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25 January 2019

The Trustees  
Chris Hall Family Superannuation Fund  
C/- Chris Hall Photography  
41 Park Road  
MILTON QLD 4064

Good Morning Chris

**RE: SUPERANNUATION FUND AUDIT FOR YEAR ENDED 30 JUNE 2017**

I am writing to inform you that I have completed the audit of the Chris Hall Family Superannuation Fund.

Please note that the following reportable matters were reported to the ATO:

**Failure to keep adequate Accounting Records**

Throughout the course of the Audit we note that we weren't able to verify the existence and also nature of an asset that is held by the Fund and has been recorded on its Balance Sheet in the previous Financial Year.

We were unable to obtain any evidence as to what the asset is, or what it is valued at. It is a requirement of the Trustee of the Fund to ensure that proper accounting records are kept which are able to correctly record and explain the transactions and financial position of the of the Fund, and that these records be retained for at least 5 years. Not keeping such records is a breach of Section 35A of the *Superannuation Industry (Supervision) Act 1993* ("SIS Act"). As we were unable to establish the existence and value of the asset the Fund Administrator has at my direction adopted the most prudent approach being valuing the asset at last known value, which was at 30 June 2015.

While I must report to you all breaches of the SIS Act, due to the immaterial effect of the breach on the Financial Statements I have not qualified the audit report or reported the breach to the Australian Taxation Office.

I strongly urge you to provide the Westpac Share trading account 6128636 bank account transactions from 1 July 2015 to 30 June 2017, for your accountant to include in the next financial year.

**Loan to a Related Party – Greater than 5% of Fund Assets**

A Superannuation Fund is not permitted to lend monies to a related party, unless the amount of the loan is less than 5% of the Fund's assets. During the year the Fund lent money on a number of occasions to Chris Hall & Associates Pty Ltd and Your Enquiry Manager Pty Ltd, related parties of the members. As at 30 June 2017 the Fund was owed \$790,303.16 by Chris Hall & Associates Pty Ltd, which in total is approximately 17% of the Fund's net assets at that date. Interest will most certainly need to be paid on the monies outstanding at a commercial rate.

### **Lease of Business Real Property**

The Fund has an investment in property at 41 Park Road and a suite is leased to Your Enquiry Manager Pty Ltd, which is considered a related party of the Fund.

It is a requirement of the *Superannuation Industry (Supervision) Act 1993* that property that is leased to a related party be:

- Rented at Market Value;
- Subject to a written Lease Agreement, on arm's length terms; and
- The Terms of the Lease be enforced and adhered to.

It has come to our attention that the Fund has not put in place a written Lease Agreement with Your Enquiry Manager Pty Ltd.

We require the Trustees to rectify this situation and arrange for preparation of a formal Lease Agreement meeting the above requirements, to be signed by both parties.

Should you have any queries regarding this audit engagement, please do not hesitate to contact me or Brad Hoffman.

Kind regards



Ed Glasson  
SMSF Auditor No. 100105093  
Director

**Chris Hall Family Superannuation Fund**  
**Self-Managed Superannuation Fund Independent Audit Report**  
**for the period 1 July 2016 to 30 June 2017**

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**Approved SMSF auditor details**

<b>Name</b>	Ed Glasson
<b>Business name</b>	Marsh Tincknell
<b>Business postal address</b>	Level 1, 1454 Logan Road, Mt Gravatt, QLD 4122, Australia
<b>SMSF auditor number (SAN)</b>	100105093

**Self-managed superannuation fund details**

<b>Self-managed super fund (SMSF) name</b>	Chris Hall Family Superannuation Fund
<b>Australian business number (ABN)</b>	30 065 601 412
<b>Address</b>	27 Wilden Street, Paddington, QLD 4064, Australia
<b>Year of income being audited</b>	2017

**To the SMSF trustees**

To the SMSF trustees of Chris Hall Family Superannuation Fund

## **Part A: Financial report**

### **Approved SMSF Auditor's Opinion**

I have audited the special purpose financial report of the Chris Hall Family Superannuation Fund comprising the statement of financial position as at 30 June 2017, and the operating statement, a summary of significant accounting policies and other explanatory notes of the Chris Hall Family Superannuation Fund for the year ended 30 June 2017.

In my opinion, 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 2017 and the results of its operations for the year then ended.

### **Basis for Opinion**

My audit has been conducted in accordance with Australian Auditing Standards<sup>1</sup>. 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 Chris Hall Family 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.

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

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<sup>1</sup> The Australian Auditing Standards issued by the Auditing and Assurance Standards Board.



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 Qualified Opinion**

I have performed a reasonable assurance engagement on the Chris Hall Family 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, except for the matter/s referred to below, each trustee of Chris Hall Family Superannuation Fund has complied, in all material respects, with the applicable provisions of the SISA and the SISR specified below, for the year ended 30 June 2017.

### **Basis for Qualified 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.

### **Loan to Related Parties**

The super fund has loaned money to the related parties over a number of years, which exceeds the 5% limit from Section 82 of the in-house asset rules, and Section 83.

Included in the related party loans is one related party's outstanding rent, which was not paid in a timely manner to the super fund, and rent collected by another related party entity on behalf of the super fund has not been remitted to the super fund in a timely manner, breaching Section 109 of Investments on arm-length terms.

It is suspected that financial assistance has been provided to the members of the super fund through the related party loans. Due to the volume of the transactions and the lack of records available to us and to the fund administrators, it has been difficult to assess if super fund monies have been paid directly to the members of the super fund.

The related parties have started repaying the outstanding amount during the 2014, 2015 & 2016 Financial Years, with a written plan in place to repay the outstanding balance in full by 30 June 2019.

Interest at market rates has also been included on any outstanding balances.

Given the frequency of the related party loans and the volume of the transfers, there are concerns regarding the sole purpose test.

### **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/My firm apply/applies 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 trustee's 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 2017.

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.

Signature of approved SMSF auditor



Dated: 25/1/2019

Name: Ed Glasson

## **Appendix 1 - Explanation of listed sections and regulations in compliance report**

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

<b>Section or Regulation</b>	<b>Explanation</b>
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 and 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	<p>The fund must be maintained for the sole purpose of providing benefits to any or all of the following:</p> <ul style="list-style-type: none"><li><input type="checkbox"/> fund members upon their retirement</li><li><input type="checkbox"/> fund members upon reaching a prescribed age</li><li><input type="checkbox"/> the dependants of a fund member in the case of a member's death before retirement</li></ul>
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 trustees 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 trustees 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 trustees 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