

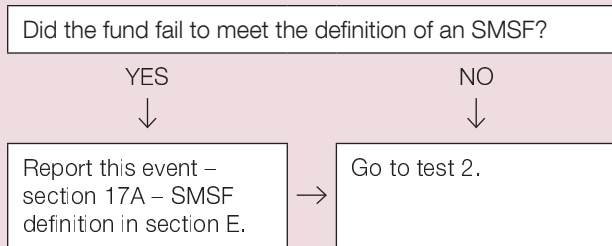
# Reporting criteria

The following tests set out what contraventions you must report to us – at test 1, you are asked to consider if the fund meets the definition of an SMSF.

**!** You do not have to change your auditing methods if they meet the Australian auditing and assurance standards.

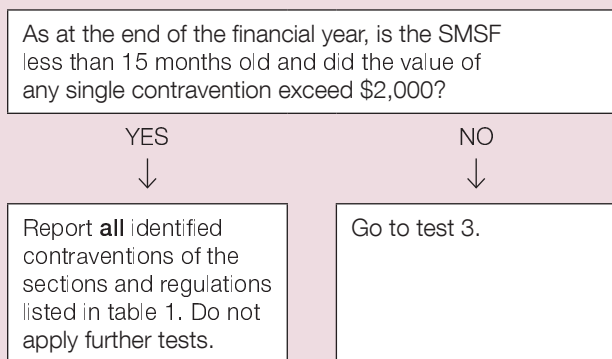
Work through each test and, where applicable, report the sections and regulations listed in table 1.

## Test 1: Fund definition test



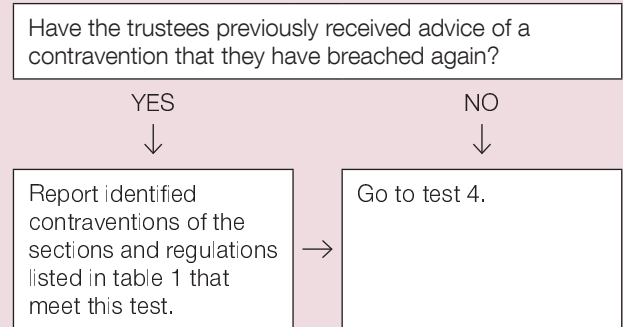
Failing to meet the definition of an SMSF can result in a contravention of the SISA which may result in the fund losing its complying status. You should report this to us because, as the regulator of these funds, we may be able to assist the trustees in avoiding serious consequences if they want their fund to remain a complying SMSF.

## Test 2: New fund test



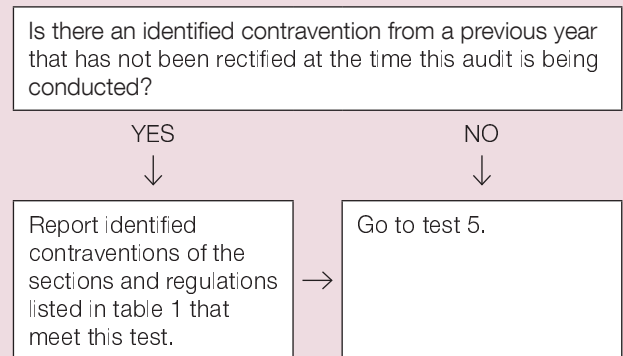
The 15 months is measured from the establishment date of the fund. A fund is generally established on the date it first holds any assets.

## Test 3: Trustee behaviour test



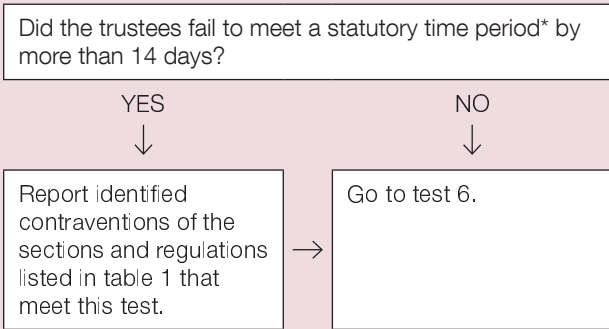
You must report a contravention where the trustees have previously received advice of a contravention and, after receiving this advice, they breached the same section or regulation. For example, you may establish that the trustees received advice of a contravention previously from reviewing the fund’s prior-year working papers.

## Test 4: Trustee behaviour test



You may be able to check this from viewing prior-year audit documents.

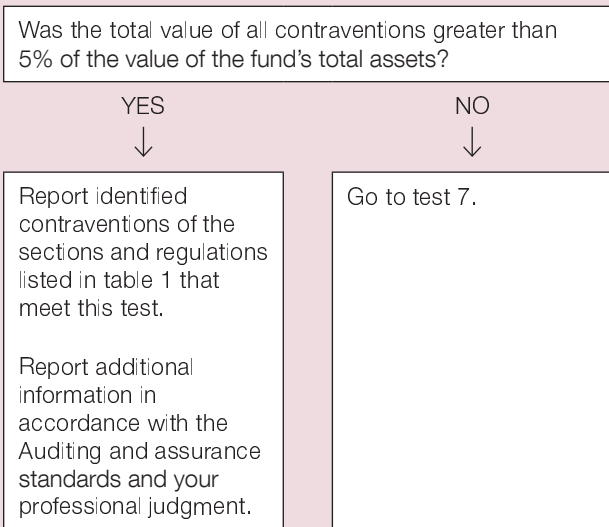
**Test 5: Trustee behaviour test**



\*Statutory time period' refers to periods prescribed in the SISA and SISR.

The reportable sections and regulations that have a statutory time period are listed in table 1.

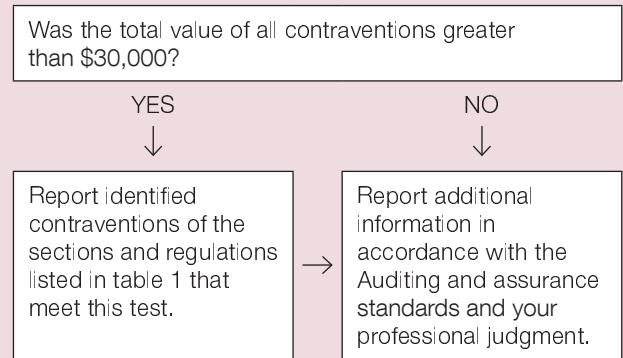
**Test 6: Financial threshold test**



**Example:** An SMSF has \$250,000 in total assets, including an asset acquired through a related party for \$25,000. This acquisition contravened section 66 because the asset was not one of the exceptions from the general prohibition on acquiring assets from a related party. The value of the contravention is 10% of the value of the fund's total assets. The contravention must be reported because it is greater than 5% of the fund's total assets.

! In relation to test 6, if section 83 in-house assets – prohibition on further acquisition – is contravened, then the contravention value is the amount over the statutory 5% limit. For example, if the market value ratio of a fund's in-house assets is 7%, then the contravention value is 2% of the fund's assets (7% minus 5% limit), so the contravention value is not greater than 5% of the value of the fund's total assets.

**Test 7: Financial threshold test**



**Professional judgment**

We encourage you to report contraventions and other information that you think will help us perform our function as the regulator of SMSFs. To decide if you should report contraventions and other important facts, even if they do not meet any of the tests, you should apply both of the following:

- the Auditing and assurance standards
- your professional judgment.