



Verifying the market value of fund assets

For the 2012–13 and later income years, trustees of self-managed super funds (SMSFs) must value all fund assets at market value when preparing the financial statements and accounts for their fund each year. This is to comply with regulation 8.02B of the *Superannuation Industry (Supervision) Regulations 1994* (SISR).

Prior to this time, trustees were only required to value assets at market value if the fund was paying a pension or held in-house assets. Industry practice was to value other fund assets every three years.

Approved SMSF auditors are responsible for verifying the market value of fund assets as determined by the trustees. They also need to obtain evidence to support that determined market value. Where there is insufficient evidence, they must consider modifying the SMSF independent auditor's report (IAR), and lodge an auditor/actuary contravention report (ACR) where the reporting criteria is met.

Find out about:

- [Audit evidence to verify market value](#)
- [Auditor's reporting obligations if insufficient evidence](#)

Audit evidence to verify market value

Trustees of SMSFs are not required to prepare general purpose financial reports. They also do not need to comply with the accounting standards issued by the Australian Accounting Standards Board (AASB).

Instead, SMSF trustees can prepare special purpose financial reports (SPFR) in accordance with accounting policies that have been agreed upon between the entity and the users of those financial statements. However, they are still required to value the fund's assets at 'market' value, as defined in section 10(1) of the *Superannuation*

Industry (Supervision) Act 1993 (SISA), when preparing those statements to comply with regulation 8.02B of the *Superannuation Industry (Supervision) Regulations 1994* (SISR).

In accordance with Auditing Standard ASA 500 *Audit Evidence*, the auditor must obtain sufficient appropriate evidence, either from the trustee or external sources, to form an opinion about whether the SMSF has complied with regulation 8.02B. The auditor must also document that evidence and any judgments made in their audit file.

The auditor's responsibility is to obtain evidence to support the trustees' rationale for determining the market value of each asset (or class of asset). It is not the role of the auditor to value fund assets, or to determine their market value. Their role is to check that assets have been reported at market value by the trustees, and assess and document whether the basis for that valuation is appropriate given the nature of the asset.

Trustees must provide objective and supportable evidence, in accordance with our *Valuation guidelines for self-managed super funds*, to their approved SMSF auditor to support the asset's market value. It is the trustee's responsibility to provide all relevant documents to their auditor to substantiate the valuation.

Unlisted shares in companies or units in unit trusts

For unlisted shares in companies and units in unit trusts, sufficient appropriate audit evidence to support the trustee(s) determination of market value may include:

- an independent expert valuation of assets held in the company or unit trust. If this is not available, evidence of how the market valuation was substantiated by the directors or trustees including objective and supportable data on which they relied, the valuation method they used and any assumptions made
- a property valuation where property is the only asset of the company or unit trust
- the date and price of the most recent sale and purchase of a share or unit between unrelated parties.

Signed audited financial statements of the company or unit trust are unlikely to be sufficient evidence on their own for the purposes of establishing whether the fund's investment is reported at market value if the assets have been valued at cost in those financial statements.

Real property

For real property, an external valuation is one type of sufficient and appropriate audit evidence that may be used to support the trustee(s) determination of market value.

When valuing real property, trustees may consider using a qualified independent valuer (external valuer), especially where the property represents a significant proportion of the fund's value. If they choose to do this, regulation 8.02B of the SISR does not require trustees to obtain an external valuation of real property each year. However, trustees must still consider whether the external valuation can be used to support the valuation of the fund's real property when preparing the fund's statements and accounts each year.

If an external valuation has become materially inaccurate, or the value of the property has changed significantly since it was last valued (for example, because of a change in market conditions or events such as a natural disaster or global pandemic such as COVID-19), trustees should no longer rely on it and obtain a new valuation or other sources of evidence supporting the valuation.

Other forms of acceptable evidence sufficient for substantiating the market value of real property other than an external valuation, include:

- independent appraisals from a real estate agent (kerbside)
- a contract of sale if the purchase is recent and no events have occurred to the property that could materially impact its value since the purchase
- recent comparable sales results
- a rates notice (if consistent with other evidence on valuation)
- the net income yield of commercial properties (not sufficient evidence on their own and only appropriate where tenants are unrelated).

Generally, a single item of evidence listed above will not be sufficient on its own unless the property has been recently purchased by the fund. We suggest a variety of sources of evidence to support compliance with regulation 8.02B.

