business relationship with the trustees or members or third parties who advise the SMSF.
13. SPAA members undergo a comprehensive accreditation process to be recognised as SMSF Specialist Auditors, including the requirement to have accumulated 300 hours of SMSF audit experience in the past three years of which 150 hours are at a supervisory level; or have signed-off as the “Approved Auditor” on 20 SMSF audits in the past 12 months. Along with legislative requirements, an SMSF Specialist Auditor must comply with the eligibility criteria set out in any Rules published by the SPAA Board under clauses 22.2.2.1 and 22.2.2.2 of the SPAA Constitution. Notwithstanding this, situations may occur in practice whereby an SMSF Specialist Auditor does not have adequate expertise or resources to provide appropriate levels of SMSF audit services.
14. Where an SMSF Specialist Auditor does not have appropriate expertise and/or resources to conduct the SMSF audit engagement, they should abstain from accepting or continuing with the engagement.
15. SPAA SMSF Specialist Auditors must hold adequate Professional Indemnity insurance in relation to the audit services provided.

## Section 2 – Integrity, Objectivity and Professional Behaviour

### Threats to Integrity, Objectivity and Professional Behaviour

16. Compliance with the Professional Standard of integrity, objectivity and professional behaviour may from time to time be threatened by a range of circumstances. The most common threats are:

Common Threats	Details	Examples
<b>Self-interest threats</b>	Self-interest threats may occur as a result of the financial or other interests of an SMSF Specialist Auditor or of an immediate or close family member.	<ul style="list-style-type: none"> <li>The SMSF or associates of the SMSF trustees or members are significant clients and may be in a position to exert undue influence on the SMSF Specialist Auditor.</li> <li>An SMSF Specialist Auditor is dependent on close business relationships with financial advisors who refer a significant numbers of SMSF audits.</li> <li>The SMSF audit is a small component of a very large client of the firm.</li> </ul>
<b>Self-review threats</b>	Self-review threats may occur when a previous judgment needs to be re-evaluated by the SMSF Specialist Auditor responsible for that judgment.	<ul style="list-style-type: none"> <li>The discovery of a significant breach of the SIS Act that is detected during a review of the SMSF Specialist Auditor's work.</li> <li>Having prepared the financial statements and related reports that are being audited.</li> <li>Performing other services for a client that directly affects the SMSF audit.</li> </ul>
<b>Advocacy threats</b>	Advocacy threats may occur when an SMSF Specialist Auditor promotes a position or opinion to the point that objectivity may be compromised.	<ul style="list-style-type: none"> <li>Promoting an investment, financial product or scheme to SMSF audit clients which is disputed by the Regulator or other experts.</li> </ul>
<b>Familiarity threats</b>	Familiarity threats may occur when an SMSF Specialist Auditor becomes too sympathetic to the interests of others.	<ul style="list-style-type: none"> <li>An SMSF Specialist Auditor or a staff member working for that SMSF Specialist Auditor having a close or immediate family relationship with the SMSF audit client.</li> <li>Accepting gifts or preferential treatment from an SMSF audit client or a third party involved with that client.</li> </ul>
<b>Intimidation threats</b>	Intimidation threats may occur when an SMSF Specialist Auditor may be deterred from acting objectively by threats both actual and perceived.	<ul style="list-style-type: none"> <li>Being pressured to reduce the extent of the work performed and/or to reduce fees.</li> <li>Being threatened with litigation.</li> </ul>

17. SMSF Specialist Auditors may also find that specific circumstances give rise to unique matters that threaten compliance with the SPAA Standards of Professional Conduct.

