

06 June 2019

J C J G Superannuation Fund
C/- J C J G Superannuation Pty Ltd
93 Riverview Street
Riverview NSW 2066

Dear Sir/Madam

**AUDIT COMPLETION LETTER
J C J G Superannuation Fund
for the Year Ended 30 June 2017**

We advise that we have completed the audit of the J C J G Superannuation Fund for the financial year ended 30 June 2017.

Our audit procedures are designed primarily to examine, on a selection basis, the financial report and reporting disclosures in order to form an opinion whether the financial report, as a whole, is fairly stated in accordance with the accounting policies and accompanying notes, together with certain requirements in relation to the Superannuation Industry (Supervision) Act 1993 and Regulations (SIS).

Therefore, our audit work may not detect all fraud, misstatement, errors or weaknesses that may exist in terms of inherent limitations to internal controls. We remind you, as trustees, your responsibility to maintain an adequate system of internal controls as the principal safeguard against these irregularities or non-compliance. As a result, our audit can provide reasonable assurance that the financial statements are free from material misstatement. This does not mean that there are no further matters that you should be aware of in meeting your responsibilities as trustees, nor does this report absolve you from taking appropriate action to meet these responsibilities.

We note that where there are insufficient internal control procedures in place within an SMSF, transactions may occur that have not been authorised by one or more trustees. Trustees of an SMSF must ensure that the assets of the fund are held for the benefit of members on retirement. Trustees are required to play an active role in the administration of the fund. We therefore recommend that trustees implement controls and review procedures to ensure that all trustees authorise and are aware of transactions completed within the fund, and that contemporaneous records are made of their decisions.

MATTERS FOR TRUSTEE ATTENTION

We note the following matters were identified during the course of the audit that we believe should be brought to your attention.

- During my Audit I noted that the Fund held two properties which were acquired under Limited Recourse Borrowing arrangements, and as such the properties are held by Bare Trusts. I have not been provided with the stamped Bare Trust Deeds. The Duties Act 1997 provides concessional duty may be charged on the Bare Trust Deed if the Commissioner is satisfied that the full purchase price came from the Super Fund (and its lender). If a Bare Trust deed is not stamped, full stamp duty may be charged once the finance is repaid and the property title is transferred from the Bare Trustee to the Superfund Trustee. I recommend you attend to the stamping of the Bare Trust Deeds.
- During my Audit I noted that property owned by the Superfund was leased to a related party. Section 109 of the Superannuation Industry Supervision Act requires a Superfund deal with related parties on Arm's Length terms at all times. Where property is leased to a related party, the requirement is for a legally enforceable lease (registered to title) at market rent as determined by a registered valuer. Further the terms of the lease arrangement should reflect normal commercial practice. When income received by a Superfund exceeds (or falls short) of arms length income, the total income received may be considered to be non arms length income, and taxed at 45%. I recommend you source a valuers valuation of both the market value of the property and market rent (where the property is leased to a related party), and that the terms of the related party lease are reviewed and updated if necessary to ensure compliance with the Arm's Length requirements.

Should you wish to discuss any of the above matters, please do not hesitate to contact me.

Yours sincerely

SIDCOR CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read 'Scott Douglas', with a stylized flourish extending from the end.

Scott Douglas