Real estate agent appraisals stating what the property is likely to sell for based on sales in the area, without listing details of those sales, would generally not on its own be sufficient and appropriate evidence.

The evidence should also support a market value for the property as close as possible to 30 June, especially where the market is potentially volatile.

Auditor's reporting obligations if insufficient evidence

Where the auditor is unable to obtain sufficient and appropriate evidence verifying the market value of a fund asset, they need to consider whether to modify the IAR and lodge an ACR.

Modifying the SMSF IAR

Where an approved SMSF auditor is unable to obtain sufficient appropriate audit evidence that the assets are valued at market value, they must consider modifying the SMSF IAR by:

- issuing a qualified opinion if they believe this could have a material but not pervasive impact on the fund
- issuing a disclaimer of opinion if they believe this could have a material and pervasive impact on the fund.

However, if the auditor is able to obtain sufficient appropriate audit evidence that the assets are not valued at market value, the auditor should consider modifying the SMSF IAR by:

- issuing a qualified opinion if they conclude this has a material but not pervasive impact on the fund
- issuing an adverse opinion if they conclude this has a material and pervasive impact on the fund.

Lodging the ACR

Without sufficient appropriate evidence to verify the value of the asset, the auditor must use their professional judgement to determine whether an ACR should also be lodged.

The auditor must lodge an ACR if they believe:

- the values may be misstated, and
- it is likely that a contravention that meets the reporting criteria has occurred, may be occurring or may occur.

Otherwise, if they are unsure that this would constitute a reportable contravention, they can still tell us about the lack of evidence at the 'Other Regulatory information' section (Section G) of the ACR.

Determining the contravention value for the ACR

If the SMSF auditor cannot determine the value of the contravention with any reasonable degree of accuracy, they can report the asset value recorded in the fund's financial statements as the maximum value of the contravention in the event field of the ACR.

They should also add a description stating that, because they had insufficient evidence to ascertain the value of contravention, they have reported the total asset value recorded in the fund's financial statements as the maximum value of the contravention.

The auditor may decide to report a different figure for the contravention. For example, they may decide to report the difference in the value reported in the financial statements and their own estimation of the market value of the asset. In this case, they should clearly state this in the event field, including a description of the method used, any assumptions made and the data they relied on.

What SMSF trustees can expect if an ACR is lodged

We take a risk assessment approach in dealing with ACRs. We look at the type and number of contraventions reported and the amounts involved. We also look at any further information provided by the SMSF auditor in the events field. Where an ACR is lodged, the SMSF trustee will receive a letter from us and, for higher risk contraventions, an audit or review case may commence.

Where a SMSF trustee is asked to rectify a section 8.02B contravention, we would expect the trustee to attempt to get the asset valued at market value. If they are finding this too difficult, they should explain the issue to us. They can also seek SMSF specific advice. In some cases, the trustee may decide to sell the asset. The trustee should provide information about any rectification action to their SMSF auditor to assist in completing the following year's SMSF audit.

See also:

- [Request for self-managed superannuation fund specific advice \(/Forms/Request-for-SMSF-specific-advice/\)](/Forms/Request-for-SMSF-specific-advice/).
- [Valuation guidelines for self-managed super funds \(/super/self-managed-super-funds/in-detail/smsf-resources/valuation-guidelines-for-self-managed-super-funds/\)](/super/self-managed-super-funds/in-detail/smsf-resources/valuation-guidelines-for-self-managed-super-funds/).
- [Market valuation for tax purposes \(/General/Capital-gains-tax/In-detail/Market-valuations/Market-valuation-for-tax-purposes/\)](/General/Capital-gains-tax/In-detail/Market-valuations/Market-valuation-for-tax-purposes/).
- [AUASB Guidance Statement GS 009 Auditing self-managed superannuation funds \(PDF 1.39MB\) on the Auditing and Assurance Standards Board website \(https://www.auasb.gov.au/Pronouncements/AUASB-Guidance-Statements.aspx\)](https://www.auasb.gov.au/Pronouncements/AUASB-Guidance-Statements.aspx).
- [Lodging an ACR \(/super/self-managed-super-funds/smsf-auditors/reporting/auditor-reporting-requirements-to-ato/?anchor=LodginganACR#LodginganACR\)](/super/self-managed-super-funds/smsf-auditors/reporting/auditor-reporting-requirements-to-ato/?anchor=LodginganACR#LodginganACR).

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).