Auditors are required under ASA 240 “The Auditors Responsibility to consider Fraud in an Audit of a Financial Report” to specifically address the risk of material misstatement in the financial statements due to fraud.

Whilst it may be rare for trustees of a SMSF to participate in fraudulent activity, the auditor should still consider the risks associated with fraud as part of the audit process.

APRA has developed a checklist as a guide to assessing the risk of fraud within a superannuation fund. The dominant headings and testing points are reproduced below to signal the areas of possible risk of fraud. Further assistance is provided in the “How to reduce the risk of Fraud – a Best Practice Guide for Trustees” issued by APRA and available at [www.apra.gov.au](http://www.apra.gov.au)

|  | **Yes** | **No** | **N/A** |
| --- | --- | --- | --- |
| **Style of Trusteeship** |  |  |  |
| 1. Are there losses arising from inappropriate style of trusteeship (i.e. minutes are not signed by both trustees, no procedure in place to ensure trust deed and rules are followed)? |  |  |  |
| 1. Do trustees exhibit equal powers when decision making? |  |  |  |
| 1. Does the trustee hold regular formal meetings? |  |  |  |
| 1. Do the trustees determine how many signatories there must be for cheques, investments and receipts? |  |  |  |
| 1. Are procedures in place to ensure that fund rules and the trust deed are followed? |  |  |  |
| **Trustee Information** |  |  |  |
| 1. Are there losses arising from inaccurate / untimely / inadequate trustee information? |  |  |  |
| 1. Are accounting records kept up to date? |  |  |  |
| **General Segregation of duties** |  |  |  |
| 1. Are there losses from fraud arising because of lack of segregation of duties? |  |  |  |
| 1. Are key accounting reconciliations reviewed by staff independent of the relevant accounting function? |  |  |  |
| 1. Is the work of administration and funds management staff subject to review and supervision by more senior personnel? |  |  |  |
| **Access to records** |  |  |  |
| 1. Are there losses arising from unauthorised access to records? |  |  |  |
| 1. Is the fund’s accountant restricted from having access to members’ records? |  |  |  |
| 1. Are there electronic data processing operational controls such as passwords in place? |  |  |  |
| **Investments** |  |  |  |
| 1. Are there losses arising from inadequate management information? |  |  |  |
| 1. Are all investment transactions authorised and recorded correctly? |  |  |  |
| 1. Are investment managers held accountable for investment decisions made under their authority? |  |  |  |
| 1. Are investments properly safeguarded? |  |  |  |
| 1. Is there regular reconciliations between investment management reports and accounting records? |  |  |  |
| 1. Have investment decisions been made in accordance with the trust deed and investment strategy? |  |  |  |
| 1. Is there segregation of duties between recording of investment transactions and receipt of funds? |  |  |  |
| 1. Is investment performance regularly reported to trustees and subject to their monitoring and review? |  |  |  |
| 1. Are there unusual / large losses arising from investment decisions? |  |  |  |
| 1. Are two signatories required to operate bank statements? |  |  |  |
| 1. If no, are there procedures in place to ensure that neither trustee withdraws money individually without the other trustee being aware? |  |  |  |
| 1. Have trustees ensured that all acquisitions and disposals are appropriately authorised? |  |  |  |
| 1. Have trustees ensured that all investments are in accordance with the investment strategy? |  |  |  |
| 1. Have you, as auditor, checked that all assets are held in the fund’s name (or that there is a declaration of trust in place)? |  |  |  |
| 1. Are investment documents (i.e. annual statements, buy and sell contracts, tax statement, etc) from a reliable source (i.e. are statements on letterhead, have the statements come directly from the investment managers, brokers, etc)? |  |  |  |
| 1. Are all investments made on an arm’s length basis? |  |  |  |
| 1. Is there adequate supporting documentation for trustees’ valuation of investments? |  |  |  |
| 1. Do the trustees obtain and review external audit reports and / or auditor’s internal control comfort letters’ in relation to the fund’s pooled and managed investments? |  |  |  |
| 1. Is banking of investment sale proceeds promptly carried out in appropriate bank accounts? |  |  |  |
| 1. Are adequate procedures in place to ensure safe custody of investments? |  |  |  |
| **Investment income** |  |  |  |
| 1. Are there losses arising from misappropriation of receipts (i.e. records not kept or not monitored)? |  |  |  |
| 1. Are dividends, distributions, rental receipts, proceeds from sale of assets and any other income banked immediately? |  |  |  |
| 1. Is investment income reviewed on a regular basis for completeness via reconciliation to investment mangers’ reports? |  |  |  |
