

SELF-MANAGED SUPERANNUATION FUND INDEPENDENT AUDITOR'S REPORT

Approved SMSF auditor details

Name: Andrew Edward RYAN

Business name: Andrew Ryan SMSF Audits

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Telephone (Mobile) Number: 0405 435 082

SMSF auditor number (SAN): 100301120

Self-managed superannuation fund details

Self-managed superannuation fund (SMSF) name: Solstar Investments Pty Ltd ATF The Solstar Superannuation Fund

Australian business number (ABN) or tax file number (TFN): 75 129 950 497

Address: Level 10, 133 Castlereagh Street, Sydney NSW 2000

Year of income being audited: 30 June 2019

To the SMSF trustee of **The Solstar Superannuation Fund**.

Part A: Financial report

Approved SMSF auditor's Opinion

I have audited the special purpose financial report of **The Solstar Superannuation Fund** comprising the statement of financial position as at 30 June 2019, and the operating statement, statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes' of the name of **The Solstar Superannuation Fund** for the year ended 30 June 2019.

In my opinion, except for the details in the following 'except for' paragraph, the financial report, presents fairly, in all material respects, in accordance with the accounting policies described in the notes to the financial statements, the financial position of the fund at 30 June 2019 and the results of its operations for the year then ended.

'Except for' details

During the conduct of the audit, it was found that the comparative information in the financial statements 'Operating Statement' for the year ended 30 June 2018 was not reported, and the 'Notes to the Financial Statements' that are part of the Financial Statements, had information missing in Notes numbers 'Note 2 – Liability for Accrued Benefits' and 'Note 3 – Vested Benefits'. This error in the Financial Statements has not been corrected.

Further little or no external information or documentary evidence was provided to verify expenses of the Fund.

Basis for Opinion

My audit has been conducted in accordance with Australian Auditing Standards¹. My responsibilities under those standards are further described in the *Approved SMSF Auditor's Responsibilities for the Audit of the Financial Report* section of this report. I am independent of the self-managed superannuation fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) as required by the Superannuation Industry.

(Supervision) Regulations 1994 (SISR). I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of accounting

Without modifying my opinion, I draw attention to note [1] of the financial report, which describes the basis of accounting. The financial report has been prepared to assist **The Solstar Superannuation Fund** meet the requirements of the SMSF's governing rules, the *Superannuation Industry (Supervision) Act 1993* (SISA) and the SISR. As a result, the financial report may not be suitable for other purposes.

Responsibilities of SMSF trustees for the financial report

Each SMSF trustee (individual trustee or director of corporate trustee) is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the SMSF's governing rules, the SISA and the SISR. Each trustee is also responsible for such internal controls as they determine are necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the trustees are responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the trustees intend to wind-up the fund. The going concern basis of accounting is appropriate when it is reasonably foreseeable that the fund will be able to meet its liabilities as they fall due.

The trustees are responsible for overseeing the fund's financial reporting process.

Approved SMSF auditor's responsibilities for the audit of the financial report

My responsibility is to express an opinion on the financial report based on my audit. I have conducted an independent audit of the financial report in order to express an opinion on it to the trustees.

¹The Australian Auditing Standards issued by the Auditing and Assurance Standards Board.

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of trustees taken on the basis of this financial report.

I have complied with the competency standards set by Australian Securities & Investments Commission (ASIC). My audit has been conducted in accordance with Australian Auditing Standards. These standards require that I comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Part B: Compliance report

Approved SMSF Auditor's Opinion

I have performed a reasonable assurance engagement on **The Solstar Superannuation Fund** to provide an opinion in relation to its compliance, in all material respects, with the applicable provisions of the SISA and the SISR as listed below in the *Approved SMSF auditor's Responsibility* section of this report.

In my opinion, the trustee and / or corporate officers of the corporate trustee of **The Solstar Superannuation Fund** has not complied, in all material respects, with the applicable provisions of the SISA and the SISR specified below, for the year ended 30 June 2019.

I identified a compliance contravention with respect to Regulation 8.02B of the SISR (1994) in relation to the valuation of assets at current market value. The trustees have an investment in the foreign unlisted company Sendle LLC with a historical cost of \$49,955. No current market value was able to be provided for this investment at 30 June 2019, and no independent auditors report was able to be provided, which may have provided a level of comfort to the value of the investment. As the value of the investment is greater than \$30,000, a Part B contravention is required to be reported in an Auditor Contravention Report for the year ended 30 June 2019.

Basis for Opinion

I have conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and quality control

I have complied with the independence requirements in accordance with the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) as required by the SISR.

I apply Australian Standard on Quality Control 1 ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

I have complied with the competency standards set by ASIC.

SMSF trustees' responsibility for compliance

Each SMSF trustee is responsible for complying with the requirements of the SISA and the SISR and for identifying, designing and implementing internal controls as they determine necessary to meet compliance requirements and monitor ongoing compliance.