### Safeguards against Threats

18. The following safeguards created by SPAA can reduce and/or eliminate threats to acceptable levels:
- Educational and experience requirements for entry into the SMSF Specialist Audit program;
  - SPAA Specialist Auditor Accreditation Program Rules and Conditions; and
  - SPAA CPD requirements and compliance with the Quality Review Program.
19. Safeguards in the work environment which can reduce and/or eliminate threats include:
- A focus on these Standards of Professional Conduct;
  - Monitoring quality control of SMSF audit engagements;
  - Documented procedures on identifying and dealing with threats;
  - Adequate training and ongoing professional development for all staff working on SMSF engagements;
  - Monitoring relationships with third party advisors; and
  - Well publicised procedures which require and encourage reporting of unprofessional or unethical behaviour.

20. Engagement specific safeguards such as open lines of communication to the SMSF Specialist Auditor by staff, engagement letters and direct contact with the trustee or members of an SMSF may also assist in reducing threats.
21. Client management conflicts may arise in the application of these Standards of Professional Conduct. When resolving such conflicts, an SMSF Specialist Auditor should consider all options and alternative courses of action available. Where conflicts cannot be resolved the SMSF Specialist Auditor should obtain professional advice and should consult SPAA for assistance and guidance.
22. If, after exhausting all relevant possibilities, the conflict remains unresolved, a SMSF Specialist Auditor must refuse to remain associated with the SMSF audit or related matter creating that conflict.

## **Independence**

23. It is a requirement of these Standards of Professional Conduct that all SMSF Specialist Auditors and the staff they assign to SMSF audit engagements be independent of SMSF audit clients for the duration of the engagement.
24. The SMSF Specialist Auditor must be mindful of the relationships before and after the period of the engagement that may impact on independence.
25. When the engagement is a recurring engagement, the period of the engagement ends with the notification by either party that the professional relationship has terminated. If the final audit opinion is issued after the notification, the audit opinion issue date is considered to be the end of the period.
26. The use of the word “independence” on its own may create misunderstandings. The significance of relationships must be evaluated in the light of what a reasonable and informed third party having knowledge of all relevant information would reasonably conclude to be unacceptable.
27. Reference is made to significant and clearly insignificant threats in the evaluation of independence. In considering the significance of any particular matter, qualitative as well as quantitative factors should be taken into account. A matter should be considered clearly insignificant only if it is deemed to be both trivial and inconsequential.
28. SMSF Specialist Auditors must establish policies and procedures relating to independence communications with all SMSF audit clients.

## **Examples of Conflicts and Threats to Independence**

29. The examples presented herein are intended as a guide only, and are not considered exhaustive of all the possible circumstances that can arise in practice. An SMSF Specialist Auditor must comply with the spirit of these Standards and all other professional and legislative requirements in assessing every potential conflict to independence.

### **Auditor has an Interest in a SMSF**

30. An interest by an SMSF Specialist Auditor in an SMSF, whether as a member or a trustee, poses such a significant self-interest threat that the SMSF Specialist Auditor must not conduct the audit.
31. Where an SMSF Specialist Auditor is a member and/or a trustee of an SMSF, the audit of that SMSF must not be undertaken by a firm in which the SMSF Specialist Auditor is a partner or an employee as this would pose a significant self-interest, familiarity or intimidation threat.

### **Family and Personal Relationships**

32. An interest by an immediate or close family member of the SMSF Specialist Auditor or an employee assigned to the engagement in an SMSF client, whether as a member or a trustee, will generally create self-interest, familiarity or intimidation threats. The closeness of the relationship is generally such that no other safeguards could reduce the threat to independence to an acceptable level and therefore the SMSF Specialist Auditor must not conduct the audit.
33. When an immediate or close family member of the SMSF Specialist Auditor or an employee assigned to the engagement is a service provider to the SMSF client and is in a position to exert direct and significant influence over the SMSF or was in such a position during any period covered by the engagement, this will create self-interest, familiarity or intimidation threats.
34. The significance of the threat will depend on factors such as the role played by the family member with the SMSF client and the role of the SMSF Specialist Auditor or staff member on the audit team.
35. The significance of the threat should be evaluated and, if the threat is other than clearly insignificant, the staff member should be removed from the audit team.

