



Instances of SMSF auditors modifying their reports due to lack of evidence regarding an asset valuation due to the COVID-19 downturn will likely rise.

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The ATO is expecting to see more instances of SMSF auditors having to modify their independent audit reports due to the increased difficulty of obtaining sufficient evidence that an asset valuation is appropriate under the current COVID-19 economic environment.

“I think it’s possible we will see an increase based on some of the industry concerns I’m hearing at the moment, these being that it’s difficult to access real estate agents for appraisals or easily find similar properties that have sold because auctions can’t occur at the moment,” ATO SMSF auditor portfolio director Kellie Grant revealed during a recent one-on-one webinar with SMSF Association technical manager Mary Simmons.

“I’m also hearing it’s difficult to gauge the value of unlisted assets [being] shares and units, which is always difficult, but at this time we’re experiencing even more so.

“Of course, this might mean auditors won’t be able to obtain objective and supportable evidence from trustees as per the requirement in the ATO self-managed super fund valuation guidelines to support the value of the assets in the financial statements being reported at market value.”

However, Grant stipulated the regulator still expected trustees to use their best endeavours to obtain objective and supportive asset valuation data where they can.

To this end, she noted trustees could still search online for similar properties that had been sold recently should the SMSF hold residential real estate.

With regard to unlisted assets, she suggested trustees could still try to obtain recent sale or purchase data of the relevant shares or units and provide the auditor with a signed copy of the financial statements of the entity in which the fund is invested.

While pointing out trustees can still employ these methods to justify certain asset values, she revealed the ATO would apply a conciliatory approach where issues may arise.

“Our view at the moment is that we won’t be asking auditors not to report [these types of contraventions] in the ACR (auditor contravention report), so they should still go ahead and report them, but if we find reasons stated in the ACR due to the trustees being unable to obtain that sufficient, appropriate audit evidence as a result of COVID-19, we will take a lenient approach to any contraventions that are reported,” she noted.

“What that means is the fund [trustees are] likely to receive a letter from us advising they should ensure they have the supporting valuation evidence by the time their next audit occurs if possible.”