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The Trustee/s  
Graham Gilks Superannuation Fund  
PO Box 239  
VINCENTIA NSW 2540

Our ref: SPG0621

Dear Trustee/s

### **Audit Management Letter**

The audit of Graham Gilks Superannuation Fund (the Fund) for the year ended 30 June 2020 has been completed and attached is the signed Audit Report which you should retain for your records.

Auditors are encouraged by the Australian Taxation Office (ATO) to issue management letters at the completion of each audit as a means of advising the trustee of any matters noted during the course of the audit.

Our audit was conducted to obtain reasonable assurance that the financial report is free from material misstatement and the fund has complied in all material respects with requirements of the Superannuation Industry (Supervision) Act 1993 and the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations).

We would like to bring the following to your attention:

#### **Trisap Group Pty Ltd – Market Valuation**

The Fund holds 1,100,834 shares in Trisap Group Pty Ltd which has been valued at zero at 30 June 2020 due to the trustee not receiving any information from the company.

#### *SIS Requirements*

Regulation 8.02B of the SIS Regulations requires all assets held within a self-managed superannuation fund to be valued at market value.

#### *Action Required*

To ensure compliance with the legislation, and notwithstanding the difficulties in valuing unlisted assets, you should ensure the shares in Trisap Group Pty Ltd are valued at market value as at 30 June 2020.

Below we have provided some guidance on the different valuation methodologies you can use to value an unlisted company for SMSF purposes:

- Share price of equity raised in the past 12 months
- Share price of shares sold in the past 12 months

- Email from company CFO with share price and explanation of how it is derived
- Separate valuation of company assets (including intangible assets) and liabilities with evidence and calculations provided.
- NTA of company (only reliable when the company values its assets in its financial statements at market/fair value - refer to valuation policy in notes to the financial statements)
- Cost price of shares (only reliable in the first year the fund acquired the shares)

Generally, the cost price and net tangible assets (NTA) are insufficient valuation methodologies to satisfy regulation 8.02B as the private company prepares special purpose financial statements and the assets are valued at cost or written down value.

We still require a copy of the unlisted company's financial statements as evidence to confirm the company is a going concern.

The ATO has published the following two guides on the ATO website to assist trustees of self-managed superannuation fund when valuing assets for super purposes:

1. Valuation guidelines for self-managed super funds
2. Market valuation for tax purposes

The ATO acknowledge the valuation of unlisted assets is likely to be complex; however, the ATO expect you to take into account a number of factors that may affect its market value, and the ATO also suggest that it may be wise to use an external valuer.

If you would like to discuss any of the matters raised, please do not hesitate to contact me.

Yours faithfully

DocuSigned by:  
  
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**Richard Smith**  
**Director**

## General Information

### Investment Strategy

Recently the ATO has had an increased focus on Fund's Investment Strategies.

The Trustees are responsible for formulating and regularly reviewing the Fund's Investment Strategy. Please review your Investment Strategy to ensure it sufficiently documents your decisions and complies with SIS Regulation 4.09. If you have an updated Investment Strategy, please ensure a signed and dated copy is provided to us as part of the next year's Audit.

If you require assistance with the Fund's Investment Strategy, we suggest you seek advice from a financial adviser as we are not licenced to provide financial product advice.

As a reminder of the legislative requirements regarding the Fund's Investment Strategy under the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations) – Regulation 4.09 we have included part of the operating standard for your reference.

### **SUPERANNUATION INDUSTRY (SUPERVISION) REGULATIONS 1994 - REG 4.09** **Operating standard--investment strategy**

(1) This regulation:

- (a) is made for subsection 31(1) of the Act; and
- (b) applies to a superannuation entity that is a self managed superannuation fund

(2) The trustee of the entity must formulate, review regularly and give effect to an investment strategy that has regard to the whole of the circumstances of the entity including, but not limited to, the following:

- (a) the risk involved in making, holding and realising, and the likely return from, the entity's investments, having regard to its objectives and expected cash flow requirements;
- (b) the composition of the entity's investments as a whole, including the extent to which they are diverse or involve exposure of the entity to risks from inadequate diversification;
- (c) the liquidity of the entity's investments, having regard to its expected cash flow requirements;
- (d) the ability of the entity to discharge its existing and prospective liabilities;
- (e) whether the trustees of the fund should hold a contract of insurance that provides insurance cover for one or more members of the fund.

(3) An investment strategy is taken to be in accordance with subregulation (2) even if it provides for a specified beneficiary or class of beneficiaries to give directions to the trustee where the directions:

- (a) relate to the strategy to be followed by the trustee in relation to the investment of a particular asset or assets of the entity; and
- (b) are given in the circumstances covered by regulation 4.02.