TERMS OF ENGAGEMENT

# Audit of self-managed superannuation funds engagement template

## CPA Australia has created this standard Terms of Engagement Template that you can use and tailor to suit your needs.

## The following version control information has been included to assist you monitor changes to the template to ensure you are using the latest version.

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| **Document title** | | TE Audit of SMSF Template | **Version #** | 5 | |
| **Effective date** | | April 2022 | | | |
| Version # | Change Description | | | | Introduced |
| 1 | Original Document | | | | Sep 2020 |
| 2 | Additional terms for clause 7 for Outsourced Services and Cloud Computing, updating clause 11 | | | | Jan 2021 |
| 3 | Merged NOCLAR clause to clause 3, revised Privacy terms in clause 10, update to clause 11 Confidentiality | | | | Aug 2021 |
| 4 | Update clause 10.4 Privacy and clause 11.2 Confidentiality | | | | Sep 2021 |
| 5 | Additional terms on ‘Consumer Data Right’ in clause 2.3 and 3.7; update privacy clause 10.3 and confidentiality clause 11.2 | | | | Apr 2022 |

<insert date>

<insert client name>

<address line 1>

<address line 2>

Dear <insert name>,

**Terms of Engagement – Audit of SMSF services**

Thank you for selecting us to conduct the audit of <insert SMSF’s name>. We look forward to working with you.

We realise how important it is to understand your needs and we have prepared the attached Terms of Engagement (**TE**) to clarify the scope of work and other important terms. It is important that you read the TE before you indicate that you agree, which you can do by letting us know that you are happy to proceed.

The scope of work may fall within the CPA Australia Ltd Professional Standards (Accountants) Scheme (**Scheme**), which facilitates improvements to industry professional standards and protects consumers. Accordingly, we need to notify you of the following:

*“Liability limited by a scheme approved under Professional Standards Legislation.”*

If you want more information on the Scheme you can go to:

* [CPA Australia's Professional Standards Scheme](https://www.cpaaustralia.com.au/public-practice/your-public-practice-firm/professional-standards-scheme) or visit
* [Professional Standards Councils’ website](https://www.psc.gov.au/consumer-information) for additional consumer information.

Alternatively, if you want to clarify anything in the TE please call us on <insert contact number>.

Yours sincerely,

<insert your name>

<insert firm name>

**PLEASE NOTE:** The following example audit engagement letter from Appendix 1 of GS 009 is for use as a guide only and may need to be modified according to the individual requirements and circumstances of each engagement.

The section references under ‘The Objective and Scope of the Auditor’ section should be confirmed to the latest ATO Audit Report.

The ATO is of the opinion that these letters should be provided annually.

Terms of Engagement for Audit of <insert SMSF name>

[Date]

[The Trustees/Directors of the Corporate Trustee]

[SMSF name]

[Address]

**To [the Trustees/Directors of the Corporate Trustee] of [SMSF name]**

1. **Purpose**

This Terms of Engagement for Audit Engagement Services (**TE**) confirms our understanding of the engagement and the nature and limitations of services provided.