36. Where a partner in a firm, who is not directly involved in the audit, has an immediate or close family member in a SMSF audit client or is in a position to exert direct and significant influence over the SMSF, the SMSF Specialist Auditor should not accept the audit engagement.
37. When an inadvertent violation relating to family and personal relationships has occurred, the SMSF Specialist Auditor should consider which of the following safeguards should be applied:
  - Restructuring the audit team to remove that staff member or change that staff member's responsibilities in relation to the audit;
  - Additional care be given to reviewing the work of the staff member and the procedure documented;
  - Involve an independent SMSF Specialist Auditor, who has taken no part in the audit engagement, to review the work done by the audit team; or
  - Excluding the individual from any substantive decision-making concerning the SMSF audit.

### **Financial Transactions**

38. If the SMSF Specialist Auditor or an immediate or close family member, or a staff member on the audit team, enters into any financial transaction with the SMSF, the self-interest, familiarity or intimidation threats created could be so significant that no safeguard could reduce the threat to an acceptable level. Consequently the SMSF Specialist Auditor must not continue with the audit engagement. This will need to occur immediately irrespective of whether the transaction has been finalised or not.
39. Circumstances may occur where a financial transaction may not pose self-interest, familiarity or intimidation threat. This may occur if the transaction was a normal commercial transaction, such as the sale of property, the transaction was infrequent, the parties were unknown to each other at the time of the transactions, the parties were dealing at arm's length and there has not been or will not likely to be any dispute relating to the transaction. If there is any doubt relating to the transaction the SMSF Specialist Auditor must decline to accept the SMSF audit engagement.
40. Circumstances where a financial transaction may also create self-interest, familiarity or intimidation threats is where:
  - A member of the audit team has a close personal relationship (but not a family relationship) with a person who enters into a financial transaction with the SMSF audit client;
  - The firm, a member of the firm or an immediate or close family member of a member of the audit team has an interest in another entity that enters into a financial transaction with the SMSF audit client; or
  - A partner or employee of the firm, who is not a member of the audit team, has an immediate or close family member who enters into a financial transaction with the SMSF audit client.
41. In evaluating the significance of the threat, it will be necessary to examine the nature and effect of the financial transaction. Once the significance of the threat has been evaluated, safeguards should be considered and applied as and where necessary.
42. Safeguards may include:
  - Terminating the transaction in whole or a sufficient portion to address the materiality concerns;
  - Removing the member of the audit team who has the relationship;
  - Discussing the matter with the SMSF trustee; or
  - Involving an independent SMSF Specialist Auditor, who did not take part in the audit engagement, to review the work done by the audit team or otherwise advise as necessary.

### **Close Business Relationships**

43. Having a material financial interest in a joint investment or business relationship with the SMSF or the trustee or members of the SMSF may create self-interest and intimidation threats.
44. The SMSF Specialist Auditor must consider the following possible courses of action, unless the financial interest is immaterial and the relationship is clearly insignificant, as no safeguards could reduce the threat to an acceptable level:
  - Terminate the business relationship;
  - Reduce the magnitude of the relationship so that the financial interest is immaterial and the relationship is clearly insignificant; or
  - Refuse to perform the SMSF audit.
45. In the case of a staff member, where the financial interest is material and the relationship is clearly significant to the staff member the only appropriate safeguard would be to remove the individual from the audit team.

46. Business relationships involving an interest held by a firm, a member of the audit team or their immediate family in a closely held entity where the SMSF or SMSF trustee/member also has an interest in that entity do not create threats to independence if the following occurs:
- The relationship is clearly insignificant to the firm and the SMSF trustee or members;
  - The interest held is immaterial to the SMSF and/or group of investors generally; and
  - The interest does not give the SMSF trustee or members the ability to control the closely held entity.

