

The Trustess
[Insert fund name]
[Insert name of administrator]
[Insert Address]
[Insert Address]

Dear Trustees,

There must be a clear understanding in writing between the auditor and the client as to the extent of audit duties; accordingly, we set out below details of our understanding of this engagement and details of our respective responsibilities.

Objective and Scope of the Audit

You have requested your accountant, [insert name of administrator], arrange the independent audit of the [insert fund name].

1. Special purpose financial report, which comprises the statement of financial position as at 30 June 2016 and the operating statement for the year ending 30 June 2016 and the notes to the financial statements; and
2. Compliance during the same period with the requirements of the Superannuation Industry (Supervision) Act 1993 (SISA) and SIS Regulations (SISR) specified in the approved form auditor's report as issued by the ATO, which are sections 17A, 35AE, 35B, 35C(2), 62, 65, 66, 67, 67A, 67B, 82-85, 103, 104, 104A, 105, 109 and 126K of the SISA and regulations 1.06(9A), 4.09, 4.09A, 5.03, 5.08, 6.17, 7.04, 8.02B, 13.12, 13.13, 13.14 and 13.18AA of the SISR.

We are pleased to confirm our acceptance and understanding of this engagement by means of this letter. Our audit will be conducted pursuant to the Superannuation Industry (Supervision) Act 1993 (SISA), Superannuation Industry (Supervision) Regulations 1994 (SISR) and the Australian auditing standards with the objective of expressing an opinion on the special purpose financial report and the funds compliance with the specified requirements of the SISA and SISR.

The Responsibilities of the Auditor

We will conduct our financial audit in accordance with Australian Auditing Standards and our compliance engagement in accordance with applicable Standards on Assurance Engagements, issued by the Auditing and Assurance Standards Board (AUASB). These standards require that we comply with relevant ethical requirements relating to audit and assurance engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that you have complied, in all material respects, with the specified requirements of the SISA and SISR.

The annual audit of the financial reports and records of the Fund must be carried out after the end of each financial year. In accordance with section 35C of the SISA, we are required to provide to the trustees of the Fund an auditor's report in the approved form within the prescribed time as set out in

the SISR, being 28 days after the trustee of the fund has provided all documents relevant to the preparation of the report to the auditor.

Financial Audit

A financial audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. A financial audit also includes evaluating the appropriateness of the financial reporting framework, accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial report. Due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In making our risk assessments, we consider internal controls relevant to the fund's preparation of the financial report 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 controls. However, we expect to provide you with a separate letter concerning any significant deficiencies in the fund's system of accounting and internal controls that come to our attention during the audit of the financial report. This will be in the form of a trustee management letter.

Compliance Engagement

A compliance engagement involves performing audit procedures to obtain audit evidence about the fund's compliance with the provisions of the SISA and SISR specified in the ATO's approved form auditor's report.

Our compliance engagement with respect to investments includes determining whether the investments are made for the sole purpose of funding members' retirement, death or disability benefits and whether you have an investment strategy for the fund, which gives due consideration to risk, return, liquidity, diversification and consideration of insurance for members. Our procedures will include testing whether the investments are made for the allowable purposes in accordance with the investment strategy, but not for the purpose of assessing the appropriateness of those investments to the members.

The Responsibilities of the Trustees

We take this opportunity to remind you that it is the responsibility of each trustee to ensure that the fund, at all times, complies with the SISA and SISR as well as any other legislation relevant to the fund. Each trustee is also responsible for the preparation and fair presentation of the financial report.

Our auditor's report will explain that each trustee is responsible for the preparation and the fair presentation of the financial report and for determining that the accounting policies used are consistent with the financial reporting requirements of the SMSF's governing rules, comply with the requirements of SISA and SISR and are appropriate to meet the needs of the members. This responsibility includes:

- Establishing and maintaining controls relevant to the preparation of a financial report that is free from misstatement, whether due to fraud or error. The system of accounting and internal control should be adequate in ensuring that all transactions are recorded and that the recorded transactions are valid, accurate, authorised, properly classified and promptly recorded, so as to facilitate the preparation of reliable financial information. This responsibility to maintain adequate internal controls also extends to the Fund's compliance with SISA and SISR. The internal controls should be sufficient to prevent and/or detect material noncompliance with such legislative requirements.

