
SMSF Wind-up: ATO Guidance & the Evolv audit approach

When a SMSF is being considered for windup we commonly receive enquiries from clients of our audit consideration of wind up, and how we apply materiality, where monies are yet to be fully disbursed or paid. The relevant ATO guidance is as follows:

- ▶ [Auditing an SMSF that is winding up | Australian Taxation Office \(ato.gov.au\)](#)
- ▶ Trustee guidance (issued June 2022) [Winding up | Australian Taxation Office \(ato.gov.au\)](#)

Our audit approach is conducted in accordance with materiality, therefore it continues to support that material assets of the SMSF are rolled out or paid out before the wind-up date.

MATERIALITY

As per our audit methodology, a range of 5% -10% of Total Assets is considered material. We reference the opening balance of total assets i.e. closing balance of the prior year audited financial statements in determining, the materiality for a SMSF, in the wind-up year. Materiality considers both qualitative and quantitative factors. The materiality within this range is based on the risk profile of the SMSF. Key factors considered include;

- ▶ prior year audit findings,
- ▶ investment composition, and
- ▶ member circumstances.

Other Qualitative factors include but are not limited to:

- ▶ an extended wind up period,
- ▶ whether the bank balance at wind up date remains open for payment of taxes and administration costs
- ▶ whether the bank account remains open to receive the tax refund.

MATERIALLY WIND-UP

The SMSF is considered wound-up for audit purposes, when material assets of the SMSF are rolled out or paid out and the bank balance at the date of wind up

- ▶ is immaterial; or
- ▶ \$Nil; or
- ▶ relates to payment of expenditure and income tax; or
- ▶ remains open to receive the tax refund.

OUR AUDIT APPROACH AND REPORTING

AUDIT APPROACH	MATERIALLY WOUND-UP <i>(Assets and liability balances at wind up date are Nil or NOT material as defined above)</i>	NOT MATERIALLY WOUND UP <i>(Assets or liability balances at wind up date are MATERIAL i.e. are not defined as above, or investments have not been realised)</i>
AUDIT REVIEW - STATEMENT OF FINANCIAL POSITION	<p>The bank balance at the wind-up date should be disclosed in the Statement of Financial Position together with tax refunds receivable with the corresponding liability for related member benefits payable, and sundry creditors as applicable.</p> <p>If the account balances remaining are not material, and, the financial statements have been prepared with all account balances within the Statement of Financial Position recorded at NIL, we will raise an Audit Completion Letter:</p> <p>AUDIT COMPLETION LETTER EXAMPLE The fund's bank/account/investment has a balance of \$XXX as at wind-up date, DD/MM/YYYY. However, the SMSF recorded these at nil in the Statement of Financial Position. We note this audit error for the trustee attention. The trustees should confirm that this audit error is not material to the fund.</p>	<p>The asset and/ or the corresponding Liability recorded in the Statement of Financial Position are material at wind up date.</p> <p>Please note, if the bank statement or other supporting documents evidence a material balance as at the wind-up date and the Statement of Financial Position discloses NIL for this asset and/or liability, a Part A audit qualification will be issued.</p>
PART A QUALIFICATION	N/A	PART A QUALIFICATION The SMSF wind up financial statements have been prepared as at (the wind up date) DD/MM/YYYY. The bank account per the Statement of Financial Position is \$nil. As per the bank transaction statement, the SMSF bank account balance at this date was \$XX,XXX, and member benefits of \$XX,XXX had not been paid (all material assets and liabilities are specified in this

		<p>manner). As at the date of the financial statements the SMSF had not materially wound up. As a result, we are required to qualify Part A of the audit report.</p>
<p>AUDIT CONTRAVENTION REPORT (ACR) – ADDITIONAL INFORMATION</p>		<p>As the SMSF is not materially wound up, we will report this to the ATO via an Audit Contravention Report. This is NOT a breach of SISA or SISR, but a disclosure of ADDITIONAL INFORMATION only:</p> <p><u>Template:</u> We note that the SMSF reported a wind up date of DD/MM/YYYY. As per the bank transaction statement, the SMSF bank account had a balance of \$XX,XXX as of DD/MM/YYYY. The benefits payable (rollover out) was not paid as at DD/MM/YYY. An amount of \$XX,XXX was paid to the rollover fund on DD/MM/YYYY with final payments including expenses made on DD/MM/YYYY. As at this date the SMSF had materially wound up. We are required to lodge an auditor contravention report in relation to the SMSF's financial position at wind up date. If you would like to discuss the report, please call Evolv within 14 days of our audit report being issued.</p>
<p>AUDIT REVIEW OF WIND UP ADMINISTRATION CONSIDERATIONS</p>	<p>We consider within our audit process that the wind-up date is consistent within the following key documents:</p> <ol style="list-style-type: none"> 1. The financial statements record the wind-up date 2. The wind-up date is confirmed in the wind-up minutes 3. Item 9 of the Annual Return <p>The box “Yes” will be ticked and the date is confirmed as the example below</p>	

	<p>9 Was the fund wound up during the income year?</p> <p>No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> If yes, provide the date on which the fund was wound up: <input type="text" value="30/06/2023"/> Have all tax lodgments and payment obligations been met?</p>
<p>WIND UP TRUSTEE MINUTE</p>	<p>A signed copy of wind-up minutes (example template link) is now available to Evolv clients to support compliance with the ATO trustee guidance Winding up a self-managed super fund (ato.gov.au)</p> <p>This minute articulates the ATO guidance in respect of:</p> <ul style="list-style-type: none"> ▪ Decision to wind up the fund and date of proposed wind up; ▪ Member / trustee considerations; ▪ Member instructions on wind up; ▪ Trustee obligations, should the bank account remain open post wind up date. <p>We recommend that for administration of the wind up, the SMSF trust deed is referred to, as the trust deed contains administration provisions that are relevant for windup purposes.</p> <p>We will request a trustee minute as per the example template content, for audit purposes. This can be recorded separately by the trustees or in conjunction with the Annual Trustee minute considerations at wind up date.</p>
<p>AUDIT QUERY MANAGEMENT</p>	<p>As this is a final audit , all audit queries are issued as Withholding queries.</p>
<p>AUDIT COMPLETION LETTER MATTER - TRUSTEE WIND UP OBLIGATIONS</p>	<p>As per the ATO guidance, we will raise the following in the Audit Completion Letter depending on the SMSF circumstances:</p> <p><u>Template:</u></p> <p>The fund wound up on DD/MM/YYYY. Our audit review indicates that liabilities remaining relate to receipt of tax refund and payment of fund's expenses. <i>(On the basis that this is consistent with the ATO guidance, our audit notes that the fund has materially wound up).</i></p> <p>Following the wind-up of the fund on DD/MM/YYYY, the trustees of the fund have the following obligations:</p> <ul style="list-style-type: none"> i) Lodging the final SMSF annual return; ii) <i>After all liabilities have been paid or assets have been received, closing the fund's bank account; and</i> iii) Keeping all records required under the super laws, including those specific to the wind up, for at least 10 years following lodgement of the final SMSF annual return.

Should you have any specific SMSF questions in respect of the above please contact your client services manager or SMSF registered auditor.