**Provision of Non-audit Services by SMSF Specialist Auditors**

47. SMSF Specialist Auditors may be associated with firms that provide a range of non-audit services to SMSF audit clients. The provision of these non-audit services may create threats to the SMSF Specialist Auditor's independence.
48. The following services are considered to be a normal part of the audit process and under normal circumstances would not generally threaten the independence of an SMSF Specialist Auditor:
- Technical assistance and advice on accounting principles to provide for the fair presentation of the financial statements;
  - An audit process involving assisting an SMSF client to resolve account reconciliation problems;
  - An audit process which analyses and accumulates information for regulatory reporting; or
  - Assisting in the drafting of disclosure items and proposing adjusting journal entries.
49. The following activities would generally create self-interest or self-review threats that are so significant that only a refusal to perform the audit engagement would reduce the threats to an acceptable level:
- Authorising, executing or consummating a transaction, or otherwise exercising authority on behalf of the SMSF or having the authority to do so;
  - Having custody of the SMSF assets (including assets held in a firm's trust account);
  - Having control over the administration and investments of the SMSF;
  - Holding a power of attorney for the trustee and/or members of the SMSF; and
  - Determining which recommendation of the firm, or a financial consultant in which the firm has a financial interest, should be implemented.
50. Threats to independence may arise when an SMSF Specialist Auditor, or a firm in which he or she is a partner, provides non-audit services related to investments or other activities of the SMSF. In such cases, consideration should be given to the significance of the firm's involvement and whether any self-review threats are created. Consideration should also be given as to whether the self-review threat is such that the engagement should be declined.
51. The preparation of source documents or originating data, whether in electronic or other form, evidencing the occurrence of a transaction (for example, investment authorities, dividend reinvestments, direction of direct credit and other bank authorities) may also create self-review or self-interest threats.
52. The significance of any threat created should be evaluated and, if the threat is other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate the threat or reduce it to an acceptable level. Such safeguards might include:
- Making arrangements so that the staff providing such services do not participate in the audit;
  - Involving an independent SMSF Specialist Auditor to advise on the potential impact of the activities on the independence of the SMSF Specialist Auditor and the audit team.
53. In general a firm may provide services beyond the SMSF audit provided any threats to independence have been clearly defined, documented and reduced to an acceptable level. However, due to the size and nature of most SMSFs, an SMSF Specialist Auditor should not conduct the audit of an SMSF if the SMSF Specialist Auditor is also responsible for controlling and processing primary accounting data and information that is the subject matter of the audit.
54. In order to reduce any threats to independence to acceptable levels, the SMSF Specialist Auditor responsible for issuing the audit opinion must not be directly involved in the controlling or supervision of staff responsible for the processing of primary accounting data and other information which is the subject matter of the audit.
55. In cases where an SMSF Specialist Auditor has a business partner responsible for providing non-audit services to SMSF audit clients, the SMSF Specialist Auditor may undertake the audit provided that the SMSF Specialist Auditor is able to act independently of the partner. This includes the SMSF Specialist Auditor not being under any obligation, whether real or perceived, to act in accordance with their wishes or for any likelihood of being unduly influenced by that other partner.



56. In the case where an SMSF Specialist Auditor is an employee or partner with a lower percentage of ownership, or is accustomed to acting in accordance with the wishes and instructions of other members of the firm, or where his or her position as an employee or partner may be threatened if a difference of opinion arose over the audit of an SMSF, the threat to independence is so significant that the SMSF Specialist Auditor must decline the engagement.
57. An SMSF Specialist Auditor must ensure that adequate safeguards exist to reduce any threats to independence to acceptable levels, including:
  - Making arrangements so that personnel providing non-audit services do not participate in or influence the audit engagement; or
  - Requiring the source data for the accounting entries be originated by the SMSF client or others unrelated to the SMSF Specialist Auditor.
58. The provision of the taxation, legal and actuarial services by a large firm that also provides audit services to SMSF clients would not generally pose a threat to independence provided that adequate safeguards are implemented, including the requirement for these services to be provided by a partner other than the SMSF Specialist Auditor responsible for issuing the audit opinion.