Approved SMSF auditor's responsibility for the compliance report

My responsibility is to express an opinion on the trustees' compliance with the applicable requirements of the SISA and the SISR, based on the compliance engagement. My procedures included testing that the fund has an investment strategy that complies with the SISA and that the trustees make investments in line with that strategy, however, no opinion is made on its appropriateness to the fund members.

My reasonable assurance engagement has been conducted in accordance with applicable Standards on Assurance Engagements issued by the Auditing and Assurance Standards Board, to provide reasonable assurance that the trustees of the fund have complied, in all material respects, with the relevant requirements of the following provisions (to the extent applicable) of the SISA and the SISR.

Sections: 17A, 35AE, 35B, 35C(2), 62, 65, 66, 67,67A, 67B, 82-85, 103, 104, 104A, 105, 109, 126K

Regulations: 1.06(9A), 4.09, 4.09A, 5.03, 5.08, 6.17, 7.04, 8.02B, 13.12, 13.13, 13.14, 13.18AA

An assurance engagement to report on the fund's compliance with the applicable requirements of the SISA and the SISR involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the compliance requirements. The procedures selected depend on my judgement, including the identification and assessment of risks of material non-compliance.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the SISA and the SISR for the year ended 30 June 2019.

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the SISA and the SISR apart from those specified.

Inherent limitations

Due to the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the listed provisions may occur and not be detected. A reasonable assurance engagement does not provide assurance on whether compliance with the listed provisions will continue in the future.

Andrew Edward Ryan – Andrew Ryan SMSF Audits

SMSF Auditor Name & Firm



Signed

24 June 2021

Date audit completed

APPENDIX 1 - Explanation of listed sections and regulations in compliance engagement

This appendix is included to assist with the meaning of the legislation and regulations listed above

Section or Regulation	Explanation
S17A	The fund must meet the definition of an SMSF
S35AE	The trustees must keep and maintain accounting records for a minimum of five years
S35B	The trustees must prepare, sign and retain accounts and statements
S35C(2)	The trustees must provide the auditor with the necessary documents to complete the audit in a timely and professional manner; and within 14 days of a written request from the auditor
S62	The fund must be maintained for the sole purpose of providing benefits to any or all of the following: fund members upon their retirement, fund members upon reaching a prescribed age, the dependents of a fund member in the case of a member's death before retirement
S65	The trustees must not loan monies or provide financial assistance to any member or relative at any time during the financial year
S66	The trustees must not acquire any assets (not listed as an exception) from any member or related party of the fund
S67	The trustees of the fund must not borrow any money or maintain an existing borrowing (not listed as an exception)
S67A & 67B	The fund must comply with the limited recourse borrowing arrangement rules when borrowing to purchase single acquirable asset or replacement assets (not listed as an exception to the borrowing rules)
S82-85	The trustee must comply with the in-house asset rules
S103	The trustees must keep minutes of all meetings and retain the minutes for a minimum of 10 years
S104	The trustee must keep up to date records of all trustee or director of corporate trustee changes and trustee consents for a minimum of 10 years
S104A	Trustees who became a trustee on or after 1 July 2007, must sign and retain a trustee declaration
S105	The trustee must ensure that copies of all member or beneficiary reports are kept for a minimum of 10 years
S109	All investment transactions must be made and maintained at arms-length – that is, purchase, sale price and income from an asset reflects a true market value / rate of return
S126K	A disqualified person cannot be a trustee, investment manager or custodian of a superannuation fund
Sub Reg 1.06(9A)	Pension payments must be made at least annually and must be at least the amount calculated under Schedule 7
Reg 4.09	Trustees must formulate, regularly review and give effect to an investment strategy for the fund
Reg 4.09A	The assets of the SMSF must be held separately from any assets held by the trustee personally or by a standard employer sponsor or an associate of the standard employer sponsor
Reg 5.03	Investment returns must be allocated to members in a manner that is fair and reasonable
Reg 5.08	Member minimum benefits must be maintained in the fund until transferred, rolled over, allotted (to the member's spouse) or cashed out in a permitted fashion
Reg 6.17	Payments of member benefits must be made in accordance with Part 6 or Part 7A of the regulations and be permitted by the trust deed
Reg 7.04	Contributions can only be accepted in accordance with the applicable rules for the year being audited
Reg 8.02B	When preparing accounts and statements required by subsection 35B(1) of SISA, an asset must be valued at its market value
Reg 13.12	Trustees must not recognise an assignment of a super interest of a member or beneficiary
Reg 13.13	Trustees must not recognise a charge over or in relation to a member's benefits
Reg 13.14	Trustees must not give a charge over, or in relation to, an asset of the fund
Reg 13.18AA	Investments in collectables and personal use assets must be maintained in accordance with prescribed rules

24 June 2021

Private and Confidential

**The Trustee and Directors,
Solstar Investments Pty Ltd, ATF
The Solstar Superannuation Fund,
Level 10, 133 Castlereagh Street,
SYDNEY NSW 2000**

Dear Richard and Sabine Kaldor,

RE: AUDIT MANAGEMENT LETTER

I wish to advise that the audit of the **Solstar Superannuation Fund** for the year ended 30 June, 2019 has recently been completed.