- Selecting and applying appropriate accounting policies.
- Making accounting estimates that are reasonable in the circumstances.
- Making available to us all the books of the Funds, including any registers and general documents, minutes and other relevant papers of all Trustee meetings and giving us any information, explanations and assistance we require for the purposes of our audit. Section 35C(2) of SIS requires that Trustees must give to the auditor any document that the auditor requests in writing within 14 days of the request.

As part of our audit process, we will request from the trustees written confirmation concerning representations made to us in connection with the audit.

Our audit report is prepared for the members of the Fund and we disclaim any assumption of responsibility for any reliance on our report, or on the financial report to which it relates, to any person other than the members of the fund, or for any purpose other than that for which it was prepared.

Independence

We confirm that, to the best of our knowledge and belief, the engagement team meets the current independence requirements of the Code of Ethics for Professional Accountants, as issued by the Accounting Professional & Ethical Standards Board in relation to the audit of the fund. In conducting our financial audit and compliance engagement, should we become aware that we have contravened the independence requirements, we shall notify you on a timely basis. In addition, we confirm that we are suitably qualified including being registered ASIC approved auditors.

Report on Matters Identified

Under section 129 of the SISA, we are required to report to you in writing, if during the course of, or in connection with, our audit, we become aware of any contravention of the SISA or SISR which we believe has occurred, is occurring or may occur. Furthermore, you should be aware that we are also required to notify the Australian Taxation Office (ATO) of certain contraventions of the SISA and SISR that we become aware of during the audit, which meet the tests stipulated by the ATO. Finally, under section 130, we are required to report to you and the ATO if we believe the financial position of the Fund may be, or may be about to become unsatisfactory.

You should not assume that any matters reported to you, or that a report that there are no matters to be communicated, indicates that there are no additional matters, or matters that you should be aware of in meeting your responsibilities. The completed audit report may be provided to you as a signed electronic version.

Compliance Program

The conduct of our engagement in accordance with Australian Auditing Standards and applicable Standards on Assurance Engagements means that information acquired by us in the course of our engagement is subject to strict confidentiality requirements. Information will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent. Our audit files may, however, be subject to review as part of the Quality Control Review Program of CPA Australia or the Institute of Chartered Accountants Australia which monitors compliance with professional standards by its members. We advise you that by signing this letter you acknowledge and consent that, if requested, our audit files relating to this audit will be made available under this program. Please be aware that the same strict confidentiality requirements apply under this program as apply to us as your auditor.

Limitation of liability

As a practitioner/firm participating in a scheme approved under Professional Services Legislation, our liability may be limited under the scheme. Further information on the scheme is available from the Professional Standards Councils' website: <http://www.professionalstandardscouncil.gov.au>.

Electronic presentation of audited financial report

In signing this letter you confirm our understanding that your superannuation fund does not intend to electronically present the audited financial report and auditor's report on any website.

Electronic Communications

Any form of electronic communication may be subject to interception by a third party and or confidentiality breaches. You acknowledge that you are aware of the risk and agree that we can contact you and send and receive materials relating to your audit electronically. Further, you agree that we can communicate electronically with other parties we have to deal with in the course of conducting your audit. Veritas Corp has a secure client login facility that provides a more secure environment for electronic transmission of your data.

Fees

We look forward to full co-operation with you and we trust that you will make available to us whatever records, documentation and other information are requested in connection with our audit. Our fees, are based on the time required by the individuals assigned to the engagement plus direct out-of-pocket expenses. An invoice for the estimated fee will be raised at the review point stage of the audit and is payable directly to our account within 7 days.

Other

This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated. You may terminate the engagement prior to us commencing the current years audit by giving notice in writing that our audit services are no longer required. If we are required to resign as auditor and terminate this engagement we will notify you in writing allowing sufficient time for you to appoint an alternative auditor to ensure that you meet your reporting obligations.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit and compliance engagement of the financial report.

Yours faithfully