#### **Fees & Pricing**

59. When the total fees generated by a client, client group or third party responsible for referring work to the firm represent a large proportion of a firm's total fees, the dependence on that client and concern about the possibility of losing that client may create a self-interest threat.
60. A self-interest threat may also be created when the fees generated by a client, client group or third party responsible for referring work represent a large proportion of the revenue of an individual partner or group of partners in a firm.
61. Contingent fees should never be applied to the audit of SMSFs as this is inconsistent with the objective of the audit.
62. When an SMSF Specialist Auditor or firm agrees to undertake an audit engagement or group of audit engagements at a significantly lower fee level than that charged by the predecessor firm, or quoted by other firms the self-interest threat created will not be reduced to an acceptable level unless:
  - The firm is able to demonstrate that appropriate time and qualified staff are assigned to the task; and
  - All applicable Audit Standards, guidelines and quality control procedures are being complied with.

#### **Gifts and Hospitality**

63. Accepting gifts or hospitality from a client, where the services provided include the audit of an SMSF may create self-interest and familiarity threats unless the value is clearly insignificant. If the threats to independence cannot be reduced to an acceptable level by the application of any safeguard, the gift or hospitality should be declined.

#### **Client and Engagement Acceptance, Retention and Changes**

64. Before accepting a new SMSF audit client, an SMSF Specialist Auditor should consider whether accepting the engagement would create any threats to compliance with these Standards of Professional Conduct for SMSF Specialist Auditors or any other relevant standards.
65. The SMSF Specialist Auditor must obtain a knowledge and understanding of the SMSF, the trustee and investment activities and complete an assessment of the likely threats associated with the engagement.
66. An SMSF Specialist Auditor who is asked to replace another auditor, or who is considering tendering for an engagement currently held by another auditor, should determine whether there are any reasons, professional or other, for not accepting the engagement. Such circumstances could involve events or actions that threaten compliance with these Standards of Professional Conduct.
67. All audit acceptance decisions should be periodically reviewed for recurring client engagements.

#### **Second Opinions**

68. Situations where an SMSF Specialist Auditor is asked to provide a second opinion on the application of accounting procedures, auditing processes, reporting or compliance with the SIS Act to a SMSF may give rise to threats to compliance with these Standards of Professional Conduct.
69. When asked to provide such an opinion, an SMSF Specialist Auditor should evaluate the significance of the threats. Safeguards should be considered and applied as necessary to eliminate any threats or reduce them to an acceptable level. Such safeguards may include seeking client permission to contact the existing auditor, describing the limitations surrounding any opinion in communications with the client and providing the existing auditor with a copy of the opinion.

70. If the SMSF audit client who is seeking the opinion will not permit communication with the existing auditor, an SMSF Specialist Auditor should consider whether, taking all the circumstances into account, it is appropriate to provide the opinion sought.

**Marketing Professional Services**

71. When an SMSF Specialist Auditor solicits new work through advertising or other forms of marketing, there may be potential threats to compliance with these Standards of Professional Conduct.
72. An SMSF Specialist Auditor should not bring SPAA or the SMSF industry into disrepute when marketing professional services. The SMSF Specialist Auditor should be honest and truthful and should not:
- Make exaggerated claims for services offered, qualifications possessed or experience gained;
  - Inappropriately use the SMSF Specialist Auditor certification marks and designation;
  - Make disparaging references of unsubstantiated comparisons to the work of another;
  - Make any representations which highlight, or are seen to highlight, reduced fees for audit services rendered; or
  - Make any representations in the marketing of the services as to promote the services which are inappropriate to the performance of an SMSF audit.
73. If the SMSF Specialist Auditor is in doubt whether a proposed form of advertising or marketing is appropriate, the SMSF Specialist Auditor should refer to the SPAA Accreditation Program or consult with the SPAA CEO for confirmation.

