



27 August 2021

The Trustees  
Clements & Rush Super Fund  
195 Magnesium Dr  
CRESTMEAD QLD 4132  
Dear Trustees

**RE: AUDIT MANAGEMENT LETTER**

I wish to advise that the audit of Clements & Rush Super Fund for the year ended 30 June 2021 has recently been completed.

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

My audit work involves an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report 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 an 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.*

**Diversification Risk**

I would like to draw your attention to the well-publicized recent activity by the Australian Taxation Office whereby ATO has written to a large number of SMSF Trustees asking them to provide evidence, ideally by way of a written investment strategy, as to how they have considered a range of matters relating to the diversification of their SMSF's investments (such consideration being a requirement under Regulation 4.09 of the Superannuation Industry (Supervision) Regulations).

*Recommendation*

Given the concentration of your SMSF's assets in a single asset class which is Direct Property, please do ensure particular attention is being paid to your Regulation 4.09 obligations and the effective documentation of your related considerations in the SMSF's investment strategy.

**Lease agreement**

During my audit review, I noticed that the Trustee has leased the commercial properties held at 195 Magnesium Dr, Crestmead, QLD 4132 to a related party and 2-4 Magnesium Dr, Crestmead, QLD 4132 to an unrelated party of the fund. I have been provided with a rental appraisal report as a basis for rent charged to a related party, however, I have not been with a copy of the lease agreement for both the properties, and I have been advised by the trustees that they don't have formal leases for above

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properties, and they are essentially leased on month-on-month basis. Non-maintenance of the lease agreement may be considered as a potential breach of arm's length provisions of the SIS act. I suggest trustee to enter into a lease agreement or issue a monthly rental statement for the tenants for charging the rent and to obtain a copy of the tenant's acknowledgement for accepting the lease arrangement on a month-on-month basis and charge current market rent to reflect that the transaction is at arm's length as per the provisions of SIS act and provide the copy of the above-mentioned documents for any future audits.

Except above, I advise that I have not encountered any matters during my audit that I believe should be brought to your attention.

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

Regards,

A handwritten signature in brown ink, appearing to read 'Umesh Manek'.

**Umesh Manek**

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