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.

My audit work involves examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report in order to form an opinion as to whether, in all material respects, the financial report is fairly stated in accordance with the accounting policies described in the notes thereto. Further, my audit work involves examination, again on a test basis, of evidence supporting compliance with certain requirements of the Superannuation Industry (Supervision) Act 1993 and the Superannuation Industry (Supervision) Regulations 1994 ("SIS").

I would like to bring the following to your attention:

Financial Audit - Part A Qualifications (and Issues)

It has been identified as part of the audit, that the 2018 year comparative amounts were missing from the 'operating statement' in the financial statements, and the comparative were also not correctly reported in the 'Notes to the Accounts', 'Note 2 - Liability for Accrued Benefits', and 'Note 3 - Vested Benefits'.

The expenses in the current year were further not able to be verified or confirmed. Therefore, in the future we recommend that copies of expenses invoices or fees be included with the audit working papers.

Compliance Audit - Part B (Issues) and Qualifications

Fund assets correct naming - Issue

It is highly recommended that you examine all four (4) bank accounts of the fund, and ensure that they are correctly named, so as to avoid any potential 'separation of ownership' issues. This arises where the fund's bank accounts or other assets are not correctly held in the trustee's name on behalf of the fund. A proper naming convention for 'The Solstar Superannuation Fund', is as follows:

'Solstar Investments Pty Ltd ATF The Solstar Superannuation Fund'

I raise this as the bank accounts were just named 'Solstar' on the bank statements / electronic banking documents provided. This provided me with 'enough comfort' not to report, but may expose the funds bank accounts to potential legal ownership issues, and I believe the matter should be reviewed by you as the corporate officers' of the corporate trustee, and as members of the fund.

Regulation 8.02B SISR (1994) - Asset must be valued at market value - Qualification

Auditor Contravention Report Details

Finally, as per the ATO guidelines for reporting contraventions of the SIS, I shall be reporting the outstanding amount of the investment in the foreign unlisted company Sendle LLC, of \$49,955 that contravenes Regulation 8.02B, because the amount represents an amount greater than \$30,000, which I am required to report according to the ATO reporting guidelines for approved Self-managed Superannuation Fund Auditors. The guidelines require approved SMSF auditors to compulsorily report amounts that are the greater of either \$30,000 or 5% of the SMSF's total assets.

I advise that I have not encountered any other matters during the course of the audit that I believe should be brought to your attention.

Should you wish to discuss the above, please do not hesitate to contact the undersigned.

Yours faithfully,

Andrew Ryan SMSF Audits



Andrew Ryan

24 June 2021

Private and Confidential

The Trustee and Directors,
Solstar Investments Pty Ltd, ATF
The Solstar Superannuation Fund,
Level 10, 133 Castlereagh Street,
SYDNEY NSW 2000

Dear Richard and Sabine Kaldor,

RE: SECTION 129 NOTICE

I wish to advise that during the audit of **The Solstar Superannuation Fund** for the year ended 30 June 2019, I note contraventions of the Superannuation Industry (Supervision) Act 1993 and the Superannuation Industry (Supervision) Regulations 1994 ("SIS").

In accordance with section 129 of SIS, I am obligated to advise you in writing of the contravention detected.

Details of the contravention are as follows:

Regulation 8.02B – This regulation requires assets of a self-managed superannuation fund to be recognised at current market value at year end. This is determined by what a willing buyer and seller would exchange the asset for, at the end of the financial year. Where a willing buyer or market value cannot be determined, then the value must be recognised at a zero value. As the investment is not a listed company, and no independent value or audit reports were able to be sourced for the investment, no market value can be determined.

In the current situation the value is recognised in the financial statements at its historical cost of \$49,955. However, due to the compulsory reporting requirements of the ATO the value of this contravention is the greater of 5% or \$30,000, the second limit is failed, and therefore I am required to report this in the Auditor Contravention Report for the year ended 30 June 2019.

Total value of Contravention:

Regulation 8.02B – Assets to be valued at market value **\$ 49,955.00**

Because the value of the contraventions was in excess of \$30,000 / 5% of total assets, I am required to advise the ATO of the contraventions noted above under the mandatory reporting requirements for auditors.

A copy of the Auditor Contravention Report is attached for your information.

Should you wish to discuss the above, please do not hesitate to contact the undersigned.

Yours faithfully,

Andrew Ryan SMSF Audits

A handwritten signature in black ink, appearing to read 'A. Ryan', with a long horizontal flourish extending to the right.

Andrew Ryan CA