**Section 3 - Professional Competence**

**Assessing Professional Competence**

74. Professional competence is the application of specialised knowledge and skills to a particular level of professional expertise. The SMSF Specialist Auditor is required to be competent in auditing SMSFs by applying specialised knowledge in auditing procedures and specialised knowledge of the SIS Act and SIS Regulations as far as they are relevant to SMSFs.
75. Identifying required knowledge and skills is essential to the assessment of competence. SMSF Specialist Auditors are required to demonstrate competency in SMSF audits by successfully satisfying the rules and conditions for entrance into the program as published by the SPAA Board under clauses 22.2.2.1 and 22.2.2.2 from time to time.
76. Members must also satisfy the following additional requirements to become an SMSF Specialist Auditor:

Be a SPAA General Member	✓
Maintain adequate professional indemnity insurance for the SMSF professional auditor	✓
Structured training: Have attended a minimum of 40 hours of structured SMSF training in the past 3 years, of which at least 8 hours is structured audit training	✓
Practical SMSF Audit experience: Have completed 300 hours of practical SMSF audit experience in the past 3 years, of which at least 150 hours is in a senior or supervisory role; OR Have signed-off as the “Approved Auditor” on 20 or more SMSF audits in the past 12 months	✓
Supply two written character references	✓
Agree to conduct SMSF audits in accordance with the <i>SPAA Standards of Professional Conduct for SMSF Specialist Auditors</i>	✓
Agree to conduct SMSF audits in accordance with Guidance Statement GS 009 <i>Financial &amp; Compliance Audits of Self Managed Superannuation Funds</i> issued by the Auditing and Assurance Standards Board	✓
Agree to satisfy SPAA’s Continuing Professional Development and Quality Review Program requirements	✓

77. An SMSF Specialist Auditor must demonstrate an understanding of the following key concepts associated with audit engagements, including engagement acceptance and retention, audit planning, the controls environment and controls testing, substantive testing and forming an audit opinion.
78. An SMSF Specialist Auditor must have a thorough understanding of the requirements of the SIS Act, including the reporting obligations under Section 129 and 130 of the SIS Act.
79. An SMSF Specialist Auditor should also be familiar with Guidelines, Rulings, Publications and other material issued by the Australian Taxation Office.
80. SMSF Specialist Auditors must self assess their knowledge and skills to perform the audit of an SMSF.

#### **Audit Planning**

81. SMSF Specialist Auditors must devise and tailor an audit plan addressing both the financial and SIS compliance requirements for each SMSF audit.
82. An SMSF Specialist Auditor must review all relevant documentation, including but not limited to, the SMSF's financial statements, trust deed, investment strategy and minutes and other appropriate documentation within the governing rules.
83. SMSF Specialist Auditors must assess and rate all potential risk areas.
84. SMSF Specialist Auditors must identify any missing documentation and determine whether any further information or documentation will be necessary to perform the audit.
85. SMSF Specialist Auditors must set and document materiality levels.
86. Subject to an assessment of the controls environment, an SMSF Specialist Auditor must determine an audit approach for the financial audit and SIS compliance audit of each SMSF.
87. SMSF Specialist Auditors must document their audit plan for each SMSF audit.

#### **Controls testing**

88. SMSF Specialist Auditors must understand the control environment and assess to what extent, if any, they can rely on internal controls related to each SMSF.
89. SMSF Specialist Auditors must document controls, the reliance placed on these and the extent to which substantive testing was reduced.

#### **Substantive testing**

90. SMSF Specialist Auditors must determine which financial statement account balances are material in accordance with the materiality levels set during the planning phase of the audit.
91. SMSF Specialist Auditors must identify the financial statement assertions of the material account balances and classes of transactions which will need to be tested.
93. SMSF Specialist Auditors must determine the nature, timing and extent of the audit procedures required to:
  - Test the financial statement assertions; and
  - Test the SMSF's compliance with the relevant sections of the SIS Act and SIS Regulations.
94. SMSF Specialist Auditors must document the results of all material audit testing.
95. SMSF Specialist Auditors must draw conclusions on the results and include all documentation supporting these conclusions in the audit working papers.
96. SMSF Specialist Auditors must determine what constitutes sufficient appropriate audit evidence, that this evidence has been collected and tested to support their opinion. Where insufficient audit evidence exists an SMSF Specialist Auditor should continue to collect and test further evidence.