| **Contributions receivable** |  |  |  |
| 1. Are there losses arising from misappropriation of, failure to collect, or delay in collection of contributions due (i.e. membership records not up to date, reconciliation not done, or there are no bank receipts)? |  |  |  |
| 1. Are contributions banked immediately? |  |  |  |
| 1. Are contributions allocated to members’ accounts promptly? |  |  |  |
| 1. Are membership records up to date? |  |  |  |
| 1. Are reconciliations carried out between contributions due, amounts remitted and amounts banked? |  |  |  |
| **Lost cash receipts** |  |  |  |
| 1. Are there any lost cash from receipts? |  |  |  |
| 1. Have bank reconciliations been altered? |  |  |  |
| 1. Are bank statements from a reliable source (i.e. are statements on letterhead, have the statements come directly from the bank, have you received direct confirmations, etc)? |  |  |  |
| 1. Are receipts recorded as soon as they are received? |  |  |  |
| **Cash payments** |  |  |  |
| 1. Are there any lost cash from payments (i.e. no authorisation or no evidence)? |  |  |  |
| 1. Have any unusual items of expenditure (i.e. abnormally large professional fees) been reviewed and investigated by the trustees? |  |  |  |
| 1. Are payments required to be supported by relevant documentation |  |  |  |
| 1. Have the trustees ensured that there are no blank cheques that have been pre-signed? |  |  |  |
| 1. Are cheques required to be signed by two authorised signatories? |  |  |  |
| 1. If a system of delegated authority for payment exists, do limits operate so that all large items of expenditure require trustee approval/signing? |  |  |  |
| **Benefits payable** |  |  |  |
| 1. Are there any losses from overpayment of, or fraudulent payment of, benefits (i.e. calculation not checked, no authorisation, or no evidence kept)? |  |  |  |
| 1. Are all benefit calculations subject to independent checking prior to payment? |  |  |  |
| 1. Are trustees required to approve and sign cheques for large benefit payments? |  |  |  |
| 1. Are benefit details updated when changes occur or payments are made? |  |  |  |
| 1. Has there been an illegal release of money before a condition of release has been satisfied? |  |  |  |
| **Transfers in and out** |  |  |  |
| 1. Are there losses arising from not properly dealing with transfers in and out (i.e. no proper records or reconciliations)? |  |  |  |
| 1. Are procedures in place to ensure that when transfers into the fund take place, relevant assets/cash are reconciled with the recorded balances of member accounts? |  |  |  |
| **Member records** |  |  |  |
| 1. Are there losses arising from poor maintenance of member records |  |  |  |
| 1. Is the balance of member records of the fund subject to regular reconciliation with the fund’s net assets and unexplained differences investigated? |  |  |  |
| **Fund solvency** |  |  |  |
| 1. Is the fund solvency position being monitored? |  |  |  |
| 1. Do the trustees review and act in accordance with the actuaries’ advice? |  |  |  |
| 1. Do the trustees understand the composition of the fund’s reserves and are reconciliations prepared for, and reviewed by, the trustees at each annual review? |  |  |  |
| **Delegation to service providers** |  |  |  |
| 1. Are there formal agreements in place for delegation of service to service providers which specifies tasks to be performed, report to be provided, monitoring done and include performance indicators? |  |  |  |
| 1. Have you issued the trustees of the fund an engagement letter for the audit of the fund? |  |  |  |
| 1. Have the trustees signed a representation letter, confirming they have provided all relevant documentation so that the audit could be completed, and which support all transactions within the fund? |  |  |  |
| 1. Are the investment managers, administrators, actuaries and auditors required to provide regular reports to the trustees? |  |  |  |
| **Legislative compliance** |  |  |  |
| 1. Is the fund’s compliance with the SIS Act being monitored regularly? |  |  |  |
| 1. If not, are there procedures to report non-compliance with the SIS Act or other illegal acts to the trustees? |  |  |  |
| **Member communications** |  |  |  |
| 1. Are the members satisfied that the member’s statements / reports are being produced and issued on a timely basis? |  |  |  |
| **Other Matters** |  |  |  |
| 1. Are disaster recovery procedures in place to ensure there are adequate systems / file backups and recovery arrangements are in place, there is off-site maintenance of data and there is adequate protection of records against fire and theft? |  |  |  |

**Matters Arising**

**Conclusion**

We are satisfied that the responses provided above satisfactorily address the risks of potential fraud that may occur during the year, and we are satisfied that the risk of fraud occurring is reduced to an insignificant level due to the trusteeship procedures in place.