1. **The objective and scope of the audit** 
   1. You have requested that we audit the [name of SMSF]’s (the Fund):
2. financial report, which comprises the [statement of financial position/statement of net assets] as at [date] and the [operating statement/statement of changes in net assets] for the [period] then ended and the notes to the financial statements; and
3. compliance during the same period with the requirements of the *Superannuation Industry (Supervision) Act* 1993 (SISA) and SIS Regulations (SISR) specified in the approved form auditor’s report as issued by the Australian Taxation Office (ATO), which are sections 17A, 35AE, 35B, 35C(2), 62, 65, 66, 67, 67A, 67B, 82-85, 103,104, 104A, 105, 109 and 126K of the SISA and regulations 1.06(9A), 4.09, 4.09A, 5.03, 5.08, 6.17, 7.04, 8.02B, 13.12, 13.13, 13.14, and 13.18AA of the SISR.
   1. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted pursuant to the SISA with the objective of our expressing an opinion on the financial report and the Fund’s compliance with the specified requirements of the SISA and SISR.
   2. We acknowledge that you may authorise an Accredited Data Recipient under the Consumer Data Right (‘CDR’) to provide CDR data to us via a Trusted Adviser Insight. We confirm that for this purpose you may nominate <insert name> as your Trusted Adviser and that <insert name> complies with the definition of a Trusted Adviser under the Competition and Consumer (Consumer Data Right) Amendments Rules (No. 1) 2021.
4. **The responsibilities of the auditor** 
   1. We will conduct our financial audit in accordance with Australian Auditing Standards and our compliance engagement in accordance with applicable Standards on Assurance Engagements, issued by the Auditing and Assurance Standards Board (AUASB) and with and the Accounting Professionals and Ethical Standards APES 210 *Conformity with Auditing and Assurance Standards*. These standards require that we comply with relevant ethical requirements relating to audit and assurance engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that you have complied, in all material respects, with the specified requirements of the SISA and SISR.
   2. The annual audit of the financial reports and records of the Fund must be carried out during and after the end of each year of income. In accordance with section 35C of the SISA, we are required to provide to the trustees of the Fund an auditor’s report in the approved form within the prescribed time as set out in the SISR, 28 days after the trustees have provided all documents relevant to the preparation of the auditor’s report.
   3. **Financial audit**   
      A financial audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. A financial audit also includes evaluating the appropriateness of the financial reporting framework, accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial report. Due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.   
      In making our risk assessments, we consider internal controls relevant to the Fund’s preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal controls. However, we expect to provide you with a separate letter concerning any significant deficiencies in the Fund’s system of accounting and internal controls that come to our attention during the audit of the financial report. This will be in the form of a letter to the trustee.
   4. **Compliance engagement**   
      A compliance engagement involves performing audit procedures to obtain audit evidence about the Fund’s compliance with the provisions of the SISA and SISR specified in the ATO’s approved form auditor’s report.   
      Our compliance engagement with respect to investments includes determining whether the investments are made for the sole purpose of funding members’ retirement, death or disability benefits and whether you have an investment strategy for the Fund, which has been reviewed regularly and gives due consideration to risk, return, liquidity, diversification and the insurance needs of members. Our procedures will include testing whether the investments are made for the allowable purposes in accordance with the investment strategy, but not for the purpose of assessing the appropriateness of those investments to the members.
   5. During the course of our engagement, if we identify or suspect that Non-Compliance with Laws or Regulations (NOCLAR) has occurred or may occur, which may have a direct effect on material amounts or disclosures in the financial statements or compliance and may be fundamental to <insert client’s name>’s ability to continue its business or to avoid material penalty, we may will:
      1. discuss the matter with the appropriate level of management, those charged with governance or the internal auditor, as appropriate
      2. communicate the non-compliance or suspected non-compliance with <insert client’s name>’s external auditor, unless prohibited by law or regulation
      3. disclose the matter to an appropriate authority even when there is no legal or regulatory requirement to do so; and/or
      4. withdraw from the engagement and the professional relationship where permitted by law or regulation
   6. Where appropriate we will inform you of our intention to disclose the matter to an appropriate authority before disclosing the matter. However, if we have reason to believe that the actual or intended conduct would constitute an imminent breach of a law or regulation that would cause substantial harm to the general public, we may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation.
   7. Any information pertaining to your affairs, whether it be provided by you, or through a Trusted Adviser Insight via the CDR, will be utilised and stored in an appropriate manner to maintain our professional standards and obligations. Further information on privacy is noted at section 10 of this letter.
5. **The responsibilities of the trustees** 
   1. We take this opportunity to remind you that it is the responsibility of the trustees to ensure that the Fund, at all times, complies with the SISA and SISR as well as any other legislation relevant to the Fund. The trustees are also responsible for the preparation and fair presentation of the financial report.
   2. Our auditor’s report will explain that the trustees are responsible for the preparation and the fair presentation of the financial report and for determining that the accounting policies used are consistent with the financial reporting requirements of the SMSF’s governing rules, comply with the requirements of SISA and SISR and are appropriate to meet the needs of the members. This responsibility includes:

* Establishing and maintaining controls relevant to the preparation of a financial report that is free from misstatement, whether due to fraud or error. The system of accounting and internal control should be adequate in ensuring that all transactions are recorded and that the recorded transactions are valid, accurate, authorised, properly classified and promptly recorded, so as to facilitate the preparation of reliable financial information. This responsibility to maintain adequate internal controls also extends to the Fund’s compliance with SIS including any Circulars and Guidelines issued by a relevant regulator to the extent applicable. The internal controls should be sufficient to prevent and/or detect material non-compliance with such legislative requirements;
* Selecting and applying appropriate accounting policies;
* Making accounting estimates that are reasonable in the circumstances; and
  1. Making available to us all the books of the Fund, including any registers and general documents, minutes and other relevant papers of all Trustee meetings and giving us any information, explanations and assistance, we require for the purposes of our audit. Section 35C(2) of SISA requires that Trustees must give to the auditor any document, relevant to the conduct of the audit, that the auditor requests in writing within 14 days of the request.[[1]](#footnote-1)
  2. As part of our audit process, we will request from the trustees written confirmation concerning representations made to us in connection with the audit.

1. **Reporting**
   1. Our audit report is prepared for the members of the Fund and we disclaim any assumption of responsibility for any reliance on our report, or on the financial report to which it relates, to any person other than the members of the Fund, or for any purpose other than that for which it was prepared.
   2. Report on matters identified

Under section 129 of the SISA, we are required to report to you in writing, if during the course of, or in connection with, our audit, we become aware of any contravention of the SISA or SISR which we believe has occurred, is occurring or may occur. Furthermore, you should be aware that we are also required to notify the ATO of certain contraventions of the SISA and SISR that we become aware of during the audit, which meet the tests stipulated by the ATO, irrespective of the materiality of the contravention or action taken by the trustees to rectify the matter. Finally, under section 130, we are required to report to you and the ATO if we believe the financial position of the Fund may be or may be about to become unsatisfactory.

* 1. You should not assume that any matters reported to you, or that a report that there are no matters to be communicated, indicates that there are no additional matters, or matters that you should be aware of in meeting your responsibilities. The completed audit report may be provided to you as a signed hard copy or a signed electronic version

1. **Independence** 
   1. We confirm that, to the best of our knowledge and belief, the engagement team meets the current independence requirements of the SISA and SISR including APES 110 *Code of Ethics for Professional Accountants* in relation to the audit of the Fund. In conducting our financial audit and compliance engagement, should we become aware that we have contravened the independence requirements, we shall notify you on a timely basis.
2. **Third Party Involvement**
   1. We may from time to time engage third party specialist professionals and other public practitioners, where warranted to obtain the advice you need or to assist us to provide our service to you. These may include cloud service providers and outsourced service providers.
   2. We will seek your consent if third party involvement is likely to exceed the fixed price (if applicable).
   3. We have outsourcing arrangements with <insert the third party> in <insert location> whom we engage from time to time to assist us. The nature and extent of the services that we utilise are as follows:<insert the relevant activities>.
   4. Acceptance of our services in conjunction with this engagement document indicates your acceptance of the use of outsourced services as described above.
3. **Administration, Fees and Billings**
   1. Our professional fees will be calculated on a <delete as appropriate <fixed fee> <time-cost basis>>, which will be specified in <insert document>. If no method is specified, our fees will be calculated on a time-cost basis at a rate of <insert rate including GST> per hour.
   2. Our invoices may also include disbursements paid by us. These may include photocopying charges, telephone and facsimile transmission charges, travel fares and expenses, stamp duty and fees paid to third parties such as couriers, registration fees or fees for other professionals. These may be in addition to the fixed price (if applicable).
   3. Unless other payment terms are agreed, each invoice is payable within 30 days of receipt.
   4. If the engagement involves the use of trust monies, we will manage those funds in accordance with APES 310 Client Monies and as authorised by you in the Trust Account Authority Letter (if applicable) or as otherwise instructed by you.
4. **Ownership of materials**
   1. You own all original materials given to us.
   2. We own all materials produced by us that resulted from our skill and attention to the extent that the materials produced by us incorporate any original materials you give to us.
   3. We may exercise a lien of your documents in our possession in the event of a dispute, which will be handled in accordance with our firm’s dispute resolution process.
   4. Subject to the payment of all outstanding professional fees and disbursements owing to us, we will provide you with materials produced by us for you in the event you engage the services of another practitioner and the materials are required by your new practitioner.
5. **Privacy**