#### **Opinion forming**

97. SMSF Specialist Auditors should summarise their findings in relation to the financial statement and SIS compliance audits.
98. SMSF Specialist Auditors must form an opinion on the financial statements and SMSF's compliance with the notified provisions of the SIS Act and SIS Regulations.

99. SMSF Specialist Auditors must understand the compulsory and voluntary reporting requirements imposed by the SIS Act and determine if the Trustee and the ATO should be notified of any matters.
100. SMSF Specialist Auditors must determine the appropriate form of audit opinion on the financial statements and the SMSF's compliance with the relevant provisions of the SIS Act and Regulations (i.e. unqualified, qualified and include the emphasis of the nature of the matter).

### Threats to Professional Competence

101. SMSF Specialist Auditors must be mindful of their professional competency if they do not:
  - Allow sufficient time to perform and complete the SMSF audit engagements;
  - Use adequate resources to perform the SMSF audit;
  - Utilise complete and satisfactory information to perform the SMSF audit;
  - Seek the assistance of others (such as other SMSF Specialist Auditors) where necessary;
  - Maintain expertise by performing and reviewing audits as a regular part of the professional activities; and
  - Maintain the required skills and knowledge in SMSF auditing.

### Maintaining Professional Competence

102. Maintaining professional competence is an ongoing process which can be motivated by a number of factors including professional and legislative requirements, self-identified gaps in knowledge and the desire to provide the best practice services to SMSF audit clients.
103. SMSF Specialist Auditors are required to maintain professional competence.
104. SMSF Specialist Auditors must comply with SPAA's triennium CPD requirements and continue to meet all requirements of the SPAA Education Standards.
105. SMSF Specialist Auditors must continue to develop their knowledge and skills through traditional CPD, self-reflective and practice improvement based CPD and other activities such as case consultation with colleagues, peer review and appraisal and regular reading of professional journals and other relevant publications.
106. SPAA also recommends that SMSF Specialist Auditors use networks and associations inside and outside of SPAA to keep up-to-date with vital industry information.
107. SMSF Specialist Auditors should identify and implement developmental opportunities to benefit their professional growth and the growth of their peers.
108. SMSF Specialist Auditors must cooperate, to the best of their ability, when reviewed as part of the SPAA Quality Review Program. SMSF Specialist Auditors are required to make available all relevant audit work papers, checklists and audit procedures as requested by the SPAA Accreditation Council.
109. SMSF Specialist Auditors professional competence will be assessed against SPAA's competency standards to determine educational and developmental needs and priorities. SMSF Specialist Auditors are required to action identified educational and developmental needs within the recommended time frame.

## Section 4 - Confidentiality

110. SMSF Specialist Auditors must not disclose, outside of their firm, confidential information acquired as a result of an audit of an SMSF without proper and specific authority from the Trustee or unless there is a legal duty to disclose this information.
111. Confidential information acquired by means of an SMSF audit engagement must not be used by an SMSF Specialist Auditor to their personal advantage or the advantage of third parties.
112. To ensure that client confidentiality is maintained, SMSF Specialist Auditors should take reasonable steps to ensure that staff under their control and persons from whom advice and assistance is obtained respect their duty of confidentiality.

## **Section 5 - Professional Indemnity Insurance**

113. Adequate professional indemnity insurance is compulsory for SMSF professional audit services provided by all SMSF Specialist Auditor Program applicants and holders of a current SMSF Specialist Auditor designation. Members need to consider (in discussion with their insurance brokers or other advisers) the type and level of cover that is adequate for their particular circumstances. It is the member's responsibility to ensure the SMSF audit services provided are covered by valid and binding PI insurance.