[***PLEASE NOTE:***

***Not all businesses are bound by the*** [***Privacy Act 1988***](https://www.legislation.gov.au/Series/C2004A03712) ***(Cth), the clauses 10.1 to 10.4 inclusive are applicable for those who are bound by the Privacy Act 1988 (Cth). If your business is not bound by the Privacy Act, please insert your own privacy policy. Please refer to Appendix 1 for more information on how to determine whether your business is bound by the Privacy Act 1988 (Cth).***

***Information that may be included in this Terms of Engagement:***

* *A link to your privacy policy*
* *Outline broadly the privacy practices of your firm*
* *Outline how an individual can make a request to access their personal information and appropriate contact details if the personal information will be disclosed to another party (e.g. outsourced service provider) – who and under what circumstances and what actions they take to ensure the outsourced service provider handles the personal information appropriately*
* *Any appropriate security measures which have been implemented to protect the personal information from loss, inappropriate access, misuse, etc.*
* *If they engage cloud computing services and where the information is likely to be stored especially if outside of Australia (i.e. country)*
* *To insert (refer to clause 10.5):*

*If your personal information is disclosed to CPA Australia for the purpose of conducting a CPA Australia Best Practice Program assessment on the services provided, your personal information will be handled as outlined in the* [*CPA Australia Privacy Policy*](https://www.cpaaustralia.com.au/privacy-policy-and-statement)*.*]

* 1. Our collection use and disclosure of your personal information (PI) may be subject to the Privacy Act 1988 (Cth) and accordingly we will only collect PI about you that relates to the TE. We may disclose PI about you for the primary purpose of this TE or to third parties by express consent or as required by law. This PI may be stored overseas in <insert the overseas server location> (if applicable). If you would like to access any PI we might hold about you contact us on <insert number>.
  2. We may collect PI about you, your representatives, your clients and others when we provide services to you. If we do, you agree to work with us to ensure that we both meet our respective obligations under the Privacy Act 1988 (Cth). Your obligations may include ensuring your privacy policy and contracts include a reference to your collection practices, how you will use the PI and that you may disclose the PI to an agent for public accounting services.
  3. Where an outsourced service requires the disclosure of PI to an overseas recipient, we take care to ensure that other third parties outside Australia to whom we disclose PI are subject to contractual obligations relating to privacy and the handling of your personal information and can only use the information for the purposes stipulated by us.
  4. In providing our services to you, we utilise <insert relevance system> using Cloud Computing provided by <insert the provider> which is based in <insert location> and we rely on their security measures. We also store client information in a data server managed in <insert location, e.g. Australia>, which may subject to <insert country, e.g. Australian> privacy law.
  5. If your PI is disclosed to CPA Australia for the purpose of conducting a CPA Australia Best Practice Program assessment on the services provided, your personal information will be handled as outlined in the [CPA Australia Privacy Policy](https://www.cpaaustralia.com.au/privacy-policy-and-statement).

1. **Confidentiality**
   1. We have an ethical duty of confidentiality, which means we must not share or disclose your details of this TE to anyone, except as otherwise specified in this clause, without your consent unless required to by law.
   2. We may disclose your personal and confidential information details, as part of our working papers of the services provided to you, to CPA Australia Ltd, (if requested) for the purposes of conducting a CPA Australia Best Practice Program assessment aimed at maintaining high industry professional standards.  Any such disclosure of confidential information does not change any of our commitments to safeguard your information, and the information remains subject to any existing confidentiality obligations. We advise you by signing this letter you acknowledge, our engagement files relating to this assessment will be made available under this program.
2. **Professional Indemnity Insurance (PII)**
   1. We hold professional indemnity insurance of at least the minimum amount prescribed in the CPA Australia Ltd By-Laws or as required by law. Our PII cover at the time of this TE is <insert cover>.
3. **Professional Standards Scheme & Limitation of Liability**
   1. We participate in the CPA Australia Ltd Professional Standards Scheme (Scheme), which facilitates the improvement of professional standards to protect consumers and may limit our liability to you in a cause of action.
   2. The Scheme applies to professional accounting services including accounting, bookkeeping, taxation, auditing and assurance, insolvency and corporate reconstruction, management accounting, management consulting, forensic accounting, valuation services.
4. **Other** 
   1. This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our financial audit and compliance engagement of the [name of SMSF].

*[Insert here or attach any additional matters specific to the engagement, such as business terms and conditions, as appropriate.]*

Yours faithfully,

|  |  |  |
| --- | --- | --- |
|  |  |  |

[Name and title] [Date]

Acknowledged on behalf of the trustees of [SMSF name] by (signed).

|  |  |  |
| --- | --- | --- |
|  |  |  |

[Name and title] [Date]

# APPENDIX 1

The application of the [*Privacy Act 1988*](https://www.legislation.gov.au/Series/C2004A03712) (**Privacy Act**) is a determination that each public accounting service provider should determine for their own business and then provide advice to their own clients based on this determination.

The considerations and determinations you should make and the type of information you may wish to include in your terms of engagement:

Determine your own privacy obligations – these will depend on the size of the organisation (small business exemption) and a number of other factors. Noting the small business exemption does not extend to consumer credit information, credit reports and TFNs.

The Office of the Australian Information Commissioner (OAIC) has a checklist for businesses to determine if bound by the Privacy Act - [Small business — OAIC](https://www.oaic.gov.au/privacy/privacy-for-organisations/small-business/)

Most small businesses are not covered by the Privacy Act, but [some are](https://www.oaic.gov.au/privacy/the-privacy-act/rights-and-responsibilities/#WhoHasResponsibilitiesUnderPrivacyAct). A small business is one with an annual turnover of $3 million or less. Annual turnover for the purposes of the Privacy Act includes all income from all sources. It does not include assets held, capital gains or proceeds of capital sales

The second issue is the list of businesses the Privacy Act applies to regardless of turnover – this includes a business that has opted in to be covered by the Privacy Act – OAIC information [here](https://www.oaic.gov.au/privacy/privacy-registers/privacy-opt-in-register/)

If not covered by the Privacy Act determine if you wish to adopt the Australian Privacy Principles (APPs) in the handling of your client personal information. Again the OAIC has some tips for good privacy practices - [here](https://www.oaic.gov.au/privacy/privacy-for-organisations/tips-for-good-privacy-practice/). The OAIC also provides advice for organisations who may wish to opt-in to the Privacy Act - [here](https://www.oaic.gov.au/privacy/privacy-registers/privacy-opt-in-register/opting-in-to-the-privacy-act/).

The type of information you may wish to include in the terms of engagement will be determined by 1 and 2 above. These should all reflect your actual practices. You may then include in the terms of engagement the following types of information relating to privacy (this reflects obligations under the Privacy Act and APPs):

a link to your privacy policy

outline broadly your privacy practices – e.g. how you handle personal information such as for the purpose it was collected or as provided for or required by law

how an individual can make a request to access their personal information and appropriate contact details

if the personal information will be disclosed to another party (e.g. outsourced service provider) – who and under what circumstances and what actions you take to ensure the outsourced service provider handles the personal information appropriately

any appropriate security measures which have been implemented to protect the personal information from loss, inappropriate access, misuse, etc.

if you engage cloud computing services and where the information is likely to be stored especially if outside of Australia (i.e. country)

Include the following clause re any disclosures to CPA Australia (ensure links are active):

* 1. If your personal information is disclosed to CPA Australia for the purpose of conducting a CPA Australia Best Practice Program assessment on the services provided, your personal information will be handled as outlined in the [CPA Australia Privacy Policy](https://www.cpaaustralia.com.au/privacy-policy-and-statement) and the [member collection notice](https://www.cpaaustralia.com.au/privacy-policy-and-statement/members-collection-notice).

Any other relevant privacy information required to be included in accordance with advice from the Accounting Professional & Ethical Standards Board (**APESB**).

Please note the above is general advice only. You, as a public accounting service provider, should consider whether the advice is suitable for you and your circumstances, and seek your own independent privacy advice.

1. If the Fund is a reporting entity this sentence requires amendment to read: ‘Our auditor’s report will explain that the trustees are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards’. [↑](#footnote-ref-1)